INTERNATIONALISATION AND PERFORMANCE IN SMALL AND MEDIUM SIZED ENTERPRISES
- Theoretical and Empirical Study of Strategic Behaviour and its impacts on Performance

Paper for EIBA conference
(version 15.7.2009)

December 13-15, 2009 in Valencia, Spain

Irma Vahvaselkä
Dr. Sc. (Econ.)

Contact address:
Laurea University of Applied Sciences
Nummentie 6, FIN- 08100 LOHJA
Tel. +358-46 8567 817, Fax +358-9-88687 801
Email: irma.vahvaselka@laurea.fi

Internationalisation and Performance in Small and Medium- sized enterprises
- Theoretical and Empirical Study of Strategic Behaviour and its impact on Performance.

Working Paper for the EIBA conference (version 15.7.2009)
December 13-15, 2009 in Valencia, Spain

Abstract

This paper is based on a theoretical and empirical study examining the impact of strategic behaviour on performance among SMEs in international business context. The changing and complex global environment demands on the top management's decision-making. The importance of research on the strategic behaviour and performance in international markets has become more evident. Strategies chosen and strategic behaviour play an important role in international success, and therefore they are relevant research areas. The aim of this paper is to examine the impact of strategic behaviour on international performance. The quantitative mail survey method with a sample of 97 exporting firms was in use. The results indicate that in international markets there seems to be significant opportunities for SMEs using strategies such as: competitive specialisation, distinct differentiation and proper marketing strategy. SMEs operating in technology intensive industry and having management with international growth orientation may succeed better in facing the opportunities of turbulent international business environment. Furthermore, internal environment, particularly firm characteristics such as "will and resources" and "management` s competencies and positive international oriented attitudes" have a strong impact on strategic decision-making and thorough that on performance. Based on the results, implications for management and policy makers, as well as suggestions for further research have been given.

Keywords: Internationalisation, SMEs, international performance, strategic behaviour, strategic decision-making, external environment, internal environment

1. Introduction

Small and medium-sized enterprises (SMEs) constitute the vast majority of all business enterprises in Europe, as in market economies elsewhere. The export behaviour and internationalisation process of firms have been the topic of widespread research efforts during the past 35 years. The interest of SME researchers has moved from exporting to processes and models about how SMEs have increased their presence in the international market. A large amount of research on factors influencing performance have been made.

The changing and complex competitive environment demands on the top management's decision-making. The importance of research on the strategic behaviour and performance in international markets has become more evident. Strategies chosen and strategic behaviour play an important role in international success, and therefore they are relevant research areas. Despite widespread research on the export/internationalisation behaviour of firms, no holistic, empirically tested integrative model based on strategic approach exists in the extant literature (Voerman & Zwart 2006).
The purpose of the research was to study strategic behaviour and the strategy-performance relationships in SMEs` internationalisation. The research problem put forward by this study is the following: What is the impact of strategic behaviour on performance in international business context? This broad question is divided into specific research questions as follows: How do the strategies effect on international performance? What is the relation of external and internal environment to strategy and international performance? Can any success strategies be discovered? Those issues will be studied from the individual firm's point of view, at micro level.

In the theoretical part of the study, aiming to present a holistic view of strategic behaviour and performance of SMEs in the international markets, a combination of multiple theories and approaches (strategic decision-making theory, industrial organisation model, resource-based approach, contingency approach) were needed. The theoretical framework, which suggested that there is a strong relationship between strategic behaviour and performance, was developed. Based on literature and earlier research altogether seven hypotheses for empirical testing were postulated.

In the empirical part, the quantitative mail survey method with a sample of 97 exporting firms was in use. The empirical findings are generated through explorative and explanative research methodologies with statistical techniques of multi analysis methods by using the SPSS 11.0 program. This research was a part of LIIKE-project funded in collaboration with the Academy of Finland and the National Technology Agency TEKES in the field of business studies in Finland. From 2655 companies in the original sample 493 were located in the in the Helsinki metropolitan area, and of these 97 (19,7 %) participated in the present study.

The paper is structured into four main parts. First, the relevant literature on internationalisation of SMEs, decision-making theory, strategic behaviour and its impacts on performance is reviewed as well as the hypotheses based on earlier research and theories are formulated. Second, the methodology issues are clarified. Third, the empirical findings from the survey of Finnish SMEs are presented. Fourth, the concluding remarks with managerial and policy implications are provided.

2. The framework of strategic behaviour and performance in SME internationalisation and development of hypotheses for empirical research

2.1 Strategic thinking and strategic decision-making

The roots of strategic thinking lie in Chandler (1962), Ansoff (1965) and Andrews (1971). Chandler (1962) defined strategy as "determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals".

To make a strategic decision means to "make a judgement regarding what ought to do in a certain situation after having deliberated on some alternative course of action" (Harrison 1996). Simon (1955, 1976) treats it as a process synonymous with the whole process of management: "Decision making comprises three principal phases: situation analysing, finding possible courses of action and choosing among courses of action".
According to Harrison (1996), decision-making is the most significant activity engaged in by managers in all types of organisations and at any level. The following five criteria for use in identifying and making a strategic decision: the decision must 1) be directed towards defining the organization` s relationship to its environment, 2) take the organization as a whole as the unit of analysis, 3) encompass all of the major functions performed in the organization, 4) provide constrained guidance for all of the administrative and operational activities of organization, and 5) be critically important to the long-term success of the total organization (Harrison 1996).

The roots of decision-making related to strategic management lie in the seminal works of Simon (1955, 1976). Simon (1976) criticized the assumptions of "rational economic man". According to Simon (1976), human behaviour, can be "intendedly rational" to the extent that an organisational actor is "able to pursue a particular course of action, he has a correct concept of the goal of action, and he is correctly informed about the conditions surrounding his action". Because of the "bounded rationality" of human beings, attainment of goals are only "satisfied" rather than maximized (Simon 1976).

Later, building on Simon`s work, Cyert and March (1963) presented their "behavioural theory of a firm" as an attempt to address issues related to economic decision-making that neoclassical theories did not handle. The work of Cyert and March was based on observations of decision-making behaviour regarding economic decisions like product mix, price and output. Assumptions of profit maximation such as the firm` s goal and existence of perfect knowledge were challenged by Cyert and March. According to Cyert and March (1963), there are two classical solutions to goal conflict. The first solution posits that the goals of an entrepreneur are also the goals of the whole organization: people are hired, paid, and controlled to attain the goals. The second is that goal conflict is estimated through consensus. The authors suggested that organisations do not have goals, but individuals have. Furthermore, these goals are often in conflict, they are never fully resolved, and they are formed by bargaining processes occurring within a coalition of diverse individuals and groups. One approach to goal formation is sequential, planned strategy formation: the organisational goals are decided first and then strategies to pursue the goals are developed (e.g. Andrews 1971; Ansoff 1965; Porter 1980).

Ansoff (1987) later divides the decision-making area into three groups: operating, administrative and strategic decisions. Operating decisions are time- and energy-intensive decisions and their objective is to maximize the profitability of current operations. The aim of administrative decisions is to structure the resources of a firm in a way which creates a maximum performance potential (see the R/B model). The aim of strategic decisions is to form an "impedance match" between the enterprise and its environment through selection of a suitable product-mix for different markets (Ansoff 1987) (see the I/O model). Strategic decisions differ from the other two in the way that they need a "trigger signal" (Ansoff 1987). Otherwise, most managements concentrate on operating and administrative decisions. The making of strategic decisions could be examined with the SWOT concept, i.e. the decisions are based on the strengths and weaknesses in the firm system´ s internal and external operating environment (Ansoff 1987).

In the industrial organization model (the I/O Model), which was applied from the 1960s up to the 1980s, the external environment was thought to be the primary determinant of strategies firms selected to be successful. The industry chosen in which to compete has a stronger influence on a firm` s performance than the choices made by managers within their organisations (Hofer & Schendel 1978; Schendel 1994). Furthermore, a firm` s performance is believed to be predicted by the range of an industry` s properties including economies of scale, barriers to entry, diversification, product differentiation, and the degree of concentration (Seth & Thomas 1994). Typically the I/O model suggests that a firm can earn above-average returns by manufacturing standardised products at costs below those of competitors by following a cost leadership strategy or by differentiating products following a differentiation strategy for which customers are willing to pay a price premium. Above-average returns are earned in the I/O model when firms implement the strategy dictated by the characteristics of the general industry and competitor environments (e.g. Bradley 2005; Chandler 1962; Porter 1980, 1985).

The resource-based model (the R/B model) is based on the view that a firm` s internal environment, in terms of its internal resources and capabilities, is more critical to the determination of strategic actions than the external environment. Instead of focusing on the accumulation of resources necessary to implement the strategy dictated by conditions and constraints in the external environment (the I/O model), the R/B model suggests that a firm` s unique collection of resources and capabilities provides the basis of a strategy. The strategy chosen should allow the firm to best exploit its core competitiveness relative to opportunities in the external environments. The R/B model is based on the growth theory and on the seminal work by Penrose (1959), and on Wernefeldt (1984). However, the perspective experienced a revival during the 1990s in the strategic management literature (e.g. Barney 1991; Hamel & Prahalad 1990; Grant 1991; Miller & Shamsie 1996) related to the analyses of the 1980s where the focus was on the relationship between strategy and the external environment.

In the literature there are two perspectives that explain how much managers can affect decision-making and the outcomes of the decisions made: *the strategic choice and the external control perspective*. *The strategic choice perspective* emphasizes the effects that executives can have on strategic decisions. The effects of the environment are mediated through the filter of managerial perception (Child 1972). According to this view, the dominant coalition of an organization makes strategic choices based on its evaluation of the organisation` s position in terms of stakeholder expectations, environmental trends, and various internal conditions (Child 1972). The contribution of the strategic choice perspective to organisation theory is its explicit recognition that formal decision-making structures affect an organisation` s decision-making effectiveness. *The external control perspective* emphasizes the role of environment in determining strategic decision making (e.g. Hitt & Tyler 1991). This perspective claims that external environment largely constrains managers` decision-making (Romanelli & Tushman 1986). The proponents of this deterministic perspective come from diverse perspectives (Hitt & Tyler 1991). Organisational ecologists (e.g. Hannan & Freeman 1989) and resource dependence theorists (e.g. Pfeffer & Salancik 1978) suggest that organisational design and strategic choices are determined by environmental complexity. Industrial economists (e.g. Porter 1980) claim that an industry` s competitive forces (five forces) largely determine the feasible strategic alternatives available to a firm.

