The difference between traditional SMEs and fast internationalising SMEs

Work-in-progress

Track 4. Internationalisation process, entrepreneurship and international marketing

Introduction

1.1 Background

The purpose of studying the pace of internationalisation are that there may be a performance advantage in rapid internationalisation, the earlier that a firm internationalise, the faster it seems to grow, it is therefore important to explain why some internationalise faster than others (Oviatt & McDougall, 2005).

The first study of fast internationalizing SMEs, was conducted by Rennie (1993). He identified a “new breed” of Australian firms which were “born global”. According to this study, born globals tended to be small (e.g. average sales $16 million) and relatively young (e.g. average age of 14 years), they had begun exporting on average, two years after their establishment and generated three quarters of their total sales from exports. The companies were found in all industries, but they all applied new technologies to developing unique products or a new way of doing business and, according to Junkkari (2000), as a result were strikingly competitive against established large players. Born global firms or international new ventures (INVs) are firms that are international and entrepreneurial in their business dealings. Oviatt & McDougall (1994) found that many of the firms they studied were not truly global and thus decided to call these new fast internationalising SMEs for INVs instead of BG or global start-ups. It is a problem with different definitions for comparing research results, this was also pointed out by Gabrielsson & Kirpilani (2004). Fast internationalising SMEs are defined as business organisations that from inception (seek) to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt & McDougall, 2005:538).

A dynamic theory of the process of firm internationalisation relevant to the economic conditions of the 1990s is lacking (Dunning, 1993 in Oviatt & McDougall, 1999:1). Thus, our ability to explain accelerated internationalisation is limited, especially for emerging businesses. Internationalisation is defined as a process, over time, in which a firm develops increasing involvement in operations outside the firm’s home country (Welch & Luostarinen, 1988:2). The most widely recognised theory concerning the dynamics of internationalisation and one that has been relevant for young and small firms in the past, according to Oviatt & McDougall (1999), is the Uppsala model (Johanson & Vahlne, 1977/90).

The Uppsala model reads very much as a theory of constraints. It drew heavily on the behavioural theory of the firm (Cyert & March, 1964) and on the theory of the growth of the firm (Penrose, 1959). The model is believed to have assumed away individual strategic choice (Autio, 2005:12). The key contribution by Oviatt & McDougall (1994) is seen as their direct challenge to the risk-averse, constrained posture described by the Uppsala model. It is claimed that international new ventures are possible, because entrepreneurs are able and willing to make strategic choices, as well as to accept the risks associated with an aggressive international expansion (Autio, 2005).

1.2 Entrepreneurship

Academic thought on entrepreneurship can be traced back to the early economic literature that defined the entrepreneur as an arbitrageur (Cantillon, 1931). Entrepreneurs were later described as coordinators in production and distribution, as well as modern leaders and managers (Say, 1971), innovators and creative destructors (Schumpeter, 1934), and alert discoverers of profit opportunities (Kirzner, 1973;79). According to the Kirznerian perspective the entrepreneur engages in arbitrage (speculating) and according to Schumpeter in innovation (Styles & Seymour, 2006). Despite the lack of a single agreed definition, opportunity, human action, learning, and creativity and innovation, emerged as central constructs of entrepreneurship (Styles & Seymour, 2006).

Entrepreneurship is seen as a rich and complex phenomenon; “we should not expect, or even desire, that it be pinned down by a single, universal definition” (Wickham, 2006:5). Kilby (1971) noted that the entrepreneur had a lot in common with the “Heffalump”, a character in A.A. Milne’s Winnie-the-Pooh, described as: “a rather large and important animal. He has been hunted by many individuals using various trapping devices, but no one so far has succeeded in capturing him. All who claim to have caught sight of him report that he is enormous, but disagree on his particulars”. The main focus in this study with regard to the meaning of the word entrepreneurship is the founding of a new business (Gartner, 1985). Still, many well-known entrepreneurs have revitalized an existing organisation rather than building a new one from scratch. Entrepreneurship need not be defined by the enterprise, an entrepreneur may license an idea or a concept to another firm (Shane, 2003). However, entrepreneurial behaviour in large, established companies, often referred to as “corporate entrepreneurship” is not included here. Entrepreneurial behaviour may occur at the individual, group, or organizational levels (McDougall & Oviatt, 2000), the focus here being on the individual level.

