Entrepreneurial Orientation and Internationalisation: A Case of Entrepreneurial Firms in a Transition Economy

Abstract

Entrepreneurial orientation is a multidimensional construct that determines the strategic posture of a firm. In this study we investigate a sample of six manufacturing firms which are located both in a remote area and in a transition economy. Through interpreting the construct of entrepreneurial orientation as an attitude held by principals we investigate how entrepreneurial orientation affected the behaviour of these firms, specifically in terms of their internationalisation. Despite the fact that all firms have identical roots we find that entrepreneurial orientation held by their principals affect the strategic posture of the firms. This paper is an attempt to contribute to the existing body of literature by filling an existing void resulting form a lack of qualitative research based on homogeneous samples.

Introduction An ongoing topic of interest is the development of small firms in peripheral regions, in particular those who are located in transition economies. Even in mature industrialized economies, firms in peripheral and rural areas face the challenges of physical distance from the economic centers (Virkkala, 2007). Lower degree of intensity of economic activities and interaction, an underdeveloped service structure, often combined with lack of higher qualifications

of local population result in a structures where firms are predominantly active in traditional sectors which are characterized by usage of less advanced technologies (Tödtling and Trippl, 2005). Small and medium sized firms are essential for economic growth of a nation (Coviello and Munro, 1995). Firms of smaller size need to be able to pursue internationalization activities to avoid being held back by their small and limited regional markets. The knowledge based view focuses on learning as a concurrent processes parallel to internationalization (Prashantham, 2005, 2006; Gassmann and Keupp, 2007). Westhead et al. (2001) found that existing specific knowledge, information related to foreign markets, experience, contact networks and managerial practice make a firm more likely go engage in internationalization activities. Compared to larger firms, start-ups suffer from a scarcity of tangible resources and have to make best use of the few -often mainly intangible- resources which they control. There is a need for an improved understanding of how entrepreneurs can leverage their scarce resources in specific circumstances. A significant part of resources firms build on are based in personal ties with managers from other firms and government representatives (Peng and Luo, 2000; Peng, 2001). Entrepreneurs use their social capital (Chisholm and Nielsen, 2009) to survive and grow their firms in an institutionally unstable environment which is characterized by informal constraints. Informal personal ties and social capital shape intangible resources which are difficult to replicate thereby forming the basis of competitive advantage. The main research question of this paper is to find an answer to the question if the various dimensions of entrepreneurial orientation- as an attribute to the entrepreneurial manager's personality- affect the way a trajectory of a firm develops, specifically from the perspective of internationalisation.

Planned behavior and entrepreneurial strategy Much effort has been undertaken to understand the link between strategic position and performance (Ansoff, 1965; Miles and Snow, 1978; Porter, 1980). Miles and Snow (1978) have made long lasting impact by identifying four generic

forms of strategic behavior, which invariably lead to specific expected outcomes. A different approach has been undertaken by Porter (1980) who essentially identifies two strategic postures; the central message is that whenever a firm fails assume either of them eventual failure will become unavailable (*"stuck in the middle"*). These authors reason that firms need to take specific strategic position. Only then can a firm be successful, otherwise it will fall back into mediocrity and eventually fail. These positions have subsequently been challenged, since in particular situations or environments other and diverging strategic postures could lead to success. One substantial point of criticism is that these perspectives mostly factor out independent ability of independent decision making of individuals. It has also been argued that to abstain from taking a strategic position at all can also be a viable posture in itself. Inkpen and Choudhury (1995), for example, argue that the *strategy-less firm* can be promising objects of research and therefore merit special interest for management scholars. These authors identify three reasons which explain the lack of a specific strategic posture: "absence as failure, absence as transition, and absence as a deliberate and 'virtuous' void." Entrepreneurs must rely on their own flexibility to successfully navigate in volatile environments and adopt individual strategic postures, even more so when they are acting in foreign markets which increases the level of complexity (Zaheer, 1995). Small firm entrepreneurs and managers have to act within highly complex and volatile environments, which inhibits them to identify and follow along an ideal way. Although strategic postures as the driving force of firms exist and can be relevant, ignoring other factors would lead to a failure in understanding the entire picture. As Hutzschenreuter and Volberda (2007) write, once path dependency factors have been accounted for, there is still scope for additional influences that have a bearing on how firm internationalize. From a psychological perspective, (Ajzen, 1991, p. 189) supports the argument that entrepreneurial managers of small firms should be seen as rationally determined actors, who are not subject to predestination. According to Ajzen, people hold different believes, but most do not result in relevant activities. Only a small part of what people believe also has consequential

implications. According to Fishbein and Ajzen (1975), attitudes develop from the believes people hold towards a specific behavior. Believes and attitudes form the underlying basis of the strategy formation process, and can be regarded as valuable resources when the strategy turns out to be successful.

