Rapid Internationalization of Traditional SMEs: Between Stage Models and Born Globals

ABSTRACT

In the last 20 years, a number of traditional Small-Medium Enterprises (SMEs) have internationalized operations in psychic distant countries despite the limited market knowledge, limited use of networks, and limited international experience of the entrepreneurs. The overall purpose of this paper is to draw research attention to this phenomenon of internationalization that we call Production-Oriented Internationalization (POI) of traditional SMEs.

We describe the peculiar path followed by SMEs during POI by analyzing five case firms from Italy, and show that the leading literature does not contemplate it. We argue that traditional SMEs that perform POI are able to speed up their internationalization process (from gradual to rapid), thus becoming actual international players. Given the high relevance of traditional SMEs in many national economies (e.g. Italy, Spain, Portugal, Denmark), it is interesting to study how these firms can rapidly catch up with the increasing global competition.

Keywords: Internationalization pathway; Production-Oriented Internationalization; Traditional SMEs; Case studies

INTRODUCTION

Thanks to the rapid changes that have occurred during the last decades, almost every company or enterprise is affected by at least some kind of international challenge. International sales and marketing, international sourcing, international joint ventures, international cooperation, Foreign Direct Investments (FDI) are only some samples of the possibilities and the challenges that a company is facing. Initially, almost only big Multinational Companies (MNCs) were trading and investing internationally. Later, it became possible also for the Small to Medium Enterprises (SMEs). The SMEs' internationalization process merits great attention given the high and increasing relevance of SMEs in the worldwide economic systems (Knight, 2001; OECD, 1997; Shrader, Oviatt, & McDougall, 2000).

At first, the internationalization of SMEs has been theorized to follow a gradual approach (Cavusgil, 1980; Johanson & Vahlne, 1977); only since the beginning of the '90s has a rapid internationalization been considered for born (or re-born) global companies (Bell, McNaughton, Young, & Crick, 2003; Oviatt & McDougall, 1994). Nevertheless, in the last 20 years, a number of traditional SMEs (manufacturing firms with neither particularly advanced processes nor products (Bell, McNaughton, Young, & Crick, 2003)), mainly supposed to follow a gradual internationalization, have rapidly internationalized operations in psychic distant countries despite the limited market knowledge, limited use of networks, and limited international experience of the entrepreneurs. The internationalization process rapidly transformed these traditional SMEs in such a way that they can now survive well despite increasing global competition.

Some evidence of the existence and importance of this phenomenon is available in newspapers, business journals, and TV interviews. However, before embarking on the present research we performed a further preliminary data gathering in different European countries by interviewing twenty key informants. These non-academic experts also perceived the issue to be interesting and important, but to the best of our knowledge, it has not been specifically investigated by academics.

Given the high relevance of traditional SMEs in many national economies (e.g. Italy, Spain, Portugal, Denmark) it is interesting to draw research attention to this internationalization phenomenon that we call Production-Oriented Internationalization (POI) of traditional SMEs. The present paper, therefore, wants to start reducing the knowledge gap by describing the peculiar (POI) path followed by SMEs and by contrasting it with the leading literature.

In the first section, we present the theoretical setting (literature review, research gap, aims, and framework); whereas, in the second we describe the method. The third section illustrates within- and cross-case analysis. Finally, we discuss the findings and conclude by presenting research limits and implications.

THEORETICAL SETTING AND RESEARCH AIM

The research on SMEs internationalization started in the early ‘70s in the Nordic countries and produced stage models (Cavusgil, 1980; Johanson & Vahlne, 1977). The main output is the Uppsala model (U-model) (Johanson & Vahlne, 1977; 1990; 2003). U-model describes the SMEs internationalization process as *“a gradual acquisition, integration and use of knowledge about foreign markets and operations and a ... successively increasing commitment to foreign markets”* (Gankema, Snuiff, & Zwart, 2000, p. 16). In this dynamic model, internationalization of the firm is seen as a process of increasing a company’s international involvement as a result of different types of learning. (Ruzzier, Hisrich, & Antoncic, 2006). U-model assumes that the internationalization process starts with sporadic overseas sales and continues with bigger and bigger, but gradual commitments in the foreign markets through sales; the more they learn, the higher the commitment and the higher the commitment, the more they learn. The start-up of an overseas production unit is eventually seen as the last stage. Another characteristic of the internationalization process was that it usually started in the markets close to the domestic one from the point of view of psychic distance. Due to the liability of foreignness (Hymer, 1976), the firm started the internationalization in countries which were culturally, linguistically, geographically (etc.) close, before gradually entering other markets. (Johanson & Vahlne, 2009).

Stage models started being increasingly challenged at the beginning of the ‘90s. “*Researchers at the intersection of entrepreneurship and internationalization”* (Autio, Sapienza, & Almeida, 2000, p. 909) found that some SMEs are able to internationalize more rapidly than the stage models predict (Oviatt & McDougall, 1994; 2005). As a result, a new subfield in International Business (IB) emerged: “International entrepreneurship” (IE) (McDougall & Oviatt, 2000; Peng, 2001). It outlines that some firms, with a special attention on knowledge-intensive and knowledge-based SMEs, are likely to have an accelerated internationalization jumping over some stages. In particular, the research focused on International New Ventures (INV), ‘Born global’ or ‘Born-again global’ firms. The first two types of firms are internationally oriented since their inception, or soon after it, and they manage to reach a certain degree of internationalization within a relatively small number of years (e.g. three, five or six) (Bell, McNaughton, Young, & Crick, 2003). On the other hand, Born-again global firms operated for a number of years only on a national base, and due to a critical event (e.g. change in ownership) changed the strategy and internationalized rapidly (Bell, McNaughton, Young, & Crick, 2003).

Recently, a number of efforts have been made to achieve a deeper understanding of the internationalization processes of SMEs. The studies faced a number of different research objectives, especially for what concerns INV (Rialp, Rialp & Knight, 2005). The researchers applied different approaches and theories in studying the phenomenon of SMEs' internationalization. Many researchers used Network approach (Oviatt & McDougall, 2005), Organizational learning theory (De Clercq, Sapienza & Crijns, 2005, Oviatt and McDougall, 2005), Resource-Based View (RBV) (Peng 2001, Westhead, Wright, & Ucbasaran, 2001) and/or Dynamic Capabilities prospective (Sapienza, Autio, George, & Zahra, 2005; Zahra, Sapienza, & Davidsson, 2006).

Knowledge is seen as a major source of international competitive advantage (Bell, McNaughton, Young, & Crick, 2003; Oviatt & McDougall, 2005). On one side, the firms with higher market knowledge (e.g. thanks to the entrepreneur's international experience) have a higher propensity (or learning capability) to gather further foreign knowledge (Oviatt & McDougall, 2005). On the other side, knowledge intensity[1] develops the learning skills and makes it easier to firms to adapt in a new environment (Autio, Sapienza, & Almeida, 2000).