Major contributions to entrepreneurship literature are made by Schumpeter (1934), who viewed entrepreneurship as creating market disequilibrium from its original equilibrium position by generating innovations as disruptive. He classified innovations into 5 types; introduction of new product, introduction of new method of production, opening of new markets, introduction of new materials or sources of supply and developing new organisation structures. Then there is Kirzner (1979), who emphasises the significance of the role of learning in driving the market process. A wider definition is Timmons' (1994:7) "entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled". Stevenson (1984) also noted that entrepreneurs are driven by opportunity-seeking behaviour, not by a simple desire to "invest" resources. By contrast, managers are believed to be driven by a concern to invest the resources they manage, treating resources as an end in themselves, rather than as a means to an end the way entrepreneurs do.

"Only truly internationally entrepreneurial firms are those that are "born global"" (Fletcher, 2004:289). Kuemmerle (2002) also stated that; "a growing number of entrepreneurs start ventures by simultaneously establishing operations in several countries in order to increase the likelyhood of venture success" (p.99). According to McDougall & Oviatt (2000) international business researchers are broadening their traditional focus on large multinational companies to also include entrepreneurial firms in their research agendas. This is due to the accelerated internationalization that is being observed in even the smallest and newest organizations; "The use of efficient worldwide communications technology and transportation, the decrease in governments' protectionist policies, and the resulting decrease in the number of geographically protected market niches has made it possible, if not necessary, for many of today's entrepreneurial firms to view their operating domains as international" (McDougall & Oviatt, 2000:902).

Traditionally, approaches to research on entrepreneurship neglect the relational nature of the process. Instead they treat entrepreneurs either as atomized decisionmakers, operating as autonomous entities, or as prisoners of their cultural environment, predisposed to entrepreneurship. The embedded nature of social behaviour refers to the way in which action is constrained or facilitated because of its social context. Entrepreneurship can be described as "…embedded in a social context, channelled and facilitated or constrained and inhibited by people's positions in social networks," (Aldrich & Zimmer, 1986:262). The same state that entrepreneurs must establish connections to resources and niches in an opportunity structure, and it is also believed they at some point are affected by relations with socializing agents who motivated them.

1.3 International Business

Internationalization can be described as the process of adapting exchange transaction modality to international markets (Calof & Beamish, 1995). Root (1987) defined entry mode as an institutional arrangement for organizing and conducting international business transactions, such as contractual transfer, joint ventures and wholly-owned operations. The existing literature does not seem to have reached to an agreement on which conceptual framework and constructs should be used to explain a firm's foreign market entry. Traditionally international business researchers focused on large multinational enterprises (MNEs) (Gabrielson et al, 2006) and following from this, much of the focus has been on how and when to carry out foreign direct investments (FDIs). Entrepreneurship researchers focused primarily on venture creation and the management of SMEs within a domestic context. However, the literature has currently reached the point of specifying that "international entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national boundaries and is intended to create value in organizations", (McDougall & Oviatt, 2000:903).