Entrepreneurial orientation and international performance According to Dess et al. (1997) uncertain and volatile environments require a strong entrepreneurial orientation in strategy making. Fast changes in industry structure and product performance make an environment unforgiving for firms who do not have the ability to adapt accordingly. Entrepreneurial orientation is a firm level construct (Covin and Slevin, 1989), with roots that can be traced back to strategic management (Mintzberg, 1978; Miles and Snow, 1978; Mintzberg, 1979; Mintzberg and Waters, 1985). Entrepreneurial orientation should be distinguished from entrepreneurship, since entrepreneurship is concerned about new entry (Burgelman, 1983). In contrast to entrepreneurship, entrepreneurial orientation (EO) is a process construct. Initially, the study of strategy contents was concerned about the question which business to enter, which market segments to serve, corresponding organizational design and so on. The answer was then about which products to sell where and what resources would be needed in the process (Lumpkin and Dess, 1996). Later, as the field of strategy matured, the focus of interest shifted towards ”methods, practices and decision making styles managers use to act entrepreneurial“ (Richard et al., 2004). Entrepreneurial styles or behavior affect the way innovation is taking place, the willingness and ability to engage in risky ventures which includes entering into new product categories and markets. Miller and Friesen (1980, 1983) argue that organizations can possess inherent momentum which can drive them into a specific direction. With a view on innovation activities, these authors argue that within firms some practices, trends and strategies tend to dominant and self- repeating. As a result, there can be firms which show a consistently higher level of innovative activities compared to others. Miller then devised EO in

his seminal article from 1983, although later he underlined that it had not been his intention to develop a scale for measuring entrepreneurship or even develop the concept of EO (Miller, 2011). Rather, the original intention was to demonstrate ”the merits of a confrontational approach to the study of organizations”, and point out that drivers of entrepreneurship could vary between different firms and organizations (Miller, 2011)). In the 1980’s Millers efforts were part of an on going endeavor to further develop and refine strategical archetypes of firm behavior as an extension to the efforts Miles and Snow (1978) had initiated, taking into account the ability of individuals to make independent decisions. Specifically, the original three dimensions as Miller (1983) devised them originally were a) risk taking (referring to individual’s inclination to engage in activities that can be risky for the venture), b) inoperativeness (willingness for innovation, which can result in new products, services, or processes), and finally c) proactiveness (meaning that an individual acts in anticipation to an upcoming and new circumstances, instead of merely reacting to changes after they have taken place). In an influential article (Lumpkin and Dess, 1996) extended these three dimensions by adding d) autonomy and e) competitive aggressiveness. They added the dimension of competitive aggressiveness, referring to behavior towards competitors including ”beating them to the punch”. The dimension of autonomy refers to a propensity of entrepreneurs and managers to rely on independent thinking and intuition, including giving sufficiently leeway for subordinates to take decisions autonomously. Compared to traditional entrepreneurship models (Covin and Slevin, 1991), a firm- behavior model of entrepreneurship has a number of advantages. Covin and Slevin (1991) argue that entrepreneurial success is a firm level phenomenon reflecting the effectiveness of the entrepreneur within the development of his firm. The success of a firm comes as a result of the organizational setup combined with the individual- level behavior of the entrepreneur. Focusing on individuals, including their psychological profiles, therefore, contributes to the understanding of the entrepreneurial process. The extent and scope of international commitment is the result of strategic flexibility including a proactive entrepreneurial orientation.

Research design For this study we adapted a multiple- case design. Yin (2013) considers single- and multiple case design to be variants in the same methodological framework, but each of them has its own advantages and disadvantages. While an appropriate choice population from which the cases are selected is always relevant for theory building, the multiple case study design is (according to Yin (2013)) more compelling and can therefore be considered as more robust. This approach helps to control the nature of the research, and thereby the limits the conclusions that are to be drawn from the findings (Eisenhardt, 1989). If cases are drawn from populations which differ significantly from each other, new and additional theoretical insights may be drawn. With this in mind, we choose to draw our sample from small firms in a peripheral region in Poland, for two reasons. We were guided by the considerations that firstly, there is still relatively little research on small firms from transition economies, and secondly the relative remoteness of the region can have particular implications for the firms in our studies, in particular their internationalization behavior. Thus, we based our multiple- case study on firms that are rather different compared to those who have been studied so far for theory building of EO. But, multiple case studies also have disadvantages, since this approach consumes more resources than a single- case study (Yin, 2013). It also results in more data to be processed. In his study we try to balance off benefits of a more detailed insight against the disadvantages of a larger amount of data by discussing the firms in the analysis part, and then providing a more structured overview of the firm's individual EO orientation in the appendix part.

Miller 2011 has pointed towards some weaknesses in the existing research on EO. First of all, it is not clear if EO is an attitude which his held by decision makers, or a set of firm behaviors. While the first is an attribute of individuals, the second is rooted within the structure of the organization. In this paper, we take the position that EO is an attribute of individuals; or groups of individuals, which are closely connected to each other, for example through family bonds. This fits with the choice of our samples as our focus of interest rested on the entrepreneurial manager (including

the family members) as the principal decision maker. Therefore, we assume here that EO is an attribute of individuals personality.

Further, Miller criticizes that existing research is based on quantitative data, where heterogeneous samples are overrepresented. It is not fully understood how in detail EO plays out in the individual firm. To overcome this problem we choose a sample where the firms have a considerable degree of homogeneity. We consider our sample as fairly homogeneous since, firstly- as we will show- they all had their origins in one mother company, so they have had very similar starting conditions. Secondly, they come from a rather remote area. Together with the fact that the firms belong to a cluster opens up for the possibility of isomorphism, a phenomenon various studies in the cluster literature have pointed to (Rocha and Sternberg, 2005; Tan et al., 2013). While this can be a problem for the firms when it leads to stagnation, it is an opportunity for this paper since it helps us to obtain a degree of homogeneity in our samples.