Another key source in the internationalization process, that can accelerate it, has been identified in networking (Oviatt & McDougall, 2005). An international network helps the entrepreneurs in spotting the opportunities, establishing international relationships, and accessing information. Recently, Johanson and Vahlne (2003; 2009) too, while revisiting their model, noticed the importance of international networking in the nowadays business environment. The major obstacle in internationalizing does not consist anymore in the liability of foreignness but in

[1] Knowledge-based or –intensive firms have "*a high added value of scientific knowledge in both product and processes …Often, this knowledge is also required in sales and market function (Coviello, 1994)* " (Bell, McNaughton, Young, & Crick, 2003, p. 349).

the liability of outsidership; i.e. more than psychic distance, is being or not part of a network that makes difference.

From the literature review, it emerges that knowledge-based or –intensive firms are able to perform rapid internationalizations. Vice versa, traditional firms are supposed to internationalize slowly, following stage models, unless they have a strong international network (Bell, McNaughton, Young, & Crick, 2003; Oviatt & McDougall, 2005). They can speed up the internationalization process, becoming Born-Again global, if there is a “critical incident” (e.g. change in leadership or acquisition from/of another company with international network) that increases their knowledge intensity (e.g.: “*adaption of product and/or market innovation, or the adaption of new information technology*” (Bell, McNaughton, Young, & Crick, 2003, p. 351)).

Although previous research brought a considerable contribution to the understanding of the SMEs’ internationalization phenomena; there is still some mismatch between what can be observed and what the literature tells us. From the media and field experience it emerges that in the last 20 years, several traditional SMEs have rapidly internationalized operations in psychic distant countries despite the limited market knowledge, limited use of networks, and limited international experience of the entrepreneurs. This is particularly evident in a number of North-east Italian traditional SMEs that directly established production units during the ‘90s and 2000s mainly in Central and Eastern Europe, but also in North Africa, South America, and the Far East. This internationalization process transformed a number of traditional SMEs from being local-, or at maximum, nationally-oriented to actual players on an international level (in such a way that they can now survive well in the increasing global competition). We named this internationalization pathway: Production-Oriented Internationalization (POI).

The first objective of the paper consists of describing the specific path (POI) followed by Italian traditional SMEs. Subsequently, we aim to contrast the characteristics of the firms that followed POI with those of the firms that followed stage models or of the born globals/INV in order to identify determinant success aspects of rapid internationalization.

RESEARCH FRAMEWORK

Many researchers identified a number of differentiating factors through which different internationalization pathways are characterized (Chetty & Campbell-Hunt, 2003; 2004; Knight & Cavusgil, 1996; Madsen & Servais, 1997; Oviatt & McDougall, 1994; 1997; Rialp, Rialp, Urbano, & Vaillant, 2005; Shrader, Oviatt, & McDougall, 2000). These factors may be used to characterize the SMEs’ POI process under investigation. In this way, it will be possible to compare POI model characteristics to born globals’ and stage model firms’ characteristics already recognized in literature in order to identify common traits and differences. Among different frameworks describing and comparing internationalization pathways, we chose the research framework developed by Rialp, Rialp, Urbano, and Vaillant (2005). The rationale is that to the best of our knowledge there are no major contradictions among the principal frameworks and this is one of the most recent.

Rialp, Rialp, Urbano, and Vaillant (2005) identified three key dimensions: the founder’s (and/or founding team’s) characteristics, organizational capabilities and strategic focus (see first column of Table 1), subsequently divided into ten attributes (see second column of Table 1) that differentiate born global/INV entrepreneurial behavior from traditional stage models (here they refer to export based models).

--- Insert Table 1 about here ---

Considering the founder's characteristics, in the case of born globals and INVs, the management has a global vision from inception and has a relevant international experience. Once it has been decided to go abroad, the international commitment is high and dedicated and there is a crucial use of network to succeed rapidly in the international environment.

Taking into consideration organizational capabilities, traditional SMEs following stage models have a limited previous foreign market knowledge that grows together with the commitment. The intangible assets are not crucial for the internationalization and the source of the value creation is not in the product/service knowledge intensity.

Lastly, considering the third dimension (strategic focus), born globals and INVs have a niche-focused and highly pro-active international strategy. They carefully select customers/partners and establish a close or direct contact. They are extremely flexible to change the strategy according to the external environment.

METHOD

Given the number of newness, the inadequacy of the previous research (Ghauri, 2004), the complexity of the phenomena (Eisenhardt & Graebner, 2007), and the need to "*unravel the underlying dynamics of phenomena that play out over time*" (Siggelkow, 2007, p. 22), present research, which investigates a poorly studied phenomenon (rapid internationalization of traditional SMEs), might be best described as theory development/expansion (Eisenhardt & Graebner, 2007; Lee, Mitchell, & Sabylinski, 1999). Therefore, we adopted an approach which aims to gather rich in-depth longitudinal data. We use the retrospective multiple case study. Other contributions in the field adopted similar methods when they sought to investigate poorly understood issues (e.g. Bell, McNaughton, Young, & Crick, 2003; Johanson & Vahlne, 1977; Oviatt & McDougall, 1995). Case study research method, in fact, has a highly exploratory power and allows dynamic processes to be more deeply investigated (Eisenhardt, 1989a; Yin, 1984). The case-based methodology is particularly useful in those research contexts where previous theory seems inadequate or incomplete and thus deeper theoretical development is required.

Research Setting

We employed a multi-case design by identifying five SMEs that internationalized their operations. We adopted 'replication logic' where the series of cases are considered analogous to multiple experiments. Each case is used to confirm or disconfirm the emergent relationships inferred from the other cases (Eisenhardt, 1989b; Yin, 1984). A summary of the case-firms is presented in Table 2. The sampling of the cases was theoretical, and not statistical, such as suggested by a number of researchers (e.g. Eisenhardt & Graebner, 2007; Eisenhardt, 1989a; Glaser & Strauss, 1967); we aimed at comparing the phenomenon in a systematic way (Ghauri, 2004) in companies from different sectors. Accordingly to Patton (1990), we used a combination of "*purposeful sampling strategies*" (p. 181).

We identified five traditional SMEs from North-east Italy (see Table 2). The choice of North-east Italy is due to the fact that in this region there is a high concentration of SMEs and a number of them internationalized their operations. They belong to different industrial sectors as the aim consisted of maximizing the differences among the observations. The selected firms had to satisfy some more criteria. They all internationalized the production but continued some production activity both at home and abroad because the aim of the present study is not to study the industrial delocalization process. Additionally, given the theoretical premises, we looked for the cases where the previous international experience, the knowledge of the market to invest in, and the use of networks (district logics) were limited.

--- Insert Table 2 about here ---

After the first three cases, the other two cases confirmed the previous findings and the additional findings were increasingly less relevant, although these companies belong to different industry. As we were reaching the theoretical saturation (Eisenhardt, 1989a), we decided that the number of five cases would be sufficient.

Data Collection

We collected the data from different sources: interviews, archival data, and observations. The different sources and methods are important for the triangulation in order ensure the validation and reliability of data (Andersen & Skates, 2004; Ghauri, 2004). The sources of data are summarized in the Table 3.