Styles & Seymour (2006) claim there are three main theoretical streams of international research; the first is the economic theories (brought together by Dunning's paradigm). Dunning's eclectic paradigm (1979, 1980, 1987, 1988) endeavours to predict foreign direct investments (FDIs) by firms. Despite the significance of theories such as the International Product Life Cycle theory (Vernon, 1966; Onkvisit & Shaw, 1983; Toyne & Walters, 1993), the Markets Imperfection Theory (Hymer, 1976), Strategic Behavior Theory (Knickerbocker, 1973; Graham, 1978; Casson, 1987), the Resource Based Theory (Penrose, 1959; Cantwell, 1995; Prahalad & Hamel, 1990; Madhok, 1997; and Andersen, 1997) and the transaction cost (TC) theory (Williamson, 1981; 1985), Dunning (1995) states that they were singly incomplete and could not adequately explain either the choice of FDI over exporting and licensing or the choice of where to locate the FDI. As an alternative Dunning (1980;1988) proposed an eclectic theory of international production. The eclectic paradigm is, according to Benito (1995), by far the most popular general theory on internationalization. Benito (1995) believes Dunning's paradigm is more of a multi-level framework than a theory. He states that the eclectic paradigm is a synthesis of the perspectives of market power (e.g. industrial organization), internalization (e.g. transaction cost) and location (e.g. international trade theory). Dunning (1980;1988) suggests that the following factors will influence a firm's choice of entry mode; ownership advantages (e.g. firm specific assets and skills), locational advantages (e.g. reflect attractiveness of specific country; market potential & investment risk), and internalization advantages (e.g. costs of choosing a hierarchical mode of operation over an external mode; transaction costs). Secondly is the International Process (IP) Perspectives also called the Uppsala School (Johanson & Vahlne, 1977, 1990). The main purpose of Johanson & Vahlne's (1977, 1990) model was to explain why the internationalisation process tended to unfold in an incremental and gradual fashion in Swedish firms in the mid-70s. To explain the observed incremental pattern they developed the stage-change model of internationalisation. Researchers began to systematically examine the internationalization process of firms at the end of the 1960s. These studies focused on *attitudes* and *behavior* of firms in the process of going international (Li & Cavusgil, 1995). Empirical studies in this area concentrated on testing whether internationalization was an incremental and gradual process. The results are non-conclusive. Karafakioglu (1986) found that the majority of the firms he studied experienced a sequential and gradual process starting as uncommitted exporters and increasing their commitment as firms' size and export volume grew. On the other hand, Diamantopolous' (1988) and Millington & Bayliss' (1990) failed to support the incremental view of the process of internationalization. However, all researchers agreed that there were different stages in the internationalization process. These conflicting findings may suggest two different processes at work, sequential and random. In the former, firms go through different stages in sequential order. In the latter, firms leapfrog certain stages.

Stage theory of internationalization contends that a firm's international operations will gradually increase as it gains knowledge and experience in the international arena. The main point is thus, the more international experience a firm has the more able it will be to expand internationally. An underlying assumption of all these models is that firms are well established in the domestic market before venturing abroad (Bell, McNaughton & Young, 2001). The Uppsala Internationalization Model, rests on the resource-based theory (Andersen, 1997). The basic assumption of Johanson & Vahlne's model (1977/90) is that performing activities creates internal assets such as skills and (experiential) knowledge. Johanson & Vahlne's classification of market knowledge is based on Penrose's definition (1959:53): "One type, objective knowledge, can be taught, the other, experience or experiential knowledge, can only be learnt through personal experience….". The establishment chain, as Andersen (1997) calls Johanson & Vahlne's approach, has some points of resemblance with the eclectic framework, concerning the emphasis on firms' knowledge. The main difference between the perspectives, is that the establishment chain describes the entry mode decision as a time-dependent process, i.e. the explanation of a particular state (e.g. entry mode) is based on some prior state or a sequence of some prior states. In contrast, the eclectic framework attempts to predict a firm's entry mode based on current values of a set of independent and moderating factors. The process theories assume that the firm will gradually increase its commitment from sporadic export to direct investment. On the question on which market to select, the process theories suggest firms would enter new markets according to their psychic distance. Psychic distance being defined as factors preventing or disturbing the flow of information between the firm and the market, including factors such as differences in language, culture, political systems, level of education, or level of industrial development (Johanson & Vahlne, 1977). A learning experience in one culturally distant country produces a knowledge base for further expansion within the same cultural sphere. Thus, firms are believed to start internationalization by entering those markets they can most easily understand. There they will see opportunities, and there the perceived market uncertainty is low. Thirdly, we have the Network perspectives (Johanson & Mattson, 1988; Turnbull & Valla, 1986). "The sequential model….stresses only the early stages of internationalization….this model should be supplemented with research on new patterns of internationalization of the 1980s and 1990s…" (Melin, 1992:111). Pedersen & Petersen (1998) also suggest that the inclusion of other internal and external factors provide a more complete explanation of the pace by which a firm commits resources to foreign markets. In the special case of fast internationalising SMEs, network theory may thus have some explanatory power. Johanson & Mattson (1988) pointed out that internationalization processes of firms will be much faster in internationalized conditions. Both in the case of a *late starter* and an *international among others* (Johanson & Mattson, 1988:298) even a purely domestic firm has a number of indirect relations with foreign networks. Hence, market investments in the domestic market are assets, which can be utilized when going abroad. In that case it is not necessary to go from a nearby market to more distant markets, and the step abroad can be rather large in the beginning.