Background Situated about 200 km to the East of the capital city of Warsaw, the Podlaskie voivodeship in Eastern Poland with Białystok as a regional capital is relatively isolated from the major economic hubs of the European Union. We can thus consider Podliaskie as a peripheral region. At the time of this writing a regional airport is only in the planning stage; just ordinary roads and a railway line provide the city with connections to the national and international transport network. The city of Białystok has a technical university, but a structural lack of employment opportunities in the region results in limited possibilities to find employment which leads in turn to a relatively low income for the local population. In this regard, the area is dealing with issues similar to other regions in transition economies located in Central Europe. We have previously investigated the background conditions of the Białystok cluster which we documented in a different publication (Decker and Rollnik-Sadowska, 2014). Before and during the communist times, the Podlaskie voivodeship has had over 200 years a history of being a center for textile manufactur-

ing. Production of textile is now at a significantly lower level than it had been historically, with little activity left except for the production of female underwear with around thirteen active firms involved.

Case study objects Although extensive research has now been conducted on internationalization of firms of diverse sizes, less is known about strategy formation processes within smaller firms that operate in industrial clusters in the context of transition economies. In particular, not much is known about the firm behavior in terms of strategy formation processes that determine the internationalization behavior of smaller firms. We conducted a case study involving six firms from this group, all of them are located within the perimeter of the Eastern Polish city of Białystok. Except one (Firm B), the interviewed firms jointly employ a local consultant as a "cluster coordinator" for organizing joint activities. The five firms perceive themselves as part of an industrial cluster, while the sixth one - Firm B- has taken the decision not to participate. For triangulation purposes, we also conducted an interview with him. We directed our attention towards two specific areas: a) the process of internationalization, and b) product line development. For obtaining data we choose to undergo semi- structured interviews which lasted about 60 to 90 minutes each. We assessed the dimensions of entrepreneurial orientation (EO) according to the internationalization behavior and the nature/ width of the product lines of the individual firms. We also took field notes and studied secondary sources. We asked about the history of the firms, the founding personalities, and how the firms had developed since. Since we have a special interest in the EO construct, we used a questionnaire specifying different questions related to the dimensions of the EO construct. For facilitating more nuanced answered we used a scale from 1 (very low degree) 7 (very high degree) to specify the concept of EO, a procedure we also outlined to our interview partners. The summarized answers can be found in tabulated form in the appendix of this paper.

All firms in our study disposed of a small design/ product development department. Sewing of

the textile was done by female workers, who had their workplaces in a larger room or production hall and were equipped with sewing machines and other medium level technologies to support the production process. In terms of technology employed, product lines did in our assessment not appear so different from each other. What we noticed was that, since the firms are all producing female underwear, some choose to cater to conservative costumer tastes while others also had more *daring* product lines. Thus, with regards to process innovation, all firms seemed to produce the textile garments in a similar fashion, using low tech equipment like manually operated and semi- automatic sewing and cutting machines.

Product design was performed by dedicated specialists, who used one professional fashion book edited by a specialized French publisher as an orientation point. These fashion books are quite expensive, they demonstrate fashion trends for the next season with graphics and also textile artifacts which are attached to the pages. Because of the high costs of one copy, the firms who cooperate within a cluster context share the costs and jointly purchase one copy of this fashion catalog. We held this copy in our hands, and we could observe that it had already been quite extensively used. The fact that five firms use this fashion book as an guidance for future trends indicates that the are rather followers of fashion trends. We conclude that this is evidence of a rather low level of autonomy. There were still some differences among the five firms. In particular, firm E appeared to actively develop their market and take a more autonomous stance. Similarly, firms B shows higher degree of autonomy also because they do not participate in "cluster" initiative and therefore has no access to this fashion book.

When we asked about the market segments the firms considered themselves to be active in, all firms responded that they targeted medium to upper medium market segment. When we asked, they said that they considered themselves to be solid middle class but would not play in the top segments of the market. None of the firms saw themselves as active in the upper luxury segments either. On the other hand, none of the firms saw low-costs competition from Asian producers

as a threat, because they are perceived as serving lower market segments and cannot compete in terms of style or quality. In terms of pricing, due to their relatively low production costs, the firms regarded their offerings as price competitive. What all firms saw as their most important threat was future availability of qualified production workers for sewing and technical specialist for maintaining the machines, as young people do not show a lot of propensity for this career.

Data analysis We observed that all firms in our sample shared a common root: as the former large textile manufacturer from communist times collapsed, managers found themselves without employment. The firms we interviewed tell their different stories, but the essence is quite similar: former employees purchased or even just took home parts of the production equipment like sewing machines and started small scale production out of their private homes. Since they were then meeting, as we mentioned, significant domestic demand they could employ workers and start expanding their production. During these days in the 1990's, they were meeting a great deal of unsatisfied demand in their national and even only local market. Then, it was possible to sell the products on street markets even without packaging or any type of advertising. Production workers with relevant knowledge were easily available, since these people came from the defunct social firm and had also lost their employment. We draw the conclusion that these startups were created out necessity since the founders had few other alternatives if they did not want to become inactive. Thus, at a different level the founders continued with what they had already done before. In terms of internationalization, with one notable exception (Firm B), all firms followed along a somewhat gradual path towards diversifying into foreign markets. Initially, all of them served the national markets in the early years of their existence. Some of the firms (A and D) first came into contact with foreign actors through the upstream supply chain. As the firms professionalized their sales channels in line with a gradually maturing domestic market; they mostly distributed their products to small retailers through a network of regional wholesalers in the country. As home market

