UNIQUE PATHS The International Growth Process of Selected Finnish SMEs

Eriikka Paavilainen-Mäntymäki

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Conducting research can be viewed as entrepreneurial behaviour. In the process of producing a thesis you are the founder-owner-manager of a "one man band". You have the freedom to create and innovate, but you must also take responsibility for the choices you make and for completing your work on time. In this thesis enterprise I have to admit I have been a demanding boss, spending an immeasurable number of hours in the office, accepting overlapping unsolicited orders from conferences, journals and colleagues, and always taking work with me everywhere. However, I have had the opportunity to choose what I wish to work on, where, when, with whom, and how. This freedom has given me joyous moments in encountering new issues, learning in the process, and forging connections with numerous other entrepreneurs within the international academic community.

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1 INTRODUCTION

1.1 Background for the study

The title of this study is "Unique Paths. The International Growth Process of Selected Finnish SMEs." To understand this title one needs to divide it into smaller pieces and to define what the pieces contain and how they are connected. Let us start from the end and begin with the Finnish small and medium-sized enterprises (SMEs).

The study at hand has been conducted among Finnish SMEs, as they provide a good basis for observing such phenomena as growth and internationalisation. Firstly, Finland is a small and open economy (SMOPEC) (Björkman & Forsgren, 1997; Gabrielsson & Kirpalani, 2004; Luostarinen & Gabrielsson, 2004; McGaughey, 2007), which can be seen to both enable and hinder SME international growth. The openness of the economy introduces new foreign rivals that can easily enter the Finnish market e.g. from the European Union (EU) area (e.g. Young, 1990; Johanson & Vahlne, 1990; Gankema, Snuif & van Dijken, 1997), but it also creates, for Finnish SMEs, the possibility, and also the necessity, to enter international markets (Autio, Sapienza & Arenius, 2005). The smallness of the economy also toughens the competition and crowds the domestic market with Finnish and foreign competitors, but it also encourages and mandates SMEs to seek growth from abroad. Geographic expansion, i.e. the crossing of national borders, is one of the most important growth paths for SMEs, whose business scope has been geographically confined (Barringer & Greening 1998). By broadening their customer base through entry into new markets, companies are able to achieve a larger volume of production and grow (Lu & Beamish 2001). However, SMEs can also adopt a geographic expansion strategy to pursue new opportunities and to leverage core competences across a broader range of markets (Zahra, Ireland & Hitt, 2000) when opportunities in the home market are depleted.

SMEs also form a suitable research base from the perspective that they are increasingly internationalising their operations (e.g. Knight, 2000), often seek growth as their main entrepreneurial goal (e.g. Mintzberg, 1973), and are open to change (e.g. Slevin & Covin, 1997). However, SMEs also form a heterogeneous group in the sense that some are more successful in accomplishing their internationalisation goals than others (e.g. Reuber &

Fischer, 1997), and some SMEs prefer staying small and domestic rather than growing internationally (Johannisson, 1990; Davidsson & Wiklund, 2000; Bjerke & Hultman, 2002; Komppula, Lautanen & Löppönen, 2004). Similarly, SMEs are also unique in the way they internationalise and expand their operations (e.g. Hedlund & Kverneland, 1984; Bonaccorsi & Dalli, 1990; Melin, 1992; Rao & Naidu, 1992; Gankema et al., 1997; Gankema, Snuif & Zwart, 2000). Nevertheless, SMEs are considered central to the economy, since they amount to 99.8 percent of all companies registered in the company register of Statistics Finland, 62% of the employees employed by all Finnish companies, and 51% of the annual revenue of all Finnish companies (The Confederation of Finnish Industries EK, 2008). The role of SMEs in national economies as an employer and innovator, as well as in international and global markets as a recognisable and influential actor is indisputable (e.g. Goss. 1991; Atkinson & Storey, 1994; Storey, 1994; Reuber & Fischer, 1997; Ripsas, 1998). This research area has also attracted increased interest in the field of entrepreneurship, where entrepreneurially behaving SMEs are seen as central societal actors (e.g. Davidsson & Wiklund, 2001). In international and global markets, small and medium-sized enterprises have emerged as noteworthy adversaries to multinational conglomerates (Goss, 1991; Atkinson & Storey, 1994; Storey, 1994; Knight, 2000). In fact, according to Leeflang and Pahud de Mortanges (1993), European companies ought to concentrate on expanding into international markets, which would place more of an emphasis on the topicality of the research object.

International growth has been described in the literature as the expansion of companies across their national boundaries (e.g. Penrose, 1959). Although this description does combine the organisational growth process with an international dimension, it fails to explain what international growth as a phenomenon actually is. In this study international growth is understood to consist of two intertwined processes - organisational growth internationalisation - but it is remains unclear as to how growth and internationalisation are connected and how the interaction between the two processes take place. Many studies consider internationalisation and growth to be processes (e.g. Oviatt & McDougall, 1997; Forsgren, 2002), and stressed the importance of combining them (e.g. Andersson, 2000; Kuemmerle, 2005) in order to gain better understanding and insight into them. So far knowledge has been accumulated by studying growth and internationalisation separately, but the number of studies addressing international growth as a single phenomenon by including two dimensions is scarce. However, many definitions of internationalisation include some implicit reference to growth, such as foreign expansion, but no real conceptualisation of international growth currently exists. To sum up, the sections of this topic are well-known,

but have not been looked at as a whole. This makes the study both interesting and challenging.

The process of international growth is often affected by SME characteristics and internal factors, such as resources (e.g. Johanson & Wiedersheim-Paul, 1975; Komulainen, Mainela & Tähtinen, 2006) and the entrepreneurial orientation of a company (e.g. Andersson, 2000; Knight, 2000; Etemad, 2004), and the situational factors and circumstances in an external business environment (e.g. Johanson & Vahlne, 1990). As a result, the international growth processes of SMEs become unique. This study presents case studies of five SMEs and their unique international growth paths, accompanied with descriptions and explanations of the individual processes, and through these cases addresses the questions of what international growth could be and what issues and factors are connected to it, how the paths occur, and why SMEs engage in the process.

1.2 The reasons for and the challenge of studying international growth

The argumentation for conducting a study focusing on the process of international growth within the context of Finnish SMEs originates from several sources. Firstly, the field of international business is constantly developing and in need of development. From this perspective, new research streams and topics are introduced, as are new research findings and knowledge, which is accumulated for strengthening and updating the field (e.g. Buckley, 1991; Buckley, 2002; Buckley & Ghauri, 2004; Peng, 2004; Buckley & Lessard, 2005; Oesterle & Laudien, 2007). Several studies, also outside the field of international business, have concentrated on providing something unique to add to the existing body of knowledge and have pursued their own eligible objectives, notwithstanding the needs of fields of research and individual lines of research aimed at creating a solid theoretical basis and new knowledge (see e.g. Arbnor & Bjerke, 1997). For theories to develop and fields of research to mature and to gain a stable foothold, comparative and connective research is valuable (e.g. Buckley & Chapman, 1996). According to Griffith, Cavusgil and Xu (2008), Buckley and Lessard (2005), Andersen (1993), and Ford and Leonidou (1991), there is a need in the discipline of international business to create new studies, and also new theories. These theories should be multidisciplinary and unify several theories.

Studying international growth also allows (and requires) the combination of prior research on entrepreneurship and international business – something which has often been called for (e.g. Oviatt & McDougall, 2005), but not often accomplished. Knight (2000) and Jones and Coviello (2005), among others,

have presented an attempt to integrate theories and thereby explain the internationalisation process of firms with the aid of the examination of their entrepreneurial behaviour. Particularly in sciences, such as in business studies and behavioural sciences, where the origins of the fields belong in other sciences, such as in economics and sociology, multidisciplinary studies work as engines of scientific knowledge development by combining different studies and findings (e.g. Nelson & Winter, 1982). In this study a multidisciplinary approach is taken in an attempt to gain overarching and comparable results, and enable the description and explanation of a complex phenomenon. Here entrepreneurial behaviour and orientation are expected to provide some explanation for the materialisation of international growth and the shape of the path.

Secondly, SMEs have become central actors in international markets, and the focus of many studies (e.g. Miesenbock, 1988; Ripsas, 1998; Knight, 2000; Ruzzier, Hisrich & Antoncic, 2006). However, despite extensive research on SMEs, new findings seem to emerge endlessly due to the uniqueness of the companies (e.g. Hedlund & Kverneland, 1984; Bonaccorsi & Dalli, 1990; Melin, 1992; Rao & Naidu, 1992; Gankema et al., 1997; Gankema et al., 2000). The main explanation behind this is that every SME. research context and studied process has different, unique characteristics, which makes them all different. This of course broadens the research base, but it also creates room for new studies combining existing findings and approaches, and provides fresh insights (e.g. Nelson & Winter, 1982). Researchers have also been debating internationalisation and growth for decades and yet the results predominantly only indicate that some definitions and measurements are merely better in some contexts than others (e.g. Davidsson & Wiklund, 2000). Furthermore, no common understanding exists on what the phenomenon is that is being investigated.

Thirdly, building on existing studies and taking advantage of knowledge already gained is crucial in this respect, and here the importance of methodological cohesion comes into play. The topic of international growth is complex and sets challenges and requirements regarding the use of research methods, but also contains the opportunity to create something new (Brewer & Hunter, 2006; Buchanan & Bryman, 2007). Griffith et al. (2008, 1228), in their Delphi study, present results which show that methods have increased in their importance within the international business field, while Jones and Khanna (2006, 465) have called for further, methodologically rigorous approaches to be applied in the IB field. Therefore, in addition to providing theoretically new insights regarding international growth, this study also offers methodological tools for studying and defining international growth in the SME context.

In sum, there are several issues that make the phenomenon of international growth an interesting one, and at the same time, a challenging one to study. First, the focus of this study creates several challenges. In addition to the common problems of process studies, such as the definition of a time frame and the ability to conduct real-time observation and follow-up, studying international growth processes actually requires studying several processes. Of these, organisational growth and internationalisation are the central ones in this study, but as mentioned earlier, existing literature does not provide much information about their relationship. Additionally, the typical linear and straight-forward approach used in studying e.g. the internationalisation process (see e.g. Leonidou & Katsikeas 1996), does not seem suitable for such a complex setting.

One linkage between the processes can be observed if international growth is studied from the viewpoint of strategy. In principle, either of the processes may have a primary role and be the one against which targets are set in a company strategy. For example, a software company with a limited window of opportunity may sacrifice (profitable) growth for the sake of rapidly entering significant international markets. Thus, internationalisation has been the primary process which is aligned with strategy. On the other hand, it is possible that for a growth-oriented company, internationalisation has been a by-product of organizational growth – thus internationalisation is a means to an end, and occupies a secondary role. Nevertheless, the separation of different roles, primary or secondary, does not indicate that either of the processes would be indifferent, on the contrary, but especially with longitudinal research one has to keep in mind that the roles may vary. For example, increasing organisational growth can increase and drive internationalisation; or vice versa. Especially when studying SMEs, it also has to be kept in mind that not all international growth is the outcome of careful strategic planning, it might be more or less emergent and thus the relationship between internationalisation and organisational growth may be quite blurred and difficult to observe.

Second, and also in terms of research design, studying international growth poses challenges. The processual nature of the phenomenon requires either retrospective or longitudinal research design (cf. Miettilä & Törnroos, 1993). A retrospective approach here means that the study identifies companies that have grown internationally in the past and their past development is the focus of the study. On the other hand, in a longitudinal study the international growth of selected organizations is followed in real-time. Both approaches are valid, and can provide interesting knowledge of the phenomenon. However, with both approaches the changes, differences, and anomalies in international

growth are probably the source of novel knowledge rather than reoccurring similarities.

Third, international growth as a concept seems to be value-laden and implicitly includes a positive undertone. Therefore, the values and preassumptions of this study and the author need to be made explicit already at this stage. Although the focus of this research is the international growth process of industrial SMEs, the study does not aim to indicate that seeking international growth is, and ought to be, the first and foremost goal of any company. Similarly, the fact that not all SMEs wish to grow internationally, should not be interpreted as the strategy of a less ambitious, less profitable, or a less successful company. Companies can operate in several different ways, and studying international growth merely focuses on one of them. Consequently, no stand is taken as to whether international growth is a favourable or an unfavourable quality in a company. These value-laden conclusions are left to the reader.

1.3 Positioning the study in the existing literature

The theoretical framework is constituted from several different theories, both within the field of international business and from across disciplines. The aim in the theoretical framework is to unify different theories in order to better illustrate and understand the process of international growth in SMEs. The positioning of the study in the theory field is presented in figure 1.

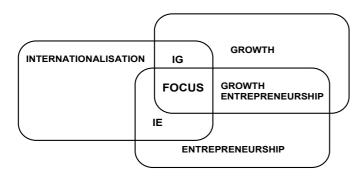


Figure 1 The positioning of the study

Looking at the fields represented in the positioning, the existing body of studies is vast in internationalisation, growth, and entrepreneurship, and new research streams are constantly being looked for. From the theoretical perspective, according to, among others, Griffith et al. (2008), Buckley and Lessard (2005), Andersen (1993), and Ford and Leonidou (1991), there is a

need in the discipline of international business to create new studies, and hence new theories. Research in the field of international business has matured, and new avenues for further research have been demanded (see e.g. Sullivan, 1998). Despite the vast amount of research that has accumulated over the years, a rallying point for all the research has been absent, and the core of what international business really is and contains has not been clearly defined (Sullivan, 1998, 879). Similarly, in the entrepreneurship field, Ripsas (1998) states that, after two decades of intensive debate, discussion, and research, the field of entrepreneurship still lacks a proper theory, and further research, building on earlier studies, is encouraged. The field of international entrepreneurship, in turn, is also accumulating a body of knowledge and fast establishing itself (Zahra & George, 2002, 255-256). Then again, the body of studies concentrating on growth entrepreneurship is extensive (see e.g. Davidsson, Delmar & Wiklund, 2002, 330-337; 2005; Moreno & Casillas, 2008), and most of them focus on entrepreneurial business growth by using stages of growth models (Levie & Lichtenstein, 2008) and/or focus on economic growth and the entrepreneurial behaviour of nations (Audretsch & Thurik, 2001). Research on international growth is, however, very limited, and this is where this research comes into play. Nevertheless, there are a few studies that combine internationalisation, growth, and entrepreneurship (cf. Gankema et al., 1997; Gankema et al., 2000; Knight, 2000; Wiklund, Patzelt & Shepherd, 2009), but the combination of the particular theories presented in this research have not been combined in this manner previously.

In the following three sub-chapters the content, context, and process of the study are delineated in light of prior research. This approach follows the suggestions made by Pettigrew (1992) that guides consistent empirical inquiry and the analysis of organisational processes.

First the content, the existing internationalisation, growth, international growth, and entrepreneurship research are discussed to reveal the research gap. After that, the context of the study, the SMEs and the external business environment is outlined, and finally, the process is approached by discussing the process nature of the content and the context, and by illustrating the existence of a research gap.

1.3.1 The theory-based content

As mentioned earlier, the international growth of companies has been studied either from the viewpoint of internationalisation or growth, and the theories have been applied accordingly. Generally, the literature on internationalisation has not paid much attention to growth and themes related to growth. As a

result, in most studies on internationalisation, the concept of growth is mainly implicit, as if built into the phenomenon (Jones 1999), and no specific theory, model, or approach to international growth has yet been developed. On the other hand, studies describing organisational growth (e.g. Scott & Bruce, 1987; Greiner, 1998) do not include an international dimension. In addition to this, the explanatory power of the two aforementioned existing theories to explain and depict international growth has not yet been proven (Buckley & Chapman, 1997; Lu & Beamish, 2001; Larsson, Brousseau, Driver, Holmqvist & Tarnovskaya, 2003; Kummerle, 2005; Meyer & Gelbuda, 2006). Furthermore, the theories have been developed, to a large extent, in the context of MNCs and MNEs (e.g. Bonaccorsi & Dalli, 1990; Ruzzier et al., 2006), or during a time well before the Internet, globalisation, and currently valid trade unions and work agreements to name but a few (e.g. Young, 1990; Buckley, 1991; Johanson & Vahlne, 1990; Gankema et al., 1997; Ruzzier et al., 2006, 477), which makes their direct applicability in the current SME context, the context of this study, debatable to say the least.

In the existing literature on the internationalisation of SMEs two distinct research streams have emerged. One stream focuses on international new ventures (INVs) and born-globals, i.e. start-ups that are international right from the inception (e.g. Chetty & Campbell-Hunt, 2004; Gabrielsson & Kirpalani, 2004; Knight & Cavusgil, 2004). In this stream, researchers have looked at both the antecedents and outcomes of internationalisation (e.g. Zahra et al., 2000). The other stream looks at the internationalisation of established, yet small companies. The majority of the latter stream of studies have focused on various aspects of SME export activities in terms of the antecedents and the processes (behaviours and strategies) of their exporting and export performance (for reviews, see Dichtl, Leibold, Köglmayr & Müller, 1984; Miesenbock, 1988; Shoham, 1998). The latter stream also includes numerous studies in which the export development process has been studied (e.g. Hedlund & Kverneland, 1984; Reid, 1987; Bonaccorsi & Dalli, 1990; Melin, 1992; Gankema et al., 1997; Gankema et al., 2000).

Existing research indicates that the process of internationalisation among SMEs varies considerably. Some SMEs proceed directly from the primary stages to the final ones, such as born-globals (e.g. Madsen & Servais, 1997; Gabrielsson & Kirpalani, 2004; Chetty & Campbell-Hunt, 2004; Hashai & Almor, 2004). Some SMEs stop their export development early on in the direct exporting or export agent stages, before further resource commitment or increased risk-taking (Root, 1994; Zahra, Neubaum & Huse, 1997; Sullivan & Bauerscmidt, 1990; Fina & Rugman, 1996). This type of stagnation has been found in earlier research to be relatively common. It has also been found that reversing the sequence of the stages is the exception and, similarly, hardly any

decline in the stages gone through has been found (Bonaccorsi & Dalli, 1990; Gankema et al., 1997). According to Rao and Naidu (1992), SMEs have unique internationalisation profiles; although they apply the same stages in their internationalisation process. Welch and Luostarinen (1988) found that in spite of the fact that companies do not follow the stages configuration precisely, the stages theory is, nevertheless, consistent. This view is supported by Gankema et al. (1997, 192-193) and Gankema et al. (2000), who state that the stages theory is valid for SMEs, when it is not applied in a too restricted form. In other words, prior research implies that an internationalisation process is probably quite context-dependent and thus unique for each SME.

Thus, existing literature does not provide a theory or a model which would describe the process of international growth. And vet, Kuemmerle (2005) presents very good reasoning for why internationalisation and growth ought to be combined to better describe and map out the international growth process of entrepreneurial SMEs. According to him, firms need to acknowledge the requirements the business environment and the internal firm strategy, structure, and resources demand of a company already at the beginning of its existence (cf. Johanson & Wiedersheim-Paul, 1975). The ongoing interrelationship between a company and its environment is recognised and stressed as an essential part of the international growth process of the company by several authors (e.g. Penrose, 1959; 1995, 41-42; Tiessen & Merrilees, 1999, 133, 143; Casson, 2000; Cantwell, 2000/2001, 15; Fletcher, 2001, 44; Fernhaber & McDougall, 2005, 112, 116; Jones & Coviello, 2005, 289; Meyer & Gelbuda, 2006). This goes to show that the two processes, which together establish the concept of international growth, are intertwined and interconnected at many levels and therefore justifies the explorative approach.

To be able to give more than merely a description of the international growth process of entrepreneurial SMEs an exploratory and interpretive stand point is taken by adding, to the theories of internationalisation and growth, the concept of entrepreneurial orientation. Currently, there are only a handful of studies that combine internationalisation, growth, and entrepreneurship (see e.g. Gankema et al., 1997; Gankema et al., 2000; Knight, 2000).

In this study the approach suggested by Zucchella, Palamara and Denicolai (2007) and also used by Wiklund et al. (2009) is applied, in which the driver of the international growth process is seen as being the entrepreneurial orientation of a company. As it is considered to be the internal driver, it is also seen to be the explanatory factor behind the international growth process. Zucchella et al. (2007) also include the general context in their research, which, in the study by Wiklund et al. (2009), includes environmental characteristics, company resources, and management's attitudes.

1.3.2 The theory-based context

The context of this study can be formulated on two levels based on existing literature. Firstly, there is the micro-level, the SME context with the internal features and factors affecting the international growth process. Secondly there is the macro-level, the international, external business environment, which also has an influence on the company and the process. This approach follows the recommendation by Davidsson and Wiklund (2001) that phenomena, such as entrepreneurship, that takes place and affects different societal levels at the same time ought to be studied at multiple, complementary levels. It also follows the Nordic internationalisation research tradition (see e.g. Björkman & Forsgren, 1997, 18) by acknowledging the firm-level approach. Further investigation is urged in existing research, aside from the focus on companies, in order to explore how the external environment and market conditions affect companies (e.g. Gankema et al., 2000, 25; Buckley & Lessard, 2005, 595). According to Pettigrew (1992, 340)

"Explanations of the changing relative performance of firms should be liked to higher levels of analysis (sector changes and alterations in national and international political and economic context) and lower levels of analysis (the drivers and inhibitors of change characteristic of different firms' culture, history and political structures)."

To be more precise, the micro-level context analysed in this study is the international growth of selected case firms. The case firms are Finnish SMEs¹ which grew internationally during the period from 1997 to 2006. This context was selected, as SMEs are generally considered to be more prone to seeking growth and internationalisation if they develop in a small and open economy (e.g. Björkman & Forsgren, 1997; Gabrielsson & Kirpalani, 2004; Luostarinen & Gabrielsson, 2004; McGaughey, 2007), such as Finland. In fact, internationalisation is not so much a choice as it is a necessity for these companies (Autio et al., 2005). However, here the focus has not been on the speed of the process or the age of the firm, but rather on the development and background factors of the international growth process.

The firms selected for the study represent 'traditional' industries, as they are often older and more established, and show clear signs of incremental development due to the more established and less dynamic characteristics of their branch, and because they have, in earlier studies, demonstrated organic type, or entrepreneurial growth in a different manner to that seen, for example,

All the case companies meet the EU definition of SME (Commissions recommendation 2003/361/EC 2005), i.e. having less than 250 employees. The definition used in selection of the companies was determined by the available data set for the pilot study, and therefore some limitations due to the broadness of definition had to be accepted.

in information technology (IT) or biotech SMEs (cf. Penrose, 1959; Storey, 1994; Wheeler, Jones & Young, 1996; Agndal, 2006; Pasanen, 2007) that have mostly been either born-globals (Gabrielsson & Kirpalani, 2004; Hashai & Almor, 2004) or rapidly internationalising firms (Oviatt & McDougall, 2005).2 These SMEs are usually characterised by a scarce resource base (e.g. Ahokangas, 1998; Honig, 2001; Keizer, Dijkstra & Halman, 2002; Majocchi & Zucchella, 2003; Komulainen et al., 2006). According to Bridgewater, Sullivan-Taylor, Johnston, Mattsson & Millett (2004, 221) this scarcity supports the usability of incremental internationalisation models, such as the stages models, for SMEs. And, according to Kirzner (1973), resource scarcity is also a feature of opportunity-seeking entrepreneurial behaviour, which in turn supports the viewpoint of the entrepreneurial orientation presented in this framework. Additionally, these firms can be seen as a suitable focus due to their relatively small size, less-hierarchical organisational structure (Forsgren, 2002, 273), and hence better adaptability to the changes of the external environment (cf. Fernhaber & McDougall, 2005; Jones & Coviello, 2005). This suitability also holds true as they also theoretically possess the capability and requirement of being able to proceed from the first stages of the model to the last ones, i.e. they can cover the stages of the theory in their entirety and/or adequately, in the time-span of the process.

Although the selected firms share very many characteristics of SMEs in general, when compared to the majority of SMEs they are rather large and established companies. This is also typical for the traditional industries, which were the focus of this study. Therefore they already had a business culture and a quite stable organisational structure, which makes the analysis of entrepreneurial behaviour and culture on firm-level (instead of individual-level) justifiable.

The macro-level context analysed in this study is the external business environment that influences a company and its international growth. In management and strategy literature, Mintzberg and Waters (1982) have stated that when strategising, companies need to take into account both their external business environment and the internal firm characteristics. International growth places exceptional challenges on enterprises, which differ from those related to growth in the home market (see e.g. Hitt, Hoskisson, & Ireland, 1994; Zahra & Garvis, 2000; Reuber & Fischer, 2002; Heinonen, Nummela & Pukkinen, 2006). From the entrepreneurship perspective, rapidly changing and turbulent markets both foster entrepreneurial behaviour and make it a

² According to the study by Gankema et al. (2000, 20), no significant differences were detectable among countries or industries with regard to stages theories. As such, the Finnish context of this research ought not to create a problem or a significant limitation for the usability of the research results.

necessity for survival in companies (e.g. Schumpeter, 1934; Kirzner, 1973; Kuratko, Ireland & Hornsby, 2001; Lumpkin & Dess, 2001).

Slevin and Covin (1997, 57) list several forces and actors contributing to the complexity of and changes in the external business environment. The forces include non-industry specific, technological, political, legal, and sociocultural forces. The actors, in turn, include e.g. competitors, customers, suppliers, creditors, labour unions, and distributors. Particularly from the organisational viewpoint, the external business environment factors play a significant role in either supporting or inhibiting the entrepreneurial goals of an organisation (e.g. Bamber, Owens, Davies & Suleman, 2002). Lumpkin and Dess (2001) note that SMEs can create niches, in which proactive novelty and originality can attenuate the risks and costs associated with uncertain and changing environments. In the external environment the customers, suppliers, and distributors, to name but a few, can also be innovators and sources of new ideas (Calantone, Cavusgil & Zhao, 2002). In addition to these sources, companies can also acquire innovative ideas from outside sources, and SMEs in particular are active in searching out collaborative innovation efforts together with universities and public support agencies (Branzei & Vertinsky, 2006). However, there is variance between SMEs and industries in their ability and agility when they search for market information systematically (Leonidou & Katsikeas, 1996; Gankema et al., 2000; Komulainen et al., 2006).

In the Finnish SME context, the development of the European Union (the EU) in particular has had a significant role in accelerating the international exposure of Finnish companies. Gankema et al. (1997, 185) have discussed the effect of the EU and the developments in the industry as follows:

"Due to the establishment of this 'Internal Market' the national and international environment of (small and medium sized) firms in Europe is changing rapidly. It has consequences even for small firms whose sphere of operating is strictly local, providing both opportunities and threats. ... In addition to these specific European developments, international trends in manufacturing industry such as globalisation, acceleration of technical progress, shortening of product life-cycles, changing relations between main and subcontractors and more international co-operation play a significant role."

From the viewpoint of international growth it is obvious that this development is reflected in the internationalisation process of companies, in the form of decreasing psychic distance³, other environmental changes, such as more efficient information and transportation technologies, an increased emphasis on R&D activities and globalisation (Johanson & Vahlne, 1990). On

For a provocative viewpoint, see Ellis (2008)

the other hand, from the viewpoint of entrepreneurial behaviour, the entrepreneurial vision of a company is influenced by both the opportunities available in its environment and the competition in the market (Kuratko et al., 2001). Kao (1989) and Bamber et al. (2002) discuss the concept of an entrepreneurial environment (EE), which describes a situation, where a company's environment supports entrepreneurship. However, Covin and Slevin (1989) have shown how hostile and benign environments are particularly challenging for small firm strategic management. Lumpkin and Dess (2001) have also discussed the munificence⁴ and hostility of business environments. The effect of the industry and the sector, and the changes within them, on the internationalisation and growth processes of companies has also been widely studied (e.g. Covin & Slevin, 1990; McDougall, Covin, Robinson & Herron, 1994; Wheeler et al., 1996; Boter & Holmquist, 1997; Reichstein & Dahl, 2004; Tong, Alessandri, Reuer & Chintakananda, 2008). In addition to looking at the external factors influencing a company, Mintzberg and Waters (1982) have also looked at how a company can influence its environment. Concluding, it can be seen that SMEs operate in a nexus, where both the characteristics of the firm and the external environment influence the company operations. The external circumstances are complex, dynamic, and constantly rapidly changing, and they can both accelerate and hinder the attainment of company goals e.g. in terms of resources and opportunities. In this respect, it is crucial to look, not only the company features, but also the external environment, to gain understanding about SME international growth.

1.3.3 The theory-based process

In this study, processes are acknowledged and applied in many different ways. From the viewpoint of the theories and models they all include a process view of seeing how international growth takes place over time. The process perspective is also visible in the methodological approach, where the chosen methods support rather than restrict the rich flow of the process.

In the international business field, the change, development, and evolutionary processes of firms from various perspectives have been of interest for several decades. In the 1950s the research concentrated on trade and foreign direct investment activities, in the 1960s, when the international business field was being created, the export development process and

⁴ Munificence, according to them, signals the dependence of a company on environmental resources, whereas hostility indicates a scarcity of those environmental resources and the intensity of competition for them.

organisational life-cycle thinking together with strategic decision-making over time were popular. In the 1970s the internationalisation process of a firm and a multinational enterprise and cultural studies were focused on, in the 1980s networking, management, and the behaviour of companies were the central issues, in the 1990s studies concentrated e.g. on technology transfer, economic development, and globalisation, and in the 21st century e.g. information transfer and alliance building between companies and the virtual nature of companies have been the main emphasis, although the quality and direction of international business research has also been an internal issue (Buckley, 1991; Wright & Ricks, 1994; Buckley & Chapman, 1996; Björkman & Forsgren, 2000; Buckley, 2002; Peng, 2004; Shenkar, 2004; Buckley & Lessard, 2005). According to Jones and Khanna (2006; see also Boddewyn & Iyer, 1999, 170), the history of a company has a crucial influence on its competences and performance, which invites the acknowledgement of company history on path dependence in such a research. Glaum and Oesterle (2007, 315) state that

"...the field of International Business...would greatly benefit from more indepth field research, that is, "clinical" case studies...Ideally, such research should be longitudinal in nature..."

and they encourage international business researchers to employ more longitudinal studies. Similar implications suggesting an increased use of longitudinal data and approaches have also been presented e.g. by Buckley and Chapman (1996) and Caves (1998).

In the study, both internationalisation and growth are seen as processes, which unfold during a certain time, and which ought to be studied in accordance with the particular features and needs of these phenomena, i.e. a process that has many phases and steps should not be studied as a singular event at a one point in time. Instead, a process should be studied as it is, as several successive, but perhaps not sequential, events during an extended time period. This calls for a broader approach; hence a process is seen as a complex issue in itself, it needs to be examined thoroughly and from several points of view and at several points in time. This is the approach adopted in this study, as a response to the research gap identified.

⁵ For a further discussion, see e.g. Paavilainen & Raukko (2008) Longitudinal Research Methods Approaches in International Business - A Typology.

1.4 The research questions and the structure of the study

The aim of the thesis is, first of all, to obtain an understanding of SME international growth and to find a suitable and usable, broad approach to study the process. The research questions of this study are twofold:

- How does the international growth process of SMEs occur?
- What is the role of an SME's entrepreneurial orientation in the process of international growth?

The first research question concentrates on describing the international growth process and the second question concentrates on explaining it⁶. In addition to the specific research questions, the study also attempts to provide tools on how to study the complex phenomenon in its empirical setting.

The timeframe of this research stretches from 1997 to 2006. The reasoning behind the selection of this time frame was that by 1997 many contextual issues that influence SME internationalisation, particularly in Finland, had either started to take effect, or had ceased to affect SMEs. The economic depression that had burdened the Finnish economy in the late 1980s and early 1990s, and driven many SMEs to bankruptcy and dimmed the future prospects of many others, had started to lose its sharpest edge. On the other hand, at the same time, the development of information technology (IT) and the global information and transportation networks had started to fall within the reach of the smaller players in the field, and the European Union, of which Finland had become a member in 1995, had opened up competition and eased access to larger, international markets (see e.g. Gankema et al., 1997). From this perspective, it seems reasonable to study SME international growth during this time period.

Additionally, from a more practical perspective, this timeframe was selected due to information availability. Because companies are obliged to provide the government with economic information about their performance on a yearly basis it was possible to obtain such data from the case companies. From the viewpoint of the interview data, an interviewee's memory bias is always a threat in retrospective studies. However, discussing international growth on the company level over a recent ten-year period with the aid of supporting numerical data can be considered to be a relatively trustworthy process.

The thesis is presented in the form of a monograph (for the research process, see also chapter 3). This is articulated by the drafting of a tentative

The research questions resemble the ones identified in the international business field by Griffith et al. (2008, 1226): "How can we best describe firms' international evolution?" and "What contextual factors moderate the internationalization process?"

theoretical framework and methodological research design, and secondly, by collecting empirical research dataset from several sources and over a longer time period. Simultaneously the usability of the developed methodological approach is empirically assessed. Only after this is done is the data analysed and the empirical results gained, which then leads to definition and theory development. The research process, by and large, therefore represents an inductive-deductive iterative approach. However, the iterative nature of the research process is inescapable due to its exploratory, explanatory, and theory-development aims. This issue is addressed in the study by the *in vivo* approach (Andersen & Kragh, 2007; 2008). Figure 2 illustrates the structure of the research process in more detail.

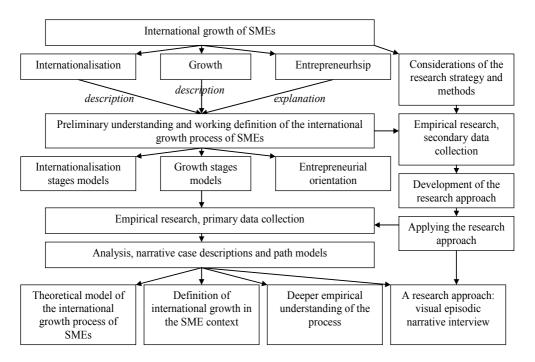


Figure 2 The structure of the research process

The study began with an introduction to the research undertaking. Chapter two clarifies the central definitions and concepts of the study and provides a working definition, as well as builds a tentative theoretical framework. Chapter three discusses the philosophical underpinnings and the empirical research process in relation to the reliability of the research. The findings of the study are presented in detail in chapter four. Chapter five is devoted to the discussion and chapter six then moves onto conclusions and implications. Finally, chapter seven ends with a summary of the study.

1.5 Expected contribution of the study

In 2006 the researcher gained access to a readily available dataset; a survey conducted by the Small Business Institute of Turku School of Economics (now the TSE Entre) in 2003 (Heinonen, 2005)⁷. The survey questions concentrated mainly on company growth. The targeted participants of the survey were Finnish SMEs operating in different business branches. The targeted firms needed to comply with the European Commission recommendation for SMEs that they were to employ a maximum of 250 employees (Commission recommendation, 2003). A replication of the 2003 survey was made in spring 2007 and the researcher participated in planning and conducting the survey during this round. A retrospective pre-study was begun in autumn 2006, in which secondary background information about the 2003 survey participants was collected. The case selection was made based on the results of the follow-up survey in spring 2007 and the collected secondary data. As the aim was to describe and depict the international growth paths of SMEs, the eligible companies needed to demonstrate some realised international growth during the surveyed period and be willing to participate in the narrative interviews⁸.

The number of cases as well as the focus sets limits on the profundity of the case descriptions. In the study, there are five cases, and the case descriptions mainly concentrate on describing and explaining the international growth process and the activities taking place during the process. In spring 2008 the five case SMEs were researched qualitatively using the approach developed. The interviewees were the entrepreneurs, owners and/or managers of the companies, who had in depth experience and/or knowledge about the international operations of the SME, and preferably those who had also answered the two surveys. From the collected secondary data, including e.g. the financial statements of the firms for the years 1997 to 2006, the case descriptions were drawn and international growth paths were modelled for each SME. In the modelling the research and examples by e.g. Mintzberg and Waters (1982) and Jones (1999) were used. The suitability of the theoretical framework and the research design were, in turn, evaluated by comparing them with the empirical findings. In the international growth path modelling the researcher attempted to use the life-cycle model as an exemplary, instrumental outline. Figure 3 provides a preliminary illustration of international growth process paths. The grey area in the figure illustrates the

⁷ The survey forms are not attached to this study, but the 2003 survey is presented in the appendices in the book edited by Heinonen (2005).

The survey, the case selection, the developed approach, and the international growth path modelling and narrative case descriptions are described in more detail in later sections.

outline the life-cycle model provides, whereas the different curves within the grey area represent the exemplary international growth paths of the case firms. To explain the shapes of the curves, the case descriptions that concentrate on the development and the activities that take place in the companies during the international growth processes are modelled.

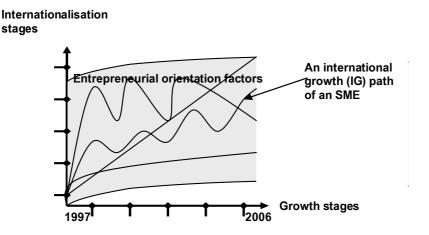


Figure 3 Examples of international growth processes in SMEs

This study attempts to address the following issues in order to be able to provide a theoretical contribution. First of all, it aims to discover, whether there are some distinct features in growth and internationalisation research that could have an effect on the usability of different research methods and approaches. Secondly, clarification is needed as to whether international growth is the sum of internationalisation and growth theories, synonymous to the internationalisation process as such, or something completely independent and separate from the existing models and theories. And thirdly, it aims to answer the questions of what international growth is and which issues contribute to or hinder it, and discover the role entrepreneurship plays within it. Finding a solution to all these issues aims to fill the defined research gap.

Regarding the theoretical contribution of this thesis, an attempt is made to provide the research community and academia with a theoretical approach, a combination of internationalisation and growth models together with an entrepreneurial orientation, and a definition of international growth. From the methodological viewpoint, the contribution the thesis offers is an examination, evaluation, and discussion of the qualities of a research design including international growth path modelling and narrative case descriptions for studying a process.

Multiple research methods and techniques have been used to study and analyse internationalisation and growth, each of them concentrating and focusing on different aspects or issues that influence the internationalisation and growth of companies (cf. Marschan-Piekkari & Welch, 2004; Ruzzier et 2006, 476). Studying international growth makes contradictory requirements of the research methods: firstly, the research method(s) used should take into consideration the complex nature and needs of the process phenomenon itself (e.g. Huber & Van de Ven, 1995), but, on the other hand, comparability between different studies should be maintained (e.g. Buckley & Chapman, 1996). Among others, studies focusing on SMEs are very time and context bound, which leads to a pool of very heterogeneous research. As a result, a comparison of the results has been difficult (Komppula et al., 2004; Leonidou & Katsikeas, 1996). This twofold challenge needs to be tackled in order to ascertain that a simultaneously profound and deep understanding of the international growth process is obtained and that the conducted studies do actually accumulate knowledge and develop theory. In order to enhance the reliability of the research and the research results, the used method selection and the chosen research approaches should be thoroughly evaluated and reported. Admittedly, developing new methodological approaches for the purposes of different research topics creates more confusion and incoherence in the field, even if it does bring about the discovery of more profound knowledge. However, by combining existing methods in a reasonable manner and reporting and providing argumentation for the choices made, the development of new approaches can be labelled as overarching research that builds on and connects earlier research (e.g. Brewer & Hunter, 2006; Buchanan & Bryman, 2007). The approach developed for this study is the visual episodic narrative interview.

The narrative case descriptions and the path models can also serve as a practical contribution for people working in management. They provide examples of the realities connected to SME international growth. Thus, together with the theoretical and methodological contribution, a more reliable and valuable research of the topic can be carried out and a more realistic picture of the current state of Finnish SMEs striving for international growth can be obtained. This, in turn, may affect the way future policies concerning SMEs and entrepreneurs are created in Finland, and how entrepreneurs and managers with similar internationalisation and growth goals and orientations comprehend their situation in the market and their position in an economy. The theoretical contributions mainly serve to aid researchers and academia, and perhaps provide more generally usable conclusions, whereas the practical contributions may be more limited to the Finnish context, as they stem from the case selection.

2 DEFINITIONS AND THEORETICAL FRAMEWORK

2.1 The starting point

In this chapter, the theoretical concepts are defined and argumentation for their use is supported by addressing the criticism the concepts have received, and by presenting supporting evidence for their fit into the research topic. Then, brief descriptions of the chosen concepts and how they are understood in this study are provided, and a working definition, which combines the different concepts, is developed. Finally, a tentative theoretical framework is formulated and the operationalisation of the framework is initiated.

The key concepts of this study are internationalisation, growth, entrepreneurship, and more precisely entrepreneurial behaviour and entrepreneurial orientation (EO). These concepts are used to formulate a theoretical frame of reference for this study and possibly provide a theoretical but more general approach for examining the international growth process of entrepreneurial SMEs. When constructing an explanatory and descriptive model of a phenomenon, definitions need to be stated in order for the model to be applicable and applied correctly (e.g. Jones & Coviello, 2005). Due to the fact that there is no clear or unquestioned definition for international growth, it is approached here with the more established concepts of internationalisation, growth, and change.

Before moving into further detail on those concepts and theories, a few words of why these concepts and theories were chosen is required. The discussion begins with internationalisation. Over the four last decades internationalisation has gained excessive attention in the international business field. Several descriptions, explanations, and perspectives on the phenomenon have been provided. In this research the internationalisation stages model is applied for several reasons. It enables a broader, longitudinal, and evolutionary observation and description of the phenomenon. However, it has been widely criticised over the years, which has both introduced some new developments into it and it has provided researchers with knowledge of its possible pitfalls and drawbacks. It is suitable in the context of SMEs and it can be seen as a process, as a dynamic phenomenon. Furthermore, it possesses some readily established connection with the other concepts of this study, namely growth and entrepreneurship. It has recently been applied by many

researchers, which shows its applicability. Lastly, it is the only approach that looks at internationalisation from a longer-term perspective, while trying to analyse the contents of the phenomenon.

The growth stages model, in turn, was chosen for this study from among many other options for conceptualising company growth. This was because other approaches to studying growth often concentrate on the outcome of growth and not so much on the actual growing of a company. The growth stages model provides a means to outline the evolution that takes place in a company during growth; it also enables the structuring of a dynamic organisational process; it has connections to internationalisation and entrepreneurship; it has already been criticised and tested in the research field and the problems in the model are acknowledged; many versions of the model exist, which enables their combination and thus also the formulation of a broader model; and it is the only approach to growth that attempts to illustrate and comprehend the change that takes place in a company over a longer time period.

The internationalisation and growth stages models are broadly based on the tradition of the behavioural theory of the firm (Cyert & March, 1963). A company is seen to be formed of a group of people who, by their actions, operate and organise the company. In this respect, entrepreneurship as a comprehensive approach to human behaviour in an organisational context was perceived as usable. Entrepreneurship has been studied since the early 1900s and several explanations and viewpoints as to what entrepreneurship is have emerged. In all the approaches, entrepreneurial behaviour, one way or another, plays a key role. Among the many options e.g. intrapreneuring (e.g. Pinchot, 1985; Antoncic & Hisrich, 2001; Honig, 2001), corporate entrepreneurship (CE) (e.g. Holt, Rutherford & Clohessy, 2007), and entrepreneurial orientation (e.g. Lumpkin & Dess, 1996) were considered as relevant concepts for this research. Intrapreneuring as well as corporate entrepreneurship both have their basic premises in multinational enterprises. Intrapreneuring discusses the development of spin-offs by entrepreneurs working for MNEs, whereas corporate entrepreneurship is the entrepreneurial culture within a large company (see e.g. Pinchot, 1985; Antoncic & Hisrich, 2001; Honig, 2001; Kuratko et al., 2001; Zahra, 2005; Holt et al., 2007). In this respect intrapreneuring was not seen as a workable construct, but corporate entrepreneurship seemed a better alternative. However, a deeper analysis revealed that the concept of entrepreneurial orientation is more suitable to the SME context and deals with the entrepreneurial behaviour of a company in relatively broad terms. As this study concentrates on the development of a company, it was considered reasonable that entrepreneurial behaviour is also studied on the company level, and entrepreneurial orientation can be elevated from the personal characteristics and behaviour of an entrepreneur to a company-level culture and way of behaving. The broadness of the entrepreneurial orientation construct was considered to be a benefit for the research because the topic of international growth has not yet obtained a final form, conceptualization, or explanation among scholars, and, as such, it is difficult to limit what issues can have an effect on or explain the phenomenon, even in the context of entrepreneurship and entrepreneurial behaviour.

All the key concepts have been discussed broadly over several decades. Despite of this, the discussion has often remained of a superficial level, mainly acknowledging the existence of a phenomenon, but not providing much information about its true nature, particularities, or content. In addition to this, many studies do come up with new definitions and concepts, but the minority of these actually develop the field or provide further understanding about the basic tenets of the field or the studied research stream. The lack of a commonly agreed definition has been postulated by many researchers. In international expansion this has been postulated e.g. by Crick (2009) and in entrepreneurship e.g. by Oviatt and McDougall (2005).

The existing definitions of internationalisation and growth also add the challenge of conceptualising and understanding international growth as a self-standing phenomenon. Distinguishing international business operations from other business operations has often been accomplished by merely adding the international aspect as an additional layer of complexity on top of organisational and business activities (see e.g. Johnson & Turner, 2003). In other words, international growth is understood as growth in the international context. Another perspective is to merely look at internationalisation as international expansion, where growth is inbuilt within the process. However, in these perspectives the changes and actions taking place within the company are left to less attention. Particularly in the case of internationalisation, the focus is on the early phases of internationalisation and the subsequent international growth development of more established companies is not in the limelight.

Two other issues related to existing definitions that complicate the conceptualization of international growth are the breadth of the earlier definitions and the debate still surrounding them. According to Holt et al. (2007), both internationalisation and growth are broad topics and they can be defined in many different ways. In this sense trying to find a cohesive way to understanding international growth is a challenging task. In addition to trying to define international growth, one is also challenged to do it in a concise and clear, but yet in an informational way, going deeper than a mere general description or a broad overview.

2.2 The internationalisation process

In the international business literature internationalisation is commonly understood as a process, and more precisely defined as 'the process of increasing involvement in international operations' (Welch & Luostarinen, 1988, 36). The basis for the concept of internationalisation is derived basically from the Uppsala school stages model⁹, also known as the U-model, the innovation-related internationalisation model, also known as the I-model, and the internationalisation process (IP) model created e.g. by Luostarinen (1979). Combining these different schools of thought is expected to shed more light on the topic and obtain a broader variety of possible descriptive and explanatory factors for the internationalisation process (Gankema et al., 2000, 26).

The criticism of the internationalisation stages model has been abundant and has approached the issue from several aspects and been extended over several decades. 10 Two essential sources of criticism are, firstly, what stages or conditions precede the first stage depicted in the process model and, related to this, what stages follow the last stage, and secondly, what motivates or causes a firm to move from one stage to another. Andersen (1993), as well as Fletcher (2001, 25) state that the early internationalisation models, many of which were written at the beginning of the 1970s and up to the 1980s¹¹, concentrated solely on explaining the sequential process of internationalisation, mainly exporting, without any further consideration of the initial conditions and triggers of the process or the factors affecting the sequence. In brief, it was presumed that the process began at some particular stage, and movement from stage to stage followed a certain sequence (e.g. Bilkey & Tesar, 1977; Luostarinen, 1979; Cavusgil, 1980; Johanson & Vahlne, 1977; 1990; Andersson, 2000). However, the reasons why such a process starts in the first place and continues from stage to stage were not thoroughly discussed, and the models were often written and read so that the previous stages or sequences of stages would explain the succeeding stages.

Another issue is the rationality behind moving from stage to stage. From an economics perspective a company has to analyse the markets and find the best solution, e.g. the most suitable export mode, during its internationalisation

⁹ The Uppsala School refers to the authors Jan Johanson, Finn Wiedersheim-Paul, Jan-Erik Vahlne and Lawrence Welch, who have contributed considerably to the development of internationalisation research with their studies, which began in the 1970s (Andersen 1993).

Criticism of the stages models has been presented by Hedlund and Kverneland (1983), Turnbull (1985), Andersen (1993), Leonidou and Katsikeas (1996, concentrating on export development), Oviatt and McDougall (1997), Chetty and Campbell-Hunt (2004), and Hashai and Almor (2004, in the context of born-globals).

The innovation-related internationalisation models have been developed by Bilkey and Tesar (1977), Cavusgil (1980), Czinkota (1982), and Reid (1981).

process (see e.g. Andersson, 2000, 82). Cyert and March (1963) introduced the behavioural man as the decision maker, who decides, more or less rationally, how a company will proceed in its internationalisation (Andersson, 2000, 64, 76). And yet, previous research indicates that decision-making in the internationalisation process is seldom purely rational in the aforementioned perspective, since managers attempt to make the most optimal and rational decisions with limited time and imperfect information (Andersson, 2000). Additionally, it has been stated e.g. by Melin (1992) and Meyer and Gelbuda (2006) that one reason why the later parts of the internationalisation process of a firm have been left in the shadows is that most of the research conducted so far has concentrated on the early stages¹².

It should be kept in mind that, as well as being unique for every company, internationalisation may also be nonlinear (Vissak, 2009). This contradicts the existing theoretical models which usually present a linear model, where the process follows the prescribed stages in a certain linear sequence. In sum, the stages model in its traditional form may not accurately describe SME internationalisation.

Despite all the criticism, the stages models have also received support. Welch and Luostarinen (1988) found that although companies do not follow the stages configuration precisely; the stages theory is still consistent. This view is backed up also by Gankema et al. (1997, 192-193) and Gankema et al. (2000), who state that when the stages theory is not applied in a too restricted form, the theory holds for SMEs. Their results indicate that an internationalisation process is unique for each SME and no existing theory or model fully fits or describes each process. Yet, on a very general level, the stages configuration still applies. This, in turn, indicates that the stages theories and models could be adopted instrumentally and used to frame the process.

The discussion above demonstrates that defining internationalisation is not a straight-forward process due to the complexity of the phenomenon and the fact that there are several different definitions available for it (e.g. Fletcher, 2001, 27-28). However, it seems that most researchers consider internationalisation as a *change process*, by which firms expand their activities internationally, over the national borders of their country of origin (Jones, 1999; McDougall & Oviatt, 2000; Rosenzweig & Shaner, 2001; Ruzzier et al., 2006). From the viewpoint of this study, this is not enough. In the following chapter, the change processes of growth and international growth in a

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¹² Similar criticism has also been made in relation to the pre-internationalisation stages (see e.g. Korhonen, Luostarinen and Welch, 1996 regarding inward and outward internationalisation).

company context are discussed. The way internationalisation is understood and treated in this study is presented in further detail in sub-chapter 2.6.

2.3 Growth vs. international growth

In its simplest form, growth is defined as a relative measure of size and a dynamic measure of change over time (Weinzimmer, Nystrom & Freeman, 1998). According to Penrose (1959, 1995) growth is essentially an evolutionary process that is based on the cumulative growth of collective knowledge about the external business environment and on internal capital and human resources, for which production diversification, the roles of administration, as well as mergers and acquisitions are all relevant. Similarly, Bifulco (1997, 150) has shown that company growth is the growth of internal organisational structures and their subsequent adaptation. In other words, growth can be seen either as an outcome of events or as a starting point for organisational changes (Davidsson & Wiklund, 2000). On the other hand, when understanding growth as an organisational change, it can be approached from two directions, from its antecedents and consequences, or from how it has developed over time (Van de Ven & Huber, 1990). This study focuses on the latter, i.e. growth that takes place in firms over time as a process. In this study growth refers to the process whereby the SME grows through developing and expanding its own internal operations and through entrepreneurial decision-making, and not e.g. through strategic alliances or joint ventures, where the resources used to grow internationally are not owned or controlled by the SME. This perspective enables the observation of the phenomenon from the viewpoint of an SME's resource and skill base and the process of internationalisation (Irvin, Pedro & Gennaro, 2003; Hess, 2007; Pasanen, 2007) because mechanistic growth through acquisition is viewed as a result of a company's entrepreneurial behaviour.

Growth is approached in this study mainly through the theory developed by Penrose (1959; 1995) and the stages of growth models (Galbraith, 1982; Scott & Bruce, 1987; Churchill & Lewis, 1983). Several authors have also discussed how a company proceeds from one development stage to another. According to Greiner (1972) and Kazanjian and Drazin (1989), firms develop from one growth stage to another through the solving of crises characteristic of each growth stage. Penrose (1959), states that a firm's growth development is incremental, since firms face opportunities that drive their growth development randomly, depending on the internal resource bundles and the circumstances in the external environment. Evans (1987), as well as Geroski and Gugler (2004) and Reichstein and Dahl (2004), has found in his research

dealing with younger and smaller firms that company growth decreases with company age and size. This latter phenomenon has been labelled Gibrat's law. However, in the context of this study, it is not expected that these kinds of conclusions could be drawn, since the research does not cover the entire lifecycles of the companies and since the age of the companies has not been considered to be a key feature of the firms.

The theoretical definition of growth should be separated from the operationalisation of the concept. Developing a tool capable of measuring growth in an empirical setting is a very complex issue, as many researchers have noticed (Delmar, 1997; Weinzimmer et al., 1998; Davidsson & Wiklund, 2000). Previous studies, in which measures for growth have been developed, can be divided into two main streams. The first are the studies that try to develop a statistical measurement technique that would work as a generalisable and reliable tool for quantitative growth studies. (E.g. Delmar, 1997; Weinzimmer et al., 1998.) In these studies the researchers have tried to find the variables and factors that would be the most suitable and valid, as well as independent and unbiased, in order to give a truthful picture of how growth can be measured, in brief; what to measure in order to understand and quantify growth. The other stream of growth research is represented by more qualitatively-oriented studies that try to describe how growth occurred in a company, why a process occurred in the manner it did, and could the issues fuel and/or inhibit the growth of that particular company and the results be generalized to other firms as well (e.g. Wiklund, Davidsson & Delmar, 2003). Examples of this type of research are e.g. those that connect entrepreneurship and company growth (Wiklund, 1998; Davidsson et al., 2002; Wiklund & Shepherd, 2005). In this study the focus is more on the qualitative side as it tries to capture the "big picture" of what growth within an SME really is as a whole. Consequently, particularly in the analysis, three typical measures of company growth are applied; revenue; the number of employees and the share of international activities to total revenue (cf. e.g. Delmar, 1997, 201; Davidsson & Wiklund, 2000, 37-38)¹³.

The relationship between internationalisation and growth is also twofold: growth can be seen either as a precondition to or an outcome of internationalisation. Here international growth is seen as process which combines elements from internationalisation and growth such as learning, maturity, and knowledge gaining (e.g. Turunen, 1988; McMahon, 1998; Forsgren, 2002; Kuemmerle, 2005; Johanson & Vahlne, 2006). In an attempt

Market share is the fourth typical growth measure. In this study it is not applied, since it is less objective than the three others, which can be obtained relatively accurately from the annual reports and financial statements of the companies.

to illustrate the process it is seen as a continuum structure, which resembles the form of a life-cycle curve. As the firm proceeds along the curve on its international growth path benefits, such as knowledge, learning, experience are accumulated. The reasoning behind the curve-thinking is firstly that irrespective of the possible declines in international growth development during a firm's life-span a firm cannot lose the intangible assets it has gained. Secondly, using the life-cycle model enables the acknowledgement of the central role of time in the process. Thirdly, seeing the phenomenon as a process and illustrating it as a curve makes the suggested theoretical approach dynamic and mirrors reality better than static models. These perceptions make the life-cycle model a suitable tool. Thus, when it comes to the stages configuration, the stages can be placed on the life-cycle curve, and, considering the criticism made of the incremental models, it is not expected that the results from the empirical data would directly comply with the stages sequence (cf. Luostarinen & Welch, 1990, 187; Jones & Coviello, 2005, 290). In this sense the theoretical approach of this study conjoins both a lifecycle and a teleological process view (see e.g. Oviatt & McDougall, 1997; Forsgren, 2002, 267). The theoretical approach¹⁴ is, more or less, the creation of a context for the development of the business idea of a company over a passage of time (Galbraith, 1982, 72) that contains entrepreneurial activities, develops unique resources, executes strategies, learns, experiences, takes risks, discovers opportunities, innovates, grows, and internationalises (e.g. Hamel & Prahalad, 1993, 77; Tiessen & Merrilees, 1999, 145-146). The nearest studies to the study of international growth in the SME context have so far been the studies by Gankema et al., (1997) and Gankema et al., (2000).

In the above discussion, the international growth process within SMEs has been considered to entail many characteristics connected first and foremost with entrepreneurship. Among these are e.g. knowledge gaining, innovating, risk-taking, learning, discovering opportunities, experiencing, as well as executing entrepreneurial strategies and activities. This indicates that entrepreneurship can be seen as one type of acumen behind international growth in SMEs. According to Covin and Slevin (1997) and Slevin and Covin (1997), realised growth is a function of an entrepreneur's growth aspirations, entrepreneurial capacity, organisational resources, and market constraints. Following on from this the next sub-chapter is dedicated to describing entrepreneurial behaviour, and more particularly, entrepreneurial orientation as an explanatory factor behind a materialised international growth process.

14 For a more detailed description of the theoretical framework and the working definitions see sub-chapter 2.6.

2.4 Entrepreneurial behaviour

Entrepreneurship is still a relatively young field of research compared e.g. to international business. Nevertheless, the amount of research in the field is already extensive. As with internationalisation and growth, also entrepreneurship has many interpretations. It can be observed on the micro level as human or organisational behaviour, and on the macro level as a factor influencing the economy and its development (e.g. Schumpeter, 1934; Kirzner, 1973). The different issues positioned under the entrepreneurship umbrella are numerous, and many issues and actions can be considered as entrepreneurial behaviour. As such, limiting entrepreneurial behaviour in a study to a set of characteristics or actions is a challenging task, since the phenomenon in practice can have many manifestations, as the following quote illustrates:

"The entrepreneur was first discussed by early economists as that individual who founded enterprises. His roles were essentially those of innovation, of dealing with uncertainty, and of brokerage." (Mintzberg, 1973, 44.)

