

***The Entrepreneurial Orientation of Services International
New Ventures and its Link to International Development***

Competitive Paper Submitted to:

36th EIBA ANNUAL CONFERENCE

Porto, Portugal - December 9th-11th, 2010

Conference Track: Internationalization process and international entrepreneurship

Author: Fabian L. Sepulveda

Doctoral Researcher, International Business

Aalto University School of Economics

(formerly Helsinki School of Economics)

P.O. Box 21230

FI-00076 AALTO

Helsinki, Finland

Email: fabian.sepulveda@aalto.fi

Tel.: +358 40 353 8389

Fax: +358 9 4313 8880

ABSTRACT

This paper studies the international entrepreneurial orientation of services International New Ventures (sINVs) and its relationship to their foreign market development. Using multiple case studies we explore the research question: How does the international entrepreneurial orientation of sINVs affect their foreign market entry, market penetration, and growth? We build on entrepreneurship and international services literature to develop our research question that leads to the advancement of a conceptual framework and seven related propositions. Three entrepreneurial orientation elements were investigated of which proactiveness and innovativeness seemed to have the strongest links to the investigated foreign activities. The analysis also uncovered interesting insights about sINV innovativeness some of which contradict extant services literature. Our paper makes three contributions: it provides empirical results about a sINV's international entrepreneurial orientation, addresses a shortage of studies about international services, and provides insights about international service firm innovativeness.

Key Words: service firms, internationalization, International Entrepreneurial Orientation, International New Ventures, international development.

1. Introduction

The importance of service firms in the global economy is unquestionable. Services have become the largest part of the world economy and their export growth has more than doubled in the past decade (UNCTAD 2008), which is evidence of an increasing trend in services internationalization. Yet international service firms have been historically understudied (Erramilli, 1990, 1992; Clark et al. 1996; Chadee & Mattsson 1998; Clark & Rajaratnam 1999; Samiee 1999; Davis 2004; Drejer 2004) and studies about such organizations have only recently started to emerge in numbers (Knight 1999; Hollenstein 2003; Hipp & Grupp 2005; Miles 2005). As a consequence and despite a growing number of investigations into firms that internationalize at or near inception, such as Born Globals (e.g. Knight & Cavusgil 2004; Gabrielsson et al. 2008) and International New Ventures (e.g. Oviatt & McDougall 1994, 1995), little is known about the entrepreneurial orientation of rapidly internationalizing *service* firms. This is problematic for two reasons: first, because numerous scholars believe that entrepreneurial behavior is related to superior firm performance (Covin & Slevin 1991; Lumpkin & Dess 1996, 2001; McDougall & Oviatt 1996; Knight 2001; Balabanis & Katsikea 2003) yet little is known about *service* firm entrepreneurial orientation; and second, because the particular challenges faced by service firms are frequently overlooked, such as having limited choices of foreign entry modes (Erramilli 1990), facing unique regulation and government policy (Davis 2004), and other operational difficulties unique to services (Zeithaml et al 1985). This situation prompts our main research question: how does the international entrepreneurial orientation of service INVs impact their foreign market entry, market penetration, and growth? Consistent with Oviatt & McDougall (1994), we define service International New Ventures (sINVs) as firms operating in service industries that from inception strive to “*derive significant competitive advantage from the use of resources and sale of outputs in multiple countries*” (p. 31).

Studies about service companies have made a number of significant contributions including Erramilli’s seminal works on international market entry (Erramilli 1990, 1992; Erramilli & D’Souza 1993; Erramilli et al 2002), marketing (Zeithaml et al 1985), typologies (Lovelock & Yip 1996; Clark et al 1996; Clark & Rajaratnam 1999; Patterson & Cicic 1995), sector specific internationalization (Majkgård & Sharma 1998; Coviello & Martin 1999), and comparisons to products firms (Peters & Brush 1996; Morris & Johnston 1987; Vargo & Lusch 2004). Yet these studies’ application to sINVs is limited because most focus on well established, mature companies and few adequately explain *how* these firms behave entrepreneurially. At the same time, an emerging body of literature on service firm innovation demonstrates that service firms face unique challenges and opportunities when they innovate (Gallouj & Weinstein 1997; Hollenstein 2003; Drejer 2004), and innovativeness is a fundamental element of entrepreneurial action (Schumpeter 1934; Covin & Slevin 1991; Zahra & Covin 1995; Lumpkin & Dess 1996; Drejer 2004). However, few of these studies consider the relationship innovativeness may have with the foreign activities of service firms, particularly those that internationalize rapidly. A study of the relationship between a service firm’s innovativeness and its international development may yield important insights about the impact of service innovations on foreign market entry, penetration, and growth, particularly if such sINVs internationalize quickly to seek first-mover advantages (Gabrielsson et al 2008). This paper aims to contribute to the mentioned gaps.

Based on a review of entrepreneurship and international services literature, we develop arguments that position our research question. We then briefly discuss our methods and findings, after which we advance seven propositions driven by our empirical results. Finally, we conclude with the aimed contributions and areas for further research.

2. Literature Review

2.1 International Entrepreneurship

Largely fueled by the Born Global phenomenon, International Entrepreneurship (IE) attempts to explain the pursuit of international business opportunities through the integration of multiple disciplines (Dimitratos & Jones 2005; Oviatt & McDougall 1994; Zucchella & Scabini 2007). Although the field is still at an embryonic stage, several studies have already made significant contributions including conceptualizing IE (Oviatt & McDougall 1994, 2005; McDougall & Oviatt 2000; Jones & Coviello 2005; Zucchella & Scabini 2007), investigating differences between IE and domestic entrepreneurship (McDougall 1989; McDougall & Oviatt 1996); and exploring links between a firm's performance and its international entrepreneurial orientation (Knight 2001). In particular, these studies seem to have at least four characteristics in common. First, IE involves entrepreneurial behavior; second, it involves the crossing of domestic borders; third, it differs significantly from domestic entrepreneurship (McDougall 1989, McDougall & Oviatt 1996; McDougall et al. 2003); and fourth, it requires the *ongoing* pursuit of international opportunities (Zahra & George 2002). Although the mentioned contributions are significant and valuable, there are still other important areas in International Entrepreneurship that necessitate further investigation. To this end, our review revealed that little is known about the international entrepreneurship of *services* firms mainly due to three reasons. First, much of the entrepreneurship literature concentrates on new venture creation (e.g. Gartner 1988) or large firms (Covin & Slevin 1991; Zahra & Covin 1995) in the manufacturing sector and inside domestic borders. As a result, such studies lack an international focus and tend to overlook service firms. Moreover, the primary focus of IE research seems to be on internationalization speed and processes, with two notable exceptions: Coviello (2006) and Coviello & Cox (2006), however as conceded by those authors, their studies are limited to software firms only and omit companies at mature growth stages (for which those authors suggest further research). Second, the entrepreneurship field has long struggled to gain consensus on *what* constitutes entrepreneurship and what *entity* is entrepreneurial (Gartner 1988; Jantunen et al. 2005) fueling its conceptual fragmentation and making it difficult to separate entrepreneurial service firms from others. Third, innovativeness—a fundamental aspect of entrepreneurship (Schumpeter 1934; Covin & Slevin 1991; Lumpkin & Dess 1996)—in service firms is subject to unique challenges and opportunities (Gallouj & Weinstein 1997; Sundbo 1997; Van der Aa & Elfring 2002), and service innovation studies are scant and rarely include an international focus.