demand was so substantial, the firms met problems obtaining input material for their production. Several foreign suppliers noticed this business opportunity and set up foreign sales subsidiaries in Poland to supply the local market with textile materials for production input. In the case of firm A, their supplier with a home basis in Italy helped this firm to enter foreign markets. To summarize, we can identify a typical pattern in the internationalization paths of the firms we investigated: as a *first step* towards internationalization, the firms got exposed to international suppliers through foreign subsidiaries in the local market. As a *second step* towards internationalization the firms started exports to nearby markets such as Ukraine and Poland. Then, in the *third phase* they typically got involved into market entry towards the Western countries (Germany, France) but also other nearby markets for example the Czech Republic. This pattern of internationalization is consistent with what Johanson and Vahlne (1977, 1990); Gankema et al. (2000); Johanson and Vahlne (2009) observed. Yet, during the last three to four years, all firms in our sample departed from the model of gradual international expansion and started adopting characteristics of a *reborn born global* firm (Bell et al., 2001) and thus entering into their *forth phase* of the internationalization process. The explanation of this change of export behavior can be found in the adoption of e-commerce system which enables the firms to distribute their merchandise over the internet. Due to the low weight of female lingerie products, they can be distributed worldwide at relatively low costs. Adoption of on-line trading facilities thus enables the firms to easily access global markets, despite their relatively isolated location transforming them into a reborn born global according to Bell et al. (2001, 2003).

Dimensions of entrepreneurial orientation Specifically, the dimensions of EO (Lumpkin and Dess, 1996) are the following: entrepreneurial autonomy a) refers to the initiative of an individual or a team to bring forth and implement initiatives that lead to substantial change. This implies independence of thinking instead of observing others for taking decisions. Highly entrepreneurial

firms also have a high level of autonomy (Miller, 1983). Entrepreneurial innovativeness b) is reflected in the firms ability to adapt new ideas and inspirations, as well as willingness to experiment which can lead to new products, services or production processes. With reference to entrepreneurial risk taking c) no generally accepted could yet be found, but Lumpkin and Dess (1996) recommends referring to Miller's (2003) ways of proceeding, who relates propensity to assume risks by engaging in risky projects and venturesome actions. Entrepreneurial proactiveness d) is related to the ability and willingness to anticipate future events and act upon them (Blesa and Ripollés, 2003). Lastly, competitive aggressiveness e) is related to a firms inclination to show aggressive behavior and the improve its position by putting other competitors at a disadvantage or even push them out of the market. It also reflects the tendency to adopt new methods instead of relying on old and tries ways of proceeding.

Autonomy: Independent action is part of autonomy related behaviors, entrepreneurs with this trait do not follow the lead of others but rather rely on their own intuition which leads them to independent action. For the firms in our sample, autonomy could reflect themselves in independent action which reflects in undergoing new venture initiatives etc. Once the firms were in operation, there was no need for dedicated marketing efforts since the products were met by a high latent demand. Given the circumstances, there was no immediate need to develop a new idea or vision (Lumpkin and Dess, 1996, p.140). Therefore, we observe a relatively low degree of autonomy. Later, however, we can observe that the firms in our samples developed along somehow different pathways. We found that the degree of autonomy of the firms we interviewed is reflected by the personalities of the entrepreneurs or firm managers. In our sample, two firms were run as family business, each involving two generations in the leadership. In our assessment, these showed the lowest degree of autonomy. In terms of internationalization they were the most reluctant, not having come beyond the stage of indirect exports through intermediates (Firm D and F). These

firms also had the most conservative product lines. Firm A showed slightly more autonomy, actively investing in a web shop which enabled them to file orders from different part of the globe, also in trade fair participation and developing some exports markets. We evaluate these three firms to have a lower degree of autonomy.

Two other firms (C and E) were run by entrepreneurial managers who differentiate into wider range of products including erotic lines. They also engaged in more travel activities and actively developed international costumers. Among these two, we consider firm E to have a somewhat higher degree of autonomy, since they invested most actively in foreign marketing activities for example trade fairs. We also learned that in international markets they build up the most pronounced reputation for erotic products lines, although the firm underlines that they said that they wanted to be associated with female underwear in general. We evaluate these two firms to have a medium or above medium degree of autonomy.

In terms of autonomy, firm B from our sample is the most interesting. This firm, which is also the smallest one in size with about 25 employees, experienced a crisis about 2 years ago (2012) when it was on the brink of bankruptcy. As a result of the crisis, the daughter of the original founder (who was then the entrepreneurial manager) stepped down and sold the firms to one employee who took over the management. Then, the new entrepreneurial manager completely changed the product portfolio, which had up to this point been conservative but not successful, and expanded into specialist product lines for example underwear for pregnant women, oversize and even pyjamas which according to him are very successful. Even more interesting, the entrepreneurial manager completely changed the international orientation within only 2 years. While the firms served the national market before, the firms has now accelerated its export quota to 80% in only two years by aggressively investing in e-commerce systems. Unlike the other firms, they do not participate in the cluster initiative and maintain an independent stance. We grade this firm to have a high level of autonomy.

Innovativeness: Innovativeness is the ability to introduce new products services and processes. Innovation can take place in gradual or radical mode. Due to the nature of their business, we see little scope for product innovations. Innovations can be observed, if any, only very gradually by expansion into under-explored products lines such as erotic and oversize ranges. In case of firm B expansion into pyjamas cannot be regarded as an innovation, although it may be significant for the firm. In terms of technology and process innovation, some firms invest into new and more modern production equipment (for example computer aided cutting) which can be seen as adoption of third party innovations. In terms of export development, four firms have also been observed to invest into e-commerce solutions, but again this is adoption of third party technology. Therefore, none of the firms can be considered to show a high level of innovativeness as a dimension of EO.