From the perspective of e.g. Gartner (1989), entrepreneurial behaviour is related to the establishment of companies. After their establishment, entrepreneurship as a behaviour ceases to exist. Similarly Bygrave (2004) discusses entrepreneurship in connection with the establishment and creation of companies, but he introduces another concept for this; the entrepreneurial process, which connects personal, sociological, and environmental factors to the birth of new companies.

"The entrepreneurial process involves all the functions, activities, and actions associated with perceiving opportunities and creating organizations to pursue them." (Bygrave, 2004, 2.)

Schumpeter (1934) presented another perspective, in which entrepreneurial behaviour is demonstrated in the creation of new combinations, such as new products or new ways of conducting business operations. These are more connected to the running of a business and innovating and are not limited to the mere establishment of a company. Schumpeter's views are used in this research as entrepreneurial behaviour is seen here to be vested in people; in entrepreneurs, owners, managers, and employees and their daily work in SMEs. Similarly Christensen, Madsen and Peterson (1994) observe entrepreneurship through the identification of opportunities, and also state that they play a central role in both the creation of a firm and during the operations of an established firm.

The viewpoint taken here is that entrepreneurship is a company-level activity that manifests itself in innovative, risk-taking, profit seeking, and alert

behaviour whereby a firm proactively learns and experiences the business environment, accumulates and processes new information, develops resources and capabilities, seeks opportunities and niches and aims at international growth. Naturally entrepreneurial behaviour originates in people and in traditional entrepreneurship literature is identified as also coming from the founder-entrepreneur of a company (e.g. Schumpeter, 1934, 78). Even though corporate entrepreneurship (see e.g. Zahra, 2005) can be seen as a concept to be mainly applied in the entrepreneurial activities of large (e.g. MNCs/MNEs) and mature companies, it is expected to be applicable also in the context of SMEs as a company level entrepreneurial culture and behaviour.

A whole body of research has been dedicated to the study of entrepreneurial personality traits and the particular characteristics that separate entrepreneurs and entrepreneurially behaving people from other business actors, such as relatively static small business managers (Ripsas, 1998). In SMEs, many issues are connected to the persona of the owner and/or founder. This is due to the fact that SMEs are often less-hierarchical organisations, and an entrepreneur can choose not to delegate power (see e.g. Steinmetz, 1969; Hanks, Watson, Jansen & Chandler, 1994) and structure and organise their company based on their personal preferences and visions. The individual's or the entrepreneur-manager team's ambitions, beliefs, attitudes, capabilities, and agenda have a major influence on which direction a small company will develop in (e.g. Miles & Snow, 1978; Vesper, 1980; Stuart & Abetti, 1990; Dyke, Fischer & Reuber, 1992; Cliff, 1998; Glancey, 1998; McGaughey, Welch & Welch, 1997; Valliere, 2006). Therefore, management skills, learning, experience, and the abilities of an entrepreneur to gather relevant information are considered to be among the key predictors of company performance and success, such as internationalisation and growth (e.g. Reid, 1981; Oviatt & McDougall, 1994; Reuber & Fischer, 1997; Holmlund & Kock, 1998; Collinson & Houlden, 2005; Packham, Brooksbank, Miller & Thomas, 2005; Komulainen et al., 2006; Loane, Bell & Naughton, 2007). 15

In this study entrepreneurship on the firm level, i.e. corporate entrepreneurship, or company level entrepreneurship, is used to explain the movement between stages (see e.g. Holt et al., 1994; Tiessen & Merrilees, 1999, 141-142; Jones & Coviello, 2005, 286; Zahra, 2005). Support for this line of thinking comes from the fact that entrepreneurship, in itself, affects the

This viewpoint is supported by Sadler-Smith, Hampson, Chaston and Badger (2003), who found a statistical link between entrepreneurial style (Covin & Slevin, 1989) and high growth, and by Zahra and Garvis (2000), who found that entrepreneurial activities and orientation are important prerequisites for successful foreign market expansion. Recently research has also indicated a relationship between strategic orientations and a company's international performance, such as international growth (Jantunen, Nummela, Saarenketo & Puumalainen, 2008).

development path an SME takes, thereby making them unique (Luostarinen & Welch, 1990, 254-256; Meyer & Gelbuda, 2006). Jones and Coviello (2005, 293-294) refer to these unique paths as a firm's internationalisation behaviour profiles. Entrepreneurship is considered as a strategic, firm-wide issue rather than solely a personal characteristic of the owner-manager of the company, even though personal characteristics do play a central role in strategic decision making (e.g. Luostarinen & Welch, 1990, 263; Chetty & Campbell-Hunt, 2004, 61-63; Park & Bae, 2004, 100-101). Thus, it can be considered that, in a sense, the firm is made up of entrepreneurs striving for international growth through entrepreneurial orientation and behaviour (e.g. Penrose, 1959; 1995, 33-35; Vesper, 1980; Churchill & Lewis, 1983; Carland, Hoy, Boulton & Carland, 1984; Tiessen & Merrilees, 1999; Casson, 2000; Meyer & Gelbuda, 2006), which is possible particularly in the SME context due to low hierarchies (Casson, 2000), and which manifests itself as an alertness to the discovering of new opportunities.

According to Kirzner (1997, 70, 72) and Amit, Glosten and Muller (1993, 817), opportunities are the results of earlier entrepreneurial errors, such as the misallocation of resources, whereas alertness is a receptive attitude towards those available, but as yet overlooked, opportunities. Alertness to an opportunity is seen as a natural part of the ongoing business activities of a firm (Johanson & Vahlne, 2006, 9). Kuemmerle (2005, 42-44) and Jones and Coviello (2005, 298), on the other hand, state that as a firm internationalises and grows, the opportunities sought tend to change. Innovations, on the other hand, can be seen as a form of opportunity that creates a somewhat reliable basis for longer-term firm growth (Jones, 1999, 19; Cantwell, 2000/2001, 13) and, according to Schumpeter (1934), these discontinuous new combinations are the main drivers of economic development. Additionally, according to Penrose (1959; 1995, 34), the decision to search for opportunities has to precede the 'economic' decision to venture and exploit the opportunity.

The focus here is on the firm-level, since entrepreneurial learning, alertness, opportunity seeking behaviour, precipitation, and innovativeness within a firm are seen to be more suitable in explaining why a certain movement and strategy is taken, as an explanation does not have to come from the stages, the pattern, or from any of the presumably available ways of behaving in the process. By limiting the explanatory factors to entrepreneurship and the entrepreneurial behaviour of the company, the advice given by Oviatt and McDougall (1997) is being followed. Thus far entrepreneurship, learning, and opportunity discovery have not been taken into account or used in the internationalisation or growth process models to explain the functioning logic of the models (e.g. Scott & Bruce, 1987, 48; Leonidou & Katsikeas, 1996, 537, 539-540; Forsgren, 2002, 260; Park & Bae, 2002, 99 discuss the lack of

research on growth within entrepreneurship; Johanson & Vahlne, 2006, 3, 11), although the entrepreneurial manner of synthesising information is seen as furthering internationalisation and growth (Casson, 2000).

Using entrepreneurship as an explanatory theory does not come without criticism. Entrepreneurial behaviour on a company level explains the international growth development of a company from the internal viewpoint. Since a company operates in a nexus of internal and external influencers (cf. SWOT analysis), the external explanatory factors need to be included in the discussion. Among these are the external triggers and stimulators, such as customers and suppliers, reactive opportunities and niches, and institutional influences, which set a company on the path to international growth. In addition to explaining the international growth development of a firm, entrepreneurship can also explain stagnation and decline in a development process. This can be due e.g. to entrepreneurial errors (e.g. Schumpeter, 1934), the entrepreneurs' limitations and inability to use their knowledge for the benefit of the company, or deficiencies in the entrepreneurs' required knowledge base. An additional challenge to using entrepreneurial behaviour as an explanatory factor is the fact that companies are very different in this respect. According to Bifulco (1997, 151, includes author's emphasis)

"The most significant problems, which are common to these lines of research, lie in the perspective to adopt for the interpretation of entrepreneurial behaviour in the strategic processes of development of small firms, which constitute an entity that is conceptually distinguishable from large firms and present peculiarities due to which each individual firm is distinguishable from every other."

Although Bifulco (1997) presents this as a criticism of entrepreneurial behaviour research, the indication can be observed that each small firm is unique in the way it develops. As such, this supports the idea that the international growth processes of SMEs follow unique paths.

In the literature dealing with entrepreneurial behaviour, certain characteristics emerge. Among the most typical and most often mentioned are risk taking, opportunity seeking, alertness, innovativeness, creativity, initiative, and competitiveness, which together form the orientation of a company (e.g. Wiklund, 1998; Knight, 2001; Lee, Lee & Pennings, 2001; Valliere, 2006). To be able to grasp entrepreneurial behaviour in a consistent manner, a concept of entrepreneurial orientation is introduced and applied in this study. This choice of entrepreneurial orientation was made after an evaluation of the possible existing approaches, such as corporate entrepreneurship and intrapreneuring, on entrepreneurship and entrepreneurial behaviour as a company level phenomenon. In the following, existing studies

that deal with entrepreneurial orientation are discussed and the understanding of entrepreneurial orientation as it is used in this study is outlined.

2.5 Entrepreneurial orientation

Existing literature dealing with SME behaviour has studied many different kinds of orientations and intentions when trying to explain the decisions and moves the enterprises make. Studies have focused on market orientation (e.g. Kohli & Jaworski, 1990; Alpkan, Lütfihak, Yilmaz & Kaya, 2007; Armario, Ruiz & Armario, 2008), on foreign market orientation (e.g. Dichtl et al., 1984), on small business orientation (Runyan, Droge & Swinney, 2008) on entrepreneurial orientation (e.g. Lumpkin & Dess, 1996; Wiklund, 1998; Lee & Peterson, 2000; Moreno & Casillas, 2008; Runyan et al., 2008), on entrepreneurial intentions (e.g. Orser, Hogarth-Scott & Wright, 1998; Hmieleski & Corbett, 2006), on international growth orientation (IGO) (Nummela, Saarenketo & Puumalainen, 2004; Nummela, Puumalainen & Saarenketo, 2005), on international orientation (Dichtl et al., 1984), on growth orientation (GO) (Stevenson & Jarillo, 1990; Packham et al., 2005) on growth intentions (e.g. Kolvereid & Bullvåg, 1996; Orser et al., 1998), on strategic orientation (e.g. Miles & Snow, 1978; Stevenson & Jarillo, 1990), on innovative strategic orientation (e.g. Wiklund, 1998), and on the global mindset (Nummela et al., 2004).

Based on the above listing of orientations and intentions, a connection between entrepreneurship, internationalisation and growth can be detected on this level. The people in a company might have some orientation, and it may be entrepreneurial, with which to aim for international growth. However, it is difficult to say, whether there is a connection between the concepts, and thus universal causalities are not attempted to be found. Instead local causalities may be tracked and the relationships between different theories and concepts need to be addressed to understand international growth. Similarly, there are no studies that show that orientations unchangeably lead to materialised internationalisation or growth. Instead, there is a body of research that has found that positive orientations quite often lead to positive, materialised outcomes (see e.g. Lumpkin & Dess, 1996; 2001; Nummela et al., 2004; 2005; Wiklund & Shepherd, 2005; Jantunen et al., 2008; Moreno & Casillas, 2008; Wiklund et al., 2009).

Many researchers have been studying entrepreneurial orientation since the beginning of 1980s. Several features have been found to play a role in entrepreneurial orientation and characterise entrepreneurial behaviour in a company. These have been e.g. innovativeness, proactiveness, risk taking,

competitive aggressiveness, initiative, alertness, autonomy, adaptability, creativity, intuitiveness, self-motivation, need to achieve, and opportunity seeking (e.g. Vesper, 1980; Miller, 1983; Covin & Slevin, 1991; Lumpkin & Dess, 1996; Antoncic & Hisrich, 2001; Bamber et al., 2002). Creativity, motivation, challenging the existing ways of doing things, independence, alertness, and freedom are issues that foster entrepreneurial orientation, whereas, generally, bureaucracy, tight codes of conduct, hierarchical, unchangeable organisational structures and working methods, and strong and established control are seen as limiting entrepreneurship (see e.g. Subramanian & Nilakanta, 1996; Kuratko et al., 2001; Johnson, 2001; Calantone et al., 2002). According to Khandwalla (1977), Miller and Friesen (1982), and Covin and Slevin (1991), an entrepreneurial orientation requires an organic, informal, decentralised, and flexible organisational structure to be successful. As a result, entrepreneurial behaviour in general is seen to be a characteristic of SMEs rather than larger firms, such as MNCs and MNEs (e.g. Branzei & Vertinsky, 2006), despite this it is seen as vital to all companies irrespective of size or age (e.g. Antoncic & Hisrich, 2001). On the other hand, without any control and management entrepreneurship is rudderless and results, such as innovations and international growth, will be less likely to materialise (see e.g. Bamber et al., 2002).

From the wide array of entrepreneurial orientation features, five have established their position in the literature; proactiveness, risk taking, competitive aggressiveness, autonomy, and innovativeness (e.g. Miller, 1983; Covin & Slevin, 1991; Lumpkin & Dess 1996; Antoncic & Hisrich, 2001; Bamber et al., 2002). However, entrepreneurial orientation is more than a list of features. It is an operating culture, which enables the existence and viability of the five characters. Companies require the fostering of a positive, entrepreneurial atmosphere, which encourages employees to convert their ideas and inventions into viable innovations and profits, and also develop their skills through learning by doing. Companies successful in this effort are usually seen as being entrepreneurially oriented (Bamber et al., 2002). Companies that have an entrepreneurial culture are characterised by

"...creativity, commitment, dedication, and a desire to innovate..." (Kuratko et al., 2001).

Entrepreneurial orientation is often connected to the persona of the entrepreneur (e.g. Mintzberg, 1973; Miles & Snow, 1978; Vesper, 1980; Stuart & Abetti, 1990; Dyke, Fischer & Reuber, 1992; Cliff, 1998; Glancey, 1998; McGaughey, Welch & Welch, 1997; Valliere, 2006). In entrepreneurial companies and in SMEs in particular, where all the employees can be considered to be entrepreneurs participating in developing and driving a company forward, it is possible to extend an entrepreneurial orientation to an

organisation. It is generally considered that the attitudes and beliefs of entrepreneurs and managers towards an SME's development shape their orientations and intentions (e.g. Fishbein & Ajzen, 1975; Roux, 1987; Cliff, 1998; Valliere, 2006). On the other hand, the current state of a firm, its size, age, resource base, and conception of the fruitfulness of international growth, i.e. beliefs of success, all affect the nature of the intentions and orientations (e.g. Orser et al., 1998; Wiklund, 1998; Matlay & Mitra, 2004; Packham et al., 2005; Valliere, 2006).

In this study the focus is on the company level, on the organisational culture of a company and how it operates. Therefore, the focus on entrepreneurial orientation is also on company level activities, and particularly on the possible relationship between entrepreneurial orientation and international growth. In established, larger, and older SMEs, such as the ones studied in this research, it can be expected that entrepreneurial activity and international growth are not limited to be the sole responsibility of the founder, but rather can be seen to characterize the operating culture of a company. In this sense, entrepreneurial orientation is a usable concept in this study, as it can be extended from the characteristics of an entrepreneur to the characteristics of an entire organisation.

According to Kuratko et al. (2001), entrepreneurial actions are required to establish a vision, attain top managers' support for it, organise people and tasks accordingly, allocate adequate resources, reward people for their achievements, encourage risk-taking when needed, tolerate possible failure, and enable rapid, creative responses to market opportunities as they surface. This is in line with the thoughts of Penrose (1959) and Hadjikhani (1997), who argue that the competences to operate internationally are created through the entrepreneurial pursuit of opportunities that are facilitated by the resources of a company. Competences are also developed by accumulating knowledge from foreign organisations. Another way of understanding the relationship between international growth and entrepreneurship is the attempt to explain the international growth process with entrepreneurial orientation. This line of thinking can give an indication of the relationship between international growth and entrepreneurial orientation because for the entrepreneurial orientation to be the explanatory factor, it must "precede" international growth and give it content and set prerequisites for it. For example, Knight and Cavusgil (2004) discuss international entrepreneurial orientation, which comprises the elements of innovativeness, managerial vision, and competitive posture that all contribute to the international business operations of the firm. Thus, it can be said that entrepreneurial orientation is an approach for coping with the challenges and opportunities in a company's external business environment, as well as for striving for a company's aims, such as

international growth. In other words, international growth can thus be thought to materialise growth as a result of a firm's entrepreneurial orientation. However, no attempt has been made to present universal causal dependencies within the limits of this study, although local causalities are presented.

2.6 Key concepts and their definitions in this study

In this chapter the key concepts of the study are summarized according to the preceding discussion of the existing literature. Also, the way these concepts are understood and applied in this study is outlined. The developed working definition of international growth for the purposes of this study is provided at the end.

Internationalisation is seen as a process in which three different 'dimensions' of foreign expansion can be detected. The first is connected to the beginning of an internationalisation process, where a company extends its business activities abroad from its domestic base. The second deals with broadening the magnitude of these activities in the foreign markets where it already operates, and the third with extending its activities to new foreign market areas. In this research the foremost focus is on the subsequent phases of international operations after the first entry to foreign markets. However, these new entries are also included in the study in the form of extending a company's existing international presence to new foreign markets. Within the international growth process internationalisation is considered as a vehicle or medium for obtaining growth, i.e. when growth is sought internationalisation is harnessed for the reaching of that goal, irrespective of how that growth manifests itself in the company in the end. This does not, however, aim to give the indication that growth follows from internationalisation, since these effects cannot be clearly elaborated, at least not at this stage. 16 The internationalisation stages models were chosen for this study, as they are expected to provide a usable instrument in trying to comprehend and describe the international growth process from the perspective of internationalisation.

Growth is understood as an organic type of entrepreneurial activity, in which a company grows as a result of its successful daily business operations and strategising. These operations could include the ability to produce new products and services and to do so in larger quantities, to maintain profitable customers and to obtain new ones, to increase and fortify a company's

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Similar thoughts about the relationship between internationalization and growth have also been presented by Johanson and Wiedersheim-Paul (1975), Johanson and Vahlne (1977), Luostarinen (1979), Cavusgil and Nevin (1981), and Chetty and Campbell-Hunt (2003).

presence and position in markets, to make decisions to strategically acquire foreign companies - such as rivals, to grow internationally, and to restructure and reorganise a company according to the changes and change requirements set by the materialised international growth. Growth can be observed e.g. as an increased total annual revenue, as investments in a company, or as an increased magnitude of production output. From the premises of international growth is seen to have a reciprocal relationship with internationalisation in that it does not take place without the presence of internationalisation, i.e. when growth is pursued internationalisation is also pursued. The international growth attained requires a company, organisation, and structure to adapt to the new situation so that the company can continue growing internationally. This organic type of entrepreneurial growth can include both organic and mechanistic characteristics. However, behind both these types of growth there needs to be some form of entrepreneurial behaviour or strategising, and a reason to want the company to grow internationally with the help of the entrepreneurial inputs, such as skills, competences, or knowledge. For the sake of clarity and the ability to structure and outline the international growth process, the growth stages models are applied in this study. They are not employed in the belief that they would provide the one and only 'right' way of describing growth, but they provide a workable tool for approaching the topic.

Entrepreneurial orientation is seen, in this study, as being constructed of the following five factors: proactivity, innovativeness, risk taking, autonomy, and competitive aggressiveness. Proactiveness is seen as a behaviour that attempts to outperform rivals by taking action either earlier than their rivals or with an action that is not yet employed by the rivals. In this sense, proactiveness functions in a different manner to that of merely responding to or reacting to competitors' actions. Innovativeness is closely related in this study to the new combinations introduced by Schumpeter (1934). In this sense, anything that is innovative in the company and somehow connected to the international operations of the company can be seen as innovative. However, it is worth noticing that something that is innovative to the company may not be innovative to the rest of the market. To be able to grow internationally, this type of "company-restricted" innovativeness may not be enough for reaching these set goals. Risk taking is considered to be a company's increased risk tolerance and acceptance of risk with regard to attaining international growth. However, risk taking behaviour is connected to strategising, which considers risks as an incremental part of the company's operations, and not as adventurous behaviour without a strategic aim. Autonomy is understood in this study as the company's ability to operate in a constantly changing environment in a manner that strives to focus on its own

aims, such as international growth, irrespective of the external changes. Naturally market changes sometimes require a company to adapt to their external circumstances, but autonomy is also considered in relation to a company's ability to adapt its surroundings to its needs. Finally, competitive aggressiveness is considered, in this study, to be a company's intensified efforts in competing with its rivals to reach its goals. In this context, competitive aggressiveness is also seen as the company's will and effort to reach something more than mere survival in its business environment. In this study, entrepreneurial orientation is accompanied by company-level entrepreneurial behaviour that supports and complements the entrepreneurial orientation and helps to explain international growth. This approach is chosen, as the focus is on a company's entrepreneurial behaviour and culture, and the aforementioned five factors, together with company-level entrepreneurial behaviour, are relatively broad, all encompassing, and applicable on the organisational culture level. Therefore, they can be expected to cover an adequately broad spectrum of factors and features that could explain the SME international growth process.

To conclude the discussion about the conceptualisations of internationalisation and growth stages models and entrepreneurship and entrepreneurial orientation various theoretical and operationalised working definitions of international growth in the SME context have been formulated:

International growth is a change process in which companies expand the magnitude, scale, and/or breadth of their operations and develop their organisation while expanding their international operating scope.

This theoretical working definition aims to highlight the connectedness of internationalisation and growth within the international growth process, and to indicate the simultaneous expansion of the company on different fronts and from different perspectives. Both the scale and the scope, i.e. the amount of international operations and their extent, as well as the magnitude and breadth of this expansion are taken into consideration in order to be able to reach a more holistic understanding of the phenomenon (see e.g. Rugman, 2006; Crick, 2009).

To accompany this theoretical definition, an operationalised working definition of international growth is provided in the following (see e.g. Johanson & Vahlne, 1990):

International growth is the increase in the share of international operations to the total annual revenue of an SME in the percentages or the monetary terms measured.

This definition is based on a singular item index, i.e. only one measure is applied, which has been criticised by many, but which has been used in many studies trying to solve the nature of the internationalisation process. Despite

the criticism, a single item index was chosen, because, so far, not many studies have attempted to measure international growth. Thus, this study sets examples and provides guidelines as to how international growth could be measured, because it is not self-evident what international growth is and it is not clear what measures would form a reliable indicator for international growth (for a further discussion on the measurement of internationalisation, see e.g. Sullivan, 1994; 1996; Ramaswamy, Kroeck, & Renforth, 1996). Therefore, it is easy to settle with this rather simplistic index measure, since it neatly and adequately combines internationalisation and growth, albeit simplistically. However, this measurement of international growth is merely one step in the entire research project, where the findings and conclusions are first and foremost based on a qualitative investigation.

The process nature is present in this index in the way that a positive change in the percentage share or monetary value of international activities to the total annual revenue shows up as growth in international operations revenue (or revenue in general) and in the level of commitment towards international activities, or in export intensity. What aids this observation of the development of an individual company is the fact that when there is an increase in this single index it simultaneously indicates both an SME's economic growth and its increased internationalisation. By concentrating on the international activities of a company, the index does not take a stance on what form of international operations are used. Hence, the operations can also be something other than the most often used international operation mode, which is exporting. This is also supported in this study by focusing on growth that is obtained through entrepreneurial behaviour, i.e. on organic growth and growth through acquisition based on entrepreneurial behaviour and strategising.

There are, however, limitations in the operationalised definition that need addressing before proceeding in the study. Firstly, when a company invests in foreign operations, it may have an effect on the total annual revenue, which may then be shown in the share of international operations as a decrease, even if a company increases its international operations. Secondly, growth in the domestic market can increase the annual revenue, which can then show as a relative decrease in the share of foreign operations despite the fact that international growth may also have been positive for the same period. The limitations related to this measurement are acknowledged in the influence it may have had on the selection of cases and the results acknowledge this in the respective sections of this study.

In the following sub-chapters the tentative theoretical framework is formulated by firstly discussing the role of the organisational life-cycle in the international growth process and the process approach. After that the related stages models and theories describing international growth are reviewed, and the entrepreneurial orientation as an explanatory theory is discussed. Finally, the theoretical framework is operationalised for the purposes of this research, and the premises of combining different theories to obtain a more holistic perspective on international growth are elaborated upon.

2.7 Building the theoretical framework

In this chapter a model for international growth is developed by combining associated existing theories since, as the studied topic is a complex and challenging one, it is expected that no theory alone can describe or explain it in an adequately holistic way (Bell, McNaughton, Young & Crick, 2003; Bell, Crick & Young, 2004). The purpose of the theoretical framework in this study is mainly to provide an outline of the international growth process and to enable the structuring of this yet undefined and rather complex phenomenon. This instrumental use of the framework avoids the possible determinism often connected to deductive studies with strong theoretical bases. Related to this, this theoretical framework is often referred to as tentative, since it is expected to be changed based on the findings of the empirical study. The theoretical framework is compiled from the theories and models that are considered to be the most suitable for providing some scheme, shape, and preliminary understanding of international growth. By developing a theoretical framework and employing it in the study, one can also provide the existing theories with new insights and thus also develop theory. This aim is mainly approached through the theory development capabilities of the case study approach (see e.g. Ragin, 1992). The chosen approach has been highlighted by Andersen and Kragh as follows (2008, 4-5);

"...because theories may not be applicable as grand concepts explaining all incidents of phenomena, there is also room for simultaneously using more theories to encourage imaginative thinking, even if such theories have conflicting views on the relevance of particular concepts for understanding the issues studied as well as on how such concepts are interrelated."

The chosen approach also brings theoretical sensitivity to the research, as combining theories enables the comprehension and inclusion of more concepts and issues than the application of only one theory (Strauss & Corbin, 1990). The theoretical framework is composed of several different theories from within the field of international business and other disciplines. The aim in the theoretical framework is to unify, on a general level, different theories in order to better illustrate and understand the process of international growth. This aim to understand the process brings with it the somewhat implicit requirement, and attempt, to find a fit between the theoretical framework and the empirical

data. This fit is approached in this research through the application of the case study approach (see e.g. Ragin, 1992) and the in vivo approach. According to Andersen and Kragh (2008, 9)

"...the in vivo approach is pre-disposed towards the evolving theoretical framework as a mechanism for understanding empirical data."

According to Weick (1989), when attempting to develop a new theoretical approach, one often begins with partial explanations, illustrative concepts, and broad theory outlines, and develops these during the research process. With regard to international growth, this approach was followed to preliminarily phenomenon. After that the theories dealing structure the internationalisation and the growth process, change, management strategies and entrepreneurship were brought together. A unifying characteristic of the chosen theories is the process view, in which growth, internationalisation, and entrepreneurship are understood to demonstrate themselves as on-going change and development processes. In the framework the internationalisation and growth theories form a theoretical base for the international growth process that is driven by the entrepreneurial orientation and behaviour of a firm. The international growth process of entrepreneurial SMEs contains features from internationalisation and growth models, and the process can be explained and clarified by reference to entrepreneurial orientation and behaviour as well as strategic management theories (e.g. Astley & Van de Ven, 1983; Mintzberg & Waters, 1982).

The combination of the theories can also be addressed from the perspective of strategy, where the process would be categorised as organisational change. Mintzberg and Westley (1992) state that organisational change can take place on four different levels. The highest level deals with issues such as the strategic vision of the company, including the organisation's members' overall perceptions and collective mindset. The second level deals with structural change, including changes in products, markets, and the business portfolio. The third level concentrates on organisational activities and operations, i.e. how the strategy is executed in the everyday work of the organisation. The fourth level focuses on the practicalities and facilities of where the organisation operates, i.e. its physical premises. Regarding this research, all these four levels are represented. Entrepreneurial orientation is placed on the highest level, international growth is on the second, export modes and modes of business operation are on the third level, and the resources of a company are on the fourth level. According to Mintzberg and Westley (1992), changes on the highest level change and affect the lower levels, which implies that the magnitude of the changes in the higher levels are more encompassing and integrated than those on the lower levels. As a result, an entrepreneurial orientation would seem to affect international growth, and entrepreneurial orientation and international growth would together affect the activities, operations, and practicalities of everyday business. Thus, entrepreneurial orientation acting as a driver for an international growth process affects the entire organisation. Entrepreneurial organisations follow a change pattern that shifts from stability to revolution passes through stability and reverts back to revolution again. These changes are driven by the entrepreneur or the entrepreneurial orientation of a company (Mintzberg & Westley, 1992).

"At the broadest level, change episodes and stages sequence themselves over time form patterns of evolution that describe the overall history of an organization." (Mintzberg & Westley, 1992, 49.)

Cyert and March (1963), Weick (1969), and Pfeffer (1981) have found that in the internationalisation process model a firm is seen as a loosely coupled system comprised of different actors that have their own agendas. This is particularly the case in large firms with several different operational departments. However, in SMEs there may also be different actors with different interests about how to develop their company. Therefore, introducing an entrepreneurial orientation construct to SMEs characterised by a low hierarchy could help to unify these interests and agendas slightly. This view is also supported by the fact that an international growth process requires a major change in a company which affects it throughout its body. This process requires the effort of an organisation as a whole and brings together different actors behind a shared common goal.

2.8 The organisational life-cycle model

In the limits of this study, the organisational life-cycle model is applied instrumentally and partially by concentrating on mainly using the growth stage of the model (see figure 3 adapted from e.g. Adler & Swiercz, 1997). The model is used more to help the modelling of the international growth paths than in the forming of the tentative theoretical framework. However, when focusing on the stages models of internationalisation and growth, life-cycle thinking implicitly enters the discussion. The basic tenets of the life-cycle theories and models that have been proposed for understanding and managing the strategic change processes of business organisations are that the development of organisations over time follows prescribed stages. In each stage they note that an organisation has evolved from the preceding stage, either through incremental or revolutionary changes or crises, which have made new demands of a company's management (e.g. Chandler, 1962; Steinmetz, 1969; Greiner, 1972; Kimberly & Miles, 1980; Tushman & O'Reilly, 1996; Slevin & Covin, 1997; Adizes, 2004).

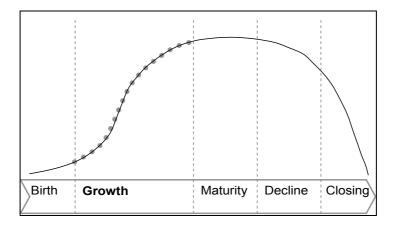


Figure 4 The organisational life-cycle model and the focus of the research

The S-shape of the growth curve within the life-cycle model is highlighted in figure 4. This has been observed to be a relatively typical growth curve for small businesses (Steinmetz, 1969, 29). As with any widely applied model or theory, the life-cycle model has been debated for years. Interestingly, the lifecycle debate has arisen periodically over the last half century. In the writings of several authors and researchers in different fields of research, the existence of the debate is acknowledged, and its roots unveiled, but no final word or suggestion for a solution has been provided (cf. Penrose, 1959; Kimberly & Miles, 1980; Whetten, 1987). The number of articles classifying life-cycle models, most often according to the number of stages, is enormous (see the review by Quinn & Cameron, 1983), but their contribution has mainly been in the establishment of a general research stream (Gupta & Chin, 1994, 270-271). Indeed, the most often discussed problem associated with life-cycle models is simply the number of stages (sometimes also referred to as phases), which are placed on the bell-shaped curve. Larger models, with more than five stages, are often labelled too detailed and laborious, whereas shorter models, with only a few stages are seen as over generalising and simplifying (Lester & Parnell, 2005, 203).

2.9 Seeing a process as a series of stages

Studying a dynamic phenomenon, such as international growth, through a process perspective is justifiable, since a process, by its very nature, embraces change, which is a cornerstone of dynamism. In particular, processes that are not attached to a certain predetermined shape or sequence can be seen as truly dynamic. In the case of stages models, this dynamism depends on their application. In this study, the stages models are applied loosely mainly to give

the studied phenomenon some outline, and not to mould the phenomenon into a tightly set form.

To begin this sub-chapter, the different process logics of growth stages and internationalisation stages are presented and illustrated. The basic difference in the stages configurations is that the growth stages, particularly in entrepreneurial growth, outline the internal development of a company, i.e. how a company grows e.g. in capacity and in terms of its resource base and organisation. The internationalisation stages outline the external development of a company, i.e. how a company expands its presence e.g. in terms of its geographical scope and international market share. Within the international growth process these two stages processes can be expected to be intertwined and combined in several different ways (see figure 5).

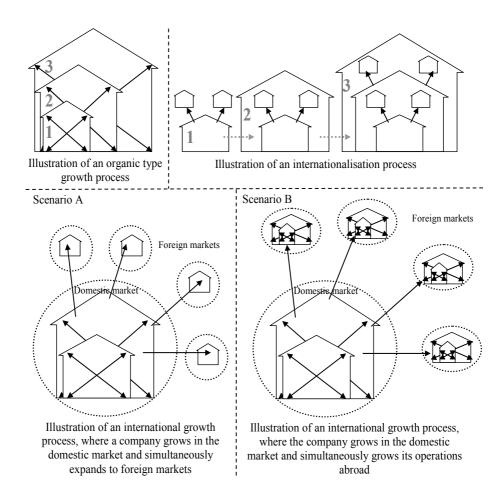


Figure 5 The interpretative difference between growth and international expansion¹⁷

When looking at the internationalisation process, it can include growth as an implicit character, and thus it could be also be interpreted as a possible international growth process scenario in a similar way to the two illustrated scenarios A and B within figure 5. Then again growth, presented as an organic type of entrepreneurial growth can often also occur only in the domestic market and without any international aspect attached to it. As such,

An illustration of this interpretative difference and two possible general scenarios of the international growth process are provided in figure 5, where objects resembling houses represent a company and the smaller arrows the direction of the growth and internationalisation processes, respectively. The smaller objects resembling houses on the internationalisation side of the figure illustrate the foreign activities and units, through the establishment of which a company expands its foreign presence. The dashed circles in the scenario alternatives represent the country markets, the small ones being the foreign markets the company expands to or operates in, and the larger one the domestic market of the company.

approaching the growth and internationalisation processes first separately and then providing some alternatives regarding their interconnectedness is the method used to clarify this discussion.

In the figure the numbers illustrate the expansion in growth and internationalisation from the smallest form (1), to the largest (3). On the growth side of the figure a company grows in size, but it may remain in its domestic market. The increased size is gained e.g. through investments in the company, innovative products that bring in higher profits, or economies of scale, i.e. operations and activities that enable the company to develop and increase in size. Growth may proceed incrementally or in larger leaps, but it is the result of the company's behaviour and the skills and resources it possesses. The focus is on the organic type of entrepreneurial growth that can also take place through acquisitions in which the company remains the same legal entity, rather than on mechanistic growth with shared ownership, such as ioint ventures and strategic alliances. through internationalisation side the company expands its presence into foreign markets, but its actual size may stay the same.

The two possible scenarios presented in figure 5 are mainly generalisations of two alternatives on how the international growth process could materialise. In scenario A the company grows in the domestic market and at the same time expands its operations to foreign markets. In this scenario the operations in the domestic market can fuel its domestic growth and also drive its internationalisation effort. It is also possible in scenario A that the internationalisation process has been started based by perceiving an opportunity abroad or the observation that domestic growth possibilities are decreasing, and thus foreign expansion will help to finance the company's domestic growth e.g. in terms of increased investments in domestic manufacturing units to serve the needs of the foreign market. Scenario B illustrates the growth of a company in both domestic and foreign markets. Here the domestic growth could fuel the foreign growth and vice versa, or both could drive their development independently through their respective revenues. Domestic growth can take place as increased investments in domestic operations, as also presented in scenario A. Foreign growth could also take place as increased commitment e.g. by changing from a less committed mode of operation to a mode that requires more investment, such as from own direct exporting to the establishment of a foreign manufacturing unit. It is also worth noticing that a hybrid of these two scenarios can be presented, in which a company grows in the domestic market, and at the same time both grows in its existing foreign operations e.g. as presented above, and expands its foreign operations to more foreign countries. 18

The figure indicates that in international growth the process drives a company to expand in different ways that are clearly visible, such as the building of a new factory or the employment of new personnel, and in measurable terms, such as in an increased number of produced units or cash flow, or in more intangible terms, such as increased international exposure, presence, or activity. It is also noteworthy to acknowledge that growth can materialise without any internationalisation, whereas internationalisation may often implicitly include the characteristics of growth.

A major stumbling block for the first stages models (e.g. Johanson & Vahlne, 1977, 1990; Johanson & Wiedersheim-Paul, 1975) was that they were based on small samples, which was a considerable impediment to their ability to be generalised from (Oviatt & McDougall, 1997). Another criticism is that they left the external business environment and its effect on the firm outside their scope (Oviatt & McDougall, 1997, 95). Coviello and McAuley (1999) have stated that the internationalisation stages theory takes too narrow a viewpoint because the theory creates too myopic a view of a complex and holistic phenomenon. The models have also been charged with taking a reactive stand, which is, in business literature, often considered to be a less competitive strategy (see e.g. Forsgren, 2002, 261 about the influences of learning). In Scott and Bruce's (1987, 47) growth model proactivity is considered to be a key to success, whereas reactivity is likely to indicate failure. Jones and Coviello (2005, 288) have also pointed out that entrepreneurship can be comprehended as proactive behaviour and, according to Casson (2000), proactivity is a precondition to innovativeness. Despite these limitations, many took the stages models as given, even though some authors (e.g. Johanson & Wiedersheim-Paul, 1975, 307) clearly enunciated the restrictions of the model. Subsequently, many studies have been conducted and alternative paths and additional stages have been presented (see e.g. Luostarinen & Welch, 1990, 259, 262; Luostarinen, 1994; Leonidou & Katsikeas, 1996; Kuemmerle, 2005). Additionally, Andersen (1993) presents criticism of the stage models in that inadequate attention has been paid to the time dimension of the process. Gankema et al. (2000, 16) also state that a lack of longitudinal research and appropriate research techniques is partly behind the criticism, as the stages configurations have not been exposed to a proper empirical evaluation. However, the first stages models have maintained their position as many new studies have kept them as building blocks and

The scenario in which a company only grows outside of its domestic market resembles the internationalisation side of figure 5.

foundations to build on (e.g. Andersen, 1993 for several examples; Bridgewater et al., 2004, 212; Hashai & Almor, 2004; Forsgren, 2005; Fernhaber & McDougall, 2005, 125 for the organisational learning aspect; Jones & Coviello, 2005).

Criticism has also been made of the stages of growth models in that firms do not follow the growth models slavishly and can move forwards, backwards, skipping stages, and exiting, or they can stay in one stage a relatively long time (e.g. Churchill & Lewis, 1983, 34, 40; Scott & Bruce, 1987, 45, 49-51). McMahon (1998) points out that a major weakness in the existing growth models is that they are drawn from studies that use exploratory methods, cross-sectional data, small and specifically chosen samples, and ignore, in their focus, the early, prior to start-up stages of the growth process, and the influencing factors of the external business environment.

2.9.1 Internationalisation stages models

Despite all the criticism made of the internationalisation process (IP) model, or the stages theory (created e.g. by the Uppsala school), also known as the U model, the basic assumptions of incremental development from stage to stage as presented by the model are included in the framework, although some modifications have been made to it. The first modification to the original IPmodel, which is developed on the framework of the theories and research began by Luostarinen (1979, 1994), Johanson and Vahlne (1977, 2006), and Johanson and Wiedersheim-Paul (1975), is that it is combined with the innovation related internationalisation model, also known as the I model e.g. by Cavusgil (1980), and the incremental models of foreign expansion by Bilkey and Tesar (1977), Reid (1981), and Czinkota (1982). Born-globals (e.g. Madsen & Servais, 1997; Gabrielsson & Kirpalani, 2004; Hashai & Almor, 2004; Knight & Cavusgil, 2004), as well as exits and stagnation within the change process, are also kept in mind as possible development and process options and are used as examples and inspiration in the framework. As the aim is to capture international growth, these exceptions are acknowledged, but not readily included in the tentative theoretical framework. It is also significant that as the focus is on the international growth process, the stages of central interest are those that concentrate on international activities. This leaves the models that deal with export intentions, i.e. the pre-exporting and preinternationalisation stages, receiving less attention. Appendix 1 lists the different internationalisation stages models that are used in this study, whereas figure 6 illustrates the formation of a synthesis of the existing approaches¹⁹.

Stage 1: Exporting based on unsolicited orders

(Wortzel & Wortzel, 1981; Varaldo, 1987; Rao & Naidu, 1992)

Stage 2: Direct export activities operated from the domestic country

(Bilkey & Tesar, 1977; Cavusgil, 1980; Reid, 1981; Czinkota, 1982; Rao & Naidu, 1992; Crick, 1995; Petersen & Welch, 2002)

Stage 3: Exporting through domestic agent agreements

(Fina & Rugman, 1996; Petersen & Welch, 2002)

Stage 4: Exporting through foreign agent agreements

(Johanson & Wiedersheim-Paul, 1975; Fina & Rugman, 1996)

Stage 5: Establishment of a company's own foreign sales office

(Johanson & Wiedersheim-Paul, 1975; Varaldo, 1987; Luostarinen & Welch, 1990; Fina & Rugman, 1996; Petersen & Welch, 2002)

Stage 6: Establishment of production cooperation with a foreign representative (Fina & Rugman, 1996)

Stage 7: Establishment of a foreign manufacturing subsidiary

(Johanson & Wiedersheim-Paul, 1975; Luostarinen & Welch, 1990; Fina & Rugman, 1996)

Figure 6 The synthesis of the internationalisation stages for the theoretical framework

For the purposes of this study, seven internationalisation stages were formulated based on the existing literature. These seven stages, outlined in figure 6, represent an average, as in the existing models the number of stages varies from four to nine (see appendix 1), but the number of stages is considered to be broad enough to enable the representation of a multitude of different internationalisation paths. The reasons for choosing these internationalisation stages for the proposed theoretical model are many. Firstly, as the focus is on international growth, the stages that precede internationalisation, i.e. export activities, are excluded. Secondly, the focus is

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¹⁹ For a broad review of internationalization stages, i.e. export development process models, see Leonidou and Katsikeas (1996, 522). For a review of internationalisation models and classifications and their comparison, see also Mäkinen (1987).

on materialised internationalisation, which leaves out those stages that concentrate on intentions and the consideration of export feasibility. Thirdly, as the theoretical model aims at describing the actual international growth process of the firms, the internationalisation stages applied are aimed to be relatively practical and clearly separable from the other stages.

2.9.2 Growth stages models

The growth theories and models in the framework concentrate mainly on the growth stage theories, although the classic theory by Edith Penrose (1959; 1995) is used for gaining a broader picture about a firm's growth process. The stages of growth theories and models employed in the framework were created, among others, by Galbraith (1982), Scott and Bruce (1987), and Churchill and Lewis (1983). Many of the growth stages models are often considered to be part of the OLC models, where growth represents only one stage in the lifespan of an organisation. In this study, the OLC models are mainly employed to give shape to international growth path modelling, and only those OLC models that concentrate more on growth are included. Appendix 2 presents a list of the different growth stages models applied in this study. The existing growth stages models are numerous and vary in their number of stages and content. For the purposes of this study, seven growth stages models were formulated.²⁰ The number of stages in earlier growth studies has varied from three to five, whereas the descriptions of the contents of the stages have been quite broad. As such, some of the stages models from earlier research were divided into seven, clear and distinctive growth stages. Figure 7 illustrates a synthesis of the existing growth stages models and the formulation of the selected seven stages.

This number of stages is the same as in the internationalisation stages, which provides a balance to the theoretical model. However, the main aim is to provide as flexible and as broad a theoretical frame for international growth as possible. This is accomplished through the use of a relatively large number of stages.

Stage 1: Founder-led start-up and innovation

(Steinmetz, 1969; Greiner, 1972; 1998; Galbraith, 1982; Churchill & Lewis, 1983; Robinson, Pearce, Vozikis & Mescon, 1984; Whetten, 1987; Scott & Bruce, 1987; Kazanjian & Drazin, 1989; Dodge & Robbins, 1992; Hanks, Watson, Jansen & Chandler, 1994; Churchill, 1997; Lester, Parnell & Carraher, 2003)

Stage 2: Feasibility and gaining position

(Thain, 1969; Greiner, 1972; 1998; Barnes & Hershon, 1976; Galbraith, 1982; Churchill & Lewis, 1983; Robinson, Pearce, Vozikis & Mescon, 1984; Scott & Bruce, 1987; Kazanjian & Drazin, 1989; Dodge & Robbins, 1992; Churchill, 1997; Lester, Parnell & Carraher, 2003)

Stage 3: Success and growth through repetition and delegation

(Steinmetz, 1969; Thain, 1969; Greiner, 1972; 1998; Galbraith, 1982; Churchill & Lewis, 1983; Robinson, Pearce, Vozikis & Mescon, 1984; Scott & Bruce, 1987; Kazanjian & Drazin, 1989; Dodge & Robbins, 1992; Hanks, Watson, Jansen & Chandler, 1994; Churchill, 1997; Lester, Parnell & Carraher, 2003)

Stage 4: Organisation and strategising and managing and planning

(Thain, 1969; Greiner, 1972; 1998; Barnes & Hershon, 1976; Galbraith, 1982; Scott & Bruce, 1987; Kazanjian & Drazin, 1989; Hanks, Watson, Jansen & Chandler, 1994)

Stage 5: Renewal through constant development

(Greiner, 1972; 1998; Whetten, 1987; Scott & Bruce, 1987; Hanks, Watson, Jansen & Chandler, 1994; Lester, Parnell & Carraher, 2003)

Stage 6: Stability and the choice of direction

(Galbraith, 1982; Churchill & Lewis, 1983; Whetten, 1987; Scott & Bruce, 1987; Kazanjian & Drazin, 1989; Dodge & Robbins, 1992; Churchill, 1997)

Stage 7: Decline or new growth

(Hanks, Watson, Jansen & Chandler, 1994; Lester, Parnell & Carraher, 2003)

Figure 7 The synthesis of the growth stages for the theoretical framework

The formulation of the growth stages for the proposed theoretical model aims to serve two purposes. Firstly, it aims to provide a summary of the stages of the growth stages models presented in this research. Secondly, it aims to provide a set of stages that are applicable to the description of the growth dimension of the international growth process of the studied firms. In the proposed growth stages, the stages in the existing models are chosen and grouped in manner that should lead to clearly separable stages that are applicable in practice. Nevertheless, it is worth observing that the growth stages outlined above do share some common features and slightly overlap. This issue has been acknowledged in the study in that the stages predominantly only sketch out how growth could proceed in theory. In practice it is expected that the exact content and sequence of the stages varies

across the cases, and modifications are needed. The criticism of the growth models has been discussed in the earlier chapters of this study, and it has to be noted that a typology that does not have distinctive categories or that is sharing some common features is not the best possible. However, in the confines of this study, these growth stages are considered usable and their overlap is not considered to be a fatal flaw since the empirical data is expected to bring new insights and thus generate changes for the tentative theoretical framework.

2.9.3 Entrepreneurial orientation and behaviour

Entrepreneurial orientation is applied as the driver and explanatory factor behind the international growth process. This choice was made because entrepreneurial orientation as a construct fits the SME context and it is not limited merely to the personas of the entrepreneurs and it is an umbrella term for several issues, of which, many are related to internationalisation and growth models. The main focus in the entrepreneurship theories is on the entrepreneurial orientation models (e.g. Miller, 1983; Stevenson & Jarillo-Mossi, 1986; Stevenson & Jarillo, 1990; Covin & Slevin, 1989; 1990; 1991; 1993; Lumpkin & Dess, 1996; 2001; Moreno and Casillas, 2008) and the classical works by Schumpeter (1934), Kirzner (1973), and Casson (2000, 2005), which are employed in the study as background information for the analysis of entrepreneurial behaviour and culture within the SME context.

entrepreneurial characteristics of orientation, entrepreneurial orientation factors, vary depending on the author and the viewpoint. The most frequently discussed factors are innovativeness, proactiveness, and risk-taking. Some authors add autonomy and competitive aggressiveness to this list and different terminology or wording for similar stages is also applied, while different factors are introduced in other cases. In this study five factors were selected because they represented the broadest spectrum of the most frequently used factors that are used when discussing entrepreneurial orientation. Appendix 3 lists different approaches to entrepreneurial orientation and figure 8 outlines a synthesis and its formulation of the entrepreneurial orientation factors selected for this study²¹. The contents of these factors, as they are understood in this study, were outlined in subchapter 2.6. To compensate for the possible limitations imposed by the use of these five main entrepreneurial orientation factors the literature on

²¹ The order of the factors does not attempt to indicate any difference in value or importance between the factors.

entrepreneurial behaviour has been employed for this study. Naturally these two share many features and overlap to some extent, but they can also compensate for each other.

Factor 1: Innovativeness

(Miller, 1983; Covin & Slevin, 1989; 1990; 1991; 1993; Zahra & Garvis, 2000; Lumpkin & Dess, 1996; 2001; Brown, Davidsson & Wiklund, 2001; Antoncic & Hisrich, 2001; Bamber, Owens, Davies & Suleman, 2002; Wiklund & Shepherd, 2005; Kropp, Lindsay & Shoham, 2008; Moreno & Casillas, 2008)

Factor 2: Risk taking

(Miller, 1983; Stevenson & Jarillo-Mossi, 1986; Stevenson & Jarillo, 1990; Covin & Slevin, 1989; 1990; 1991; 1993; Zahra, 1991; 1993; Lumpkin & Dess, 1996; 2001; Brown, Davidsson & Wiklund, 2001; Bamber, Owens, Davies & Suleman, 2002; Wiklund & Shepherd, 2005; Kropp, Lindsay & Shoham, 2008; Moreno & Casillas, 2008)

Factor 3: Proactiveness

(Miller, 1983; Stevenson & Jarillo-Mossi, 1986; Stevenson & Jarillo, 1990; Covin & Slevin, 1989; 1990; 1991; 1993; Zahra, 1991; 1993; Zahra & Garvis, 2000; Lumpkin & Dess, 1996; 2001; Antoncic & Hisrich, 2001; Wiklund & Shepherd, 2005; Kropp, Lindsay & Shoham, 2008; Moreno & Casillas, 2008)

Factor 4: Autonomy

(Lumpkin & Dess, 1996; 2001; Bamber, Owens, Davies & Suleman, 2002)

Factor 5: Competitive aggressiveness

(Covin & Slevin, 1989; 1990; 1991; 1993; Lumpkin & Dess, 1996; 2001)

Figure 8 The synthesis of the entrepreneurial orientation factors for the theoretical framework

These factors of entrepreneurial orientation were chosen for the proposed theoretical model because they best summarise the multitude of existing models and provide the widest spectrum of alternatives to work with in relation to the explanatory factors required for the model. In particular the described contents²² of the listed definitions add further depth to the chosen factors.

Within the entrepreneurial SMEs, which refer to SMEs oriented to entrepreneurial behaviour, learning, experiencing, strategising, opportunity exploration and exploitation, risk taking, and innovativeness are seen as

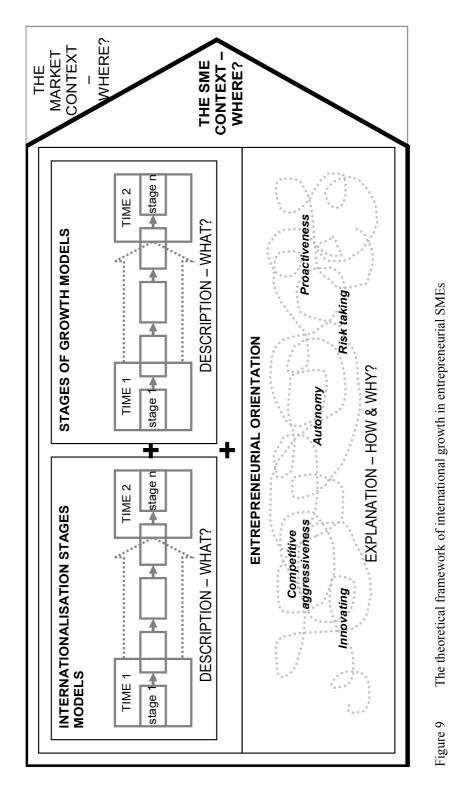
See appendix 3 for further details and descriptions of the entrepreneurial orientation factors provided by earlier research.

internal factors that affect the international growth process. External factors, which are expected to possibly influence the international growth process, are the Internet, the EU, trade unions and employee and employer agreements, government policies and support systems for SMEs and entrepreneurs, legislation, competition and the market situation in Finland, trends in the (global) economy, and developments and shifts in technologies and within industries (see e.g. Young, 1990; Buckley, 1991; Slevin & Covin, 1998; Zahra & Garvis, 2000; Ruzzier et al., 2006, 477).

2.10 Operationalising the synthesised theoretical framework

Time plays a central role in studies dealing with processes and development. Since an attempt is made to model the international growth paths of the cases and to derive, from the individual paths, a general understanding for the international growth process, the theorising of time (e.g. Hurmerinta-Peltomäki, 2001) and the life-cycle model (e.g. Scott & Bruce, 1987, 47; Hanks et al., 1993; Hytti & Heinonen, 2000), derived from the organisational life-cycle (OLC) model (e.g. Chandler, 1962; Greiner, 1972; 1998) and product life-cycle (PLC) model (Levitt, 1965; Vernon, 1966), are included in the theoretical approach. The theoretical framework and the relations of the different theories and models within it are illustrated in figure 9. The internationalisation and growth stages models represent the descriptive theories answering the 'what' question, e.g. what is the studied topic all about, what issues take place in the process, and what is the structure or outlook of the process. The entrepreneurial orientation model answers the 'how' and 'why' questions within international growth, e.g. how the process is realized, how the company features influence the process, and why international growth takes place.

The relationships and connections between the different theories and models have purposefully been left relatively loose in the tentative theoretical framework. This has been done because the studied phenomenon is expected to be so complex and multifaceted that existing theories are not expected to be able to explain and describe it entirely. As stated earlier, the purpose of the theoretical framework is to provide an outline and also to structure the international growth process and let the empirical data reformulate it in the form of definition and theory development, and thus hopefully improve the explanation of the phenomenon.



The theoretical framework of international growth in entrepreneurial SMEs

The framework in figure 9 is very general and rough and cannot, as such, be assessed with empirical research data. To aid assessment, the figure is modified and, in a sense, "operationalised²³" (see Johanson & Vahlne, 1990) in a form that allows empirical data to be positioned and an analysis conducted in all the cases in a consistent manner. The loose combination and the main roles of the theories and models within the framework is illustrated in figure 10 and the operationalised theoretical framework in figure 11.

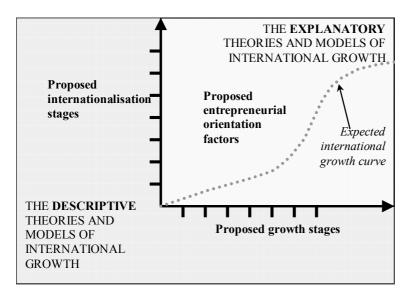


Figure 10 The positioning of theories and a possible SME international growth curve in the operationalised framework

In figure 10 the combination and roles of the different theories within this study are presented, as is an example of an expected SME international growth curve. The growth and internationalisation stages form the descriptive part of the framework, which is indicated as the dark grey area in the figure. These theories give form and shape to the process in that they illustrate the internationalisation and growth development of a company for each stage. The entrepreneurial orientation factors form the explanatory part of the framework, which is shown as the light grey area in the figure. The entrepreneurial orientation provides some explanation of the process and its shape and

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Another operationalisation that has been developed for the export stages model (also called the U-model) is referred to as export intensity and export involvement has been operationalised by the export/sales ratio (see e.g. Cavusgil, 1980). The stages in the I-model have been operationalised by the ratio of export sales to total sales (e.g. Gankema et al., 2000, 17). This operationalisation is closest in resemblance to the one used in this study, where the share of exports to the total annual revenue is the adopted operationalisation.

demonstrates the entrepreneurial features characteristic of a certain international growth stage. Figure 11 illustrates, in more detail, the proposed theoretical stages and factors that could be related to the SME international growth process. In the figure the stages are placed on a traditional sequential pattern on the axes and the entrepreneurial orientation factors are positioned within the grid. This does not indicate, however, that the layout of the operationalised theoretical framework is unchangeable, or in any sense final or fixed, but simply illustrates the framework with all its parts. Despite the notion in the conceptualisation of internationalisation and growth that they are interconnected within international growth, this framework presents them as relatively loosely coupled phenomena on a separate axis. This is done solely for the sake of clarity and the ability to unravel the phenomenon and to structure it in order to provide a more comprehensible picture. The choice of representation is mainly related to the technical issues of the research, and not to indicate that internationalisation and growth would necessarily be separated from each other within the international growth process. The framework in figure 11 presents the basis on which the empirical data is positioned for analysis and shows how the individual international growth curves developed for each SME case. However, the empirical data and findings of the analysis are expected to reformulate the theoretical framework in the form of theory development and new, emergent insights on what international growth contains. It is also expected that the framework may be different for each company, and, as such, no universal, unchangeable framework has been sought.