As a result, in this study we address these shortages as follows. Our investigation goes beyond new venture creation, focuses on international *services* firms, and includes firms at different development stages and from various industries. In this effort, we align with Oviatt & McDougall's (2005) view of IE as "*the discovery, enactment, evaluation, and exploitation of*

opportunities—across national borders—to create future goods and services” (p.540), but we emphasize that such pursuit of international opportunities must be *continual* and extend well beyond venture creation. To this regard, we agree with Zahra & George (2002) in their assertion that entrepreneurial behavior “*is an ongoing process that unfolds over time*” (p. 258). Furthermore, consistent with previous entrepreneurial orientation studies (Covin & Slevin 1991; Lumpkin & Dess 1996; McDougall & Oviatt 2000; Zhou et al. 2010) we view International Entrepreneurial Orientation as behavior that is characterized by proactiveness, innovativeness, and risk-taking in a firm’s pursuit of international opportunities. In this respect, a *proactive* firm has the capacity to anticipate and act on future needs and aggressively pursues opportunities; an *innovative* firm has a tendency to support new ideas, new combinations of extant ideas, entry to new markets, experimentation and new processes; *risk-taking* indicates the will to commit proportionately large amounts of resources despite a high potential for failure (Covin & Slevin 1991; Lumpkin & Dess 1996; Shane & Venkataraman 2000; Zucchella & Scabini 2007). Focusing on these three dimensions of entrepreneurial orientation is also consistent with other scholars who are increasingly coalescing around them (McDougall & Oviatt 2000).

2.2 International Services

Our review of international services literature uncovered three main contributions related to our research question. First, services have unique characteristics in comparison to other offering types (Zeithaml et al. 1985). Second, the characteristics of services limit the international entry options for the related companies (Erramilli 1990, 2002). Third, service firms face significant obstacles in their foreign operations as a result of heavy government regulation, labor laws, etc (Samiee 1999; Davis 2004). Each of these is briefly reviewed next.

Services have four main characteristics that differentiate them from other types of offerings: intangibility, perishability, heterogeneity, and inseparability (Zeithaml et al. 1985). These characteristics pose unique challenges for service firms in their international entry. The international market entry of service firms tends to be restricted (Erramilli 1990) since only those firms with the ability to decouple the production and consumption process –i.e. *hard services* firms—are able to export in a fashion similar to manufacturing companies (Erramilli 1990; Erramilli et al. 2002). Conversely, *soft services* firms—those in which the offering is inseparable between producer and consumer—are forced into choosing a more restricted set of market entry options like licensing, franchising, joint ventures, or wholly owned subsidiaries (ibid). As a result, the market entry of services firms is considerably diverse and seems to be moderated *inter alia* by the uniqueness of the firms’ offering (Erramilli et al. 2002).

At the same time, rendering services in a foreign country typically poses particular operational challenges for internationalizing firms. These challenges unique to service firms include immigration and labor policies, differing tax laws, the absence of bilateral tax treaties, government protectionism and policy (Samiee 1999, Davis 2004), and local acculturation of hiring practices (Clark & Rajaratnam 1999; Davis 2004). In many instances, such obstacles prevent the rapid penetration of foreign markets (Lovelock & Yip 1996). Moreover, services are labor intensive (Davis 2004), have significant ‘production’ variability, and are highly susceptible to governmental monitoring (Morris & Johnston 1987) posing additional obstacles. *People* render services and thus ‘production’ can only be increased by hiring additional staff, making

economies of scale difficult to achieve (Davis 2004). Similarly, mass production is unachievable since producer and consumer must be proximate and co-participate in the ‘production’ process, which prevents the use of distributors and makes it difficult to balance supply and demand without the benefit of inventories (Zeithaml et al. 1985; Clark & Rajaratnam 1999). Similarly, in the ‘production’ of services, both producers and consumers are being transformed *and* are the transforming sources, making the inputs, outputs, and performance of ‘production’ difficult to specify in advance (Morris & Johnston 1987). At the same time, services sell *competences* (Gallouj & Weinstein 1997) which, at an international level, requires the hiring and training of individuals with particular characteristics, including multi-language abilities, cultural sensitivity, international business acumen, and local customer orientation (Clark & Rajaratnam 1999). This is an important point because a client’s perception of quality and value depends highly on the manner in which that service is delivered (Clark & Rajaratnam 1999; Davis 2004), particularly because services cannot be typically be evaluated independently and in advance of the ‘production’ process (Patterson & Cicic 1995). As a result, the ‘production’ of services is characterized by high variability and uncertainty (Morris and Johnston 1987) and quality assurance is difficult to predict, measure, and standardize (Zeithaml et al. 1985).

Under such challenging conditions, it is difficult to envision how young services firms make their journey into foreign markets. Yet many rapidly internationalizing firms like Born Globals are in services (e.g. Coviello 2006). However, the majority of these service firms tend to be technology developers (Coviello & Jones 2004) with few exceptions (e.g. Majkgård & Sharma 1998), leaving the internationalization of other service firms types overlooked. What remains understudied is what happens to young small services firms after they enter markets and how successful is their continued operation in their respective international markets, in terms of growth and market penetration. Our study aims to contribute to this gap.

2.3 Innovation in Services

As we have mentioned, according to the Schumpeterian school of thought, innovation is a significant element of entrepreneurship (Schumpeter 1934), and we agree. But given the particular characteristics of services mentioned above, a more detailed explanation of innovation is necessary. For this, we take support from Gallouj & Weinstein (1997) and view innovation in services as a process of introducing changes to the service ‘product’, delivery of that service, competences of the firm, or competences of the client, which are novel, repeatable, and have a lasting benefit on the firm (economic, strategic or otherwise). With this understanding of innovation in services, we found three types of innovation that appear to be the most prominent in the literature: product, process, and market innovations. An additional type that is commonly found among services firms but frequently neglected in academic research are *ad hoc* innovations (Gallouj & Weinstein 1997; Sundbo 1997).

In this study we will use the preceding explanation of innovation in services that takes support from Gallouj & Weinstein (1997). For purposes of brevity, our focus will be on *product* innovations, which refer to new service offerings that require fundamental changes in the type of services rendered, the competences of the producer and consumer, and may also involve changes to the service delivery process (Gallouj & Weinstein 1997). Furthermore, our study compares *radical* versus *incremental* innovations in order to investigate their respective impact on the

foreign market operations of service firms. In this respect, radical innovations require the development of a complete new set of service characteristics, delivery processes, and competencies including recruitment, training, etc., which make it difficult (but not impossible) to apply in services (Gallouj & Weinstein 1997; Sundbo 1997); while incremental innovations are characterized by the addition or substitutions of elements (e.g. comprehensive versus collision-only car insurance) or combinations of services (Gallouj & Weinstein 1997; Sundbo 1997; van der Aa & Elfring 2002). As we are investigating the foreign development of sINVs, it is important to understand if and how the degree of innovation (e.g. radical or incremental) affects foreign market entry and penetration. This is particularly interesting because the literature suggests that the continued development of incremental innovations eventually leads to the creation of radical innovations (Gallouj & Weinstein 1997). Hence juxtaposing the progression of innovation development with the progression of a firm's foreign development may yield valuable insights about the impact of the former on the latter.

3. Methodology

The research question guiding this study is of an explanatory nature, since it investigates links between the international entrepreneurship and foreign development of sINVs. As a result, a holistic multiple-case study design (Yin 2009) was considered most adequate for three reasons. First, because case studies are best positioned to answer “how” and “why” inquiries (Yin 2009), as is the case with our research question. Second, because we wished to acquire rich, in-depth data (Wright et al. 1988, Yin 2009). Third, because case studies facilitate the inductive gathering of new insights (Sutton 1997), which may have been originally unknown to the researchers.

We selected five case firms based on theoretical sampling (Eisenhardt & Graebner 2007) because they were particularly suitable for illuminating and extending the relationships we are investigating. Our case companies emerged from a wider set of firms operating inside a large Finnish business incubator as well as from other firms known to the researchers. In order to be selected as a case, companies had to pass through three ‘filters’. First, all companies had to be purely within the services industry and not manufacture any physical goods. Second, all firms had to meet Oviatt & McDougall’s (1994) definition of an International New Venture in that from inception, the firm sought to “*derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries*” (p. 49). Third, they had to be organizations that were originally incepted as new firms (i.e. not private equity buyouts, joint ventures, etc.) at different stages of development and growth (e.g. Gabrielsson et al. 2008). Furthermore, we excluded firms that had no sales because of difficulties in evaluating the market acceptance of their services. A brief description of the selected firms is included in table 2 below.