--- Insert Table 3 about here ---

Preliminary interviews

Before starting selecting the case studies, we conducted preliminary interviews with 20 key-informants with expertise in internationalization processes of SMEs. They are consultants of SMEs, members of different industrial associations, members of chamber of commerce or professionals (lawyers and accountants) whose clients are SMEs with international issues. We used the findings for two purposes. Firstly, we developed the interview protocol to use in the main phase. The interview protocol consisted of a series of open-ended questions and a questionnaire. The questions developed were 'courtroom-style', "*concentrated on facts and events rather than on respondents' interpretations*" (Eisenhardt, 1989b, p. 547; Graebner, 2004). We used the questions to probe the internationalization pathways. The questionnaire contained a number of structured questions (firm size, age, export experience, export ratio, first export market/s, current market/s, etc.) designed to triangulate the information obtained by informants with the archival data. It was a sort of double check on informants' memory. The second purpose consisted of compiling a list of companies suitable for the main phase of investigation.

Interviews

In each enterprise, we interviewed the entrepreneur. In all the cases he was directly and the most involved in the internationalization process, not only because this was a strategically important decision but also, because it required a considerable investment effort. As suggested by the preliminary informants, we decided to interview not only the entrepreneur but at least one other manager who was highly involved in the internationalization process. We used different and "*highly knowledgeable informants who view the focal phenomena from diverse perspectives*" (Eisenhardt & Graebner, 2007, p. 28) in order to minimize the biases by the interviewees' impressions and memory and check the validity of the information (Ghauri, 2004).

The interview began by explaining the research, guaranteeing anonymity, and asking permission to tape-record the interview. This study takes a retrospective perspective; i.e. we did not observe the internationalization process in different points of time by coming back to the company from time to time; on the contrary, we asked the company informants to tell us what happened, starting from a time precedent to the start of internationalization until three years later. In this period of time it is reasonable to expect that the internationalization has been completed and the flow of information and goods among different facilities has been normalized. At the beginning, the informants were asked to freely describe the company and the internationalization of the production. Then, we focused the interview on the decision of the internationalization and the subsequent ones by focusing on how they were adopted, which were most influential factors and people in decision-making. Finally, the interviewees were asked to describe the expected and unexpected outcomes of the internationalization. We paid particular attention to the timing of different events.

The total number of hours of interview is 28. The length of the single interview varied considerably, from half-an-hour to more than five hours according to the interviewee's capability to summarize the concepts and to remember the events, the interviewee's availability, and the amount of information in his possession. All the interviews were type-recorded and subsequently verbatim transcribed. All the interviews were conducted by two investigators in order to reduce observer bias (Voss, Tsikriktsis, & Frohlich, 2002), to increase the 'creative potential of the study' and to 'enhance the confidence in the findings' (Eisenhardt, 1989a). Within half-an-hour after the interviews, the interviewers compared impressions and made a note of them which was, subsequently, attached to the transcription. All the information collected entered into a case study database. At least one informant from each company was contacted for a follow-up interview (typically 10 to 20 minutes phone call) after within-case analysis in order to complete the missing data and to clarify conflicting outcomes.

Archival data

We collected balance sheets from all the companies starting from the year before the decision to internationalize the production until the year before the interview. Where available, we collected internal documents such as internal memos, business plans, strategy proposals and historical data on sales. In three firms, we consulted the website. All 17 documents were attached to the case study database. The documents were analyzed and the relevant information summarized, when possible through the use of tables. The information thus obtained was used to check the retrospective bias.

Observations

In four cases, we visited the companies' headquarters in Italy. The visits did not aim to observe the phenomenon as it had already happened. The aim consisted of understanding better the environment by getting in touch with the employees, visiting different units, and comprehending the products better. In this way, the researchers were able to better understand some of the examples used by the interviewees. Besides, nine interviews (see Table 3) were conducted at informants' companies in order to make them feel comfortable speaking in their own environment. After each visit the researchers' impressions were annotated and attached to the case study database.

Data Analysis

We agglomerated the data from all the sources, analyzed them by building single case studies, and then compared them in order to construct a conceptual framework (Eisenhardt, 1989a). The information obtained through interviews was compared and integrated with the balance sheet, the company's internal documents and the company's websites. We designed the triangulation of different data aiming at improving measure reliability and validity (Andersen & Skates, 2004; McCutcheon & Meredith, 1993). Subsequently, we wrote the single case histories aiming at identifying missing or contradictory information.

After collecting data from each company, we performed a within-case analysis adopting the coding techniques as suggested by Strauss (1987). Firstly, the interviews were clustered in macro-categories (open coding). Afterwards, each category was divided into sub-categories (axial coding) (see Table 4).

Consequently, we conducted the cross-case analysis by adopting the techniques suggested by Eisenhardt (1989a) and Miles and Huberman (1994). We looked at the similarities and differences among the cases, analyzing them in pairs. The similarities were grouped together then tested again in each case (Eisenhardt, 1989a; Yin, 1984). The analysis used extensively tabular displays (Miles & Huberman, 1984). The iteration among data, theory, and conclusions was constant (Eisenhardt, 1989a). While obtaining the outcomes we compared them to the theory underlying similarities and differences.

The two authors did independently (in order to minimize personal biases) the coding and then they integrated the outcomes sometimes with lengthy discussions in order to gain a deeper and more critical understanding of the phenomenon. Both authors were involved in the interviewing process; but one is from the International Business field, whereas the other is from Operations Management field. There were no substantial differences in the analysis conducted by two researchers. What emerged after integration was then reviewed by one entrepreneur involved in the interviews and by two expert practitioners in the field of SMEs internationalization. Their feedback was integrated into the analysis; although, no major disagreements were raised.

--- Insert Table 4 about here ---

RAPID INTERNATIONALIZATION OF TRADITIONAL SMES

In this section, we present the five case-firms and describe the internationalization process. The information is presented as a short story of the company, focusing on the product portfolio, ownership, international expansion, and objective data. Each story is the result of the within-case analysis in which we integrated the relevant information we gathered. The stories, thus, describe the internationalization path followed by each company.

Within-Cases Analysis

Firm A (AirComp)

AirComp designs and manufactures a wide range of devices that produce pressure (compressors), and sells them worldwide. The company was founded in 1992 by four experts in the field: they are still active in the company and act as CEO. The company started selling abroad in 1995 in Western Europe. The expansion on the European market was quite rapid and in 1998 established a 50% owned trading company in Romania. After, they began selling worldwide in Australia, South Korea, and Venezuela through a network of dealers who were able to provide an after-sale service. In 2001, AirComp started the POI process; the turnover was about 9 million euros, they had 45 employees and the share of the national market was about 60 percent. By the end of 2008, the turnover was about 14 million euros, they had 55 employees in Italy and 20 abroad and the share of the national market was about 40 percent (see Table 5).

The internationalization of production took place quite late in comparison with other small-medium mechanical companies. In 2001 the company went to Serbia to identify an opportunity to distribute its products in the former Yugoslav area. Before 2001, AirComp's presence in the former Yugoslav Republics was negligible and the knowledge about the market was extremely limited. During 2001, the firm met a small local trading company that was already selling the compressors in Bosnia and Serbia. AirComp perceived this company very trustworthy and considered the idea of producing locally to distribute locally. AirComp decided to set up in Bosnia mainly because they wanted to expand their presence in the local markets. A second reason was the low labor cost. Together, they founded in 2002 in Bosnia a new company, 50% owned by the Italian firm. They started with three employees and at the moment of the interviews (April 2008) there were five employees. The scopes of the new company consisted of assembling kits pre-arranged by AirComp, selling compressors in local and neighboring markets (Serbia and Croatia), and providing after-sales service. At the beginning, AirComp trained Bosnian employees to assemble the simplest compressors, after three to four years they transferred their know-how to assembling more complex compressors. Everything produced in Bosnia is distributed locally. The Italian factory continued producing items for the Italian market and all the other markets not covered by Bosnian subsidiary. The training of the Bosnian workers was performed both in Italy through a short two-week visit and in Bosnia through two-day visits by Italian managers and workers.