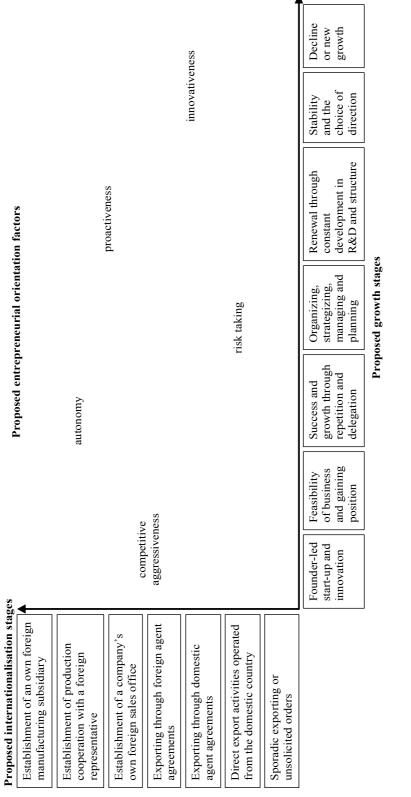


Figure 11 The 'operationalised' theoretical framework for empirical evaluation

The boxes in figure 11 depict the proposed internationalisation and growth stages, which were identified from the existing theories and models. The boxes begin at a stage in the models where some internationalisation and growth activities in the companies already exist²⁴. The proposed entrepreneurial orientation factors that are expected to be working behind the international growth development in each stage are placed on the grid as an example of all the factors that could be found under the umbrella of entrepreneurial orientation. The sizes or sequence of the boxes in the framework do not indicate any different value or importance between them. All the stages and the entrepreneurial orientation factors are treated equally. Regarding the internationalisation stages, they indicate different entry modes and a company's increased commitment and engagement of resources at different stages. As such, a company can move from one stage to another and thus increase its international involvement. However, one export mode can also be exited and another entered, or different modes can be simultaneously applied, also entering a mode does not require the application of the earlier modes. Similarly, a latter mode does not include the earlier modes explicitly or implicitly. One can, for example, first use direct exporting and then move directly to the establishing of one's own foreign sales office and skip the use of agents altogether. When turning to the growth stages, the earlier stages are usually included in the latter ones. Of course a company can skip growth stages and experience more than one stage at a time, but when growing, the earlier stages are, in a way, implicitly within the later stages. The feasibility of business usually precedes other stages, whereas renewal through development implicitly requires one stage or more to precede it. Time, as well as the lifecycle construct, are implicitly present in the framework in figure 6, as the development of the international growth process is expected to follow, at least to some extent, the direction of the arrows on the axes, in other words, it increases upwards and/or left during the observation period.

2.11 Combining theories

The combination of theories and models within a piece of research is a form of triangulation (see e.g. Jick, 1979; Oppermann, 2000). In addition to the benefits associated with theory triangulation, Gankema et al. (1997, 194), among others, state that integrating theories may bring further insights into the

The original internationalisation and growth models begin with stages where there are no international or growth activities within the firms. When trying to depict and explain international growth, these stages are considered important, but not seen as parts of the actual process when international growth starts to develop.

research. This is particularly true in case studies where the existing theories do not seem to adequately describe the studied topic. According to Leonidou and Katsikeas (1996), existing export development models provide scarcely any explanation as to how and why an export development process takes place. Therefore, combining the entrepreneurial orientation and research findings from the entrepreneurship, strategy, and management fields can increase the explanatory power of the mostly descriptive export models in international business research. However, Madsen and Servais (1997) note that in order to be able to understand the internationalisation process, the environmental conditions of a firm need to be understood. The environment can be seen to be made up of actors and circumstances in both domestic and foreign markets. In this study, the influences of the external business environment in an international growth process are acknowledged and included in the theoretical framework as more than mere context.

There are several issues, which need to be taken into consideration, when combining different theories to form one theoretical unity. As already stated, the internationalisation, growth, and entrepreneurship theories are seen to possess some process features. This works as a unifying factor between them and enables their combination. However, from a strategic viewpoint the theories have a different stance. The internationalisation and growth theories are mainly seen as reactive in nature, whereas the entrepreneurship theories are seen as being more proactive in nature. This problematic issue can be bridged with the aid of two observations. Firstly, the theory of international entrepreneurship, which is a combination of internationalisation and entrepreneurship theories, has survived criticism and is one of the most vibrant research areas within entrepreneurship research. Secondly, the descriptive part of the framework is constituted by internationalisation and growth theories, which do not hold such a profound difference in their strategic orientation. As the entrepreneurship theories are used to explain why an international growth process takes place, and are consequently not welded into the grid of the framework in a similar fashion to the other theories, this difference in the welded seams is not expected to have a notable influence on the workability of the framework. International entrepreneurship is often seen as an intersection between internationalisation and entrepreneurship research streams (see e.g. Dana, Etemad, & Wright 1999; McDougall & Oviatt, 2000). Nevertheless, international entrepreneurship is not applied as such in this research as an adequate theoretical connection between the two research traditions for the

purposes of this study²⁵, has already been demonstrated in the positioning of this research.

As most theoretical frames are simplified attempts to describe real-life phenomena, this framework may only partially reveal answers. Problems may occur in the stages models, when the empirical findings do not follow the existing stage constructs and sequences and the existing theories are unable to describe the international growth change process. However, one cannot force the empirical data into a designated framework without violating the richness of the data and the possible emergent findings. In this respect, the chosen in vivo approach is justified (Andersen & Kragh, 2007.) On the other hand, the chosen factors within the entrepreneurship theories may not explain the entire process and additional, emerging factors may need to be included and unused factors excluded. However, keeping in mind the focus of this research, the explanatory factors are first and foremost sought from entrepreneurship theories, and if that line of inquiry runs dry during the research process, other explanatory factors are sought from other disciplines. The in vivo approach inevitably leads to situations within this research process where adjustments to the original, tentative theoretical framework are necessarily required. These adjustments will take place in the form of theory development, which is led by the empirical findings. This follows the basic notion of iteration (see e.g. Dubois & Gadde, 2002). With regard to definitions, the derived theoretical working definition will go through the same trial as the theoretical frame, and the final definition of international growth can only be settled on after the different paths of the case SME international growth processes have been empirically observed.

²⁵ For a more thorough discussion about the connection between internationalisation and entrepreneurship theories, see e.g. Hallbäck, Paavilainen, and Söderqvist (2007) and Hallbäck, Paavilainen-Mäntymäki, and Söderqvist (2009).

3 THE PHILOSOPHICAL UNDERPINNINGS, METHODS AND APPROACHES

3.1 Methodological choices

The following sub-chapters present the philosophical underpinnings of this research. The study at hand approaches the research topic in a manner that combines both the characteristics of an inductive as well as a deductive research. The approach representing this chosen stand is the *in vivo* and it is outlined in the first sub-chapter. In the second and third sub-chapter the philosophical stand point of the study is outlined from two perspectives; the research aim and the research approach. The discussion on the research aim is more practical as it concentrates on the conduct and execution of the research process. The discussion on the research approach concentrates more on the epistemological discussion and positions the study within other epistemological frameworks.

3.1.1 The *in vivo* approach

In this thesis research, the theoretical frame is approached via *in vivo* research (Andersen & Kragh, 2007; 2008 forthcoming). This approach combines the deductive and inductive research designs, but not in the manner of a straightforward abductive research or a grounded theory. Why then is this approach selected? The aim is to maintain theoretical flexibility when applying case studies to theory development. According to Glaser and Strauss (1967) and Weick (1989) the researcher has the danger of becoming too predetermined and locked in a certain theoretical base. This can limit a researcher, if the researcher chooses to look in the analysis only for those issues and ideas that were introduced by the theory. This then jeopardises the emergence of new insights and the possibility to introduce developments and refinements to existing theories. However, according to Burrell and Morgan (1979), Miles (1979), and Strauss and Corbin (1990), a researcher undoubtedly also needs to have some preliminary comprehension of their research topic, and its field and context, before any purposeful entry into the field is possible. Preliminary knowledge about theories enables a researcher to focus on the topic and ascertain, from the vast amount of data, the essential

issues from the non-essential. This provides a researcher with the required theoretical sensitivity. In the in vivo approach the researcher has preliminary knowledge of what theories and models could constitute a theoretical framework for the research, but this knowledge is affected by the observation that there is no suitable framework readily available. As a result, the theoretical framework that is formulated in the beginning of the research is expected to change and constantly evolve during the research process based on the findings of the empirical research Thus, the resulting theoretical framework may be something completely different. The characteristics of the in vivo approach, based on Andersen and Kragh (2007, 7; 2008, 7) are presented in table 1.

Table 1 The characteristics of the in vivo approach

	In vivo
Ontological assumptions about the nature of knowledge	Associated with critical realist assumptions
Role of existing theory in theory building	Theories as inspirational sources used to frame research projects and continuously understand developments in the empirical data
Theory building approach	Theory building ads interpolation – complementary theories are used continuously to refine and adjust a pre-existing theoretical framework
Stage and mode of theory involvement	Single-perspective use of theory in the preparation and early data collection stages, which may later be extended and refined

Starting from the ontological assumption, this study falls in the realist, and to some extent, critical realist perspective (see e.g. Stiles, 2003. This is articulated through the fact that, although the structured theoretical framework is a product of the researcher's interpretation, the existence of a reality accessed through the empirical research is not denied. Therefore, a researcher has a preliminary comprehension of the reality of the research environment through the theories, but this does not limit the researcher's ability to discover the empirical reality and refine and re-formulate the theoretical framework and gain a deeper knowledge of the studied phenomenon (e.g. Easton, 2002).

The role of the theoretical framework is that it aims to give some structure to the study and the phenomenon, even if the structure were to be refuted based on the empirical findings. As such, the theoretical frame is a starting point for the case selection, the development of the working definition, and the empirical data collection. Here the iterative nature of the research process

comes about, but not as strongly as expressed by Dubois and Gadde (2002) or Eisenhardt (1989). The thoughts by Ragin (1992) are closer to the approach applied here; theory and data are regarded as two interrelated processes occurring at the same time. This means that the researcher simultaneously makes sense of the theory through the empirical data and applies theories in the analysis to gain results from the empirical data. This, in turn, leads to the third text row in table 1. The theoretical framework is built on several theories, which were chosen in the early, pre-empirical stages of the study. Within the framework the theories and their combination is reformulated and altered during the research process to meet the empirical data. This can be compared to interpolation, where old theories and concepts are discarded from the framework and new ones are introduced in order to find a fit between the empirical data and the theory (see Weick, 1989). However, in this study a set of theories are combined and this combination is modified gradually during the research process based on empirical evidence, though the theories are not changed or complemented with other theories.

Finally, the stage and mode of theory involvement partially follows the in vivo approach with regard to the premises of this study. The theoretical framework was constructed before the data collection was begun. Similarly, the theory framework has been modified during the research process. However, the study did not commence with one grand theory that would later on be extended and refined. On the contrary, the framework already contained several theories. This was due to the fact that for international growth there was no readily available theory, a fact which necessitated the formulation of an approach from several associated and close-to-the-topic theories. Despite this difference between the in vivo definition and its practical application in this study, the approach selected, i.e. the schools, models, and theories of internationalisation and growth in international business and entrepreneurial orientation in entrepreneurship, has been established for a long time and has relatively long research traditions (Andersen & Kragh, 2008, 27).

3.1.2 The influence of the research aim

With reference to the philosophical discussion of the study, the researcher aimed to stay as objective as possible during the entire research undertaking. Particular attention was paid to this, as the aim was to keep the collected data as free from theoretical presetting as possible. The researcher also wished to obtain data in a manner that would not force the data into existing theories and concepts, but provide room for the interviewees' own interpretations and emergent issues. The chosen case study approach is usually a means for

collecting profound data about a topic, which is either very unique or not yet very well-known (e.g. Yin, 1991). Both of those properties apply to this study in relation to the aim of describing and exploring the international growth paths of SMEs. Hence, the theory and definition development attempt to describe international SME growth and bring a strong methodological emphasis to the thesis. In an attempt to develop and evaluate the theories, and provide theoretical contribution a certain level of generalisability is also needed (e.g. Jones & Coviello, 2005). This need is met by applying a multiple case, multiple method approach, as well as data from different sources and temporal settings. In other words, method and source triangulation is applied (see e.g. Jick, 1979; Flick, 1992; Oppermann, 2000).

When considering the positioning of the study within the research tradition, the study is somewhat theory driven, which could indicate it to be deductive in nature. This follows on from the fact that the research commenced with an extensive literature review to uncover the research gap. However, the in vivo approach meets better the research strategy of this study, as it begins with theory, but is open to constant changes in the framework (Andersen & Kragh, 2007; 2008 forthcoming). The lack of international growth theory and definition, and the relatively rare emphasis on research methods within the international business research context were among the main drivers of this research. This also mirrors the method of procedure of the research process, which resembles a relatively classical one, in which the theoretical framework and the methodological approach are formulated before the collection of the empirical data has begun. On the other hand, the theoretical basis is expected to be reformulated and modified according to the results drawn from the empirical study and the analysis of the research data. This indicates, to a certain extent, that the research is relatively iterative, and resembled an abductive regime, as most thesis studies do (Dubois & Gadde, 2002). In studies attempting to develop and build theory, this approach is commonly used and is, in a sense, necessary. In this study, however, the in vivo approach suggested by Andersen and Kragh (2007; 2008), resembling the abductive and grounded theory approaches, is applied.²⁶ Clearly, the study is not inductive in nature because of its early theoretical and methodological emphasis, at the expense of a start based purely on empirical research material. On the other hand, the study is neither purely deductive, as the theoretical framework is altered during the research undertaking and the analysis of the empirical data is open to emergent findings. To illustrate the positioning of the study, on the

²⁶ In vivo approach shares similar features with systematic combining, i.e. abduction (Dubois & Gadde, 2002) and with iterative grounded theory (e.g. Orton, 1997). However, the form of in the vivo applied in this research is more subtle and does not follow either of the two aforementioned approaches directly. (See Andersen & Kragh, 2007, 8.)

inductive-deductive in vivo roadmap, the hermeneutical line of thinking used during the research process has been illustrated in figure 12.

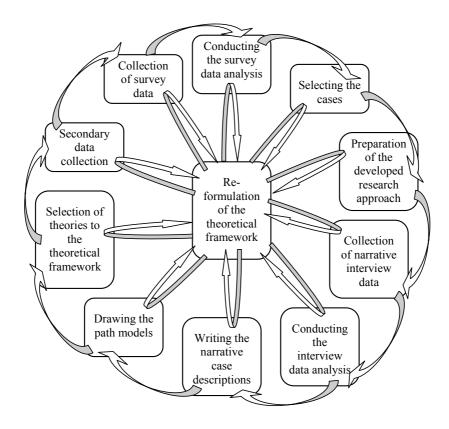


Figure 12 The in vivo process, the hermeneutic circle, of the study in the inductive-deductive discussion

Figure 12 represents the process as a hermeneutic circle, or a spiral, where an understanding of the research process comes about gradually (Gadamer, 2004, 29; Hirsjärvi, Remes & Sajavaara, 2004, 15). One cannot definitely define the research topic or theorise it, but it is possible to obtain knowledge about it that leads the research forward (Gadamer, 2004; Ricœur, 2008). According to Miles and Huberman (1994), patterns of organisational change, such as international growth, can be observed by moving back and forth among the timeline of the change process, the theory and the data, and the research topic and its real-life context. The circle illustrates that even though the reformulation of the theoretical framework often received a development thrust after the intervention of the empirical data, the reformulation of the theoretical framework took place at the same time as the data collection and analysis. In relation to this, it is worth emphasising that, although this study is

somewhat incremental and iterative in its approach, it is not abductive and therefore the reporting of the study does not literally follow the sequence described by Dubois and Gadde (2002). In this study, the empirical data is mainly used to provide a further and deeper understanding of the international growth process of SMEs, to refine and evaluate the constructed cross-disciplinary theoretical approach, and provide an empirical and practical application of the developed methodological approach.

From its theoretical underpinning, the study attempts, not only to describe, but also to explain the international growth process. As already mentioned in the theoretical framework section, the theories of internationalisation, growth, and change serve mainly as descriptive theories for creating a structure for the international growth process, whereas the theories of entrepreneurship work as explanatory ones, which provide the grounds and reasoning for why an international growth process takes place. The study is also interpretive in that it seeks to find the emergent patterns of the international growth process of SMEs. This is manifested in the aim of modelling the international growth paths of the case companies by instrumentally using the organisational lifecycle model. In order to detect as many different international growth change process paths as possible this research employs the multiple case approach described in the earlier chapters. An explanation of and the background to the path models is then given in the written case descriptions. This is done in order to demonstrate that the study adopts a realist stance (e.g. Stiles, 2003). Furthermore, to gain a more profound understanding of the different methods and research approaches, which are utilised in the study, the literature dealing with the philosophy of science, which addresses the qualitative and quantitative research methodologies, the relation between them, and their evaluation and assessment within and across the scope of international business, are also briefly elaborated on within the scope of this study (e.g. Long, White, Friedman & Brazeal, 2000; Onwuegbuzie, 2002).

Turning to the limitations in the conducting of the study it can be seen that the working definition sets certain limitations on the study. The working definition concentrates on the share of international operations to the total annual revenue, whereas the increase in market share could also have been used, as secondary data about its development is equally available. The development in a market share can both indicate the growth a company experiences in the markets it already operates in and its new foreign markets. However, information about market share is often rather subjective, as the information concerning it is mostly derived directly from the companies themselves. Market share is also a fairly relative concept that is often unable to present exact numbers. Additionally, market share is a strategic and market position related concept, in which measurement is more difficult than the

obtaining of numerical and relatively objective figures depicting export development.

3.1.3 The influence of the research approach

From the philosophical viewpoint, the developed approach shares features with ethnography, but is not in the pure sense described e.g. by Atkinson and Hammersley (1994) (see also Flick, 1998), since the studied object, international growth, is identified as the topic of interest, despite the fact that the deepest essence of the topic has not yet been fully uncovered or captured. On the other hand, the approach is not grounded theory either, as it applies existing models, theories, and approaches and multiple-methods, even though it tackles a relatively unknown research topic (e.g. Ekanem, 2007; McGaughey, 2007). The research belongs more to the realist perspective, as it aims to be more holistic and relevant in its methodological and theoretical choices and trust in triangulation, which stands in contrast to the extremes of grounded theory and pure positivism/empiricism and their underlying possible pitfalls (Boje, 2001; Stiles, 2003; Maxwell, 2004). Realism is an appropriate scientific paradigm for studies that aim at describing and explaining complex, social science phenomena (Healy & Perry, 2000), such as processes in social reality (Maxwell, 2004, 246-247). According to Madill, Jordan, and Shirley (2000, 3)

"Three realist epistemologies can be distinguished: naïve, scientific, and critical. Naïve realism asserts a correspondence theory of truth in which the world is largely knowable and just as it appears to be. Scientific realism adds that, although fallible, the scientific method can tap true representations of the world and is the best mode of inquiry. Critical realism, on the other hand, contends that 'the way we perceive facts, particularly in the social realm, depends partly upon our beliefs and expectations' (Bunge, 1993, 231)."

Czarniawska (2002, 733) quotes Brown (1977; 1987)²⁷ in discussing "symbolic realism", where people are creators of their own worlds and they see the pragmatically constructed world as the real one in which they operate.

The research at hand falls in between scientific realism and critical realism in that a scientific method is developed to observe the international growth process in five case study SMEs in the way the companies experienced it during the research period. At the same time, the researcher has attempted to

Original sources: Brown, R. H. (1977) A Poetic for Sociology: Toward a Logic of Discovery for the Human Sciences. Cambridge University Press. New York. Brown, R. H. (1987) Society and Text: Essays on Rhetoric, Reason, and Reality. University of Chicago Press: Chicago.

remain as objective and as detached as possible from influencing the inquiry, i.e. the data collection, and the analysis of the data. This loosely follows the ideas presented by Healy and Perry (2000, 121), where in depth interviewing and instrumental case studies in theory building research are considered to fall within the realm of realist research. Critical realism is visible in this research through method triangulation, i.e. the multiple-method approach, and source triangulation. The triangulation of methods manifests critical realism through retroduction, i.e., it enables the sensible combination of different insights into the same phenomenon, the studied topic. Methods and sources are combined in this study to elucidate the studied phenomenon in as much empirical detail as possible and to develop theory through the elaboration of the found insights. The ontological basis of critical realism supports this application of triangulation (Downward & Mearman, 2007). The philosophical and methodological positioning of the study is demonstrated in figure 13, which has been adapted from Burrell and Morgan (1979, 3).

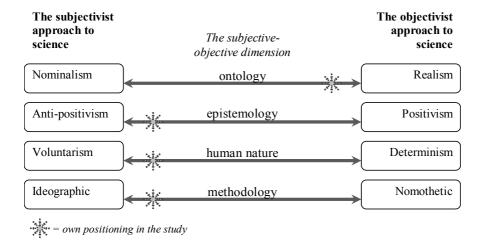


Figure 13 The philosophical and methodological positioning of the study

According to Buchanan and Bryman (2007), the choice of research method affects the way reality is approached and brought into the study. This is relatively obvious, since the methods are the media through which the interviewees are approached, and reality is examined. Realism is also reflected in the manner the data is treated in the study, i.e. the international growth processes are described as richly, abundantly and colourfully as the data enables (Stern, 1973). According to Easton (2002), a theoretical framework is a starting point for research, but it does not limit the existence of an empirical reality outside the research process. Similarly, Guba and Lincoln (1994) and Merriam (1988) see realism in a manner that enables a researcher to discover

the real world, despite it only being imperfectly comprehensible. The alteration of the theoretical framework based on the emergent findings in the data analysis mirrors this argument. Additionally, through realist triangulation, including the use of multiple research methods, data sources, and theories, it is possible to assess the reliability of qualitative analysis (e.g. Flick, 1992; Madill et al., 2000; Oppermann, 2000). This is acknowledged in this study, as several methods and data sources are applied to assess the consistency of the findings, and as prolonged engagement with the process is achieved with a longitudinal approach (Brannen, 1992; Tashakkori & Teddlie, 2003b), despite not taking the positivist approach of verifying the different data against one another and merely collecting the pieces of the puzzle from numerous different places. This is in line with Elliott (2005), who has suggested that despite not using the terms 'reliability' and 'validity' in qualitative enquiry, one must confront the question of accuracy in the narrative accounts. Similarly, and related to the quality discussion of qualitative analysis, according to Madill et al. (2000, 17);

"...qualitative researchers have a responsibility to make their epistemological position clear, conduct their research in a manner consistent with that position, and present their findings in a way that allows them to be evaluated appropriately."

The study can also be considered to be critical as it applies narratives and has developed a research approach to complement existing dominant thinking (Fillis, 2007). The philosophical underpinnings behind visual media in research is often hermeneutics or symbolic interactionism (Flick, 1998), but here the curve illustrations are merely instrumental. In considering the deductive and inductive nature of the study we find it is not purely deductive. This is because it aims at gaining a deeper insight about the topic and does not push uncertain theoretical frameworks or the researcher's preliminary beliefs (see Flick, 1998). It is also not purely inductive because it is very challenging to conduct a study without some idea of what it is one is looking for (see Shaw, 1999). The study is also not abductive as the constant interaction between data and theory is not emphasised in the building and reporting of the study (e.g. Dubois & Gadde, 2002).

3.2 Strategic choices in research design

Studies aiming at methodological contribution require, not only the thorough reporting of the methodological choices and their argumentation, but also their definitions. In this sub-section the main methods and approaches applied in this study are outlined. The text proceeds from defining a longitudinal research

approach through triangulated case studies and narrative stories to the use of visual material as a research aid.

In the field of international business, the most prevalent approach in data collection is the case study method (see e.g. Pauwels & Matthyssens, 2004). However, when it comes to analysis the most typical approach is the textbased analysis of in depth interview transcripts (Dubois & Reeb, 2000). According to Hirsjärvi et al. (2004, 206-208), the increase in qualitative research has also increased the use of so called 'life-history' approaches in data collection, in which a research topic is attempted to be understood through the stories, narratives, and memoirs the interviewees provide. On the methodological side, this thesis concentrates on examining and evaluating different methods and approaches in the context of international growth. Both quantitative and qualitative methodologies, mixed and multiple-method approaches, as well as longitudinal and retrospective research settings, multiple case approach, narrative case description, and international growth path modelling are scrutinized and assessed in trying to find a suitable broad research design that would be beneficial for a theoretical approach and the developing of definitions.

The need for more methodological research in the field of IB has been recognised by many (e.g. Marschan-Piekkari & Welch, 2004; Griffith et al., 2008), and through the extensive literature reviews, conducted at the beginning of this research, certain methodological issues and questions emerged. As more knowledge about the research topic, the international growth of entrepreneurial SMEs, and related theories was gained the methodological needs of the research came clearer. To begin with, the chosen theories in the framework turned out to have one clear common denominator, namely, their process nature. This led to the fact that longitudinal process research (e.g. Goldstein, 1979; Miller & Friesen, 1982; Menard, 1991; Leonard-Barton, 1990; Pettigrew, 1990; 1992; 1997; Van de Ven & Huber, 1990; Golden, 1992), which takes into consideration the unfolding of events over time, was chosen. Since the aim of the study is to develop a theoretical approach and a definition for international growth, abundant research data and information was needed (e.g. Coviello & Jones, 2004). For these purposes, a mixed method approach (e.g. Jick, 1979; Brannen, 1992; Morse, 2003; Hurmerinta-Peltomäki & Nummela, 2004) was considered suitable, as it is, at its best, capable of combining the most profitable features of both research paradigms and in providing large amounts of empirical data. To be able to go deep into the research topic, and acknowledge the uniqueness of the internationalisation and growth change processes on the firm level, a multiple case study approach was chosen (e.g. Eisenhardt, 1989; Yin, 1991; Stake, 1995; Ghauri, 2004).

The primary data collection part of the study, consisting of the follow-up survey and the interviews, i.e. the multiple-method approach, was conducted during the years 2007 and 2008. The secondary retrospective data, on the other hand, covers approximately ten years of financial statements before 2007, depending on the case company²⁸. An analysis of the research data is conducted on an ongoing basis, e.g. the analysis of the retrospective part is carried out as the real-time part commences, and, during the real-time part of the study, an analysis of the quantitative data is carried out before the interviewing begins. This aids the final analysis of the entire study and diminishes the risk that the research data and results would become obsolete during the research undertaking, or that the research would lose its meaning if someone else published a similar study and results earlier.

The empirical study has two phases: the quantitative pilot study and the qualitative case study. The quantitative pilot study was mainly used to find the case study SMEs for the main qualitative study, and to provide both preliminary knowledge about and an indication of the state of international growth in the Finnish SME field in general. These two phases are described in detail in sub-chapters 3.3 and 3.4. However, before that the methodological choices of the study are outlined and justified in the following sub-chapters.

3.2.1 Longitudinal research and the research process

In international business and entrepreneurship research, several authors have called for further longitudinal research (e.g. Boddewyn & Iyer, 1999, 170; Chandler & Lyon, 2001; Jones & Khanna, 2006; Glaum & Oesterle, 2007; 315). Several research topics within the international business field are processual, involve some type of change, or a temporal characteristic, which inherently accommodate longitudinal approach (Paavilainen-Mäntymäki & Raukko, 2009, forthcoming). Generally, longitudinal research design can be defined as a research process that takes place between two points of time. Data collection is carried out on an ongoing basis during a whole research period. According to Miles and Huberman (1994), patterns of organisational change, such as international growth, can be observed longitudinally by moving back and forth along a timeline, theory and data, and the research and its context. From the methodological viewpoint, longitudinal research settings cannot be reached merely by extending traditional cross-sectional research procedures (Goldstein, 1979), although it is possible to carry out process research based

Some of the case study SMEs have had less than ten years of business activity in their legal form as was the situation during the follow-up survey and the narrative interviews.

solely on quantitative data (e.g. Van de Ven, 1992). The temporal nature of data collection, analysis, and the studied phenomenon need to be acknowledged. In this light, there is a difference between longitudinal studies and follow-up studies. Follow-up studies can consist of temporal comparisons of separate sets of cross-sectional snapshot data collected from certain samples, whereas longitudinal studies obtain data also from the intervening time period from several possible information sources. Despite this, a followup study conducted identically at all cross-sectional points of data collection can present a form of longitudinal study. Due to the temporal nature of the research setting, the methods used in longitudinal studies tend to be qualitative, since quantitative studies are often cross-sectional (Smith, Gannon & Sapienza, 1989; Delmar, Davidsson & Gartner, 2003; Coviello & Jones, 2004). Nonetheless, quantitative methods have hitherto dominated in the majority of international business and organisational research projects (Goldstein, 1979; Menard, 1991), and longitudinal research has not been very popular as a research approach (Paavilainen & Raukko, 2006). This argument can be further strengthened by reference to two earlier studies, one by Coviello and Jones (2004) and one by Rialp, Rialp and Knight (2005).

Several issues can explain the unpopularity of the longitudinal approach. The definition of a longitudinal study is not clear, and resembles a loosely connected set of guidelines more than a definition. The time span of a research undertaking can be practically any length of time that spans two points in time, and any mixture of methods most suitable for the studied phenomenon can be chosen. This raises the discussion that the methods are subordinate to the theories and the research topic (Halinen & Törnroos, 1995). Problems related to the definition of a longitudinal study are present in both paradigms. Oftentimes qualitative studies are not reported as following a longitudinal research design, although they use data from multiple consecutive years (e.g. Weinzimmer at al., 1998). In qualitative field methods observation is usually a longer process, and a researcher does not settle for only one observation at a single point of time but spends long time periods in the midst of the research object. This can also be seen as a form of longitudinal research, or at least as having similar characteristics. In quantitative methods the aforementioned follow-up studies can resemble a type of quantitative longitudinal research, where e.g. a survey can be repeated several times unchanged and with the same respondents. One reason for the lack of a watertight definition of longitudinal research is the fairly thin line between longitudinal studies and other quantitative and qualitative studies that share similar characteristics.

Referring to the quantitative viewpoint, Davidsson and Wiklund (2000) make a case for longitudinal design and present some problems associated with causality and the antecedents and consequences of growth. A study where

a growth process began some time ago and ends during the data collection is apt to suffer from distorted causality, if historical data is used as the dependent variable in the causal analysis. The problem is that the causality principle is broken because current explanatory variables are used to explain and predict a past process. Growth-willingness can oftentimes be studied instead of actual growth. This approach in turn brings about the problem of not knowing if growth-willingness is a strong predictor of subsequent growth. Organisational growth is usually measured as the difference between two points in time. There are numerous manipulations of first-year and final-year size for measuring company growth (e.g. Weinzimmer et al., 1998; Davidsson & Wiklund, 2000). Measures of total growth are very sensitive to initial firm size and they presume that growth takes place at a particular point in time. Relative growth measures are less sensitive to initial firm size and assume that growth takes place in the form of smaller annual changes (Davidsson & Wiklund, 2000). The problem in many contemporary formulas is that

"the first-and-last year approaches ignore valuable information concerning the middle years of a study, and thus fail to capture the dynamic properties of growth" (Weinzimmer et al., 1998).

Therefore, a longitudinal research setting may solve this problem.

In entrepreneurship research there is a growing interest in longitudinal field studies, particularly in studies dealing with organisational change processes (Davidsson & Wiklund, 2000). Then again, in internationalisation research, longitudinal, process-oriented studies have been applied for some time (e.g. Johanson & Vahlne, 1990; Buckley & Chapman, 1996; Björkman & Forsgren, 1997; Caves, 1998). As Pettigrew (1990) has noted, longitudinal research has always been a minority taste in social sciences. One issue contributing to this is that in growth studies not much emphasis has been placed on the choice of the time period used in the study (Delmar, 1997). The choice of time period in longitudinal research plays an important role, even merely as regards the respondents' memory. The reliability of a respondents' information is greater, the nearer in time to the present day the studied events are in history. In longitudinal studies, issues that are directly connected to time, such as inflation, should be considered, since they can distort the results and diminish comparability. In longitudinal studies the risk of concentrating extraordinary events is lower when compared to cross-sectional studies, since the focal time period is longer (Smith et al., 1989; Van de Ven & Huber, 1990; Delmar, 1997; Weinzimmer et al., 1998; Coviello & Jones, 2004). According to Pettigrew (1990) a

"...theoretically sound and practically useful research on change should explore the context, content, and process of change together with their interconnections through time."

Much of the research on growth has been triggered after an event has occurred, which affects the method's selection. In longitudinal studies quantitative and qualitative data can be used together or separately according to the mixed method approach. With longitudinal quantitative research, data about changes over a long time period can be collected and change scores developed, whereas with qualitative longitudinal data this information can be completed with periodical interviews. Here again the difficulties associated with cost, time, cooperation, and trust can arise (Smith et al., 1989; Pettigrew, 1990; Gummesson, 1991; Buckley & Chapman, 1996; Yli-Renko, Autio & Tontti, 2002). A noticeable critique of observation in longitudinal studies is that it is immensely challenging for an observer to remain 'unnoticed' by an organisation, i.e. not to have any effect on the studied events during the research (Leonard-Barton, 1990; Pettigrew, 1990; Van de Ven & Huber, 1990; Buckley & Chapman, 1996; Coviello & Jones, 2004). According to Pettigrew (1990) longitudinal studies provide an opportunity to examine continuous processes in context and to consider the significance of various interconnected levels of analysis.

Although longitudinal real-time research has its superior features for studying growth processes, it has its flaws in measuring growth, e.g. growth computations can be somewhat ambiguous, if the studied object changes dramatically during the research process. The most influential problems are those dealing with time, financial resources, researcher involvement, and the generalisability of the results. One way of improving the generalisability of case studies is to test if the findings of one longitudinal case study can be found from other cases studied retrospectively. Another way is to obtain hundreds of retrospective event histories through periodic interviews, but this method sacrifices the in-depth knowledge of how individual changes unfold (Glick, Huber, Miller, Doty & Sutcliffe, 1990; Leonard-Barton, 1990; Van de Ven & Huber, 1990).

"The majority of longitudinal studies rely on retrospective secondary data." (Raukko & Paavilainen, 2009 forthcoming.)

Longitudinal research can be defined in terms of the research data, whether it is retrospective or collected in real-time, as well as the methods of analysis that are used in the research (cf. Menard, 1991, 4). Longitudinal studies can be classified based on their *time orientation* into historical, follow-up, or future studies (Halinen & Törnroos 1995; Pettigrew, 1997; George & Jones, 2000). Historical or *retrospective studies* focus on past time. The data in historical research consists of archival materials and the recollections of people who have witnessed the studied event. The benefits of retrospective research lie in the relatively easy access and availability of data, the possibility to perceive cases and their effects, and their time and cost savings when compared to real-

time longitudinal studies (e.g. Chandler & Lyon, 2001, 112). Consequently, studies using secondary sources avoid the often laborious negotiations of access, and, when interviewing or doing a survey, retrospective stories, sometimes in the narrative form, can only be collected at one time. (See e.g. Raukko & Paavilainen, 2009 forthcoming.) However, retrospective studies are vulnerable to retrospective error, such as the memory loss of the interviewees (see Van de Ven, 1992; Halinen & Törnroos, 1995; Golden, 1997; Biemans, 2003). Another problem outlined e.g. by Golden (1997) is the possible bias in the way secondary retrospective data have been created, i.e. data may not objectively represent the past reality. These aforementioned problems can be corrected by applying several, temporally different data within one study (Van de Ven, 1992; George & Jones, 2000) and by addressing the secondary sources' reliability and validity (Miller, Cardinal & Glick, 1997).

There are arguably advantages in studying processes longitudinally. Pettigrew (1990) states that

"The point of studying a sequence of social dramas longitudinally is that they provide a transparent look at the growth, evolution, transformation, and conceivably decay of an organisation over time."

Many growth and internationalisation process phenomena do not become evident merely by looking at secondary data, a few cross-sections of primary data, or through interviews at a particular point of time within a longer timespan. They may not be studied profoundly without a real-time longitudinal research setting that covers an extended period of time, which provides processual, pluralist, comparative, historical, and contextual data (Pettigrew, 1990; Buckley & Chapman, 1996; Davidsson & Wiklund, 2000; Rosenzweig & Shaner, 2001). Additionally, Jones (1999) and Buckley and Chapman (1996) suggest a longitudinal mixed and/or multiple-method approach for studying the internationalisation process of small firms.

3.2.2 Triangulation and case research

Combining qualitative and quantitative methods and data, as well as temporally different data, is not a new innovation (e.g. Jick, 1979; Flick, 1992; Yin, 1991). Triangulation, such as mixed and multiple-method approaches (e.g. Denzin, 1978; Hurmerinta-Peltomäki & Nummela, 2004), does not provide validity and reliability as such, but may enhance them if applied properly. According to Hurmerinta-Peltomäki and Nummela (2004), the argumentation behind using mixed methods is that if there is only one method, important elements of the research problem would remain unresolved. When quantitative and qualitative data do not support each other, however, the use of

a combination can cause problems. The suitability of the mixed method approach depends heavily on how well the different methods complement each other and fit the research topic (Jick, 1979; Leonard-Barton, 1990; Chandler & Hanks, 1993; Hurmerinta-Peltomäki & Nummela, 2004; Marschan-Piekkari & Welch, 2004). In this study both quantitative and qualitative approaches are used, but the main emphasis is on qualitative methods. This follows the mixed-method definition by Hurmerinta-Peltomäki and Nummela (2006, 3), where any study combining both quantitative and qualitative elements is seen as a mixed-method study.

Triangulation is often used to cross check data (e.g. Denzin, 1989). In this case the data are used to complement each other (e.g. Jick, 1979), not to verify each others' reliability. Tashakkori and Teddlie (1998) state that triangulation can also be justified on pragmatic grounds. This relates to instrumentalism in the sense that methods are mainly used as tools to obtain the required information to answer research questions (Downward & Mearman, 2007). Downward and Mearman (2007, 81) have developed a taxonomy of triangulation. The points from the taxonomy, suitable for this study, are depicted in table 2^{29} .

Table 2 A taxonomy of the triangulation approaches applied in this study

Data triangulation	Involves gathering data at different times and situations, from different subjects.	
Theoretical	Involves making explicit references to more than one theoretical	
triangulation	tradition to analyse data. This is intrinsically a method that allows for different disciplinary perspectives ³⁰ upon an issue. This could also be called a <i>pluralist or multi-disciplinary</i> triangulation.	
Methodological	Involves the combination of different research methods. Between	
triangulation	<i>method</i> triangulation involves making use of different methods.	

Data triangulation demonstrates itself through the use of several different, secondary and primary data sources. Theoretical triangulation, in turn, is represented in the combination of internationalisation and growth theories from the international business field and entrepreneurship theories from the management field. The methodology is observable from the mixed and multiple-method approaches employed in this study. The holistic method of studying companies can turn out to be practically impossible due to

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²⁹ The taxonomy also includes investigator triangulation. It has been left out of the table, as it has not been applied in this study.

³⁰ In the premises of this study, the disciplinary borders are crossed between international business and entrepreneurship research fields.

uncontrollable amounts of data and extensive resource consumption (Smith et al., 1989; Pettigrew, 1990; Van de Ven & Huber, 1990; Yin, 1991; Buckley & Chapman, 1996; Delmar et al., 2003; Marschan-Piekkari & Welch, 2004). Therefore, focusing on a few main features in the international growth process has been a necessity. The main points of interest have loosely been drawn from the theory, i.e. in the process these are the issues related to internationalisation and growth, and within the case study SMEs these are the entrepreneurial orientation, and implicitly this includes the internal entrepreneurial behaviour and culture of an SME, and outside the SMEs, the external business environment and its levels on a very general manner.

The use of a real-time longitudinal study with a retrospective case study is seen to enhance three kinds of validity; construct, internal, and external validity. According to Pettigrew (1990) and Leonard-Barton (1990) the combination offers opportunities for synergistic and complementary data gathering and analysis, and the specific strengths in each of the methods can compensate for some particular weakness in another. Additionally, according to Leonard-Barton (1990);

"...whereas multiple retrospective studies increase the external validity of a research design, a longitudinal, real-time study can increase internal validity by enabling one to track cause and effect".

As Hurmerinta-Peltomäki and Nummela (2004) have pointed out, as the research process progresses, the methodological needs of the research may alter. This may lead an originally 'one-method' study to employ triangulation. It is relatively presumable in longitudinal studies that a study employs more than just one method during its length. The variability of the nature of research is also recognised by Marschan-Piekkari and Welch (2004):

"Rather than approaching the research act as a fixed set of methods and procedures controlled by the researcher, it can be seen more as an enacted, negotiated, adaptive and serendipitous process."

Leonard-Barton (1990) suggests that a case study is a logical methodology when studying processes, even if the generalisation of the results may turn out to be difficult. Despite this, the approach employs both quantitative and qualitative methods, a mixed-method approach (e.g. Teddlie & Tashakkori, 2003a; 2003b) was not considered to be appropriate, but a multiple-method³¹ approach (Brannen, 1992; Brewer & Hunter, 2006) was because quantitative methods have mainly been used for case selection and background research, whereas qualitative methods were used to collect the case content data. This follows the suggestion by Morse (2003) that in a multiple-method approach

³¹ The multiple-method approach is synonymous with the multimethod approach for the purposes of this study.

quantitative and qualitative methods form independent parts of a study while still solving together the overall research problem, whereas in a mixed-method approach qualitative and quantitative methods are used in an intertwined and inseparable fashion to solve the research problem. The use of a multiplemethod approach can also be justified by indicating a gap found in existing theories³². Reflecting on the use of several methods and approaches, McGrath (1981) has stated that

"...in satisfying multiple conflicting desiderata, multiple approaches are required and not only serve the purposes of replications and convergence; they serve the further crucial purpose of compensating for inherent limitations that any one method, strategy or design would have if used alone."

The approach also applies both secondary and primary data according to the suggestions made by Jick (1979, 604) for data triangulation, as the aim in the study is to enrich understanding by allowing the emergence of new and deeper dimensions.

Similarly, Carson and Carson (1998) and Flick (1998) state that by combining and supplementing data from primary and secondary sources, facts about the research topic can be collated. Additionally, Chandler and Lyon (2001, 110), underline the fact that study results are considered more trustworthy if the data is collected from more than one source, e.g. a small firm's CEO. According to Yin (2003) and Jick (1979), the use of multiple sources of evidence within a case enables the convergence of lines of enquiry, which could enhance the possibility of uncovering unique variance that the use of a single method might overlook.

Regarding the case study approach applied in this study, the definition by Piekkari, Welch, and Paavilainen (2009) is used:

"...the case study to be a research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of "confronting" theory with the empirical world."

This definition relies on Ragin (1992) and it emphasises the aim of gaining a profound understanding of a research phenomenon both from the perspectives of theory and empirical data and their fit together. This leads to the descriptions and explanations of the international growth processes as the study of the case companies is not solely reliant on theorising or on empirical data, but on combining them in a way that provides a good fit. Among others, Yin (1991) has stated that using a case study approach is usually a suitable means of collecting profound data about a topic, which is either very unique or not yet very well-known. In the case of international growth, the phenomenon

³² For a similar study, see Mackay, Maguire, Bititci, Ackermann, Davies, Gibb, Van der Meer, Ates, MacBryde, Shafti, and Bourne, (2008).

as such is not very unique, although it is not thoroughly researched, at least from the theoretical perspective. Stake (1995) makes a distinction between intrinsic and instrumental case studies. In the former the case is the main focus of the research. In the latter the case is used to understand the phenomenon in the real world. This is done by studying respondents' perceptions in e.g. in depth interviews, through which the reality of a situation may be grasped. The study at hand falls in the instrumental case study category, as the narratives and the case descriptions are used as instruments, as windows, to the reality presented. The researcher is aware of, on a general level, what is being sought from the external reality in the narrative interviews and from the secondary data. The respondents' perceptions together with the other research material form the reality that is addressed in the research (see Healy & Perry, 2000). The instrumental case approach also gives an indication of the unit analysis of the study. Quoting Berg (2001, 231)

"The unit of analysis defines what the case study is focusing on."

The case study is the instrument through which the unit of analysis is approached. Hence, the unit of analysis in this research is the international growth process, which is studied through the five case study SMEs. This is in line with the notion put forward by Miles and Huberman (1994) that a case is a "bounded system" that resembles an object, such as a company, more than a process, such as the international growth. In addition, Grünbaum (2007) states that the research purpose determines the unit of analysis of a study, however, the unit of analysis is not synonymous with the study purpose. The purpose of this study is to find a methodological approach for studying international growth, and to understand and illustrate the international growth process of industrial SMEs. This indicates that the purpose and the unit of analysis are dissimilar, in spite of being closely related. The connection between the case studies and the unit of analysis in this research is described in figure 14, which is adapted from Grünbaum (2007, 89).

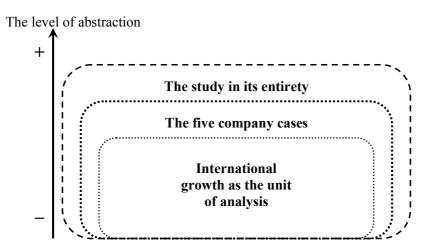


Figure 14 Relations between the study, the cases, and the unit of analysis

The level of abstraction in figure 14 indicates the specificity of the information the researcher is looking for in each level. The most detailed information is required for the unit of analysis in order to be able to describe the cases from this particular perspective, and to answer the research questions set in the research. Each of the five cases is on the same level of abstraction. (Grünbaum, 2007, 88-89.)

The study is a multiple case study, which uses Eisenhardt (1989), Stake (1994), and Yin (2003) in that results derived from small-*n* studies are generalisable through naturalistic and analytical generalisation. Five case companies are included in the research, which follows the suggestion by Eisenhardt (1989) that a multiple case study consists of four to 10 cases. This study follows also the thoughts by Pettigrew (1992) in that

"...the purpose of the process analysis is not just to describe the sequence or tell a story, but to identify patterns in the process often across several carefully chosen cases..."

The chosen five cases form the required critical mass for this study. Generalisation from these cases, let alone one particular case, is not considered desirable due to conceptual problems (see Downward & Mearman, 2007). The five cases are instead considered as a medium for obtaining further and more profound knowledge and an understanding of the research topic. The five cases, as such, are more the means than the end, although their role in the study is central.

3.2.3 Narratives as a vehicle for process study

Narrative approaches and research on processes go well together. In particular, two issues enhance their match, namely the simultaneous complexity and broadness of a process phenomenon and its delimitation within the premises of a research. In other words, the amount of information within a narrative is close to infinite, which enables one to grasp a process phenomenon. Moreover, the narrative approach readily provides organised information in a specific setting, along the story line of the narrative, which eases data management and the comprehension of the process (Riessman, 2002, 697). According to Buchanan and Bryman (2007, 495)

"Process theories tend to adopt a narrative form and to focus on local causality rather than seek to identify universal laws linking dependent and independent variables."

With the help of a narrative approach it is possible to look at different phenomena in a more profound and holistic manner. A narrative as such provides a story of the developments of a subject, taking several perspectives, acknowledging central as well as smaller details, and positioning the different events in a temporal structure, which is produced by the narrator. Additionally, a narrative enables a researcher to remain an observer, letting the story unfold in a 'natural' manner, as expressed and produced by the interviewees and thus enabling the following of the real flow of the process. This allows the researcher the opportunity to stay as objective as possible, and allows narrators to give their own subjective recollections of the studied topic in the length and depth they wish. The content of the storytelling is therefore subjective, whereas the researcher can remain objective (Riessman, 2002, 696). Narratives are often used to compile biographies and historical events and understand a society in retrospect. They can also be used in organisational contexts, such as in this research (e.g. Czarniawska, 2002; Riessman, 2002). Narratives can enter organisational studies in the form of organisational research that collects "tales from the field" (Czarniawska, 2002, 734). Narrative analysis can be a useful tool for organising longitudinal data, and especially data based on a single case of abundant information (see Langley, 1999).

In this study, the focus is on the organisational process of international growth. The narrators in this study are representatives of the case study companies, who provide their recollection of the process over a ten-year period in the recent past, and recall the developments of the international activities of their companies from 1997 to 2006 (cf. Glick et al., 1990, 302). As in many narrative organisation studies, time is incorporated and acknowledged in this study through the process perspective on the research

topic, the theoretical framework based on dynamic theories, and, implicitly, the methodological choices (Czarniawska-Joerges, 1995; Cunliffe, Luhman & Boje, 2004, 261). According to Polkinghorne (1995), narrative studies require a bounded system, a bounded temporal period, which guides and limits what data is to be gathered. This requirement is met with the in vivo approach (Andersen & Kragh, 2007; 2008) and the use of visual material in the interview situation. The in vivo approach, for its part, sets the broad theoretical outlines of the research before the data collection commences. The in vivo approach aids the researcher in maintaining focus in the interviews and guides the analysis, whereas the interviewees are not exposed to the theoretical underpinnings of the study other than through the topic of the research. The bounded temporal period is visible to the interviewees through the international growth path illustrations that are used in the interviews. These illustrations both indicate the timeline of the study as well as give the narratives focus and provide as much and as profound information as possible about the international growth process of their respective companies (see e.g. Bruner, 1986; Mishler, 1986; Czarniawska-Joerges, 1993; Riessman, 1993; Polkinghorne, 1995; and Kaunismaa & Laitinen, 1998, for the discussion of plot/thematic thread in narratives).

Related to the above discussion, the international growth curve is a usable narrative trigger, as it invites the narrator to connect and reveal all the possible issues and events into the story based on the narrators own impression and comprehension of the international growth process in a particular company context. The international growth of a company can, nevertheless, be a continuous process that may not demonstrate itself in everyday business that strongly and that may make it a somewhat tacit process within the firm. It can at least be expected that not all the issues affecting the process are constantly clear in the minds of the interviewees. In building understanding and a bigger picture of the organisational processes, a researcher can use the interview transcripts to construct a narrative of the story of the organisation which leads to a conclusion provided by Czarniawska's (2002, 747) apt words:

"...the narrative approach to the analysis of interviews permits researchers to exploit the potential of this technique to achieve a better understanding of organizing in everyday communication."

3.2.4 Visual aids in data collection

The use of visual materials has thus far been quite marginal in social sciences, and therefore also in business studies (Emmison & Smith, 2000, 2, 11). Emmison and Smith (2000, 12) provide a reasonable explanation for this

"In relation to sociology part of the answer lies with its hermeneutical character – the fact that sociology attempts to understand or interpret social action and must therefore place far more premium on words."

Additionally, pictures and illustrations have mainly been used as research material that has been subject to content analysis, or used in marketing studies following the semiotics research stream (Williamson, 1978; Eriksson & Kovalainen, 2008). Flick (1998), on the other hand, states that visual media has recently been noted to be a usable method. In fact, according to Stanczak (2007, 2-3), visual representation is already an inseparable part of the behavioural sciences in that professional journals publish articles with diagrams that condense research findings into graphs. He states that

"We have come to accepts and even expect such visual representation as signifiers of complex calculations, backed up by a methodological rigor that is offered...as a staple within most social scientific curricula. We are trained to decipher particular kinds of visual representations in order to be scholars in our respective fields." (Stanczak, 2007, 3.)

According to Emmison and Smith (2000, 1, 4), Pole (2004, 4) and Johnson and Weller (2002, 510), visual methods can legitimately include any material that can be experienced through a visual medium. As such,

"In seeking to characterise visual research, therefore, we need to go beyond the possible source of the data to include the ways in which the researcher works with the source of the data it might yield. In this sense, it is about method and methodology, in so far as visual research relies on more than merely collecting and displaying images." (Pole, 2004, 4.)

Similarly, according to Emmison and Smith (2000, 21), visual information can be employed to make theoretical arguments, which are available only through the use of images. However, they also admit that a fair amount of visual material is also used as mere illustration. The role of visual material in a study can also take many different forms at different stages of a study. According to Felstead, Jewson, and Walters (2004, 118)

"Images may record, reveal, elicit, illustrate, demonstrate or evoke meanings."

"Researchers can employ these methods [elicitation techniques] as exploratory or explanatory mechanisms to aid in the development of theory, to supplement other information or enhance an ethnographic description, to test hypotheses, and to elaborate and construct models." (Johnson & Weller, 2002, 496).

Emmison and Smith (2000, 21-22) list four existing approaches to the use of visual material:

- The generation and use of images in ethnographically oriented research as additional means of documentation – an approach frequently applied by anthropologists and qualitative sociologists.
- The analysis of existing, public images in semiotics research for uncovering ideologies and cultural codes – a popular approach in cultural studies.
- The use of diagrams, sketches, and figures in scientific research and communication often applied by constructivists and ethnomethodologists in social science studies.
- The use of video-recordings of social interaction applied by conversation-analysts and in proxemic and kinesic studies dealing with body language and gestures.

The first two approaches are the most frequently applied in earlier research, whereas this study falls into the third category. The visual material can also be generated or derived from secondary sources by the researcher (Felstead et al., 2004, 105). This study concentrates on the data that was generated by images, which had been developed by the researcher from secondary data. The pictures created were used as research material and illustrations for the study. Felstead et al. (2004) reflect on the use of visual materials in research and state that meanings are constructed through the dynamic and varied interrelationships between pictures, interview transcripts, and the theoretical framework.

Visual materials are usable in studies where the entire spectrum and richness of the studied topic is not completely comprehended, or the broadness of the topic is not wished to be delimited in the study. One picture contains usually more information than a traditional interview can elicit. This is usually due to interviewees' inaccurate or incomplete remembering, or the fact that certain issues are not even recognised as being connected to the studied topic. Tacit knowledge, as well as issues that are difficult to explicate in a simple discourse, may remain unmentioned in traditional interviews. Therefore, visual material can tease out information that an interviewee was perhaps not prepared, expected, or required to discuss beforehand, but which emerges during an interview nonetheless (Johnson & Weller, 2002, 491; Felstead et al., 2004; Stanczak, 2007, 11-12). In this study, visual materials have been used to aid data collection when conducting the narrative interviews, and as illustrations of the international growth process of the case SMEs. This strongly reflects the approach introduced by Harper (1994), namely the "photo elicitation interview" and also applied by Collier and Collier (1986) under the name of "photo elicitation methodology". In a photo elicitation the interviewees are presented with an image, which is used to elicit verbal responses and reveal tacit subjective understandings that are captured in an interview (Johnson & Weller, 2002, 492; Felstead et al., 2004). The connection between visual material (in the excerpt photographs) and narratives is well described by Felstead et al. (2004, 112):

"The photographs typically acted as a catalyst that inspired respondents to construct a verbal narrative. They wrapped stories, anecdotes, histories and mythologies around the images. The photographs were triggers of memory and narrative."

The combination of images and text together in a study and in analysis usually creates new syntheses that supersede the use of only interviews or only images (Felstead et al., 2004, 114, 118). This is partially due to the fact that the images affect the way the respondents provide their responses and the way the researcher reads the interview transcripts, i.e. the way the respondents and the researcher comprehend the research topic and the texts. Similarly, visual materials can invite interviewees to include in their responses issues they were not considering beforehand, and narratives can turn out to have completely different stories to the ones the narrator presupposed (Czarniawska, 2002, 735). The suitability of the elicitation techniques in studies focusing on processes is demonstrated by Johnson and Weller (2002, 492) in the following

"Researchers have employed elicitation techniques in various attempts to construct mental models, cultural models, task or process models, and any number of other forms of descriptive and explanatory models of tacit knowledge."

When comparing the used international growth curves with photographs, paintings, and other descriptions and representations of places or events, their subjectivity for the interviewee differs. Images can be interpreted in many different ways depending on the people making the interpretations. As a result, the international growth curves, with their simplicity and objectivity, can be expected to be interpreted relatively similarly by all the interviewees in this study. (Pole, 2004, 4-5.)

3.3 Phase I: Quantitative pilot study

The quantitative pilot study served three main purposes in this study. Firstly, it guided the selection of the case companies for the qualitative main study, and also influenced the final formation of the case study. Secondly, it provided preliminary information about how international growth demonstrates itself in companies and thus helped the development and evaluation of the working definition and the theoretical framework of the study. Thirdly, the pilot study gave general information about the then current (2003-2006) state of Finnish SMEs in relation to growth, internationalisation, as well as international growth. In the following both the collection and analysis of the quantitative

data is described in detail, and the main analysis results that are relevant from the perspective of this research are outlined.

3.3.1 Data collection

The researcher had the opportunity to exploit an existing database of approximately 500 entrepreneurial Finnish SMEs, originally gathered by the Small Business Institute at Turku School of Economics in late 2003 through a telephone aided survey (Heinonen, 2005). The empirical part of the study commenced with that survey's data. The original 2003 survey was interested, among other things, in growth and internationalisation intentions and the behaviour of Finnish SMEs operating in different branches and industries around the country. The sample was based on a random sample, which explains the division of the SMEs into several industries and branches. Altogether 498 SMEs, fitting the EU size limitation for SMEs, participated in the 2003 survey.

As access to this research material was gained, and an idea for conducting a follow-up survey as a replication of the first one was in the air, more secondary data on the SMEs in the 2003 survey was collected. This data covered the account periods from 1997 to 2006, in other words, the last ten years of the companies' operations. The secondary data was partially collected to design a follow-up survey and gather additional retrospective data about possible future case study companies. Based on the secondary data, it turned out that quite many of those companies that participated in the first round were still up and running and it was therefore worthwhile conducting a second round. On the other hand, the secondary data were also usable for scanning for whether any usable information about the growth and internationalisation of SMEs was available via secondary channels, and, simultaneously, to get a preliminary idea of what the information needs would be for the primary data collection.