Table 1. Case Firm Summaries

MPS	Since 1975, Management Personnel Services (MPS) has created a market for many Human Resource (HR) services that previously did not exist in several of its current locations. From personnel assessment at inception to a portfolio of seven services today, (including HR strategy development, Executive coaching, Executive Search and helping organizations in their transitions), the two-person startup grew into a firm with more than 50% sales growth in nine years. Having entered its first foreign market just five years after inception, the firm now operates in over 30 countries across the globe. The firm is headquartered in Finland, has a staff of over 120, and has offices in 10 countries. MPS is now a mature organization with a strong brand and an established reputation.
Citec	Citec provides technical solutions and project services across many disciplines for clients in the Power, Civil, Rail Vehicles, Telecom, Life Science, and Process industries. In addition, the firm provides a wide range of technical communication services and solutions. Founded in 1984 by two colleagues, the firm has grown to into two divisions that employ a combined 1100 employees. In the past ten years, the firm's revenues have grown by an annual average of 33%. After an 8-year period of domestic growth, the firm entered Sweden as its first international market. It has since expanded to more than eight countries in Europe and Asia. The firm is headquartered in Finland, has offices in four locations across Europe and Asia. Citec is now a mature organization with strong brand and established reputation.
DynaRoad	Since inception in 2000, DynaRoad has developed software solutions for some of the largest civil engineering and construction companies in the Nordic region. After developing its 1 st product, the firm grew domestically and abroad only three years after inception. Through a brief period of external ownership in 2003-2005, the firm remained autonomous and virtually with the same management team. It has since expanded its operations to six countries across three continents. Despite significant sales growth, the firm has yet to achieve profitability, which it expects to reach in 2010. The firm is headquartered in Finland, hires seven people, and is actively pursuing entry into additional foreign markets.
Icareus	Founded in 2001, Icareus develops software products and content for broadcasting and interactive TV operators in more than forty countries across Europe, Asia, and the Americas. After entering its 1 st international market in 2002, it now has regional sales offices in Finland, USA, Mexico, and China, and employs a reseller network that also reaches Africa. Despite the recent financial crisis, the firm managed to grow annual sales by 15% in the past two years with nearly half of its revenues coming from international sources. Icareus is headquartered in Finland and is actively seeking to enter and expand in foreign markets.
Evalua	Based in Finland with a staff of six, Evalua delivers research and expert services to firms in the occupational health industry to improve employee wellbeing, productivity, and performance. Founded in 2003, the company first went international in 2005 and now has a subsidiary in the Netherlands and several partners across Europe. Although the minority of its revenues comes from international sources, the company performs its services in nearly 60 countries across the globe. Evalua is quite selective in targeting foreign markets due to the highly-specialized nature of their services and their fit with foreign market practices in occupational health.

To gather data, we conducted semi-structured interviews and supplemented them with available company and public documentation. To conduct the interviews, we constructed an interview guide with questions based on the literature review that concentrated on the three Entrepreneurial Orientation constructs (proactiveness, innovativeness, and risk-taking) and foreign development elements (market entry, penetration, and growth). Data was collected per Yin's (2009) description of focused interviews and each case was treated as an independent experiment. In

most questions, informants were asked to describe the progression of the particular topic from inception until today (e.g. *“How would you describe the development of your firm’s ability to innovate in products, processes, markets or otherwise?”*). All interviews included at least one of the original founders, and in the case of DynaRoad, the current Managing Director was also interviewed. In all cases, the founders were still active members of the leadership or executive team, except DynaRoad, which meant that the whole history of the firm resided with the original entrepreneurs. In DynaRoad’s case, the original founder and the present Managing director were both interviewed, providing an entire picture of the firm’s development.

In alignment with Covin & Slevin’s (1991) approach, the unit of analysis was the firm in order to facilitate the observance of historical (entrepreneurially oriented) actions. A key advantage of this approach is that it simplifies measuring and comparing the entrepreneurial orientation of firms and facilitates conceptual integration (Jones & Coviello 2005). Our data analysis followed the cross-case pattern matching guidelines set by Eisenhardt (1989) and was aided by NVIVO. More specifically, data was ‘coded’ into two sets of three constructs each. The first set included proactiveness, innovativeness, and risk-taking, which attempted to capture entrepreneurial orientation elements of the firm. Data coding into each of these three constructs had to be consistent with their explanation set forth in the literature review and took support from suggestions made by Lumpkin and Dess (1991) on how to operationalize them. More specifically, proactiveness data was captured whenever a firm took specific action to discover, develop, and/or exploit business opportunities (e.g. participating in networking events or ‘cold-calling’, etc.). Innovativeness data was logged when the firm took actions that resulted in the development or introduction of a new product, new service, new market, or combination thereof, (whether radical or incremental, successful or not) and whenever the firm executed changes in their services, products, or markets. Similarly, risk-taking proclivity was recorded whenever the firm took actions that demonstrated a commitment of resources in the face of uncertainty and possibilities of substantial loss. However, our analysis of risk-taking behavior focused on the firms’ internationalization and foreign operation activities only, in order to keep it concise and aligned with the objectives of our research. The second set of constructs included firm growth, market entry, and market expansion, and these attempted to capture the progression of the firms’ foreign activities. Firm growth was captured via annual sales (financial growth), number of employees (organizational growth), and number of foreign markets entered (geographical growth). Market *entry* data was coded whenever a firm took action to enter particular foreign markets and such action led to new revenues. Similarly, we coded market *penetration* data whenever the company actively tried to increase its client base and/or revenues in entered markets. The data results were then analyzed and synthesized into the findings reported in the sections that follow. NVIVO significantly facilitated the impartiality of data coding, the finding of relationships between the two sets of constructs, as well as the management of data.

To address internal validity concerns, we implemented recommendations from Gibbert et al. (2008) by conducting pattern matching (Eisenhardt 1989) across cases and by triangulating findings via multiple data sources (interviews, company documentation, and publicly available information). Similarly, we mitigated construct validity concerns in two ways: first we developed interview questions solidly based on extant literature, and second, we asked same-construct questions in various ways in an effort to achieve triangulation (Gibbert et al. 2008; Yin 2009). For example, innovativeness questions included: *“How would you describe the development of your firm’s ability to innovate in products, processes, markets or otherwise?”* and *“in what areas*

would your firm be considered “novel”, “different” or even “revolutionary?” Given that this study was explanatory, it aims for analytic generalization to theory rather than statistical generalization to a population (Eisenhardt 1989; Gibbert et al. 2008). In an effort to strengthen reliability, the interviews were conducted with a literature-based interview guide, and were tape recorded, transcribed, and analyzed as explained above. Each firm’s findings were then summarized and sent to the interviewees for accuracy and completeness. Any clarifications made by interviewees were then integrated into the analysis and finally to the results reported above. All interview data and its analysis was conducted and stored in NVIVO.

4. Empirical Findings

4.1 International Entrepreneurial Orientation of sINVs

The international entrepreneurial orientation of the case firms appeared to be idiosyncratic to each organization. In general, all case firms had the intention to become international firms from the start, were proactive in pursuing opportunities, created new innovations and/or markets, and demonstrated tolerance for risk-taking. These three elements of entrepreneurial orientation are analyzed further in detail next.

4.1.1 Proactiveness

All five firms made a concerted effort to anticipate and commercialize emerging opportunities. In three cases, alertness to new opportunities led to the introduction of new services that resulted in significant and sustained revenue growth for MPS, Citec, and Icareus. Similarly, DynaRoad’s active search for opportunities led to the creation of its flagship products and hence its main source of revenues. Networking and ‘cold-calling’ were the two most frequent activities whenever all case firms pursued such opportunities both domestically and internationally. The companies seemed to be strongly active in networking for two main reasons. First, two of the companies (DynaRoad & MPS) initially had to create their own market as their services did not previously exist in their target geographies, and network relationships seemed to offer the easiest venue to ‘educate’ potential clients about the new services while simultaneously generating demand. As a result, both firms aggressively employed their extant networks and actively sought to enlarge them:

“it was hard, tough work. There was nothing for free, which means going out—and I would call it out networking—when we sell to the client. So it was going out, talking to the clients, building the trust, profiling yourself...the things we were serving were nothing the people had experienced before...it was a phase of totally educating the market”—MPS founder;

“when we were doing product development in the early stages, it went more or less so that we met once a month with [our prospective clients]...We don’t have [direct competitors]...and that’s also the hard part, because sometimes we, first we have to create the market in a country before we can sell to it” –DynaRoad MD.