After this first POI step, the AirComp's internationalization process continued. During 2006, they established a 50% owned company in Brazil with five employees which assemblies air compressors for the Brazilian market; by May 2008 there were more than 10 employees. At the moment of the data collection (April 2008), they were establishing another company in Poland following similar strategies.

Firm B (ElectroMek)

ElectroMek designs, manufactures, assembles machine tools (electro-mechanical devices), and sells worldwide. The company was founded in 1985 and has constantly grown, extending its product range (currently more than 15.000 articles and 3.000 customers). ElectroMek started selling abroad in 1992 in Germany, but did not establish trading companies abroad until 2006. Before starting the POI, the company exported 25% of its production mostly to the Western Europe; the turnover was six million euro and total number of employees was 55. Six years later, the first market was still the national one with a share of about 70 percent. The turnover was 10 million euros and there were 60 employees in Italy and 50 abroad (see Table 5).

The Production-Oriented Internationalization process started in 2002 when the entrepreneur identified an opportunity to start a business in the Slovak Republic. ElectroMek did not have any trade agreement in the Slovak Republic and the knowledge of the Central-Eastern Europe market was negligible. The main reasons to set up a production unit in Slovakia were the cheap workforce and the future entry of Slovakia in European Union (Slovakia joined the EU on May 1, 2004). The entry into the EU eliminated nearly all the problems related to the customs barriers. By the beginning of 2004, they established a green field subsidiary. At the beginning there were five employees but their number grew constantly and today (May 2008) there are about 25 employees, whereas the number of employees in Italy increased by five. Initially, ElektroMek trained a Slovakian engineer in the Italian factory on how to perform the operations. Afterwards, he trained Slovakian workers and became the general manager of the Slovakian subsidiary. Simultaneously, two production experts from the Italian headquarters alternate, each spending a week in Slovakia. The role of the subsidiary is comparable to a production unit; the only supplier and customer is the Italian headquarters. In Slovakia, they began with assembling the simplest semi-finished products; but after few months they were already also assembling low technology finished products.

After this first POI step, ElectroMek's internationalization process continued. During 2004, they met a Chinese partner and established a joint venture in China with about 25 employees. The strategic importance of Chinese factory lies in the fact that the biggest world competitors (e.g. Siemens) were already producing in China. Therefore, the technological innovations in the sector were firstly available on the market in China and only after six months in Europe. In 2006, they established a trading company in the USA with five employees.

During 2005, a financial group controlled by a private equity firm acquired ElectroMek. Subsequently, in 2007, ElectroMek was sold to a large multinational company operating in the field of electro-mechanical devices.

Firm C (Plast)

Plast started as a subcontractor producer of lighting and household plastic items; research, development, and designing activities have always been out-sourced. The marketing strategy consisted of joint-ventures with large multinational companies. In 1999, with the new general director, the company's strategy was attacking market niches where they could be leaders. Thus, firstly, Plast dropped the household items sector and contemporary to this started expanding the portfolio of products and of customers in new market segments: automotive, garbage and rainwater containers, plastic furniture and building items. These products are sold to the large-scale retail trade. Secondly, they strengthened their links with the major European lighting producers, becoming their first and unique subcontractor. Plastic lighting items cover around 50% of the whole of Plast's production. Until 1999, they were selling exclusively in the local and national market with some exceptions for household items that were sold in Germany. Even after the change of strategy, in 2003 exports still represented only 30% of the revenue. The factories of their primary customers are in Western-Central Europe and North Africa. In 2003, the turnover was about 13 million euros and they had 60 employees; five years later, the turnover was about 35 million euros, they had 64 employees (55 workers) in Italy and 44 abroad (see Table 5) and they moulded 10000 tons of plastic per year.

The internationalization of production took place in 2004. Plast established a 100% owned subsidiary in Serbia that is completely controlled by the Italian firm. Previously, they were not present in any Eastern-Europe countries. At the beginning, they rented a shed, but soon after, they built a green field factory There were four reasons for which they decided to expand into Serbia. Firstly, the electric power for Plast's production processes is crucial and in Serbia it costs 80% less than in Italy. Secondly, by establishing a green field factory abroad, they could obtain some fiscal discounts. Thirdly, the majority of the workers in the Italian factory are Serbian immigrants, thus they took advantage of the knowledge of the Serbian culture and language. Fourthly, one of Plast's major customers (share: 22%) established a production unit in Hungary, next to the Serbian border; by establishing a factory in Northern Serbia they could remain strategically close to the partner. The production in Serbia is complementary to the Italian one; there they have smaller presses and they produce different (not only low-valuable) products with which they could not be competitive if they were to produce in Italy. The Italian firm supplies machines and sends raw materials. During 2007, the Serbian subsidiary started selling some products in the regional market and sourcing some raw materials independently. The strategic plan is to make the subsidiary more independent. They started with 10 employees; the number constantly increased and reached 44 people, 42 workers, one administration/logistics and one quality control manager. The Serbian employees were trained both in Italy, during two to three month visits, and in Serbia, through the visits of Italian workers (Serbian immigrants) and managers.

During the POI process, Plast increased the turnover and, at the same time, provided more work opportunities for its Italian subcontractors, thus developing the local network. Simultaneously, one worker of the Serbian subsidiary established his own business in Serbia as a subcontractor of Plast. Plast provided him with presses. In this way and by trying to make the Serbian subsidiary more independent, the company is re-creating its Italian supply chain system in Serbia. At the moment, they are planning to establish another production unit. Two potential locations are Bulgaria or the Middle East. Bulgaria is a potential location as it will be strategically close to the customers that are transferring their production units to former European Soviet republics. On the other hand, in the Middle East area, the chemical companies (main suppliers of raw materials) are expanding their activities due to the proximity of oil fields.

Firm D (SportsWear)

SportsWear designs, manufactures and distributes sportswear. The company was founded in 1986 as a sub-contracting firm for fine quality women's clothing. They started as sub-contractors for big Italian and, later, for German companies. In the early ’90s (1994), SportsWear took over an international Nordic brand whose collection it was already producing, internalizing for the first time designing and distribution. In the mid-90s (1996), they acquired a German textile company, the production and the machines were transferred to Italy and they used the new branch for commercial and logistic purposes implementing a network of retail-sales shops in Germany. Before starting POI, the company had 95 employees in Italy and 40 abroad, exclusively sales people. By the end of 2008, they distributed and sold through selected shops situated across the world and through “old-sale” distribution. They exported 85% of the whole production covering 24 countries, the turnover was 9 million euros and they had about 180 employees (see Table 5). There are two and a half collections per year.