The critique of the transaction cost theory (TCT) and the IPT is quite similar in that they both focus on the firms' internal development and do not take into consideration the importance of external assets, e.g. important relationships. They are both seen as losing their explanatory power as the firm and the environment gets more internationalized. In sum, both the transaction cost approach and the internationalization process model leave out characteristics of the firm and the market, which seem especially important in the case of “global competition” and co-operation in industrial systems. Another weakness of the IP perspective, is that it is not considering mode changes involving decreasing foreign commitment. The IP perspective’s focus on knowledge and learning as a presupposition for internationalization is however, very important.

When it comes to the internationalization process perspective which describes internationalization in terms of cognitive learning and competency development which increases, through experience, over time, this seems very valid indeed with regard to the fast internationalizing SMEs, only the process is moving a lot faster than assumed in the IP-perspective. But again, the internationalization is traditionally measured at firm level. The process of learning is still believed to take time, but the focus when studying fast internationalizing SMEs should be on the individual level. This means that the process of learning and building experience may have been going on (and most probable have) for quite some time at an individual level, before the fast internationalizing SME has been established. There are evidence that entrepreneurs of fast internationalizing SMEs in many (most) cases have extensive experience from previous employment maybe from large multinationals, i.e. we still assume a gradual development at the *individual* level. However, the process of learning and building experience may also be a bit faster than traditionally assumed, due to today’s advanced information and communication technology which give better access to information than earlier.

What has been regarded as one of the fundamental principles of organizational design is that organizations react to uncertainty in their environment by removing transactions from the market and placing them in more hierarchical contexts (Williamson, 1975; Ouchi, 1980). More recent research has started to question the generality of this principle by showing that when market uncertainty increases, individual companies tend to interact more, rather than less, with other organizations. For instance, Ellis (2000) found that decision-makers in practice respond to the inherent risks associated with foreign market entry (FME) by placing more not less, reliance on their social ties as a means of economizing on these higher search costs. The main effect of market uncertainty is thus, not the absorption of the source of uncertainty within corporate boundaries, but increased reliance on external partners who are known and trusted as reliable (Baker, 1992). Contrary to assumptions of the normative literature, international markets are not anonymous and the process of internationalization can be legitimately described in terms of establishing relationships in foreign markets (Johanson & Vahlne, 1990).

1.4 International Entrepreneurship

Competitive advantage has in recent years shifted away from firms with large size and long experience toward firms with unique knowledge and swift response capabilities (Oviatt & McDougall, 1995). Technological and competitive forces have made slowly staged efforts risky for an increasing number of firms (e.g. in global industries). Traditionally international business (IB) researchers focused on large multinational enterprises (MNEs) and entrepreneurship researchers focused primarily on venture creation and the management of small- and medium-sized enterprises (SMEs) within the domestic context. In recent years, the demarcation segregating IB and entrepreneurship has begun to erode (Gabrielsson et al, 2006). Wright and Ricks (1994) highlighted international entrepreneurship (IE) as a newly emerging research arena and they define internationalisation speed as; time between discovery of an opportunity and first foreign entry, speed with which country scope is increased (market selection/spreading), and speed of international commitment (mode/export share).

IE first appeared in a short article by Morrow (1988), who highlighted recent technological advances and cultural awareness that appeared to open previously untapped foreign markets to new ventures (Oviatt & McDougall, 2005). A series of globalisation drivers (e.g. growing interdependence of national economies, improved international communication and transportation, homogenisation of markets) has contributed to an overall trend towards integration of markets and completion. This trend is believed to simplify and shorten the process of firm internationalization, which means, firms may skip stages of international development that has been observed in the past or the process may not occur in stages at all. The emergence of international entrepreneurship (IE) as a distinct field of research is thus relatively recent, an important milestone was Oviatt & McDougall's (1994) awardwinning article that questioned whether research in IB alone was sufficient to understand the internationalization process of entrepreneurial firms. This article is seen as providing a theoretical base for studying international new ventures. They address the gap by examining how and why entrepreneurial processes of opportunity discovery, evaluation and exploitation vary across nations. Oviatt & McDougall (1994) mounted a challenge to received internationalization process theories and established a new and exciting research theme, that of international entrepreneurship. The greatest value of their contribution lies within the creative tension that they generated in the field of international business studies by mounting a direct challenge to the established Process Theory of Internationalization, and by highlighting the increasing prevalence of international new ventures. The contrast between emphasising firm-level vs indidividual-level knowledge naturally reflects the different empirical scopes of the two perspectives. It has inspired the creation of a new journal dedicated to international entrepreneurship. They open a way towards building a more comprehensive theory of new firm internationalisation.