Moreover, Citec and MPS believed that new business opportunities are best pursued by nurturing client relationships, delivering quality, and securing positive references. Consequently, their

networking activities focused on preserving the (perceived) value in their client relationships rather than on activities to purely extract further revenues. Second, the organizations rely heavily on clients for novel ideas, co-development, references, or reputation building, in an effort to identify and pursue new business. In addition to networking, three of the firms (Citec, DynaRoad, and Icareus) vigorously sought and won significant new business via ‘cold-calling’ customers outside their known network of relationships. One of Citec’s single largest clients, many of Icareus’ initial clients, and several of DynaRoad’s recent customers were obtained through cold-calling. A comment made by Icareus’ founder describes that company’s proactiveness well: at the beginning “we [were] *nobodies, having nothing, just an idea of getting into the TV business. So we start[ed] to call everybody.*” Similarly, DynaRoad’s MD mentions that “*most of the clients that we’ve found or that we have...[we] take a phone, go to their website and cold call [them].*”

Today, all companies remain highly proactive in their pursuit of new opportunities and continue to use networking activities both to generate new revenues and pursue emerging opportunities. In addition, some of the firms have also been proactive in partnerships (MPS, Citec) and acquisitions (MPS, Citec, Icareus) as additional venues for growth, whereas the other firms still use networking (DynaRoad, Evalua) and cold-calling (DynaRoad) as their main venues for further business.

4.1.2 Innovativeness

The case firms demonstrated strong innovativeness by creating services that did not previously exist, solving existing problems in new ways, or entering new markets. Comments made by MPS and Citec best exemplify this finding: As already mentioned, MPS original services at the time when they were introduced were “*nothing the people [clients] had experienced before*” (MPS founder); One of Citec’s first customers was “*building a biogas plant, which was the second one in the world for treating household waste, making biogas of household waste... and we developed our own technology with four, five patents [for that client’s project]*” (Citec founder).

All organizations had incremental innovations, but only three (MPS, Citec, DynaRoad) developed radical ones, with just MPS and Citec having developed *more* than one radical innovation. In this regard, the radical degree of innovation in DynaRoad’s original product has been difficult to replicate because subsequent products have been enhancements to the original creation. Citec has a handful of radical innovations, some of which are backed by patents as mentioned above, but these emerged less frequently than incremental innovations. Lastly, two of MPS’s innovations can be considered radical because at the time when they were introduced, such services were first-to-market in many of MPS’s target markets. These differences in radical innovation production may be related to differences in the firms’ development, because as both MPS and Citec are mature firms, they may have had more time to develop subsequent radical innovations than DynaRoad, which is emerging from its early stages. In addition, the stage at which the firms’ innovations emerged varied: MPS and DynaRoad were incepted to pursue their radical innovations, while Citec’s came at a later stage. Separately, the data suggests that incremental innovations (as compared to radical innovations) were the most frequently produced by all firms, however, not all of these were co-created with clients. MPS explained that all of its business ideas emerged from within the firm. Citec *identified* some of innovations during client engagements, however, the *development* of such innovations (some of which were later patented)

was not co-created with customers. Conversely, DynaRoad, Icareus, and Evalua have typically co-developed their innovations with clients.

It is important to note that as a result of their radical innovations, MPS and DynaRoad went through a period of ‘product’ or market development, which *inter alia* kept them domestic for five and three years respectively. The firms deemed this necessary in order to develop completely new markets, a mature product (DynaRoad), and a strong reputation (MPS) prior to engaging in international markets:

“It took a couple of years just to get the technology to a point where it could be easily localized and it was something that would be interesting, to global markets” –DynaRoad MD”

“Those networks, we needed to build three, from three to five first years, the belief in what we do... So we needed, I have to honestly say that we needed to build the belief in what [our original services were] first” –MPS founder

In all instances, radical innovations facilitated entry to foreign markets, while incremental innovations seem to have become more instrumental in markets where the firm was already operating. The data revealed that the radical innovation is what seemed to initially attract the business to a foreign country whereas incremental innovations occurred most frequently once the firm and client(s) were already working together. In contrast, Citec’s innovations were less related to its delayed entry into foreign markets. More specifically, the founder believed no international customer would be interested in Citec’s services unless it demonstrated a history of positive results, prompting the firm to develop its domestic sales *prior* to going international.

4.1.3 Risk-Taking

We investigated the risk taking proclivity of our case firms by assessing their willingness to commit resources to their international development despite the possibility of substantial loss. Three of our most interesting results are as follows. First, it appears that firms with the ability to export are more willing to take international risks than firms who cannot, given that the required resource commitments are lower. For example, much of Icareus’ technology can be packaged and exported virtually to anyone in the world, which in essence requires a minimal commitment of international resources. In comparison, MPS’ personnel assessment services are co-produced with their clients, hence requiring an international presence and pointing to a much higher level of resource commitment. Second, the results suggest that the higher a firm’s development and accumulation of resources, the more calculative it becomes in making international resource commitments. For example, MPS and Citec will only establish new partnerships or make acquisitions (Citec) if the related international opportunities fit or complement their extant services portfolio, whereas Icareus’ and DynaRoad’s seem more willing to commit resources to opportunities that expand their international services portfolio beyond current boundaries. Third, most firms seemed to have a preference to internationalize in nearby markets before going further outward, given the perceived similarities to the home market and the availability of local networks. Sweden, Denmark, or Norway was most frequently sought as the first international market, although DynaRoad’s first foreign entry was fortuitously in the USA as a result of the founder’s attendance at a local academic conference.

The availability of local networks and target market maturity were two additional elements that appeared to influence the firms’ risk taking behavior. For example, MPS, Citec, and Evalua

demonstrated a preference to internationalize via its networks (partnerships, etc.), and Citec's recent international acquisitions tend to be companies that have prior history with the firm. Similarly DynaRoad has a policy to secure at least one customer to fund and jointly develop products, perhaps restricting its ability to independently choose entry into particular foreign markets. In comparison, DynaRoad and Icareus have also risked international entry without their networks, however, this was primarily due to their ability to export all or most of their offerings, which is something the other firms can't do. In two cases (Icareus and Evalua), the risks of internationalization *per se* appeared subordinate to finding foreign markets that were sufficiently 'mature' to fit the firm's offerings: e.g. only countries offering interactive digital TV services are markets for Icareus; Evalua only targets countries where occupational health issues are of significant importance as in their domestic market:

"And I [knew] already, before starting the [internationalization] process, that Sweden and Netherlands would be the countries where I would like to go, because I knew from the past and from my experience that the systems would be the, having the closest resemblance to the Finnish system...in the occupational health and also in kind of a mindset and way of thinking" –Evalua founder.

"in our business...we need that some TV operator or TV broadcaster want to start digital transmission and want to provide interactive services. And of course if there's some country, I don't know, somewhere in Asia or wherever, if they are not in the process of going to digital TV or starting IPTV, it's no use that we go out [and say], we have this IPTV stuff or digital TV"—Icareus founder

All companies continue to pursue additional international opportunities, but the risk-taking proclivity of some firms seems to have changed. That is, Evalua has few plans to internationalize further until its potential target markets mature further or until it can establish international networks that facilitate foreign entry; and DynaRoad continues its policy to secure at least one customer to fund and jointly develop products. That said, Icareus and DynaRoad remain strong in their internationalization initiatives via networking and through additional funding and hiring (DynaRoad).

We believe the differences in entrepreneurial orientation between firms are mainly related to differences in their development, with DynaRoad, Evalua, and Icareus being the least developed. More explicitly, the data suggests that the lower the development of a firm, the stronger its proactiveness, innovativeness, and risk-taking, but as that firm develops, those elements become more calculative, more structured, and less spontaneous.