Before internationalizing the operations, sewing and a part of weaving were performed internally, whereas cutting, dyeing and the rest of the weaving were subcontracted. At the end of the ‘90s, most of the Italian textile sub-contractors closed due to high production costs. This left Sportswear with a shortage of subcontractors or non-price-competitive subcontractors. At the same time, the company’s market was growing; they did not want to lose new opportunities but in Italy it was problematic to find skilled workforce. Thus, in 2001, they decided to look for subcontractors abroad. They started considering Romania as it was suggested by some Italian enterprises (mainly from textile and shoe sectors) that were already operating in Romania. The knowledge of the Eastern European markets was extremely limited. The experience with the subcontractors was short due to the difficulties in controlling the production. Thus, the entrepreneur decided to establish his own production unit through acquiring and readapting a farm. Six months after the first contact in Romania, they had already moved 40% of the entire production abroad and employed 70 people. Immediately and simultaneously, they started co-operating with local subcontractors, thus recreating a copy of the Italian production network. They hired an Italian with seven years of experience in the sector in Romania as general manager of the subsidiary. They moved two Italian production experts (managers) to the Romanian subsidiary to train and, consequently, to manage the local workers. Today (June 2008), there are 70 employees in Romania. The role of the Romanian company is comparable to a production unit; the Italian headquarters supplies raw materials and acquires all the production. Abroad they perform the most standardized operations, such as sewing, whereas in Italian factory they internalized the operations of cutting and they perform the weaving, checking the external and foreign production and entire prototyping.

After this first POI step, SportsWear's internationalization process continued. As in Romania the work-force cost was rising and unemployment was decreasing, they decided to act, anticipating the events. During 2007, they established a subsidiary in Albania. Currently, in Albania there are 10 employees. The Albanian subsidiary's function is identical to the Romanian one, but it is also in the real estate sector.

Firm E (MekMachine)

MekMachine is a family-owned SME that designs, produces and sells machine tools and plants for cutting, bending and end-forming tubes and metal profiles. The company was founded after the Second World War and since then it has remained under the ownership of the same family. In the following decades, MekMachine started selling abroad, firstly in the Western European market, and afterwards it created branch offices in France, Sweden, Brazil and Czech Republic as well as increasing its sales and after-sales network. During the late ‘80s, they performed an out-sourcing attempt, licensing the production of a machine to a Yugoslavian company, but the experience ended after few months (the Yugoslavian company started selling the same machine with their own brand). By the end of the ‘90s, due to some bad performance the company started a process of internal re-organization that allowed a reduction in the number of employees to just 60 by the beginning of 2001. During the ‘90s, the control of the firms passed from the founder to one of his sons and the management (including the general manager) changed. Thus, the historical memory of the previous internationalization disappeared. Before starting the first POI, the turnover was 9 million euros and the number of employees 180. By the end of 2008, the turnover was about 13 million Euros and number of employees was around 230, of whom 80 were in Italy (see Table 5).

At the end of the ‘90s, the company could not sustain marketing, commercial, branding and other structural costs with the subcontractors’ increasing costs. The subcontractors did not support those costs at all. They considered two options. Firstly, to internalize the operations performed by subcontractors such as painting; secondly, to find low-cost subcontractors abroad. Thus, they took a rapid look to East-European countries and found a suitable partner that could substitute the major part of the Italian subcontractors in Slovakia. The decision to exclude other countries did not include deep strategic analysis; e.g., Lithuania was not chosen because it was too distant; Hungary because the language is too complicated; Romania because the production quality was too low for them. The Slovakian company was part of a big company with more than 1000 employees in the late ‘80s. They were in the mechanics industry, producing lathes for the civil sector and mortars and guns for the military sector. After the fall of the Berlin wall, the company was divided into smaller companies and sold to a German multinational group that reduced the number of employees to 200 units. When, in 1999, MekMachine contacted the Slovakian company in order to license them a part of the production, it was going towards bankruptcy. Therefore, MekMachine decided to take over the factory at the end of the financial year. They hired workers and managers (some of them were the old ones) and they restarted the production with 30 employees. They reached a total of 200 employees, but due to the subcontracting of some operations they reduced it to around 150 employees in Slovakia. Initially, in Slovakia they started manufacturing and assembling. The quality of manufacturing was even higher than in Italy, whereas they had to train the Slovakian employees in assembling the machines. At the beginning the training was performed in Italy, later in Slovakia. All Italian employees visited the Slovakian company at least once. Subsequently, in Slovakia they internalized different operations (teams of electricians, welders and painters) that had never been performed internally. Nowadays, in Italy, they control, develop new products, purchase, sell, provide after-sales service, assemble the tools on the machines personalizing them, perform the final testing, and assemble some special machines. In Slovakia, they industrialize the process, manufacture, assemble machines and some tools, purchase, and sell locally. The structure is doubled but the responsible manager is the one working for the Italian company.

After this first POI step, Plast's internationalization process continued. During 2007 they acquired a designing company in UK. The machines designed by them are produced in Slovakia. Today, they are considering the options of establishing new production facilities in Turkey and in Brazil and of acquiring a steel plant in order to be organized in a more vertical system.

--- Insert Table 5 about here ---

Cross-Cases Analysis

In this paragraph, we present the results of the cross-case analysis by underlining the common traits among the case-firms in the internationalization process. The sample is composed of five traditional manufacturing SMEs (see Table 6). They were established between 1948 and 1992. During the first years all the companies were locally or, at most, nationally oriented, performing mainly as subcontractors for the large north Italian companies. The role of the entrepreneur was extremely important and even small decisions were under direct control of the entrepreneur. Four SMEs (all except ElectroMek) were family-owned and for all five of them the ownership did not changed at least until after completing the POI process. The companies are from different industrial sectors, three from mechanical, one from plastics and one from apparel; all of them produce (manufacture and/or assemble) and sell their own products. There is no evidence of belonging to a particular industrial district. None of the firms are knowledge-based or -intensive firm. Before starting the POI, all the companies were exporting mainly or exclusively to Western Europe or to the most developed countries. The export started a number of years after establishing and the international experience remained limited.

--- Inert Table 6 about here ---

At the beginning of the2000s, these companies performed POI. Each company's entrepreneur identified a country in Eastern Europe. Before POI, the firms' commitment to the region was negligible and the knowledge of the market extremely limited. The choice of the country never followed a systematic approach; the choice was lead by the entrepreneur’s personal connections (in Italy) or intuitions and their taking advantage of a favorable situation. There was usually more than one reason for which they decided to internationalize the production (see Table 7); nevertheless, for everyone the low labor cost played an important role. Besides, AirComp was interested in the local market and in providing after-sale service; for Plast low electricity power cost, the financial advantages offered by the Serbian government, and the proximity to the customers that had just moved parts of their operations in the Eastern Europe played an important role; SportsWear was constrained because of shortage of subcontractors in Italy and MekMachine looked for low cost subcontractors. All the companies transferred well-understood technologies to newly established production-oriented subsidiaries. In all of the companies the production abroad and the connections among plants started functioning regularly within three years.