In practice, first, empirical secondary data, in the form of financial statements over a ten-year period, was collected for an entire population. This secondary data was collected from company web-pages, published company material and press releases, readily available data from statistical and other databases, such as Amadeus (Analyse MAjor Databases from EUropean Sources), Voitto+ CD (a CD-ROM published by Suomen Asiakastieto, containing statistical financial data about Finnish firms), The Finnish Business Information System (BIS), the National Board of Patents and Registration of Finland, as well as articles and news reports from Finnish and international trade journals, periodicals, and newspapers.

The follow-up survey in spring 2007 was a replication attempt of the original 2003 survey with the same questions and target sample³³. The attempt to duplicate the original survey in exactly the same fashion is in line with the objective of conducting longitudinal research. However, the study is simultaneously iterative in nature, which led to a possible loss in the sample, which is tolerated, and those questions in the earlier survey that were not workable or were found to be unessential were left out of the second survey. A noticeable issue here, particularly from the longitudinal viewpoint, is the fact that the questions dealing with internationalisation and growth were kept constant in both surveys. The follow-up questionnaires were also filled in with the help of telephone interviews. Altogether 277 companies from the original 498 participated in the follow-up and filled in a usable questionnaire in the second round. No significant differences were found between the companies that did and did not participate in the follow-up survey. In the analysis, thereafter, the 2007 empirical primary data was statistically analysed and compared with the 2003 data to ascertain possible changes internationalisation and growth variables, and to pin down possible international growth development. The required information in the analysis was extracted through descriptive statistics, crosstabs, and a one-way-ANOVA analysis using the Statistical package for Social Sciences (SPSS) 14.0. Based on the findings of the follow-up survey suitable case study companies for the study were identified.

3.3.2 Data analysis

The analysis of the quantitative primary data concentrates on the panel data derived from the follow-up survey conducted in 2003 and 2007. The survey data concentrated on the growth of SMEs and was a cooperative effort undertaken by several researchers from the Turku School of Economics, and particularly the TSE Entre, which led to the fact that the survey approached growth from several viewpoints. As such, for the purposes of this study, only a handful of questions were considered to be of relevance, i.e. those questions on international growth. The primary use of the survey was to define what international growth in the Finnish SME field actually is and which of the surveyed SMEs actually had materialised growth during the research period. In the search for a working definition of international growth and the case

³³ It is worth noting here that the 2003 survey inquired about information for the accounting period for 2003 and the 2007 survey for the accounting period for 2006. Therefore the ten-year period is calculated backwards from 2006 leading to a research period from 1997 to 2006.

SMEs, several statistical tests were made on the survey data, such as regression analysis. However, it turned out that the only way case SMEs and international growth could emerge from the data was the question related to the amount of international operations, often exports, to the total annual revenue. Despite the fact that the survey included questions on international growth orientation (e.g. Nummela et al., 2005) and the companies' attitudes towards international activities and growth, it turned out that these factors had either a limited or no significant relationship with the materialised international growth³⁴. As a result, 13 suitable SMEs were located and a working definition of international growth was formulated based on calculating whether the share of the companies' international operations to their total annual revenue increased during the research period.

The secondary numerical data used in the study consisted of the balance sheet and financial statements of the 13 companies. This data were used to obtain more, relatively objective background information about the SMEs in question. The particular focus in the secondary numerical data was on figures depicting international operations, as well as on figures illustrating the number of employees and the total annual revenue. Based on the figures on international operations the international growth curves were drawn for all the 13 companies. However, figures on international operations were not available for all the companies for all the consecutive years in the research period, and as a result, the curves were of a different length, and sometimes discontinuous for the different SMEs. As the number of case companies decreased to the five that agreed to participate in the case study, it was found that for these companies there was no missing data for the research period. In order to be able to evaluate growth from other perspectives, and to compare international growth with other growth indicators, the figures describing the number of employees and the total annual revenue were gathered from the secondary data. The curves developed from these figures were mainly used in the findings and discussion to shed further light on the results and conclusions, while the international growth curves were developed for data collection and also used in the analysis as research material.

The typical objective in many growth and internationalisation survey studies is to compare grown and internationalised companies with ones that have not, and derive indications as to why some companies develop in this direction and others do not (for a similar approach within the Finnish metal industry see Mäkinen, 1989). In the quantitative analyses, that observed the changes from the two surveys, the following general findings, which reflect

³⁴ For a more thorough reporting on the relationship between intentions and orientations and international growth in the same sample, see Paavilainen and Kuuluvainen (2008).

the state of the Finnish SME field, were obtained. Altogether 20.4% of the studied SMEs had grown during the research period from 2003 to 2006. In contrast, 19.7% of the SMEs showed no change in the magnitude of their international operations, and 59.9%³⁵ of the SMEs operated solely in the domestic market. With reference to the magnitude of the reported international operations in the studied SMEs, it was found that only 11.2 percent of the SMEs received more than half of their annual revenue from international markets. In total, as many as 42.6% of these internationally operating SMEs received only 10.0% or less of their annual revenue from international markets and, consequently, the domestic market remained the prime source of revenue for the majority of internationally operating SMEs.

Turning to the international growth expectations, only 8.8% of the domestic market SMEs believed that they could grow internationally during the next three years. However, 70 percent of internationally grown and 60 percent of the international SMEs expected that they could grow internationally up to 2010. An illustrative finding was also the fact that only 2.2% of the respondents expected fast international growth over the next three years. Additionally, 6.6 percent expected slight international growth, and a notable share of 76.9% of the SMEs expected that their situation would remain unchanged for the upcoming three years. This indicates that SMEs with some international experience consider international growth a much more lucrative opportunity than SMEs operating solely in the domestic market. It can also be observed that SMEs with no current international operations expect that their situation will not change, i.e. they will not commence international operations in the near future. Regarding the international operations of the SMEs, only 16.6% of respondents stated that export cooperation is important for their company. It is also worth noting the fact that as many as 74.2% of the internationally grown SMEs thought that export co-operation is not important at all. A summary of the findings of the pilot survey is presented in appendix 7.

The reporting of the analysis of these quantitative materials clearly shows that the main emphasis in the study is on qualitative methods. This is partially due to the findings gained during the analysis that the usability of the survey material in answering the research questions is limited. Therefore, the research approach applied in this study is termed a multiple-method approach, which uses source and data triangulation rather than the mixed-method approach (e.g. Denzin, 1978; Jick, 1979; Yin, 1991; Morse, 2003; see also sub-chapter 3.2.2).

This number includes also 11 SMEs that had either ceased their international operations or ceased their business operations altogether during the research period.

In the following sub-chapters the selection of the case study participants from the follow-up survey for the qualitative main study is described step-by-step.

3.4 Phase II: The qualitative case study

The qualitative case study described here forms the main study within the empirical research. The following sub-chapters are devoted to the description of the selected cases and their selection process, the development of the methodological approach for the purposes of this research and its practical, empirical application in data collection and analysis, as well as the evaluation of the usability of the developed approach.

3.4.1 The selection of the cases

The aim was to extract the case companies to be interviewed from the survey database based on the retrospective secondary data collection and real-time data collected in the follow-up study. A company had to be an entrepreneurial SME demonstrating international growth for it to be included in the study³⁶. This was already outlined in the working definition of international growth. As the aim was to model the international growth paths of SMEs, the researcher strived to obtain, for her study, as many cases as possible so that the emerging paths would be plentiful, and thus present a wider spectrum of international growth processes. In the cases to be written, the narrative approach is used and the interviews concentrate mainly on the international growth development process of the case study firms, and therefore do not follow the direction of a classical case study in a verbatim form (e.g. Dyer & Wilkins, 1991). That is to say, the entire 'life' of an organisation is not captured in the limits of this study, but mainly the length of time that the firm engages in the international growth process. The number of case companies to be included in the research is limited by the fact that longitudinal data is necessarily needed to observe change and, therefore, the cases needed to be found from among the SMEs in the two surveys.

The selection of the cases was a profound and meticulous process. Before turning to the selected cases the survey and the questions, on which the selection was made, are briefly presented. The operationalised working

³⁶ One selection criteria was the fact that during the follow-up survey period of 2003-2006 there should not have been a merger or an acquisition that could have distorted the organic international growth path of the companies, and/or the companies should be the same legal entity during their entire longitudinal research undertaking.

definition was used in the case selection, whereas the theoretical working definition was applied in the analysis. The operationalised working definition of international growth was:

International growth is the increase in the share of international operations to the total annual revenue of an SME in the percentages or the monetary terms measured.³⁷

that guided the selection of the cases, and therefore also the survey questions that were considered to be central to the research issues. The question selection was not a straight forward process, but more of a trial and error one. At first, several survey questions that dealt with materialised and planned internationalisation and growth, and also the orientation towards internationalisation and growth were considered. It, however, turned out that when several different internationalisation and growth questions were used at the same time in sorting out the case firms, there were no hits. In other words, there were no firms in the sample of the 277 firms that would have answered positively to several questions about intentions, orientation, and the realisation of international growth, and in line with these, negatively to questions about intending, being oriented towards, and having realised internationalisation or growth. This led to a situation where obtaining several possible case studies required narrowing down the number of selective questions to three questions. These were:

- What is the percentage share of international revenue³⁸ to total revenue? (the same question was used in both surveys to reveal the change, i.e. growth or decrease in the magnitude of international activities)
- What is the standard industrial classification (SIC) of the company?
 (the SIC codes from the two surveys were compared to detect possible changes in industries and branches)
- Is the company willing to participate in a further study? (This was only used in the question in the 2007 questionnaire)

The exclusion of firms from the 277 sample, which eventually resulted in the selected SMEs, took place in three steps. In the first step the firms were classified into three groups based on whether they had reported some international revenue for the accounting year of 2003 and/or 2006. Firms that did not report any international activities in either year were excluded. At this stage, firms that had not answered this question were excluded due to their

³⁸ What the international activities that were included in this particular survey question were was not precisely specified. Based on the other questions in the survey, the companies also reported other activities that they had abroad other than solely exporting.

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³⁷ In the case selection the possible drawbacks in the operationalized working definition were not considered as fatal, since the companies had demonstrated undisputable international growth, despite the possible changes in the total annual revenue.

missing data. Firms that reported international activities only for the year 2003, but not for 2006, were also excluded, as they had opted out of the international growth process and it was no longer possible to measure international growth. Finally, firms that reported either international activity in both years, or only for 2006, were left in the sample. At this stage, in the sample, there were firms that had engaged in international activities during the whole longitudinal research period, from 2003 to 2006, and firms that had started their international growth process during the research period. With the latter firms, it was evident that there was an increase in the share of international revenue to the total revenue, but with the former firms, the change in the reported figures could have indicated three possibilities; growth, decline, or stagnation with regard to the share of international revenue. Thus, as the focus is on growth, the firms that indicated either decline or stagnation in international operations in relation to total revenue, when comparing the 2006 figures with the 2003 figures, were excluded.

To ensure that all firms that had international activities, to the extent that it could be interpreted as being more than a coincidence or an exception in a cross-sectional measurement; two separate descriptive measures were developed. The first is that the share of the international revenue to the total revenue of a firm should be at least 25%. This follows the suggestion by Gankema et al., (2000, 17) that SMEs that make a systematic effort to increase their sales through exporting to multiple countries and, therefore, demonstrate an export to sales ratio of 10 to 39 percent. The other is that the share of international revenue to the total revenue of a firm should be at least 500.000,00 Euros (€). These two measures, measuring the same issue but from different angles, were developed and accepted for use side by side with each other, since the measures are proportional. In other words, for some firms the percentage share was way under 25%, but when measured in monetary terms, the share was way over 500.000,00 €. Then again, on the other hand, for some firms the percentage share of international activities was way over 25%, but when measured in euros, the share was way under the limit of 500.000 €. As a result, the sample included, after these exclusions, firms that had a share of international revenue that satisfied either the minimum requirement of 25% or 500.000 euros in either 2003 or 2006, and also had indicated growth in their share of international activities to total revenue during the research period of 2003 to 2006. At this stage, there were 19 possible case SME candidates, which filled the aforementioned requirements.

The second step was to categorise the 19 firms according to their SIC codes. This was done to check whether the SME selection would be representative compared to the entire sample (N=277), and whether some industry or branch would dominate in the sample. Of the 19 SMEs, 16 were

manufacturing companies, two were service companies, and one was a retail/trading company. In table 4, the relative distribution of the main industry classes within the total sample of 277 SMEs in 2003 and 2006 is presented.

Table 3 The distribution of main industry classes within the total sample of 277 Finnish SMEs

Year 2003		Year 2007		
Branch class	Percentage share (%)	Branch class	Percentage share (%)	
Manufacturing	26.24	Manufacturing	26.24	
Construction	14.89	Construction	15.25	
Retail/trading	15.25	Retail/trading	15.60	
Accommodation and catering service	4.46	Accommodation and catering service	3.90	
Transporting, warehousing, and telecommunications	7.45	Transporting, warehousing, and telecommunications	7.45	
Services (R, H, O)	24.11	Services (R, H, O) ³⁹	23.79	
Other	5.32	Other	5.32	
TOTAL	100.00	TOTAL	100.00	

The seven main industry classes are derived from the classification of the SIC codes from the Blue Book (The Blue Book, 2007). This further classification of the SIC codes to upper-level, larger categories was considered appropriate as the bare SIC-numbering of the firms would not have indicated any clear distribution of the firms into certain fields of industry.

Comparing their distribution within the total sample of 277 SMEs and the selected 19 cases, an adequate resemblance can be discovered between the two; manufacturing firms represent the largest share, services the second largest, and retail/trading the third largest share. This reflects quite well the fact that manufacturing is one of the easiest branches to internationalise in. Internationalising services, in spite of the Internet, which has eased the situation in some cases, is still a great challenge, particularly for SMEs. As 16 out of the 19 companies were manufacturing firms, the decision was made to concentrate on the manufacturing firms and exclude the three other SMEs. With this focus on manufacturing SMEs that had possible interfering variables, such as the particular characteristics of specific industries and the external factors influencing a particular industry, were, perhaps, controlled for at least to some extent.

³⁹ The services include R: real estate, rental and research services, and business services, H: health care and social services, and O: other societal and private/personal services.

Turning to the final, third step in the case selection. As the aim of the further study after the survey was to conduct narrative interviews with the selected case companies, a preliminary review, during which companies could be contacted, was conducted. This review was based on the question of whether the firms could be contacted after the survey for some additional interviewing and data collection. Three of the 16 companies asked declined. Based on this final exclusion, there were altogether 13 companies, all of which were willing to participate in a further study, in other words in the narrative interviews.

The names of the case SMEs are not provided, which leads to the fact that they are given descriptive names that reflect and characterise their international growth process. The companies are of different age and size, and ranged from 1935 to 2002 for their year of establishment, and from 11 to 300 employees in 2006. The companies are located all around Finland. The common factors between the companies were that they met the EU SME size limitation (1 to 250 employees) in 2003 (some of them have since grown beyond that limit during the research process) and they are manufacturing companies. The cases are presented in more detail in chapter four, and the selection of interviewees is presented in sub-chapter 3.4.3.

3.4.2 The visual episodic narrative interview – the developed approach

From the methodological perspective, several authors have lately been studying and discussing several different methods and research approaches and their theorising and usability in the international business field (e.g. Marschan-Piekkari & Welch, 2004; Ghauri & Grønhaug, 2005) and in entrepreneurship (e.g. Hjorth & Steyaert, 2004; Hine & Carson, 2007; McGaughey, 2007; Neergaard & Ulhøi, 2007). Their emphasis has been on exploratory, qualitative and mixed and multiple-method approaches. The context of the studies has also changed, which comes to light in the statement by Flick (1998, 2) that

"locally, temporally and situationally limited narratives are now required." Similarly, according to Buchanan and Bryman (2007, 489) and Sinkovics, Penz and Ghauri (2008, 6), creative and flexible methodologies and research designs are required to tackle volatile and dynamic international business research topics and rapidly changing organisational settings. They suggest the building of text narratives from interview data in order to capture the meaning of an international business phenomenon and to obtain a holistic view of its context. This increased focus on qualitative and more unconventional methods substantiates a change in the field. Some have even called it the new

movement or a linguistic turn in social sciences, as in the beginning of the 1990s Holliday (1992) stated that the emphasis in social sciences has mainly been on quantitative methods. This change has enabled the answering of the "how" and "why" questions more efficiently and also brought novel and more versatile approaches to the field (Boje, 2001; Ekanem, 2007; Fillis, 2007). According to Buchanan and Bryman (2007), in organisational research the epistemological eclecticism has resulted in

"the development of novel terminology; innovative research methods; non-traditional forms of evidence; and fresh approaches to conceptualization, analysis, and theory building. Examples of inventiveness in method include the use of organisational stories; narratives; visual, pictorial, and photographic images...These innovations are particularly evident in the domain of qualitative and interpretative methods."

These novel approaches are needed since the behaviour of markets and therefore firms has changed and keeps on changing, e.g. due to constant technological development, new market agreements and policies, changing customer needs and tastes, and globalisation (e.g. Johanson & Vahlne, 1990; Young, 1990; Ruzzier et al., 2006), and the existing research approaches, applied in an orthodox manner, no longer adequately meet with the requirements of the business reality (e.g. Mishler, 1986, 76; Flick, 1998; Fillis, 2007). According to Flick (1998), qualitative methods ought to be selected based on the research topic and be embedded in the research process. Evered and Louis (1991, 8) stated, already in the early 1990s, that:

"Greater epistemological appreciation seems to be an essential prerequisite to developing an appropriate inquiry approach whereby researchers would explicitly select a mode of inquiry to fit the nature of the problematic phenomenon under study, the state of knowledge, and their own skills, style, and purpose."

This research rides this new wave by presenting the development and testing of a research approach called the *visual episodic narrative interview*. The background for developing this approach is the complexity of the phenomenon and the difficulty of approaching it in a manner that would not force the phenomenon into a possibly ill-fitting theoretical framework. Based on Johnson and Weller (2002, 500) the researcher ought to use the terminology and categories used by the interviewees and not vice versa. The aim is also to respect the context of the phenomenon, take the perspective of the company, and to understand the phenomenon. This methodological approach is designed *to collect data about the international growth process of entrepreneurially behaving SMEs in a more profound manner, and therefore provide a richer understanding of the procedures of a process.* This developed

approach goes hand in hand with the suggestion of using a multimethod inquiry by Brewer and Hunter (2006, 33):

"Do something different."

This also follows the statement by Buchanan and Bryman (2007, 484)

"...method is increasingly located in the context of wider and more fluid intellectual currents, discouraging rigid adherence to epistemological positions, encouraging a more pragmatic "do whatever necessary" or "pick and choose" approach to methods choice."

And that by Stanczak (2007, 12)

"The reflexive methodological position allows for the greatest malleability of conventional approaches. In fact, some suggest that unique configurations of each individual project require correspondingly new or tailor-made methods."

The choice of method depends on the studied phenomenon. In line with the research by Ekanem (2007), a gap was discovered between theory and practice in terms of the studied topic, namely the international growth process of SMEs. Consequently, in general, there were no readily available singular methods or approaches that could have directly served the purpose of the study. Thus, the approach presented in this paper was designed to address the gap. Other issues affecting the choice of method were the situational and contextual factors in relation to the research project, such as the availability of research material and the number of cases.

In the designed research approach, the case study, multiple-methods, the use of visual materials, secondary and primary data, and episodic narratives are combined. This combination is in line with writings of McGrath (1982) and Gummesson (2005), where they advocate the benefits of methodological pluralism and the multiple-method approach, and Yin (2003), who advocates the broad use of case studies in exploratory and theory testing research. The case study is also preferred as it allows the follow-up of the international growth process of individual SMEs over time, and enables the collection of rich data to answer the "how" and "why" questions. Moreover, case studies go hand-in-hand with the narrative approach, as they both capture stories (Mishler, 1986, 112; Czarniawska-Joerges, 1993; Polkinghorne, 1995).

Studying SMEs poses several challenges for research. Firstly, in small enterprises the number of unique and coincidental factors is high. Secondly, empirical studies have had quite different approaches and are mainly based on only one explanatory factor (Coviello & McAuley, 1999). Thirdly, studies focusing on SMEs are time and context bound, which leads to a pool of very heterogeneous research. And fourthly, researchers have stumbled on difficulties in obtaining detailed information on SMEs' foreign investments and firm performance, and therefore not many studies concentrate on the

performance implications of SME internationalisation (e.g. Lu & Beamish, 2001). In this developed approach an attempt is made to overcome these pitfalls and drawbacks. The approach is designed to take into account the unique features of each case study SME's international growth process and the abundance of possible issues influencing it (see Flick, 1998, 25-26). As it is not completely self-evident, particularly from the theoretical perspective, as to what should be looked for it is important not to overlook any information and to strive for depth and breadth in the diversified data (see Brewer & Hunter, 2006; Fillis, 2007). This is done in a similar, consistent manner in each case. The approach is longitudinal, as it follows the international growth process of the SMEs for the same time period of ten years, and as such, the time frame of the study should not influence the results strongly. The narrative approach, then again, is applied as it is able to provide rich data about the international growth process from the interviewees' viewpoint by concentrating on their interpretations of the process (Mishler, 1986; Czarniawska-Joerges, 1993; Riessman, 1993; Polkinghorne, 1995; Kaunismaa & Laitinen, 1998; Elliott, 2005). Narratives are also suitable in studies, where the theoretical framework is not fully set, as it does not force theory upon the narratives through exact research questions. Additionally, an attempt has been made through these methodological choices to minimize the possible interviewer influence on the research data and results (e.g. Mishler, 1986; Elliott, 2005). However, the approach is evaluated via a sample of Finnish industrial SMEs, which sets limitations upon the study. With regard to the difficulty of obtaining detailed information about the foreign operations of SMEs, the longitudinal, narrative and multiple-method nature of the approach is applied to provide the research with a rich, detailed, and profound dataset (see e.g. Czarniawska-Joerges, 1993; Shaw, 1999).

Finally, the episodic narrative approach is used according to the ideas of Flick (1998) (see also Riessman, 1993), as the phenomenon in question is theoretically relatively unstructured, and therefore deducing interview questions or themes from theory is considered to be challenging and possibly deceptive. By giving the interviewees the possibility to freely tell a story about the development of their company⁴⁰, they perhaps give a richer, deeper and more revealing description, especially when coupled with explanatory issues and background about the studied phenomenon. Additionally, when visual materials are used to guide and evoke discussion and storytelling, the episodic narrative approach is the most suitable as it enables the interviewee to

⁴⁰ As the focus is on an organisation, a narrative approach is more suitable for data collection when compared to biographies, which are more personal and often deal more with the life histories of the subject (see e.g. Gummesson, 1991; Vidal, 2003).

concentrate on the specific situations and episodes forming the core of the research (Czarniawska-Joerges, 1993; Cunliffe et al., 2004), and to freely reflect on the visual material, and allow the interviewer to probe, if necessary.

Comparing the used international growth curves with photographs, paintings, and other descriptions and representations of places or events, their subjectivity to the interviewee is different. Images can be interpreted in many ways by different people. Resulting from this, the international growth curves, with their simplicity and objectivity, can reasonably be expected to be interpreted relatively similarly by the interviewees. (Pole, 2004, 4-5.) This is followed also by the fact that the interviewees were briefly introduced to the method at the beginning of the interview. To conclude, regarding the reliability of the interviewee narrated stories, the interviewees are usually more committed to narratives than to interview questions, and when information is provided in the form of stories, the consistency of the data is better than in interviews consisting of separate questions (Riessman, 1993; Flick, 1998).

The drawbacks related to the narrative approach are to a large extent connected to the textual and language analyses that can be conducted with the interview transcripts. The approach requires attention to subtleties, such as nuances in speech, the organisation of the responses, relations between the interviewee and the researcher, and the social and historical contexts of the narrated stories (Riessman, 2002, 706). However, in the context of this study, these drawbacks are not considered relevant.

3.4.3 Applying the developed tool for data collection

The companies that demonstrated some kind of international growth paths were chosen as the case companies for this study, and qualitative personal interviews in the form of narratives were conducted in order to gain more profound knowledge about the unique features of their international growth paths. Based on the information gathered via the retrospective study and the survey in 2007 the case interviews with their structure, content and timetable were planned. As the survey concentrated more on growth and internationalisation and the entrepreneurial characteristics of a company, the interviews concentrated more on the process itself and the factors that possibly explained the development of international growth.

Using a multiple-method approach instead of a merely quantitative or qualitative study for studying international growth is still a relatively infrequently used method. Thus, the varied data can be seen as a prerequisite to the ability to make a unique theoretical contribution. This works as a justification for choosing a longitudinal follow-up mixed method case study approach with several temporal settings.

A problem in conducting longitudinal research, particularly from the temporal point of view, is that there is no exact definition of how long a study should be, i.e. how long the time duration of the data collection should be or how long a time span the data should cover, for it to be called longitudinal. In this thesis a follow-up study is used. The first part of the quantitative study was conducted in 2003 three years previously to the second. In spring 2007, the follow-up study was conducted to track the possible changes and developments in the case study firms, and the quantitative survey data was enriched with narratives conducted in spring 2008, which forms the main dataset for the study and statistical retrospective data for the years 1997 to 2006. Figure 15 illustrates the progress of the data collection and analysis within this research.

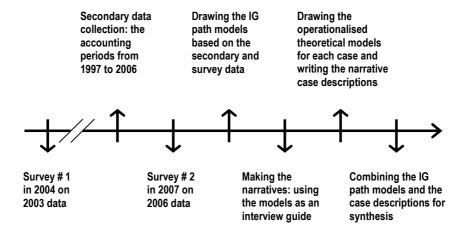


Figure 15 The data collection and analysis procedure

The multiple-method approach includes the use of a quantitative survey that was the second part of a follow-up study - the first part was conducted in 2003. This was a duplicate of the first one, conducted together with the Small Business Institute in spring 2007. However, minor changes based on the feedback from the first survey were made. In the qualitative methods narrative interviews with the chosen case SMEs were conducted⁴¹. Nevertheless, longitudinality is present both in the follow-up survey and in the retrospective

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⁴¹ Another doctoral student from Turku School of Economics, M.Sc. Arto Kuuluvainen, participated in the case interviews as an interviewer with his own semi-structured interview questions for his own doctoral thesis study.

international growth path models and the narrative case descriptions, in other words, the quantitative and qualitative data are assessed more than once.

As in any research, it is of foremost importance to identify the most suitable and knowledgeable respondents regarding the research topic. For the purposes of this study, five firms were identified from a follow-up survey, which indicated that they had all experienced materialised international growth for the research period of 2003 to 2007. To be able to show a tangible description of the actual materialised international growth process the balance sheets of those five SMEs for the years 1997 to 2006 were collected from the National Board of Patents and Registration of Finland, as those figures indicated the companies' share of international activities, such as exporting and sales, to their total annual revenue.⁴² Curves depicting their international growth process were then drawn. These curves formed the visual material to be used in the interviews. Neither the theoretical framework nor the operationalised theoretical framework was shown to the interviewees before or during the interview. Similarly, no reference to the theories or models used in the study was mentioned or presented to the interviewees. Those decisions were taken as the researcher did not wish to influence the interviewees' narratives by providing them with concepts or ideas from the existing theory because the aim was to gain new insights and further clarification about the topic in an exploratory manner. The role of the theoretical framework aimed to give the researcher a preliminary sketch and understanding of the topic in order to develop the data collection tool. Other data that were extracted from the balance sheets were figures indicating the annual revenue and the number of employees. These other two figures were used to form graphs of the development of the company during the research period so as to provide a context for the international growth process and the dealings of the case companies during that time. In the five case companies nearly all the figures for all the years were observable. Simultaneously, other publicly available secondary data were also collected from company web pages, newspapers and trade journals, and the publications of different research centres and institutes. This was done to ensure that the case companies had remained the same legal entities for the 10 year period studied, which allowed for the observation of their development process with the same units of measurement and therefore easy comparison. An example of the international growth curve of a case

The only measure extractable from the follow-up survey and the balance sheets, able to depict the international growth of a firm, was the share of international activities to total annual turnover. The term "activities" was originally used, as all international operations, both inward and outward, were considered to be of interest when studying international growth. However, the focus later on was shifted to outward operations, as the balance sheet figures depicted the share of the export and foreign sales of the companies.

study SME, illustrating the development of its international operation income, during the studied period, is depicted in figure 16.

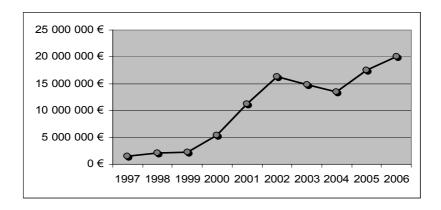


Figure 16 An example of the visual material used in the interviews: the international growth curve of a case study SME

The interviewees in this research were selected based on three issues: they were entrepreneurs, owners, or managers of the SME, they had personally responded to the follow-up survey(s), and they had experience of the SME, the industry, and the international activities of the company. The professional positions of the interviewees in this study were:

- Director of HR and strategy,
- Sales director,
- Managing director,
- Sales and marketing director, and
- Deputy managing director.

The aim in the interviews was to collect stories of international growth from knowledgeable case company representatives who had, in one way or another, followed and observed the international growth process of their company from 1997 to 2006. Only one interviewee was chosen from each case company, since it was expected that collecting several overlapping narratives from each company might not be purposeful and might result in fast data saturation, plus the aim was not to cross-check the validity of the interviews by having several respondents from one company (cf. Glick et al., 1990, 304). Additionally, as several research approaches and sources are applied within this research undertaking, the number of interviews is not expected to affect the trustworthiness of the findings of the conclusions of this study. The curve worked as a guide to the story and the secondary data were used to complete the possibly missing parts in the storyline. The use of only one narrator also emerged from the fact that the international growth process was treated as a

company-level phenomenon and that the perspective of the SME would be taken. Inevitably the interviewees' subjective memory causes the narratives to be personal interpretations of events. Nevertheless the study aimed to be objective and tried to concentrate on providing objective descriptions of the international growth processes.

When the interviews were arranged, they were arranged separately, the interviewees were informed about the particular nature of the interview, but the curves were not revealed to them until they were in the actual interview. However, before beginning the interview, it was ascertained that the interviewees agreed that the curve truly resembled the development of their company. In the interview the interviewer again presented this exploratory approach to the interviewees. The aim of the narrative interview was to gain information about the possible *explanatory* factors behind the rises and falls in the curve. The interviewees were to use the curve as an interview guide and context and build their story of their company's international growth around it, as the curve both depicted the development of the process and provided a timeline (see e.g. Bruner, 1986; Mishler, 1986; Czarniawska-Joerges, 1993; Riessman, 1993; Polkinghorne, 1995; and Kaunismaa & Laitinen, 1998, for a discussion of a plot or thematic thread in narratives).

The interview began with a request for a brief general description about the company and about the interviewee, which served as a warm-up activity, and which simultaneously served the episodic narrative interview with usable information. Often the interviewees started to discuss the curve already at this stage. After this, the interviewees were encouraged to describe how the curve came about, if they had not yet done so at this stage. When the interviewees gave an indication, usually a long silence, that they had finished their story episode, the interviewer turned to the prepared four theory-driven episodic probe questions⁴⁴ that dealt with the main forms and shapes of the curve and that were then asked one by one, making sure to give the interviewee time to narrate more, and thus obtain further clarification about the process and the events. These four probes are listed in table 4, together with their theoretical underpinnings and their explanatory factors. The probes were kept on a very general level to avoid the push of theoretical concepts and models and to focus on the interviewees' interpretations of the international growth process (e.g. Mishler, 1986; Czarniawska-Joerges, 1993; Elliott, 2005). At other times the

⁴³ This was done irrespective of the fact that the balance sheet information, which the firms are obliged to provide by law, was received from an objective governmental body.

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Probes are understood in this study not direct, structured interview questions but questions that either encourage the interviewee to provide further clarification of their narrative or to move onto narrating a new topic during the interview within the whole narrative story.

interviewer stayed silent and indicated agreement with the interviewee by merely nodding.

Table 4 Probes used in the episodic narrative interview⁴⁵

Probe 1	What are the most influential factors behind the international growth development of your company in your opinion?	Explanatory factors: internal external decelerating factors accelerating factors	Theory background: entrepreneurial orientation external environmental/strategy growth internationalisation
Probe 2	What are the most influential events or turning points and their timing on the curve in your opinion?	Explanatory factors: internal external decelerating factors accelerating factors temporal positioning	Theory background: growth stages models internationalisation stages models the process view management/entreprene urial behaviour
Probe 3	What issues can you recognise of being behind the upturns of the curve?	Explanatory factors: accelerating factors internal external	Theory background: opportunities innovativeness/entrepre neurial behaviour
Probe 4	What issues can you recognise of being behind the downturns of the curve?	Explanatory factors: decelerating factors internal external	Theory background: challenges/risks external environment timing

The connection between the probes and the international growth curve, used as an interview guide, is presented in figure 17.

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The probes are derived from the theoretical framework as a whole and from the growth curves.

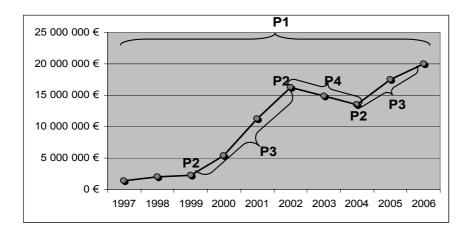


Figure 17 An exemplary curve with the probe questions

After all the probes were asked and the interviewees again indicated with silence that they had said all they felt they had to say the interview was ended with a request for a general characterisation of the international growth development of the SME in question. The interviews lasted from one to two-and-a-half hours, they were digitally recorded, and notes were taken during the interviews. The recordings were transcribed within a week of the interview and the transcripts were printed out and filed, for each SME, in a separate folder, together with the interview notes and secondary data collected from the public sources⁴⁶. In the transcription phase the interviews were written out in as much detail as possible with paralinguistic utterances, false starts, repetitions of certain words, and interruptions. However, as the interview transcripts were not exposed to textual analyses, but to content analysis, these additions in the transcripts were not given further attention.

The narrative descriptions were written from the perspective of the case companies and concentrated mainly on the issues and events related to the international growth process. When describing the stories the main emphasis was on the stages of internationalisation and growth, the possible entrepreneurial orientation factors and entrepreneurship in general, the pros and cons of the process, the possible external business environment factors influencing the process, and the timing and sequence of different events and their background. In the narrative case descriptions several direct quotes from the interview transcripts were taken. The translation of these quotes was made

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⁴⁶ For a more concise presentation of the method development and data analysis, see Paavilainen (2008) Visual Episodic Narrative Interview: a Multiple-Method Longitudinal Approach for Studying the International Growth Process of SMEs in the Proceedings of the 34th EIBA Annual Conference, Tallinn, Estonia, 11th-13th of December, 2008.

by the researcher with the aim of keeping as much of the original character and nuances of the interviews as possible.

3.4.4 Data analysis

The analysis of the research material was conducted in three waves. The first wave analysed the follow-up survey material to find the targeted case study SMEs. This analysis was basically a run through the descriptive statistical tests of the survey data. During this analysis wave, a working definition of international growth was developed, and the workable quantitative measure for international growth was found from the survey data. The second wave dealt with the secondary material collected on the case SMEs from public sources. This material was checked to provide background information on the SMEs, to find support for their suitability for the study, and to develop the visual material. The third wave involved the content analysis of the episodic narrative interviews, which is described in further detail in this section.

The analysis of the data was conducted according to the guidelines of the qualitative content analysis (Flick, 1998) and resembles the stages involved in the historical investigation (Gottschalk, 1956). Qualitative content analysis was then selected as the method of analysis as it is compatible when using visual material and interview transcripts for analysis in case-oriented studies, and also because it is a relatively clear and easy approach, and the categories and themes of analysis are derived from existing theories, but are flexible and modifiable during the research (Flick, 1998; Shaw, 1999; Boje, 2001; McGaughey, 2007). As the theoretical frame was considered to be relatively rough and preliminary, the theory and curve-driven, so-called *metathemes*, which could also be considered first-order themes, used in the analysis as codes were very general and the same as the interview probes (see table 5). The researcher went through the interview transcripts several times and underlined with four different colour markers the four different metathemes. After these general themes were identified from the transcripts more finegrained, emergent themes, which could also be considered to be second-order themes, were allowed to emerge for coding (see Mishler, 1986, 3-4, for a discussion on coding manuals; Boje, 2001; McGaughey, 2007) to provide further information and details about internal and external company issues and factors connected to and forming the process of SME international growth. This approach was taken to avoid too much theory influence on the analysis of the themes and to enable receptivity and keep an open mind for emergent themes. Following the thoughts of Czarniawska-Joerges (1993) and Polkinghorne (1995), the narratives consist of the interviewees' interpretations

of the process, whereas the analysis consists of the researcher's explanations of the process. At the same time the collected, case specific, secondary data was used to compare and complement the narrative data, and to broaden and strengthen the case evidence where suitable (Gottschalk, 1956; Cunliffe et al., 2004; Brewer & Hunter, 2006). The two levels of the themes of analysis are grouped in table 5. In the first column there are the probes from the interview and in the second column there are the themes that emerged from the empirical data, which is grouped according to the used probes.

The metathemes were applied to make the first interpretations of the data, since no clear picture of what international growth was had been reached at that point. Therefore the researcher did not wish to narrow down the possible issues that could be connected to or play a role in international growth. The second-order codes were introduced to bring further structure to the phenomenon. However, the second-order themes mainly list issues that can be identified in connection to international growth, but they do not help clarify the topic. Instead, the number of second-order themes shows the complexity and multiplicity of the phenomenon. This indicates that the mere thematisation and coding of the research data may not uncover the desired larger holistic picture of the topic. As such, the use of case descriptions can be considered to be vital to the solving of the research questions.

Table 5 Metathemes used in the interview and emergent themes from the analysis

Metathemes (interview)	Emergent themes (analysis)	
Influential factors	Firm resources	
	Management team and employee characteristics	
	Size	
	Activeness	
	Flexibility	
	Risk-taking	
	Creativity and innovativeness	
	Persistence and extrovert attitude	
	Learning and experiencing	
	Co-operation with an agent	
	Knowledge and information about the markets	
	Freedom of creativity and open communication	
	Low hierarchy	
	Country culture and specific country characteristics	
Influential events	Changes in industry characteristics	
	Rationalising operations	
	Generative mode of strategy making leading to new strategy	
	Finding a new partner or agent in foreign markets	
	Establishing new foreign office	
	Gaining information about market and competition	
	Changes in domestic and foreign legislation	
	Changes in global economic trends	
	New customer needs creating demand	
	Opening-up of new markets and introducing new customers	
	Making a discovery or invention or innovation within the firm	
Upturns (accelerating	Firm resources	
factors)	Management team and employee characteristics	
,	Finding of new customers or segments	
	Trust in own skills and ideas	
	Long-term relationship with an agent	
	Risk-taking	
	Willingness to experiment	
	Opportunity recognition	
	Opening-up of new market areas	
	Making a discovery or invention or innovation	
	Competitive aggressiveness	
Downturns (decelerating	Change in industry characteristics	
factors)	Size	
<u> </u>	Risk-taking	
	Limited firm resources	
	Changes in economic trends	
	Fierce and/or changed competition	
	Ending of a long-term relationship with an agent	
	Bad timing	
	Loss of focus and concentration on irrelevant issues	
i	Management team and employee characteristics	

After this thematisation analysis, a list of themes derived directly from the theoretical frame was created (see table 6) in order to reflect the empirical

findings in light of the selected theories. The list included all the themes that are commonly used in existing studies and literature dealing with internationalisation and the growth of entrepreneurially behaving SMEs⁴⁷. From the numerous derived themes, presented in the centre column in table 6, a few broader themes were synthesised. The aim in forming this synthesis was to keep the analysis on a more general level, and not to have themes that were too strict or narrow, which could restrict the analysis or the emergence of possible but unexpected themes. In the synthesis the different themes were reorganised in a manner that meant there would be less overlap between the different theories and models.

The internationalisation themes were basically synthesised to those factors that either drive or inhibit internationalisation and that usually originate either from the inside or outside of a company. The growth factors were synthesised to show those themes that indicate the organisational changes that occur within a company during its growth. The entrepreneurial orientation factors were synthesised to those themes that follow the main factors identified in the literature. In the analysis, these entrepreneurial orientation factors are accompanied by supporting evidence from the literature on entrepreneurial behaviour. Table 6 lists the theories from the theoretical framework, the themes derived from the theories, and the synthesis of these themes made for the purposes of the data analysis.

The author has taken the freedom of including here a list of theory-drive themes, which occur in mainstream internationalisation, growth, and entrepreneurial orientation literature, but the list is not to be taken as a definitive set of themes. The aim is more to illustrate the two lists, one from empirical data and the other from the theoretical frame.

Table 6 Theory-driven themes from the theoretical framework

Theories and models	Derived themes	Synthesis of the derived themes for analysis	
Internationalisation	Management behaviour and attitude	Company internal	
(e.g. Fina &	Information collecting	factors:	
Rugman, 1996;	Foreign demand	 Management 	
Leonidou &	Planning	characteristics and	
Katsikeas, 1996;	Opportunity seeking	behaviour	
Petersen & Welch,	Resource commitment	Company	
2002)	Experience and learning	resources Strategy	
	Resource commitment	Company external	
	Co-operating with agents and partners	factors:	
	Market situation in domestic and foreign	Market	
	markets	circumstances in	
		the domestic and	
		foreign markets	
Growth	Diversity, complexity	Factors affecting	
(e.g. Hanks, Watson,	Leadership characteristics and	growth:	
Jansen & Chandler,	management style	 Company culture 	
1994; Churchill,	Planning and control	Company	
1997; Lester, Parnell	Decision-making	resources	
& Carraher, 2003)	Structure	 Strategy 	
	Environmental scanning	 Management, 	
	Communication and information sharing	organisation, and	
	Resource availability	structure	
	Culture and organization		
	Activeness		
	Ability to take initiative		
Entrepreneurship;	Management team characteristics	Entrepreneurial	
entrepreneurial	Common vision and shared value system	orientation factors on	
orientation	Firm resources	company level:	
(e.g. Lumpkin &	Generative mode of strategy making	 Proactiveness 	
Dess, 1996; 2001;	Proactiveness and dynamism	 Competitive 	
Kropp, Lindsay &	Opportunity recognition and	aggressiveness	
Shoham, 2008;	competitiveness	 Autonomy 	
Moreno & Casillas,	Independence and autonomy	Risk taking	
2008)	Risk taking	Innovativeness	
	Innovativeness and creativity		

Subsequently the themes that emerged from the empirical data and the theory-driven synthesised themes were combined. Table 7 indicates the variety of emergent themes that the synthesised themes can include. This approach of first employing metathemes and broad, synthesised themes from the tentative theoretical framework represents the openness of the analysis to emergent findings. Similarly, as the interviewees were not exposed to the theoretical framework or theoretical pre-set premises during the interviews, the data were not forced into a fixed theoretical formulation. However, to be able to provide

some structure and outline for the analysis these broad themes were used to obtain some preliminary understanding of the studied phenomenon and some indications about the possible findings to be gained from the empirical research data.

Table 7 also indicates the connections between the emergent themes, the synthesised theory-driven themes, and the probes employed in the data collection. It is clear that all the probes were applicable in all the thematic areas that were both derivable from the tentative theoretical framework and that emerged from the narrative data during the thematisation analysis.

Table 7 A comparison of emergent empirical and theory derived themes and their connections to probes

Emergent themes (analysis)	Synthesised theory-	Probes with theory
	derived themes	background
Learning and experiencing	Company internal	Probe 1:
Knowledge and information about	factors:	external
the markets	Management	environment/strategy
	characteristics and	 internationalisation
Management team and employee	behaviour	Probe 2:
characteristics	Company	 internationalisation
	resources	stages models
	 Strategy 	 process view
		 management/entrepren eurial behaviour
Trust in own skills and ideas		Probe 3:
Size		opportunities
Firm resources		Probe 4:
Establishing new foreign office		 external environment
		 challenges/risks
Country culture and specific country characteristics	Company external	Probe 1:
	factors: Market	• external
Finding of new customers of	circumstances in	environment/strategy • internationalisation
segments	the domestic and	
Changes in industry characteristics	foreign markets	Probe 2: • internationalisation
Opening-up of new market areas		stages models
Finding a new partner or agent]	Sunges models
Changes in domestic and foreign]	Probe 3:
legislation		opportunities
Changes in global economic trends		
New customer needs creating		Probe 4:
demand		external environment
Firm resources]	challenges/risks
Fierce and/or changed competition		

Flexibility Firm resources Low hierarchy Size Learning and experiencing Rationalising operations Establishing new foreign office Loss of focus and concentration on irrelevant issues Timing	Factors affecting growth: Company culture Company resources Strategy Management, organisation, and structure	Probe 1: Growth Probe 2: growth stages models Probe 3: opportunities Probe 4: challenges/risks timing
Creativity and innovativeness Activeness Gaining information about markets and competition Freedom of creativity and open communication Persistence and extrovert attitude Learning and experiencing Flexibility Management team and employee characteristics Firm resources Trust in own skills and ideas Willingness to experiment Opportunity recognitions Making a discovery or invention or innovation Competitive aggressiveness Risk taking	Entrepreneurial orientation factors on company level: • Proactiveness • Competitive aggressiveness • Autonomy • Risk taking • Innovativeness	Probe 1:

The themes visible from table 7 and their implications for the international growth process are discussed in more detail in section four below, where the case descriptions are presented and a further, in-depth analysis of the research data is conducted. As such, the thematisation mainly provides some information about the issues and factors connected with international growth, which were detectable from the primary data collection. However, their relationships and roles within the process still require further elaboration and analysis.

To close this sub-chapter, the usability of the developed research approach is addressed. Tables 5, 6, and 7 depict both the emergent themes from the empirical data and the theory-driven, synthesised themes. The usability of the visual episodic narrative interview is shown to be usable in that it enabled the emergence of themes that were not readily identifiable from the used theories. The actual analysis of the empirical primary research data is presented in detail in chapter four together with the case descriptions and the international growth paths.

When all the collected research data were analysed, they were compared with the tentative theoretical frame and then the similarities and differences were identified. The differences in this case indicated the emergent findings. Based on those findings, the development of the theory was begun. Simultaneously, the case descriptions were written up and the international growth paths were modelled with the help of the operationalised theoretical framework.

3.5 The trustworthiness of the study

This study has applied a multiple-method approach with an emphasis on qualitative approaches. Therefore the quality of the study is considered to be best evaluated with approaches that fit the qualitative regime. Several authors have stated that evaluating the quality of a qualitative study with quantitative approaches is difficult and complex, since the aims, contextualisation, and epistemological assumptions of quantitative and qualitative studies are different. Qualitative studies often aim at exploring, describing, and understanding new or unknown phenomena; whereas quantitative studies often aim at finding general laws, universalities, and generalisable causalities. Additionally, studies in the realist paradigm have similarly lacked clear assessment criteria (see e.g. Lincoln & Guba, 1985; Denzin & Lincoln, 1994; Yin, 1994; Healy & Perry, 2000; Buchanan & Bryman, 2007; Sinkovics et al., 2008). In both qualitative and quantitative studies the validity of the study needs to be addressed by the researcher's own critical judgement that is based on the researcher's knowledge and belief about how their research has been conducted from conceptualisation to reporting. This is partially a rhetorical process. (Gabriel, 1990.)

Evered and Louis (1991) discuss a different paradigmatic divide, namely inside and outside inquiries and take a more epistemological stance in their discussion. According to them:

"...appreciation of epistemological issues has implications for the evaluation of the research products. It leads to a belief that the quality of a piece of research is more critically indicated by the appropriateness of the paradigm selected than by the mere technical correctness of the methods used." (Evered & Louis, 1991, 8.)

In the outside inquiry the researcher constitutes knowledge and reality based external observations and is detached from the organisational setting. This has been criticized, among others, by Habermas (1971) as an 'objectivist illusion'. Then again, in the inside inquiry the researcher comes to know the reality of the organisation by becoming immersed in the organisation and by

experiencing the organisational life. This has been criticized for example by Russell (1945) as the 'fallacy of subjectivism'. Other differences in these two paradigms, which are relevant to this study, are the sources of analytical categories and the contextual nature of the approaches. In the outside inquiry the extreme is that the researcher sees in the research material only the issues that have been sought in the study, and overlooks everything else. In the inside inquiry, the researcher is open to new, emergent issues while exploring new research territories but, in extreme cases, is indecisive about what to study in the end. From the contextual perspective, in the inside inquiry the researcher is involved in the setting and appreciates the organisational phenomena in their context and from the participant' viewpoints. In the outside inquiry the researcher sees the data as context-free and factual when the data have the same meaning across settings and situations. However, the extremes of these paradigms can also be used in unison, since both approaches and both kinds of knowledge are needed to advance understanding. Similarly, both approaches are needed to overcome the deficiencies of the other. Evered and Louis (1991, 17-18):

"Research from the outside systematically overlooks critical features that often render the results epistemologically valueless. Such shortcomings can be overcome by inquiry from the inside. Inquiry from the inside, however, may appear to be so fuzzy that its findings often have dubious precision, rigour, or credibility. But, in turn, these shortcomings can be overcome by inquiry from the outside. ... One is methodologically precise, but often irrelevant to the reality of organizations; the other is crucially relevant, but often too vague to be communicated to or believed by others."

This study falls in between the two paradigms and their extremes. The multiple-method approach with several data sources is a mixture of these two, as suggested by Evered and Louis (1991, 17-20). The narratives provide the inside look at an organisational reality and the secondary and quantitative data provide the outside viewpoint. The reality of the international growth process is mainly constructed by the interviewees based on their experiences and interpretations and then complemented with secondary material by the researcher. The external interpretation produced by the researcher is limited by the fact that the interviewees narrated their stories with the visual guideline and the narratives have been taken as they were in the analysis. Therefore, the narratives did not include much material that had not been used in the analysis and the entire study. Also, due to the nature of the research topic, the subjective accounts of the interviewees were not, in the end, very subjective. Regarding the multiple-method approach, this research is placed between the inside and outside inquiry extremes, but, nevertheless, it leans more towards the qualitative methodologies. Figure 18 illustrates the positioning of this study between the two paradigms originally represented by Evered and Louis (1991, 13).

Dimension of	MODE OF INQUIRY		
difference	From the outside		From the inside
Researcher's relationship to setting	Detachment, neutrality	← ½, ½, , , , , , , , , , , , , , , , ,	'Being there', immersion
Validation basis	Measurement and logic	←	Experiential
Researcher's role	Onlooker	← ※ <u>´</u>	Actor
Source of categories	A priori	← ☆	Interactively emergent
Aim of inquiry	Universality and generalizability	←	Situational relevance
Type of knowledge acquired	Universal, nomothetic: theoria		Particular, idiographic: praxis
Nature of data and meaning	Factual, context free	←	Intepreted, contextually embedded

:: = the position of this research

Figure 18 The positioning of the study between the two modes of inquiry

In relation to the above discussion and the positioning represented in figure 18, the validity and reliability of this research are evaluated with concepts and tests that are more suitable to qualitative studies. These tests are *credibility*, transferability, dependability, and confirmability (e.g. Lincoln & Guba, 1985; Gabriel, 1990; Sinkovics et al., 2008). Looking at these tests from the quantitative perspective, equivalents can be detected. Credibility in qualitative studies corresponds to internal validity in quantitative studies, transferability parallels external validity and/or generalisability, dependability equals reliability and stability of results over time, and confirmability corresponds to objectivity (Sinkovics et al., 2008). Healy and Perry (2000) developed a criterion for judging the reliability and validity of qualitative research in the realism paradigm. Their criterion includes six tests; ontological appropriateness, contingent validity that equals credibility, multiple perceptions of participants and of peer researchers that equals confirmability, methodological trustworthiness that equals confirmability, analytic generalisation that equals transferability, and construct validity. In the following, the study is evaluated with the six tests.

The ontological appropriateness of a study refers to the evaluation of whether the philosophical underpinnings of the research undertaking fit the studied topic, i.e. the reality under investigation. In this research the instrumental case approach, together with narratives, is employed. The narratives and the case descriptions are objective from the researchers' perspective, but subjective from the narrators' perspective. Therefore, the researcher is able to peek into the interviewee's reality through the stories the interviewees have narrated and the secondary research data the researcher has collected, and take the information as it is, as real. Similarly, as the research was commenced with a tentative, modifiable theoretical framework, the researcher had a preliminary idea of what could be sought from the reality to be presented. As such, the case study worked as an instrument for gaining access to the real world. With regard to the ontological appropriateness of the study, the studied topic, the methodological approach and the chosen realism paradigm would all seem to fit together.

The credibility of the study focuses on the research data and the findings. The main research data set compiled for this study consists of narrative interviews and secondary documentation from several sources. The aim of the narrative interviews was to obtain the stories of the international growth process of the case companies. From each of the five case companies one interviewee was selected based on his position and knowledge of the company's past international development. The interviewees were encouraged to freely narrate their own story about the process and their only guidance was to focus on international growth and the years 1997 to 2006. The narrative stories were complemented in the analysis with secondary data to obtain a more detailed, exact, and thorough account of the past events. The secondary data was not, however, employed to check or verify the interviewees' stories. Admittedly the narrative stories are the subjective accounts of the interviewees. Nevertheless, it was considered that as the study focuses on the general international growth process of the case companies, interviewing one knowledgeable representative of the company would be adequate, since secondary data was also applied. Comparatively, the researcher attempted to affect the data and the data collection process as little as possible, and therefore the visual episodic narrative approach was designed to approach the research topic with objectivity and with as few theoretical preconditions as possible. The possible memory-related problems were also addressed with the use of the visual material, which gave a timeline to the story, and by the fact that the events in focus were from the recent past. Regarding the interpretation of the data, a relatively objective standpoint can be taken, since the narrative stories and the secondary material gave a rather clear picture of the process and its stages and the researcher's interpretations were not central to the explanations. Moreover, the interpretation of the data and the findings were more focused on connecting the particular events and changes in a company's international growth processes with the micro and macro economic developments in the global markets during the research period. In realism, there is one reality. As such, the research topic has one reality. All the narrative and other research data were collected to shed light on the international growth process. Therefore, all the data, and moreover the interviewees, share a contingent context; the internal and external environment in which the international growth took place. Thus, if the data is considered credible it follows that the findings can be accepted as credible.

Transferability in a study relates to how well the findings can be 'transferred' to other, similar contexts. The reporting and description of the research process has been made relatively thoroughly and meticulously, which ought to increase the possibility to repeat the study in the same, or in another context. Similarly, the ability to specify the unit of analysis and the case within a study usually increases the transferability (Grünbaum, 2007). The unit of analysis is international growth, which is studied through five company cases. Transferability can be addressed also from the perspective of the research setting. In this study, the focus was on Finnish industrial SMEs that had grown internationally during the years 1997 to 2006. This makes the studied company group relatively narrow. However, by dividing the research focus into smaller entities, the transferability of results is enhanced, and the usability of the study generally broadened. Firstly, when looking at the pool of Finnish SMEs, the companies are relatively heterogeneous, and suffer from relatively the same challenges and obstacles, but have the same incentives when internationalising; i.e. the smallness and distant location of the home market and fierce competition in the global markets. Moreover, transferring the findings to other countries, at least in terms of comparative studies, is possible and an intriguing avenue for further research. Secondly, when looking at industrial manufacturing SMEs, the companies compete in different fields, have different competences, work with different raw materials, sell to different clients and so on, but they are, however, quite similar; they are relatively old, they concentrate to a large extent on engineering skills and R&D, the growth of their branch is quite slow, and there are many competitors in the field. Thirdly and finally, when looking at companies that are growing internationally, they all must possess something unique that has made them

succeed as exporters. Even though the number of case studies is small a certain character, or a combination of good timing, skills, strategy, and execution is observable in all the companies. Additionally, the theoretical framework of the study is broad and combined, which makes the findings a target for scrutiny in many other disciplines and therefore the findings should be significant for different fields of research. Finally, the explanatory and descriptive qualities of the combined theoretical framework mirror the topic studied and are evaluated in the results and discussion of the study. Based on this, the transferability of the results can be considered to be at least adequate.

Dependability, which can be considered to correspond to reliability in more quantitative studies, is observable in this study through the longitudinal nature of the research, the arduous drafting of the working definition for international growth, the meticulous nature of the case selection, and the use of several data sources. Observing a research topic for a longer time period usually decreases the chances of drawing conclusions based on coincidences or abnormalities, which can happen in cross-sectional studies. Regarding the working definition and the case selection, the main aim was to ascertain that the companies selected from the follow-up survey sample for the study truly demonstrated international growth. In the working definition two measures, the share of international operations to annual revenue in percentage terms and in Euros, were employed to demonstrate that the companies were engaged in continuous and financially relevant international activities during the research period. Altogether 13 SMEs met the requirements set by the working definition, of eight of them there was adequate preliminary information for drawing the international growth curves for the narrative interviews and of these companies five agreed to participate in the study. Finally, the use of several data sources, such as narratives, the follow-up survey, research reports, scientific journal articles, business press periodicals, company web pages, and company publications, enabled the elaboration of the research topic from several perspectives. Simultaneously it enabled a compilation of the international growth process descriptions in a more thorough and holistic way and enabled the researcher to see whether the data from the different sources were aligned. In the narrative case descriptions, direct quotations from the interview transcripts were included in text. This was done both to enliven the case descriptions and to provide the cases with more transparency regarding the exact contents of the narratives. Based on this evaluation of dependability, it can be concluded that the findings drawn in this study are not based on a fluke, accident, or a momentary exceptional circumstance.