2.2 Strategic behaviour and performance – review of the literature and earlier research and developing hypotheses for empirical research

The research phenomenon will be described and clarified primarily within the framework of strategic management and decision-making theory, and from strategic approach. The strategic behaviour is linked with the strategic decision-making on three hierarchical levels (corporate strategies, business strategies, and functional strategies), which have been chosen, even if it is an SME (Bamberger et. al 1994).

Strategic behaviour means that companies going across borders or acting in international markets have to make different decisions for which they need different strategies. The aim of strategy decisions on each level is to achieve competitiveness and competitive advantages and, thorough performance (Hofer & Schendel 1978; Day 1984; Day & Wensley 1988).

The theoretical framework explains the strategic behaviour and performance in SME internationalisation. The framework suggests that there is a strong relationship between strategic behaviour and performance. The primary concepts are international performance, strategy, competitiveness and competitive advantages, and external and internal environments. The performance is determined by strategy and external and internal environment, and both direct and indirect causal relations exist. Based on earlier research altogether seven hypotheses for empirical testing were postulated.

The Strategy

The corporate strategy

The corporate strategy in general can be defined as the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue (Andrews 1971; Mintzberg et al. 1998). With the choice of its products and markets it wants to serve, the firm decides on its strategic domains and thus on the fundamental problem “what set of business it wants to be in”, the scope of activities. In this sense corporate strategy concerns the composition of the firm` s strategic portfolio as the set of its different product/market combinations or strategic domains and their interrelations (e.g. Bamberger & Bonacker 1994; Bradley 2005; Mintzberg & Quinn 1991). Ansoff`s (1965, 1987) classification for *product/market strategies* from a dynamic perspective includes the combinations of current product, new products, current markets, and new markets. A firm cannot only expand its product-market scope, but also abandon products and/or markets. By reduction of products and/or markets it may concentrate its forces and, therefore carry out a process of specialisation. In product-market growth matrix four growth vectors and four strategies for growth are shown: penetration strategy, product development strategy, market development strategy and diversification strategy. Diversification refers to entry into some business not in the same chain of operation.

Bamberger & Bonacker (1994) suggest that all SMEs have certain products and markets, and thus product/market combinations, even if their product/market combinations are not as SBUs. An SME can be regarded as an SBU corporate level decisions can be regarded applicable to SMEs. With this strategy firms have defined the scope of their activities. Consequently, with regard to SMEs` product/market choices, it is possible to distinguish *basic types of corporate strategies: a) specialisation and diversification, b) internationalisation and c) vertical integration/subcontracting*. These three dimensions of product/market activities can be combined.

a) Specialisation and diversification

Specialisation and diversification describe the diversity of activities of the firm (see Abell 1980; Ansoff 1987). Based on earlier research review by Vahvaselkä (2006) the results of product-market strategy concerning specialisation/diversification are inconclusive and contradictory. (See e.g. Burns & Choisne 1991; Johns 1987; Tallman & Li 1996; Doukas & Lang 2003; Robson, Gallagher & Daly 1992). On the basis of empirical research by the Stratos Group (Bamberger ed. 1994), the meta-analysis of Leonidou et al. (2002) as well as Bamberger and Bonacker (1994), and Knight (1997) it is expected that specialisation strategy has a positive impact on performance. In the present study, it is proposed that specialisation strategy has a positive impact on international performance. The following hypothesis will be postulated:

H1a. *There is a positive relationship between high specialisation and international performance.*

b) Internationalisation

The level of product/market activities refers to the question about the products and the markets to serve, and about the market entry strategies (Bamberger & Bonacker 1994; Root 1994). Internationalisation strategies concern the decision to initiate export, the choice of target markets (which markets to enter), and the international entry (how the firm should enter the markets chosen) strategies (Bamberger ed. 1994).

Decision to initiate exporting. As to decisions to start exporting, empirical evidence shows that during the initiating stages a firm is more likely to be motivated in international business by reactive and external factors, but later with increased involvement the export stimulation of the firm is more likely to occur due to proactive and internal factors, indicating an aggressive and strategic approach to international business (Leonidou & Katsikeas 1996). Morgan (2000) `s integrated typology of the internal/external and proactive/reactive to get more comprehensive and a greater level of explanatory power when compared with the two independent dichotomies: 1) *Internal-proactive export stimuli,* 2) *Internal-reactive export stimuli, 3) External-proactive export stimuli and 4) External-reactive export stimuli.*

Opportunities in foreign markets as a stimulus are advantageous to improve international performance, and the results of ealier research review by Vahvaselkä (2006) support the assumption of the positive impact of external proactive stimuli on international performance. Moreover, the results support the assumption of the positive impact of internal proactive stimuli on international performance. Consequently, the following hypothesis will be postulated:

H1b. *Firms having started internationalisation based mainly on proactive motives have performed better than firms having started internationalisation based mainly on other motives.*

Market strategy. As to market selection decisions, a firm’s expansion into foreign markets can take two distinct alternative approaches: market concentration, marketing to a relatively small number of export markets (e.g. Denis and Depelteau 1985; Piercy (1981b;Piercy 1982;), and market spreading, marketing to as many overseas markets as possible (e.g. Ayal & Zif 1979; Bodur 1994; Cooper and Kleinschmidt 1985; Diamantapoulos and Inglis 1988; Holzmüller and Kasper 1991; Naidu and Prasad 1994; Nakos, Brouthers and Brouthers 1998). Haahti et al. (1998) state that a small group of Finnish firms has a global point of view. Most of companies are ethnocentric and sell to none or only a few countries with low sales volumes and export sales rations.
Further, empirical evidence shows that during the early stages, firms exhibit a more concentrated foreign market focus, while increased involvement encourages diversification to a larger number of markets (e.g. Piercy 1981b; Dalli 1994; Naidu & Prasad 1994). Based on the earlier research reviewed by Vahvaselkä (2006), the results concerning market selection and the number of target markets and the relation to international performance are inconclusive and contradictory. Despite plenty of studies reviewed effects of the number of foreign customers on performance were not found. In the present study, it is assumed that as market-nichers when specialising by satisfying customer needs in narrow segment, SMEs should operate in several countries with similar segments having many customers. Hence, the present study proposes that there is a positive link between market spreading and international performance. The following hypothesis will be postulated:

H1c. *There is a positive relationship between the number of target countries and the number of foreign customers, and international performance.*

Entry mode strategy. As to decision of entry mode, empirical evidence shows that during the initiating stages the firm enters foreign markets via indirect export methods, but later with increased involvement the firm distributes its products to overseas markets using direct export methods (Leonidou & Katsikeas 1996). Larimo and Sutinen (1996) conclude in their study that the most common export modes are direct export to the end-customer, foreign agent and importer and a sales office. Their own exports are particularly to the Nordic countries, Western Europe and to the Baltic countries.

To summarize, based on earlier research by Vahvaselkä (2006) concerning operation modes and their impact on international performance, the results seem to be inconclusive and no specific direction can be hypothesised.. In the present study, it is assumed that direct channels are used in SMEs. Moreover, it is assumed that firms move to use more sophisticated operation modes than traditional exporting modes for strengthen their position and presence in certain market. Hence, it is proposed that firms using more sophisticated operation modes (here such as sales unit, licensing and joint venture) have performed better than those having used traditional export operation modes. The following hypothesis will be postulated:

H1d. *Firms having entry more sophisticated entry modes have performed bet ter than firms having export entry modes.*

c) Vertical integration and subcontracting

Vertical integration and subcontracting constitute a third dimension of product/market strategies (Bamberger & Bonacker 1994). *The strategy of vertical integration* concerns the extent in which a firm integrates activities. When analysing the strategic behaviour of SMEs, it may be studied with respect to the different activities of a firm´ s value creation chain (Porter 1985, 1990; Bamberger & Bonacker 1994), and thus vertical integration may be applicable for SMEs. However, this issue is excluded in the present study.

Subcontracting in one of the most important strategies of SMEs (Bamberger & Bonacker 1994). Subcontracting means that a firm produces products or services to the specifications of a customer who retains responsibilities for sales (Luostarinen & Welch 1990). The strategy of subcontracting may be studied either from the perspective of a firm which externalises an activity and transfers its execution to another firm or from the perspective of a firm carrying out the activity for the principal "supplier" or "subcontractor".

Based on research evidence, subcontracting is one of the most important strategies of SMEs. More than a third of industrial SMEs have subcontracting activities (e.g. Bamberger 1994; Holmlund & Kock 1996; Larimo & Sutinen 1996).

In conclusion, operating as a subcontractor or OEM manufacturer is common in SMEs, and supposed to be of high importance. However, in earlier research by Vahvaselkä (2006), no relationship between subcontracting and performance was found. The author argues that in the competitive business environment, for subcontractors or OEM manufacturers it seems to be difficult to forecast sales, production and profits due to variation in demand of contracting party. Thus, in this study due to a lack of research evidence it is assumed that firms having own products are more independent and can adapt their operations to environment conditions. So, the following hypothesis related to corporate strategy decisions for testing may be postulated:

H1e. *Firms not operating as subcontractor or OEM-manufacturer (own products) have performed better than firms having operating as a subcontractor or an OEM-manufacturer.*

Business strategy

A firm has to decide on its business level how it wants to compete in a certain product/market combination and how a firm intends to succeed with a product group in a specific market. Thus, business-level strategies are about how a firm creates and develops competitive advantages and about a firm` s position within an industry (see in the Porter` s diamond model) relative to that of its competitors (Bamberger 1994; Porter 1985; Porter 1990; Hollensen 2004).

Porter (1985) considers that in the long term, the extent to which the firm is able to create a defendable position in an industry is the major determinant of the success with which it will out-perform its competitors. He proposes "generic strategies" by means of which a firm can develop a competitive advantage and create a defendable position: *1) overall cost leadership, 2) differentiation and 3) focusing*. (Porter 1980.)