--- Insert Table 7 about here ---

The involvement in the foreign subsidiaries was gradual and constant, but rapid. They started with a minimum number of employees and with performing only the basic operations. The planning of the internationalization process was rather limited and the companies undertook only affordable risks. As time passed, they incremented both the number and the difficulty of the operations performed abroad gradually and constantly. The number of employees and the turnover increased both at home and abroad. All the companies maintained a part of production in Italy. The percentage of the Italian employees in contact with foreign subsidiary varies considerably: from 5% of SportsWear to 99% of MekMachine. For AirComp and Plast this percentage is about 50%, where as for ElectroMek it is about 15%. Type of FDI varies: joint venture, green field, and acquisition; anyway, the entrepreneurs tend to own the control over the subsidiary. It is interesting to stress that at the beginning the foreign subsidiary was considered only as an external production unit. As time passed, the independence of the subsidiary grew, and they transferred an increasing number of responsibilities in terms of production planning and control and purchase on the local market. Some of them (Plast and SportsWear) re-created a copy of the supply chain that the headquarters has in Italy.

After this first POI, the firms' internationalization process continued. AirComp started producing in Brazil (2006) and in Poland (2008); ElectroMek established a production-oriented joint venture in China (2004) and a sales office in the USA (2005); SportsWear established a production unit in Albania (2007). Whereas MekMachine acquired a designing firm in England and is planning to establish a production unit in Turkey or Brazil; Plast is planning to establish it in Bulgaria or Middle East. Figure 1 presents the internationalization timeline.

--- Insert Figure 1 about here ---

From analysis it emerges that POI has some patterns associated with INV and some others with stage models' firms. Entrepreneurs and management characteristics of case-firms tend to overlap the founder's (and/or founding teams) characteristics of firms involved in gradual internationalization (see Table 8). Entrepreneurs did not have a global vision from inception; but, they usually focused on few major national costumers. Prior to POI, international experience was limited to export activities to the most developed countries with relatively low psychic distance. Only SportsWear had invested abroad (Germany) for commercial purposes; and only MekMachine had performed an attempt of FDI, but the historic memory of it became negligible. The managerial commitment, especially during the earlier phases, was only in small part dedicated to the internationalization. The management dedicated only time and resources, which would not obstruct the regular functioning of the company, to the internationalization. When the entrepreneur decided to look for the opportunities abroad, he obtained the initial information from his own connections, but the size of network was local and not cross-national-border. The type of ties was weak and the density of the networks low. In fact, the initial trust and reciprocity with the foreign partners was a huge problem for each company. All of them started with limited investments and by the passing of time and increment of trust, the FDI increased.

--- Insert Table 8 about here ---

Also, organizational capabilities dimension in the case-firms tend to be like the one in the step-based internationalizing firms. The market knowledge of the country to invest in is limited or absolutely absent; and the sales in that market are usually an unimportant element. Only AirMek performed POI because of commercial reasons although the importance of the Serbian and Bosnian markets is marginal; the other companies started considering local markets only in a second moment. The case-firms do not own particularly unique and intangible knowledge-intensive or –based assets; the success of the internationalization relies more on the capability to adapt the firm to new situation. Finally, products and processes of the case-firms do not contain a high level of technology or knowledge. The value is mainly created through the personalization of the product, rapidity in delivering, after-sales service, and through niche-oriented strategy.

On the other hand, strategic focus dimension tend to be similar to born-global or INV. Even if the entrepreneurs reacted to a threat (e.g. high cost of work force in Italy) initially and for this reason went abroad, they did it proactively, looking for opportunities in countries even completely unknown to them. Soon after establishing the first small production unit abroad they started seeking for more opportunities in the invested country and elsewhere. The consequences are the growth of the foreign subsidiary and establishing subsidiaries in other countries. We can say that in the moment of necessity, the extent and scope of international strategy changed smoothly. The very first information about the country and the initial contact were made through entrepreneur's personal Italian connections. But, the selection of the partner[2] in the foreign country, with whom they developed close and direct relationships, was preferred to intermediaries. When trust and reliability play a crucial role, the entrepreneurs prefer to follow their own instinct rather than external advice. Finally, the case-firms, even if old and mature, proved to be surprisingly flexible in adapting to the new situation and in reacting to feedback coming from external environment and circumstances.

DISCUSSION

We provided evidence of a type of internationalization that has not been analyzed by literature: traditional SMEs that rapidly internationalize operations in a psychic distant country despite limited market knowledge, limited use of networks, and limited entrepreneur's international experience. The research drew attention to a new model of internationalization (POI) in addition to already existing models (stage models, born global or re-born global).

Figure 1 shows the time line of case-firms' internationalization experience where, coherently with Johanson and Vahlne (2009), we consider that 'International commitment' increases by the size of investment and its degree of inflexibility (e.g. sales, sourcing, production) performed internationally. Although it could appear like a stage model (initially focused on national market, sporadic international sales, increasing of international sales, and establishing of a production unit abroad), there are two fundamental differences. Firstly, the case-firms expanded their international commitment by directly establishing a production-oriented subsidiary in a country whose market was totally unknown to them. Secondly, the previous international

[2] Rialp, Rialp, Urbano,and Vaillant. (2005) refer to customers (not partners) as most studies face the internationalization of SMEs from a market point of view.

experience was mainly in psychic-close markets (e.g. Western Europe or more developed countries). POI differs also from the path followed by born globals for two reasons. Firstly, the firms did not have any international/global vision from their inception or soon after it. Secondly, the first international activities started with some sporadic sales a number of years after establishing. The case-firms' internationalization differs also from born-again globals' pathway as there was no "critical incident" that pushed the firms towards international activities.

According to the U-model, learning from experience is a key change mechanism in a firm's internationalization (Johanson & Vahlne, 2009). The bigger the foreign market knowledge is, the bigger the commitment in the market. The idea is that the commitment follows the amount of the knowledge. On the other side, the POI model firms firstly decided to act, to make the commitment and, subsequently, they started learning more about the foreign market. This behavior may seem risky; nevertheless, the entrepreneurs tended to follow the "affordable loss" principle. They invested abroad what they were willing to lose in order to start the venture. They always kept the possibility to retire and to undertake another venture. It is important to underline that, by effecting the commitment abroad, they came in contact with a number of people (some of them subsequently integrated on board) through which the entrepreneurs expanded their level of knowledge.

According to the literature on born globals/INV (e.g. Bell, McNaughton, Young, & Crick, 2003; Oviatt & McDougall, 2005) a major source of their international competitive advantage is based on knowledge intensity (either product/service and/or market). In this study, we provided evidence about five traditional firms that adapted "*well-understood technologies to new foreign markets*" (Oviatt & McDougall, 2005, p. 543) and, at the same time, managed to perform a rapid internationalization. Nevertheless, considering the differentiating factors proposed by Rialp, Rialp, Urbano, and Vaillant (2005) between born global internationalization and stage models (gradualist approach), the research shows that the behavior of the case-firms has some patterns in common with born-globals. Although entrepreneurs' and management's characteristics (Managerial vision, Prior international experience, Managerial commitment, and Networking) and organizational capabilities (Market knowledge and market commitment, Intangible assets, and Value creation sources) tend to overlap with the gradualist approach, strategic focus (Extant and scope of international strategy, Selection, orientation, and relationships with foreign customers, and Strategic flexibility) tends to be in common with the born-global firms.