Risk taking: In the relevant literature, risk can involve personal social or psychological risk. It is associated to allocating resources when the probability of the outcome is known. An action is undertaken but the outcome is unknown despite the fact that the probability of occurrence is known. But when firms fail to react adequately to changing situations, this could constitute a risk in itself. We noticed that firms A, C, D, and F showed a risk averse behavior. Within this group, corresponding to the dimension of proactiveness, firms D and F were least inclined to engage in risky behavior, both in terms of product lines and internationalization. . Firms A and C did not show a particularly risky behavior, with different intensities they took the path of gradual and careful expansion of their operations, both in terms of developing the product lines and internationalization. They balanced off control of risk with the need for ongoing development of their business. In the sample, firms B and E showed most propensity for risk taking. Firm B radically changed by reorienting from the national markets to international markets through adoption of e-commerce. This step can be interpreted as a necessary bold, and apparently successful attempt

to turn around the fate of the firm. Firms E takes a risks in marketing, by implicitly orienting its brand towards a more erotic image and occupying a space in international markets. The drive to build up an international band is also reflected in the brands substantial investment in trade fair representations, which implies a financial risk. Summarizing, four of the firms in our sample show to various degrees more conservative risk attitudes, which two show more for different reasons more willingness to adopt risks.

Proactiveness: Kickul and Gundry (2002) found that entrepreneurial managers of small business show proactive behavior by flexibly adapting to changing environmental conditions. Entrepreneurial managers are then enabled to adapt their organization for developing new products and markets. Proactiveness is thus related to actively seeking opportunities instead of merely reacting to changing circumstances. Proactive behavior can be reflected in internationalization and market positioning. In both aspects firms A, C, D, and F react to changing circumstances showing a relatively low degree of proactiveness. However, in parallel to the parameter related to risk taking, firm A and C took take a more active stance by taking action once they perceive the circumstance to be right as a reaction to change. Firm B and E acted in a more proactive manner. Firm B shows proactiveness as a form of reacting to an imminent threat. Firm E actively develops a market opportunity out of their own initiative to take a space for itself. With regards to proactiveness the firms that showed least risk taking behavior also showed a lower degree of proactiveness.

Competitive aggressiveness: Competitive aggressiveness relates to the inclination to challenge and attack competitors on their ground or to occupy a competitive space. All firms except firm B in our sample perceive themselves to be a part of an industrial cluster, indicating a willingness to cooperate which can indicate a lack of competitive aggressiveness. In fact, for these firms

there did not seem to be a lot of reason to act aggressively against competitors. In the earlier years of the firms, the home market generated sufficient demand for the firms. When the global financial crisis struck, Poland was among the least affected countries. Recently, some of the firms adopted e-commerce solutions but less to compete against each other than to take advantage of global opportunities. The firm where we observe a certain degree of competitive aggressiveness is firm E, since they show more aggressiveness my actively occupying a market position for themselves.

Discussion and conclusion All firms in our sample share a common heritage, since they developed out of a firm that was producing female underwear during the communist area and which ceased operation in 1989 shortly after the communist regime had collapsed. The firms regard themselves as a part of a textile industrial cluster and are to varying degrees mutually cooperating for different purposes for example participation in trade fairs abroad. In this sense we see parallels to Italianate industrial clusters as they are described for example by Evangelista et al. (2002); Chiarvesio et al. (2010); Camuffo and Grandinetti (2011); Masciarelli (2011); or Hagen et al. (2012). The fact that the all six firms share a common heritage, that they are aware of each other and that they partly coordinate in joint activities and collaboration make these cases worthwhile as study objects for a further development of the concept of EO. According to Miller (2011), it is context that may influence the entrepreneurial process. Due to their common heritage and similar behavioral patterns, we see sign of isomorphism among the firms in ours sample, leading to patterns of interactions that are typical for regional value creating systems (DiMaggio and Powell, 1983; Steinle and Schiele, 2002; Lundvall, 2010). For example, isomorphism can be observed in the production processes of the individual firms, where we observed little differences. Thus, the relative isolation of the place exposes the firms to environmental conditions that we find make them interest candidates for the study of EO.

With regards too research on EO, there are as Miller (2011) wrote, too many heterogeneous

samples and too few qualitative studies. The main finding of our research supports the proposition that the attributes of the entrepreneurial manager's personality determine the development of the firm. We find that a firm's EO depends on the behavior of the entrepreneurial manager. Since the firms we investigated operate in the same external environment, they developed among somewhat similar but not identical trajectories. The firms where entrepreneurial managers showed a lower degree of EO also developed slower in in terms of their internationalization process. Firms that were run by entrepreneurial managers who were high on EO also developed a more offensive internationalization behavior. In our sample, Firm B is an interesting case since after the entrepreneurial manager had been replaced by a successor, the firm quite abruptly accelerated its international expansion. Again, this supports the proposition that the firm's behavior is dependent on the manager's EO. This paper is also limited by some issues. In particular, it would have been beneficial to spend more time within the firms. In addition to secondary data and on our field notes we mainly relied on the information that we obtained through the interviews. If we had had the opportunity to spend more times within the firms, including actively participating in daily operations, we might have been able to obtain more reliable data. Our existing data may be biased, either because of the manager's own perception or because of the interviewer's interpretation. Also, to improve qualitative research on EO, there is still considerable work to be done in order to improve the measurements of the various dimensions of EO.