It is clear that entrepreneurship and internationalisation are complementary fields with complementary theoretical interests and empirical developments (Jones & Coviello, 2005). Coviello (2006) focuses on networks' impact on international new venture: "..network theory and analysis are fundamental to international entrepreneurship research" (p.2). Hite & Hesterly (2001) argue that in the emergent stage of the firm, networks will be cohesive and composed primarily of socially embedded ties. As the firm moves into growth stage, the network changes to encompass a balance of embedded and arm's-length economic ties that are more intentionally managed to explore growth. The network will shift from being "identity based" (path-dependent) to more calculative (intentionally managed) over time. Social ties are seen as important in initial stages of the firm evolution, and less influential over time. Once INVs start-up process is complete, organisational needs are believed to become more complex and necessitate non-social relationships (Coviello, 2006).

An important difference between theories of multinational enterprise and a theory of international ventures seems to be the unit of analysis. Theories of international entrepreneurship argue that some firms start out internationally because of certain entrepreneur-specific capabilities (vs. firm specific) (Bloodgood & Sapienza, 1995; Knight & Cavusgil, 1996; McDougall & Oviatt, 1996). When the entrepreneur creates the enterprise, there are no routines in place, but the entrepreneur has a vision and a network of contacts that he or she is going to build up further. Thus, the study of international ventures has to be concerned with individual learning by the entrepreneur as well as with organizational learning of the emerging entrepreneurial firm. From Fletcher's (2004) study of two case firms' international development, it is possible to argue that the language of strategy and structure, which is often prescribed by many models of international business to enable firms to survive in competitive global markets (Levitt, 1983; Bartlett & Ghoshal, 1989; Ohmae, 1989), is somewhat limited for explaining small business internationalization. Close consideration of small business practice highlights the importance of multifaceted frameworks of analysis which go beyond the structural, strategic and behavioural and which take account of the often chaotic, opportunistic and incremental process through which entrepreneurs build international relationships and transactions (Buckley, 1991; Andersen, 1993; Calof & Beamish, 1995; Bell & Young, 1996; Jones, 1999). "..means that when evaluating the international activity of small firms, there is a closer relationship to entrepreneurship than there is to international strategy and structure that has tended to dominate small business research" (Fletcher, 2004:294). For fast internationalising SMEs the realization of entrepreneurial activities cannot be separated from the international business context and market in which they are being created. International entrepreneurship is a tightly integrated process whereby entrepreneurs envision and realize the emergence of their business as an international entity. For these firms, internationalization is not an extension of what has already occurred or "has been" in the home market. For small firms that internationalize some years after start-up, on the other hand, the international arena is seen as another "site" in which entrepreneurial activities are tried out or practiced. Internationalization is seen as an extension of what has already occurred in the domestic market and in this sense is also local or regional. As a result of Fletcher's (2004) analysis, it is argued that in staged or gradual internationalization, international entrepreneurship is characterized by the extension and broadening of entrepreneurial capabilities that have already been developed at home.

2. Determinants on the pace of foreign expansion

2.1 Conceptual framework

A conceptual framework is proposed where two main factors are posited as having an impact upon an SMEs pace of internationalization. These factors are; (1) the experience and network of the entrepreneur (or other key employees), (2) the globality of the industry to which a firm belongs.