Another important source of international competitive advantage that emerges from the literature consists in the international networks (Johanson & Vahlne, 2009; Oviatt & McDougall, 2005) that "*help entrepreneurs identify international opportunities, establish credibility, and often lead to strategic alliances and other competitive strategies*" (Oviatt & McDougall, 2005, p. 544). In the case of the firms that follow POI model, the international network is almost nonexistent. It is true that the very first information about potential incoming countries was collected through the use of a network; but, this was on a local, or at the most, national scale. It is also true that the network's importance is well known to the entrepreneurs; nevertheless, its ties, size, and density are developed through the commitment by interacting with other people and by taking on board (sometimes) unexpected stakeholders.

CONCLUSIONS

The empirical evidence provided throughout the paper suggests that the inferred POI model has some potential to improve the competitive position of traditional SMEs by providing them with resources/capabilities that allow them to catch up with the global competition. We think that adding the POI model to the mainstream theories on SMEs internationalization developed through the 80's and 90's can bring under the academic community scrutiny a proposal of a specific advancement of this theoretical body, thus stimulating the debate on this research topic. In fact, considering Oviatt and McDougall (2005)'s model of forces influencing internationalization speed, it seems that the moderating effects of Knowledge and International Network relationships are less influential for POI firms than theorized for born-globals. The studied traditional SMEs, without a sophisticated technological or process knowledge, with limited international experience, and limited international network, internationalized rapidly.

The research points out that the case-firms had a specific strategic focus similar to born globals although being traditional. Firstly, when the POI process started their international strategy was highly proactive. If not at the very first step, but soon after it they started considering opportunities around the world (not only in the psychic close countries). Secondly, although being long time established firms in mature sectors, they showed a high level of flexibility in adapting to unknown external conditions. Finally, the firms showed a particular attention to the relationships with new partners and stakeholders, often by taking them on board. We found traces of this particular behavior also in the firms' business model. In fact, all firms base at least a part of their competitiveness on the relationships with the customers, by providing highly customized products and specific after-sales service when possible. In addition to the specific strategic focus, we identified traces of a specific mental approach in decision-making. Frequently in the presence of a high level of uncertainty (typical for internationalization processes) and goal ambiguity, the entrepreneurs followed effectual logic rather than causal one. In fact, among the characteristic features of the effectual reasoning we can find "affordable loss" principle and the re-definition of the initial more or less well-defined objectives through the interaction with other people and the integration of new (unexpected) stakeholders. These results suggest that the POI internationalization process could be better understood through the lens of the Effectuation Theory (Sarasvathy, 2001; 2008). The consistency of the Sarasvathy's outcomes with the international entrepreneurship has been recognized also by Johanson and Vahlne (2009). Nevertheless, more research has to be done.

An implication for entrepreneurs and management consists of showing that even if the company is a traditional SME with limited international experience it can go internationally and compete globally. The fact that the case SMEs increased their dimension (the number of employees and turnover) suggests that internationalization of production can develop resources which are able to provide competitive advantages; nevertheless, this research line needs more in-depth analysis. Simultaneously, the research warns that establishing a production unit abroad has consequences that last in time for traditional SMEs. It took up to three years of continuous adaptations to stabilize the new situation causing a period of stress for the company. Therefore, it is necessary to research the consequences of the specific internationalization pathway on organizational elements. Moreover, it suggests to policy makers, especially in those countries where the importance of traditional SMEs is high, to develop tools that facilitate not only market-oriented internationalization but also POI.

This is a qualitative study based on five North-East Italian traditional SMEs that performed the first POI in Eastern Europe. The research presents a number of limitations typical for a qualitative approach based on a limited number of case studies. Therefore, it is necessary to test the results, for example through survey, proving their generalizability. The sample is only composed of companies coming from the same Italian region and performing the internationalization in the same geographical area, though in different countries. The findings could be country-dependent; thus it is desirable to repeat the research in other countries and areas. Besides, all the presented firms performed a successful internationalization. Carrying out the same research with some negative cases would allow having a control group. For example, it would be very useful to investigate cases of failure in order to understand whether that can be explained by the decision-making process adopted, or whether the strategic focus differs between successful and unsuccessful POI.

Another limitation of the research is its retrospective trait. A retrospective research design is always problematic as the respondents answers can be biased by time perspective and memory. Besides, it is difficult to separate consequences related to POI process from other consequences occurring in the company. Therefore, we suggest performing longitudinal research, i.e. observing the internationalization process in various points of time by coming back to the company from time to time and by pointing out personally the differences.

The model proposed, as every model, is a way to represent the reality by simplifying some aspects. In fact, even if the paths followed by case-firms are very similar they do not overlap completely. Additional variables and theoretical lens could be used. Future research should analyze POI model with different approaches (e.g. network, organizational learning, resource-based view, dynamic capabilities) already widely used in International Entrepreneurship literature in order to achieve a deeper knowledge of the phenomenon.

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FIGURE AND TABLES

Figure 1: Internationalization timeline

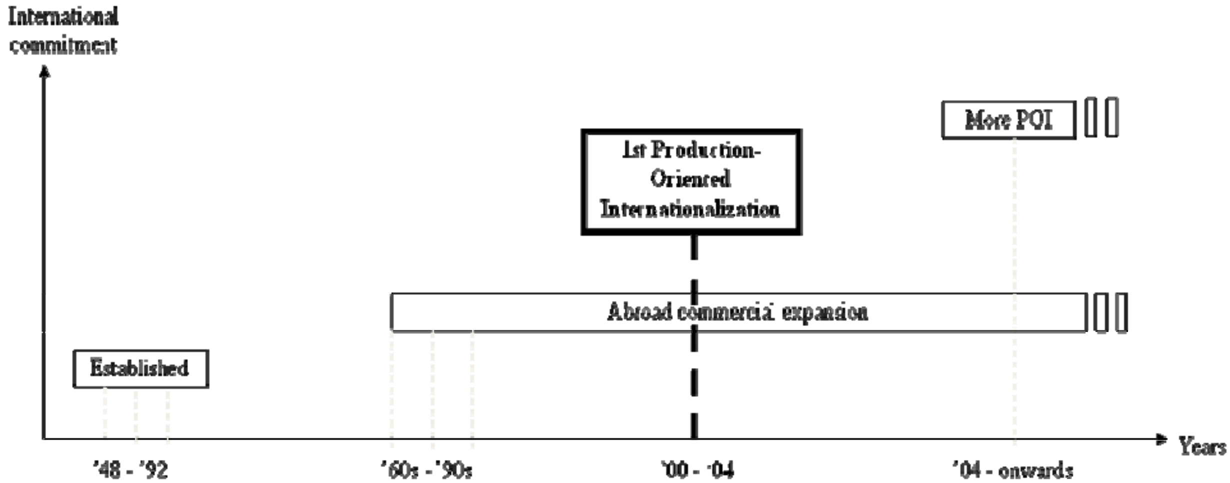

Table 1: Expected patterns associated with INV/born-global and traditional, behavioural models of export-based models