A cost leadership strategy means an integrated set of actions designed to produce products at the industry-wide lowest cost relative to competitors and with features that are acceptable to customers (Porter 1980, 1985). Pursuing the strategy of cost leadership, a firm attempts to cut its cost to become the cost leader of the market or industry. Typically this will be realized by aggressive capacity expansion, consistent utilization of the experience curve effect, pursuing economies of scale, low cost product design and tight cost/overhead control, which are of particular importance in SMEs (Porter 1980, 1985; Bamberger & Bonacker 1994). *Differentiation strategy* means that a firm seeks to distinguish its products or services from competitors by characteristics other than low cost. These characteristics can be, for example, unusual product features, rapid product innovations, quality or high technology, technological leadership, responsive customer service or technical assistance, a famous brand name, company image, a good location, personal contacts, or a product line (Porter 1980, 1985). *The focus strategy* can be defined as an integrated set of actions designed to produce or deliver goods and services that serve the needs of a particular competitive segment. So, the focusing strategy means concentrating on a particular buyer group, segment of the product line, or geographic market. The essence of strategy is the exploitation of a narrow target` s differences from the balance of the industry. (Porter 1980.) The success of the focus strategy rests on two pillars: either on a firm` s ability to find segments whose unique needs are so specialised that broad-based competitors choose not to serve them, or to locate a segment being served poorly (Porter 1985). Firms can create value for their customers in specific and unique market segments by using one of two different strategies. Focusing on one or few segments, which is typically often done by SMEs because of their size, may either provide cost advantage ("cost focus", "focused cost leadership") or differentiation ("differentiation focus", "focused differentiation").

In the present study, based on earlier thin research (see Vahvaselkä 2006) it is expected that the business strategies have a positive relation to performance. The following hypotheses for testing may be postulated:

H2a. *There is a positive relationship between high focus strategy and international performance.*
H2b. *There is a positive relationship between high differentiation strategy and international performance.*
H2c. *There is a positive relationship between high cost leadership and international performance.*

Functional strategy/marketing strategy

Functional strategies concern a firm's international patterns of behaviour with regard to the functional areas such as purchasing, production, marketing, finance and accounting, research and development (R&D), or personnel. Functional strategies must be chosen to correspond to the pursued product/market strategies. The function of functional strategies is the deployment and use of specific resources and capabilities (distinctive competences) as sources of competitive advantages. (Bamberger & Bonacker 1994.)

The marketing function focuses on satisfying the needs and expectations of customers and covers a range of related functions (see value chain and value system by Porter 1980, 1990). The function of strategic marketing is defined here as to plan and execute programs that will ensure a long-term competitive advantage for a company by determining specific target markets and by marketing management (e.g. Kotler 1980). Marketing strategy seems to be a central success factor in the internationalisation of a firm. The choices of marketing mix are of high importance (e.g. Bradley 1991; Weitz & Wensley 1991; Evangelista 1996; Cravens 1997). Marketing strategy in earlier research is composed of several elements and it has received considerable research attention (Zou & Stan 1998). Marketing strategy comprises the marketing mix including product, price, distribution and promotion factors. Targeting, export planning and organisation/management variables have also been included in this set of factors (e.g. Kotler 1980; Kirpalani & MacIntosh 1980; McGuinness & Little 1981; Bilkey 1985). The vital role that marketing strategy plays in determining the performance of the firm has been emphasised by numerous studies (e.g. Aaby & Slater 1989; Cavusgil & Zou 1994; Cooper & Kleinschmidt 1985). According to the results of the meta-analysis by Leonidou, Katsikeas and Samiee (2002), there seems to be a strong association between marketing strategy determinants and international performance and the implementation of a well designed marketing strategy can indeed determine performance. The majority of marketing strategy variables was significantly associated with overall international performance (Leonidou et al. 2002). In the present study, based on above mentioned earlier research and the research review by Vahvaselkä (2006) it is expected that the marketing strategy has a positive relation to performance. The following hypotheses for testing may be postulated:

H3a. *There is a positive relationship between strategic planning and international performance.*
H3b. *There is a positive relationship between high utilisation of marketing research and international performance.*
H3c. *There is a positive relationship between degree of marketing mix adaptation and international performance.*
H3d. *There is a positive relationship between customer oriented strategy and international performance.*

Strategic competitiveness and competitive advantages

Comptitiveness *for a firm refers to its ability to increase earnings by expanding sales and/or profit margins in the market in which it competes so that it defends its market position. Competitiveness in this sense is almost synonymous with the firm` s long-run- profit performance relative to its rivals. A firms seeks strategic competitiveness and above-average returns, and to achieve them it analyses its external environment to identify opportunities as well as threats, then identifies the internal environment and determines which of its internal resources and capabilities are core competencies, and then it chooses an appropriate strategy to implement them. (See Bradley 2005; Búrca et al. 2004; Collins & Montgomery 1995; Hollensen 2004.)* Competitive strategies *concern the way firms try to obtain competitive advantage in their market.* A competitive advantage *can be defined as a unique position which a firm develops vis-à-vis its competitors and as a position of superiority in an industry or a market (Hofer & Schendel 1978; Day 1984; Day & Wensley 1988; Porter 1985).*

Numerous studies show a clear link between different competitive advantages and international performance. (See Vahvaselkä 2006.) Moen (1999) used twelve competitive advantages (product quality, technology, delivery capacity, production, finance, service, management and planning, purchasing, unique products, distribution, price, and marketing) based on Porter (1980), Day and Wensley (1988), as well as on Dess and Davis (1984), Namiki (1988) and Knight (1997). He used factor analysis to classify the competitive advantage items resulting as the first factor "marketing advantages" including service, marketing, management and planning, finance and distribution, the second factor "price and production" including price together with purchasing, delivering capacity and production, and the third factor "technology and product", related to technology and product quality as competitive elements for the firm. The results of Moen (1999) indicate that marketing-related factors were the least important, while technology and product factors were the most important competitive advantage for SMEs. Later, Moen (2002) notes no significant differences regarding marketing and price advantages between global and local firms.

Larimo and Pulkkinen (2003) found that SMEs have high technology advantages. Further, they found no significant difference between price and marketing advantages. The results indicated that among highly internationally oriented firms the strongest competitive advantage is related to technology (the difference between technology and marketing/price advantages was also bigger). This is in line with Haverila (1995), Härkki et al. (1995), Knight (1997), Larimo and Sutinen (1996) and Moen (2002).

In the present study, due to a lack of consistent conceptualisation and operationalisation, the firm is considered to have competitive advantages around those three issues presented by Moen (1999; Moen 2002) and Larimo and Pulkinen (2003). Hence, based on earlier research in the present study it is hypothesised that competitiveness and competitive advantages impact on performance and that SMEs have high product and technology advantages. The following hypothesis for testing may be postulated:

H4. *Firms having high product and technology advantages have performed better than firms having price and production advantages or high marketing advantages.*

Export/international performance

Performance in the international context is a multifaceted and complex concept that cannot be measured by a single indicator (e.g. Buckley et al. 1988; Aaby & Slater 1989; Samiee & Roth 1992; Cavusgil & Zou 1994). It can be conceptualised in several ways, depending on the context and approach. According to Axinn et al. (1994), performance is always somehow related to achieving the goals set for the company's international operations and it can be examined from both the success of the internal activities and especially in relation to its competitive and complex operational environment.

Within performance research, there seems to be two fundamental approaches to assessing performance (see e.g. Aaby & Slater 1989). In the beginning, the major part of this research focused on the investigations of those factors underlying a firm's initial export involvement". The other approach focuses on exporting companies and measures export performance according to some criterion pertaining to the export position of the firm (Katsikeas, Piercy & Ioannidis 1996). Based on the literature reviewed, multi-measure approaches are used (e.g. Beamish & Munro 1987; Craig & Beamish 1989; Samiee & Walters 1990; Dominiques & Sequira 1993; Cavusgil & Zou 1994; Katsikeas, Leonidou & Morgan 2000). Madsen (1987) and Matthyssens and Pauwels (1996) in their research reviews grouped all measures of internatio-nal performance into seven categories, representing financial (sales, profit, growth), non-financial (perceived success, satisfaction, goal achievement), and composite scores. Further, Katsikeas, Piercy and Ioannidis (1996) in their review point out that while financial measures (e.g. sales, profit, market share) have been associated with objective terms (in absolute figures and percentages), non-financial measures (e.g. goal achievement, success, satisfaction) have been associated with subjective terms (e.g. managers` perception). The reliability and validity have been supported by using of non-financial and subjective terms to assess performance (e.g. the satisfaction measure has been frequently used in recent years) (see Evangelista 1994; Shoham 1996 at exporting levels; Lages 1999, 2000;Larimo & Sutinen 1996, Larimo 2000; Seifert & Ford 1989 across several industries).

External environment and its impact on performance

According to the I/O theory, the external factors determine the firm` s strategy, which in turn determine performance (Scherer and Ross 1990). The external environmental factors pose to the firm both opportunities and threats which cannot be controlled by SME management. They should be considered in decision-making. Some of them are situation-specific factors that are not predictable. Those factors have received the least attention (Katsikeas, Leonidou & Morgan 2000; Zou & Stan 1998) from researchers in spite of their recognized importance (e.g. Aaby & Slater 1989; Cavusgil & Zou 1994). In the meta-analysis of Zou and Stan (1998), only 18 out of the 50 studies reviewed addressed the influence of the external environment and most of them reported non-significant findings. *The external environment is divided into 1) Foreign market characteristics, 2) industry characteristics, and 3) domestic market characteristics.*

Foreign market characteristics. In the meta-analysis of Zou and Stan (1998), market growth, market competitiveness (competition in the host country) and export market barriers are aspects related to *market attractiveness*. The results related to export market attractiveness are inconclusive. In the present study it is proposed, based on the findings of Madsen (1989), that foreign market attractiveness (growth) has a positive impact on foreign performance. The following hypothesis for testing may be postulated:

H5a. *There is a positive relationship between foreign market `s growth and international performance.*

Industry Characteristics. Industry characteristics have been studied e.g. by Cavusgil and Kirpalani (1993), Das (1994), Hite and Fraser (1988); Holzmüller and Kasper (1991), Holzmüller and Stöttinger (1996), Lim, Sharkey and Kim (1996), Naidu (1994), and Seifert and Ford (1989). The industry chosen in which to compete has a strong influence on a firm's performance (Porter 1985). In sum, based on earlier research in the present study, it is hypothesised that firms in more complex and technology-oriented industries perform better. This will be measured by technological intensity and diversity. The following hypothesis for testing may be postulated:

H5b. *The high technological intensity and high R&D intensity in industry have a positive impact on international performance.*

Domestic Market Characteristics. Das (1994), and Zou and Stan (1998) state that few investigations exist on the impact of the domestic characteristics on international performance of firms in developed countries and argue that there is a relationship between domestic market conditions and international performance. The region where the firm exists is important to international performance. The competition faced by a firm in the home market also affects its international performance (Kaynak 1992; Nakos, Brouthers & Brouthers 1998). Das (1994) found that successful exporters (as to export intensity) operate in a turbulent (highly competitive and unstable) environment. Cooper and Kleinschmidt (1985) argue that the domestic market attractiveness (i.e. domestic market potential and market growth) influences export intensity.