4.2 Foreign Development of sINVs

4.2.1 International Market Selection & Entry

The international market selection and entry of all firms seemed to be both deliberate *and* fortuitous. On the one hand, when entry was deliberate, the most common criteria to select countries were the availability of networks in target locations, market attractiveness, perceived opportunities, and language capabilities of firm staff. As already mentioned, most firms seemed to have a preference to internationalize in nearby markets before expanding outward. Entry was

typically achieved via networking, partnerships, acquisitions, subsidiaries, or cold-calling. For example, MPS's founder describes their entry into Japan: "*we recruited a Japanese person [in Finland]...who took care of our Japanese clients in Scandinavia...for more than ten years, and then [he] moved back to Japan...and represented us there*". On the other hand, when entry was serendipitous, it typically emerged from events such as attending international conferences, organizing or participating in trade shows, or obtaining direct international orders. These findings revealed that the *fit* between foreign markets and the firms' innovations as a reason to *select* particular locations for entry was often subordinate to the other reasons mentioned above. Evalua and Icareus are exceptions to the previous statement in that the target countries of both firms needed to have a specific level of 'maturity' before they could be considered *actual* markets: "*China is not mature enough for [our services]. I mean they are treating their labor [terribly], why should they consider [our services]?*" –Evalua founder.

Although our case firms are similar in that they operate in highly-specialized service sectors, their speed to internationalization varied significantly. Icareus' and DynaRoad's ability to license and/or export their products abroad facilitated their international entry two and three years respectively after inception. Evalua also internationalized quite rapidly, just two years after inception. In contrast, the international entry of MPS and Citec firms appeared to delay for two reasons. First, both firms needed to establish a new highly-specialized market for services that were rare, non-existent, or required the 'education' and 'training' of target customers. Second, MPS and Citec sought to build a strong reputation prior to internationalization because the founders of both firms believed that this was an essential way to secure business, particularly as both remarked that in services, *reputation* is absolutely fundamental to growing the business:

"our business is offering services, which [are] very much judged through yourself as a person because your product is yourself"—MPS founder.

"we had three reasons for growth. First of all, big customers, international, global customers...they like to see of course economical figures of the company, and growth is one of the key metrics, I should say. I mean if you're coming to a big company and showing up a negative or non-growing company, it gives not the right signals. So we were aware of, that we have to grow in order to show that this is a company coming"—Citec founder.

Citec's international entry was further delayed because during the first 3 years, the founders worked the firm on a part-time basis. However in the 4th year, both founders worked full-time and took the firm international 3 years after that.

Contrary to extant service internationalization literature (e.g. Clark & Rajaratnam 1999; Lovelock & Yip 1999; Davis 2004), none of the case firms reported to have faced particular difficulties in entering their extant foreign markets due to government policy & regulation, labor laws, or the characteristics of services. Moreover, in comparison to Erramilli & D'Souza (1993) the firms' low level of capital intensity appeared to have less influence on their decision to enter geographically and culturally distant countries (as demonstrated by Icareus and DynaRoad) than the aforementioned elements of networks, market attractiveness, etc.

4.2.2 International Market Penetration

During their early stages, all case companies seemed to experience a slow progression in penetrating foreign operations. Three elements that emerged as penetration hurdles were the degree of ‘novelty’ in the services offered, the maturity of the target market (that is, whether the target market was more or less developed than the domestic market, helping to determine the level of adjustment required to the services offered), and the availability and interconnectedness of local networks. More specifically, the high degree of novelty in MPS’ and DynaRoad’s services required the firms to educate their target market at the beginning stages in order to create demand. This meant that further expansion required more ‘educating’ and therefore took time. At the same time, the companies depended on the overall development of their target markets. For example, as MPS grew, the markets in which it operated also developed, significantly raising awareness for its services, thus making market penetration easier: *“it’s not only our own reputation, but it is also the fact that leadership, management issues, HR issues, have become much more important, since ‘92”* –MPS founder. Similarly, when DynaRoad’s markets were more ‘advanced’ than that of Finland, the firm’s products were adjusted to satisfy clients’ needs, and when they were ‘less advanced’, the firm defaulted back to ‘educating’ customers. In DynaRoad’s case, two additional reasons have hindered market penetration: first, DynaRoad believes its target clients are not well interconnected (as in other industries) and hence rarely share or disseminate information about the firm’s products; second, clients consider DynaRoad’s products a competitive advantage and therefore do not wish to divulge the existence of such products.

Conversely, Icareus’ acquisition and development of additional technologies allows them to package multiple services within the same target market, hence increasing revenues and making penetration easier. Similarly, Citec’s expansion has been facilitated by the development of incremental services tied to its main portfolio, and more recently by acquisitions.

4.2.3 Firm Growth

The case firms have achieved varying levels of growth in terms of sales, number of employees, or number of foreign markets entered. Citec and MPS are the most developed by all three measures, and they are also the oldest. In turn, DynaRoad, Icareus, and Evalua are still developing, with DynaRoad still working toward profitability. Today, MPS and Icareus have the broadest world coverage with operations in thirty and forty countries respectively, whereas Citec, DynaRoad, and Evalua have a presence in seven, six, and two international markets respectively.

Our results revealed that the two most prominent reasons for growth were the firm’s own aggressiveness in pursuing opportunities (i.e. proactiveness), and their use of networks. For example, DynaRoad, Icareus, and Citec all obtained some of their largest clients via cold-calling. In turn, MPS and Evalua attribute their growth almost fully to opportunities that have emerged from within their networks and networking activities.

Table two below provides a summary of our empirical results.

Table 2. Empirical Results Summary

	International Entrepreneurial Orientation	Foreign Development
MPS	<ul style="list-style-type: none"> • Strong proactiveness via networking • Incepted to pursue radical innovation • Created two radical and multiple incremental innovations—all within the firm • Risk appetite to internationalize strong during early stages but more structured today 	<ul style="list-style-type: none"> • Nordic region preferred as first foreign entry • Radical innovations kept firm briefly domestic but later facilitated foreign entry • Prefers partnerships as main foreign entry mode • Has reached mature stage in terms of growth
Citec	<ul style="list-style-type: none"> • Strong proactiveness via networking and cold-calling • Started with incremental innovations and later developed radical ones • Some innovations developed in-house and others jointly with clients • Risk tolerance to internationalize strong but structured 	<ul style="list-style-type: none"> • Nordic region preferred as first foreign entry but now has major operations in Asia and Central Europe • Chose to have domestic growth prior to internationalizing • Incremental and radical innovations facilitated foreign entry and penetration • International entry via partnerships, acquisitions, and whole subsidiaries • Has reached mature stage in terms of growth
DynaRoad	<ul style="list-style-type: none"> • Strong proactiveness via networking and cold-calling • Incepted to pursue radical innovation and has produced multiple incremental ones • All innovations jointly developed with clients • Risk appetite to internationalize as strong as during inception 	<ul style="list-style-type: none"> • No regional preference for first foreign entry • Radical innovations kept firm briefly domestic but later facilitated foreign entry • Emerging from initial stages; has yet to achieve profitability
Icareus	<ul style="list-style-type: none"> • Strong proactiveness via networking and cold-calling • Started with undeveloped innovations that later evolved to incremental ones; has not yet developed radical innovations • Risk appetite to internationalize as strong as during inception 	<ul style="list-style-type: none"> • Regional preference for first foreign entry dictated by target market ‘maturity’ • Incremental innovations facilitated foreign entry and penetration • Emerging from initial stages; financially independent; working toward critical growth
Evalua	<ul style="list-style-type: none"> • Strong proactiveness via networking • Started with developing innovations that later evolved to incremental ones; has not yet developed radical innovations • Risk appetite to internationalize weaker than inception 	<ul style="list-style-type: none"> • Regional preference for first foreign entry dictated by target market ‘maturity’ • Innovations had little or no influence in foreign entry and penetration • Emerging from initial stages; financially independent; working toward critical growth

5. Discussion and Proposition Development

In this section, we discuss our empirical findings in order to identify emerging patterns and compare them to extant research. More specifically, we analyze the international entrepreneurial orientation (IEO) and foreign development elements to identify relationships between them and juxtapose such relationships with earlier studies. On the basis of this analysis, we advance a theoretical framework and six propositions related to the IEO – foreign development relationship of sINVs.