The confirmability of this study, in turn, can be addressed through a step-by step clearly documented analysis, transparency in all reporting, and by assuring the reader that the thread of the study can be followed unambiguously

from the beginning to the end. In this research the aim has been to report all the choices that have been made, all the limitations the study has been burdened with, and all the challenges the researcher has stumbled upon as openly and in as much detail as possible. In the analysis all the stages are described, which enables the reader to see, how the findings were reached and how much interpretation the researcher has been applying. Similarly the reached and emergent findings are discussed, evaluated, and strengthened according to and through the theoretical framework, existing scientific literature, and earlier studies. In the narrative case descriptions the researcher has endeavoured to tell the stories of the interviewees to the readers as directly as possible. Due to the topic of the study and the interview methods, the interpretations made by the researcher have been kept to a minimum. Similarly, it can be expected that the interviewees meant what they said and narrated during the interviews, as the topic was not very personal or ambiguous. According to Flick (1992) and Madill et al. (2000), researcher, research method, source, and theory triangulation has been applied in the realist framework to analyse the reliability of qualitative studies. Realist triangulation can be, in a sense, connected to the confirmability test. This is due to the fact that it combines data, approaches, and viewpoints from different perspectives and builds knowledge and understanding based on the combined meaning of a studied phenomenon. In this research method triangulation, data source, as well as theory triangulation has been applied. Researcher triangulation has not been directly applied, but the research has been exposed to external criticism and comments during the research process through the participation and presentation of the research on occasions and through different academic outlets. In reflecting on the study based on these aforementioned points, it can be said that the confirmability of the study is on a relatively solid basis and is exposed to the analysis of the reader and the audience. Naturally the researcher aims at presenting as trustworthy and as truthful a set of results and conclusions as possible, since that enables the development of the research field on a credible and sustainable basis.

The final test is the construct validity of the study. This test is perhaps the most difficult one to address, as it deals with how well the collected research data about the constructs in the developed theoretical framework are measured in the research. In a study that employs narratives, and therefore grants the interviewees the freedom to express themselves to the length and depth they would like, the ability to control the data and its linkages to the theoretical framework is challenging. However, in the narrative interviews the international growth curves and the four broad probes worked as interview guides for the interviewees. This increased the manageability of the data. In addition to this, in spite of the fact that the methodological approach did not

force any constructs or theories upon the interviewees, many of the constructs from the theoretical framework did emerge in the narratives. This does not cause a problem for the development of the theoretical framework though, since the theoretical framework is based on existing models and theories. From this, came the expected result that the framework would prove to be suitable, at least to some extent, as the existing models and theories have also been empirically tested in earlier studies. Additionally, an attempt has been made to constantly aim to modify the tentative theoretical framework based on the empirical findings, and not on testing its usability.

Regarding the in vivo approach applied in this research, its usability also needs addressing. One of the limitations of the in vivo approach is the fact that a study begins with a theoretical framework, which can influence a researcher's observations and their openness to emergent findings. In this research the theoretical framework was expected to be altered on several occasions already at the start of the study. Similarly, applying the narrative approach guaranteed a vast amount of research data that would also include unexpected material. As such, the researcher cannot be considered to have been too attached to a preliminary theoretical setting that would have been open to criticism from any combination of theories and would not have left any room for thinking outside the framework or for making alterations within the framework.

Turning to the trustworthiness of the narrative accounts, Riessman (2002, 706) states that the trustworthiness of narrative accounts cannot be evaluated with traditional correspondence criteria. This shortcoming can, however, be overcome with the strengths of the empirical data. The interviewees are often more committed to narrative interviews than to structured and thematic interview questions. This leads to the fact that the interviewees are more interested themselves in the stories they are providing than in responding to singular interview questions. Additionally, when information is provided in the form of stories, the consistency of the data is better than in interviews consisting of separate questions, which eases the analysis and decreases the amount of interpretation the researcher as an analyst is required to make (see e.g. Riessman, 1993; Flick, 1998). In evaluating the multiple case study approach, the use of five cases in the study is not considered a limitation to the research, as the aim of the study is not to generalise the findings to all Finnish industrial SMEs, or SMEs in general. In the context of realism, the focus is on building understanding about the international growth process of SMEs and on developing a theoretical basis for it. (Healy & Perry, 2000.) In qualitative studies the generalisation rests on naturalistic and analytical generalisation instead (Buchanan & Bryman, 2007). Interview based qualitative case studies usually look for rich data and a profound understanding instead of generalisability or more structured sense making (see e.g. Silverman, 1985).

The trustworthiness of this study was evaluated along the following six points: ontological appropriateness, credibility, transferability, dependability, confirmability, construct validity, and trustworthiness. All these points were considered by earlier research to be suitable for evaluating the quality of a qualitative research project. As was indicated by the preceding discussion, these criteria proved to be a good fit with the study at hand, provided a profound evaluation of the different aspects of the research undertaking, and showed that the study was conducted according to the quality requirements demanded of qualitative studies.

4 FINDINGS – NARRATIVE CASE DESCRIPTIONS AND INTERNATIONAL GROWTH PATH MODELS

4.1 A description of the case companies

The case descriptions provided in this chapter concentrate on the international growth process of the five case SMEs for the period from 1997 to 2006. However, brief background descriptions of the company histories, their field of industry and basic company internal characteristics are provided to give context to the development processes. For each case the case description follows the same structure: first, the background is briefly outlined, secondly, the international growth process is described and illustrated by applying the proposed, operationalised theoretical framework and the four interview probes, and thirdly, the activities of the company, contextualizing the international growth process, during the research period are elaborated. After that the general space of their international growth is drawn to provide a comparative summary of the case SME development processes. To be able to further assess the essence of international growth as a phenomenon, the domestic growth of the case studies for the years 1997 to 2006 is addressed. Finally, the chapter ends with an assessment of the external business environment and its nature during the research period. Both the domestic and foreign markets are briefly outlined and discussed to provide further depth for the cases

4.2 SoarTech

SoarTech is a medium-sized company located in North West Finland that develops and produces measurement and testing equipment, systems and services related to information technology (IT) and communication technology. The customer base of the company is formed from both domestic and foreign companies, and the company concentrates on business-to-business trade. The establishment of the company was based on a technological innovation, which was made by one of the founders while working for his previous employer. This innovation emerged from a practical need observed in the field, where the usable technology was accessible, but the usability and

mobility of the technology required enhancement. The innovation was to provide the market with measurement and testing equipment that was lighter, smaller, and easier to handle and carry around than the competing products at that time, which was in the beginning of the 1990s. However, the customers of the company were from the start international companies, which led to the situation that the innovations were also the main export articles of the company. This was also enabled by the fact the products of the company needed to meet, right from the start, global information and communication technology standards. Similarly, the use of an information and communication infrastructure, to set it up, and maintain it required similar activities worldwide. As a result, the company was international from inception, i.e. a born-global firm. The nature of SoarTech's products drove it directly to international markets, since its customers are mainly foreign MNEs and MNCs rather than domestic companies. As the company provides knowledgeintensive systems solutions and highly refined equipment to its clients, the customer relationships are usually built to last a long time and require the personal commitment and skills of the company personnel. The establishment and maintenance of customer relationships requires personal sales efforts and direct contact between sellers and buyers.

The first export deal was conducted in the beginning of the 1990s and the buyer was located in Asia. Although the company was young and the product was based on an in-house innovation, the magnitude of the first deal was extensive in relation to the scale that Finnish SMEs were generally working on at that time. By the end of 1990s the company had 40 clients in 25 countries in Europe, Asia, and South and North America. The company served these clients basically through direct exporting. At the same time the company was increasingly moving from its own direct exporting to indirect exporting with the help of resellers. At this point the resellers took care of the exporting of SoarTech's products directly to their own customers. Reseller agreements were signed at an increasing pace, resulting in the situation that by the Millennium the company had 26 resellers that served 125 clients in 38 countries. This development had, however, resulted in a situation, where the company could no longer manage its international business relations efficiently, and direct contacts and relationships between the producer and the end-users were lessening. To recoup its international activities, the company introduced a net browser based customer support and management system. This signalled that the company had both established its international operations and gained a noteworthy position in the markets.

In the year 2000 SoarTech established its first foreign subsidiaries. The first was located in Scandinavia and the other in Asia, areas, where the company has had long experience of operating. Central-European, North-American and

Japanese subsidiaries were established the following year. The company was originally founded, around the innovation, by a group of engineers that had educational and experiential background in information communication technology. Throughout the existence of the company the skills and competences of the employees formed an invaluable resource and source of innovativeness and competitive advantage for the company. This pattern and culture was visible also in the newly established subsidiaries, where particular attention was paid to hiring competent and knowledgeable personnel and positioning them strategically. In addition, constantly and meticulously hiring, new people and promoting existing staff were also considered to be methods that enabled the renewal and sharpening of the competitive edge of the company. The key characteristics and selection criteria for the subsidiary leaders were their known talent in the telecommunication industry as well as their knowledge of local culture, and earlier experience in conducting and managing international business operations. These inputs into the business broadened the resource base of the company and were financed by revenues from the company's operations. In 2005 the company acquired a North American IT company, which meant the company expanded rapidly. As part of the deal SoarTech also received the Indian manufacturing sites of the acquired company, which e.g. doubled the headcount of the company.

Both the establishment and maintenance of international business operations requires vast amounts of economic and human resources. In the case of SoarTech the company expanded its business not only by internationalisation but also through increases in sales and mergers and acquisition (M&As). The international growth of the company, and its investments particularly in its long-term and more stable exporting modes, were also sped up with the help of an increase in annual revenue and the number of employees. Although the company can be characterised as a bornglobal, international new venture, or instant international, it has increased the extent of its international activities gradually. The export activities began with direct exporting, from which the activities moved through agent-led exporting to the establishment of their own subsidiaries abroad. However, the gradual, incremental internationalisation development was not straightforward. Following the sequential stages configurations in an orthodox manner; the company applied several different export modes simultaneously. The use of several export modes at the same time has had a beneficial effect on the company for four reasons. Firstly, the company did not become dependent on any one export mode, secondly, the business risk related to exporting was possible to divide between numerous actors, thirdly, the company was able to operate effectively in several different market areas, and fourthly, the

management of long-term customer relationships with continued closeness and detail has been successful.

The following sub-chapter deals in more detail with the international growth process of SoarTech by applying the operationalised theoretical framework and by analyzing the case study narrative from the viewpoints of the four probes. The focus in the analysis is on the internationalisation and growth process features of the case, as well as on the entrepreneurial orientation and behaviour of the firm, and its external business environment.

4.2.1 The international growth process – innovative delegation

In this research, the international growth process was approached in each case through the international growth curve. The international growth curve describing the export development of SoarTech is presented in figure 19. The following narrative description of the developments within the case from 1997 to 2006 follow the shape of the curve by providing a story of the international growth process and a demonstration of the entrepreneurial orientation within the firm, and details about their upturns, downturns, and the influential factors on the curve, as well as the influential factors behind the curve.

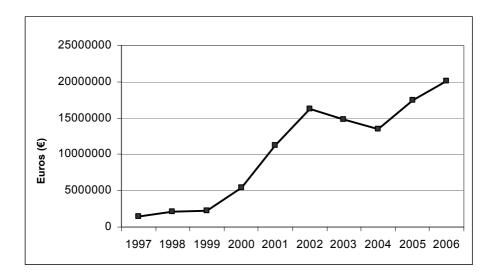


Figure 19 The development of the share of international operations to revenue in SoarTech 1997-2006

The first time the internationalisation strategy of SoarTech was truly planned was in 1998. At that time the company employed approximately 50 employees. The company was originally established as a spin-off of a larger

Finnish company, where the former CEO and the other members of the founding team of SoarTech worked with GSM technology projects. While working there in the late 1980s and early 1990s the founders had the idea of manufacturing the network measurement instruments for a fraction of their original price by applying software technology instead of the traditional hardware. Based on this idea SoarTech was born and it provided the company with a competitive advantage, which the competitors did not reach not until the early years of the 21st century. The company had employed a design team throughout the organisation, a strategy which was only scarcely used by its competitors. According to the director of HR and strategy:

"...SoarTech was different from the competitors in the field in that we have had remarkably well-functioning teams thanks to a workable team design and co-operation between the teams."

By the year 1998 the company had established its position in the markets and assured customers of the quality and usability of their product, and now it was time to grow and gain market share for real. The international business logic of SoarTech was formulated with the strategy already developed during the first export deal in 1993 to Hong Kong, which the company obtained almost accidentally through its large domestic client. The director of HR and strategy describes the beginning of the export deal:

"While the large domestic company was selling network infrastructure to their Hong Kong client, the representatives of the Hong Kong client by chance took a look at SoarTech's product, said it looked handier than the other measurement tools in the market, and asked 'where can you get those?'. Of course we replied 'from us!'"

SoarTech first exported directly to its foreign customers and took care of the export relationship. As the direct export relationship started to result in high revenues and an adequate magnitude of sales, potential local retail candidates took an interest in the business. At this point SoarTech had the opportunity to transfer export responsibility to a reliable retailer and concentrate on developing its products and its business instead of focusing solely on the everyday practicalities of direct exporting. However, the development of strong relationships with foreign clients and retailers was also important in developing new relationships and finding new customers.

"When the Asian market was approached, the closeness of the Hong Kong based client provided an essential support and reference, when the Asian market presence was built then the Chinese market was entered." "In the Japanese market you need to operate for many years to get into the local networks and know the local pecking order before you even get to talk with the right people." (Director of HR and strategy, SoarTech).

The growth in the years from 1997 to 1999 was strongly fuelled by the obtaining of several retail agreements with foreign companies and the strong internationalisation of the domestic company, from whom SoarTech had originally developed, and which was one of the largest customers of the company. A significant retail agreement was reached with a German family enterprise in the late 1990s. Through the family enterprise's sales channels SoarTech obtained access to the world market. On the other hand, SoarTech was able to follow the domestic company, as it developed its technologies and was able to establish its foreign sites globally, and sell its products at the same sites simultaneously. To the same sites came other large network equipment manufacturers, which were potential clients for the company. Moving in the wake of the larger company SoarTech was also able to learn the crucial skills of how to operate in foreign cultures, particularly in Asia, and with multinational companies (MNCs). SoarTech reached the position where it was the main equipment provider for the domestic company and was able to grow internationally in its wake.

From 1997 to 2002 SoarTech climbed to be the technology leader in the measurement tool market. In 1999 and 2000 the technology shifted from GSM to 3G and SoarTech was the first to launch a 3G analyser on the world markets. The company saw the opportunity that all the technology companies, be they network equipment manufacturers or operators, that formerly operated with GSM were now changing to 3G, which led to the situation that they had to modernise and change their measurement tools and analyser as well. It was, however, hard work for the company, since changing the technology resulted in high expenses for their customers. Therefore SoarTech needed to assure the customers of the high quality of its products, constantly allocate more resources to R&D than its competitors, and create long-lasting relationships with their customers. As a result SoarTech was able to sell its products for a high profit. However, growth has not been as fast and as high as it had with the GSM. From 2000 to 2001, the telecom business reached a stage of maturity and regression, which was mainly indicated globally by a decrease in revenues, the refocusing of business activities, mergers and acquisitions (M&As) between companies, and bankruptcies. From 2001 to 2002, the telecom industry crashed and globally nearly 300 000 people were laid off. Nevertheless, SoarTech was able to gain market share from its competitors during the downturn since its products were very competitive, technically superior and in the market at the right time. The company found new customers that had not been in the telecom business earlier and customers from its competitors that were struggling with the technology change and market crash. The years 1999 to 2002 were very profitable for the company and it was able to pay high revenue based rewards to all its employees equally.

This was particularly the case in 2001. In late 1999 the company established its first foreign sales office in Sweden. The second sales office was established in 2000 in Hong Kong. After that, in 2000 and 2001 the company established other affiliates in Germany, France, United States, and Japan. All the affiliates, except Japan, have been part of a joint venture, where the leader and sales or technical support has been sent from Finland and the sales team has been slowly recruited locally. In Japan the joint venture was formed with the local retailer's representative with the majority share being Finnish.

"The principal logic in SoarTech in establishing affiliates abroad is that the affiliate has to be profitable already in the first year and it has to support itself. The idea was; why should we pay a retailer, if we could sell at the same retail price and support our own organisation and our own knowledgeable personnel with better internal contacts than a retailer could have? We had all the preconditions for being more successful than the retailers." (Director of HR and strategy, SoarTech.)

The majority of the company's growth has been financed from cash flow. In 1999, just before the high-growth years, the company did, however, receive some venture capital from a few insurance companies among others, which covered approximately 20 percent of the annual cash flow. SoarTech also received some government funding through the Finnish Funding Agency for Technology and Innovation (TEKES) for growth and internationalisation. In approximately two years, from late 1999 to 2001, the company established its six foreign affiliates and expanded from operating in one site to operating at 13 sites in nine different countries without any proper prior experience of such a task. Therefore, during that time the company employees participated in MBA and other study programmes to gain international management, marketing, and business skills. The business management competences of the employees were developed to be able to create and manage a global organisation with global quality, project management, IT, finance, logistics, HR, sales, R&D, and production systems skills, to name but a few. All the existing systems needed to be updated and new systems created, since the old management style was no longer adequate. The ISO 9001 standard was extended from R&D to all functions. The managers of the company needed to learn and take care of issues related to expatriation, establish the actual office sites, learn about the legislative procedures and processes and negotiate agreements related to establishing a company in each country. In the advent of these changes new subcontractors were also introduced, one from Russia and one from New Zealand, and the R&D activities were decentralized from Finland to Sweden. According to the director of HR and strategy:

"...it [building an international functional organisation] is one big mess, where you just have to perceive the big picture and then just build it." "...the

two years were a huge challenge, but it was still fun to try to tell people to go abroad and build the organisation."

The original team structure was not, however, forgotten under the extensive organisational changes.

"The professionalisation of the management and organisational culture did not destroy the logic of teamwork and co-operation in the company, which we used to have. There is still a good atmosphere!" (Director of HR and strategy, SoarTech.)

From 2002 to 2004, SoarTech started to have difficulties in sales, as sales growth was stagnating globally. The competition from its rivals was fierce both in price and in technology. Since customers were having difficulties with sales, they tried to buy their measurement and analysis equipment at as low price as possible. Some of the customers even entered Internet auctions where sellers can, every half-an-hour, enter a bid and the one with the lowest price usually wins the deal.

"In SoarTech we started to call that market situation the 'hyper competition'". (Director of HR and strategy, SoarTech.)

Similarly, the company was also having problems with R&D, as the development of a new product took longer than expected. This led to a situation, where the company was slightly left behind its competitors and had to reconsider its customer portfolio to maintain its profitability. These developments also led to co-determination negotiations with employees and to a mild decrease in the company headcount. However, the company was able to increase its market share during that time as the sales of its competitors were in even more serious trouble. From 2001 to 2003 nearly 30 to 40 percent of the revenues of the measurement technology industry melted away globally, which affected all the players in the field. According to the director of HR and strategy at SoarTech:

"The sales figures were completely devastating and when you look at them in detail, the only figures that were continuously going up were SoarTech's."

From 2003 to 2004 the situation in the markets started to recover and turned into growth as the acceptance of 3G technologies increased rapidly but their competitors were able to get back in business again. The increased 3G acceptance brought growth to SoarTech also from 2004 to 2006 due to the nature of its products. Before customers can bring their products to market, they need to test them. Therefore, SoarTech needs to design and manufacture measurement tools in co-operation with its customers approximately three years in advance, before the customers' products come to the end-user market. As a result, technology transitions are prosperous times for the company, but the time a certain technology is in use very short. A new release is usually on the market approximately three months, after which a new release with a new

technology takes over. The strategy in SoarTech has been to be in the lead with the newest technologies. This has been done by constantly monitoring the market and communicating with customers about new technology needs and features and the timetable, pricing, and profitability of the new releases in the manner of key account management. Simultaneously the company analyses a customer's requirements and whether the company is able to produce the products, how long it will take, and how much it will cost, as well as negotiate and instruct the subcontractors accordingly.

"...people at the customer interface meet with competitors and competing products at trade fairs, when visiting customers, and sometimes just bumping into companies that buzz around in the same technology market. Of course you can find all the possible rivals in the world markets just by entering the key words into Google..." "I keep a list of our competitors, where they are located and what kind of products and technologies they have. Whenever I notice a change, I'll update the list to see who has been acquiring who and what and so on." (Director of HR and strategy, SoarTech.)

Approximately 20 percent of the annual revenue goes to research and development (R&D) since the technologies change constantly and the products need to be better in order for the company to be able to take and protect market share from its competitors. The development of new products is very challenging while companies are aiming to grow at the same time. From 2003 to 2006 several of SoarTech's competitors have been either acquired by another company, started to operate in another industry, or gone bankrupt.

"Companies that aim at being global measurement tool department stores easily become too rigid in their product decisions and business logic as they grow large and some of them have exited the business because of that." (Director of HR and strategy, SoarTech.)

In 2005 SoarTech acquired an American simulator manufacturer. It was the first foreign acquisition the company had made. It was no accident that the company entered the acquisition. The planning of the acquisition had begun already in 2004, when the company had obtained a global sales channel, which was relatively unusual for a smaller Finnish manufacturing company. As a result of this, SoarTech was looking for a company that was adequately large, had tested products that could complement SoarTech's products, but lacked a distribution channel. From among several candidates the American company met the requirements, as its business logic was similar and as its products were sellable in the same distribution channel, and since the company had also just started to build a global presence. Resulting from this strategic acquisition the simulator business of the company rose to a new level and the headcount of the company almost doubled to 350 employees. Within the deal SoarTech also obtained the Indian manufacturing, R&D, and retail sites of the American

company. This deal strongly affected the international growth figures of the company for the years 2005 to 2006. The deal was a bold move from the company, as explained by the director of HR and strategy:

"It was a practice at making a foreign acquisition for us. We were laughing at the fact that the track records for Finnish companies have been the worst particularly in the States and in India. And of course we were going there, where the risks are the greatest to execute a demanding and unknown process."

The effect of culture was overwhelming with the American acquisition. The majority of the employees are still Finnish, but this will soon change, as the second largest group, Indians, is growing. The cultural change has affected the HR management as well with regard to how work has been organised, and it has forced Finnish managers to learn new management skills and to adapt. Adopting a multinational enterprise's global management culture has required great effort as it is a relatively small company with limited resources.

"The stories of how things happen [in India] are hilarious from the Finnish perspective. It is completely incomprehensible to the Finnish mentality, why things happen the way they happen." (Director of HR and strategy, SoarTech.)

Inefficiency turned out to be the biggest challenge in the acquisition. The American production machinery as well as the Indian management style formed bottlenecks. An excessive amount of time was spent reporting and the Indian workers required work instructions on an hourly-basis. Additionally, the working motivation was based to a large extent on monetary incentives, and the power distance between the workers and the managers was bigger. Initiative and technical and R&D competences among the employees was generally lower than typical in the Finnish context. Education, particularly among the Indian employees, was often higher, but their knowledge was often mainly theoretical, which leads to the problem that the employer has to organise practical training periods for the Indian engineers. These issues, among others, created a sharp distinction between the Finnish and the target working cultures. To deal with the issue, for example a Finnish quality manager was sent to India for a six-month period to supervise, enhance, and streamline the production processes. Nevertheless, the Indian engineers were very receptive and SoarTech has managed to raise quality to an auditable level. In the U.S., development has been more subtle, as the markets have been going down and the customers have faced serious cutbacks. From an R&D perspective, less and less product development and engineering has been conducted in Finland. Particularly in the Indian context, the mechanical work that was earlier outsourced is increasingly being substituted by R&D activities. According to the director of HR and strategy:

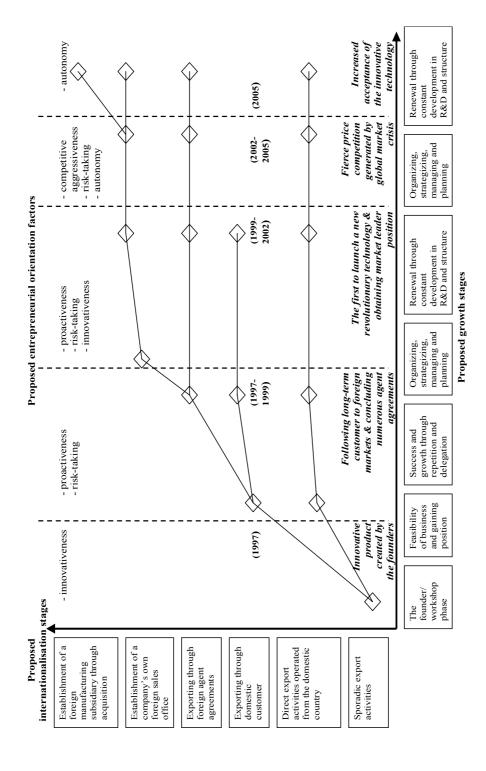
"Finland's share of R&D investments in this line of business has been proportionally decreasing for a long time. In that sense you are forced to go abroad, if you plan to be in business at all."

In 2006 there was a shakeout in the customer segment as the number of customers decreased significantly. Earlier there were seven large network equipment manufacturer customers covering nearly 80 percent of the market. Now this 80 percent comes from three large customers. As a result, SoarTech has focused on serving these clients. However, there are still a few hundred operator customers globally from which to choose.

Looking at the process retrospectively, the company grew seven times its original size between 2000 and 2006. The business logic the company created, together with its successful timing has enabled this development. On the other hand, the working culture of the company has enabled it to reach the position of market leader and cope with extensive organisational change, and develop its products alongside the latest technological developments. The director of HR and strategy at SoarTech describes the company culture as:

"...very open, conversational, and there is room for innovativeness. Of course the recently tightened competition has squeezed our culture in a way, but our straightforwardness, speed and openness makes working here fun. That's basically the best thing."

Figure 20 illustrates the international growth curve of SoarTech for the period from 1997 to 2006 as positioned in the operationalised theoretical framework presented originally in chapter 2.



The international growth curve of SoarTech in the operationalised theoretical framework Figure 20

Figure 20 indicates the internationalisation and growth stages and the entrepreneurial orientation factors that apply to the international growth process of SoarTech. In the figure the timing of the different events are presented to give a timeline to the process, and on the bottom of the x-axis, the most essential internal company and external business environment factors are mentioned. When looking at the internationalisation stages, it can be concluded that SoarTech's development follows a relatively conventional internationalisation process. However, not all the stages in the theoretical framework are applied, such as exporting through domestic agents and production co-operation with a foreign company. Also, a new stage has been added, which is exporting through a domestic customer. Additionally, the company does not apply only one stage at a time, but applies up to four export modes simultaneously. Turning to the growth stages, SoarTech's development follows the first five stages relatively sequentially, but after that the fifth and the sixth stage are repeated, as the company is responding to the requirements of the business environment. In the case of SoarTech, it is difficult to separate the fifth and the sixth stage from each other, as they took place relatively simultaneously around the year 2002. During the research period, at least, the company does not reach the stability and decline stages. Focusing on the entrepreneurial orientation at SoarTech, innovativeness, proactiveness, and risk-taking characterise the beginning stages of the company's international growth stages, and particularly the years of high international growth. During the tougher years in the market, 2002 to 2005, the company needed to compete more aggressively and take risks. Since the establishment of the foreign affiliates and the acquisition of the American company SoarTech has been able to conduct its foreign business operations in an even more autonomous way. A synthesis of the operationalised theoretical frameworks in all the studied cases is provided in sub-chapter 4.7. The entrepreneurial orientation factors present in SoarTech's international growth process are presented in more detail in table 8.

Table 8 Entrepreneurial orientation factors within SoarTech

Entrepreneurial orientation factor	Contents in case SoarTech	Timing within the process	Background for timing
Innovativeness	Creation of new products and systems by the founders of the company and by people hired through successful recruitment. Ability to innovate revolutionary technologies and obtain a market-leader position.	The raison-d'être of the company, in the early stages of international growth. In the later international growth stages renewing and re-structuring the company.	The technological development stage of the international markets, the customers' need for new products, the company's need to lead and to keep up with the competition.
Proactiveness	Taking the initiative in contacting agents and being ready to meet customer demands. Going to the markets as the first mover in launching a revolutionary technology.	In the early and mid-stages of company development and international growth to establish a position and becoming known in the international markets.	The need to get into international markets through the establishing of customer and agent contacts and agreements to enable business.
Risk-taking	Going to highly competitive international markets with a new product and a new technology. Being a forerunner. Competing on both technology and price.	During almost the entire international growth process due to the products' innovative characteristics and the fluctuating and rapidly changing markets.	To be able to obtain a market position in the first place and to maintain it, and to shape and lead a changing market.
Competitive aggressiveness	Competing on price during the international technology market shake-out.	In a later stage in the international growth process.	To be able to keep up with the markets and to meet the challenge set by the rivals.
Autonomy	Being an independent player in the markets by developing new technologies, pioneering, and focusing on R&D instead of price manipulation or being totally led by the market.	In the later stages of the company's development and the international growth process.	Managing the market shake-out and going forward and gaining acceptance for new, innovative technologies.

In SoarTech's case all the entrepreneurial orientation factors outlined in the theory chapter were present. Risk taking was most frequently present during the company's development and its international growth process due to the pioneering nature of its technology products and due to the competitive and constantly changing nature of the global markets. Innovativeness, in turn, played a central role in the establishment of the company and in the controlling establishment of its international position and gaining recognition among its customers and co-operative partners. Proactiveness is in SoarTech's case closely related to innovativeness and risk taking, because through it the company found its agents and customers and was the first to launch a new, innovative technology. Autonomy was present in the later stages of the company's international growth process, as it managed to maintain its relative market position during the global IT crisis and has continued to push forward its new technologies and gain acceptance for them. In the earlier stages the company also relied more on the support and guidance of its large domestic client than it did in the later stages. Competitive aggressiveness was clearly present in only one stage, when the global market shake-out forced it to take part in competition for business based solely on price. During that time of 'hyper competition' the company had to focus more on survival in terms of beating its rivals and gaining sales, than on its core competences and R&D activities.

In the above descriptive story and illustration of the development of growth international process the different internationalisation and growth, as well as the different entrepreneurial orientation factors are bound together. However, the operationalised theoretical framework, as such, concentrates more on the internationalisation and growth stages together with the entrepreneurial orientation factors, than on the different external and internal environmental factors, which it leaves in the background. However, these external and internal factors are brought into the limelight at the end of sub-chapter 4.2.2. Nevertheless, the factors behind the upturns and downturns on the international growth path in the SoarTech case are numerous. They also provide more context and further clarification of the shape of the curve and are inseparably intertwined in the process. Therefore, the internal and external environmental factors behind the upturns and downturns in the international growth path deserve more attention and are, therefore, listed in table 9 according to their temporal positioning.

Table 9 The factors behind the upturns and downturns in SoarTech

Case SoarT	ech	
Year	Upturn factors	Downturn factors
Prior 1997	Creating an innovative product and workable business logic. Additionally, being able to create references to build new customer	Finns have, in general, entered international markets a lot later than many other nations. Additionally, knowledge of how
	relations	to do business abroad is scarce
1997	Good relations with the domestic company allowed the company entry to world markets and fuelled its growth. Additionally, it learned how to do business by following the bigger players in the market	
1998	The company managed to become the main equipment provider of the domestic company	Constant requirement to develop the products and the heavy financing of R&D
1997-1999	Reaching a retailer agreement that opened up exceptional international sales channels. Also, was able to receive some public funding for R&D.	
1999-2000	Became the first to launch a product using a new technology that created a technological change in the markets	The markets did not grow as fast as was expected. Additionally, the cost of changing technology for the customers was very high
2000-2001	Established affiliates in strategic sites, near its largest customers. Additionally, was able to profitably finance the expansion	No prior experience of how to set up a company in a foreign country. Restructuring the company to meet global requirements
2001-2002	The company was able to obtain tremendous market shares from its competitors despite a downturn in the market	The telecommunications industry hit a crisis as it matured. Additionally, the company had problems with R&D
2002-2003	The company continued to obtain market share, despite declining world sales	Sales on a global scale began to stagnate which showed itself in the company through problems with customers
2003-2004		Hyper competition in the field forces companies to compete fiercely both on prices and technology
2004	The world markets in the telecommunications sector started to slowly recover as new customers started to adopt the new technology at an accelerating pace	

2005	The acquisition of an American company with Indian operations provided a global distribution channel for the company that complemented its product range and supported its growth	Great cultural and operational differences between the American, Indian, and Finnish organisations. Additionally, the company did not have prior foreign acquisition experience. The market situation in the U.S. was also challenging
2003-2006	Many of the company's competitors were acquired by others in M&A, or they had started to operate in another field or went bankrupt	
2006		Cut-backs and savings among equipment manufacturer customers common, which led to a customer shake-out in the market
2006 onwards	Acquisitions are the main route to growth, in addition to finding new customer segments. Additionally, the company needs to focus on what it is good at	The growth prospects for the market have become dimmer and not even the launch of a new technology can bring much new growth. A shortage of finances affects R&D

In table 9 the different factors behind upturns and downturns in the curves are listed. However, the separation of upturns and downturns is not always straightforward, since some factors could have simultaneously challenged the company's operations, or revived the competition or provided the company with new opportunities. Additionally, the causalities and temporality of different factors are difficult to analyse in a clear way, since the benefit a company is enjoying during one time can turn out to be problematic later.

4.2.2 SoarTech's international growth 1997-2006

In order to analyse the international growth development of SoarTech, its domestic developments from the same period are briefly introduced to provide some background. This background is firstly elaborated on by reference to the number of staff of SoarTech. Figure 21 illustrates the development of the number of employees from 1997 to 2006.

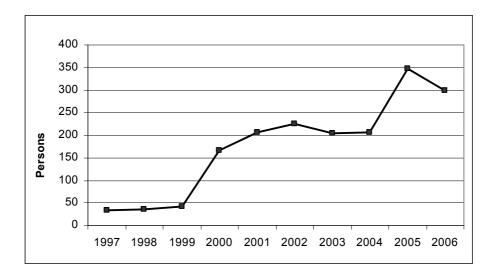


Figure 21 The development of the number of employees of SoarTech 1997-2006

In SoarTech the number of employees has closely followed the international expansion of the company. The internationalisation strategy for the company was launched in 1998 and the first foreign sales office was established in late 1999. The rapid years of international growth took place in 2000 and 2001, when the affiliates of the company were established, and thereby the earlier retail agreements with foreign companies were replaced by affiliates in a joint venture structure. This change required the recruitment of an additional workforce because Finnish expatriates were sent to set up and run foreign offices and local employees were hired. In 2003 the company was forced to arrange co-determination (redundancy) talks with its staff due to the stagnation of the global telecommunications market. The peak in the number of employees, which came in 2005, was due to the acquisition of an American company, which had employees both in the U.S. and in India. In this deal the number of employees nearly doubled. When looking at the development retrospectively, the company grew seven times its original size from 2000 to 2006. In 2006 the growth of employees then again decreased, as the maturation of the telecommunications industry and the toughening of the competition started to affect SoarTech after the instant growth caused by the acquisition. However, the company was in a position to rationalise and streamline its activities in its global organisation.

The background of the international growth development is observed next from the perspective of total annual revenue and the profit and loss account. This development is illustrated in figure 22.

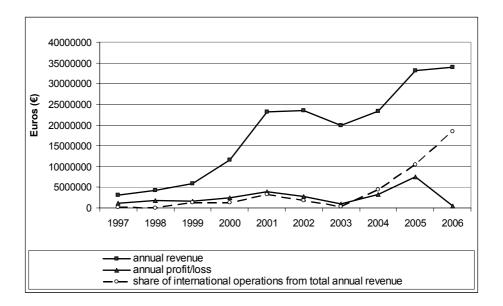


Figure 22 The development of SoarTech's annual revenue and profit/loss 1997-2006

Looking at the developments in figure 22, it can be seen that exports follow, relatively closely, the developments of annual revenue. Total annual revenue, then again, is affected by the profits and losses of the company. However, it is difficult to say, whether the international growth of the company has pushed annual revenue up and down. On the other hand, the total annual revenue of the company is several times the magnitude of its exports, which in turn indicates that the company has grown exceptionally during the research period in the domestic market. In the case of SoarTech it can be concluded that the company has grown both internationally and in the domestic market during the research period.

To extract more information and particularities from SoarTech's international growth process, the internal and external issues and factors playing a role in the process during the studied period are presented here in greater detail. With regard to the external factors one can look at the domestic and foreign market situation and the cooperation and relationships the company had with other market players during the years 1997-2006. The internal factors, then again, can be considered to include the personal characteristics of the management and employees, the learning and experiencing effects during the process, the access and use of information, the

⁴⁸ These factors and issues are those that are not directly observable from the perspective of the employed theories or the framework.

timing of operations and strategising, and the restructuring and reorganising of the company to integrate the international growth during the process. As the case description already provided a rather deep and thorough account of the events and their circumstances within the case company, these external and internal factors are now dealt with here in a more general and analytical manner. As with the discussion on upturns and downturns, the divide between internal and external factors is sometimes arbitrary. In these cases, the different factors and issues are discussed in what seems to be the most appropriate way.

Regarding the market situation, the company did not have much competition or clients in the home-market. In the foreign markets, it had no direct rival as its product was unique and innovative, and the rivals were basically offering substitutes. The readiness of the market for SoarTech's products varied from time to time. On occasion the market was not ready, or it melted away before the company could benefit from it. However, the demands and ideas originating from its clients provided a good indication of the right time for a product launch, especially when the company received positive feedback on its operations, which usually allowed new, innovative products to find large customers when they were launched. In general the IT and telecommunications field had been in great turmoil during the studied period, which also greatly influenced the company's track record. The managers and employees in the company had good knowledge about their business area as well as the technology they were working with. The founder-managers developed the founding innovation and were good marketers who were skilled at representing the innovation abroad, attracting customers, and in hiring promising new employees. The innovative behaviour was not restricted to the founders, but the new employees were also encouraged to participate in R&D, develop existing products, and to come up with completely new solutions. It was considered that creating the right atmosphere for the work was essential for new ideas to emerge. This can be said to be more of a team effort that was enabled by the possession of adequate time and resources. The characteristics of the founder-managers, in terms of the success of the firm, were mostly connected to technical know-how, an eye for opportunities in the market, good strategising in terms of timing, and the ability to share responsibility and to hire new talent to maintain the knowledge resources of the firm. They also had prior experience in operating in the field as they were the former employees of a Finnish company operating in the same field. As such, the company contained experience of developing the field. Despite new innovations with similar techniques being introduced by competitors the company was able to maintain its market leader and forerunner position. Nevertheless, they were also to feel the consequences of the bursting of the IT bubble. However, the

company was also relatively capable of benefiting from the bad times in comparison to its rivals, as it had a strong knowledge base, a good reputation, and long-term relationships with clients.

During the development of the company, the managers constantly looked for new talents, provided staff training, and observed the market keenly. They also re-organised and re-structured the company to integrate for the achieved international growth. In the earlier phases of the process the company mainly grew in an organic manner, by hiring more staff, by establishing new offices abroad, and by increasing its market share and foreign connections. In the later stages the company wished to gain new knowledge and competences faster and therefore acquired a U.S. company with Indian operations to complement its existing skill and knowledge base, to add a new area of expertise to its portfolio, and to increase the resource base and operating scale and scope of SoarTech. This move indicated the increased and accelerated competition in the market, to which the company responded with the acquisition. The company had also experienced difficulties in accurately timing and maintaining the schedules of its R&D activities, which also created challenges for organic growth. As such, creating growth at an adequate pace required the employment of more mechanistic growth strategies. A further challenge to organic growth was the fact that the nature of the IT field changed from competing on technology to competing on price, in which the value of the company's entrepreneurial assets decreased, because the market no longer emphasised the introduction of new, ground-breaking innovations, but rather the faster supply of cheaper goods. This obviously hampered the company's focus on R&D, and therefore company development became oriented towards survival, cost-savings, and profitability through mass production and economies of scale. This change in the market was strongly influenced by customers, and particularly their difficulties related to the economic downturn.

Despite that the company managed to increase its growth and adapted its operations to the changed environment, although it was forced to let go of its original operating idea of being an innovator and a forerunner in the field. This change was not, however, entirely due to the strategising and operations of the company, but also due to the changed nature of the technology in use and the competition. The IT field is characterised of sudden leaps and companies being momentarily at the leading edge. To be able to maintain this position for a longer time a company is required to find a balance between *entrepreneurial orientation* and profit maximisation, leading edge R&D and design and commercialisation. This is a difficult equation, particularly in the IT sector. Despite the difficulty, the company attempted to enhance its growth with the acquisition, and in this sense broaden its knowledge base and the range of products it offered. However, it did not gain a position that would have

protected it and enabled it to maintain it's purely entrepreneurial and constantly renewing and developing nature. Due to the competition, the company had to reassess its strategy and let some of its original visionary principles be overridden in order to ensure survival. This occurred irrespective of the fact that the company had been quite successful, had had good timing, had managed to make good contacts, possessed valuable core competences and know-how and up-to-date market knowledge, because the global industry and market changes were too much for it to be able to maintain constant entrepreneurial international growth.

Regarding the general dynamics of the international growth process in SoarTech, four main findings can be presented. Firstly, the growth of the company was in the early stages very entrepreneurial and organic. Due to the changes in the market, and also to some extent to the increased size of the company after the acquisition, the growth became more mechanistic. However, the acquisition can be seen to be based on entrepreneurial strategising, and not on mere survival. During and after the acquisition, the change in the markets due to a dimming of future prospects in the market forced the company to be less entrepreneurial. This was perhaps due to the common effect of the changed organisational structure and the external environment, i.e. the industry and the market.

Secondly, the entrepreneurial behaviour in SoarTech was, according to the first finding, strongly related to innovativeness in R&D, radical innovations and its pioneering position in the international markets, operating culture, and product offering, as well as risk taking in terms of entering unknown markets, seeing opportunities, the competitive advantage related to their products' characteristics, proactiveness in being a forerunner in technology and solutions, and autonomy in terms of focusing on the company's own skills and competencies and building their success on that. In the later stages, when the competition had shifted from being based on technological mastery to offering the lowest prices, the company employed more competitive aggressiveness in order to maintain its international growth aims by taking competitors' market shares, participating in the hyper competition, and risk taking in trying to stay in the market despite fierce competition or its threat. The company was no longer very proactive because it was forced to react, as it was no longer in the autonomous position of leading the technology and influencing the market. Under the heavy competition the emphasis on innovativeness suffered as more emphasis had to be put on survival.

Thirdly, the growth of the company was strongly related to its internationalisation and international operations. The majority of SoarTech's revenue comes from abroad and did not change during the studied period. During the international growth process SoarTech worked strongly on

integrating the achieved growth to the company by continuously restructuring, organising staff training, re-organising operations and activities, and trying to build up and maintain an open attitude towards changes. From the perspective of the stages models, the movement in the internationalisation stages was relatively straight forward and observable. However, the movement in the growth stages seemingly followed the development of the internationalisation stages, and particularly so in its later stages when the increased international exposure and commitment, and measurable growth in terms of e.g. revenue, employees and market share created the need to restructure the organisation in order to keep up with external changes. It is also noticeable here that the size of the company grew sevenfold during the studied period, which placed a great deal of stress on the organisation. Additionally, the re-structuring was a larger effort for the company than the internationalisation, despite it also requiring extensive resources, strategising, and good timing.

Fourthly, a linkage was observed between the external business environment, the international growth process, and the entrepreneurial operating culture of SoarTech. In the beginning, when the company was very entrepreneurial and the market supported this entrepreneurial behaviour, the company had structured its operations in a manner that suited this combination. The managerial and entrepreneurial tasks were delegated, after which the organisation, management and strategising were constantly renewed through investing in R&D and re-structuring. These together then enabled the internationalisation of the company. As the company had grown internationally, its structure had created a challenge to the maintenance of entrepreneurial behaviour, as more structures, control, and hierarchy were introduced in order to manage the whole. At the same time the markets and the industry had changed and become hyper competitive and forced the company to grow through the acquisition of a foreign company. The hyper competition also decreased the company's entrepreneurial advantages, forcing it to cut costs and compete on price. The growth and the internationalisation were somewhat less intertwined and more separable than during the early stages. Once internationalisation was at full speed, the achieved international growth was constantly integrated into the organisation through re-structuring and reorganising. However, reaching new foreign markets and increasing SoarTech's presence abroad was a faster process than that of reformulating the organisation to fit the changes in the market. Thus, in the mid-stages of the studied period the internationalisation and growth processes were occurring at the same pace, whereas in the later stages the growth process lagged behind. Nevertheless, even in that stage, internationalisation and growth were strongly related to each other, despite growth seeming to follow internationalisation.

4.3 Finndow

Finndow is a medium-sized Finnish company operating in the joinery and wood-working industry. The company was originally founded in the late 1940s to meet the demands of the Finnish construction industry during the rebuilding wave after the Second World War. At that time the company specialised mainly in producing windows and doors. During the 1960s Finndow acquired another joinery company located in South East Finland, and also started manufacturing kitchens. At that time almost half of its yearly production was exported to the Soviet market. The energy crisis of the 1970s placed more demands on housing and construction, and the structures and materials in windows and doors had to be rethought. Traditional mass production gave way to more unique and custom-made products in the 1980s. In the 1990s the product range expanded to include various cupboard, closet and furnishing doors.

The company had always endeavoured to meet market needs such as soundproof qualities and environmental needs such as heat-insulation properties in windows and doors to decrease unnecessary heating and thereby reduce pollution. It also met changing customer needs related to new models and trends in windows, kitchens and bathrooms. The trends in the building and renovation markets change yearly, following the latest architectural, furnishing and decoration styles. In addition, the company also continued to invest in R&D, such as in its manufacturing processes and techniques. Thus, it also developed products in anticipation of future requirements and tastes. In 2005 the company also started to manufacture bathrooms and storage-room organising systems.

From their broad product range the company exports only doors and windows because they are relatively standardized mass products and have international quality and environment certificates, and their transportation to foreign markets is relatively cost-efficient. However, consumer tastes and national traditions in house building play a significant role in construction, which has led the company to export to markets where the Scandinavian design and technical features of the products are appreciated and required. Although Finndow is a medium-sized player in the domestic market, it is the largest exporter of windows and doors within the highly competitive Finnish joinery industry.

Finndow began its exporting activities in the 1960s. In those days the Soviet Union formed the only export market area, and this was where the company exported almost half of its yearly window and door production. Since the collapse of the Soviet Union the company has exported to Russia, the Ukraine, and the Baltic countries, of which the most important has been

Latvia. It also began exporting to Sweden and it has also had some sporadic, occasional export activity in Great Britain and Japan. Norway is regarded as a possible new export market for the company. Approximately 90 percent of Finndow's export, equalling eight million euros, goes to Sweden, where the company established its first foreign sales office at the beginning of the 21st century. In the Russian market the most important areas are St. Petersburg and Moscow, and the newest export market is in the Ukraine. In both countries, particularly in the capital areas, renovation and restoration construction activities have increased remarkably, which has increased the demand for joinery products that has, in turn, leveraged the company's volume of orders and strengthened its export trade. The company operates via agents in all its export countries. The only exceptions are Sweden, Great Britain, and Japan. In Sweden Finndow has, in addition to its agency and sales office, subcontracting, i.e. it exports directly to local construction corporations. In Great Britain the company exported through an agent, but the export activities ended due to their sporadic nature and low efficiency and profitability. The exports to Japan, then again, have been operated as direct exporting through personal relations between the buyer and the seller.

The trends in the domestic and foreign construction markets have always had a strong effect on the international activities of the company. The Finnish construction boom in the mid-21st century has worn off, which has decreased total sales and revenue and reduced the profit margins of the company. This has affected the company's abilities to internationalise its activities and its investments abroad. The changes e.g. in the prices of raw materials and transportation limit Finndow's production volumes and influence its financial situation. Changes in international construction demand, as well as in the political climate in the Eastern European market areas, have a direct effect on the company's exporting volumes.

4.3.1 The international growth process – advantage through tradition

The international growth curve describing the export development of Finndow is presented in figure 23. The following narrative description of Finndow's development from 1997 to 2006 follows the shape of the curve. After the narrative story details about the upturns, downturns, and factors influencing the curve, as well as the curve's background factors are provided in tables 10 and 11.

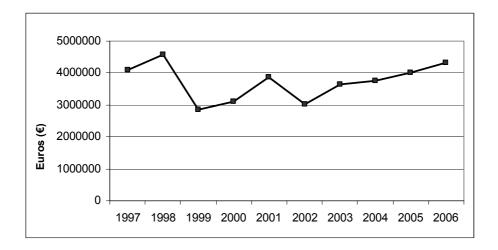


Figure 23 The development of the share of international operations to revenue in Finndow 1997-2006

In Finndow the product of the company, windows and doors, strongly affects the markets the company targets. The types of windows produced in Finland are not like the European ones, which limits their markets. However, the windows and doors produced by Finndow have particular characteristics, such as soundproof and heat insulation, which makes them desirable abroad as well. In particular, Swedish manufacturers have produced windows with different functionalities. In this respect the Swedish market is suitable for the company's products. Another issue that limits the markets of Finndow is the type of competition. If the sole sales argument in a particular market place is price, the company has neither the resources nor the will to stay and participate in the competition for customers. Additionally, the management of the company has avoided unnecessary risks and kept a low profile regarding larger investments, since the family-owned company has been eager to continue its traditions of focusing on good quality, and staying in business.

"...we have responsibility for 300 people and their families, so we have to find out solutions as to how we keep the wheels turning even during difficult times." (Sales director, Finndow.)

As a result, the company is interested in markets, where the special features of its products are valued and paid for, and where the company can sell its products with small local modifications. The sales director of Finndow summarises:

"We start from the idea that we are not producing a product typical of that country, but we are producing our product, which could be used in that country, and we look for customers that see something good in our product."

Since the late 1990s basic mass production has moved more and more towards producing what customers wish for. For a long time, companies have not produced anything for warehousing. Everything is produced as projects, on an order-basis. Nevertheless, the company follows developments in the markets and consumer tastes by attending European trade fairs, by being a member in all associations of the field, and by subscribing to the forecasts of the construction industry. The company has also outsourced some of its projects, where, for example, a customer's order is relatively small or the products are highly customised and do not fit the mainstream manufacturing lines of the company. As such, windows and doors are quite standardised products, and therefore the R&D activities of Finndow mainly concentrate on keeping the products up-to-date. The main R&D efforts have lately been in developing and investing in production techniques at the factory. When a new product, which does not require heavy investment, changes in production machinery, or external assistance, is developed, the process in a small company is relatively straightforward:

"...I just walk to the R&D guy's office and say that this is what we need and how can we do it. In a small firm like this, there is only 100 metres between the factory and office building." "...we are not making these things too scientific, so we can just do them here. In a small town like this everyone knows each other well, so these things run smoothly." (Sales director, Finndow.)

The international growth process of Finndow resembles a rollercoaster. In the late 1990s' the company was struggling and lacked focus. The company was operating in many markets and product and customer segments and often with very low volumes. As a result, exporting small volumes was expensive, time-consuming and laborious, and profits were low. Additionally, operating with only one customer in one country makes the company vulnerable to sudden changes a customer may make. The main markets of the company have been Sweden, Russia, the Baltic States, and the Ukraine. Nevertheless, the company has also sold windows to Japan through an old relationship with a Finnish architect, who designs houses in Japan and wishes to use Finnish construction materials. Similarly, the company has had some sporadic exporting to the U.K., which has, however, been stopped as it was unprofitable. From a Finnish perspective, the company is Finland's largest exporter of windows and doors. According to the sales director of Finndow:

"In our international trade we clearly focus on the countries closest to us." "It is better business to let something [a market] go and focus efforts on something more profitable."

Finndow has been exporting windows and doors since the 1960s. Whenever the company has looked for new export markets, it first tries to contact local professionals with whom the possibilities of the market can be evaluated. Trade fairs have proven to be useful, since it is possible to meet the representatives of many different companies and to negotiate right away as to whether the companies would be interested in export co-operation. The sales director in Finndow characterises trade fairs as follows:

"It is a tough job. You wear thick-soled shoes and light clothes and walk around in a trade fair for three days, and when you come home, you don't even remember your name."

In all export markets, except Sweden, the company has agents, with which representative agreements have been reached. The agents typically work in the way that they take care of the entire project and Finndow only sells the windows and doors to the agent, who then takes responsibility for their installation and guaranties.

"In the joinery industry someone in the line needs to take responsibility for the entire process from timber to product reclamations." (Sales director, Finndow.)

A significant thrust to its international operations took place only in the early years of the 21st century. That was the moment when Finndow established its first foreign sales office in Sweden. The customers of the sales office are mainly Swedish construction companies. After decades of operating in Sweden, the establishment of their own sales office has finally made local trade smooth and the company has gained a firm foot-hold in the markets through its local organisation. Approximately 90 percent of the company's exports go to Sweden. Nevertheless, operating in the Swedish market requires a constant effort by the company because there are many strong local and foreign competitors there as well. As in any market, local brands are often preferred by the local clients. As such, Finndow needs to be technically better and provide superior quality than its competitors.

"...from its home country a construction company accepts shipments being a week late or something. It's ok, just forget about it. But if we are a week late they change the supplier immediately. They'll buy it from Sweden, and even pay a little extra for it..." (Sales director, Finndow.)

The former Soviet markets have also been very active lately, as renovation and new housing construction has increased strongly. The company has been present in the Russian and Baltic markets for some time. Despite focusing and rationalising, it has paid off to maintain some of its existing contacts because the market has been growing and trying to suddenly build reliable business relations with a new agent is challenging. In the Baltic States Latvia especially experienced a boom. The sales director at Finndow comments:

"The area of St Petersburg is a good example. In St. Petersburg alone they use more windows in a year than in Finland altogether. And that's only one

city in Russia, and there are more cities of that size." "In the Ukraine large new districts have been built, lots and lots of buildings have been renovated, and all around the Ukraine there are loads of things going on all the time."

The Russian and Ukrainian markets are very promising, but they, however, require more effort than operating in familiar, close markets. The sales director explains:

"It is of course easier to operate in Nordic countries, because the culture is similar." "The biggest challenges are related to culture and language...it's a big handicap if you cannot discuss with people in their mother tongue." "The cultural issues work both ways; I have to understand why they behave in a certain way and they have to understand why I behave in another way. Making the deal, then again, is standard procedure with no bigger issues."

The latest move in international operations has been the start of exports to Norway. The company has had earlier experience of the Norwegian market through a couple of projects as the head of the company's Swedish operations happened to have connection to Norwegian construction companies. Through these relations the Norwegian markets are slowly opening up to the company and operations are slowly commencing. The price level in the Norwegian market is higher than in the domestic market, but the sales director at Finndow concludes:

"...we are interested in entering the market, because there is an opportunity to do better business than, let's say, in the home market."

The situation in the domestic market is continuously becoming more competitive, which has pushed the company to look for more opportunities abroad. There are approximately 200 different-sized window manufacturers in the Finnish market that compete with each other. Additionally, a Swedish multinational enterprise entered the Finnish market in 2006 and acquired three highly competitive medium-sized Finnish companies to obtain a foot-hold in the market. As such, this deal affected competition between Finnish manufacturers and also the export trade to Russia. The deal could also revive the Finnish market, as the acquired companies had been the most active competitors in terms of price and they had set the price levels unbearably low. The Finnish market is, on the other hand so small that there is not much likelihood that other foreign multinationals will enter the market very soon, if at all.

The company established a new factory that concentrates on door manufacturing, which has been the biggest investment the company has made in recent years. A short while back their biggest Finnish rival established a new factory that is, at the moment, the most efficient in Finland. Additionally, the glass and aluminium parts suppliers are located next to the new factory. The establishment of a 'Window valley' has also set further efficiency

requirements for Finndow as well. This is because, in general, most Finnish window and door factories are run with very old and obsolete machinery and equipment. At the same time, the material costs rose heavily during 2006. Prices for raw wood rose close by 70 percent, and the prices of glass and aluminium also rose on the world markets as well. Similarly, changes in the imports of raw materials to Finland affect the company.

"All the changes [in the world market] have an influence. And if they don't influence directly, they influence mentally..." (Sales director, Finndow.)

To level out these differences in markets, competition, and demand conditions the company has had to employ a diversification strategy. With the help of this, the company has been able to better adjust to seasonal differences in demand and tolerate the competitive moves made by its rivals in the domestic and the foreign markets. For example the products of the kitchen unit are only sold in Finland, and they represent the more decorative elements of new construction and renovating, which makes them more trend-related and helps create sales on a different basis. The unit for windows and doors sells to both domestic and foreign clients. As windows and doors represent basic structures required in housing construction, their demand is based on different trends, such as economic trends in new housing construction and renovation. By offering different products and product categories to different segments and markets, the company can strategise and somewhat even out its revenues and sales.

The development of the company in the international markets is in the end strongly influenced by the aims of the company. According to the sales director at Finndow:

"It is of our volition, when talking about international business as to what we see as preferable. We have, in a way, limited ourselves with the fact that we can only produce a certain amount of product each year. Therefore, in a rising market situation we have to search for the best segments for our business."

Figure 24 presents the international growth curve of Finndow as positioned in the operationalised theoretical framework.