Key dimensions	*Attribute*	*Born-global/INV theory*	*Stage models*
Founder's (and/or founding team's) characteristics	**Managerial vision**	Global from inception	International markets to be developed gradually after a significant domestic market base
	Prior international experience	High degree of previous international experience on behalf of founding entrepreneurs and/or managers	Irrelevant or low degree of previous experience in international issues
	Managerial commitment	High and dedicated commitment with early internationalisation efforts and challenges	General commitment with objectives and tasks but not directly related to internationalisation
	Networking	Stronger use of both personal and business networks at the local and international level Crucial to firm early, rapid, and successful global market reach	Loose network of personal and business partners Only foreign distributors seem to be relevant to the firm's gradual path and pace of internationalisation
Organisational capabilities	**Market knowledge and market commitment**	High from the very beginning due to superior internationalisation knowledge at inception	Slowly growing with previously accumulated domestic and foreign market knowledge
	Intangible assets	Unique intangible assets (based usually on knowledge management processes) are critical for early internationalisation purposes	Availability and role of intangible assets are less important for successful gradual internationalisation
	Value creation sources	High value creation through product differentiation, leading-edge technology products, technological innovativeness, and quality leadership	Less innovative and leading edge nature of its products resulting in a more limited value creation capability
Strategic focus	**Extent and scope of international strategy**	A niche-focused, highly proactive international strategy developed in geographically spread lead markets around the world from inception	A more reactive and less niche-focused international strategy International markets will, at best, be developed serially and in order of psychic distance
	Selection, orientation, and relationships with foreign customers	Narrowly-defined customer groups with strong customer orientation and close or direct customer/client relationships	In the hands of intermediaries at the earliest stages of internationalisation
	Strategic flexibility	Extreme flexibility to adapt to rapidly changing external conditions and circumstances	Limited flexibility to adapt to rapidly changing external conditions and circumstances

Source: Rialp, Rialp, Urbano and Vaillant (2005)

Table 2: Description of case data

*Company**	*Industry sector*	*Year of establishing*	*Year of POI*	*Turnover in mil € before POI^*	*Employees before POI^*
AirComp	MECHANICAL compressors	1992	2001	9	45
Electro Mek	MECHANICAL electro-mechanical devices	1985	2002	6	55
Plast	PLASTICS lightning & large scale retail items	1977	2004	9	60
Sports wear	TEXTILE sportswear	1986	2002	5	135
Mek Machine	MECHANICAL metal profile forming machines	1948	2000	9	180

** The names of the organizations are disguised.*

Table 3: Source of data

Company	*Interviews*			*Archival data*		*Observations*	
	Informants	Hrs of interview	Total	N°	Examples	N° of visits	Sites visited
AirComp	Entrepreneur Production manager	4 2	6	3	Balance sheets Web-site	2	Assembling unit Product & process design unit
Electro Mek	Entrepreneur Production manager Sales manager	2 2 5	9	7	Business plan Balance sheets Web-site Internal documents	5	All
Plast	Entrepreneur Production manager	2 0.5	2,5	3	Balance sheets Internal documents	1	Production unit
Sports wear	Entrepreneur Logistics manager	3,5 2	5,5	3	Balance sheets Internal documents	1	Cutting, sawing unit Designing unit
Mek Machine	Entrepreneur General manager Commercial and logistics manager	1 3 2	6	1	Web-site Balance sheets	-	-

Table 4: Coding categories

Macro categories	***Sub-categories***	
Story of the company	Birth Expansion Customers Competitors	Products Markets Ownership
First internationalization pathway	Threats and opportunities Investment analysis Foreign direct investment	Coordination Eventual problems
Subsequent international activity	Threats and opportunities Investment analysis	Foreign direct investment

Table 5: Firm's expansions

Company	***Employees***		***Turnover^***		***Export***	
	before first POI	***2008***	***before first POI***	***2008***	***before first POI***	***2008***
AirComp	45	55 home + 20 abroad	9	14	40%	60%
ElectroMek	55	60 home + 50 abroad	6	10	25%	30%
Plast	60	64 home + 44 abroad	13	35	30%	40%
SportsWear	95 home + 40 abroad	100 home + 80 abroad	5	9	83%	85%
MekMachine	180	80 home + 150 abroad	9	13	30%	45%

^ = in million euro

Table 6: Description of case firms /1

Company	*Country of first POI*	*Increment of turnover*	*Increment of export*	*Increment of employees in Italy*	*Next POI (year of establishing*
AirComp	Bosnia	+55%	+50%	+22%	Brazil (2006) Poland (2008)
ElectroMek	Slovakia	+65%	+20%	+9%	China (2004
Plast	Serbia	+290%	+33%	+7%	planning in Bulgaria or Middle East
SportsWear	Romania	+80%	+2%	+5%	Albania (2007)
MekMachine	Slovakia	+45%	+50%	-65%°	England (2007) planning in Turkey or Brazil

° The company reduced the overall structure due to internal restructuring and the number of employees was reduced to 60. Therefore, actually there was an increment of +33%.

Table 7: Description of case firms /2

Company	***Reasons for the POI (in order of importance)***	***Type of FDI***	***Type of activity abroad (not planned before POI)***	***Systematic analysis in choosing the country***	***Business plan***	***Local impact***
AirComp	Market (produce locally to deal locally) After-sale service Low labour cost	Joint venture (50%)	Assembling Selling (After-sales service Sourcing)	NO	Partially	Creating an independent company
Electro Mek	Low labour cost	Green field (100%)	Manufacturing Assembling (Sourcing)	NO	YES but flexible	Creating a local district
Plast	Low electricity power cost Tax dodges Proximity to the customer Low labour cost	Green field (100%)	Production (Selling Sourcing)	Partially	Partially	Re-creating supply chain
Sports Wear	Shortage of subcontractors in Italy Low labour cost	Green field (100%)	Manufacturing Assembling (Sourcing)	NO	NO	Re-creating production network
Mek Machine	Low cost subcontractor Low labour cost	Acquisition (100%)	All (Sourcing)	Partially	Partially	Creating an independent company

Table 8: Internationalization patterns associated with case-firms

Differentiating factors		*Companies*				
Key dimensions	*Attribute*	*AirComp*	*ElectroMek*	*Plast*	*SportsWear*	*MekMa chine*
Founder's (and/or founding team's) characteristics	**Managerial vision**	Intl	Local	National	Local	National
	Prior international experience	Partial	Partial	Irrelevant	Irrelevant	Partial
	Managerial commitment	Limited	Limited	Limited	Limited	Limited
	Networking	Local	Strong local	None	Local	Partial
Organisational capabilities	**Market knowledge and market commitment**	None	None	None	None	Partial
	Intangible assets	Not important	Not important	Not important	Not important	Not important
	Value creation sources	Customer relationship	Customer relationship	Customer relationship	Customer relationship	Customer relationship
Strategic focus	**Extent and scope of international strategy**	Niche-focused, proactive	Niche-focused, reactive	Niche-focused, proactive	Niche-focused, reactive	Niche-focused, proactive
	Selection, orientation, and relationships with foreign customers	Close partnership	Direct relationship	Partnership + intermediaries	Partnership + intermediaries	Close partnership
	Strategic flexibility	Very high	Very high	High	Initially low, than high	Very high