References

Ajzen, I. (1991). The theory of planned behavior. *Organizational behavior and human decision processes*, 50(2):179–211.

Ansoff, H. I. (1965). *Corporate Strategy*. McGraw-Hill, New York.

Bell, J., McNaughton, R., and Young, S. (2001). ”born-again global firms”: An extension to the ”born global” phenomenon. *Journal of International Management*, 7(3):173–189.

Bell, J., McNaughton, R., Young, S., and Crick, D. (2003). Towards an integrative model of small firm internationalisation. *Journal of International Entrepreneurship*, 1(4):339–362.

Blesa, A. and Ripollés, M. (2003). The role of market orientation in the relationship between entrepreneurial proactiveness and performance. *Journal of Entrepreneurship*, 12(1):1–19.

Burgelman, R. A. (1983). A process model of internal corporate venturing in the diversified major firm. *Administrative Science Quarterly*, pages 223–244.

Camuffo, A. and Grandinetti, R. (2011). Italian industrial districts as cognitive systems: Are they still reproducible? *Entrepreneurship & Regional Development*, 23(9-10):815–852.

Chiarvesio, M., Di Maria, E., and Micelli, S. (2010). Global value chains and open networks: the case of italian industrial districts. *European Planning Studies*, 18(3):333–350.

Chisholm, A. M. and Nielsen, K. (2009). Social capital and the resource-based view of the firm. *International Studies of Management and Organization*, 39(2):7–32.

Coviello, N. E. and Munro, H. J. (1995). Growing the entrepreneurial firm: networking for international market development. *European journal of marketing*, 29(7):49–61.

Covin, J. G. and Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic management journal*, 10(1):75–87.

Covin, J. G. and Slevin, D. P. (1991). A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship theory and practice*, 16(1):7–25.

Decker, A. and Rollnik-Sadowska, E. (2014). *Wybrane problemy zarza dzania rozwojem regionalnym*, chapter Facilitating Growth of Two Industrial Clusters in the Polish Podlaskie Region: a Knowledge Oriented Approach. Społeczna Akademia Nauk, Łódź.

Dess, G. G., Lumpkin, G. T., and Covin, J. G. (1997). Entrepreneurial strategy making and firm performance: Tests of contingency and configurational models. *Strategic Management Journal*, 18(9):pp. 677–695.

DiMaggio, P. J. and Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American sociological review*, pages 147–160.

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, 14(4):532–550. Cited By (since 1996):7418.

Evangelista, R., Iammarino, S., Mastrostefano, V., and Silvani, A. (2002). Looking for regional systems of innovation: evidence from the italian innovation survey. *Regional Studies*, 36(2):173–186.

Fishbein, M. and Ajzen, I. (1975). *Belief, attitude, intention, and behaviour*. Addison-Wesley, Reading.

Gankema, H. G. J., Snuif, H. R., and Zwart, P. S. (2000). The internationalization process of small and medium-sized enterprises: An evaluation of stage theory. *Journal of Small Business Management*, 38(4):15–27. Cited By (since 1996):38.

Gassmann, O. and Keupp, M. M. (2007). The competitive advantage of early and rapidly internationalising smes in the biotechnology industry: A knowledge-based view. *Journal of World Business*, 42(3):350–366.

Hagen, B., Zucchella, A., Cerchiello, P., and De Giovanni, N. (2012). International strategy and

performance-clustering strategic types of smes. *International Business Review*, 21(3):369–382.

Hutzschenreuter, T. and Volberda, H. W. (2007). The role of path dependency and managerial intentionality: A perspective on international business research. *Journal of international business studies*, 38(7):1055–1068.

Inkpen, A. and Choudhury, N. (1995). The seeking of strategy where it is not: Towards a theory of strategy absence. *Strategic Management Journal*, 16(4):313–323.

Johanson, J. and Vahlne, J.-E. (1977). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. *Journal of international business studies*, 8(1):23–32.

Johanson, J. and Vahlne, J.-E. (1990). The mechanism of internationalisation. *International marketing review*, 7(4).

Johanson, J. and Vahlne, J.-E. (2009). The uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of international business studies*, 40(9):1411–1431.

Kickul, J. and Gundry, L. (2002). Prospecting for strategic advantage: The proactive entrepreneurial personality and small firm innovation. *Journal of Small Business Management*, 40(2):85–97.

Lumpkin, G. T. and Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of management Review*, 21(1):135–172.

Lundvall, B.-Å. (2010). *National systems of innovation: Toward a theory of innovation and interactive learning*, volume 2. Anthem Press.

Masciarelli, F. (2011). *The strategic value of social capital: How firms capitalize on social assets*. cited By (since 1996)2.

Miles, R. and Snow, C. (1978). *Organizational strategy, structure and process*. McGraw- Hill, New York.

Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management science*, 29(7):770–791.

Miller, D. (2011). Miller (1983) revisited: A reflection on eo research and some suggestions for the future. *Entrepreneurship Theory and Practice*, 35(5):873–894.

Miller, D. and Friesen, P. H. (1980). Momentum and revolution in organizational adaptation. *Academy of management journal*, 23(4):591–614.

Miller, D. and Friesen, P. H. (1983). Strategy-making and environment: the third link. *Strategic management journal*, 4(3):221–235.

Mintzberg, H. (1978). Patterns in strategy formation. *Management science*, 24(9):934–948.

Mintzberg, H. (1979). The structuring of organizations: A synthesis of the research. *University of Illinois at Urbana-Champaign's Academy for Entrepreneurial Leadership Historical Research Reference in Entrepreneurship*.