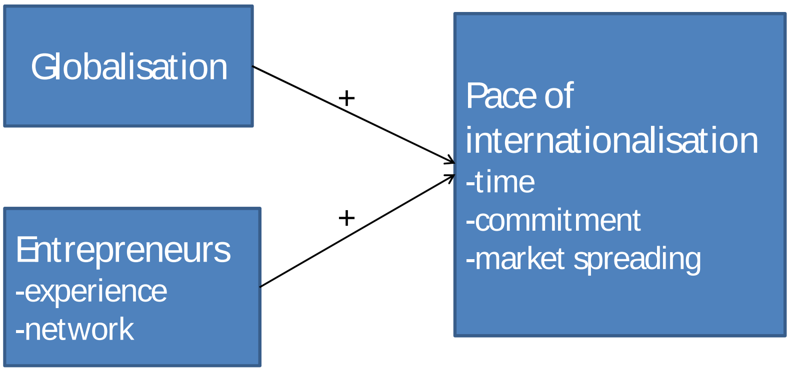

Figure 1: Conceptual Framework

Boundaries between domestic and international markets are becoming less relevant as businesses increase their activities abroad. A global industry is, in this thesis, conceptualized as follows: "an industry in which a firm's competitive position in one country is significantly affected by its position in other countries or vice versa" (Makhija, Kim & Williamson, 1997:680). In this regard, the global industry "is not merely a collection of domestic industries, but a series of linked domestic industries in which rivals compete against each other on a truly worldwide basis" (Porter, 1986:18).

In order to find an explanation as to why some SMEs still follow a more traditional step-by-step approach, while others choose a faster and more erratic approach that leapfrogs over many stages, Madsen, Rasmussen & Servais (2000) argue that globalization may enable firms to more freely choose their own model for becoming international. International sales both become easier *and* more difficult, in the sense that international markets have become more accessible for most firms, but the level of competition and the demand for international competence have increased. There is both a "positive" pressure, from the increased level of globalization, in the form of an increase in the accessibility to markets, and a "negative" pressure from tougher competition, since it has become a necessity for a host of new companies to be present in many markets. Both of these pressures work to increase the pace of internationalization. The positive pressure *lures* the company to new territory, while the negative pressure *forces* the company to find new markets. These pressures may work differently depending upon the size of the home market. According to Bloodgood, Sapienza & Almeida (1996), new European firms are more likely to consider internationalizing some of their activities when their enterprise is initiated compared with new US firms. One reason is the fact that a new US firm, operating in a 500-mile radius around its base, may do so without crossing borders, a European firm, with the same operating radius around its base, may have to deal with five or six other countries. Luostarinen & Gabrielsson (2002) state that global firms from large countries globalize because of the demand-based pull forces in global markets, but global firms from small and open economies globalize because they are pushed. Small domestic markets and the fear of expected future competition, from global firms in large countries, puts a lot of pressure on these firms, pushing them to find new markets. According to Hamel & Prahalad (1985), companies that safely nestle in their home beds will increasingly experience a resource disadvantage. “They will be unable to marshal (the) forces required for a defense of the home market” (p. 146). The development (e.g. globalisation) may thus be seen as major explanatory of the fast internationalising SMEs appearance. From this we can formulate the following hypothesis:

H1 The more global a firm’s industry, the faster the firm’s pace of internationalization.

To achieve the benefits of globalization, the managers of worldwide business need to recognize when industry conditions provide the opportunity to use global strategy levers; global market participation, global products and services, global location of activities, global marketing and global competitive moves (Yip, 1992:31). Zahra (1999) states that in such a dynamic and competitive environment (e.g. as a global economy is), entrepreneurial leadership will take central stage. It is assumed that the ability to recognize such opportunities is increased with top management or key employees’ foreign experience level. Ellis’ (2000) findings supported the hypothesis that knowledge of foreign market opportunities is commonly acquired via existing interpersonal links rather than collected systematically via market research. The focus here is on personal relationships of the entrepreneur and other key personnel to individuals or organizations that they state have been of importance for the firm’s road to internationalization. The entrepreneurs of fast internationalizing SMEs are assumed to have established such (important) relationships *before* start-up of the firm. Traditionally, a *firm’s* relations and the development of the *firm* through certain stages (e.g. both relationship- and internationalization stages) have been studied. It is assumed that the entrepreneurs’ *personal* development and networking prior to the start-up of these small fast internationalizing firms, influence the firm's road to internationalization in a positive way. From this we get the second hypothesis:

H2 The more experienced and the larger the network of the entrepreneur, the faster the firm's pace of internationalization.

We can from this assume that the entrepreneurs in SMEs that are more traditional in their route to internationalization, are less experienced and has no extensive networks from previous worklife to depend upon, and these SMEs very likely belongs to industries that can be characterized as multilocal (Solberg, 1997), not global.