5.1 Proactiveness and firm growth

As we previously mentioned, all firms demonstrated strong proactiveness mainly via networking and cold-calling activities. Not only did our case firms aggressively seek out, establish, and expand their own networks, but they used such networks to anticipate and act upon emerging opportunities. For example, Citec's and DynaRoad's largest-revenue customers emerged from within the firms' networks; Evalua was inceptioned to pursue a network-derived opportunity; and MPS used its networks to successfully commercialize two radical innovations at separate points in time. These findings contradict Sundbo (1997) who suggests *service* firms are not very efficient in establishing or using external networks. On the other hand, our results find support in (non-service specific) studies that suggest networks are a primary source for the discovery and exploitation of entrepreneurial opportunities (Håkansson & Snehota 1995; Hoang & Antoncic 2003; Harris & Wheeler 2005; Zhou et al. 2007). Separately, DynaRoad, Citec, and particularly Icareus were also very active in cold-calling, which introduced Icareus into Sweden and Citec into Norway. This finding contradicts much of the internationalization literature which suggests companies internationalize through networks (e.g. Johanson & Mattsson 1988, 1992) or that service firms establish foreign operations to follow clients or seek new markets (Erramilli 1990; Majkgård & Sharma 1998) because in these particular instances, both firms simply pursued the opportunities directly, without the benefit of networks or without having specifically targeted Sweden and Norway as potential markets.

The data suggests that the years when the firms achieved their strongest results coincide with the firms' most proactive efforts to grow. For example, the year after DynaRoad emerged from external ownership, the firm revamped its full-time sales staff and realigned its sales strategies in search of opportunities that led to revenue growth of more than 230% that year (in comparison to a yearly growth average of 128% up to that point). Similarly, in 1989 Citec began to experience unprecedented revenue growth because of their partnering efforts and because the founders became full-time employees. As a result, the company's sales grew five-fold over the following five years. In the words of one of the founders:

“from '84 to '89, five years...[Citec] was growing very slowly, I think [in] '89 we were six employees ... But then we [joined] a company...that was an engineering company...that gave an umbrella...[and in '89] I started one hundred percent to work for the company... I should say, then it started to grow very fast, this company”

Similarly, while actively scanning for new business opportunities, Icareus acquired a bankrupted competitor in 2004, which increased the number of product lines and number of international

markets, and grew international sales by 372% (total sales growth grew 212% in comparison to 98% the previous year). These findings suggest a strong relationship between proactiveness and firm growth, and find support in extant research (e.g. Lumpkin & Dess 1996, 2001).

Furthermore, our results appear to align with Lumpkin and Dess (1996) who propose that entrepreneurial orientation has a stronger link to performance when the firm is in a technologically sophisticated environment than the opposite low-tech environment. However, we would need additional studies to investigate this point further since four out of our five firms operate in technologically sophisticated environments. Based on the preceding discussion, we believe that proactiveness and firm growth are related, particularly when the firm operates in international markets. Consequently, we advance our first proposition:

Proposition 1: The proactiveness of a sINV is positively related to firm growth in foreign markets

5.2 Innovativeness and its links to market entry and penetration

In investigating links between sINV innovativeness and market entry & penetration, we focused our analysis in three areas. First, we evaluated the firm's innovativeness in terms of radical and incremental innovations. The aim was to identify the firms' ability to create and duplicate such innovations at various points in their development. Second, we searched for emerging patterns between innovativeness and market entry and penetration while assessing if the patterns varied when the innovation was radical or incremental. Third, we wished to identify additional patterns related to sINV innovativeness and foreign operations that we may not have initially considered. Each of these is discussed next.

As previously mentioned, all firms had incremental innovations, but only MPS, Citec, and DynaRoad developed radical ones with just MPS and Citec having developed *more* than one radical innovation. The developmental stage at which our firms' innovations emerged finds mixed support in extant studies. Consistent with Gallouj & Weinstein (1997), Citec's innovations progressed from incremental to radical. However MPS and DynaRoad were *incepted* to pursue radical innovations as suggested in Born Global literature (e.g. Gabrielsson et al. 2008). This latter finding suggests that the development of radical versus incremental innovations is idiosyncratic to each firm and at times may be different than a 'trial-and-error' development process that culminates in radical innovations (Gallouj & Weinstein 1997). This may be particularly true of sINVs as international service offerings must typically be adjusted to local environments (Clark et al. 1996; Lovelock & Yip 1996; McLaughlin & Fitzsimmons 1996; Samiee 1999), hence promoting the creation of incremental innovations (as enhancements or adaptations) more so than radical ones. In this regard, the case firms generated incremental innovations more commonly than radical ones, and only MPS and Citec have successfully commercialized subsequent radical innovations. These findings suggest that as firms mature, they are increasingly likely to enter an innovation production 'cycle' that fluctuates between radical and incremental innovations, regardless of the starting innovation type, as demonstrated by MPS and Citec. In the context of a firm's international progression, it is important to identify

patterns that may emerge in innovation development because they may coincide with particular patterns of international entry, penetration, or growth. In other words, gaining insights about whether radical innovations are followed by incremental ones or vice-versa would help determine if such cycles coincide with varying patterns in international entry, penetration, and foreign sales growth. Based on these results, we believe that the radical innovation(s) of sINVs are typically preceded by a period of incremental innovation production, and this cycle repeats when further radical innovations are created.

Interestingly, the radical innovations of some firms seemed to both delay *and* facilitate the companies' international entry. On the one hand, the degree of 'radicalism' or novelty of the firms' innovations caused a delay in three firms' international entry. This delay was prompted by a need to develop a mature product (DynaRoad), a drastically new market (MPS), and a strong reputation (MPS, Citec) prior to engaging in international markets. More specifically, DynaRoad delayed its international market entry after attending international conferences and trade shows where it determined that its products needed to be adjusted to better satisfy international standards and expectations. Similarly, MPS went through a brief period of domestic growth, which it considered necessary to develop its market and build a reputation prior to internationalizing. These results suggest that, contrary to some of the Born Global and related literature (Oviatt & McDougall 1995; Gabrielsson et al 2008), the 'novelty' in some of our case firms' innovations prompted the companies to *delay* international entry, even if at times the innovations could offer a competitive advantage over indigenous firms. This finding aligns with Erramilli et al. (2002) who propose that service firm foreign market entry is moderated *inter alia* by the degree of uniqueness of the offering. On the other hand, once Citec and DynaRoad had decided to go international, their radical innovations facilitated their ability to enter foreign markets: Four of Citec's patents facilitated their market entry into Japan and several locations in central Europe; while DynaRoad's product uniqueness facilitated entry into six countries in three continents. MPS stands out in that the firm used a radical innovation to successfully penetrate extant markets. In contrast, the data suggests that incremental innovations are most instrumental in *penetrating* extant markets. For example, thanks to the recent acquisition of new technology (i.e. an incremental innovation) Icareus can now sell additional services to extant clients and integrated services to new clients, which has improved their penetration in some markets. Based on these results we make the following propositions:

Proposition 2: *Radical innovations facilitate a sINV's foreign market entry,*

Proposition 3: *Incremental innovations facilitate a sINV's penetration of extant foreign markets*

Proposition 4: *The more radical the innovation, the longer a sINV takes to develop its extant foreign markets*

One of our early intuitions in this investigation was that the perceived fit between a firm's innovations and its target foreign market would be a fundamental reason for entrepreneurially oriented firms to select and enter that market, as implied in some of the services literature (e.g. Ekeledo & Sivakumar 1998; Erramilli et al. 2002). But as the data revealed, only Icareus and Evalua internationalized based on such a fit, given that the target market of both firms needed to be at a particular 'maturity' stage, as mentioned earlier. In the other firms, fit was subordinate to other seemingly more important reasons in choosing foreign markets as supported by extant

research, including availability of networks in target geographies (Coviello & Martin 1999; Majkgård & Sharma 1998), market attractiveness & perceived opportunities (Erramilli 1990; Majkgård & Sharma 1998), and language capabilities of firm staff. We therefore propose:

Proposition 5: *The fit between a sINV's innovation(s) and a foreign market as a reason to enter that market is subordinate to the availability of networks at the target country*