Internal environment and its impact on performance

The R/B theory contends that the principal determinants of a firm's international performance and strategy are the internal organisation resources (Barney 1991). The relation of internal environment to international performance will be examined. It is hypothesised in the present study that there are a positive relationship between organisational characteristics and capabilities and international performance. *The internal environment is divided into 1) firm characteristics and competencies, 2) management characteristics, and 3) management attitudes and perceptions.*

Firm characteristics and competencies. Organisational characteristics and competencies have been cited as important determinants of international performance in earlier research (Vahvaselkä 2006) giving mixed results. Technology level or technological strength seems to have a positive impact on international performance. In the present study, it is hypothesized that firm characteristics, expressed by the technology level or technological strength, have a positive impact on foreign performance directly or indirectly via strategy decisions. The following hypothesis for testing may be postulated:

H6a. *There is a positive relationship between firm's characteristics such as high technology level and international performance.*

Characteristics of management. The management factors are the key determinants of international performance and have also been correlated with international performance (see meta-analysis of Ford & Leonidou 1991; Aaby & Slater 1989; Vahvaselkä 2006). Earlier research concerning management's characteristics indicate that firm's international performance benefits from having educated and internationally experienced management. Fluency in foreign languages is closely linked with international experience. International commitment and in commitment are closely linked with international experience. Hence, management's characteristics are assumed to impact on international performance directly or indirectly via strategy decisions. The following hypothesis for testing may be postulated:

H6b. *There is a positive relationship between management's characteristics and international performance.*

Management´ s attitudes and perceptions. The second type of internal and controllable factors, the attitudes and perceptions of management have been frequently cited as important determinants of international performance These are linked with both international orientation (customer orientation and customer satisfaction) and entrepreneurial orientation (innovativeness, risk-taking and proactiveness) (see Yeoh and Jeong 1995). Earlier research in this area is fragmented and dispersed (see Vahvaselkä 2006). The present study proposes that the characteristics and attitudes of management have a positive overall impact on foreign performance. Earlier research concerning management's attitudes and perceptions indicate that management's characteristics and attitudes are linked with each other. The objective managerial characteristics such as age, education, export experience and language fluency may have an indirect effect on performance through both strategic behaviour (strategy) and by shaping attitudes. Furthermore, managerial characteristics and attitudes such as commitment to international markets, international venturesomeness, and international responsiveness and customer orientation affect international performance both directly and indirectly via strategy. These represent entrepreneurial and international market-based orientation. The following hypothesis for testing may be postulated:

H6c. *There is a positive relationship between management's attitudes such as high international responsiveness, high international vision and high international customer orientation and international performance.*

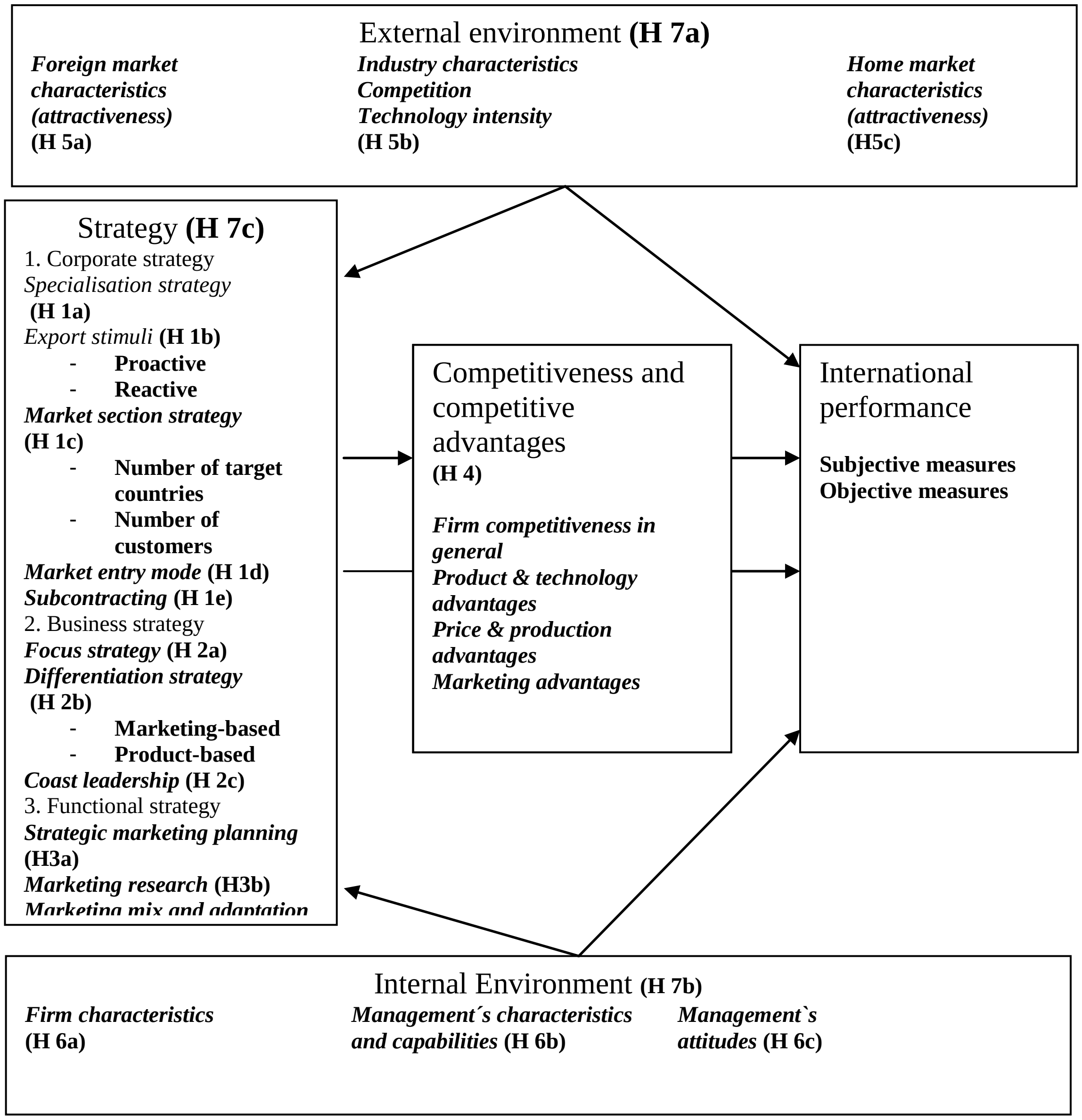

Figure 1. Theoretical framework: Strategic behaviour and performance in SME internationalisation

3. Methodology

The empirical objective was to test the hypotheses developed in the theoretical part and to identify the success strategies in the internationalisation of SMEs. The sequential steps of marketing research used in the present study were: formulating research problem, determining research design, measurement, designing data collection method, designing sample, collecting data, analysing and interpreting the data, and preparing the research report.

The empirical study was conducted with quantitative mail survey method. Survey and quantitative observation methods are vital techniques in descriptive research and cross-sectional designs. Surveys refer to a method of data collection that utilizes questionnaires. They are an effective tool for obtaining opinions, attitudes, and descriptions as well as for determining cause-effect relationships (see Ghauri & Grönhaug 2002; Hair et al.1998; Malhotra and Birks 2004).

The questionnaire was developed in autumn 2001 in a Nordic cooperation project with faculty members from three Finnish universities and five foreign universities. The six-page questionnaire had eight main sections. The questionnaire starts 1) by inquiring about basic company background data (general information) and 2) included questions related to the role of international inward operations (excluded in the present study), 3) motives to start foreign sales (the beginning and role of foreign sales, international orientation, international experience of company management), 4) use of communication technologies, 5) export strategies and competitive advantages (the company' s strategy in international business) and 6) as well as performance (in international markets), 7) future of the company' s international operations and field of business (excluded), and 8) key figures of the company (open ended). The questionnaire comprised a total of 48 questions. The questionnaire was accompanied by a cover letter explaining the aims of the study, guaranteeing confidentiality, and urging response. After constructing the survey instrument it was pre-tested and modified. Fourteen days after the survey was mailed out, a reminder was sent to all companies that had not yet responded or a reminder call was made in December 2001.

The present study was one part of the Finnish LIIKE project, and limited to a small geographical area in southern Finland. The geographical scope of the study reflects the author´ s area of responsibility in Master Degree Program at Laurea University of Applied Science. The "national" target population of the LIIKE research consists of SMEs in Finland with specific limitations to industrial and service SME firms that employed at least five people and were involved in exporting. The target group consisted of 2655 companies. In total 485 answers were received, of which 469 were usable, resulting to a response rate of 17.7 per cent. Regarding the participating companies, 84.7 per cent are manufacturers and 15.3 per cent are from service sector. About half of the companies were family-owned companies, about one-fourth was part of a larger group, and the remaining one-fourth were independent limited liability companies. The mean year of establishment of these companies was 1974 and the mode value 1992. The first year of export was on average 1985, whereas the mode value was 1995. In 2001, the participating companies had on average 64 employees with the mode value of eight employees. The mean of annual turnover was in 2001 ca. EUR 8.67 million and mode ca. EUR 1.68 million. The average share of exports in 2000-2001 was 39.2 per cent and the mode value 5 per cent of total sales. On average, the companies operated in 2000-2001 in 9.4 foreign markets, whereas the mode value was three foreign target countries. The sample was regarded as representative. The present "regional" research is based on the data received from this survey made together with the LIIKE project group. From 2654 companies in the original sample, 493 were located in the Helsinki area and the Länsi-Uusimaa Region. Of these companies, 97 firms (19.7%) were participating in our study.

