INTENT Report Summary

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Final Report Summary - INTENT (Rapid internationalization of Small-Medium Enterprises: unanticipated evolution from local-oriented to effective international players)

1. Summary description of the project objectives
This research project has focused on achieving a deeper understanding of how European entrepreneurs can speed up the internationalisation process and, therefore, improve the performance of their (often resource constrained) Small-Medium sized Enterprises (SMEs). The researcher’s personal experience in the field points to the conclusion that entrepreneurs often adopt “unexpected” lines of reasoning and adapt to changing environmental circumstances by combining networking, resource based analysis and serendipity, resulting in “unplanned” internationalization. Entrepreneurial SMEs manage to accelerate the internationalisation process effectively despite limited international experience, lack of information on the host market, and weak knowledge of the international environment. For such firms the internationalisation process is important – it rapidly transforms locally-oriented SMEs into becoming effective players on an international level, in such a way that they can compete successfully in spite of rising global competition. This project contributes to the recent international entrepreneurship literature on the phenomenon of entrepreneurial internationalization that cannot be explained by conventional models. This project has centred on three main sub-objectives. The first sub-objective aimed at exploring the consequence of adopting “unexpected” entrepreneurial decision-making on the speed of the internationalisation process itself. The second sub-objective aimed at exploring what type of internal change is involved in the “unplanned” internationalisation process and what capabilities are required to manage it. The final sub-objective aimed at developing and testing a model based on the outcomes of the first two objectives. The model linked together effects arising from organisational structure and capabilities with the firm’s domestic and international performance, and then analysed the moderating influence of entrepreneurial orientation.

2. Work performed to achieve the objectives
The fellow started by reviewing the literature on the internationalization process of the firm, the speed of the internationalization, entrepreneurial decision-making, entrepreneurial cognitive behaviour and, on the exploitation-exploration paradigm within the field of international business strategy. Subsequently, the fellow has also reviewed the literature on entrepreneurial orientation and foreign market entry modes. Towards sub-objectives 1 and 2, the fellow has conducted around 10 preliminary interviews with key informants; subsequently, the fellow identified five case firms and collected in-depth data through interviews with entrepreneurs and other managers, including the collection of documentation, and on-site visits. Data analysis progressed parallel to the collection of data and was terminated approximately one month after the end of data collection. The result is five extensively detailed single case studies, plus cross case analysis. Towards sub-objective 3, the fellow developed hypotheses to be tested through a large scale survey. The fellow identified samples and collected data in Italy, the Netherlands and China for a total of around 700 companies. Data analysis progressed parallel to the collection of data and was terminated approximately one month after the end of data collection. The ideas, work in progress, and interim and final results were presented and improved using feedback received at a number of seminars, international conferences, and ad-hoc workshops. The results of the first sub-objective were published in the Management International Review, while the main results of sub-objectives 2 and 3 are under the review process respectively.
3. Main results and implications
The main results and implications are three fold. First, through adopting a processual and dynamic view of entrepreneurial internationalization, the study develops the concepts of acceleration and deceleration, and provides analytical tools to enhance understanding of the non-linearity and multidimensionality of internationalization. The study finds that acceleration and deceleration are embedded in the internationalization process and are a consequence of the firm’s capability to absorb and integrate acquired knowledge, and to find and exploit opportunities. In addition, the study advances the idea that changes in speed are further influenced by how the firm integrates and coordinates the resources it has deployed within and across various internationalization dimensions. Thus, it emerges that the overall evolution of commitment to internationalization is more complex than received theories commonly suggest. A major finding is that empirical studies should aim to include a much wider set of international activities and processes, and that these should be embedded in time. Second, the study challenges the dominant wisdom on the need to combine both exploitation and exploration for the successful management of the internationalization process. From the analysis of the five case SMEs, it emerges that during the internationalization of production, firms react to the changing external environment not only by adapting their strategies but also by implementing a number of incremental changes long after their initial entry into the foreign market. The continuous pace and the radical scope of change suggest that entrepreneurially-driven SMEs focus on the exploitation of incremental adaptations distributed over time based on existing knowledge. These adaptations lead to radical organizational renewal without the explorative introduction of new means. That is to say, in plain terms, without substantial expenditure on research & development, or the external recruitment of professionalised staff, for example, the entrepreneurial SME nevertheless achieves radical change. This is a finding new to the field, and is the focus of a high-level theory-building paper submitted to the world’s leading management journal. Finally, although research to date indicates that the export channel used by firms can significantly impact export performance, it is unclear how firms should select this channel. Models of export channel choice tend to concentrate on transaction costs efficiencies, ignoring the value-generating abilities and advantages that entrepreneurial firms may possess. This study develops and tests the theoretical notion that, in addition to transaction costs, differences in entrepreneurial orientation influence export channel choice and, as a consequence, export performance. Using data from a sample of European SMEs the study finds that superior export performance is contingent upon selecting an export channel that aligns not only with transaction cost efficiencies, but also with considerations regarding the firm’s entrepreneurial orientation, plus institutional distance from the export market. Thus this study helps to explain why some exporters outperform others and, in terms of managerial implications, how firms can use entrepreneurial orientation and export channels to improve their export performance.