2.2 The difference between traditional SMEs and fast internationalising SMEs

Autio (2005) claimed that many of the original assumptions of PTI are not valid anymore since many of the conditions have changed since the mid-1970s; the flow of information from foreign markets have been enhanced, reducing the psychic distance and promoting greater international integration between markets. The cost of international travel and communication have been reduced, enhancing firm's ability to coordinate cross-border activities. International managerial experience have become more widely available, enabling firms to quickly acquire such knowledge and finally, firms have become increasingly skilled at employing alternative governance mechanisms, enabling them to exploit their resources across national borders.

Organizational learning for traditional SMEs happens through dealings with foreign market operations of its own. For the fast internationalising SMEs, organisational learning occurs via their capability to learn from network partners. Risks are different for them than for other SMEs. Both types experience exporting risks, but fast internationalising SMEs also face the risk of introducing new products (Gabrielsson et al, 2006:16). The traditional view is much in line with the Kirznerian (1979) view; opportunities are created in foreign markets without the active involvement of the firm itself. Most of the value-creating elements are generated in the firm's home base, the international dimension of the firm's activities is concerned mainly with the international diffusion of its offerings (Autio, 2005). In Oviatt & McDougall's article (1994) on the other hand, the value creation logic of the firm is different, it is leaning more toward the Schumpeterian (1934) view of a supply-push approach to value-creation. The firm is seen as operating in an internationally dispersed resource-base. The value-creation of the firm is based on cross-border combination of valuable resources *thus the firm needs to internationalise to make value-creation possible* (e.g. not in order to disseminate its outputs). The competitive advantage of the firm being based on cross-border resource combinations, international new ventures emerge as fundamentally different from domestic ventures (Autio, 2005). Internationalisation is no longer treated merely as an outcome, but rather as a *condition* for value creation (Autio, 2005).

With regard to the dynamic capability effect of early internationalisation (Gabrielsson et al 2006), it is argued that early internationalisation may help root a more innovative and dynamic strategic posture on the new venture, and it may also make firms better equipped to take advantage of domestic and international growth opportunities. Early internationalisation may not only be an opportunity, but also a necessity to ensure chances for growth, because opportunity windows are short in dynamic sectors. In other words, that the firm starts out internationalising early, may strongly affect future international growth. Autio et al (2000) also reported a positive relationship between organisational youth at the time of internationalisation and subsequent international growth. They attributed it to the "*learning advantage of newness*", which may enable young internationalisers to embrace an international identity more rapidly and completely than would be possible for older internationalisers.

3. Conclusion

3.1 Future research

The focus of a study of the internationalisation process of fast internationalising SMEs should be at the individual level and also the process need to be described pre-start-up, in line with Autio's (2005) argument. "Given the emphasis on the enabling effect of individual-level (pre-firm) internationalisation experience for early and rapid internationalisation, a more detailed examination of this issue appears necessary", (Autio, 2005:11). One might examine fast internationalising SMEs that have evolved through to the later stages, using multiple case studies in different contexts. When moving beyond early stage INV analysis, Coviello (2006) suggests it would be appropriate to compare the networks of different types of international firms by applying e.g. Johanson & Mattson's (1988) categorization early starter, lonely international and so on, or compare with domestic new ventures.

Another important aspect is to form research teams composed of entrepreneurship and IB scholars (few, if any publish together today) (Oviatt & McDougall, 2005). Despite Oviatt and McDougalls contribution on the topic of IE as early as in 1994, there still remains a gap between actual firm behaviour and the major theories of internationalisation (Styles &

Seymour, 2006). As with entrepreneurship, there does not seem to be an agreement as to what the field of IE should encompass.

Because of its nature, entrepreneurial phenomena needs to be studied simultaneously at the micro (individual, firm) and macro (industry, region, economy) levels because of the interaction between the two, Jones & Wadhwani (2006) states that ". ..the moment is ripe for reintroducing the study of historical dynamics underpinning entrepreneurial processes" (p.15). The study of entrepreneurship is fundamentally about the process of economic change (McGrath, 2003).

Further studies should also be made to investigate a larger sample of the rapidly globalizing firms, with focus on their market selection strategies. We need to know what factors influence their choice of markets. This knowledge will deepen our understanding of those firms that rapidly undergo internationalization.

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