The empirical model within this study, "Strategic Behaviour and Performance" was based on the review of literature and on the earlier research reviewed resulting the conceptual framework. It has been developed to analyse the phenomena of strategic behaviour and performance in SME in internationalisation. The primary concepts in the model are international performance, strategy, competitiveness and competitive advantages, external environment, and internal environment.

The determinants related to performance (strategy, environments, competitiveness and competitive advantage) are *independent variables*. *The corporate strategy* as to product/market strategy measurement has three dimensions: 1) specialisation, 2) internationalisation, and 3) subcontracting. *Internationalisation strategy* in theory is divided into two parts: *decisions to initiate internationalisation (export stimuli)* and *market entry strategy* (market selection and operation mode). *The business strategy level* as to competitive strategy measurement has been divided into three parts: 1) focus strategy, 2) differentiation strategy (both market-based differentiation and product-based differentiation) and 3) cost leadership strategy decisions. The Likert 1-5 scale was used for all of business strategy variables. *The functional strategy level measurement* concerns strategic marketing strategy elements such as strategic export planning, utilization of marketing research, and marketing mix and adaptation. For all of these variables the Likert 1-5 scale is used. *The external environment* was divided into three areas: 1) foreign market characteristics, 2) industry characteristics, and 3) home market characteristics. *The internal environment* has been divided into three separate areas: 1) the firm's characteristics, capabilities and resources, 2) management characteristics and competences and 3) management attitudes. For all these variables of internal environment the Likert 1-5 scale was used. *Competitiveness and competitive advantages* were divided into four areas: 1) firm competitiveness in general, 2) technology and product advantages, 3) price and production advantages and 4) marketing advantages.. For these variables the Likert 1-5 scale or nominal scale were used.

International performance is the primary *dependent variable.* Furthermore, performance is measured by both subjective and objective measures. *The subjective measures* used assessed the top management' s satisfaction with success, satisfaction with success in general in foreign operations and the overall success of the most important product/service in international markets. For those the Likert 1-5 scale was used. *The objective measures* used are the following variables: change in export intensity, the relative growth of foreign sales from total sales in the surveyed firm from 1999-2001, change in turnover abroad, the relative growth of foreign turnover in the surveyed firm from 1999-2001, the change in market share in the most important country and the relative growth of market share in the surveyed firm from 1999-2001. For those the nominal scale was used.

Multiple measurements were developed to represent the abstract phenomenon indicated by the theory. To develop the measures this study relies on Churchill's (1979) recommendation to adopt and adapt measures used and validated in other studies. The questionnaire used in the present study has been constructed by the co-operated LIIKE project group. The measurement scales have been in general validated by previous research by Lindquist (1991), Knight (1997) and Moen (2002) with notion that in earlier studies a 7-point scale (also a 9-point scale) was often used, but in this study a 5-point scale was adopted to follow the same scale structure as in other questions on own scales in the survey developed by the project group. Within our study, the variable names in the analysis are based on the numbers of the questionnaire (marked with Q). The corresponding SPSS variables (marked with VAR) are expressed separately and explained where needed.

In the present study, in the statistical analysis, the analyses of data reduction (factor analysis), linear regression analyses and cross tabulation calculations were made. Also testes of mean differences were chosen for use, depending on the situation of the analysis. The classification of dependent and independent has been presented. The descriptive statistics of all variables in the analyses were examined and summarised, in order to arrange the empirical variables of the survey data into valid subgroups and join these in a valid way to the theoretical concepts in the conceptual framework of the study. When testing the mean differences of dependent variables in classified data, the t-test was adopted (see Holopainen, Tenhunen & Vuorinen 2006). We also need to note the fact that variables which are measured with the Likert scale 1-5 have to be considered as measures of distance scale, in order to make calculations which are needed in factor analysis and regression analysis. Reduction of variables was done by factor analysis to simplify the analysis to key concepts and their representing empirical measures. The hypotheses developed in the theoretical part were tested (see Ghauri & Grönhaug 2002; Kumar, Aaker & Day 2002; Malhotra & Birks 2004; Metsämuuronen 2000).

The term "reliability" is an indication of how accurately, consistently, and repeatedly data are measured, whereas "validity" is an indication of how well data describe the phenomena they are said to describe. In structural research, this requires that conceptual definitions are used specifying the domain of constructs, and operational definitions (measures) are developed to capture the constructs (see e.g. Churchill 1979; Ghauri & Grönhaug 2002). The reliability aspects were examined by calculating Cronbach's alpha coefficients for all relevant subgroups of variables in the analysis. On basis of this analysis some separate variables have to be excluded from the factor analysis. The rationale for internal consistency (measuring reliability) is that the individual items of indicators of scale should all be measuring the same construct, and thus be highly intercorrelated (Hair et al. 1998). Some important validity aspects in our study have been discussed. Unidimensionality of the variables (representing content validity) have been noted when forming the summated scales in factor analysis. The summated scale should consist of items loading highly on a single factor (Hair et al. 1998). All factor loadings are explicitly calculated and noted.

4. Empirical findings

The empirical objective was to test the hypotheses developed in the theoretical part and to identify the success strategies in the internationalisation of SMEs.

Impact of Corporate strategy on Performance

In the case of *H1, it was proposed that there is a positive association between corporate strategy (specialisation, proactive initiating exports, market spreading, more sophisticated entry modes) and international performance.*

H1a argued that there is a positive relationship between high specialisation and international performance. The empirical test results showed that there is a positive relationship between competitive specialisation and international performance. *H1a was supported. The conclusion is that SMEs specialising in satisfying specialised customer needs and with a special product can succeed in international markets.* H1b suggested that firms having started internationalisation based mainly on proactive motives have performed better than firms having started internationalisation based mainly on other motives. The results showed that between proactive stimuli and international performance not any significant relationships were found. Moreover, the results showed that there was not any relationship between reactive stimuli and international performance. *H1b was not supported. The conclusion is that neither proactive export stimuli nor reactive export stimuli do explain international performance.* H1c proposed that the market spreading strategy has a positive impact on international performance. The results showed a significant link between higher number of target countries and foreign customers, and international performance. Overall, *H1c was supported*. *The main conclusion is that market spreading will give better performance.* H1d argued that firms having more sophisticated entry modes have performed better than firms having export entry modes. The results showed that there is not a positive relationship between sophisticated entry modes and international performance. Moreover, international performance could not be explained by any classified entry mode variable. Thus, *H1d was not supported. The main conclusion is that operation mode can not predict international performance.* H1e argued that firms not operating as subcontractor or OEM-manufacturer have performed better than firms having operating as such. The result show that there is not a positive relationship between subcontracting strategy and strategy of own products based on the data in this survey. *H1e was not supported*. *The main conclusion is that firms can operate and they may succeed as a subcontractor or OEM-manufacturer in internationalisation.*
In total, there is a positive relationship between international performance and corporate strategy such as specialisation strategy and market spreading strategy. Competitive specialisation strategy (meaning high degree on speciality in the product with reasonable prising) is suggested to be as one of the success strategies of SMEs.

Impact of Business strategy on Performance

In the case of *H2, it was proposed that there is a positive association between business strategy and international performance.*

H2a suggested that there is a positive relationship between high focus strategy and international performance. The results showed not a statistically significant link between focus strategy and international performance. *H2a was not supported.* To be able to draw any conclusions, this hypothesis should be measured with several variables (in this study the number of variables was insufficient to test this hypothesis adequately). H2b suggested that there is a positive relationship between differentiation strategy and international performance. The results showed a significant relationship between differentiation and international performance. *H2b was supported. The main conclusion is that high differentiation leads to better performance.* H2c argued that there is a positive relationship between high cost leader strategy and international performance. The results showed no dependence between these variables. *H2c was not supported. The main conclusion is that cost leadership strategy can not be used as main competitive strategy.*

In total, there is a positive relationship between business strategy such as differentiation strategy and international performance. Competitive differentiation strategy is suggested to be as one of the success strategies of SMEs.

Impact of Functional strategy on Performance

In the case of *H3, it was proposed that there is a positive association between functional/marketing strategy and international performance.*
H3a suggested that there is a positive relationship between strategic planning and international performance. The results showed that there exists a positive relationship between strategic planning and international performance. The *H3a was supported. The main conclusion is that strategic planning is an important element of marketing strategy.* H3b suggested that there is a positive relationship between high utilisation of marketing research and international performance. The results showed that there exists a positive relationship between high utilisation of marketing research and international performance. The *H3b was supported. The main conclusion is that utilisation of marketing research is an important element of marketing strategy.* The H3c suggested that there is a positive relationship between marketing mix and adaptation, and international performance. The results showed that there exists a positive relationship proper marketing mix and international performance. The *H3c was supported. The main conclusion is that proper marketing mix is an important element of marketing strategy.* The H3d suggested that there is a positive relationship between the customer-oriented strategy and international performance. The results showed that there exists a positive relationship between the customer oriented strategy and international performance. The *H3d was supported. The main conclusion is that customer oriented strategy is an important element of marketing strategy.*

In total, there is a positive relationship between marketing strategy and international performance. Proper marketing-mix strategy is suggested to be as one of the success strategies of SMEs.

Table 1. Summary of the test results concerning hypotheses of strategy.