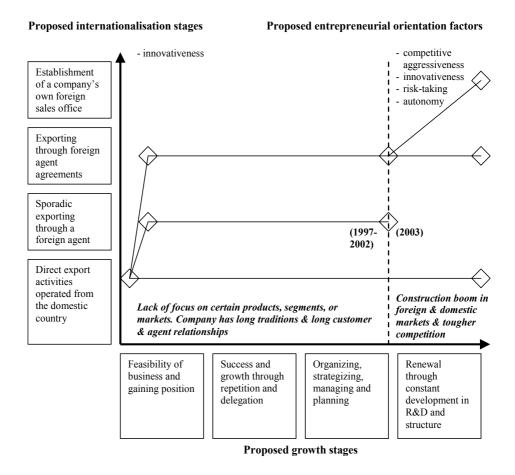


Figure 24 The international growth curve of Finndow in the operationalised theoretical framework

In the figure it is possible to observe that both the internationalisation and the growth stages are followed relatively sequentially and in the order presented by the theoretical framework. However, not all the stages in the framework are applied, and an additional stage has been added to the internationalisation stages, namely sporadic export through a foreign agent. All in all, Finndow is a family enterprise that was established in the 1940s. It had had export activities since the 1960s and it still operates by using long-term customer and agent relations. In the early 21st century the company established its first and only foreign sales office. From the growth perspective the company has followed a traditional development path and during the research period it has not reached any stages of stability or decline. Until the beginning of the 21st century Finndow's export activities had been relatively unfocused and its share of international operations had gone up and down. At the time of the establishment of the foreign sales office the company

rationalized its activities and it let go an old agent relationship. Around the same time competition in the market increased through new entrants and price competition, and the construction boom in Finland and abroad. These changes led the company to a path of subtle and continuous international growth. An *entrepreneurial orientation* has always been present in the company through constant product development. Starting from the early years of the 21st century the company has also been more risk taking, competitively aggressive, and autonomous in its activities due to internal and external changes. Table 10 provides a detailed description of the *entrepreneurial orientation* factors, together with their contents, timing, and background, in Finndow during the observed international growth process.

Table 10 Entrepreneurial orientation factors within Finndow

Entrepreneurial orientation factor	Contents in case Finndow	Timing within the process	Background for timing
Innovativeness	Creating solutions and features that differentiate the company product from its rivals. Renewing the products to keep up with demand and tastes.	During the entire international growth process of the company.	Answering the demands of both the domestic and the foreign markets, meeting standards and trends, and developing special features accordingly.
Competitive aggressiveness	Entering new foreign markets and reaping benefits from domestic and foreign construction booms.	In a later stage of the international growth process.	Toughened competition has made the company look for new opportunities in new markets and streamline its foreign operations
Risk taking	Entering into new foreign market areas and investing in the company.	In a later stage of the international growth process.	To survive the competition and to tap new, emerging and growing markets.
Autonomy	Surviving in a highly competitive market with new domestic and foreign entrants constantly crowding the market.	In a later stage of the international growth process.	Keeping the goals and traditions of the company despite tougher competition.

In Finndow, innovativeness was the most prominent factor within its entrepreneurial orientation. Although the company has not made any revolutionary innovations, it has developed and invested in its products and R&D for differentiation, higher quality, and global standards. Such constant incremental innovations have allowed its products to outlast its competition and to obtain international growth in a period of tougher competition. Competitive aggressiveness was present in the company during this period of fierce competition, when the company had to find growth opportunities from new market areas and when the company had to gain a share of the construction boom. Risk taking in Finndow was avoided for a long time. However, as the company sought competitiveness and international growth, some risks eventually needed to be taken. In the case of Finndow, risk taking is closely related to competitive aggressiveness in terms of entering new, foreign growing markets that were unknown for the company. However, in spite of its focus on emerging markets, the company is not considered to be demonstrating proactiveness because it is not a first-mover. In the later stage the company was also seen to demonstrate autonomy, as it maintained its emphasis on quality and vision despite changes in its markets. In table 11 the different factors behind the upturns and downturns in the international growth process of Finndow during the research period 1997 to 2006 are listed.

Table 11 The factors behind the upturns and downturns in Finndow

Case Fin	Case Finndow		
Year	Upturn factors	Downturn factors	
Prior 1997	The particular product characteristics, such as heat insulation and soundproofing, make the windows and doors desirable also in export markets	Shipping small volumes to distant markets, such as Japan and the U.K., is not a profitable business. Additionally, the company is not very focused on any market, product, or customer segment	
1997- 2002	Obtaining many representative agreements with foreign agents e.g. in the Baltic States	Unfavourable economic conditions have affected the construction industry. Additionally, price competition is a threat to a small company	
2001	Establishment of a Swedish sales office, as well as a firmer position in the market, after operating in it for years	Competition with Swedish rivals requires constant efforts in R&D to provide better quality and better control of the entire production process	
2002- 2005	A construction boom in the Finnish market that resulted in good profits for the company	Fluctuations in the domestic market force the company to increasingly look for new segments in the foreign markets	

2006	The quick rise and growth of the renovation and construction market in Eastern European countries	Cultural and language differences cause difficulties in conducting business. Additionally, the global rise of material costs and the entrance of foreign rivals to the home market
2006 onwards	Being able to enter the more profitable Norwegian market through an existing contact. Additionally, the expected continuation of Eastern market growth could bring more trade to the company. Relinquishing sporadic U.K. exports	Uncertain economic prospects both in the domestic and foreign markets

From table 11 it is possible to observe the multitude of factors that can affect the international expansion of an industrial company. Some of the factors are clearly positive and some clearly negative from the perspective of the future growth of Finndow. On the other, there are also factors where the effects are not as straightforward and foreseeable. For example, the entrance of a Swedish multinational into the Finnish market poses both threats and opportunities for Finndow. With it the multinational brings new competition and aims at accessing the growing Russian market through Finland. Additionally, the multinational has established its own manufacturing units in Finland, closer to the Russian market by acquiring Finnish SMEs. On the other hand, the acquired Finnish companies were the most active ones for competing on price in the Finnish market. As a result, this change in the Finnish market structure has both revived the market and made it even tougher.

4.3.2 Finndow's international growth 1997-2006

On the Finnish scale, Finndow is a medium-sized window and door manufacturer. The market has been populated by several small local manufacturers, as well as by a few large domestic and foreign companies. The competition has been fierce from time to time, often turning to pure price competition, where the one with the highest production volume and lowest prices has been the winner. On the other hand, the construction industry, in general, is very sensitive to economic fluctuations. In favourable conditions the markets go up and the construction industry can face a boom. This happened last from 2003 to 2005. When economic conditions start to be unsatisfactory, cut-backs usually affect the construction industry first, when both public and private building activities cease. Thereafter, tough competition

and the economic changes affect both the companies and influence the structure of the markets.

In Finndow the years from 1997 to 2002 and then 2006 were quite tough, but despite the fact that the company was able to increase its revenues and grow internationally, its number of employees has not been strongly affected by growth. The growth of the company has been materialised through cost-savings, rationalisation, and making operations more efficient. All the orders are processed as projects, and people are hired based on the need and the extent of the project. Figure 25 depicts that the number of employees mirrors the overall development of the company and the development of the markets. On the other hand, optimising production has resulted in relatively subtle fluctuations in the number of employees.

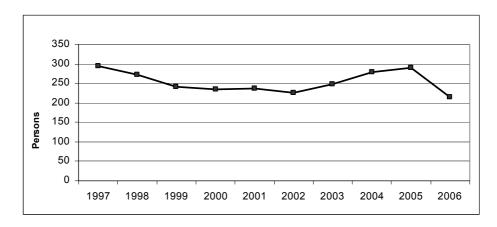


Figure 25 The development of the number of employees of Finndow 1997-2006

As in the development of the number employees in figure 26, developments in annual revenue seem relatively mild. However, this rollercoaster kind of development of the share of international operations began to flatten out in figure 26 due to the adoption of the Euro, which also indicates that exports do not play such a large role in Finndow's entire business. Approximately 30 percent of Finndow's annual production is exported, which, nevertheless, makes it the biggest Finnish exporter of windows and doors.

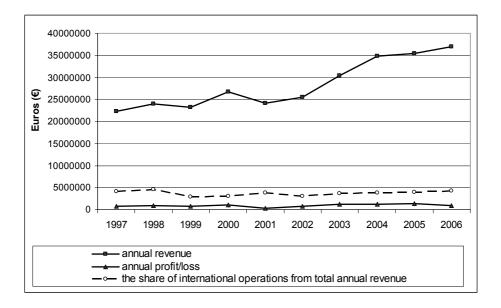


Figure 26 The development of Finndow's annual revenue and profit/loss 1997-2006

In figure 26 it is clear that the company's domestic business is very strong compared to its international trade, which is due to the extensive difference between the total annual revenue and the share of international operations. However, it is difficult to say, to what extent the developments in the two figures follow each other. Moreover, the construction industry as such is very sensitive to changes in economic conditions, which directly affects the shapes of the curves. Regarding the domestic construction boom in the early 21st century, it can be seen in the figure that total annual revenue rose particularly from 2001 to 2004, whereas international growth went up and down during that period. On the other hand, international growth rose from 2002 to 2006 due to the growth in the Eastern European construction and renovation markets, particularly in Russia and the Ukraine, and the with beginning of Norwegian exports. At the same time total annual revenue has grown, but in more modest terms.

The internal and external issues and factors connected to the international growth process of Finndow are dealt with at the end of this sub-chapter, as they were for SoarTech. For Finndow, the domestic market has always played a large role. The company began its international operations early on and has built a strong domestic base. Through its diversification strategy, the company has made the decision to serve its domestic market with a different variety of products and brands than it does its foreign markets. This strategy has helped the company to level out the seasonal and trend-related changes in demand.

The central role of the domestic market is also visible in the revenue, sales, and growth figures which show that only approximately 30 percent of the company's goods are sold abroad. As such, the growth in the home-market has supported and partially financed foreign growth. This has been both a benefit and a challenge for the company. The benefit is that the company is not that dependent on its international operations for survival, because in its foreign markets Finndow needs to compete with both local and other international rivals. For a mass-producer such as Finndow this is a heavy challenge. The challenge has also been increased in the domestic market, where competition has been steadily increasing due to foreign rivals entering the market and buying out local companies and because the Finnish market is already crowded with local SMEs competing for the same customers. Another issue also connected to this is the size of the Finnish market, which is not expected to grow adequately to support all the companies operating in it, or to enable them to reach their growth aims.

The fluctuation in the construction and renovating industry strongly influences the demand for windows and doors. The domestic construction boom fuelled company development in the early and mid 2000s. After this, however, the growth in the domestic markets has been slowly decreasing. However, this slowing down of the domestic demand has been rather quickly compensated for by the rise of the renovation and construction demand that emerged in Eastern European countries around the year 2006. Finndow has been targeting its sales efforts according to on these market changes. As such, the timing of such actions has followed changes in demand. However, Finndow is not only a reactive operator in the markets. It is the largest Finnish exporter of windows and doors and this has largely been due to the unique characteristics it has been able to include in its mass products through intensive and entrepreneurial R&D activities and investments. The innovations in Finndow have been both radical and incremental. The windows have unique insulation and soundproofing characteristics, even though the window, as such, is a rather traditional product. Another way Finndow has increased the value of its products and attracted customers is in its strong emphasis on tradition, Finnish design, high-quality materials, and being an environmentally conscious value-chain. Different features of the products are emphasised according to the market a product is being targeted at because windows and doors are often targets of consumers' tastes and preferences. The markets are constantly monitored by the managers through many different means, such as trade fairs, unions, and the Internet, and new moves are being made based on the company's own and the market's needs.

The reliance on traditions and entrepreneuring is also visible in the company organisation and management. The company is a family business, in

which several generations have worked. The culture in the organisation also resembles that of a family. Continuation, openness in communication, and a low hierarchy are emphasised. If someone in the organisation comes up with an innovative idea it can easily be passed on for general evaluation by other members of staff in order to determine its potential. The family-owners have long been the managers of the company. However, entrepreneurial input comes from the entire organisation, and recently management positions have been given to managers from outside the family. The owners have now been concentrating on operating on Finndow's board. Additionally, the company operates in small towns and the employees mostly know each other, which can help foster openness and communication. For a long time the company had concentrated on risk-avoidance, tradition, and continuity, which have possibly slowed down its international expansion. However, because international growth has been sought, risks have emerged due to the aspect of increased uncertainty entering the picture. These risks have mostly been related to entry into new foreign markets. In addition, the company has also been forced to rationalise its operations, such as letting go of some old and less-profitable agent relations in certain markets, and making employees redundant to increase efficiency and cost-savings.

The cooperation the company has had during its international growth process has basically relied on long-term relations with certain individual agents and customers abroad. In these relationships the personal connections between people have played an essential role. For example, the building of trust, a good reputation, and commitment to the continuous purchase of high quality products are the building blocks of these relationships. These relationships have had both beneficial and less beneficial effects on the international growth of Finndow. The benefits are, among others, that the company can maintain steady and stable sales abroad through these relations because the goodwill attached to these relationships works as a free commercial for the company and can help obtain new business partners for it. The less beneficial effects include the occasional stagnation of the company in a less-profitable long-term relationship, which the ending of may be difficult due to personal connections or conventionality and habituation. In these situations the company managers have had to make decisions based on rationality and profitability and sometimes sacrificed old relationships. The personal characteristics and experience of the employees has also affected the way the company has explored emerging markets, received valuable information about the possibilities of starting operations in a new market, and also provided the company with more information about customer needs and current trends in construction and renovation. Finndow is entrepreneurial, also in terms of its relationships, as many of its agent, customer, and supplier

relationships are formed by the employees of the company, and not only the managers. In this sense, if a contact is valuable, it is sought.

Learning has played a central role in the company's life-cycle. As the company is a traditional one, and has been in business for decades, it has witnessed different trends and fluctuations in the industry, developed its innovations and products over a longer time period, and employed people with years of experience of operating in both domestic and foreign joinery markets. This learning and experience has given the company the ability to predict how the field could develop, the length of the different cycles in the economy, and a broad knowledge of materials and their behaviour in different circumstances. Perhaps this ability has, in a way, made the company the traditional player it is, but it has also provided the company with continuity and trustworthiness, which are needed for steady R&D operations, focusing on the company's core competences, and both domestic and international growth.

The structure of the company has changed incrementally over a longer time. As such, radical sudden changes have not characterised the company's lifecycle. This re-structuring has taken both the form of changes in the domestic units and abroad. In the domestic market the company set up two manufacturing units with separate production lines and product varieties. This has been paired with and followed by the establishment of sales offices around Finland. These re-structuring moves were taken to make manufacturing operations more efficient and to serve b-to-b and b-to-c customers better. In the foreign markets the re-structuring has basically taken the form of establishing new offices or cooperation agreements with foreign partners in new markets or withdrawing from markets that have not turned out to be steady or growing sources of sales revenue or where market share has been poor. As the magnitude of the international operations of the company has not been a high priority in Finndow, compared to the domestic business operations, these re-structuring activities have not been very groundbreaking for the company in its operations abroad.

The dynamics of the international growth process show, firstly, that the growth in the company has been organic in its foreign markets, as the company has mainly used its personal relationships and agents to enlarge its foreign market share and established its own sales offices. Regarding the earlier stages of the company, it acquired another company in the Finnish market and through this acquisition it established two production units, of which the kitchen unit serves only the domestic market, while the window and door unit serve both domestic and foreign markets.

Secondly, the *entrepreneurial orientation* in the company has been demonstrated in many ways, and it can be observed to have increased in recent years as the company has been able to take more strategic risks, has increased

autonomy and competitive aggressiveness, and maintained innovativeness. Proactiveness has not been observable in the company's operations. This may be due to the fact that the company operates in a mass-production industry with many other equally strong competitors and relies on strong traditions, experience, and long-term relationships. In addition, the markets the company targets already have heavy competition and broad demand in a sense that no one company can supply adequate amounts of their products to satisfy the entire market need. Risk-taking in Finndow is mainly connected to entry to markets that are new and previously unknown to the company. Autonomy is reflected in the fact that as the company has operated in the joinery industry for decades, it has obtained certainty in its operations, which has made it a steadier competitor and a reliable supplier in the market. Its competitive aggressiveness is mostly demonstrated in the way the company has, during recent years, rationalised its operations to become more efficient and entered, and is planning to enter, many new foreign markets that have promising construction and renovation trends and booms. The innovativeness in the company is visible through its products and R&D. The products the company produces represent mass products. Nevertheless, the products of Finndow have been equipped with particular features and innovations, such as heat insulation and soundproofing.

Thirdly, company growth mostly originates from the domestic market, which accounts for approximately 70 percent of its annual revenue. As such, international operations do not hold such a large, strategic, or influential role in the company. Despite the fact that international operations have been rationalised and new foreign markets are being actively sought, so far the domestic business has been the main business area for Finndow. It has supported international operations, and it has maintained the steady growth of the company in terms of revenue and sales. Due to the type of product and industry, company development often follows general trends, such as domestic or foreign booms and economic upturns in both public and private construction and renovation activities.

Fourthly, the interconnectedness between internationalisation, growth, and entrepreneurship represents, in the case of Finndow, a mostly stable interplay. In general the company is characterised by relatively steady and continuous development and practically no radical changes, leaps, discontinuities, or restructuring. In the organisation, management has been delegated and the business run according to practices based on long experience and tradition. This has been accompanied by constant but incremental developments in the organisational structure, strategy, and R&D operations. As such, the entrepreneurial behaviour of the company, such as the incremental innovations and the reliance on personal relationships with foreign partners and customers,

has paved the way for an incremental international growth process. However, during the last few years the company has become more active, market and entrepreneurially oriented in its behaviour, and has increased its international presence through increased operations in increasing numbers of foreign countries, and also increased its share of international operations within the total annual revenue of the company. Regarding the connection between domestic and foreign growth, it is admittedly possible that the company's stronger emphasis on domestic growth and continuous growth in it may also have had an effect on the figures representing the share of the international operations of the company, despite that the company has also indicated growth from abroad.

4.4 AluProd

AluProd is a medium-sized manufacturer of packaging material for the food, cosmetics, and pharmaceutical industry, and it is located in Southern Finland. The company's products are mostly mass-produced, standardised containers, which comply with the international quality prerequisites and have specialised preservation capacities and properties. The customer base of AluProd is formed from both domestic companies and larger foreign companies, which order the packages and containers in large volumes, based on demand and their own production flow. International activities have been part of the company's operations since the late 1950s. Exporting has been a noteworthy growth option for the firm for a long time, since its products are well-suited to international markets due to their high standards, and because their transportation has been relatively cost-efficient due to their light weight and the use of need and demand based production.

The first export deal was made in the late 1950s and the target country was Czechoslovakia. Regular export trade to Eastern Europe commenced in the late 1960s. In the 1960s the company internationalized its operations considerably due to the fact that the domestic markets were not able to provide the firm with adequate growth opportunities. In the early 1970s AluProd received the President of the Republic of Finland export award in recognition of its efficient and active export performance. In the mid-1970s the company established its first foreign subsidiary in Germany. Another subsidiary was established nearly a decade later in Great Britain. These subsidiaries were, however, divested later on due to mergers and acquisitions and other business arrangements. In the 1980s Soviet trade started to diminish slowly. However, in the same period, exports to North America, with the help of an agent, successfully began. The crash of the Soviet Union and the fact that the

company had been acquired by a French multinational industrial conglomerate hindered the internationalisation and growth efforts of the company in the 1990s. On the other hand, the floating Finnish currency, the Markka, and strong export activities to North America raised the company into Talouselämä's⁴⁹ listing of the top 500 most prosperous Finnish companies.

In the beginning of the 21st century, a management-buy-out (MBO) deal was reached with the French owner, which allowed AluProd to again become an individual, autonomous business entity. Behind the deal was the threat that the French conglomerate, which had been privatized in mid-1990s, would refocus its operations and therefore close its subsidiaries outside Central Europe. The odds were high that AluProd, located at northern end of Europe, was next in line. The terms of the MBO deal were that AluProd would help the French corporation establish an aerosol can factory in the Czech Republic and in return the company could buy the tube production lines. At that point the aerosol can production capacity of the company was momentarily very low as AluProd was forced to hand over a highly efficient and innovative production line that had been developed in-house by the Finnish employees. Nevertheless, the deal was beneficial for AluProd, as it was able to continue its operations, focus on its own aims, and keep its local workforce. Since the MBO deal international growth and increases in operating revenue have been strong. Former relations, dating back to the time of the foreign subsidiaries, i.e. to Germany and Great Britain were revived. A sales subsidiary was established in the British market and the German market was served via an agent. Market share was also intensively sought from competitors and the Swedish, Norwegian, and Danish markets were successfully entered at the expense of their Swedish main rival at that time.

Over the years the company has employed several different exporting modes depending on its own resources and the developments and nature of the markets. Ownership relations at any given time have had a strong influence on the company's growth and development. From the international growth perspective the most prosperous times have been those, when the company has been an independent actor, following its own strategy. After a varied and eventful past, the company has become an experienced international actor, which employs in its international activities numerous exporting modes: direct exporting, operations through agents, foreign sales subsidiaries, and a foreign affiliated company.

Talouselämä can be considered to be the Finnish equivalent of the American Fortune 500.

4.4.1 The international growth process – MBO unleashed entrepreneurship

The international growth curve describing the export development of AluProd is presented in figure 27. The following description of the developments within the case from 1997 to 2006 follow the shape of the curve by providing details about the upturns, downturns, and factors, including background factors, influencing the curve, as well as its background factors. Firstly, the narrative story of the international growth process is presented, and secondly a table showing the internal and external environmental upturns and downturns factors is presented.

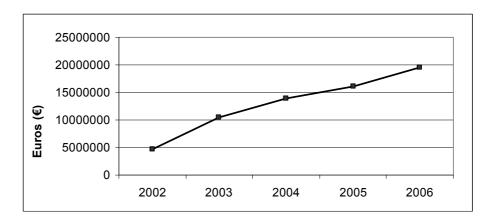


Figure 27 The development of the share of international operations to revenue in AluProd 1997-2006

The story of AluProd began in 1952. The company was first acquired after its first year of existence and over the years, several different domestic and foreign companies and corporations have owned AluProd. In 1988 the company was acquired by a French corporation and due to cost savings and refocusing AluProd was close to being shut down in the late 1990s. Since those dramatic times the management of AluProd has decided to take the fate of the company into its own hands and was able to negotiate with the French owners a management buyout (MBO) deal in 2002. In the narrative story the focus is on the years since 2002, when the company became an independent company.

At the time of the MBO the main emphasis in the company's production was on aerosol cans. In the MBO deal AluProd agreed to help the French corporation establish an aerosol can factory in the Czech Republic and in return the company was able to purchase the tube production lines and the factory buildings located in Finland for a fair price. In this process an aerosol

can production line, developed by the Finnish employees, was shifted to the new factory owned by the French, and the company's aerosol can production was momentarily close to non-existent.

"The French had the idea that through the MBO they would get rid of us for a low cost, as closing the company could have turned out to be more expensive, and we would not have survived in the market for long. However, we survived and we were even able to get back into the aerosol business. This truly irritated them [the French corporation]." (Managing director, AluProd.)

The new strategy of the company was to increase the tube business in Scandinavia, where the markets were promising, and with this growth compensate for the decrease in the French market. In two years AluProd was able to increase its market share in Scandinavia from 30 percent to 60 percent. The company was able to obtain large Scandinavian customers and to reach long-term supply agreements with them. After these large deals were made, almost the entire market was covered and the long-term agreements meant that the Swedish competitors could not return any time soon. The Scandinavian markets were entered with the lowest price technique. The company prepared itself for the takeover of the market by developing its functions and making them more effective, as well as by lowering its costs and trying to make the business profitable. Once trust with the customers was established and the company had demonstrated its viability, it was possible to raise its prices. The market was also easier to takeover, as the company had had an earlier attempt that had failed miserably and which made the Swedish company underestimate the strength of another attempt:

"Earlier the market was divided so that the Swedes sold to the west and Scandinavia, and we sold to the Soviet Union. When the Soviet tube markets disappeared in the 1990's, our marketing manager decided that we need to attack Sweden. When we got there, we realised that we didn't even have the machinery to produce what the western market required. Our attack ended as soon as it had begun, and the Swedes got the image that we cannot compete with them. They got a bit arrogant I guess." (Managing director, AluProd.)

After capturing this large market share the company managed to negotiate with the French corporation to purchase the last aerosol production line that was still on Finnish premises. With this purchase AluProd was able to start to increase its aerosol business as well. According to the managing director of AluProd:

"The growth from 2003 to 2004 basically originated from capturing the Swedish, Norwegian, and Danish markets from our Swedish rival. The rest was from the growth of the aerosol can business." "Growing fast was our only chance of survival, as we started so small after the MBO."

By the time of the market take-over, AluProd was negotiating for the acquisition of a slightly smaller competitor that was owned by a large multinational enterprise. The deal could have brought the company an almost monopoly position in the Scandinavian market, but negotiations were called off, as the target company would have required major restructuring and large investment from AluProd. As the negotiations were stalled, the multinational enterprise decided to force AluProd out of the market and began to lower prices even more. Despite these attempts AluProd survived the fierce price competition and the multinational enterprise eventually relented, as the price competition was becoming quite unprofitable for it as well. Thus, managers at AluProd realised that the multinational enterprise's cost competitiveness was weaker than AluProds, which allowed them to compete on price and to suffer economic losses for strategic reasons. The other option the company had at that time was to shut down the activities altogether.

"If you are an unknown player in the field, and you don't have incomparable products, which is rarely the case, your only chance is to sell at a lower price. In these situations your investments do not produce very good results. They come later, if ever." (Managing director, AluProd.)

The competitors of the company are large companies with several factories. AluProd's factory is a similar size to its competitors', but the company only has one factory. In principle, all the factories run with the same logic, which leads to the fact that their differentiation from their rivals mainly emerges from efficiency, the ability to provide customers with some particular, unique product features, and in-house developments regarding production lines, processes, and machinery. The products of the company are to a large extent standardised due to international capacity, security, material, and feature requirements. The production is typical of a process industry with large investments. Room for innovativeness and uniqueness is basically restricted to the external looks of the containers, which is often based on customer needs, and on the production processes and machinery. Product development is mainly conducted in co-operation with customers, sometimes also with universities, or it is outsourced altogether, whereas production process development often originates from the factory floor, from the observation or an idea of an employee.

"We export huge amounts of air, empty cubic units around the world. Correspondingly, we import several tons of raw materials from around the world. Traditionally thinking, there is no logic, but it works, it is possible." (Managing director, AluProd.)

The employees of the company are encouraged to innovate in their work and bring forward ideas on how to develop production and other activities in the everyday business functions of the company. AluProd has a designated inventiveness working group, which goes through the ideas and suggestions of the employees. The best and most profitable ideas are rewarded based on how much the idea can economically benefit the company. Annually, approximately, a few thousand Euros are paid to the innovators.

The businesses of the company, namely aerosol cans and tubes are divided geographically. The tubes are mainly sold to the food and pharmaceutical industry in Scandinavia and the Baltic States, whereas the aerosol can business is concentrated more in the cosmetics industry, which is much more international. The clients of the company are situated in North America, the U.K., Germany, Eastern Europe, and some sporadic exporting has been conducted in the Far East. The markets as such have not grown significantly for approximately 20 years, but from time to time some small growth spurts emerge. According to the managing director:

"North America and the U.K. are the biggest [markets]. In Germany we have intentionally kept a lower profile, since our main competitors are there and we don't want them to enter the Finnish market."

This choice of diversifying the range of products offered to different market areas has also made the company more flexible regarding competition because no excessive growth opportunities are visible in the near future from within its existing markets. This diversification is also due to rationalisation from the perspective of logistics costs, and the location of the major customers with whom the company has made long-term supplier contracts.

In Scandinavia the company operates through direct contacts. In the U.K. the company has its own sales office, which operates as an agent, and in Germany the company has an agent. The activities in the U.K. have a long history. The first operations began already in the 1970s and in the 1980s they grew at a fast pace. In the mid-1980s the then owner established a factory in the U.K., which then became the property of the French corporation when it acquired AluProd in 1988. In the 1990s customers and U.K. activities began to wither away. Since the MBO U.K. activities have been revived and the former sales manager of AluProd has operated as the agent in the U.K. Starting operations in the U.K. was easy. However, the agent in Germany was a new contact, which the company obtained as the agent was looking for suppliers with a good reputation. Relationships with the agents are kept close and active. AluProd benefits from using agents in the form of increased sales and easier access to new customers and markets. Agents are also suitable for the company in the sense that they obtain their income based on the sales they have made and they carry the business risk. On the other hand, the company can also become quite isolated from the markets, if all the trade is executed by agents. In Eastern Europe the company operates through direct contacts. Business in Eastern Europe and Russia is very profitable, as the price level is so high. On the other hand, starting to sell a standardized product on a larger scale can turn out to be not worth the risk.

The relationship with the North American client was originally established in the 1980s. The American company contacted AluProd and a long-term relationship was established and AluProd started to supply the American company with products. In the 1980s and 1990s the American company grew and AluProd was able to grow with it. At the same time AluProd's good reputation spread in North America thanks to the American client, and the company received other American customers as well. At the same time AluProd was owned by the French corporation and the company was able to create good relations with a French agent. After the MBO deal the agent returned to do business with AluProd and continued to sell their products. The managing director of AluProd crystallizes the issue:

"In international trade the keys to success lie in relationships. No deal is made between firms; they are all made between people." "When you take good care of relationships, they tend to come around some day. If you deal with them badly, they will come around even faster. Leaving as few enemies as possible behind you is a good tactic, since people tend to stay in the industry. A person in a lower position today may be a future business leader. That's when your contacts become valuable."

However, AluProd has had to learn how to establish and maintain long-term relationships. Operating in foreign markets requires a certain mentality and teaches personnel to adapt to a different culture and business environment. Learning from mistakes and always trying to do ones best, even if it ends in failure are important educators. According to the managing director:

"A traditional Finnish engineer is reliable and taciturn, but that is not enough out there in the markets. Of course these people are needed in the company, however. On the other hand, a traditional car dealer that promises what cannot be kept is not good either. What are needed are social and credible people and a known and trustworthy company. They are the ones that make the necessary long-term contacts."

Although AluProd has been owned by many companies and corporations, it has kept the same name all the time. This has eased the company's new rise post MBO, particularly as the company originates from Finland and is not that widely known abroad. The old customers know the history of the company and are familiar with its products and quality. New customers have come to know the company through its good reputation and the references of its old clients. Different owners have also had different strategies and plans for the company. During economic downturns, AluProd, as part of a corporation, had usually been the first in the line to have its activities cut back. This had

occasionally led to firing employees. However, after the MBO, the company has been able to make its own decisions on such issues.

The moves of the company, after the MBO, have been quite bold, but they have not been, however, unplanned or accidental. Suppliers of machinery and raw materials, customers, agents, and trade fairs provide the company with market information. Additionally, the managers try to intuitively catch weak signals of what it going to happen in the business environment. However, the company cannot build its operations on presuppositions of the future. In fact, trying to build an exact plan based on fragments of information can even be harmful for the company. According to the managing director:

"It is much better that you store the information fragments in your head. This makes you analyse and sort the information right away and that then enables the creation of an intuitive picture of the business. All the necessary information will stay [in the brain]." "...our company has its own way of operating; we try to benefit from our strengths and minimize our weaknesses."

The company has continuously had several projects and plans in motion. Some of these are large-scale international opportunities, which, if they come true, can change the entire future of the company. For every successful opportunity attained several dozen trial and error stages have been gone through. Product innovation and the starting of operations in new foreign countries are efforts that are the sum of many different issues. One of the most important issues for a small company is to be a reliable and sufficient resource base. Otherwise it is very challenging to even enter into negotiations with possible partners and customers. As the managing director of AluProd puts it:

"Whenever you are negotiating with customers about becoming their main supplier, or with a company about an acquisition, or about investments, such as establishing a new factory abroad, if just one thing goes wrong, the whole thing may fall. And the thing that stopped the negotiations can be something completely out of your reach, completely independent of what you did and how you did it."

One of the biggest challenges in the business is the lack of finance. Investment in a new production line can cost nearly eight million Euros. When the products per unit are not that expensive, it is not easy to pay back the investment. The key to success has so far been that the company has bought used machinery and modernized it for their purposes. The technical know-how of the company accumulated over the years has actually been part of the company's history. Many competitors have concentrated on product manufacturing and let others design and build their machines. AluProd has aimed at being self-sufficient in this sense, and it has also helped the company enter markets, compete and stay there. Thus far, the company has financed its operations through Finnish banks, insurance companies, and governmental

funding services. Nevertheless, using external funding has become quite expensive for the company.

"...we could take more risks and grow even more, if we would have more of our own capital to invest. Moreover, some of our rivals have, to say the least, dubious sources of finance..." (Managing director, AluProd.)

Hiring new employees has not been a challenge for the company. The turnover of employees has been quite large. This has always been the case because employees basically learn their work by doing and earlier education or work experience is not considered that important. This also means that the company needs to provide their employees with the required education to manage their work tasks.

Customers are continuously more likely to finance the developments of their suppliers as well as new products. Behind this increase is the fact that customers want to guarantee access to scarce resources in the future. Naturally the supplying manufacturers need to be paid back, but obtaining finance this way is easier, and at the same time a customer is more committed to buying the end products.

The transportation of goods to different countries and continents is also a challenge and a cost for the company. However, once the containers have been loaded, the shipments are not that expensive. Fluctuations in foreign currencies and high taxes, however, affect the profitability of different markets at different times. Changing the prices of the products can compensate somewhat for currency changes, but not always. In the U.S. the changes have been numerous and extensive:

"Looking at the long-term development [of the U.S. market], sometimes the money comes pouring in, and sometimes you have to fight for the last dime." (Managing director, AluProd.)

The international growth path of AluProd is characterised by a relatively stable yearly increase since its independence in 2002. According to the managing director the development has followed the business plan of the company drafted after the MBO deal. The process has been stressful and painful from time to time, and required lots of effort from the entire staff. Currently the company has reached a position, where the production machinery has been developed to a required level, the machines are running as expected, and the company has been able to raise prices.

Figure 28 depicts the international growth curve of AluProd as positioned in the operationalised theoretical framework.

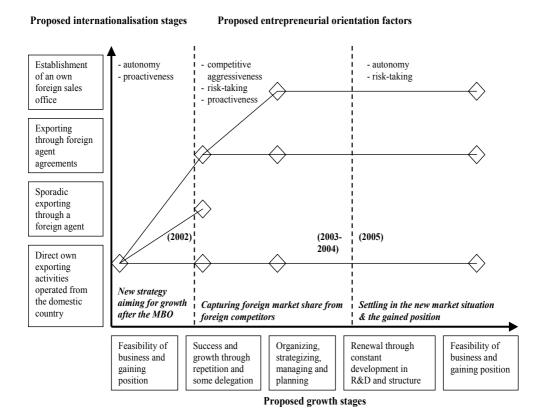


Figure 28 The international growth curve of AluProd in the operationalised theoretical framework

In the case of AluProd, both the internationalisation and growth stages are followed to some extent. In the internationalisation stages not all the stages in the theoretical framework are applied and a stage, sporadic exporting through a foreign agent, has been added and become the second stage. In the growth stages, not all stages are applied, and one stage is present twice, in the beginning and in the end of the international growth process. This does not, however, indicate that the company had stopped growing as a stage from the beginning is repeated. It rather indicates that the company faces similar challenges and requirements during this later stage as well. Looking at the process from the entrepreneurial orientation perspective, after the MBO deal the company employed a new strategy aimed at growth. Here autonomy and proactiveness factors were central. In the period when the company was seeking fast growth and an increased market share, the company was characterised by competitive aggressiveness, proactiveness, and risk taking. After the market share was reached and foreign activities established, the main factors have been risk taking and proactiveness mainly through continuous product and manufacturing technique development. A further description of the *entrepreneurial orientation* factors prevailing in the international growth process of AluProd are listed in table 12.

Table 12 Entrepreneurial orientation factors in AluProd

Entrepreneurial orientation factor	Contents in case AluProd	Timing within the process	Background for timing
Autonomy	The company was established through an MBO deal and a new strategy was implemented to gain market share and market position. Encouraging employees to behave entrepreneurially.	The early and the late stages of the international growth process.	To establish the company and its international market position.
Proactiveness	Taking initiative in the MBO process and going to foreign markets with the aim of gaining market share from competitors.	In the early and mid-stages of the international growth process.	Entering foreign markets quickly after establishment to overcome the competitive actions of rivals.
Risk taking	Capturing market share from competitors and maintaining it. Following the strategic vision set before the MBO deal.	The mid and late stages of the international growth process.	Competitors not expecting the company to succeed due to changed management and earlier track record.
Competitive aggressiveness	To create a position in the market, to affect the competition, and to show the competitiveness of the company to its rivals.	The mid-stages of the international growth process.	Capturing market share from foreign competitors soon after the establishment of the company.

Autonomy is among AluProd's most important *entrepreneurial orientation* factors. The MBO deal to establish the company, following the vision of the new management, and maintaining the gained market position all demonstrate autonomy. Proactiveness and competitive aggressiveness go hand in hand in AluProd's case, as the company took the initiative to enter rapidly foreign markets and to gain market share from competitors, which took their rivals by

surprise. Along with the aggressive and proactive gaining of market share, the company also took a heavy risk as its strategy may not have worked out. On the other hand, without the risk taking the company would not have been able to reach is current position. The company does not demonstrate clear innovativeness, as during the time of the MBO the company's mass market product had already been on the market for decades and the innovations the company produced later on were mainly incremental and connected to manufacturing lines in the factory, and not directly linked to the international growth process of the company.

Table 13 focuses on the different factors affecting the international growth process of AluProd and the upturn and downturn factors in the international growth development of AluProd from 2002 to 2006 are shown. What is characteristic of the company is the fact that there are several developments in the company taking place at the same time and they have been prepared for a longer time. When the developments finally materialise, their effect on the company can be great.

Table 13 The factors behind the upturns and downturns in AluProd

Case AluPr	Case AluProd			
Year	Upturn factors	Downturn factors		
Prior 2002	The company had been able to create	The earlier owners had their		
	long-term relationships with agents and	own agenda about what to do		
	customers. The company also had a good	with AluProd. Additionally, the distant location of the		
	reputation. Additionally, the company			
	has, throughout the years, bought old	company made it difficult for		
	machinery and developed it instead of	the company to get the attention of customers		
2002-2003	buying expensive new machines			
2002-2003	The company was able to takeover the	Fierce price competition with a rival creates losses for both		
	Scandinavian market and get its aerosol			
	business running. Additionally, the company revived its old foreign	companies. Controversial relationship with the former		
	relationships	French owner		
2002-2004	Establishment of a sales office in the	Flench owner		
2002-2004	U.K. and the obtaining of an agent in the			
	German market			
2002-2006	Developing old machinery to a	Fluctuations in the currencies		
2002-2000	competitive state, ability to raise prices to	and price levels in the target		
	a profitable level	foreign markets		
2006	Customers are increasingly interested in	Lack of resources and		
onwards	securing their supplies and access to	warehousing space can dwarf		
onwards	resources, which has made them to	the company's growth efforts		
	increase their participation in financing	the company 3 growth enorts		
	the suppliers machinery and R&D			
	investments			
	III (COLITICITED			

AluProd management's strategy of fast growth is clearly shown in table 14. As the total market growth in the field has been modest, the company had no choice but to obtain growth from its rivals. This takeover of market share made price competition fierce from time to time. On the other hand, the changes in the global markets have also affected the company; changes in currencies have sometimes made export trade profitable and sometimes very expensive and the prices and availability of raw materials have affected both the production costs, sales prices, and the interest of the clientele.

4.4.2 AluProd's international growth 1997-2006

The number of employees has always fluctuated at AluProd. This has partially been due to the fact that no prior education is required for employees. This has, on the other hand, made it easy for the company to hire new workforce whenever needed. Figure 29 illustrates the number of employees at AluProd from 2002 to 2006.

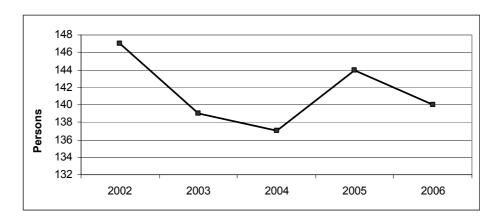


Figure 29 The development of the number of employees of AluProd 2002-2006

From 2002 to 2004 the number of employees decreased to approximately ten employees. This change was mostly due to the MBO deal reached in 2002. Before the deal the company produced the majority of its products for the French corporation, which formerly owned AluProd. After the MBO the company was forced to takeover new markets and increase market share to compensate for this decrease. In approximately two years the company managed to take a majority share of the Scandinavian market, which also enabled it to increase the number of staff to a corresponding level. Changes in the number of employees have also been caused by the fierce price competition the company had to participate in for strategic reasons and in

order to survive. The price competition forced the company to make its operations more efficient and to cut costs wherever possible.

When comparing figures 29 and 30, the number of employees can be seen to have fluctuated whereas annual revenue and the share of international operations have followed a relatively straight growth path. These differences can be partially explained by the fast foreign growth strategy of the company.

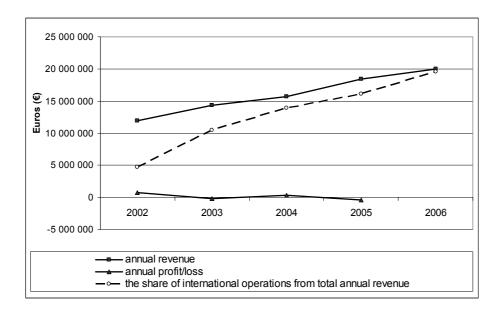


Figure 30 The development of AluProd's annual revenue and profit/loss 2002-2006⁵⁰

When looking at the development of AluProd's annual revenue, which is presented in figure 30, it is possible to observe that the share of international operations has grown along with annual revenue. Moreover, the exports have grown at a slightly faster pace than annual revenue leading to a situation in 2006, where the share of international operations was nearly equal to the annual revenue of that year. In the case description it became evident that AluProd is a company that has focused on growing and has sought this growth from the foreign markets. To begin with, the company produces mass products, which do not have a large domestic market. As such, the company mainly seeks growth abroad instead of from domestic markets, which leads to the fact that a large share of the company's revenue comes from abroad. However, it is also possible to conclude that both the foreign and the domestic

The figures for the annual profit/loss for the year 2006 were not available.

growth of the company have grown at the same time and at a similar pace due to the business plan laid down by the managers after the MBO deal in 2002. As previously stated, the company had either to search for fast growth through increased market share and accelerated production volume, or it was to close its operations once and for all.

In the following the internal and external factors and issues that have played a role in the international growth process of AluProd are looked at in more detail. The structure of this discussion follows that of the previous two case descriptions and begins with the market situation of AluProd. AluProd has gained, through its aggressive and competitive behaviour and approach, a majority share in the Scandinavian tube market, and it is also the largest and leading producer of cans and tubes in the domestic market. However, on an international scale, the company is a small player, and thus it has purposefully kept a lower profile in Central and Eastern European and North American markets, where it sells its products through direct exports, agent agreements and a sales office. It does that to avoid antagonising its large multinational rivals and to keep them from entering the Finnish market. After the MBO deal in 2002 the company started its operations with very little and had to fight for survival. The timing of the company actions was set by the MBO deal and was not so dependent on the external market situation. The tools the company used to reach its aimed for market share were both entrepreneurial and strategic. The company products are mass-produced and need to comply with international standards and regulations. In this sense, differentiating them has often been thought of as a challenge. AluProd took this challenge and provided its customers with innovative tailoring that concentrates on the outer appearance and design of the tubes and cans. On the other hand, the company has also competed successfully on price, where it has shown endurance, as it has been able to survive price wars with larger competitors due to better cost competitiveness.

The managers behind the MBO deal have played a very influential role in the international growth of the company since 2002. Their strategies and visions, despite being often quite bold and risky, have turned out to be fruitful and worth taking. This entrepreneurial enthusiasm of trying to develop the company quickly as an internationally well-known and effective player has also been extended to the employees on the factory floor; each innovation that the employees come up with, which e.g. makes the production process more efficient, provides a new beneficial feature for the product, or enhances their logistics, is rewarded. There have even been competitions in which employees have been asked to come up with new solutions. As such, the inputs to the entrepreneurial behaviour and culture come from both learning and experience on the strategic level and in the actual manufacturing and production. The

competition surrounding mass-products on an international scale requires constant market monitoring, particularly for a company that has taken market share from several competitors and made fast tactical moves to gain its position. In this sense AluProd also listens to its customers and develops its products accordingly. This has been perceived as a central competitive issue, since the company has long-term supplier contracts with its customers, which are mostly large pharmaceutical, food, and cosmetics companies that require a continuous and stable supply of AluProd's containers that meet international standards and regulations e.g. on volume and safety.

The cooperation that AluProd engages in has often had roots that go back to the time before the MBO. Many of the agents the company operated with before year 2002 were again contacted and business relationships were revived. The company has also maintained good contacts with some of the managers that worked in or with the company in the larger corporation before the MBO deal, and these managers have also provided the company with their expertise, skills, and contacts and have helped it reach its goals more efficiently. As many of the company's, as well as its agents', clients are large corporations with extensive 24/7 production lines, the fact that AluProd, already before the MBO, had managed to create a trustworthy, just-in-time, and high-quality container producer's reputation in the international markets has been very important for the company. Without this reputation, a revival of the old agreements and the chance to make long-term agreements with the customers would have been impossible.

The structure of the company has changed in terms of production facilities and their magnitude, sales revenue, and market share. After the MBO in 2002 the company has approximately tripled its international operations through increased efficiency in production and broadened production lines, through actively taking market share from its rivals, and through providing its customers with tailored products and a reliable supply. Nevertheless, this efficiency has also forced AluProd from time to time make difficult decisions. For example, the efficiency in production has also been reached through staff layoffs. The obtaining of market share and customer contracts has in turn forced AluProd to make decisions between survival and lowering prices to their lowest limit. Many of the moves of the company have asked the managers to take risks that could easily have also ended up in bankruptcy. Internationally, the company established a sales office in the UK; otherwise the company sells its products abroad through its own direct exporting activities and through foreign agent agreements. These operations have brought the company a strong and broad-based clientele and an admirable market share, but it has not significantly affected the organisation of the company. Naturally the increased demand has had to be met with more

efficient production and logistics, and relationships with agents and clients need increased maintenance and support. Thus, this small amount of organisational change, despite the remarkable increase in its market presence internationally, may also be due to the fact that the company is still growing and is a rather young company, which may indicate that further changes are on the way.

The internal and external issues and factors within AluProd's international growth process reveal some unique features that characterise its development and the dynamics. Firstly, the growth of the company is almost entirely organic, especially from the perspective of the international operation modes and has been driven by a strong entrepreneurial stance. Nevertheless, the starting point of the company was one of an acquisition, where the then current management of the international French corporation's Finnish unit decided to conduct a management-buy-out deal in order to make the company an independent player and simultaneously avoid the closure of the factory.

Secondly, entrepreneurial behaviour has been demonstrated throughout the organisation. The strong and bold moves and tactics of going abroad fast and forcefully strongly indicate proactiveness, competitive aggressiveness, risk taking and autonomy. Proactiveness is also observable in the way that the managers in the company decided to rescue the company from closure and develop it into a Scandinavian market leader. Competitive aggressiveness is also visible in the way AluProd was willing to and capable of competing on price until its competitors ceased using this tactic, and in taking away contracts from competitors and gaining contracts with large customers through better prices and service. Risk taking can be said to be observable in almost everything the company has engaged in. In fact, the MBO deal included the risk of failure, as did the Scandinavian export drive to take over markets and the risks related to selling at almost too low a price. Autonomy is visible in two ways, in the company's strategic move to separate itself from the French corporation and in starting over as an independent company, and in entering new, highly competitive markets by relying on the company's skills and competences in meeting the demands of its customers and on keeping its promises.

Thirdly, the growth in the company almost entirely results from the international markets, as the share of international operations is nearly on the same level as the total annual revenue. Despite the company being the biggest supplier in the domestic market, there are not many domestic customers for its products. Therefore, even if the company would have a monopoly on domestic demand, it would still be only a small amount of revenue. As such, AluProd's main markets are abroad, and therefore they also form the biggest source of revenue for the company. Nevertheless, the source of the company's main raw

material, namely aluminium, is also abroad, which makes the company a large importer of aluminium. This aluminium is then moulded into containers that are again exported. In this sense the company is truly international.

Fourthly, there is an undisputable connection between the entrepreneurial behaviour and orientation of the company and its subsequent international growth. In spite of AluProd's international growth being rather rapid, it has been able to incorporate international growth into its business thanks to its strategy and management style. This has been accompanied by continuous developments in the organisation structure, strategy, and R&D operations, since the company re-established its position abroad. If the company would not have entered the foreign markets, it would not have increased its revenue or enhanced its production speed and magnitude. The growth the company was looking for was not attainable in its domestic market due to a lack of customers and the small size of the market. The company has operated in the foreign markets mostly through own its direct exporting and agent agreements. These actions and operations have brought the company a large market share and a strong presence in those markets. This has not, however, forced the company to alter its organisational structure to any great extent. As such, the internationalisation growth of the company has not strongly affected its structure e.g. in the form of building new factories or hiring more foreign staff, but indirectly the company has been forced to enhance its production facilities, develop more efficient manufacturing processes and encourage the company to maintain its entrepreneurial behaviour and organisational culture as necessities.

4.5 Hartrek

Hartrek is a medium-sized company located in Northern Finland that was established in the early 1990s. The domain of the company is in the forest industry, for which the company designs and manufactures multipurpose vehicles. The main export product of the company is a logging and thinning device, which can be attached and easily adapted to different types of logging machines and harvesters. The unique technical features of the devices and particularly their easy adaptability for local needs have formed a competitive advantage for the firm. In the global forest industry the demands of local legislation as well as geography, vegetation, and environmental characteristics set strict requirements on the machines. The company's products are better known in foreign than in domestic markets and the share of international operations to total annual revenue has been nearly 90 percent. The majority of Hartrek's competitors are large multinational companies that have grown

during the last few years through mergers and acquisitions. Hartrek has also participated in business arrangements and deals, through which it has increased its operations, gained market share and strengthened its position as a significant competitor.

Hartrek has been an active player in international markets since the 1990s. Its most important exporting mode has been exporting through agents, i.e. it has been selling its products to its foreign customers via local dealers. Its first foreign exports were sold to Germany, France, Great Britain, and Sweden. In the mid-21st century the company reached dealer agreements with companies operating in the Canadian and Russian markets. The only marketing subsidiary is located in Great Britain. For Russian exports the company cooperates with a Finnish company that operates in Russia. The extensive use of local dealers and agents has been considered beneficial for the company, as locals are familiar with the foreign customer base, culture, and ways of conducting business. Additionally, the local dealers' knowledge about the forest industry and its machinery is of great importance. As a result, Hartrek has been training its foreign dealers, when necessary, in the technical features of the devices, machines, and vehicles, their maintenance and repair, and user support details. By 2007 the company had a sales organisation in 16 countries and its products were being sold to over 20 different countries.

One of the most essential factors accelerating the internationalisation process of the company was a change in ownership, which occurred in 2004. At that point a new management team, formed of earlier employees of the company, took control and the company has since striven for more international growth and has been less risk averse. The company has also participated more actively in international trade fairs in order to reach new dealer agreements and to find new customers. The global economic and financial situation also strongly influenced has the company's internationalisation development. For example, changes in the demand for timber and pulp affect the demand for forestry machinery. During the last couple of years the export trade to Canada has slowed down due to the problematic future prospects of the U.S. economy. On the other hand, the company's exports to the Russian market have steadily increased in the latter vears of the 21st century.

4.5.1 The international growth process – innovative adaptability

The international growth curve describing the export development of Hartrek is presented in figure 31. The following description of its development from 1997 to 2006 follows the shape of the curve. After the narrative story a table

providing details about the upturns, downturns, and factors, including background factors, influencing the curve is presented.

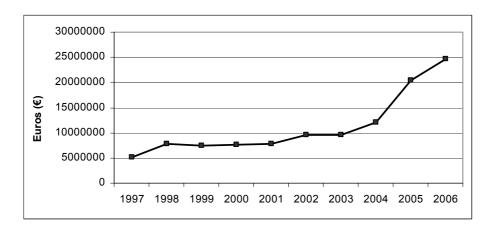


Figure 31 The development of the share of international operations to revenue in Hartrek 1997-2006

For many years, Hartrek has had a history of long-term customer and dealer relationships in a few countries where the company has been exporting forestry machinery, such as harvesting and multi-function machines. The international growth development of the company rests, to a large extent, on these long-term relationships. In the majority of the foreign markets Hartrek operates through dealers. In the U.K. the company has its own sales office, which was established in 2001. In total, the company has some representation in 16 countries and its machines are run in 20 countries. The first countries Hartrek began to export to were Germany and Sweden. Sweden is largest customer for the company, where Hartrek sells around 600 to 700 machines annually. In 2003 the company started to export to Canada and Russia, where the company obtained dealers. Faster growth in 2004 and 2005 was mostly due to a change of ownership. The earlier owners were cautious, which led to steady, but relatively slow growth. The new owners have actively sought growth.

The forestry machinery market is divided into a few very large international companies. The market leader is American, its market share is approximately 40 percent, and it operates globally. After that there are two companies, one of which is Finnish, that both have around 20 percent of the market. The Finnish company is more global and operates in Europe, North America, and Russia. The other company is more focused on South America and Australia. A Swedish rival has 5% of the market and it operates in Sweden and in Canada, and Hartrek also has 5% market share with a focus on Europe. There are also

other smaller national manufacturers. Acquisitions between competitors also change the positions of the smaller companies; for example Hartrek benefited from U.S. mergers which allowed it to enter into co-operation with dealers wishing to compete with the market leaders. According to the sales and marketing director at Hartrek:

"The three largest companies pretty much cover the globe and forced the smaller ones out of the market with their huge production volumes. In 1999 the American company acquired its rival from the U.S. market, in 2005 there were more acquisitions among the biggest players, and a half-a-year ago a Swedish company announced that they would also be interested in the forestry machine business. This competition is very tough with all these global players."

Hartrek has mobilised a continuous strategy in which the developments of the market, the activities of the competitors, the new product innovations, customer needs, and changes in legislation are observed and collected by the management group. The changes in the international markets are also followed closely by the directors responsible for different functions. The investments of the paper and pulp industry, the developments in different country markets, changes in the use of bio and alternative fuels, and trade conditions in the sawmill industry, to name but a few, all influence the future prospects of the company. The company needs a very good picture of what is going to happen in the next two to three years, and a fairly good picture of what is going to happen in five years time.

"If we want to build a new machine, it will take around two to three years, and if we want to enter new markets, it will take around three to four years before the business will run smoothly there." "When an engine provider tells us many years in advance what changes they are going to make, it affects our machines as well and we'll need to make the corresponding changes as well." "It would be a lot easier for us, if we could get and use specialists' reports of the prospects for our field more often." (Sales and marketing director, Hartrek.)

Local dealers are often the best sources of information for developments in their home market. For example the dealer in Russia can inform the company about developments in customs rates, where future investments are most likely to be made, how the customers can organise the finance of their future acquisitions, who the prospective customers are, and how user training for the machines will be organised. The sales and marketing director at Hartrek clarifies:

"It is absolutely a strategic choice for us to operate with a dealer, since we are a relatively small company on the global scale and it would require a lot

of effort from us to get all the information the dealers can readily provide us with."

In the beginning, when the company was expanding into new foreign market areas, the sales and marketing manager evaluates the profitability of the new area and the board and the management group approves the decision. After this, the company invests in the new market by providing education and training to the new dealer, and by exporting adequate machine equipment to the new market area. The dealers then receive training in the use of the machines, about their maintenance, spare parts, and user support. With these investments the basis for a profitable business for both the company and the dealer is established. However, these investments are always risky in a sense that the company starts to operate in a new country with a new dealer, whom the company has no earlier experience of working with. Additionally, the magnitude of the investment is usually high and they also take considerable time and effort.

New market areas also set requirements on the production volume and characteristics of the machines. Modifications are needed based on the differences in local vegetation and terrain. All the products of Hartrek are made to order. When a production order is received at the Finnish factory, the local dealer has already sold the machine to the buyer and the particular features of the machine are agreed upon. The customer can choose from 50 to 100 features. According to the sales and marketing director the features vary greatly from country to country:

"Some of the features are local specialities, such as GPS and different map programmes. In some countries, then again, having a fire extinguishing system is required by law. In many countries the machines are required to comply with the road traffic act to enhance their movement from one logging site to another. The greatest issue is, however, that trees are different around the world; some are taller, some have more branches, and the bark is different."

In R&D the bigger changes in the machines come in cycles, approximately every 10 years. From 1997 to 2000 the company developed four new machines in one of its products series, and since 2000 the production capacity of the company has tripled. Smaller changes and developments are made all the time. Oftentimes the changes are made to enhance the functionality of a feature that is already in the machine. The customers are also quite active in giving feedback about new additional features. Changes in laws and regulations are also sources of changes that the manufacturers are forced to execute. Lately, the design of the machines has been of interest, in addition to their functionality.

"Approximately 15 percent of our employees work in R&D, which is pretty high." (Sales and marketing director, Hartrek.)

When the company looks for dealers in different foreign countries, certain characteristics are valued above others. The dealer needs to have some prior experience of such machinery. Usable sources in finding prospective dealers are trade fairs, governmental export agencies, consultants, as well as reporters writing in the publications of the field. In the U.K. the company used to operate through dealers. However, as this operation mode did not bring an adequate market share for Hartrek, its own sales office was established. Moreover, the company still has a local dealer in Wales and Southern England, and another dealer in Northern England. The Russian market has long been seen as the market of greatest growth potential. Therefore, Hartrek had a strong need to enter the market, but finding a suitable dealer was challenging. Finally, after negotiations with several dealer candidates, in 2003, a Russian company that sells wood-processing machines contacted the company and said it was interested in introducing Hartrek's technology to the Russian market. Then the Canadian market was entered as it is extensive and still growing, and the technology the Hartrek machines represent is increasingly being applied.