4. Conclusions and potential impacts
Today, Small-Medium Enterprises (SMEs) are playing a crucial role in many national economies worldwide, and a number of European Member States have developed specific policies aimed at improving the business environment for entrepreneurs and their SMEs. The EU Commission has recognised the importance of entrepreneurial SMEs, and has implemented a number of initiatives to achieve a better understanding of the problems facing SMEs (e.g. Eurobarometer Survey on Entrepreneurship (2009), Observatory surveys and reports (2002, 2003 and 2007) and the SME Performance Review) and – at the same time – seek to foster the business environment specifically to promote entrepreneurship and SMEs (e.g. Erasmus for Young Entrepreneurs). Employing a similar rationale the EU, in June 2008, adopted the Small Business Act for Europe (SBA). This reflects the Commission's political will to recognise the central role of SMEs in the EU economy and put into place, for the first time, a broad policy framework regarding SMEs at the EU and Member State levels. The SBA recognized the importance for European competitiveness for the EU to have SMEs able to compete internationally in the globalised world. In fact Principle Ten of SBA states: “The EU and Member States should support and encourage SMEs to benefit from the growth of markets outside the EU, in particular through market-specific support and business training activities.”

The role of SMEs and their internationalisation is even more crucial for national and EU economic performance, in the current
context of difficult economic times. The research project conclusions dovetail into the growth imperative within the economic agenda, contributing deeper knowledge of how entrepreneurs can speed up the internationalisation process of their (often resource-constrained) SMEs and, thus, achieve the acceleration of general economic recovery. A major theoretical finding is to reveal how entrepreneurial SMEs are able to internationalise without the normal expenditures on exploration, while under conditions of high uncertainty and risk to the firm. This major finding has the potential to change the way we think about the standard exploitation-exploitation model in strategic management. It may also be possible to develop the theory further, beyond entrepreneurial SMEs, however, this lies outside the scope of the present project. For policy, the findings suggest that the policy goal of focussing on the reduction of economic risk may be misplaced. Also, that a policy focus on reducing the cost of borrowing may be less effective that assisting SMEs in making the transitions that are necessary internally (within the firm) to reach international competitiveness. The potential benefits are that native EU SMEs having their feet firmly planted within the EU economy, contribute directly to the Growth Agenda with which the Fellow is personally engaged with DG Growth. Additionally, and as an extension to the findings, special consideration might be given to policy design made possible by the findings of this project, to promote intra-EU internationalisation. This in particular offers clear pro-growth, pro-competition (pro-Internal Market) and pro-cohesion benefits. The potential policy impacts are, therefore, considerable.

The scientific findings, detailed above, each have the potential to translate into improved understanding of international entrepreneurship and its management, and into the design of policy to support internationalisation. Research in Europe on SME internationalisation has long tradition, ever since the pioneering studies in Uppsala in the 1970s. During the 1990s the main focus of researchers was on the United States and, latterly, on international entrepreneurship in the emerging economies. In view of the importance of SMEs for the European economy, and given the possibility of accessing information directly from the entrepreneurs and SMEs, plus the fact that there is a consistent number of institutes and researchers across Europe studying internationalisation of SMEs and international entrepreneurship, it is hoped, and expected, that Europe be at the frontline of this specific field of research. This project contributes to improving European excellence in the field and produces long-tern synergies in two ways. First, it has researched the phenomenon of SME internationalisation from different perspectives – organisational management theory and entrepreneurship theory. This multidisciplinary approach has opened new ways of looking at the phenomenon of SME internationalisation and has attracted scholars from outside Europe to collaborate on the topic, indeed, today SMEs are of increasing importance in the emerging economies, and the fellow has initiated links with China, and other economies. Second, the fellow has multiplied the impact of the research by organising workshops, with the main aim of setting up a basis for future cross-national research projects. By bringing together scholars from different national business environments and different, though complementary, disciplines the ultimate goal of this project is to continue to enhance the effectiveness of the research and its academic, practitioner and policy impact.

The address of the public blog is:
https://business.leeds.ac.uk/research-and-innovation/blog/article/speeding-up-the-internationalisation-process-for-european-entrepreneurs/

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