Code	Working hypotheses (H_1 hypotheses) of strategy	Empirical test results
1	Strategy on corporate level	
1a	There is a positive relationship between high specialisation and international performance.	Supported
1b	Firms having started internationalisation based mainly on proactive motives have performed better than firms having started internationalisation based mainly on other motives.	Not supported
1c	There is a positive relationship between market spreading strategy and international performance.	Supported with options
1d	Firms having entry more sophisticated entry modes have performed better than firms having export entry modes.	Not supported
1e	Firms not operating as subcontractor or OEM-manufacturer have performed better than firms having operating as a subcontractor or an OEM-manufacturer.	Not supported
2	Strategy on business level	
2a	There is a positive relationship between high focus strategy and international performance.	Not supported
2b	There is a positive relationship between high differentiation strategy and international performance.	Supported
2c	There is a positive relationship between high cost leadership and international performance.	Not supported
3	Strategy on functional level	
3a	There is a positive relationship between strategic planning and international performance.	Supported
3b	There is a positive relationship between high utilisation of marketing research and international performance.	Supported
3c	There is a positive relationship between degree of marketing mix adaptation and international performance.	Supported
3d	There is a positive relationship between the customer oriented strategy and international performance.	Supported

Impact of Competitiveness/competitive advantages on Performance

H4, which was related to competitiveness and competitive advantages, proposed that firms having high product and technology advantages or high marketing advantages have performed better than firms having price and production advantages. The results showed no significant evidence of that; product and technology advantages had the lowest F-test levels. Overall, *H4 was not supported. The main conclusion is that further research on conceptualisation and operationalisation is needed.*

Impact of External environment on Performance

In the case of *H5, it was proposed that there is a positive association between external environment factors and international performance.*

H5a suggested that the foreign market's growth has a positive impact on international performance. The results showed a significant link between high market's growth and international performance. The *H5a was supported. The conclusion is that SMEs, small firms in particular, should benefit from the growth of foreign markets for own growth strategy.* H5b proposed that high technological intensity and high R&D intensity in industry have a positive impact on international performance. The results showed a significant link between high was supported in industry and high international performance. The *H5b was supported. The conclusion is that SMEs operating in an industry, in which R&D intensity is high, perform better.* H5c suggested that the high competition in industry has a positive impact on international performance. The results showed no significant relationship between high competition in industry and international performance. The *H5c was not supported.*
In total, there are effective relationships between external environment and international performance. Growth orientation strategy and operating in technology intensity industry may be used successfully by some SMEs in their internationalisation.

Impact of Internal environment on Performance

In the case of *H6, it was proposed that there is a positive association between (positive) internal environment and international performance.*

H6a proposed that firm's characteristics such as high technology level have a positive impact on international performance. The results indicate that things like financial investments, reasonable number of employees, attitude to examination of internationalisation and technology level of the company (all included in the factor "Will and resources") cause better international performance. Hence, high technology level has a positive impact on international performance. The *H6a was supported. The conclusion is that there are opportunities for SMEs with high technology level in international markets, and will and resources of a firm cause better international performance.* H6b suggested that management's characteristics (such as high international orientation and high commitment to international business) have a positive impact on international performance. The results indicate that things like "management's competences" have a positive impact on international performance. Hence, management's characteristics have a positive impact on international performance. The *H6b was supported. The conclusion is that management's characteristics have a positive relation on international performance and they may be success factors.* H6c proposed a positive relationship between management's international attitudes (positive attitudes to internationalisation such as high international responsiveness, high international vision and high international customer orientation) and international performance. The results showed that there is a significant link between "Management's attitudes" and international performance. *H6c was supported.* The main conclusion is that management's attitudes to international business are of high importance and they positively influence international performance. This has a clear link with strategic orientation and entrepreneurship, and thorough international growth orientation. *They seem to be success factors.*
In total, there is a positive relationship between internal environment and international performance. The results indicate that internal environment factors play an important role in SME internationalisation. Firm will and resources as well as competent management with positive attitudes to internationalisation are success factors of SMEs.

Direct and indirect relationships

In the case of *H7, it was proposed that there are causal relationships directly or indirectly between the factors in the model.*

H7a suggested that the external environment influences international performance directly or indirectly (via strategy). H7b suggested that the internal environment influences international performance directly or indirectly (via strategy). H7c proposed that the strategy (on corporate, business and functional levels) influences international performance directly and indirectly (via competitiveness and competitive advantages).

The regression estimations for examining the hypotheses were done in three stages. In the first stage we examined the indirect relationships caused by the external environment, in the second stage we examined the indirect relationships caused by the internal environment, and in the third stage we tested the hypotheses by estimating multivariate regression equations to explain the variation of dependent variables. In the estimations, the backward stepwise elimination method was used to find the best predicting variables.

Based on these estimation results, the external environment influences the international performance indirectly via strategy. *H7a was supported.* Based on these estimation results, the *internal environment influences the international performance indirectly via strategy. H7b was supported.* Finally, based on the results, H7c, which argued that *the strategy (on corporate, business and functional levels) influences international performance directly or indirectly* (via competitiveness and competitive advantages) is supported in this study. Hence, *direct and indirect causal relationships exist. H7c was supported.*

Summary of the Results

The results indicate that strategic decisions have a rather strong impact on international performance. Related to the effects of environments, the results indicate that external and internal environment have both direct and indirect (via strategy) impact on performance. Both direct and indirect causal effects exist.

To summarise the results of this study, *firstly*, there is a positive relationship between international performance and corporate strategy such as specialisation strategy and market spreading strategy. Competitive specialisation strategy (meaning high degree on speciality in the product with reasonable prising) is suggested to be as one of the success strategies of SMEs. *Secondly*, there is a positive relationship between business strategy such as differentiation strategy and international performance. Competitive differentiation strategy is suggested to be as one of the success strategies of SMEs. *Thirdly*, there is a positive relationship between functional marketing strategy and international performance. Proper marketing-mix strategy is suggested to be as one of the success strategies of SMEs. *Fourthly*, there are effective relationships between external environment and international performance. Growth orientation strategy and operating in technology intensity industry may be used successfully by some SMEs in their internationalisation. *Fifthly*, there is a positive relationship between internal environment and international performance. The results indicate that internal environment factors play an important role in SME internationalisation. “Firm will and resources” as well as “competent management with positive attitudes to internationalisation” are success factors of SMEs. *Finally*, as to causal relationships, the results indicate that the external environment influences the international performance indirectly via strategy, the internal environment influences the international performance indirectly via strategy, the strategy (on corporate, business and functional levels) influences international performance directly or indirectly (via competitiveness and competitive advantages).

In total, referring to the research questions and to the expected results, it could be concluded that strategic behaviour has a rather strong impact on international performance. International performance is determined by strategy and internal and external environment. Strategies (on corporate, business and functional levels) influence the international performance directly or indirectly. The internal and external factors impact directly or indirectly via strategy on international performance. Hence, causal relations exist.

Table 2. Summary of the test results concerning other hypotheses**.**

Code	Other working hypotheses (H_1 hypotheses)	Empirical test results
4	Competitiveness and Competitive advantages	
4	Firms having high product and technology advantages have performed better than firms having price and production advantages or high marketing advantages.	Not supported
5	External Environment	
5a	There is a positive relationship between foreign market‘s growth and international performance.	Supported
5b	The high technological intensity and high R&D intensity in industry have a positive impact on international performance.	Supported
5c	There is a positive relationship between high competition in industry, and international performance.	Not supported
6	Internal Environment	
6a	There is a positive relationship between firm’s characteristics such as high technology level and international performance.	Supported
6b	There is a positive relationship between management’s characteristics and international performance.	Supported
6c	There is a positive relationship between management’s attitudes such as high international responsiveness, high international vision and high international customer orientation and international performance.	Supported
7	Relative significance power of relationships	
7a	The external environment influences the international performance directly or indirectly (via strategy).	Supported
7b	The internal environment influences the international performance directly or indirectly (via strategy).	Supported
7c	The strategy (on corporate, business and functional levels) influences the international performance directly or indirectly (via competitiveness and competitive advantages).	Supported

The main success strategies

Finally, related to success strategies, the results indicate that in international markets there seems to be significant opportunities for SMEs using strategies such as: competitive specialisation (corporate level), distinct differentiation (business level) and proper marketing mix and adaptation (functional level). Furthermore, internal environment, particularly firm characteristics such as "firm will and resources" and "management` s competencies and positive international oriented attitudes" have a strong impact on strategic decision-making and thorough that on performance. The results related to external environment indicate that SMEs operating in technology intensive industry and having management with international growth orientation may succeed better in facing the opportunities of turbulent international business environment.

5. How to Improve the Performance in International Business of SMEs?

5.1 Managerial implications

The results of the present study generate numerous *managerial implications*. The results clearly give an indication of *the importance of management and marketing management information systems*. The results indicated the *importance of strategic decisions* for the different hierarchical levels as regarded to international performance: competitive specialisation strategy, customer orientation, marketing research, product development and marketing based differentiation strategy, diversification as to larger number of target countries, are success strategies that lead to better performance. Functional strategy as proper marketing-mix and adaptation strategy is suggested to be as one of the success strategies. To be more market oriented the firms should increase strategic export planning and utilisation of marketing research. Furthermore, personal selling is of great importance. As to competitiveness and competitive advantages, the results indicate that firms should increase and develop the areas of customer oriented marketing and competitive logistics.

The results related to the external environment factors indicate that firms which are able to benefit from foreign market growth, perform better. Firms should be able to follow the most *critical changes in this environment* and to proactively handle opportunities in foreign markets. Strategic orientation and utilisation of external marketing research should be increased. Further, industry' s technological intensity offers better opportunities to succeed, which means that *investments in technology and R& D activities* should be made.

The results related to the internal environment indicated the importance of *firm' s and management's characteristics as well as management attitudes*. The factor "Will and resources" indicate that firms making financial investments, having reasonable amount of employees and analysing technology level and internationalisation may perform better. The factor "Management's competences" indicate that high international orientation and high commitment to international business cause better international performance. The factor "*Management's attitudes" indicate* that positive attitudes to internationalisation such as high responsiveness, high international vision and high international customer orientation cause better performance. Hence, investing in technology, developing international growth orientation of a firm and developing IHRM in the areas of recruitment and development of management's and personnel's capabilities should be of great importance.

The results indicated that *strategic decision-making has an important role* in SME internationalisation. Strategic choices on different strategy levels motivate an SME to achieve competitiveness and competitive advantages, which contribute to performance. Performance is dependent on the context in which the firm operates. Thus, it is the responsibility of management in SMEs to be aware of these interrelationships and to ensure the strategic consistency across the sections and understand the distinction between different strategy levels. As to the role of marketing, managers must see strategic marketing more important and see marketing strategy as the driver of corporate strategy.