5.3 Risk-taking and foreign market entry

The relationship between risk-taking proclivity and the foreign market entry of our case firms seemed to be affected primarily by three elements: the ability (or lack thereof) of firms to export; the firms' availability of local networks; and the development stage of the firm. As previously mentioned, exporting or licensing (Icareus, DynaRoad, Citec) requires minimal resource commitments in foreign locations and therefore involves less risk in comparison to MPS and Evalua (and Citec for non-license services) who require an active international presence (such as subsidiaries or partners) to deliver their services. Consequently, the risk-taking proclivity of MPS and Evalua appears lower than the other firms. By the same token, both MPS and Citec (our most mature firms) became more calculative in their international resource commitments as their organizations matured, whereas the other firms seem more willing to pursue international opportunities less calculatively. The availability of networks in the target markets stood out as major criteria to select and enter foreign countries, as demonstrated by the historical internationalization actions of MPS, Citec, and Evalua previously mentioned. Of course, other elements also played a role, including regional preferences, perceived market attractiveness, and likeness to domestic markets among others. However, these influences appeared to be subordinate to the others mentioned above. As a result, we propose:

Proposition 6: *The risk-taking proclivity of sINVs when selecting and entering foreign markets is*

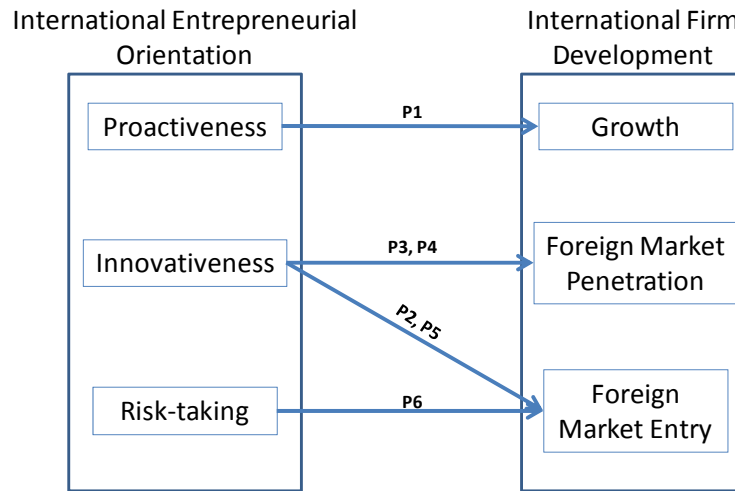
6a: *positively influenced by the firm's ability to export or license;*

6b: *positively influenced by the firms' availability of networks in the target country*

6c: *negatively influenced as the firm matures and accumulates resources;*

Figure 1 below illustrates the resulting conceptual framework that captures the advanced propositions.

Figure 1. Conceptual Framework for the entrepreneurial orientation of sINVs and its link to international development



6. Conclusion

This paper presented an empirical study about the international entrepreneurship orientation (IEO) of services International New Ventures (sINVs) and its relationship to their foreign development. Based on entrepreneurship and international services literature, we developed our research question: How does the international entrepreneurial orientation (IEO) of sINVs affect the firm's foreign market entry, market expansion, and growth? Based on our findings we developed a theoretical framework and six propositions that relate IEO to sINV foreign market development.

Our analysis revealed the presence of a relationship between a sINV's international entrepreneurial orientation and its international activities, however, the findings varied across the elements examined. In summary, strong levels of proactiveness coincided with firm growth and international expansion. We also found that the more radical the innovation, the longer a sINV took to penetrate foreign markets, although radical innovations facilitated international entry while incremental innovations helped penetrate extant markets. Furthermore, the *fit* between a firm's innovation and a foreign market as a reason to enter that market was found to be subordinate to the availability of networks in the target country in most cases. Separately, the link between risk appetite and internationalization appeared to be affected *inter alia* by three elements; ability to export, availability of local networks, and development stage of the firm. Two of our most interesting findings were about a sINV's innovativeness. First, radical innovations tended to be preceded by incremental ones, and when more radical innovations emerged, they tended to fluctuate between periods of incremental innovation production.

We acknowledge that the international operations and performance of sINVs may also be influenced by elements other than those discussed in this paper, including networks, internal resource development, and exogenous events. However, for purposes of focus, our study concentrated only in the aforementioned elements. We also recognize that longitudinal studies

may be better suited to understand sINV innovativeness and international development, as both are ongoing processes that develop over time and typically change. In addition, this was an investigation intended to identify extant patterns in sINVs' international entrepreneurial orientation. As a result, we believe there is significant value in further research about sINVs in general, but also about their *continual* international entrepreneurial orientation and international performance. One particularly interesting area for further research would be a study about the international entrepreneurial orientation of sINVs through the lens of causation and effectuation (Sarasvathy 2001) in order to understand how the firms manage the creation of new international service markets.

We believe our study contributes to theory by providing empirical results about a sINVs international entrepreneurial orientation; addressing a historical shortage of studies about international services; and introducing empirical insights about international service firm innovativeness that may lend weight to future studies in this area. Moreover, we contribute to earlier sINV studies (Coviello 2006; Coviello & Cox 2006) by including non-software firms at various stages of development.

7. Vitae

Fabian Sepulveda is a researcher and doctoral candidate at the Aalto University School of Economics in Finland. He holds a B.Sc. In Electrical Engineering from North Carolina State University, USA and a M.Sc. in Finance from Rotterdam School of Management, Netherlands. He has over 12 years of international experience in private industry, and his most recent positions were held in Investment Banking and Management Consulting in London. He is presently a researcher in the 'Born Globals' project financed by The Finnish Funding Agency for Technology and Innovation.

8. References

- Balabanis, George I., Katsikea, Eva. S. (2003). Being an entrepreneurial exporter: does it pay? *International Business Review* 12: 233–252.
- Chadee, D., Mattsson, J. (1998). Do service and merchandise exporters behave and perform differently? *European Journal of Marketing*, 32(9/10): 830-842
- Clark, T., Rajaratnam, D., Smith, T. (1996). Toward a Theory of International Services: Marketing Intangibles in a World of Nations. *Journal of International Marketing*, 4(2): 9-28
- Clark, T., Rajaratnam, D. (1999). International services: perspectives at century's end. *Journal of Services Marketing*, 13(4/5): 298-310.
- Covin, J., Slevin, D. (1991). A Conceptual Model of Entrepreneurship as Firm Behavior. *Entrepreneurship Theory and Practice*. Fall, 7-25.
- Coviello, N.E. (2006). The network dynamics of international new ventures. *Journal of International Business Studies*, 37: 713–731.
- Coviello N.E., and Cox M.P. (2006). The resource dynamics of international new venture networks. *Journal of International Entrepreneurship*, 4:113–132
- Coviello, N.E., Jones, M.V. (2004). Methodological issues in international entrepreneurship research. *Journal of Business Venturing*, 19: 485–508.
- Coviello, N.E., Martin, K. A.-M. (1999). Internationalization of Service SMEs: An Integrated Perspective from the Engineering Consulting Sector. *Journal of International Marketing*, 7(4): 42-6.
- Davis, Tim R.V. (2004). Different service firms, different international strategies. *Business Horizons* 47(6): 51-59.
- Dimitratos, P., Jones, M. (2005). Future directions for international entrepreneurship research. *International Business Review*, 14:119–128.
- Drejer, I. (2004). Identifying innovation in surveys of services: a Schumpeterian perspective. *Research Policy*, 33(3): 551-562.
- Eisenhardt, K. (1989). Building Theories from Case Study Research. *Academy of Management Review*, 14(4): 532-550
- Eisenhardt, K., Graebner, M. (2007). Theory Building from Cases: Opportunities and Challenges. *Academy of Management Journal*, 50(1): 25-32
- Ekeledo, I., Sivakumar, K. (1998). Foreign Market Entry Mode Choice of Service Firms: A Contingency Perspective. *Journal of the Academy of Marketing Science*, 26 (4): 274-292.
- Erramilli, K. (1990). Entry Mode Choice in Service Industries. *International Marketing Review*, 7(5): 50-62.
- Erramilli, K. (1992). Influence of Some External and Internal Environmental Factors on Foreign Market Entry Mode Choice in Service Firms. *Journal of Business Research*, 25: 263-276.
- Erramilli, K. and D'Souza D. (1993). Venturing into Foreign Markets: The Case of the Small Service Firm. *Entrepreneurship Theory & Practice*, 17(4): 29-41.
- Erramilli, K., Agarwal, S., Dev, C. (2002). Choice Between Non-Equity Entry Modes: An Organizational Capability Perspective. *Journal of International Business Studies*, 33(2): 223-242
- Gabrielsson, M., Kirpalani, V.H.M., Dimitratos, P., Solberg, C.A., Zucchella, A. (2008). Born globals: Propositions to help advance the theory. *International Business Review*, 17: 385–401.
- Gallouj, F. & Weinstein, O. (1997). Innovation in Services. *Research Policy*, 26: 537-556.
- Gartner, W.B. (1988). "Who Is an Entrepreneur?" Is the Wrong Question. *Entrepreneurship Theory & Practice*, Spring, 1988, 47-68.
- Harris, H., Wheeler C. (2005). Entrepreneurs' relationships for internationalization: functions, origins, and strategies. *International Business Review*, 14: 187-207.
- Hipp, C., Grupp, H. (2005). Innovation in the service sector: The demand for service-specific innovation measurement concepts and typologies. *Research Policy*, 34 (4): 517-535.