Mintzberg, H. and Waters, J. A. (1985). Of strategies, deliberate and emergent. *Strategic management journal*, 6(3):257–272.

Peng, M. W. (2001). The resource-based view and international business. *Journal of Management*, 27(6):803–829.

Peng, M. W. and Luo, Y. (2000). Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of management journal*, 43(3):486–501.

Porter, M. E. (1980). *Competitive Strategy*. Free Press, New York.

Prashantham, S. (2005). Toward a knowledge-based conceptualization of internationalization. *Journal of International Entrepreneurship*, 3(1):37–52.

Prashantham, S. (2006). Foreign network relationships and the internationalisation of small knowledge-intensive firms. *International Journal of Entrepreneurship and Innovation Management*, 6(6):542–553.

Richard, O. C., Barnett, T., Dwyer, S., and Chadwick, K. (2004). Cultural diversity in management, firm performance, and the moderating role of entrepreneurial orientation dimensions. *Academy of Management Journal*, 47(2):255–266.

Rocha, H. O. and Sternberg, R. (2005). Entrepreneurship: The role of clusters theoretical perspectives and empirical evidence from germany. *Small Business Economics*, 24(3):267–292.

Steinle, C. and Schiele, H. (2002). When do industries cluster?: A proposal on how to assess an industries propensity to concentrate at a single region or nation. *Research policy*, 31(6):849–858.

Tan, J., Shao, Y., and Li, W. (2013). To be different, or to be the same? an exploratory study of isomorphism in the cluster. *Journal of Business Venturing*, 28(1):83–97.

Tödtling, F. and Trippl, M. (2005). One size fits all?: Towards a differentiated regional innovation policy approach. *Research policy*, 34(8):1203–1219.

Virkkala, S. (2007). Innovation and networking in peripheral areas: A case study of emergence and change in rural manufacturing. *European Planning Studies*, 15(4):511–529.

Westhead, P., Wright, M., and Ucbasaran, D. (2001). The internationalization of new and small firms: A resource-based view. *Journal of business venturing*, 16(4):333–358.

Yin, R. K. (2013). *Case study research: Design and methods*. Sage publications.

Zaheer, S. (1995). Overcoming the liability of foreignness. *Academy of Management journal*, 38(2):341–363.

Appendix: Assessment tables

Table 1: Company A

Company A		
Year of foundation	**1994**	**Grading**
Autonomy	**Assessment: independent but watches competitors. Employees have freedom for initiative**	
Leader characteristics	Personal authority but cooperative style with subordinates	4
Subordinates	Have room for personal initiatives, but respect authority	3
Overall measure		4
Innovativeness	**Assessment: Little product and process innovation, but actively explores new international markets**	
Product innovation	Follows fashion trends, limited impact on national market, none in international markets, incremental innovation	2
Process innovation	Low tech, mainly manual production with sewing machines, incremental innovation	2
Market innovations	Not visible, serves existing market segments	1
International markets	Actively explores new export markets. 10% to Russia and Ukraine, 26% to Germany, France Slovakia and others	4
Overall measure		2
Risk Taking	**Assessment: careful approach towards taking on risks, but limited acceptance**	
New products/processes	Mostly reacts to new trends, does not engage into significant commercial risks	3
Financial risks	According to the owner, the company is willing to assume financial risks	5
New export markets	Company gradually expands into new markets, e-commerce platform is important vehicle for internationalization	4
Overall measure		4
Proactiveness	**Assessment: follows the trends**	
Reaction to competitors	Orientation toward general trends in market, develops own styles in line with fashion trends	3
New initiatives	Conservative, but carefully engages in new initiatives for example investment in e-commerce platform	3
Overall measure		3
Competitive agressiveness	**Assessment: tolerance, cooperation**	
Live and let live attitude	Let other competitors coexist	2
Willingness to cooperate	Cooperation with other cluster members, mutual coordination	2
Overall measure		2

Table 2: Company B

COMPANY B		
Year of foundation	**1989 (oldest company in the sample)**	**Grading**
Autonomy	**Assessment**	
Leader characteristics	The owner is former employee, he puts emphasis on subordinate participation	6
Subordinates	Employees have room for decision making, involved in joint decision making processes	5
Overall measure		6
Innovativeness	**Assessment**	
Product innovation	Actively explores and exploits market neiche opportunities	5
Process innovation	As a small and resource restricted, they rely mostly on traditional technologies with manual labor component	2
Market innovations	Stay in the field of textile underwear, but venture into new and unexploited product categories	6
International markets	Very agressive internationalization strategy, simulataneously abandoning the national market	7
Overall measure		
Risk Taking	**Assessment**	
New products/processes	Company was on verge of bankrupty, going into new product categories is risky in this situation	7
Financial risks	Limited by threat of bankrupcy	6
New export markets	Very agressive internationalization strategy, simulataneously abandoning the national market	7
Overall measure		7
Proactiveness	**Assessment**	
Reaction to competitors	Search for unexploited market niches where competitors are not going-independent spirit	6
New initiatives	Exploitation of new product opportunities and exports markets	6
Overall measure	Leverages strategic opportunities proactively	6
Competitive agressiveness	**Assessment**	
Live and let live attitude	Ignore (local) competitors	5
Willingness to cooperate	No signs of cooperation with competitors, no cooperation with (local) competitors	3
Overall measure	Low competitive agressiveness, but independent minded	4