5.2 Policy implications of the study

Finland as a small nation and a small economy will become increasingly dependent on exports and internationalisation. I*nternationalisation is a critical growth strategy for an SME.* Those domestically operating firms should *be encouraged to enter foreign markets*, and those already initiated, should be encouraged to sell more abroad and enter the foreign markets of high growth. *International growth-oriented SMEs should be the focus*. *Supportive activities* as well as co-operation are needed. Moreover, the government and public institutions as well as policy-makers should know better the strategic behaviour of SMEs and the impact of strategic decision-making on performance. Further, *the institutional actors (i.e. government, public institutions and education institutions) have a direct influence through their public support/assistance programs.* The assessment of the impact of supporting programs on long-run developments and outcomes is of great importance. And, *the development of internal resources and capabilities in an SME is of great importance* and they may act as a strong base in the long run even in the turbulent external environment. Turbulent, competitive environment demand better and more effective use of information. *Information is a source* of sustainable competitive advantage that influences the performance. Hence, information services are significant. For inexperienced SMEs, utilisation of information services and access to publicly financed, updated data may represent an important point of access to resources and international opportunities. Thus, *the public sector can serve as a promoter* of information acquisition and transfer the market specific services providers should market their services more actively and the services should be more readily and cost-free available to SMEs and researchers. Customized services providers should be in continuous interaction with SMEs.

The public supporting/assistance programs could be develop basic and continuing education, intensifying co-operation among people in research and teaching, improving the company's knowledge of markets through various campaigns and by promoting co-operation between firms, and improving the competences of companies in strategic international marketing.

References

Aaby N-E & S. Slater (1989). Management Influences on Export Performance: A review of the empirical literature 1978-88. *International Marketing Review* 6:4, 7-26.

Abell, D. F. (1980). *Defining the Business: Starting Point of Strategic Planning*. Englewood Cliffs, New Jersey: Prentice Hall.

Andrews, K. R. (1971). *The concept of corporate strategy*. Homewood: Dow Jones-Irwin.

Ansoff, I.H. (1987). *Corporate Strategy.* First published in the USA by McGraw-Hill 1965. Published in Great Britain by Penguin Books 1968. Reprinted 1970, 1971, 1973, 1975, 1987. Copyright McGraw-Hill 1965, 1968.

Ayall; I & J. Zif (1979). Market Expansion Strategies in Multinational Marketing. *Journal of Marketing* 43:1, 84-94.

Axinn, C.N., J.Sinkula & S. Thach (1994). Linking Distribution Strategy Choice to Context and Implementation in Export Markets. *Advances in International Marketing* 6, 143-160. Eds. S.T. Cavusgil and C. Axinn. Greenwich: JAI Press.

Bamberger, I (ed.) (1994). *Product/Market Strategies of Small and Medium-Sized Enterprises*. Aldershot: Avebury.

Bamberger, I. (1994). Developing Competitive Advantage in Small and Medium-sized Firms, In: *Product/Market Strategies of Small and Medium-Sized Enterprises*, 133-153. Ed. I. Bamberger. Aldershot: Avebury.

Bamberger, I. & R. Bonacker (1994). Developing Competitive Advantage in Small and Medium-Size Firms. In: *Product/Market Strategies of Small and Medium-Sized Enterprises,* 28-75. Ed. I. Bamberger. Aldershot: Avebury.

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management 17*, March, 99-120.

Beamish, P.W. & H. Munro (1986). The Export Performance of Small and Medium-Sized Canadian Manufacturers. *Canadian Journal Administration Science* 3:1, 29-40.

Bilkey, W. J. (1985). Development of Export Marketing Guidelines. *International Marketing Review* 2:1, 31-40.

Bodur, M. (1994). Foreign Market Indicators, Structural Resources and Marketing Strategies as Determinants of Export Performance. In: *Advances in International Marketing* 6, 183-205. Eds. S.T. Cavusgil and C. Axinn. Greenwich: JAI Press.

Bradley, F.M. (1991). *International Marketing Strategy*. England: Prentice Hall Europe.

Bradley, F.M. (2002). *International Marketing Strategy*. 4th edition. Harlow: Pearson Education Ltd.

Bradley, F.M. (2005). *International Marketing Strategy*. 5th edition. Harlow: Pearson Education Ltd.

Buckley, P.J., C.L. Pass & K. Prescott (1988). Measures of international competitiveness: A critical survey. *Journal of Marketing Management* 4:2, 175-200.

Búrca, Sean, Richard Fletcher & Linden Brown (2004). *International Marketing an SME Perspective.* Harlow: Pearson Education Ltd.

Burns, P. & Ch. Choisne (1991). High performance SMEs: A two country study. *21st European Small Business Seminar, September 18-20.* Barcelona.

Cavusgil, T.S. & J.Naor (1987). Firm and Management Characteristics as Discriminators of Export Marketing Activity. *Journal of Business Research* 15:3, 221-35.

Cavusgil, T.S. & V.H. Kirpalani (1993). Introducing Products into Export Markets: Success Factors. *Journal of Business Research* 27, 1-15.

Cavusgil, T.S. & S. Zou (1994). Marketing Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures. *Journal of Marketing* 58, 1-21.

Chandler, A. D. (1962). *Strategy and Structure*. Cambridge: The MIT Press.

Child, J. (1972). Organisational structure, environment and performance: The role of strategic choice. *Sociology* 6, 1-22.

Churchill, G.A.(1979). A Paradigm for developing better measures of marketing constructs. *Journal of Marketing Research* 16, February, 64-73.

Collins, D.J. & C.A. Montgomery (1995). Competing on resources: strategy in 1990´s. *Harvard Business Review* 734: June-July, 118-128.

Cooper, R.G. & E.J. Kleinschmidt (1985). The Impact of Export Strategy on Export Sales Performance. *Journal of International Business Studies* 16:1, Spring, 37-55.

Craig, R. & P.W. Beamish (1989). A Comparison of the Characteristics of Canadian and UK Exporters by Firm Size. *Journal of Global Marketing* 2:4, 49-63.

Cravens, D. (1997). *Strategic Management*. USA: The McGraw-Hill.

Cyert, R. M. & J. G. March (1963). A Behavioural Theory of the Firm. Englewood Cliffs, New Jersey: Prentice Hall.

Dalli, D. (1994). The exporting process: the evolution of small- and medium-sized firms towards internationalisation. *Advances in International Marketing* 6, 107-115. Eds. S.T. Cavusgil and C. Axinn. Greenwich: JAI Press.

Das, M. (1994). Successful and Unsuccessful Exporters from Developing Countries: Some Preliminary Findings. *European Journal of Marketing* 28:12, 19-33.

Day, G. S. (1984). *Strategic Market Planning: The Pursuit of Competitive Advantage*. St. Paul:

Day, G. S. & R. Wensley (1988). Assessing Advantage. A Framework for Diagnosing Competitive Superiority. *Journal of Marketing* 52:2 (April), 1-20.

Denis, J.E. & D. Depelteau (1985). Market Knowledge, Diversification, and Export Expansion. *Journal of International Business Studies*, Fall, 77-89.

Dess, G. & P. Davis (1984). Porter’s (1980) generic strategies as determinants of strategic group membership and organisational performance. *Academy of Management Journal*, 27:3, 467-488.

Diamantopoulos, A. & K. Inglis (1988). Identifying Differences between High- and Low-Involvement Exporters. *International Marketing Review* 5:2, 52-60.

Dominques, L.V. & C.G. Sequeira (1993). Determinants of LCD Exporters' Performance: A Cross-National Study. *Journal of International Business Studies* 24, First Quarter, 19-40.

Doukas, J.A. & L.H. P Lang (2003). Foreign direct investments, diversification and firm performance. *Journal of International Business Studies* 34:2, 153-172.

Evangelista, F.U. (1994). Export Performance and its Determinants: Some Empirical Evidence from Australian Manufacturing Firms. In: *Advances in International Marketing* 6, 207-229. Eds. S. T. Cavusgil and C. Axinn. Greenwich: JAI Press.

Evangelista, F.U. (1996). Linking Business Relationships to Marketing Strategy an Export Performance: A Proposed Conceptual Framework. In: *Advances in International Marketing* 8, 59-83. Eds. S.T. Cavusgil and T.K. Madsen. Greenwich: JAI Press.

Ford, D & L. Leonidou (1991). Research Developments in International Marketing. In: *New Perspectives on International Marketing*. Ed. S.J. Palidowa. London: Routledge.

Ghauri, Pervez, & Kjell Grönhaug (2002). *Research Methods in Business Studies. A Practical guide*. 2nd edition. Great Britain: Prentice Hall Europe.

Grant, R. (1991). The resource-based theory of competitive advantage: implications for strategy formulation. *California Management Review* 33:3, 114-135.

Haahti, A. , G. Hall & R. Donkels (1998). *The Internationalisation of SMEs*. Routledge Advances in Management and Business Studies, 1-183.

Hair, J. F. Jr., R. T. Anderson, R. L. Tatham & W. C. Black (1998). Multivariate Data Analysis. 5th edition. Englewood Cliffs: Prentice Hall.

Hamel, G. & C. Prahalad (1990). Do you really have a global strategy? *Harvard Business Review* 63, July-August, 139-148.

Hannan, M. T. & J. Freeman (1989). *Organisational Ecology*. Cambridge: Harvard University Press.

Harrison, E. Frank (19*96).* A Process Perspective on strategic decision making. *Management Decision* 34:1: 46-53.

Haverila, Matti (1995). The Role of Marketing when Launching New Products into the International Markets: An Empirical study in Finnish High-Technology Companies. *Tampere University of Technology of Publications* 173. Tampere: Tampereen teknillinen korkeakoulu.

Hite, R.E. & C. Fraser (1988). International advertising strategies of multinational corporations. *Journal of Advertising Research* 28:4, 9-17.

Hitt, M. A. & B. B. Tyler (1991). Strategic decision models: integrating different perspectives. *Strategic Management Journa*l 12:5, 327-351.

Hofer, C. & D. Schendel (1978). *Strategy Formulation: analytical concepts*. St. Paul: West Publishing Company.

Hollensen, Svend (2004). *Global Marketing*. 3th edition. Madrid: Prentice Hall.

Holmlund, Maria & Sören Kock (1996). Internationalisation from a Network Perspective – The Relationship Between Inward and Outward Flows. Paper presented at 12th *Conference in Karlsruhe*, September 5.-7. 1996.

Holopainen, M., L. Tenhunen & P. Vuorinen (2006). Tutkimusaineiston analysointi ja SPSS. Yrityssanoma Oy. Kotka: Kotkan Kirjapaino Oy.