- Hoang, H., and Antoncic, B. (2003). Network-based research in entrepreneurship: A critical view. *Journal of Business Venturing*, 18: 165-187.
- Hollenstein, H. (2003). Innovation modes in the Swiss service sector: a cluster analysis based on firm-level data. *Research Policy* 32(5): 845-863.
- Håkansson, H., Snehota I. (1995). *Developing Relationships in Business Networks*. Routledge, London.
- Jantunen, A., Puumalainen, K., Saarenketo, S., Kyläheiko, K. (2005). Entrepreneurial Orientation, Dynamic Capabilities and International Performance. *Journal of International Entrepreneurship* 3: 223-243.
- Johanson, J. & Mattsson, L.-G. (1988). Internationalization in Industrial Systems—A Network Approach. In: Hood N. and Vahlne J-E. (eds.) *Strategies in Global Competition*. Croom Helm, New York, pp. 87-314.
- Johanson, J. & Mattsson, L.-G. (1992). Network positions and strategic action—an analytical framework. In: Axelsson B. and Easton G. (eds) *Industrial Networks: A New View of Reality*. Routledge, London, pp. 205-217.
- Jones, M.V., Coviello, N.E. (2005). Internationalisation: conceptualising an entrepreneurial process of behavior in time. *Journal of International Business Studies*, 36: 284-303.
- Knight, Gary A. (2001). Entrepreneurship and strategy in the international SME. *Journal of International Management*, 7: 155-171.
- Knight, Gary A., Cavusgil, Tamar S. (2004). Innovation, Organizational Capabilities, and the Born Global Firm. *Journal of International Business Studies*, 35: 124-141.
- Lovelock, C.H., Yip, G.S. (1996). Developing Global Strategies for Service Businesses. *California Management Review*, 38(2): 64-86.
- Lumpkin, G. T., Dess, G. G. (1996). Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance. *The Academy of Management Review*, 21(1): 135-172
- Lumpkin, G. T., Dess, G. G. (2001). Linking Two Dimensions of Entrepreneurial Orientation to Firm Performance: The Moderating Role of Environment and Industry Life Cycle. *Journal of Business Venturing*, 16, 429-451.
- Majkgård, A., Sharma, D. Deo. (1998). Client-Following and Market-Seeking Strategies in the Internationalization of Service Firms. *Journal of Business-to-Business Marketing*, 4(3): 1-41.
- McDougall P.P. (1989). International versus Domestic Entrepreneurship: New Venture Strategic Behavior and Industry Structure. *Journal of Business Venturing*, 4: 387-400.
- McDougall P.P., Oviatt, B.M. (1996). New Venture Internationalization, Strategic Change, and Performance: A follow-up study. *Journal of Business Venturing*, 11: 23-40.
- McDougall P.P., Oviatt, B.M. (2000). International Entrepreneurship: The Intersection of Two Research Paths. *The Academy of Management Journal*, 43(5): 902-906.
- McLaughlin, C.P., Fitzsimmons, J.A. (1996). Strategies for globalizing service operations. *International Journal of Service Industry Management*, 7(4): 43-57.
- Miles, I. (2005). Innovation in Services. In Fagerberg, J., Mowery, D.C., Nelson R.R. (Eds.), *The Oxford Handbook of Innovation* (pp. 433-458). Oxford: Oxford University Press.
- Morris, B., Johnston, R. (1987). Dealing with Inherent Variability: The Difference Between Manufacturing and Service. *International Journal of Operations & Production*, 7(4): 13-22.
- Oviatt, B.M., McDougall P.P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies*, 25(1): 45-64.
- Oviatt, B.M., McDougall P.P. (1995). Global start-ups: Entrepreneurs on a worldwide stage. *Academy of Management Executive*, 9 (2): 30-43.
- Oviatt, B.M., McDougall P.P. (2005). Defining International Entrepreneurship and Modeling the Speed of Internationalization. *Entrepreneurship Theory and Practice*. September, 537-553.
- Patterson, P., Cicic, M. (1995). A Typology of Service Firms in International Markets: An Empirical Investigation. *Journal of International Marketing*, 3(4): 57-83.
- Peters, M.P., Brush, C.G. (1996). Market Information Scanning Activities and Growth in New Ventures: A Comparison of Service and Manufacturing Businesses. *Journal of Business Research*, 36: 81-89

- Sarasvathy, S. (2001). Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency. *The Academy of Management Review*, 26(2): 243-263.
- Samiee, S. (1999). The internationalization of services: trends, obstacles, and issues. *Journal of Services Marketing*, 13(4/5): 319-328
- Schumpeter, J.A., (1934). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest and the Business Cycle*. Harvard University Press, Cambridge, MA.
- Shane, S. & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25: 217–226.
- Sundbo, Jon. (1997). Management of Innovation in Services. *The Service Industries Journal*, 17(3): 432-455.
- Sutton, Robert. (1997). The Virtues of Closet Qualitative Research. *Organization Science*, 8(1): 97-106
- United Nations Conference on Trade and Development (UNCTAD). (2008). UNCTAD Handbook of Statistics 2008. Accessed online: <http://stats.unctad.org/Handbook/ReportFolders/reportFolders.aspx>
- Van der Aa, W., Elfring, T. (2002). Realizing innovation in services. *Scandinavian Journal of Management*, 18: 155-171.
- Vargo, S.L., Lusch, R.F. (2004). The Four Service Marketing Myths: Remnants of a Goods-Based, Manufacturing Model. *Journal of Service Research*, 6(4): 324-335.
- Wright, L., Lane, H.W., Beamish, P.W. (1988). International Management Research: Lessons from the Field. *International Studies of Management and Organization*, 18(3):55-71
- Yin, R. (2009). *Case Study Research. Design and Methods*. Fourth Edition. London: Sage.
- Zahra, S.A., Covin, J.G. (1995). Contextual Influences on the Corporate Entrepreneurship-Performance Relationship: A Longitudinal Analysis. *Journal of Business Venturing*, 10: 43-58.
- Zahra, S.A., George, G. (2002). International Entrepreneurship: The current status of the field and future research agenda. In M. Hitt, D. Ireland, D. Sexton, & M. Camp (Eds.), *Strategic Entrepreneurship: Creating an integrated mindset* (pp. 255-288). Oxford: Blackwell.
- Zeithaml, V., Parasuraman, A., Berry, L. (1985). Problems and Strategies in Services Marketing. *Journal of Marketing*, 49: 33-46
- Zhou, L., Wu, W.-P., Luo, X. (2007). Internationalization and the performance of born-global SMEs: the mediating role of social networks. *Journal of International Business Studies*, 38(4): 673-690.
- Zhou, L., Barnes, B.R., Lu, Y. (2010). Entrepreneurial proclivity, capability upgrading and performance advantage of newness among international new ventures. *Journal of International Business Studies*, 41(5): 882-905.
- Zucchella, A. and Scabini P. (2007). *International Entrepreneurship: Theoretical Foundations and Practices*. Palgrave MacMillan, Hampshire, UK.