Table 3: Company C

Company C		
Year of foundation	**1994**	**Grading**
Autonomy	**Assessment**	
Leader characteristics	Charismatic and strong leader personality	7
Subordinates	Moderate margin for autonomous decision making	5
Overall measure	Company dominated by strong leading personality, indirectly influences other local companies in the sectore	6
Innovativeness	**Assessment**	
Product innovation	Experiments with new styles, finds way to reuse residual materials, incremental innovation	4
Process innovation	Traditional production sewing, but invests in available new production technology to fasciliate design	4
Market innovations	Moves from traditional feminine underwear into more adventurous style categories	5
International markets	Gradual internationalization into neighboring markets through reps, takes advantage of e-commerce opportunities	5
Overall measure		5
Risk Taking	**Assessment**	
New products/processes	Gradual and balanced expansion into new areas, in terms of products and export markets	4
Financial risks	Balanced risks	4
New export markets	Gradual internationalization into neighboring markets through reps, takes advantage of e-commerce opportunities	4
Overall measure		4
Proactiveness	**Assessment**	
Reaction to competitors	Awareness of competitors on international markets, concious about international competition	5
New initiatives	Actively searches for new markets opportunities and build personal relations to buyers	5
Overall measure		5
Competitive agressiveness	**Assessment**	
Live and let live attitude	Competes on international markets, defensive, awareness of strong competitors image from UK, France	3
Willingness to cooperate	Actively support joint initiatives with competitors in the region	3
Overall measure	(Shows little agressiveness)	2

Table 4: Company D

Company D		
Year of foundation	**1994**	**Grading**
Autonomy	**Assessment:**	
Leader characteristics	Typical familiy business, with several generations involved. Conservative, central controlled	3
Subordinates	Employees have little margin for own decisions	2
Overall measure		
Innovativeness	**Assessment:**	
Product innovation	Low, conservative style	2
Process innovation	Traditional sewing, hand crafted, relies to large degree on manual labor	2
Market innovations	Low, conservative style	2
International markets	Low, mainly serves unsolictited orders. Only indirect web presence through online traders	2
Overall measure		
Risk Taking	**Assessment:**	
New products/processes	Low, conservative style	2
Financial risks	Reduce as far as possible, f.x. company premises is also family home	2
New export markets	Passive stance towards exporting, actively focuses on domestic markets	2
Overall measure		2
Proactiveness	**Assessment:**	
Reaction to competitors	Very limited, maintains stable product portefolio without much change	1
New initiatives	Participation in initiatives as a follower, for examples participates in trips to trade fairs with competitors	1
Overall measure	Low degree of proactiveness, very careful and conservative approach	1
Competitive agressiveness	**Assessment:**	
Live and let live attitude	Shows not agressive behaviour	1
Willingness to cooperate	Cooperates with competitors for learning purposes	1
Overall measure		1

Table 5: Company E

Company E		
Year of foundation	**1996**	**Grading**
Autonomy	**Assessment:**	
Leader characteristics	Founding managers preserve decision making authority, independent thinking	6
Subordinates	Room for initiatives left to employees	6
Overall measure	Autonomy is reflected in the ability to build a competitive brand	
Innovativeness	**Assessment:**	
Product innovation	Incremental innovations	4
Process innovation	Standard technology in the sector, handwork, invest in standard state of the art production technology	4
Market innovations	Agressive expansion into subcategorie, establish market leadership there	7
International markets	Sophisticated marketing adapted to indivual countries	7
Overall measure	Show innovative push in occupying market segments and export markets	
Risk Taking	**Assessment:**	
New products/processes	Stadard technology, streamlined	4
Financial risks	Average, organical growth	4
New export markets	Contains risks by flexible adaption according to market, invest agressively in large trade exhibition booth in Paris	6
Overall measure	Aggressively takes on risks selectively for creating specific strategic leverage	6
Proactiveness	Assessment:	
Reaction to competitors	Occupies submarket category to become market leader there	6
New initiatives	Searches international markets for opportunities	6
Overall measure		6
Competitive agressiveness	**Assessment:**	
Live and let live attitude	Occupies market space for itself, has multiple product lines	3
Willingness to cooperate	Shows limited cooperation with other femine underware companies in the region	4
Overall measure	Moves ahead, strives for differentiation, but not overly hostile towards competitors	4

Table 6: Company F

Company F		
Year of foundation	**1994**	**Grading**
Autonomy	**Assessment:**	
Leader characteristics	Builds up centralised decision making process	4
Subordinates	Leave moderate space for decsion making	3
Overall measure		**4**
Innovativeness	**Assessment:**	
Product innovation	Incremental innovation,	3
Process innovation	Invest into state of the art production processes	3
Market innovations	Limited expansion in submarket categories (oversize)	3
International markets	Limited expansion into export markets, relatively passive stance	2
Overall measure	Low to average	3
Risk Taking	**Assessment:**	
New products/processes	Investments into new process technology and company premises	4
Financial risks	Supports organic growth	4
New export markets	Limited exposure	2
Overall measure	Takes on moderate risks without sign of taking advantage of aggressive leverage opportunities	3
Proactiveness	**Assessment:**	
Reaction to competitors	Relatively limited, occupy specific sub- market segment	3
New initiatives	Conservative style, f.x. move into new premises to support continous growth	3
Overall measure		3
Competitive agressiveness	**Assessment:**	
Live and let live attitude	No signs of agressively pushing out competitors	3
Willingness to cooperate	Average, cooperation with similar companies in the region	3
Overall measure	Low degree of competitve aggressiveness	3