The growth of the company has mainly been financed by revenue. When the change of ownership took place, a group of investors participated in the financing of the operations, which brought additional finances into the company. The company has also received governmental funding. From the perspective of employees, growth has been looked for through increased subcontracting, which has moderated the growth of the number of employees. The number of subcontractors has, on the other hand, decreased as the company has concentrated its purchases with a few subcontractors that nowadays produce more developed products. The training of employees has been organised, for example, with the help of external specialists and in cooperation with forestry colleges. R&D people have had their own training courses. Regarding the training of staff, the sales and marketing director admits:

"Of course it [training] is a central issue, and whenever we have had periods of stronger growth, it is just so easily forgotten, despite the fact that it is so important."

Extensive international growth has also made additional requirements of the organisation culture and structure. Hartrek has faced the biggest challenges in developing new operating processes, support functions, and personnel, so that they can meet with the new volume requirements. The simultaneous focus on both continuous fast growth and the development of the company accordingly has not always been easy.

The company's share of international operations to domestic sales has been relatively high for a long time, which has led to the situation that the company

has much experience of working in the international markets. According to the sales and managing director, the know-how of the employees to conduct international business is the single most important thing. The personnel understand the needs of the customers and the dealers, and reciprocally the dealer provides the company with market and customer information. Hartrek sells its forestry machines and spare parts to the dealers, whereas the dealers take care of customer relations and the after sales service. As a result, Hartrek needs to take care of the dealer-customer interface as well, since that is their ultimate source of competitiveness.

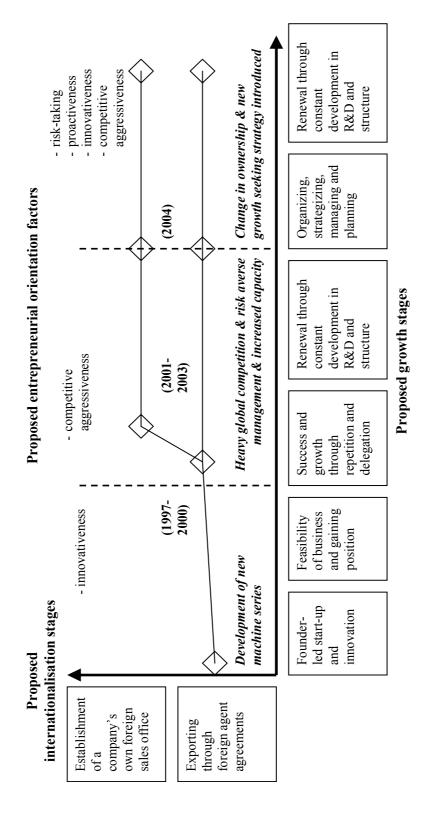
"Our dealers are our biggest clients and they do not do the logging, therefore we need to understand their business as well. The easiest way to do this is to co-operate with them. We have ongoing meetings and plans and training for each country." (Sales and marketing director, Hartrek.)

At Hartrek the sales and marketing personnel speak eight different languages and in all business activities and operations the local culture of the customer is respected. According to the sales and marketing director at Hartrek:

"Someone once said; when you buy things you can speak English, but when you sell, you have to speak the local language."

Changes in the economic conditions have had a strong influence on the company. For example, the economic crisis in the U.S. has strongly affected the Canadian market, as the U.S. is the biggest market for Canadian lumber. This, in turn affects the demand for forestry machinery. Environmental conditions also affect the demand for forestry machinery. Heavy storms that devastate forests can easily create a peak in the market, after which trade nearly stops. Changes in harvesting and wood processing techniques can also create opportunities for Hartrek. For example, in 2004 and 2005 a new, more economic and effective method for cutting and sawing trees was being adopted in North America and Russia. This also increased Hartrek's sales as its products, which were previously sold mostly to other market areas, already employed the required features for the new method.

Figure 32 represents the international growth curve of Hartrek as positioned in the operationalised theoretical framework.



The international growth curve of Hartrek in the operationalised theoretical framework Figure 32

In the case of Hartrek, only two internationalisation stages are applied, namely exporting through agents and the establishment of their own foreign sales office. Although the company has applied only two export modes, it has some representation in 16 foreign countries and its machines are run in 20 countries. The growth stages, in turn, do not follow the traditional growth stages sequence constellation. The first three stages follow the theoretical framework, but then the fourth and fifth stage have changed place, the fifth stage is repeated after the fourth, and stages six and seven were not observable during the research period. An entrepreneurial orientation demonstrated itself during the international growth process in many ways. In the beginning the company was innovative, as it launched a new machine series. In the late 1990s and the early 21st century global competition became tougher and the company responded by establishing its first own foreign sales office and by increasing its production capacity. A dramatic change in Hartrek's international growth took place in 2004, when the company changed ownership and owners who were more growth oriented took over. This, and the fast international growth that followed, however, required the company to restructure their organisation and pay even more attention to continuous R&D activities. Table 14 represents the entrepreneurial orientation factors and shows their timing and background during Hartrek's international growth process.

Table 14 Entrepreneurial orientation factors in Hartrek

Entrepreneurial orientation factor	Contents in case Hartrek	Timing within the process	Background for timing
Innovativeness	The development of a new machine series and the constant development and renewal of the products.	In the early and late stages of the international growth process.	Creating new products to enter markets, to meet demands, to keep up with the competition, and to follow the strategy during the process.
Competitive aggressiveness	Entering foreign markets with increased capacity and a growth-seeking strategy. Changing from risk-averse management to a bolder style.	In the mid and late stages of the international growth process.	Counteracting the competitors' moves and the developments in the international markets.

Risk taking	Change in ownership, implementation of a new, bolder strategy, and investing heavily in increased capacity.	In the late stages of the international growth process.	Occurs along with the change in ownership and strategy in the increasingly competitive international markets.
Proactiveness	Taking the initiative to change the company from the inside to better meet customer demands and to outperform competitors.	In the late stages of the international growth process.	New market demands set change requirements for the company.

In the case of Hartrek, both innovativeness and competitive aggressiveness play a central role. Innovativeness is demonstrated in its new product development and constant investment in renewal and R&D activities. Competitive aggressiveness, then again, is visible in that the company entered foreign markets with a great deal of preparation and implemented a new, growth-oriented strategy. Risk taking is most clearly demonstrated with the change in management from being risk averse to becoming bolder, which also introduced a new, risk taking strategy. The company also took risks as it invested more in production capacity when on the threshold of entering new market areas. Proactiveness is visible in Hartrek in that the company took the initiative to change its management and strategy in order to increase its competitiveness in the face of heavy global competition. Autonomy was not clearly definable in the case, since the external business environment has had a strong effect on the company, and since the company is a part of a larger corporation that guides and leads the company's decision-making, particularly on strategically relevant and central issues.

We now turn from the analysis of the *entrepreneurial orientation* factors to the upturn and downturn factors along the international growth path. Table 15 lists the upturn and downturn factors of Hartrek from 1997 to 2006.

Table 15 The factors behind the upturns and downturns in Hartrek

Case Hartr	Case Hartrek			
Year	Upturn factors	Downturn factors		
Prior 1997	Maintaining long-term relationship with the first export countries, Germany and Sweden			
1997-2001	Developing several new machines to add to the product variety of the company	The then management wanted to play it safe and not to take too many risks or invest abroad too much		
2001	Establishing the own U.K. sales office	Differing aims with the U.K. dealers and the inability to obtain adequate market share in U.K. led to changes in dealers and operation mode		
2001-2002	Starting export activities in a few countries in Europe			
2003	Able to get a dealer from Canada and Russia, which opened new markets for the company	Establishing a presence in a new foreign market requires significant investments and effort from the company		
2004	Doubling its production capacity made the company more interesting to potential customers abroad	Strong growth created demands e.g. to develop the organisation, expand the factory, and train employees, all at the same time		
2004-2005	Change of ownership brought a more active growth seeking strategy into the company	The international competition toughens due to M&As between large competitors		
2006		The economic crisis in the U.S. started to affect strongly the Canadian market		
2006 onwards	Good growth expectations in the European and Russian markets	Getting a foot-hold in a new market requires increasingly more resources and efforts		

In Hartrek, the upturn factors mainly concentrate around the company's ability to obtain dealers around the world, to develop new machines on a continuous basis, and to follow a growth strategy. The downturn factors, then again, concentrate on two issues: Firstly the company's weak ability to manage strong and fast growth and develop the company accordingly. Secondly, the strategic moves in the market, such as the acquisitions of rival companies, made by the multinational market leaders.

4.5.2 Hartrek's international growth 1997-2006

The number of employees has grown along with the economic growth of the company. Employees have, however, been hired at a more moderate pace, since the company has used many subcontractors in its production. Additionally, the number of subcontractors has been decreasing, since Hartrek has concentrated its purchases with a few suppliers that produce more developed components, such as engines, for forestry machines. The fast growth in the international markets has, nevertheless, forced the company to hire more staff to manage the growing and developing organisation. Figure 33 illustrates the development of the number of employees from 1997 to 2006.

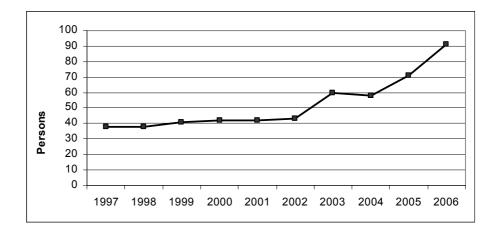


Figure 33 The development of the number of employees of Hartrek 1997-2006

In figures 33 and 34, it is observable that both the number of employees, as well as the share of international operations, follows the total annual revenue. The last few years since the change of ownership have been very beneficial and profitable for the company. The company was able to grow fast from 2004 to 2006, which required that the company invest in its organisational development as well as in the expansion of its factory premises. Investing merely in export activities was not, at that point, adequate enough to ensure the further growth of the company.

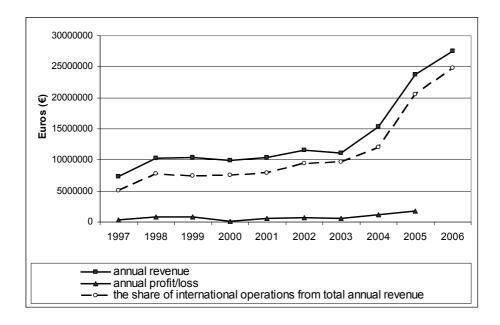


Figure 34 The development of Hartrek's annual revenue and profit/loss 1997-2006

The majority of the forestry machines produced by the company are sold abroad. Therefore, almost 90 percent of Hartrek's revenue comes from exports. As such, domestic growth does not play a central role in the development of the company, since it has increasingly been able to sell its products in favourable economic conditions on the world markets. The limits to domestic demand also affect the company's abilities to operate in their domestic market because the size of the domestic forest areas is limited.

To provide further insights into the case of Hartrek, internal and external factors and issues related to its international growth are reviewed here. The market situation of the company is that the company brand is better known in foreign markets than domestically, and nearly 90 percent of the company's revenue comes from abroad. The company product is versatile and it can be localised to the particular needs of each foreign market. In the Finnish market there are, however, not enough customers for the company to reach its growth aims, especially as the company already serves a large share of the domestic markets. The company operates in all the large markets for logging and wood processing products, and its rivals are large multinational companies. The competition in these markets has been fierce during recent decades and the trend has been for large multinationals to purchase their smaller local competitors. This has created an oligopoly type of situation, where a few large competitors have divided the global market by each company focusing on a certain area or region. Hartrek has also grown through acquisitions, through

which it has been able to increase its operations, gain market share, and strengthen its foreign presence. The company has operated in foreign markets mainly through agents, which is mostly due to the reason that in the forestry machine business local knowledge of a market is essential. As such, operating via local agents and dealers that know a market, its regulations, logging and forestry traditions, and the local vegetation and forest type is a prerequisite for a foreign company to enter the market. Despite that the company product is localisable and the brand is well-known. In addition, global economic trends strongly affect the success of the company. This is due to the fact that changes in related industries, such as wood processing, sawmills, and the paper and pulp industry, as well as the use of alternative fuels, trends in forest conservation, and storms devastating forests all have direct and indirect effects on the demand for forestry machinery. On top of this, the forestry industry represents a traditional industry, which in many countries is vulnerable to changes in the world's economy.

One of the most influential issues behind the acceleration of Hartrek's international growth has been the change in management that took place in 2004. A new management team that was formed from the employees of the company took over the company and started to strive for a more international growth oriented and risk taking strategy to develop the company faster. Under the former management the company had been growing, but at a slower pace. Resulting from this, growth opportunities had already existed for the company but the cautious management style had not taken advantage of them. As dealer relationships have turned out to be a cornerstone of the Hartrek's international operations, the company has concentrated on making new dealer and agent contracts at trade fairs and through active participation in industry events in order to extend its operations to new markets and market areas. The dealer relationships have usually been long-term, since the dealer needs training and familiarisation courses for machine maintenance and repair, and to train local customers in the use of the machines. As such, training an agent requires resource commitment, as well as risk taking from Hartrek and thus finding trustworthy and committed dealers is essential for international expansion and growth. Such constant searching for and gathering of information is another tool for a company planning to accelerate its development. In this respect the dealers form an important information source for providing information about deals in export markets, and customers provide feedback and ideas for product development. The fact that the company has been operating abroad and receiving almost all of its sales revenues from international operations has provided employees with critical knowledge and experience about how to do international business.

One special character of the operations of Hartrek is that all the machines are made to order. This means that there is no stock and all the machines are localised and modified according to customer needs from scratch. Another special characteristic is the dealer-customer interface, which Hartrek maintains by providing its dealers with the required training and spare parts according to the feedback and information coming from the customers, as well as the dealer. The basic machinery, which is then adjusted to customer needs, is updated almost completely approximately every ten years, whereas small upgrades and enhancements are introduced on an ongoing basis. The company also tripled its production capacity in this decade and it is looking for further efficiency by increasing the use of subcontractors. From the perspective of growth, this has had an effect on the number of employees but the increased output and international growth have been reached with a relative moderate increase in staff. The materialised international growth has created challenges for the organisation of the company. To meet increased volume requirements staff have needed more training and the operating processes and support functions have required swift development. However, the growth aims of the new management have been rather ambitious and meant that the time for the setting up and learning of all the needed functions and skills has been a critical resource.

In the following, the particular issues and factors that demonstrate themselves in Hartrek's international growth dynamics are discussed in further detail. Firstly, the international growth of the company has been attained almost entirely by organic, entrepreneurial means and financed by revenue from sales. The company operates mostly through long-term foreign agent and dealer agreements, and it has a foreign sales office in the UK, as the agent agreement was not a profitable solution in that market. In particular, moves made by the new management since 2004 have been aiming for stronger and faster international growth, mainly through the strengthening of existing relationships and by establishing new, long-term relationships with new agents and dealers.

Secondly, the new management has demonstrated entrepreneurial behaviour in their international growth aims. Additionally the fact that the company manufactures the products according to order and maintains dealer-customer interfaces has proven put to be very competitive and workable in the international market. The innovativeness of the company has mainly been demonstrated by its strong emphasis on R&D (approximately 15 percent of its staff works in the R&D department) and the constant development of the products based on customer and dealer ideas. Proactiveness has been demonstrated by the management take-over, which was necessary when more competitive means were required to keep the company competitive. With the

former, risk-averse management Hartrek's multinational rivals would have quickly taken over its market share. Competitive aggressiveness has also been demonstrated by the change in management, as well as their subsequent active participation in trade events to attract more agents from different foreign countries. Risk taking is visible in many issues in the company. Investment in training new agents and dealers always entails risks, as does entering new markets, the adoption of a new management and a more risk taking strategy, as well as the building of larger manufacturing facilities to meet expected demand. Autonomy, in turn, is not clearly observable in the company, as Hartrek is seen to be operating in a nexus of external demands and influences, and is strongly connected to its dealers and agents that easily affect its operations and, in the end, also its success.

Thirdly, almost all growth in the company originates from international operations, as approximately 90 percent of the company's sales revenue comes from abroad. Despite that fact, the company serves a large share of the domestic market as well, although that does not provide the company with real growth opportunities. In this sense international operations form the backbone of Hartrek's operations.

Fourthly, there is an observable connection between entrepreneurial behaviour and international growth in Hartrek's case. As soon as the new management took over, the company began an international growth spurt. As such, a more growth-oriented and less risk-averse company culture and management style was required to reach the international growth aims. The organisation of the company has since gone through a process, where the new management has steered it along a path of constant interplay between renewal in structure and R&D and re-organising and strategising. The growth in the company is mostly visible in the increase in its production facilities. The growth is also observable in the larger amount of dealers, agents, and subcontractors the company operates with. The subcontractors provide the company with developed components, systems, and solutions, which the company then assembles and sells to a larger number of customers. Additionally, as the company mostly operates through external agent agreements, and has only established one sales subsidiary abroad, this international growth has not, in this sense, introduced extensive organisational or structural changes to the company.

4.6 Comerg

Comerg is a medium-sized company that provides maintenance services and metal components and equipment to heavy industry. The service is based on a patented metallurgical innovation, with which heavy industry machinery is coated, repaired, and maintained. Nevertheless, the company has also many other metallurgical innovations, but the coating technique is the main source of export revenue. The company was established in the 1970s and it was basically built around the metallurgical innovations and personal capabilities of the owner-founder. The customer base of the company is formed from large plants, factories, and power stations that operate large engines and machines in an uninterrupted manner, with minimal service and maintenance breaks. The company exports the patented heavy industry maintenance service, the competitive advantage of which is based on its unique characteristics and the fact that the customers' engines need maintenance every five years, which lends itself to long-term customer relationships. Additionally, the service makes the engines and machines practically everlasting, which is beneficial also from the perspective that maintenance decreases the risk of engine failure and therefore e.g. power cuts and the stoppage of production lines. However, in the small scale Finnish market and economy, the company does not have many domestic clients, which has made it look for other customers from abroad. As a result, the majority of its clientele are foreign multinational enterprises.

Comerg commenced the exporting of its services in the late 1980s. The export service concept received its current form in the mid-1990s. In the export concept an agent sets up a contact and a relationship involving the service provider and the customer and the personnel of Comerg maintains the engines at the customers' premises. The exported service thus comprises of a patented technique and experienced and skilled employees providing the service abroad. The foreign customers of the company are located in Europe, where the company does not have any real competitors. There are no direct substitutes for the service, which leads to the fact that rivals are mainly companies producing new engines and spare parts.

The owner-founder of the company took care of all the central operations within the firm, including the foreign customer relations. His sudden death at the beginning of the 21st century affected the company severely, and from the international perspective, many of their relations with agents and customers had begun to either wither away or had ceased. This incident caused the company to halt its international development and the operations of the company were maintained for the sake of the profitable patent and to ensure jobs. For several years the company was managed by external investors, who were basically looking for a buyer for it, rather than aiming to develop it and its international business operations. In the mid-21st century a buyer with a genuine interest in the company was found. Under the new rule the old agent and customer relations were revived and new ones were generated. Over the

years the company was not active in international markets, it did not lose its market share completely, since the service was patented and no noteworthy rival service or innovation had emerged.

The accelerating factors behind Comerg's internationalisation process are firstly, the patented innovation, and secondly the narrow niche segment, which the company services. In the domestic market competition is practically non-existent, but so is the amount of possible customers. Additionally, the coating services the company provides are not regularly required by customers any more than every five years, which makes demand among the company's existing clientele sporadic. Similarly, the maintenance of certain plants, such as power stations, is carried out during summertime due to lower electricity demand, which ensures that clients located in different parts of the world are serviced during their respective summer months. Comerg's service and markets also affect the fact that, although the company was inactive at the beginning of the 21st century, it was able to make a comeback and restore its clientele and market share to its former state.

4.6.1 The international growth process – founder's legacy

The international growth curve describing the export development of case Comerg is presented in figure 36. The following narrative description of the developments within the case from 1997 to 2006 follows the shape of the curve. In addition, table 16 illustrates the entrepreneurial orientation factors present in this case study SME, whereas table 35 provides details of the upturns, downturns, and the factors, including background factors, influencing the curve.

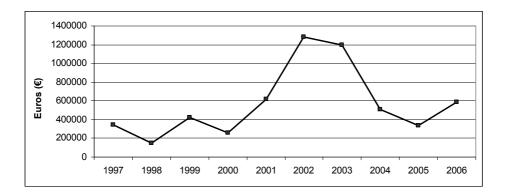


Figure 35 The development of the share of international operations to revenue in Comerg 1997-2006

Comerg has two factories in Finland, of which one is focused on manufacturing steel structures and the other on maintenance services. The steel structures are mainly sold to the domestic market, as 90 percent of its customers are Finnish, whereas in the other factory, approximately 30 percent of the maintenance services are sold to foreign customers. The company offers maintenance services to power stations, large plants, and factories. The service is based on a patented metallurgical innovation made by the founder of the company, and maintenance is conducted approximately every five years. As a result, the clientele for the company is relatively limited, and for the activities to be profitable, foreign customers are required. The service is highly specialised and developed, which makes it competitive in the global markets. The founder originally made the invention for the purposes of the company he was working for at that time. He decided to establish his own company and started to offer the same service to other companies. Over the years the variety of customers broadened from steel mills to paper and pulp factories, and finally to power plants. The deputy managing director at Comerg characterises the activities of the company in the following way:

"In Northern Europe the maintenance in the power plants is done in the summertime. That's the time when it is warm here, and of course during the wintertime the plants are in use and we can't service them. In Southern Europe the system works the opposite way, so the plants are serviced during the wintertime, since in Southern Europe electricity is used particularly for air conditioning. In this way we can even out our own workload. The system is purposefully developed this way."

The company was established around the innovation in the late 1970s, and the service offer has remained relatively unchanged, due to the still valid patenting, since the mid-1990. The activities and development of the company is strongly based on the innovation and the R&D activities. The company has

mainly operated in international markets through agents. Comerg has also been able to follow a prominent Finnish customer to foreign markets in an arrangement whereby both the Finnish customer and Comerg together provide the foreign customer with a combined service. The first agent agreements were reached in the 1990s. The agent agreements that were reached with domestic agents in the 1980s have also eased the company's ability to find foreign agents as well. From 2000 to 2002 strong growth was experienced by the company. At that time, Comerg made maintenance agreements with several foreign customers.

What is characteristic of the operations of the company is the fact that the number of customers is very high. Altogether the company has approximately 500 customers, but not all of them are serviced annually. 130 of the customers are Finnish and they represent the power industry. The company has long-term agent agreements in Sweden and in Spain that strongly contributed to the growth seen from 2000 to 2002. The latest customer, the company has begun to provide a service for is a Russian customer. The agent agreements are maintained in co-operation, but the 500 customer relations create a challenge for Comerg:

"Customer resource management feels very difficult with our limited resources. One has enough trouble in just trying to remember to call all the customers at least once a year." (Deputy managing director, Comerg.)

At the turn of 2001 into 2002 the operations of the company changed dramatically, as the founder-entrepreneur suddenly died. The founder had been the driving force in the company, as he had taken care of everything from R&D, management, and strategising, to creating and maintaining customer relationships. According to the deputy managing director:

"...[the founder] was a traditional, strong-willed entrepreneur personality, who held all the strings in his hands and did not delegate much power of decision to others."

During the years 2002 to 2005 the company was kept going by external financers, who were basically looking for a buyer for the company and concentrated on keeping Comerg alive. The management of the company was taken care of by consultants and the representatives appointed by the financers. During these years the development of the company stopped and many of its foreign customer and agent relations withered away, R&D activities became nearly non-existent, and the developments the founder had brought about had started to wear off, and the company was returning to the development state it was in during the late 1970s. Despite this, in 2005 the company got a new owner, who started to develop the company again and almost according to the original plans. The old sales agent relations were revived in 2005, as the company was able to demonstrate to them that they

were still professional. They continued to provide their specialised services, and revived their strong will to develop, grow and gain a position in the global markets. Nevertheless, the new start has been challenging:

"Product development is still relatively marginal. It was interrupted in 2002, and has still got going again. What has been developed so far has been the production functions and our business activities." (Deputy managing director, Comerg.)

Despite the lack of actual R&D activities, the employees at Comerg have been developing their working techniques. The employees have been given permission to rationalise and enhance their working methods, if they have found problems or defects in providing the maintenance service. According to Comerg's deputy managing director, the only people that actually can develop the existing services are those that work with them in the field.

The new owners have had more interest in re-internationalising the company, as the company still holds the patent, and no competing service, that could be taken seriously, had emerged during its less active years. The main reason, why the company was inactive from 2002 to 2005, was the fact that its maintenance services were not actively marketed to the customers anymore. When the company started to market and offer its services to clients once again, it turned out that there was still significant demand. The revived sales agent relations not only brought the old customers back, but also added new customers to Comerg's clientele. The patent had protected the company's niche and the most prominent competitors of the company were still machine and equipment providers. Moreover, the logic of Comerg's service was very different from those of its competitor's. Comerg services the existing machinery and installations and extends their service life. The competitors, then again, provide spare parts and completely new machines. Additionally, the number of companies worldwide providing the machinery Comerg uses is very small, similarly the number of companies using the same machines in Finland is very small, and none of them applies the same technique for the purposes that Comerg does. This also makes the availability of labour a challenge, as the employees are trained at work and there are no readily trained professionals available in the job market.

"Becoming a professional in this business can't be studied anywhere. You have to work here for a long time to get the needed experience. That is also why this business is difficult to enter for others." "One of the main issues hindering growth is the availability of a skilled workforce to help provide maintenance services in this area." (Deputy managing director, Comerg.)

Working in power plants set particular requirements on the companies. All of the workers visiting the plants need to pass a strict security check, where their backgrounds are also checked. Companies are also required to have

licences from the Finnish Radiation and Nuclear Safety Authority, as well as international certificates from the countries where the maintenance is provided. This also limits the number of competitors in the field, since getting these licences is a long process. Comerg also has a certified quality system for power plant inspections and the customers need to give this their permission. The maintenance service is to a large extent provided to the customers at their own premises. Each maintenance work on-site is considered as a small project. This requires that employees must be ready to travel around the world. Services are often ordered by the customers at very short notice, the work on-site is very intensive, and it may take several days or weeks. This is also Comerg's competitive advantage, since maintenance that is done in machine workshops has more providers, and here the spare part and equipment suppliers are not as competitive. The deputy managing director at Comerg describes the competitive situation:

"We can provide both coating and mechanisation on-site, whereas our competitors mostly provide only one of these services. Actually, in Finland there is only one company that can provide these same services to the same magnitude we do, but they are specialised in paper machines, where we are not that active."

Another issue that has fuelled Comerg's growth is the role of energy and its increased significance in the 21st century. The production costs for energy as well as its demand are rising all the time. With the maintenance services the company provides, the productive capacity of a power plant can be raised. This has brought the company new customers and also made existing customers more conscious about energy efficiency. The deputy managing director at Comerg sees the company's potential in sustainable development, as the company enhances existing machinery. A good reference for the company is the fact that the plants and factories that were serviced in the early days are still up and running and in excellent condition.

The direction of the company is, and has been, strongly in the hands of management. The agents and the long-term customers provide the company with market information and the developments in the field are followed also through different media. The new management's strategy to seek growth has gone hand in hand with current energy concerns. However, operating in foreign markets brings challenges to the company, particularly due to differences in operating cultures. The agents often also work as mediators between the company and its customers, as they know the locals and the local customs.

"The service projects can be completed just like at home, but with the other practicalities the agents can help." "For example in Southern Europe the

terms of payment are often not kept, and the price hardly corresponds with the one agreed." (Deputy managing director, Comerg.)

New growth since 2005 has also required investment from Comerg. The majority of the machinery and equipment dates back to the 1990s, which has necessitated the company investing in renewing as well as in increasing capacity. The company has received government financing for both the establishment stage and now for increasing its operating capacity. Customer negotiations also require investment, since the process is relatively slow and it requires skills.

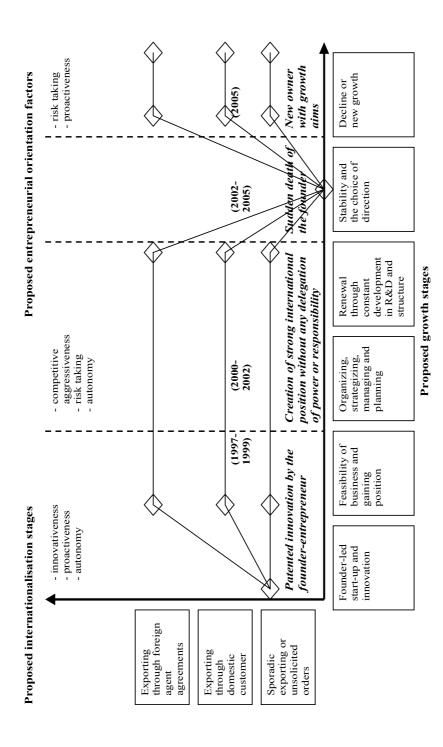
"...this organisation mostly specialises in the practical work, but the skills to run the business are scarce. We are all machine workshop men we are not good at sitting in negotiations or discussing with customers or marketing our services." "Commercialising and marketing our services is challenging." (Deputy managing director, Comerg.)

When Comerg has negotiated deals with large foreign customers, a large domestic customer has often been a party to those agreements. This has also provided Comerg with some assistance in negotiations. According to the deputy managing director at Comerg:

"Sometimes we went to these negotiations and imagined that we were going to discuss and agree upon the details of the agreement. That wasn't, however, the content of that negotiation, but perhaps in the next one, or the one after that."

For the coming years the company has decided to maintain its current customer relations and the service projects, as well as obtain new clients. Therefore some relative growth is expected to materialise.

Figure 36 illustrates the international growth curve of Comerg as positioned in the operationalised theoretical framework.



The international growth curve of Comerg in the operationalised theoretical framework Figure 36

Three export modes are applied in Comerg's international growth process. The international activities are limited to its own operations, working in close co-operation with a customer, and mainly operating through agents. The growth stages closely follow the formulation set up by the theoretical framework, the only exception being that stage three, successful growth through repetition and some delegation is missing. This was due to the fact that the international growth of Comerg was the result of the efforts of the founder-entrepreneur, who held all the power in the company until his sudden death in 2002. From the entrepreneurial orientation perspective, it was the innovativeness, proactiveness, competitive aggressiveness, and risk taking of the founder that drove the company to its strong international growth from 2000 to 2002. From 2002 to 2005 the company was run by a group of external financiers, who were looking for a new buyer. During that time contacts with customers and agents went cold and the company concentrated on survival. There was no entrepreneurial orientation clearly or actively present in the company during that time. In 2005 the company found a new owner and the old relationships with former agents and customers were revived. At that stage the entrepreneurial orientation concentrated mainly on risk taking and proactiveness in re-creating a market position. The *entrepreneurial orientation* factors observed in Comerg are listed and discussed further in table 16.

Table 16 Entrepreneurial orientation factors in Comerg

Entrepreneurial orientation factor	Contents in case Comerg	Timing within the process	Background for timing
Proactiveness	Creating a patentable product that provided the company a competitive advantage. The new management brought with it new growth aims and the old agent and customer relations were revived.	The early and late stages of the international growth process.	The establishment of the company and the introduction of the new owner together with the 'restarting' of the company.
Innovativeness	The founder- entrepreneur's innovation around which the company was built.	The early stage of the international growth process.	During the time the founder-entrepreneur operated in the company.
Risk taking	Building up the company's international market position. The founder-entrepreneur held all the strings in his hand. Change in ownership entails both challenges and benefits.	The mid and late stages of the international growth process.	The founder- entrepreneur wanted to grow the company internationally at a fast pace, irrespective of the risks attached. The new owner introduced a new growth strategy.
Competitive aggressiveness	The founder- entrepreneur wished to grow the company quickly.	The mid-stages of the international growth process.	The company had gained its patents and was ready to obtain an international market position.
Autonomy	The founder- entrepreneur did not delegate power or responsibility, but took care of R&D, strategy, management, and customer and agent relations by himself.	The early and mid-stages of the international growth process.	During the time the founder- entrepreneur operated in the company.

All the factors related to entrepreneurial orientation can be seen, in Comerg's case, to be connected to the character and aims of the founderentrepreneur. When the founder-entrepreneur died suddenly, entrepreneurial orientation of the company disappeared, until the new owner stepped into play. The development of the patented products and services demonstrated both innovativeness and proactiveness, and the aims to grow the company and gain an international position, in turn, demonstrate both competitive aggressiveness and an ability to take risks. As the founderentrepreneur took care of all the functions and activities in the company, he operated and developed the company virtually autonomously. Once the new owner took over, the company started to demonstrate again proactiveness through a new strategy and the revival of old relations. The new owner also represents risk taking, as the task was now to get the company back into shape and get the business running again.

Table 17 represents the internal and external factors that the company faced from 1997 to 2006 and that have been affecting its upturns and downturns.

Table 17 The factors behind the upturns and downturns in Comerg

Case Come	Case Comerg				
Year	Upturn factors	Downturn factors			
Prior 1997	The founder-entrepreneur builds the company around the patented innovation and R&D. Additionally, most of the agent agreements were reached in the mid-1990s	The founder does not delegate any central activities			
1997-2000	Slowly materialising growth due to the efforts of the founder to develop and grow the company. The company is internationally known for its service	Requires strong effort from the founder who is the main resource of the company			
2001-2002	High growth due to founder's efforts and good agent relations	The sudden death of the founder			
2002-2005	The employees have made some inventions while developing their on-site working methods	The company is managed by the financiers and mainly kept alive until a new owner could be found			
2005	A new owner is found and the development of the company restarted. Additionally, old customer and sales agent relations are revived	R&D activities have not begun. Additionally, the company requires modernisation			

2006	The company receives new customers. Due to the growth the machinery and the equipment of the company are modernised and capacity is increased	Inability to get skilled workforce
2006 onwards	Energy concerns and extensive investments in enhancing power plants create more markets for the company. Additionally, new prospects relate to the upcoming Russian maintenance agreement	No prior long-term experience of operating in the Russian market

In table 17 the years 1997 to 2002 are strongly affected by the founder-entrepreneur, both in terms of benefits and challenges and in the upturns and downturns. The dramatic changes in 2001 and 2002 affected the company for many years, but the company survived due the characteristics of its service and market and a new owner, who acquired the company in 2005. The future of the company also seems to be rather promising, since the patents are still valid and Comerg's customers are becoming more and more conscious about increasing energy consumption and sustainable development.

4.6.2 Comerg's international growth 1997-2006

In Comerg the number of employees has closely followed to the aims of each owner. From 2000 to 2002 the company grew fast, as the founder-entrepreneur strived for growth through the establishment of new customer and sales agent agreements and by investing in R&D activities and the development of the company. From 2002 to 2005 financiers mainly kept the company alive and many of the activities in the company were cut back. Of the entire staff, approximately 35 provide maintenance services abroad. The rest is comprised of office and management staff and employees of the steel structure factory. Figure 37 depicts the number of employees from 1997 to 2006.

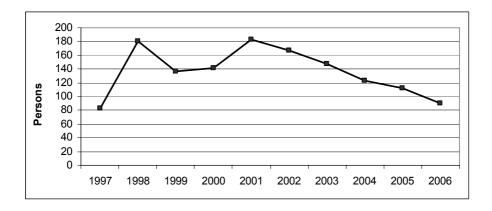


Figure 37 The development of the number of employees of Comerg 1997-2006

When looking at the curves in figure 38, and particularly when comparing them to figure 35, it is observable that the total annual revenue and share of exports follow each other to some extent. The role of the founder-entrepreneur had been strong, as both the revenue and exports, and even the number of employees, dived after 2002. It is also noteworthy that exporting plays a relatively small role in the company, and is part of the daily business only in one of the two factories. Nevertheless, the foreign customers enable the profitability and existence of the other factory.

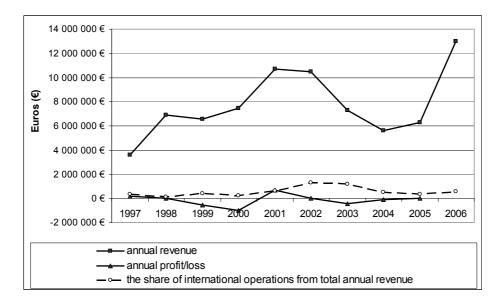


Figure 38 The development of annual revenue and profit/loss in Comerg 1997-2006

The domestic growth of Comerg was clear during 2005 and 2006, when the total annual revenue was over 95 percent larger than the export income. This is only partially explained by the fact that foreign sales agent relations have not been fully revived since the relatively inactive years of 2002 to 2005. Secondly, the company has invested in modernising its machinery and increasing its operating capacity. Of the two factories the company has, more has, so far, been invested in the factory that focuses on domestic business, whereas the one that has all the international activities is still to be modernised.

The internal and external issues and factors that are observable in the case of Comerg in relation to its international growth process are discussed in the following in more detail. The particular characteristic of the service Comerg provides is that it has a patented innovation that is applied by a few large customers at different times during the year depending on the geographical location of the client and at certain time intervals thereafter. Thus, the company serves a niche market with a highly competitive, certified, and specialised service. That is to say that the type of the customer sets limits on how often the service is used, since only larger plants and factories operating in an uninterrupted manner require the service. Regarding the temporality of the service usage, for example, power stations that need to be operating in an uninterrupted manner can only be maintained and serviced at a certain time of the year, when electricity consumption is lower, and short maintenance breaks are possible. On the other hand, as maintenance is needed approximately every fifth year, the number of clients needs to be relatively large for a profitable business with constant service needs. This means that both domestic and foreign demand is relatively sporadic, and the geographical and temporal changes for the service are unpredictable. Therefore, serving a large, geographically decentralised customer base is a necessity for the market. Additionally, as the service is needed by the customers every five years, and as the customers are mainly power stations and large factories the domestic market is not adequate for a profitable business, let alone growth, due to the limited amount of customers and their location, irrespective of the fact that the company now already services almost 100 percent of the Finnish market. Therefore, the majority of the company's clients are foreign. Comerg has approximately 500 customers, of which 130 are Finnish. Despite this, the international operations account for only approximately 30 percent of the company's total annual revenue. This can be partially explained by the fact that the company has two units, one of which concentrates on the aforementioned service and the other on steel structure manufacturing. The steel structures are sold in the domestic market and they make up a large share

of the company's revenue. In this sense, the international operations, in the end, form a relatively modest share of the revenue of both of the units.

The nature of the service has affected the form and nature of its customer relations because the service is required every five years to avoid engine malfunction, and therefore customer relations are usually long-term. The business logic at Comerg is that it employs local agents to operate as middlemen between the company and its foreign clients. The agent sells the service to the customers and Comerg's employees then conduct the service at the customer's premises. The relationships with the agents are also long-term, since the same actions between Comerg, the agent, and the customer are repeated at certain intervals. The first contacts the company made with its foreign agents were facilitated by the domestic agents the company had already worked with. However, as the facilities that would require Comerg's services usually have a central role e.g. in energy production or industrial manufacturing, the service needs to fulfil certain standards of safety and the service staff needs to be reliable and competent. These issues usually lead to the fact that negotiations with new customers are usually time-consuming and require investment and effort from the company. Nevertheless, the negotiations usually end up in a long-term service agreement.

The founder-entrepreneur-manager had a central role in the establishment of the company around his patented service innovation. The fact that the founder took care of all the operations in the company, as well as the efforts to expand the company internationally, and mainly had employees for conducting the maintenance services at customers' locations made the company very dependent on the founder. When the founder suddenly died in late 2001 such operations in the company almost stopped completely, as did the international expansion. Only after a new owner with international growth aims took over in 2005 did the company again continue its international growth development. This comeback was made possible by the fact that no rival had entered the market with a competing service, that the service Comerg provides is patented and because the service is valuable for its clients and has a good reputation among them. Additionally, the only real competitors for the company are the producers of engines and spare parts, with which the engines can be mended or entirely replaced. No other maintenance service solution currently exists. During the absence of an owner R&D activities were halted. Nevertheless, the employees working directly with the patented service have developed the service process further based on their practical experiences while working at customers' facilities.

Due to the nature of the business logic the company has not had to develop its organisational structure, as it mainly operates through domestic and foreign agents and works on unsolicited orders every once in a while. However, as the company serves nearly 500 customers, the maintenance of these customer relations has required some developments in the company, and investments have been made to increase the company's capacity to provide the services demanded. On the other hand, the sudden death of the founder halted the development of the company. During the time between the death of the founder and the arrival of the new owner different investors took care of the company by keeping it alive until a buyer was found for it. At that time the company stopped its international operations, and the number of employees decreased steadily. This is partially due to the fact that when maintenance is not provided at the same magnitude as previously fewer employees are required. On the other hand, this decrease also illustrates the general need for increased efficiency, and the fact that employing new skilled and committed staff is challenging. Learning and the gaining of experience in the company mainly took place during the years when the founder managed the company and relationships with agents and customers were originally formed and its international presence was established.

The internal and external factors and issues related to the international growth dynamics of Comerg show that the growth of the company has originated entirely from organic operations as the company provides services that are targeted towards customers' facilities, such as large engines and machinery. The owner of the company has changed during the studied period, but the strategy, rather than the company, changed as a result of that.

Secondly, entrepreneurial behaviour has been seamlessly connected to the owners of the company, who have then either developed the organisation or not, according to their ability and interests. Innovativeness in the company has mostly been related to the owner manager and his patented innovation. Employees have since made some improvements to the service based on practical experience. Proactiveness was also connected to the founder and the fact that he created a service that had no real rivals. The new owner who actively revived the old agent and customer relations can also be considered to be proactive. Risk taking in Comerg is connected to the establishment of new agent and customer relations in new foreign markets, but also to the fact that the founder-owner did not share responsibility or delegate it. The new owner also took risks when investing in and attempting to internationally expand the company again. Competitive aggressiveness and autonomy are also found in the founder in that he aimed to expand the company fast and to do so through his own efforts.

Thirdly, the growth of the company is mainly due to the domestic market, since international operations only account for approximately 30 percent of the company's total annual revenue. Despite that fact, the share of international operations has grown during the studied period. The majority of the

company's growth originates from its other unit and the business operations it conducts in its domestic market. As such, despite the fact that the international operations of the company nearly stopped after the death of the founder, the company managed to avoid bankruptcy because its other operations accounted for such a large share of the revenue. In this sense, domestic growth can be seen to sponsor international growth in this case, and the increase in domestic growth figures may, to some extent, have distorted the figures that indicate the share of international growth.

Fourthly, the relationship between entrepreneurial behaviour international growth is quite clear, since the company has been expanding its presence abroad and increased its foreign revenue since it has had a manager in charge of operations who works entrepreneurially. The growth in the foreign market has mainly taken the form of increased market share and sales revenue, since the company operates from its domestic offices and has no offices abroad. However, as the customer base has been expanding some management of the customer and agent relationships has been developed and investments in providing services to a large pool of customers have been inevitable. Nevertheless, these changes have not greatly affected the organisational structure of the company. As such, the internationalisation and growth of the company have taken place almost simultaneously, but from the perspective of international growth, there would not have been that materialised growth without the previous paths having been made for entry to the foreign markets. Unlike the other cases, Comerg has engaged in the internationalisation, de-internationalisation, processes internationalisation. The growth in the company, in terms of international revenue, as well as the presence of entrepreneurial behaviour and orientation can be said to have gone hand in hand because during that first period of internationalisation and growth entrepreneurial behaviour was to the fore. When de-internationalisation commenced sales contracted and entrepreneurial behaviour virtually ceased to exist. With re-internationalisation growth again occurred and the entrepreneurial orientation of the company was revived and re-introduced to the company. The changes are also reflected in the organisation of the company because its strategy and structure were adapted to the new circumstances, and its organisational structure and R&D were renewed and the company again stood on the threshold of new international growth opportunities.

4.7 A cross-case analysis of SME international growth processes – similarities and differences

The competitive products and services the case companies have been developing have principally been the cornerstones of their export activities and international growth. The core competence of the companies, which is usually vested in their products and services, enables them to create a position in foreign markets. Operating in foreign markets often exposes companies to a fiercer and more intense competition than is conventional in the Finnish domestic markets. On the other hand, a company can obtain significantly higher sales and customer volumes while operating abroad. Winning out in the international markets requires that companies have, in addition to competitive products and services, adequate sales and manufacturing capacity, professionalism, the ability to take care of customer relations, and the urge to become a better and stronger player in the field.

One of the most essential factors in making Finnish SMEs seek growth abroad is the small size of the Finnish home market. Additionally, looking at the SMOPEC definition⁵¹, the Finnish economy is also an open one, which has enabled the foreign expansion of companies. In particularly, for SoarTech the domestic market is absolutely too small to bring about company profitability. For AluProd, Hartrek, and Comerg the domestic markets offer some trading opportunities and a relatively stable customer base, but these companies need to look elsewhere, outside Finnish borders, to find growth. Finndow is the only company, whose products can also serve, to a large extent the business-to-consumer (B-to-C) markets. However, to materialise extensive growth aims, Finndow also needs to have foreign operations, since the growth potential of the domestic market is inadequate. Table 18 summarises the factors behind the international growth processes of the case companies and provides an overview of the main points of the companies' international activities and their timing within the processes.

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See e.g. Luostarinen & Gabrielsson (2004) for the small and open economy (SMOPEC) definition.

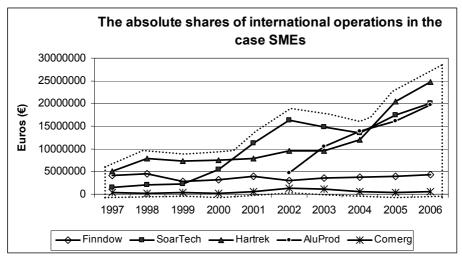
Table 18 The case SMEs and the significant points of their international growth process – a summary

	SoarTech	AluProd	Finndow	Comerg	Hartrek
Founding	1990s	1950s	1940s	1970s	1990s
year					
Field of	Software	Metal	Woodworking	Machinery	Vehicle
business	equipment	refinement			production
Б .	development	T1	T1	Th	T1
Factors behind	The company product was	The company product was	The company product was	The patented company	The company product was
international	suitable for the	suitable for the	suitable for the	product was	suitable for the
growth	international	international	international	unique and	international
9 · · · · · ·	markets from	markets from	markets from	suitable for	markets from
	the start	the start	the start due to	the	the start due to
			congruent	international	its wide
	There was not	The company	consumer	markets	adaptability
	enough	was not able to	tastes	from the	TP1 1 1 C
	domestic demand for the	reach adequate production	Operating	start	The demand for the product was
	innovative	volumes and	solely in the	The	global, which
	product to	profitability by	domestic	customers	provided the
	make the	operating	market could	represent	company with
	company	solely in the	not bring the	such a	growth
	profitable	domestic	growth	narrow	opportunity
		market	opportunities	niche and	
	The majority of		the company	are mostly	
	the company customers were		was looking for	abroad, which	
	foreign		101	forced the	
	multinational			company to	
	enterprises			expand its	
	•			operations	
				outside the	
				home	
T / / 1	D: 4	D: 4	D: 4	market	ъ .:
International activities and	Direct exports in the	Direct export since the 1950s	Direct exporting and	Beginning of direct	Exporting through agents
their timing	beginning of	Since the 1930s	exporting and export	exporting in	since the 1990s
in the	the 1990s	Export	operations	the late	since the 1990s
international		activities	with agents	1980s	Establishment
growth	Exporting	through an	since the		of a sales
process	through agents	agent in the	1960s	Developing	subsidiary
	in the late	1980s	T 11 015t	an export	abroad in the
	1990s	Establishment	In the 21 st	service	late 1990s
	Establishment	of a sales	century establishment	concept, whereby an	Forming of new
	of a subsidiary	office abroad	of a sales	agent	foreign retailer
	in the	and the	office abroad,	connects the	relations in the
	beginning of	forming of a	direct	company to	21st century
	21 st century	new agent	exporting and	its	
	A15 3 1	agreement in	exporting	customers,	
	Applied several	the 21st century	through agents	in the 1990s	
	export modes in 2006	Applied		Reviving the	
	III 2000	several export		old customer	
		modes in 2006		and agent	
				relations in	
				the 21st	
				century	

From the perspective of competition the case companies are very different. Both Finndow and Hartrek have several competitors, both domestic and foreign, in the domestic market, which partially motivates them to operate in foreign markets. AluProd, Comerg, and SoarTech, in turn, produce products and offer services for which main customer base is, from the start, international. In general, however, all the companies face heavy competition in their respective market areas and are equally vulnerable to changes in the global economy. The case companies are also different from the perspective of their international operation modes and their combination, i.e. in their internationalisation process. All the companies have a unique international growth path, which has been and is influenced by the management and ownership of the company, the domestic and foreign market situation, the characteristics of the foreign target market and the customer segments, the customer base, and features, such as the quality, innovativeness, and modifiability of the products and services. What is common to all the companies is that none of them have counted on only one export mode. The number of modes has varied from two to four during the process. All the companies have employed agents in their foreign operations, all the companies, except Hartrek, have had direct exporting activities, and all, except Comerg, have a sales office or an affiliate abroad. When comparing the establishment years of the companies and the years they have had their international operations, it is observable that almost all of the companies have taken on export activities at a relatively early stage. This can also be witnessed from the growth stage point of view in that all the companies have either been in the early development stages, i.e. in the start-up and innovation stage or in the feasibility and success stage.

Figure 39 represents both the absolute and relative international growth curves of the five case SMEs. The absolute curves are the same as those used in the visual episodic narrative interviews. The development trend is illustrated as separate dashed borderlines, around the group of individual growth curves, to demonstrate the variety and breadth of international growth processes within the sample in numerical terms. These two perspectives were employed to provide different viewpoints and interpretations of the development processes. In some case study SMEs the absolute monetary value of international operations may be quite small, but in the relative observation the share may, however, be essential, and vice versa in the other SMEs.

Figure 40 illustrates the same international growth processes but more as a summary from the viewpoint of the operationalised theoretical framework. It provides both a different formulation of the international growth curves and a summary from the perspectives of the stages models and the entrepreneurial orientation factors.



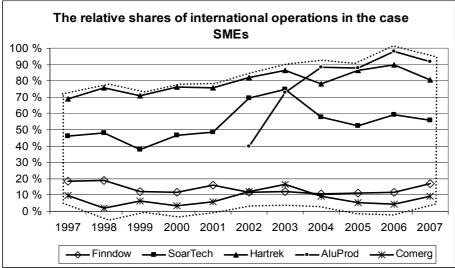


Figure 39 A comparison of absolute and relative shares of international growth within the cases

In terms of the absolute share of international operations to the total annual revenue, the development in the five case companies has been generally upwards. Furthermore, due to the fact that international operations play a different role in the companies, the monetary value of the international operations, and therefore also the growth, are varied. At the beginning of the research period the companies were relatively similar in size in terms of the value of the international operations, ranging from a few hundred thousand Euros to around five million Euros. During the research period the companies grew at a different pace and considered international growth to be of differing

importance, which has led to the fact that in 2006 the value of the international operations of the companies ranged from a few hundred thousand Euros to nearly 25 million Euros. In this figure the growth tendency is clearly visible, and it also illustrates the variety of companies and their growth rates and extent, which reflects the multiplicity of the phenomenon.

With reference to the relative shares of international operations to total annual revenue, the growth tendency is less striking as in the absolute international operation shares. The observation of the relative international operation shares also indicates those SMEs in which international operations play a significant role. The SMEs can be observed to divide into two groups; in one the relative share of international operations has been on a somewhat stable path of below 20 percent of their total annual revenue, during the research period. These SMEs are Finndow and Comerg. In contrast, in the other group international activities play a significant role and their importance has increased quite steadily during the research process, reaching nearly 100 percent at the end. Of these SMEs, AluProd and Hartrek have demonstrated a strong reliance on and commitment to international growth and operations in foreign markets. In the case of SoarTech, the difficulties in the global IT sector have left their mark on the development of the relative international operation share since 2003. Compared to the absolute shares of international operations, the trend of relative international operation share, illustrated as the dashed line around the curves, is much broader, fluctuating from close to zero percent in some SMEs to nearly 100% in others.

Regarding the sizes of the companies in terms of employees during the research period, they all followed the EU SME size guidelines at the beginning of the study. However, as the study focuses on growth, some of the case firms have grown over this size limit. The only case company currently over this size limit is SoarTech, while the only company that exceeded the size limit during the research period was Finndow, although it has now fallen back into the SME limit again. In AluProd and Comerg the number of employees has been decreasing, but only slightly, whereas in Hartrek the number has been increasing steadily. Nevertheless, the efficiency and cost saving pressures set by the markets have had the effect that many companies have reduced the amount of their employees but still increased their revenues, profit, or market share. That indicates differences in terms of organic and mechanistic growth and suggests that companies that grow mainly through organic means often lower the number of their employees to reach better efficiencies and thus achieve greater financial growth. In contrast, companies that grow through acquisitions usually merge the other company with all their operations, functions, and employees to their own organisation. In these situations the number of employees in the acquiring firm is suddenly increased, which demonstrates the growth of the firm in traditionally measureable ways, as well as creating significant changes in the structure and organisation of the acquiring company. From this perspective, the relatively loose definition of SMEs provided by the EU fit well with the purposes of this research.

4.7.1 The processes, paths, and dynamics of international growth

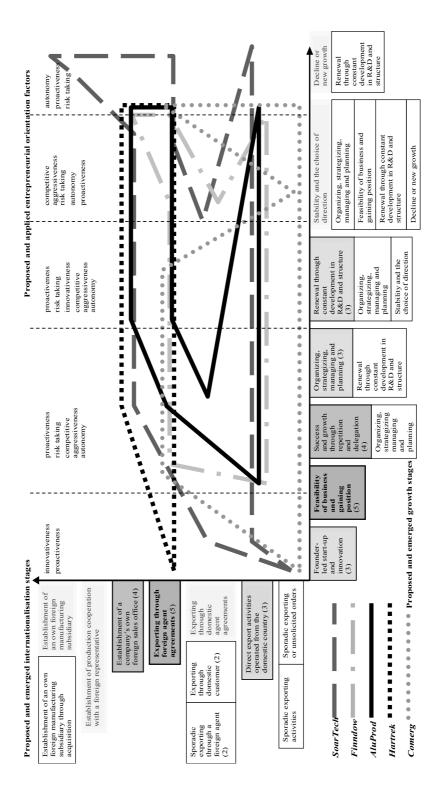
The definition of international growth and the challenges related to its comprehension and conceptualisation were broadly outlined at the beginning of the study. The theoretical definition of this study was

International growth is a change process in which companies expand the magnitude, scale, and/or breadth of their operations and develop their organisation while expanding their international operating scope.

In the following some of the empirical results and findings obtained in the study are presented in order to address the complexity of the topic and to further elaborate on and clarify it.

In figure 40⁵² the most used stages are highlighted, the sequences of the stages are presented, and the frequencies of the entrepreneurial orientation factors at each stage are outlined. From this summary figure it is possible to formulate the general space at which the Finnish industrial SMEs operate when growing internationally. On the other hand, it is relatively challenging to formulate one single, general path that a majority of internationally expanding companies could follow which could describe the process in an exact way. Therefore, broader and more encompassing illustrations are given.

Referring to figure 11 representing the tentative theoretical framework for the international growth process in the SME context.



The five international growth curves from the operationalised theoretical framework perspective Figure 40

In figure 40 the shapes of the international growth processes of the cases are outlined. On the axes the operationalised stages models are represented together with the new stages that emerged from the narratives and the secondary material. The entrepreneurial orientation factors are positioned in the figure on the points, where they were indicated as being part of the process. To further open up the figure, the colours, lines, and symbols are explained in detail in the following.

Starting with the internationalisation and growth stages models, the boxes, representing the stages, closest to the axes arrows, are those directly drawn from the theoretical framework. The boxes further away on the left-hand side and on the bottom are those that emerged from the narratives during the analysis. The emergent boxes illustrate the special stages the companies have applied that were not among the original theoretical literature. The colours of the boxes also have a meaning. The theory-driven boxes that have the lightest colour are those that did not arise from the empirical data. The boxes that have a shade of grey and a number in them are those that were found in the analysis and were applied by the case companies. The number indicates how many companies applied that particular stage in the international growth process. The boxes that do not have a number and are not coloured with the lightest grey have been applied by at least by one company during the process. At some stages there are several boxes vertically or horizontally aligned. At these stages there has been variance in what stages the companies have applied at that moment. Regarding the sequence of the stages, it is significant that in all the cases the internationalisation stages were gone through in a relatively sequential order with some skipping of some stages in between, whereas in the growth stages the positions and order of the stages varied more. Additionally, several internationalisation stages, i.e. international operation modes, were applied simultaneously, whereas in the growth stages only one stage at a time was usually applied. This can be explained partially by the fact that the internationalisation stages are relatively narrow and describe only one export mode. The growth stages, then again, are broader and describe a set of activities and operations the company is executing at a given time. Turning to the entrepreneurial orientation factors, the dashed lines indicate points in time, and more or less the stages, in the process, when the particular entrepreneurial orientation factors had an influence on the process. Finally, turning to the light grey shapes within the framework. They illustrate the spaces of the international growth processes of the case companies. As all the companies had a unique development path with different stages and a unique order and unique factors affecting them, the use of more general spaces rather than singular lines is easier, as with the spaces it is possible to see more 'dense'

areas. This means that the spaces enable the observation of how the companies grew internationally and what they had in common.