Holzmüller, H.H. & H. Kasper (1991). On a Theory of Export Performance: Personal and Organisational Determinants of Export Trade Activities Observed in Small and Medium-Sized Firms. *Management International Review* 31: Special Issue, 45-70.

Holzmüller, H.H. & B. Stöttinger (1996). Structural Modelling of Success Factors in Exporting: Cross-validation and Further Development of an Export Performance Model. *Journal of International Marketing* 4:2, 29-55.

Härkki, J., U. Lehtinen & A. Huotari (1995). *Kansainväliset kilpailustrategiat ja vientimenestys. Metalliteollisuuden pk-yrityksiä koskeva analyysi.* Tampere: Fintra, MET.

Johns, B. L (1987). Erfolgreiche Diversificationsstrategien kleiner und mittler Unternehmen in Australien. *Internationales Gewerbwarchiv* , 169-177.

Katsikeas, C. S., C.L. Leonidas & N.A. Morgan (2000). Firm level Export Performance Assessment: Review, Evaluation, and Development. *Journal of Academy of Marketing Science* 28:4, 493-511.

Katsikeas, C. S., N.F. Piercy & C. Ioannidis (1996). Determinants of Export Performance in a European Context. *European Journal of Marketing* 30:6, 6-35.

Kaynak, E. (1992). A cross regional comparation of export performance of firms in two Canadian regions. *Management International Review* 32:2, 163-189.

Kirpalani, V.H. & N.B. Macintosh (1980). International Marketing Effectiveness of Technology-Orientated Small Firms. *Journal of International Business Studies* 11:Winter, 81-90.

Knight, G.A. (1997). *Emerging Paradigm for International Marketing: The Born Global Firm.* Doctoral dissertation. Michigan: UMI Dissertation Services, A Bell & Howell Company.

Kotler, P. (1980). *Marketing Management Analysis, Planning and control*. 4th edition. Englewood Cliffs, Prentice Hall, New Jersey.

Kumar, V., Aaker, A. David & G. S. Day (2002). *Essentials of marketing research*. USA: John Wiley & Sons Inc.

Lages, L.F. (2000).A Conceptual Framework of the Determinants of Export Performance:Reorganizing Key Variables and Shifting Contingencies in Export Marketing. *Journal of Global Marketing* 13:3,29-51.

Lages, L.F. (1999). Changing gear in the export marketing-performance relationship. Proceedings of the 8th *International Business Association Conference*, May 19.-22., 1999. Cancun: IBA.

Larimo, J. (2000). Pk-yritysten vientimenestys ja vientimenestykseen vaikuttavat tekijät. Proceedings of the University of Vaasa, *Discussion Papers* 279. Vaasa: Vaasan yliopisto.

Larimo J. & K. Sutinen (1996). Vaasan-läänin yritysten kansainvälistyminen, 1990-luvun kehitys ja tulevaisuudennäkymät. *Selvityksiä ja raportteja* 17. Vaasa: Vaasan yliopisto.

Larimo, J. & J. Pulkkinen (2003). *Differences in Global Orientation and Export Strategies among Finnish SMEs.* 30 th AIB UK Chapter Annual Conference Leicester, the UK April 11-12, 2003.

Leonidou, L. & C.S. Katsikeas (1996). The Export Development Process: An Integrative Review of Empirical Models. *Journal of International Business Studies 27:3*, 517-551.

Leonidou, L., C.S. Katsikeas & S. Samiee (2002). Marketing strategy determinants of export performance: A meta-analysis. *Journal of Business Research* 55, 51-67.

Lim, J.S., T.W. Sharkey & K.I. Kim (1996). Competitive environment scanning and export involvement. *International Marketing Review* 13:1, 65-80.

Lindquist, M. (1991). *Infant Multinationals: The Internationalisation of Young, Technology-Based Swedish Firms.* Stockholm: Stockholm School of Economics.

Luostarinen, R. & Welch, L. (1990). *International Business Operations.* Helsinki: Helsinki School of Economics.

Madsen, T. K. (1987). Empirical export performance studies: A Review of Conceptualizations and Findings. In: *Advances in International Marketing*, 177-198. Ed. S.T. Cavusgil. Greenwich: JAI Press.

Madsen, T. K. (1989). Successful export Marketing Management: Some empirical evidence. *International Marketing Review* 6:4, 41-57.

Malhotra, N.K. & Birks (2004). *Marketing Research an applies Orientation,* 5. ed. New Jersey: Pearson Hall.

Mathyssens, P. & P. Pauwels (1996). Assessing Export Performance Measurement. *Advances in International Marketing* 8, 85-114. Eds. S.T. Cavusgil and T.K. Madsen. Greenwich: JAI Press.

McGuinness, N.W. & B.Little (1981). The influence of Product Characteristics on the Export Performance on New industrial Products. *Journal of Marketing* 45, Spring, 110-122.

Metsämuuronen, J. (2000). Mittarin rakentaminen ja testiteorian perusteet, *Metodologia-sarja* 6. Võru, Viro: Jaabes OÜ.

Miller, D. & J. Shamsie (1996). The resource-based view of the firm in two environments: the Hollywood film studios from 1936-1965. *The Academy of Management Journal* 39:3, 519-543.

Mintzberg H. & J.B. Quinn (1991). *The Strategy Process, Concepts, Contexts and Cases* 2 nd edition. USA: Prentice Hall.

Mintzberg H., J.B. Quinn & S. Ghoshal (1998) *The Strategy Process*. Revised European edition. Great Britain: Prentice Hall Europe.

Moen, Ø. (1999). The relationships between firm size, competitive advantages export performance revisited. *International Small Business Journal* 18:1, 53-72.

Moen, Ø. (2002). The Born Globals, a new Generation of small European exporters. *International Marketing Review* 19:2, 156-175.

Morgan R.E. (2000). Export Stimuli and export barriers: evidence from empirical research studies. *European Business Review* 97:2, 68-79.

Naidu, G.M. (1994). Predictors of export strategy and performance of small- and medium-sized firms. *Journal of Business Research* 31, 107-115.

Naidu, G.M. & V. K. Prasad (1994). Predictors of export strategy and performance of small- and medium-sized firms. *Journal of Business Research* 27, 85-101.

Nakos, G., L.E. Brouthers & K.D. Brouthers (1998). The Impact of Firm and Managerial Characteristics on Small and Medium-sized Greek Firms. *Journal of Global Marketing* 11:4, 23-47.

Namiki, N. (1988). Export strategy for small business. *Journal of Small Business Management* 26:2, 32-37.

Penrose, E. (1959). *The Theory of the Growth of the Firm*. London: Basil Blackwell.

Pfeffer, J. & G. R. Salancik (1978). *The external Control of Organisations: A Resource Dependence Perspective.* New York: Harper & Row.

Piercy, N. (1981b). British Export Market Selection and Pricing. *Industrial Marketing Management* 10, 287-97.

Piercy, N. (1982). *Export Strategy: Markets and Competition.* London: George Allen and Unwin.

Porter, M.E. (1980). *Competitive Strategy. Techniques for Analysing Industries and Competitors.* New York: The Free Press.

Porter, M.E. (1985). *Competitive Advantage. Creating and sustaining superior performance.* New York: The Free Press

Porter, M.E. (1990). *The Competitive Advantage of Nations*. New York: Free Press.

Robson, G., C. Callagher & M. Daly (1992). Diversification Strategy and Practice in Small Firms. *International Small Business Journal* 2, 37-53.

Romanelli, E. & M. L. Tushman (1986). Interia, environments and strategic choice: A quasi-experimental design for comparative-longitudinal research. *Management Science* 32, 608-621.

Root, F.R. (1994). *Entry Strategies for International Markets*. Revised and explained edition. Lexington: The New Lexington Press.

Samiee, S. & K. Roth (1992). The influence of Global Marketing Standardization on Performance. *Journal of Marketing* 56 (April), 1-17.

Samiee, S. & P.G.P. Walters (1990). Influence of Firm Size on Export Planning and Performance. *Journal of Business Research* 20:3, 235-248.

Schendel, D. (1994). Introduction to competitive organisational Behaviour: towards an organisationally-based theory of competitive advantages. *Strategic Journal* 15, 1-4.

Scherer, B. & D. Ross (1990). *Industrial Market Structure and Economic Performance*. Chicago: Rand McNally.

Seifert, B. & J. Ford (1989). Are Exporting Firms Modifying Their Product, Pricing and Promotion Policies? *International Marketing Review* 6:6, 53-68.

Seth, A & H. Thomas (1994). Theories of the Firm: Implications for Strategy Research. *Journal of Management Studies* 31: 165-191.

Shoham, A. (1996). Marketing-mix standardization: Determinants of export performance. *Journal of Global Marketing* 10:2, 53-73.

Simon, H. A. (1955). A behaviour Model of rational Choice. *Quarterly Journal of Economic* 69, 99-118.

Simon, H. A. (1976). *Administrative behaviour.* 3 rd edition. New York: Free Press.

Tallman, S. & J. Li (1996). Effects of international diversity and product diversity on the performance of multinational firms. *The Academy of Management Journal* 39:1, 179-196.

Vahvaselkä, I. (2006) *Strategic behaviour and performance in internationalisation of SMEs*. Acta Wasaensia, No. 169. Business Administration 70, Marketing. Vaasa: Universitas Wasaensis.

Voerman, Liane & Peter S. Zwart (2006). Export performance of SMEs – towards a theoretical model. In: *Dynamics and diversity. Discoveries in Internationalisation of European Small and Medium Firms* 53-72. Eds. P-E. Havnes and A. Haahti. Rovaniemi: University of Lapland Printig Centre.

Weitz, B.A. & R. Wensley (1991). *Readings in strategic marketing. Analysis, Planning and Implementation.* USA: The Dryen Press.

Wernerfelt, B. (1984). A Research-based View of the Firm. Strategic Management Journal 5: 171-180.

Yeoh, P-L & I. Jeong (1995). Contingency relationships between entrepreneurship, export channel structure and environment. *European Journal of Marketing* 29:8, 95-115.

Zou, S. & S. Stan (1998). The determinants of export performance: a review of the empirical literature between 1987 and 1997. *International Marketing Review* 15:5, 333-356.