It can be seen from the figure that the international growth followed, to some extent, the early stages of both internationalisation and growth stages models. In the later stages the variance was greater and the companies either skipped the stages altogether, such as in the internationalisation stages, or changed their sequence and place, such as in the growth stages. All the companies applied their exporting through a foreign agent stage as their first, third or fourth internationalisation stage, and similarly, all the companies applied the feasibility of business and gaining position as their first or second growth stage. Naturally the state of a company at the beginning of the research process affects the stage they begin their international growth in the framework. Some of the companies had already established exporting activities by 1997, whereas some of them were just beginning their foreign operations. Regarding the starting and ending points of the processes during the research period, it is clearly observable that the companies did not proceed in a uniform manner. Two of the companies began their operations with sporadic exporting or unsolicited orders, two others with direct exporting, and one with exporting via a foreign agent. From the growth stage perspective, three of the companies began their operations with a founder-led start-up and innovation, and two with a feasibility of business and gaining position. This also indicates the fact that the starting premises of the case companies were different. Turning to the final points, three of the companies applied the foreign sales office stage in 2006, when the research period ended. At that time, one of the companies had reached the establishment of a foreign manufacturing subsidiary, and one remained at the exporting through a foreign agent stage. During the process the companies had applied from one up to four different internationalisation stages, or export modes, simultaneously.

Taking a closer look at the growth stages, it is worth reminding oneself that the stages do not proceed in a similar order to the internationalisation stages. Here, later stages are, in a manner, built on the earlier stages resembling a stair structure. Although a company had already proceeded from an earlier stage to a later stage, the earlier stage was still in the company due to the memory of what had been learnt from it. As such, it can be considered, theoretically, that a company employs several stages at the same time and the more stages that are employed the further the process had proceeded. However, in the illustration in figure 40, it is more appropriate and purposeful to concentrate on how the development proceeds, which illustrates the stages in their upcoming order, thus it is appropriate to discuss how the earlier stages are implicitly embedded within the latter stages. The beginning of the process is characterised in many companies by the use of a few export modes and a

relatively flat organisation, where either the founder-entrepreneur or the innovation on which the company was established, has centre stage. During the higher growth years in the middle, the companies were relatively quick to employ several export modes at the same time or then establish several similar export agreements, relations, or offices around the world in a short time. During these years many of the firms multiplied in size, gained a market share from the international markets, and became more complex in structure and organisation. In the latter growth stages the firms applied a variety of stages and varied their order. This partially illustrates the need for the company to handle its growth and structure, and streamline and develop its organisation, manage its international operations more carefully, and cope with the external environment. During the fifth and sixth growth stages, many of the companies were restructuring their operations, as some of the exporting modes were dropped, or because of their rapid and strong growth in their earlier years.

The different stages within figure 40 are simultaneous and overlapping when the process is observed as a whole. This observation is supported by the finding that the stages are intertwined because the influence of earlier stages and the learning, experience and development brought about continues when a firm moves to a new stage. The process is one of accumulation and development. The basic attempt in figure 40 is to provide a summary and outline of the process because the aim is not to suggest one perfect model, approach, or interpretation on the topic. The fact that some stages were not observed in the process in the sequences and positions they were presented in, in the original models, does not indicate that these stages would not have any meaning, but instead shows that there is a need for shaping and modifying the existing models according to current empirical data. When contemplating the role of internationalisation and growth in the cases, it is challenging to say, which of the intertwined processes is the primary and which the secondary. However, some indication on this issue can be drawn from the role of the domestic market in each case. In those SMEs, such as Finndow and Comerg, where the domestic business plays a stronger role and the company has grown markedly during the research period in the domestic market, the growth process could be considered to be the primary one. On the other hand, in the SMEs that are highly dependent on exports and derive the majority of their revenue from abroad, SoarTech, AluProd, and Hartrek, the internationalisation process can be interpreted to be the primary process. For a further analysis see sub-chapter 4.7.2.

Regarding the problematisation of international growth, it is now time to return to that discussion. On a general level, the cases show that internationalisation can be observed as increased involvement, commitment, and presence in foreign markets through different operating modes. Growth

can be observed as the increase of e.g. the number of employees, production volume and capacity, cash flow, annual revenue, and market share. The easily international development is relatively depicted internationalisation stages in which growth can be demonstrated by graphs and calculations and the process of expanding the company and developing it can be seen. However, what remains a challenge is to indicate how the presence of a company is visible geographically and in its market share, and how growth comes about in the growth stages. These issues can be depicted by looking at how growth and internationalisation processes have made a company restructure, re-organise, and re-strategise its operations after the materialisation of international growth. Observations resulting from this should allow us to establish a closer connection between internationalisation and growth and gain an understanding of how the international growth process actually takes place and how it can affect a company.

In SoarTech's case the international growth of the firm was fast and extensive. The firm both grew from its increased foreign operations, as well as through a large acquisition. In this process, entrepreneurial behaviour and culture together with the flexible structure of the company enabled it to make its first international moves. Since then internationalisation has proceeded quickly and has brought about increased growth in the operations, functions, and size of the firm, as well as a need to manage the whole. The resulting pressures have caused the firm to restructure. The integration of thematerialised international growth has resulted in further growth but this has been a slower process. The rapidity of the internationalisation process originated from the initial entrepreneurial behaviour, which produced the innovation that they took to the market, and from the demands and rapid development of the markets. The subsequent change in the markets towards price competition and the re-structuring of SoarTech to keep up with the market decreased SoarTech's entrepreneurial behaviour. As such, the fast and extensive internationalisation and the increase of the magnitude and scope of international operations resulted in challenges regarding the re-structuring of the growing firm, as well as maintaining its entrepreneurial culture.

Unlike SoarTech, Finndow has been growing internationally as a result of a constant and stable interplay between internationalisation, entrepreneurship, and growth. Its international growth process has been incremental and rather slow but continuous because the entrepreneurial orientation of the firm has created a suitable basis for such growth. As the process is slower, it would seem that changes brought about by growth and internationalisation can be integrated into an organisation without encountering challenges created by changes that have to be overcome immediately. Similarly, as the firm's commitment to foreign markets has been rather modest, the required

organisational changes have not been profound. Nevertheless, an increase in its entrepreneurial orientation, in response to the market situation, has resulted in increased international growth.

AluProd would not have grown or reached it aims without entering foreign markets. Similarly, its entrepreneurial behaviour in seeking international growth played a central role in its growth process. Growth in AluProd has been as fast as in SoarTech, although it has followed a less-committed strategy, as have Finndow, Hartrek, and Comerg. This has meant that the company has not had the need to change its organisation much, as it operates through agents. However, the increased market share the company has obtained has meant increased production capacity and efficiency and entrepreneurial behaviour has been required of the company.

Hartrek has experienced rapid international growth since it had a change in management. New management brought about a more entrepreneurial operating attitude and an international growth seeking strategy, as was the case in AluProd. This was partially the result of the realisation that the growth sought could only be obtained by operating in foreign markets. Similarly to Finndow and AluProd, the company has employed a lower-commitment strategy, which has enabled to the company to grow and develop without any extreme changes to its organisational structure.

Finally, in Comerg, the relationship between entrepreneurial behaviour and international growth may have been the clearest, as international growth was dependent on the presence of an entrepreneurial orientation. In fact, international growth in the company has been rapid whenever an entrepreneur has been in charge. Due to the fact that Comerg exports services it has also followed the less-committed strategy of operating via agents, which requires only minor changes in the company when international growth materialises. Nevertheless, the growth in Comerg's service business could only have materialised by operating in foreign markets.

Generally, it can be observed that the demonstration of an entrepreneurial orientation via entrepreneurial behaviour and an entrepreneurial organisational culture clearly have an influence on international growth. As such, it can be said that an entrepreneurial orientation can explain international growth. A further point is that although the rapidity of international growth may not cause difficulties for a company, the challenges for it are embedded in the level of resource commitment it is willing to allocate to exporting. Another issue is that when growth comes in the form of an enlarged organisation, difficulties may arise. Whereas, when growth comes in the form of an enlarged operational scale and scope brought about through cooperation with e.g. agents, the increased growth is still manageable. This suggests that the merging of an increased amount of employees, operations, functions and

activities in different parts of the world is a far more demanding task for an expanding company than taking care of cooperation relationships with agents and developing a company to meet market demands, which can be accomplished with the increased revenue that results from increased cooperation abroad. The nature and content of the entrepreneurial orientation factors within the case SMEs is discussed in more detail in the following chapter. Table 20 presents a comparison of the companies studied in terms of their entrepreneurial orientation factors. The similarities within the cases as well as their trends in the timing of the factors are outlined.

Table 19 A comparison of entrepreneurial orientation factors within the cases

EO factors	Similarities within the cases	Issues related to timing
Innovativeness	Creating products, services, solutions, and systems	Behind the establishment of the company
	Launching revolutionary technologies	Renewing the company's products and services
	Differentiating the company from rivals	New demands emerged in the market
	Obtaining patents	
Risk-taking	Entering new, unfamiliar markets	During market changes
	Being a forerunner	In need of changes in the company and its market position
	Investing in the company	•
	Implementing a new, bold strategy	Entering new, emerging foreign market areas
	Change in management and ownership	
Proactiveness	Taking initiative in establishing	In establishing the company market
	customer and agent agreements	position and competitive posture
	Gaining market share from rivals	Entering foreign markets quickly
	Introducing internal developments	
Autonomy	Pioneering in a field	During the later stages of the
	Competing on technology rather	international growth process
	than on price	Maintaining the traditions and visions of the company
	Establishing the company through an MBO deal	visions of the company
	Encouraging employees to innovate freely	

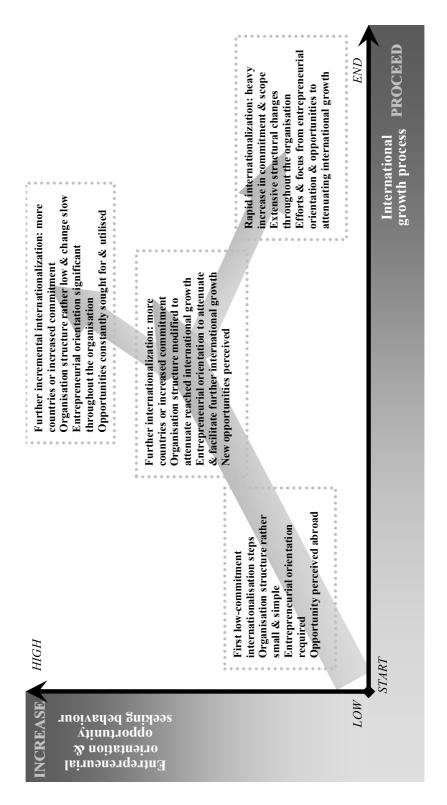
Competitive	Competing on price	Maintaining a position in a
aggressiveness	Reaping benefits from market	toughened competitive market
	booms	In critical market development
	000113	situations
	Capturing markets from	
	competitors	Counteracting competitors' moves
	Demonstrating the	
	competitiveness of the company to	
	its competitors	
	Change of risk averse	
	management	

In the case SMEs, innovativeness in closely related to product and service development and renewal, company establishment, differentiation from competitors, and leading the market. Risk taking, in turn, entails entering new, unknown markets with new, unknown products, changing management and therefore strategy, and investing in the company to increase competitive strength. Proactiveness includes taking the initiative in gaining customers and agents, actively and quickly entering foreign markets and capturing market shares, and developing the company from the inside, according to their own initiative. Issues related to autonomy in the case companies are taking the company into active management control, encouraging employees to innovate and behave entrepreneurially, concentrating on the company's core competence, and pioneering in, or even establishing, a field. Finally, competitive aggressiveness covers counteracting competitors' capturing customers from rivals, changing a company strategy to make it bolder, reaping benefits from market situations, and demonstrating the competitiveness and strength of the company in highly competitive and critical market situations.

A general observation that emerges from table 19, and that was already briefly presented in chapter 2, is the fact that many of the issues demonstrating the entrepreneurial orientation factors within the cases are connected to opportunity exploration and exploitation. No new products would have been developed or launched, no new market areas would have been entered and investments made, no risks would have been taken, no changes in management would have occurred and no cooperation would have been entered into if an opportunity to increase revenue, market share, and profit would not have been observed or recognised. Thus, within entrepreneurial orientation factors opportunity can be considered a driver of international growth. In this sense, opportunity can either be considered to be an implicit characteristic within all the entrepreneurial orientation factors, or a possible sixth factor along with the others. Similar ideas have been presented e.g. by Ardichvili, Cardozo, and Ray (2003).

The entrepreneurial orientation factors in the framework explain the international growth process, and how and why it takes place the way it does, from a company's internal perspective. The factors, as such, are relatively broad as, for example, competitive aggressiveness can take many forms in demonstrating itself and together they can be considered to cover all the activities and ways of behaving within a company. In figure 34 the factors are positioned in the framework at certain stages, where they demonstrate their largest affect and were most typical. The opening stages were mostly influenced by innovativeness and proactiveness, as during that stage the company or its foreign operations were usually established. The second stage, where the company begins its growth, employs more export modes, and becomes feasible and successful, was often characterised by risk-taking, competitive aggressiveness, autonomy, and proactiveness. During this stage growth was still relatively easy to gain, as the company may have still possessed competitive advantage, was the first to enter a market, could surprise its competitors, obtain profitable customer relations, or gain a unique position. In the later growth stage the competition often got harder, as rivals were competing more strongly and catching up and the company and its unique strengths were diminishing. At this stage the company really had to start to compete, and not only to grow and to gain a foothold. At this later growth stage all the factors were present, needed, and employed by the company. The restructuring stage after higher growth, which was already discussed from a different perspective earlier, required the case companies to focus more on the company and its strategy, and not only its products, R&D, and international growth aims. At this stage innovativeness was often paid less attention. In the final stage of the research period, the focus was again on competition after the company, the home base, was enhanced and prepared for further growth. At this point autonomy, proactiveness, and risk taking were the main features of the company actions. Autonomy usually originated from the fact that a company had strived for further independence from suppliers, retailers, distributors, agents, or resource constraints, or it had, in a sense, tried to rationalise its operations and become more effective. Autonomy was also demonstrated in the companies' attempts to reach their goals irrespective of the competitors' moves or the market circumstances. However, gaining further growth without risk taking and proactiveness would have been impossible. The emerging trend from the figure seems to indicate that the first and the last part of the process employ less entrepreneurial orientation factors that the midpoints, i.e. the stages of the most intensive growth. As such, a conclusion can be drawn which states that; entrepreneurial orientation factors may be required to fuel and support the international growth process.

As expected, none of the companies directly followed the incremental process, which calls for development in the existing theories and models, and the tentative theoretical framework of this study. Some of the stages were applied and some new stages emerged from the narratives. No standard proceeding of the process was observable. Similarly, the sequence, number and order of the stages were changed at least to some extent in each case. This is in line with the aims of this study, as no attempt was made to provide a strict new theoretical international growth model that would be applicable straightaway, without any modification, for analysing all internationally expanding and growing SMEs. Therefore, an enhanced model of international growth with entrepreneurial orientation is illustrated in figure 41.



A model of international growth with entrepreneurial orientation in the case SMEs Figure 41

The model presented in figure 41 provides a basis, a model for international growth and emphasises the different characteristics of international growth and entrepreneurial orientation observable in the process. It also includes the aspect of time in the discussion as it deals with whether the process of international growth is incremental or rapid. The findings from the case companies indicate how an entrepreneurial orientation can enable and accelerate international growth. However, the speed and magnitude of the international growth process also has a strong effect on entrepreneurial orientation. Entrepreneurial orientation and opportunity seeking are delicate issues, which, when not being focused by a firm, begin to dissolve quickly. Therefore, in situations where extensive and rapid international growth is to be integrated efficiently in the organisational structures of a firm, the focus can shift to mainly re-structuring and re-organising the firm and its management and to managing the situation rather than seeking further scale, scope, and complexity. In situations of more incremental international growth, the process of modifying the organisation to enable it to cope with the attained level of international growth, or the hoped for level also leaves room for focusing on maintaining international growth and constant opportunity seeking. However, the figure only concentrates on the SMEs in the case study and the international growth they demonstrated, which limits its applicability. To broaden the scope of the developed international growth model, figure 42 with different types of company examples is presented. The positioning of the case SMEs on figure 42 in the middle of the upper quadrant and the lower right quadrant is based on the argumentation presented in figure 41.

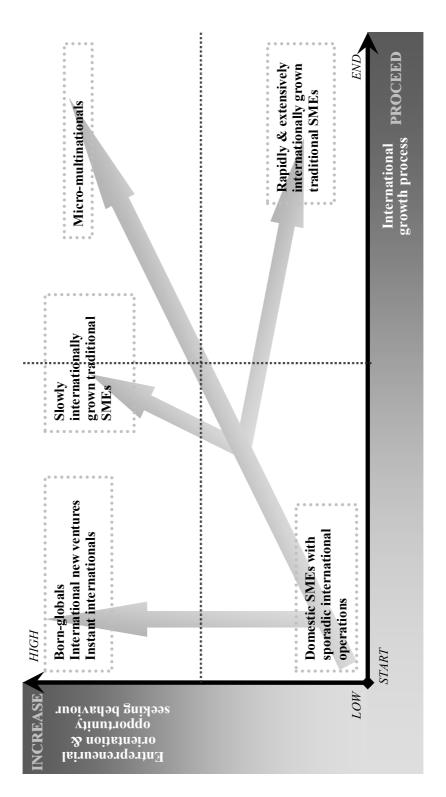


Figure 42 A model of international growth with entrepreneurial orientation

The model illustrated in figure 42 shows examples of companies demonstrating very different entrepreneurially driven international growth paths. A four part matrix can be drawn that illustrates the level of entrepreneurial orientation and international growth. For example domestic SMEs that fulfil unsolicited orders and do not have other international operations may be considered to be at the beginning of their incremental international growth process. Moreover, responding to unsolicited orders may not require that high an entrepreneurial orientation, particularly from the perspective of the international growth process, of a company⁵³ (e.g. Johanson & Wiedersheim-Paul, 1975; Bilkey & Tesar, 1977). These companies are placed in the lower left quadrant. On the other hand, born-globals, international new ventures, and instant internationals, to name but a few, are usually international or even global from their inception. They are often characterised by their highly entrepreneurial behaviour, a more complex, yet flexible and low organisational structure, and a global presence that is achieved rapidly. (E.g. Madsen & Servais, 1997; Chetty & Campbell-Hunt, 2004; Gabrielsson & Kirpalani, 2004; Hashai & Almor, 2004; Knight & Cavusgil, 2004.) These features make born-globals suitable for the upper left quadrant. Micro-multinationals are placed in the upper right quadrant, since their organisational structure is often complex they operate through highly committed operational modes internationally, and they are still as equally entrepreneurially oriented as their smaller adversaries (e.g. Dimitratos, Johnson, Slow & Young, 2003; Ibeh, Johnson, Dimitratos & Slow, 2004.) These extreme examples are provided in order to bring other perspectives into the model than the ones the case SMEs represented.

4.7.2 The domestic growth of the firms during the research period

Despite the case companies representing different lines of business under the umbrella of manufacturing industry; the general observation can be made that developments in their domestic business had an effect on their international operations. Growth in the domestic market is often accompanied by international growth, or vice versa. One way or another, it is hard to say, which comes first and which fuels which. This observation follows that made by Nummela et al. (2005), which shows that the growth orientation and the international growth orientation of a company can be separated from each other, but a correlation between them that demonstrates how they can affect

⁵³ The conclusion is not made that these companies would not be entrepreneurial. Their entrepreneurial orientation is not merely visible in respect of international growth.

each other is nearly untraceable, even if it would appear that they do affect one another to some extent. One issue that can be stated is that the manner in which international growth is measured in the case companies can create a relationship between domestic and foreign growth. When international growth is measured as a share of the total annual revenue, its magnitude is affected by the value of the total revenue. In cases where domestic revenue has increased and the revenue from international operations has remained unchanged, international growth figures demonstrate a decrease. Then again, when domestic revenue has decreased and export revenue has remained unchanged, the international growth figures have demonstrated growth. In situations, where both revenues show an increase or decrease the direction of the change is more direct when compared to the two aforementioned situations, although the magnitude of the change can be more ambiguous. It was also observable that in the cases where the share of international operations to the total annual revenue was relatively low, e.g. approximately 30% in the cases of Finndow and Comerg, the effect of the changes in the domestic growth figures could be expected to be more influential than in companies, such as SoarTech, AluProd, and Hartrek, where the majority of those companies' revenues, up to 90% in some cases, comes from abroad. These relationships between domestic and international growth can be observed by comparing the graphs illustrating the developments of international growth and total annual revenue presented in figure 43.

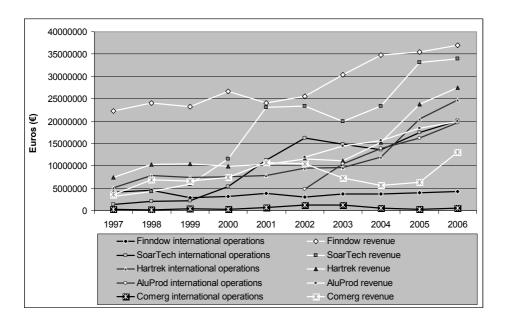


Figure 43 A comparison of total annual revenue and international growth rates in the five case SMEs

When turning to the number of employees, the relationship between international growth rates and the headcount of the company is not that straight forward. The reasons behind changes in the number of employees are multiple, and only some of them are connected to the international activities of the firms. The time period of 1997 to 2006 has witnessed many market changes in different industrial branches, of which some have had a direct influence on the number of staff. For example in the joinery and woodprocessing industry many companies have been forced to streamline their businesses and tighten their belt at least every once in a while depending on demand at any given time. The construction boom in the Finnish market between 2002 and 2005 increased the need for employees, whereas decreased demand and dimmer market prospects since 2005 have caused businesses to rethink their business and make production more efficient. Finndow illustrates this development well. The role of the owners also affects the number of employees strongly through the making of strategy. In AluProd's case the strategy, and therefore the number of employees changed according to the respective owners. This was also evident in Comerg's case, where the number of employees had been growing and the company had been internationalising until the sudden death of the owner-entrepreneur in 2001. After the director and the direction of the company were lost, the internationalisation development of the company practically ceased and the number of employees has been decreasing ever since. The strategy of expanding abroad has also had

an effect on companies, as new affiliates, such as in the case of SoarTech, also require new staff. Acquisitions also have a direct effect on the headcount, as is visible from the case of SoarTech. In the foreign acquisition the company made in 2005 the number of employees doubled with the signing of the acquisition agreement. Figure 44 represents the number of employees in the studied SMEs. In general, the trend seems to be slightly downward, although in one company there has been a modest increase in the number of employees. The trend reflects the companies' current developmental state and the general economic requirement of making operations and functions more efficient, while rationalising, and streamlining organisations to create more flexibility, cost-efficiencies, and adaptability to the external business environment.

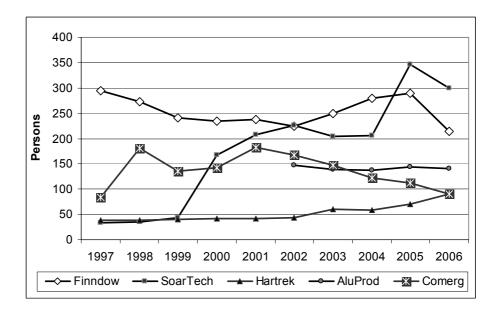


Figure 44 The number of employees in the five case SMEs

The discussion above concentrates on the changes in the number of employees during the research period. In the comparison, however, the particular characteristics of the companies and their field of industry also affect the number of employees. Usually in companies that concentrate on mass production, such as in the cases of Finndow and AluProd, the number of staff is higher than in companies focusing on specialised services and R&D and the assembly of more specialised products, such as Hartrek and Comerg. In this comparison SoarTech is exceptional, as it has grown through a major acquisition and has R&D and manufacturing activities scattered around the world. Naturally the strategic aims and the financial situation in a company affect its turnover and recruitment rates.

It is, however, significant that in the cases none of them concentrated solely on exporting activities. All the companies had a strong domestic market presence, long-term relations with domestic customers, and relied in their business strongly on profits from the home market. As such, the figures illustrating the total annual revenue and the share of international operations indicate that there is a majority role for the domestic business and a minority role for exporting. Nevertheless, in all the case companies the share of international operations has been, during the research period, either at least 500.000 Euros or 25 percent of the total annual revenue.

In cases, where the annual revenue has been growing at the rate of a few percent annually, the effect of inflation needs to be taken into account. When looking at the curves, a slight increase can be visible, although a company might not have actually grown in revenue at all. Thus, the visible subtle growth may be created by inflation and has nothing to do with the international or domestic growth efforts of the company.

5 DISCUSSION

5.1 Restating the research questions

The aims of this study and the research questions put forward at the beginning of this study were: to find a suitable and usable, broad approach for studying international growth, and to understand and better illustrate the international growth process of entrepreneurial SMEs by answering the following two research questions

- How does the international growth process of SMEs occur?
- What is the role of an SME's entrepreneurial orientation in the process of international growth?

The aims of the study have been approached by developing the visual episodic narrative interview approach and by drawing the case study descriptions and international growth path models for the five case study SMEs. By applying the methodological approach used in this study, its usability has been evaluated in practice with the empirical data in a real business context. The case descriptions together with the international growth path models indicate that the methodological approach provides adequate and usable research data for creating a more organised understanding of the international growth process of SMEs, its complexity, and the internal and external issues surrounding it. This attempt to grasp the multifaceted phenomenon, has, at least to some extent, increased knowledge about the usability of the existing theories and models, and the reality of Finnish industrial SMEs face when operating in foreign markets amidst global competition.

Both the research questions have been looked at with the aid of both the case descriptions and the path models. These two approaches have provided explanations about: the factors affecting the process, allowed the interviewees' to provide a narrative for the issues they have considered to be central to their SME's development, shed light on information gathered from the collected secondary data, and provided illustrations for the procedure of the process during the research period. As the main aim of this study was to create a way to approach the research topic, the international growth process of Finnish industrial SMEs, and to gain a better understanding about it, the essential "why" question was not included into the research questions. However, some indication about why the case companies sought international growth has been

captured through the rich case descriptions. The main reasons identified were, among others, the need to obtain profitability, the will to become a powerful international competitor and to take over markets and market share, an eagerness to create a global standard and to be a first-mover, and the need to be and to stay at the front line of R&D and product development internationally.

Another central question is; why did the international growth paths occur as they did? The answer to this is closely linked to the particular characteristics of each case company, the circumstances they operated in, the markets they targeted, the timing of their operations related to the timing of their rivals' moves, the industry they represent, the type of product they focus on, the strategic aims of the company, the entrepreneurial nature of their organisational culture, the magnitude and level of commitment the company engages in - in foreign markets, the speed, scale, and scope of the international growth process, and the ability of the company to integrate the materialised growth.

Generally, the international growth process can be seen to take place through a set of stages. A pool of internationalisation and growth stages can be developed from existing research literature and the case SMEs apply these stages in different ways. The sequence of the stages varies, as does their frequency and combination. Additionally, all the studied international growth paths are unique. Nevertheless, the set of stages can describe the process, if they are applied flexibly. In relation to the contributing and challenging issues in international growth, they originate from inside a company and outside, from the external business environment. Entrepreneurial orientation is a broad enough concept to depict the company culture of an SME which aims at international growth. On the other hand, acknowledging the influences of the external, domestic and foreign, business environments enables an understanding of the workings of the entrepreneurial orientation. As each SME has a unique international growth path, they each also have a unique mixture of internal and external factors enabling and inhibiting the process.

5.2 Reflections based on earlier empirical research

Relating to entrepreneurial growth, Bjerke and Hultman (2002, 148, 154-155) described the process as being connected to the entrepreneurial culture within the firm, where explorative learning takes place as a common effort. Growth in these firms is usually achieved by acquiring a share of an existing market with a new product, or by entering a new market with an existing product. In this study, the entrepreneurial orientation within the firms was demonstrated in

many different ways. The companies were innovative and proactive in the early stages of their development, which was when their organisational structure was low and the entrepreneurs and managers were exploring and learning to operate in foreign countries. In some of the firms the entrepreneurs' effect was stronger, but the employees in all the firms were given an opportunity to develop their working techniques and introduce modifications to products and services based on customer feedback. Similarly, the managers were able to observe the market situation and to enhance the free discussion levels and low hierarchy within the companies.

Gankema et al. (2000, 15) have discussed the effect of the EU on small firms. They have shown that the EU has brought SMEs increased opportunities to go abroad, but it has also exposed SMEs to international competition. Regarding the internationalisation process of companies, Johanson and Vahlne (1990) have noted that in addition to the decrease of the meaning of psychic distance, other environmental changes, such as efficient information and transportation technologies, an increased emphasis on R&D activities and globalisation, have all affected the internationalisation process. In the studied companies the external business environment played an important role in the international growth process. In general, the companies were relatively often able to control and plan their own business by observing the markets, maintaining long-term relations, investing in R&D and product development, and concentrating on the skills and capabilities that form their competitive advantage. However, as global economic developments have since demonstrated, all companies are equally vulnerable and at the mercy of fluctuating economic conditions. For example, an increased difficulty in obtaining external funding, decreased demand, and ever harder competition have made the future for many of the companies relatively unpredictable and uncontrollable. The Internet has allowed the companies to observe their markets and the moves of their competitors, and the use of IT infrastructure has enabled companies to control and manage their growth and changing business operations following international expansion.

Despite it having a good fit with the research setting, some authors have criticised the use of the stages configurations in the SME context. According to Bonaccorsi and Dalli (1990), stages models are not applicable to SMEs, since small exporting companies do not necessarily adopt integrated organisational forms. Similarly, Gankema et al. (2000, 24) found that the stages theory holds better for larger than for smaller SMEs. Admittedly, the issues that the studied companies had in common were that they were all Finnish industrial companies of a relatively similar size. Regarding their organisational structures, each of the firms followed their own growth path, which indicates that each organisation developed at a different pace and with a

different stages order. As such, the notion by Bonaccorsi and Dalli (1990) holds for this study as well. However, as the aim was to approach international growth with an open mind and with a broad method, this richness in the companies was sought and therefore expected.

Several researchers have found that SMEs follow internationalisation and export development processes in a variety of ways (e.g. Hedlund & Kverneland, 1984; Bonaccorsi & Dalli, 1990; Melin, 1992; Gankema et al., 1997; Gankema et al., 2000). Some SMEs proceed directly from the primary stages to the final ones, such as born-globals (e.g. Madsen & Servais, 1997; Chetty & Campbell-Hunt, 2004; Knight & Cavusgil, 2004). Some SMEs stop their development before further resource commitment in the direct exporting or export agent stages. According to Holmlund and Kock (1998) exporting through an agent is the most commonly used operation mode among small companies. This type of stagnation has been considered to be quite common. It has also been found that reversing the sequence of the stages is quite rare and similarly hardly any decline in stages has been found in SMEs (Bonaccorsi & Dalli, 1990; Gankema et al., 1997). According to Rao and Naidu (1992), SMEs all have unique internationalisation profiles; and this would be true even if they applied the same stages in their internationalisation process. The uniqueness of the international growth paths has become evident through the path illustrations and the general space of international growth. None of the companies is directly comparable to a born-global, and the stagnation of the export agent level that has been found in earlier research was visible in only one company. Four of the five firms had also established their own foreign sales office or affiliate, which does not support the earlier finding of stagnation. A reversal of the internationalisation stages was not present in the case companies. However, in the growth stages, almost all the companies had some overlap or back-and-forth movement in their stages development, since the growth, and therefore company development, was a more incremental and slower process. The limits of singular growth stages are more blurred than the internationalisation stages. The statement by Rao and Naidu (1992) that all firms are unique and thus develop in a unique fashion is supported here.

Regarding the actual process of international growth in the case SMEs, the motives behind the development closely follow the ones found by Leonidou, Katsikeas, Palihawadana, and Spyropoulou (2007). From their extensive list of the most frequent exporting motives, the following, and also the majority, held true in the empirical analysis of this study. They were; the desire to achieve growth and increased sales, the utilisation of idle resources, the exploitation of a unique innovation and a patented service, a need to avoid a saturated domestic market, and to respond to unsolicited foreign orders.

Irrespective of all the criticism targeted at the internationalisation stages models, Welch and Luostarinen (1988) found that although companies do not follow the stages configuration precisely, the stages theory is consistent. This view is also supported by Gankema et al. (1997, 192-193) and Gankema et al. (2000), who state that when the stages theory is not applied in too rigid and restricted a form, the theory holds for SMEs. Their results indicate that the internationalisation process is unique for each SME and no existing theory or model fully fits or describes the process. However, on a very general level, the stages configuration still applies. This, in turn, indicates that the stages theories and models could be adopted instrumentally and to frame the process, rather than aiming at clear and precise descriptions. The findings of earlier research are fully in line with the findings of this study. The stages configurations are still usable in the modern day business context, but with some modifications and preconditions. The stages are usable, if the missing of a stage and the mixing of their order is allowed. Thus, despite all the firms being different, the operationalised theoretical framework was applicable in all the cases. As such, the stages models were able to describe the process on a more general level. Furthermore, they were able to increase, or add to the explanatory power of the theoretical framework, which made the inclusion of the entrepreneurial orientation inevitable. Naturally, some other approach could have also been used, as the stages models alone do not bring adequate depth to the framework. However, after the analysis, it can be said with some assurance that the choice of an entrepreneurial orientation was a usable one, since it reflected fairly comprehensively the dealings and workings, i.e. the culture, within the companies.

5.3 Conjunction points between the theories and the conducted study

What is international growth? When internationalisation begins, the share of international operations to total annual revenue naturally increases, as the comparative figure is then zero. As a result, the sequence of internationalisation and growth that takes place in a firm develops meaning. Firstly, there has to be some international activity before growth can be measured or observed. Company growth, is mere domestic growth before internationalisation. However, this does not directly mean that all growth that materialises after a company has internationalised and has stayed international would be international growth. Of course, it is difficult to definitely separate, which issues and events result in the certain growth of separate company units or operations. Issues, such as the growth of a domestic market share or the expansion of the production line of a firm in its domestic factory does allow a

company to grow, but it does so domestically. Admittedly, these developments can also indirectly help a company to grow internationally, e.g. through a larger resource base or increased financing. Similarly, international growth that has been measured as the share of international operations to total annual revenue does not only indicate the magnitude or development of the international operations of a firm, it directly and indirectly affects the company and its operations as a whole. From this, it can be concluded that international growth is not only about the interaction between a company and its external business environment; it is also about the entrepreneurial orientation of a company, and the limitations and possibilities of its situation and also the domestic and foreign operations of that company.

Trying to understand what the essence of international growth in a company context is can be a challenging task. Based on the findings from the empirical data, one could say that SMEs, whose share of international operations to total annual revenue is high, over 50%, can be observed from both the perspective of internationalisation and of growth. In those SMEs the changes and developments in internationalisation affect the developments in growth and vice versa. In other SMEs, where exporting and other activities play a minor role, internationalisation does not have much effect on the growth of a company, or the growth of a company in its internationalisation. As such, in companies, where international activities contribute a large share of the total annual revenue, the connection between growth and internationalisation is clearer and stronger.

The relationship between growth and international growth is similarly complicated. Companies that have more domestic activities than international activities tend to blend international growth within the company, whereas companies that have a high international exposure more clearly indicate in their figures and general development the influence of foreign operations. However, companies that grow in the domestic market can also grow in the international markets, but it is difficult to decipher how these two types of growth influence each other. In the SME context resources are usually seen as scarce and limited. Following this, it could be deduced that allocating resources to one type of growth narrows the possibility to finance the other type. Thus, when one type of growth increases, the other decreases, and therefore the total growth of a company will remain relatively stable. Of course this deduction is highly simplified and exaggerated, and relies on simple mathematics. The role of international growth and domestic growth in an SME is a strategic question and it is the management and the owners that select the emphasis. From the perspective of profit maximisation, any type of growth is seen as desirable. In addition, from the perspective of strategy,

seeking one type of growth over another may be more profitable and advantageous for the company.

It can be observed that in international growth the process drives the company to expand in different ways, in clearly visible terms, such as the building of a new factory or the employment of new personnel, or in measurable terms, such as in an increased number of produced units or increased cash flow, or in more intangible terms, such as increased international exposure or activity. It is also worth acknowledging that growth can materialise without any internationalisation, whereas internationalisation may often include characteristics of growth, as companies may be forced to increase their staff or build-up their organisation in order to enter new foreign markets or to increase business activities in a target market.

The relationship between internationalisation and growth, as well as between domestic and foreign growth can also be elaborated on from the perspective of timing. Trying to find out, which came first or if it happened simultaneously is quite a task. Often a development in internationalisation is not directly linked to growth, and often measurable or observable growth in a company does not have any direct linkage to international actions. In terms of certain critical events in the international growth path outlined by the research data, the simultaneousness or the close proximity of some international events and growth, or foreign and domestic growth can be determined. Situations, where growth and internationalisation seemingly took place at the same time are common, but there is no clear connection between them. In these situations the timing connects the two processes, but the nature of that connection may remain unresolved. If growth is looked at on the company level as a uniting process, then both domestic and international growth are meshed together. However, if one looks at growth as incoming cash flow, the different roles of the two types of growth are exposed. Here we enter into a discussion of priority and ability. If one type of growth is extensive, it can be used to enable more growth elsewhere. On the other hand, if the other type is insignificant, it can be decreased further. Here the strategy makes a difference. Nevertheless, if companies grow simultaneously in foreign and domestic markets, there is no clear answer as to which of them fuelled the other one, or if they had any influence on each other. When looking at the international growth process from a more theoretical perspective, it can also be asked, whether it makes any difference, if a company first grew domestically and then internationally, or vice versa. However, when striving for an understanding of international growth as an autonomous phenomenon in its own right, these dynamics and connections need to be clarified and acknowledged.

The question raised then is; are companies increasing their international activities or are they growing through their international activities? In the

context of this research, the former would seem to hold centre stage, as it sets both internationalisation and growth on the same line. However, when thinking about the problem from the perspective of profitability, it is presumable that the majority of companies would aim for growth and use internationalisation as a medium. From a strategist's point of view, both of these aims are worth striving for, depending on a company's position and the market situation. In relation to this some companies have systematically striven for international growth, whereas some have either been pushed or pulled by the market to internationalise, despite striving for some other goals. In addition to these, some companies have not wished for growth while internationalising, and some, in contrast, have wished solely to grow without any international expansion. The reasons for companies to act in their chosen way are multiple. Some have a planned strategy and a clear aim for international growth, whereas others operate through improvisation. Some companies have not been successful in their internationalisation or growth aims, and some are not interested in international growth at all.

At this stage, it is useful to discuss the internal and external factors affecting the international growth process of an SME. This strategy viewpoint was already briefly highlighted, but strategic decision-making is not made in a vacuum. As was depicted in the narrative stories, several factors affected the development of a company, and often irrespective of the laid plans or strategies. Opportunities in the international market have tempted firms to invest abroad and look for growth across borders. In these situations it is relatively straightforward to expect that companies internationalise more and also seek growth from abroad. Similarly, companies that do not have domestic demand do not have a choice between serving the home or the international market. In less promising international market situations the domestic market is often seen as less risky and more profitable. As such, the situation in the markets affects what a company does and what its direction is. All companies are at the mercy of the markets, but what differentiates them is the way they are prepared to meet the challenges and to exploit emerging opportunities. Here entrepreneurial orientation makes a difference. Based on the empirical data and the existing literature, it would seem that companies employ most, if not all, of the factors of entrepreneurial orientation, namely risk taking, proactiveness, innovativeness, autonomy, and competitive aggressiveness are usually those that remain unaffected by changes and challenges in the global markets. If a company has a unique product and/or is the first to develop a market, is willing to take a chance, is relatively independent, and is willing to do what it takes to be successful, then the chances of survival are good and the possibility to be profitable and perhaps also to grow internationally are better.

Nevertheless, companies that are good at everything and immune to competition are either theoretical or built on a suspicious basis.

Regarding the role of entrepreneurial orientation and behaviour in a company's international growth process, it can be summarised that entrepreneurial orientation can explain international growth, and it often acts as an accelerator or facilitator in reaching a company's international growth aims. As already discussed in sub-chapter 4.7, the issue of opportunity is strongly present in a company's entrepreneurial orientation factors. Opportunities can, in a way, be considered to be the motivating factor behind entrepreneurial behaviour. In this respect one could thus suggest that opportunities should receive greater acknowledgement in the role of international growth and be elevated to the level of the other factors. As such, a case can be made for saying that entrepreneurial orientation could include six and not five characterising factors.

Reflecting the abilities required of a company during the international growth process, one can discuss both the complexity surrounding the process, and the skills a company ought to possess or develop to overcome and manage such complexity. As concluded in the case descriptions, the speed of the process, the level of commitment, the nature of the competition, as well as the entrepreneurial behaviour the company demonstrates all have an effect on the outlook and success of the process. If international growth takes place rapidly and the process includes a heavy commitment to foreign markets, then the adjustment to the market is, in all likelihood, hectic, and the integration of the achieved growth may be out of step with the structure of the company, which may not meet the demands of the increasing international expansion. Thus the company's ability to operate entrepreneurially may suffer. Then again, if the process is slower and stable and does not include sudden changes, then the company can be developed at the same pace as the materialisation of international growth and the entrepreneurial culture can be kept vital, and the company can remain on a steady international growth path. Irrespective of the fact that the external environment often forces companies to change their operations and adapt to the prominent circumstances, the role of entrepreneurial behaviour remains central for a company. Therefore, as an additional sixth factor for the entrepreneurial orientation has been suggested (regarding the set of qualities required in order to engage in entrepreneurial behaviour within an international growth process), it is necessary to further outline that factor. A tolerance of and ability to manage the increased complexity accompanying international growth can be termed; certainty to operate. The abilities required for certainty can be obtained through gaining experience, learning, familiarisation with how to operate a business in general and in different markets, creating and transferring tacit knowledge, developing

skills and core competences, shaping a business environment to one's own needs, trusting in one's own abilities, acknowledging the constant uncertainty in the markets, making difficult decisions in a shorter time, being prepared to change at any time, having a future orientation and expectations, being on the constant lookout for new opportunities, being open to the markets and having a competitive attitude, comprehending complex market dynamics, contingencies, and interconnectedness, enhancing information literacy, being agile and having a global mindset, flexibility, being able to exploit one's luck, being active, and being both ready for international growth and able to integrate the obtained international growth.

In conclusion, the theoretical framework works best for companies that truly engage in international activities and seek growth. Moreover, the developed international growth model illustrated in figures 41 and 42 can also be applied to companies with a low engagement in international growth and a low entrepreneurial orientation. To be able to attain international growth, an entrepreneurial orientation is required and it needs to be part of a company's operating culture. Rigidity, routines, and resistance to change easily work as a counterforce to international growth. Although the framework is applicable in the SME context, the external business environment has such a strong influence on their aims and everyday businesses that it cannot be overlooked. The international growth process of industrial SMEs is the result of multiple forces working at the same time. In this study, several factors and issues were identified, and many of them fell in the designed, operationalised framework. The challenge in the framework is its holistic nature. By placing the combination of growth and internationalisation stages into one dimension it was possible to describe the process, albeit roughly. Moreover, with the entrepreneurial orientation, which is also a broad concept, the internal factors affecting the process lent themselves to description and became explainable. Nevertheless, the external business environment needed to be included in the analysis, as it directly influences companies in what they do, when they do it, and what markets they are targeting.

Turning to the methodological approach and its effect on the theoretical framework, the found differences in the themes used and those that emerged in the analysis and the themes drawn directly from theory and earlier research are of key interest. In a typical deductive study the latter themes would have been used as a basis for data collection. In such a case, however, if there would have been problems in the theoretical framework, for example through faulty preliminary expectations about the research results and thus unsuitable choices of theory, then the research could have been compromised in two ways. One way would have been to overlook the problems in the theoretical frame and thus the results of the study could have been misleading or false. The other

way would note that the problems had already emerged during the data collection stage, and thus the data collection could have been the target or revision and redo. Another central issue could be a possible narrowness of scope, when theory is allowed to guide the study of a new or as yet unknown topic too strongly. In such situations, the idea of emergent findings and letting the data speak are overlooked, although they could provide the field of research with fresh results and thinking. In this study this can be observed from the theme tables in which the emergent themes and the theoretical themes had similarities and differences, in other words, in the issues that were found to explain the shape of the case SME international growth process paths. The differences can be mainly explained by the fact that the SMEs have unique features that are not directly generalisable to the larger SME population, whereas theories are known generalisations of reality. The similarities were partially caused by the general umbrella-nature of the theories, and partially by the fact that the models and theories are built on studies concentrating on larger samples of similar companies. As a result, some of the themes were included in the theories and the others were emergent and most likely evidence of additions to the pool of explanatory factors originating from other disciplines.⁵⁴

5.4 The usability of the definition for international growth

The definitions for international growth in the existing literature have been rather broad and relatively vague. For example Penrose (1959) defines international growth as the expansion of firms outside their national boundaries. Such definitions do not really clarify what the process consists of, but rather they provide guidelines for the end result. The definition drafted for the purposes of this research was operationalised for the purposes of selecting the suitable cases. The theoretical working definition crafted for the study was:

International growth is a change process, in which companies expand the magnitude, scale, and/or breadth of their operations and develop their organisation while expanding their international operating scope.

This theoretical working definition was as broad as the other existing definitions. This was due to the fact that international growth was expected to be a complex phenomenon that can take many unique forms. Based on the empirical findings it was observed that the question in international growth was not only about the international expansion of the company, where it

A more detailed comparison between the theme lists is not presented here, as the main focus of the paper is on methods, in presenting the developed approach and the results of testing it in practice.

increases its market share, its foreign presence, and the scope of its foreign operations, but was also about the development and changes of the company as it materialises international growth. International growth includes two closely intertwined processes that can change a company in many dimensions, i.e. organisational growth and change, which occurs internally, and an increase in its foreign presence, which occurs externally. The international growth a company has achieved has to be managed and be manageable in the future to enable the materialisation of further international growth. The cases demonstrated how the entrepreneurial behaviour and orientation of a company played a strong role in the process. If the growth was too fast or too extensive, the company often had difficulties in maintaining its entrepreneurial orientation and it was often challenging to integrate the obtained international growth in an adequately efficient manner. On the other hand, if the company did not have an entrepreneurial culture, the materialisation of international growth was challenging or even hindered by the absence of such a culture. Moreover, firms do not operate in a vacuum, which means that the changes and circumstances in the environment surrounding the firms can have a strong impact on the management and manageability of international growth. If the market requires a rapid reaction from a company, then that company has to respond quickly to materialise its goals. As such, the firms need to possess skills and certainty on how to manage complex situations and issues that develop in the market and in integrating and finding a balance between international growth and developing the company accordingly. Based on these empirical findings the definition of international growth is:

International growth is a multidimensional change process, enabled and accelerated by entrepreneurial orientation and opportunity seeking behaviour, in which small and medium-sized enterprises increase the magnitude, scale, and/or breadth of their operations and develop their organisation while expanding their international operating scope within the pressures of the external environment.

With the help of the theoretical and operationalised⁵⁵ working definitions, the cases were traceable and the definitions provide a description and explanation of what international growth is. In general, the definition considers international activities to be any business operations that cross national borders. As such this serves the purpose of this study, as many Finnish industrial SMEs often operate in their neighbouring countries either due to convenience, lower costs, long relationships, or the suitability of the target market. The broadness of the definition is also usable in the sense that

The operationalised working definition was foremostly a tool for detecting the case SMEs from the pilot survey data.

the term 'international activities' can include all activities a company has for selling or purchasing purposes across borders. Growth is present in the definition in two forms, namely in the expansion of the magnitude, scale, and breadth of operations and the organisational development due to this expansion. Entrepreneurial orientation, opportunity seeking, and the external environment are included in the definition as the drivers and accelerators of international growth.

What makes this definition better than the several earlier versions in the existing research literature? Firstly, the definition clearly focuses on conceptualising international growth and secondly, it provides descriptions and demonstrations of the different forms international growth can take. Thirdly, it also includes an explanatory dimension for international growth in the form of a company's entrepreneurial orientation and opportunity seeking behaviour. Fourthly, the definition offers clarification on the complexity associated with international growth in that the delimitations of what international growth can involve in the SME context are outlined.

5.5 The additions to the methodological toolbox

One aim of this research was to present a methodological approach, the visual episodic narrative interview, and demonstrate its use in the field, and the benefits and drawbacks it has when studying relatively unknown and theoretically challenging topics. The main benefit of the approach is the fact that the researcher is able to minimize his or her influence on the studied topic in two ways. Firstly, the interview is not constructed around a set of questions or pre-designed themes deduced from theory. In this way the researcher does not provide the interviewee with given detailed topics to answer, and thus does not limit the respondents freedom of expression, as the interviewee can decide, which themes and issues will be covered and in how much depth and breadth. As a result, no particular theories, or issues within certain theories and models are forced on the interviewee and he or she is not limited by them. This gives the researcher more valuable information, as the study is not chained by the earlier, possibly tentative choices of theory a researcher may have made at the beginning of the research process because room is given to emergent issues, both inside and outside the formulated theoretical frame. Secondly, the researcher does not influence the data gathering or the data, as a narrative approach is used, and the interviewees are allowed to tell their story of the research topic. This is particularly relevant in longitudinal studies, where a researcher is often in the midst of the research topic for an extended time and the loss of objectivity can be a danger.

Another key methodological issue is the richness and quality of the data. With the suggested and tested approach, several types and depths of data can be obtained. In the interview itself, the narrative is stimulated by both visual material and episodic questions. With this dual approach, the curve illustration keeps the story structured, and the probes seek for possible further clarification, whereas with the main input, i.e. the narrative is solely produced by the interviewee. The approach also triangulates data sources, as both secondary and primary data is collected, and as both numerical and textual data is employed. This triangulation of data and sources also neatly addresses the possible problem of memory in narratives, which are generally retrospective accounts of the past (e.g. Polkinghorne, 1995; Boje, 2001). As the narrative was guided with visual material based on factual figures⁵⁶, and the time frame of the study was 10 years, in the recent past, the approach can be considered to be fairly well protected against possible memory biases. In addition, the curve used in the interviews, together with the episodic questions, can structure and organise a large amount of narrative data and ease the interviewee in narrating. However, narratives also possess some severe problems (see Mishler, 1986, 75-87), which the researcher is often unable to control or solve. One of the main problems is the interviewees' competence to narrate a story. Another problem area is culture, where the problems related to language and the traditions of story-telling can turn out to be an obstacle for creating narratives. Thirdly, narratives are subjective and context-related, which always affects how much they can reflect reality (Bruner, 1986; Mishler, 1986; Riessman, 1993; Czarniawska-Joerges, 1995; Flick, 1998; Shaw, 1999; Elliott, 2005).

Regarding the laboriousness and time-consumption of the study and comparing them to the benefits of the approach, it is safe to say that developing this research approach was beneficial. The most time consuming part of the study was the survey and selection of the cases, as the longitudinal nature of the follow-up naturally took its time. Additionally, regarding the marginal nature of the phenomenon, as only 13 firms out of almost 500 met the requirements, and as only five of them eventually agreed to participate in the study, luck can be considered to have influenced the study. On the other hand, giving room to possible changes during the research process and keeping an open mind to enable the manoeuvring of the research process to meet the needs of the changing circumstances was allowed by the methodology. For example, formulating the working definition during the

Companies the size of SMEs are obliged, by Finnish law, to annually hand in their balance sheets and income statements for statistics and other governmental use. Additionally, the documents need to be checked and validated by authorised bookkeepers.

survey analysis took almost six months and it finally found its shape after numerous trials and errors. The interviews and the content analysis of the transcripts went very smoothly, but this was also partially due to the fact that the research project, at that point, had been going on for three years as a whole, and the pool of possible theories, research methods, and approaches was already extensive. Regarding the content analysis, one shortcoming in the analysis is thematisation, since it can take the sharpest edge off rich and profound narrative data, and thus make the summarisations and conclusions about the data too general (Flick, 1998; Boje, 2001). Nevertheless, the benefits gained by producing rich and good quality data with emergent findings easily overrode the trouble the research project caused.

From the interviewees' and research topics' viewpoint, the suggested approach also honours the interviewees. In a narrative approach, it is the interviewee that sets the limits as to which topics are to be discussed and the extent of their depth and breadth. Of course, in structured and open-ended interviews, interviewees can refuse to answer or appeal to secrecy, but in narratives the story can still be whole, even if some issues are left out. Additionally, the interviewees can choose, if and how they wish to address some uncomfortable or personal issues, with their own wording and expressions, and not according to the given questions or themes provided by the researcher.

The nature of the research undertaking, then again, also sets limitations on the generalisability of the research results. As the aim was to obtain a better understanding and more profound information about the international growth process, the sheer exploratory nature and method orientation of the study can be said to affect the generalisability of the attained results to a wider population of SMEs. Already during the selection of the case firms, the focus on traditional industrial SMEs (see e.g. Agndal, 2006), as well as the formulation of the working definition and measurement, limited the transferring of the results to other contexts and other fields of research. Then again, the flexibility of the research process makes the approach perhaps more usable for other studies as well (see Shaw, 1999).

5.6 Epilogue

To begin this sub-chapter, a figure of the developments within the case study companies after the research period is presented. In figure 45, international growth after 2006 is included. At the time of the research, the financial figures for 2008 were not yet available, which limits the observation to 2007.

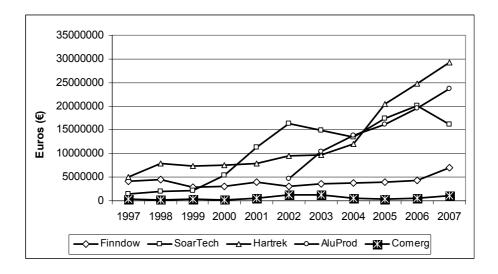


Figure 45 International growth in the case companies after 2006

From figure 45 it can be observed that international growth has not declined after the research period, except in one company. The development has remained on the same upward path. Similarly, by looking at figure 46 and developments in the total annual revenue of the companies, a corresponding upward development is also observable in three out of the five companies.

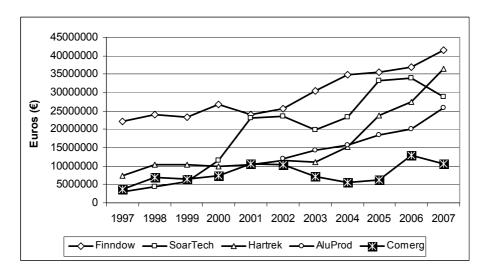


Figure 46 Total annual revenue in the case companies after 2006

This creates an interesting discussion about the timing of research projects. Without this sub-chapter, the study could mistakenly give the impression that international growth would be a constant upward development with some

fluctuation during the process. In one of the companies, both the share of international operations and their annual revenue has declined, and in one company annual revenue has decreased. In this regard, some changes in the companies or in the external business environment can be of such magnitude that the upturn factors behind a development are negated. The global economic downturn, which was already visible in some of the case study descriptions in 2005, had reached some of the Finnish industrial SMEs by 2007, which is reflected in their economic figures. In the tables listing the upturn and downturn factors, it can be seen that unfavourable economic conditions affect the companies in many different ways; problems with suppliers, customers, distributors, access to raw material, increased price levels in every field, protectionism in different countries, the stagnation of market growths, the bankruptcies of rivals, an increased pace in M&As, savings strived for in all operations and activities, layoffs, restricted access to external funding, increased indebtedness, decreased demand, and so on. In such circumstances slowing down, a lack of stability and even negative international and revenue growth in different companies is not a surprise. The poor future prospects were also reflected in how case companies and branch reports forecast the upcoming years.

The decrease in international operations and total revenue was observable in only two companies. This indicates that earlier internationalisation and growth, and the efforts and investments the companies made prior to 2007 fuelled continued upward development. It is, however, expected that the figures for 2008 could have represented even more of a downward development, as the companies have been very careful about what to expect from the future and have indicated that the global economic downturn would become sharper after 2007.

SoarTech has faced both deceleration in international growth development and a decrease in its total annual revenue since 2006. The year 2007 was very challenging, as its customers kept their investments to a low level and the market for the company's products continued to contract. Due to cutbacks and cost savings introduced by the customers, many of their influential and significant customer projects and relationships were forcibly ended. This resulted in the company lowering its prices and investing more in R&D and product development to maintain competitiveness. The future is similarly seen as challenging, as customers are expected to continue to streamline their operations.

In the case of Finndow, consumers' expectations about their own economic situation closely affected demand for new housing construction and renovation. Although interest rates have been rising, the interest on mortgages has remained at a relatively modest level. Global economic uncertainties are

expected to affect customers in upcoming years, which will first affect new housing construction demand, and later on demand relating to renovation. The market's prospects are generally unclear. In spite of those threats, Finndow has continued to grow internationally and domestically.

For AluProd, 2007 brought increased growth in both foreign and domestic markets. In 2007 the company continued to invest in its production machinery and capacity and growth is expected to continue, albeit at a slightly slower pace. The prices of the raw materials are still quite high, which has made the company include increased raw material costs in the sales prices of their products. Additionally, the unfavourable development in foreign currencies, such as the British Pound and the U.S. Dollar, has reduced, to some extent, AluProd's competitiveness in the respective markets.

Hartrek unified its product variety by launching a new product model in 2007. The company also continued to increase its investments in R&D during the year. The year 2008 is seen as being challenging and the company aims to seek growth from new markets and to increase its market share in the markets where it already operates. The operational risks for 2007 and 2008 were expected to be mostly related to the development of general market conditions and in the company's suppliers' abilities to meet increased demand.

In Comerg's case, the volume of orders remains on a good level. Its total annual revenue and profitability are expected to rise significantly. During 2008 the company also increased its production capacity and invested in production technology. The continuous fluctuation in the volume of orders in hand is seen as a threat in the future, as the company provides its services based on the changing requirements and needs of its customers. Additionally, the level of indebtedness of the company is a further threat to it in the changing economic situation.

6 CONCLUSIONS

6.1 The theoretical contribution of the study

The fields of research this study has touched on are international business, entrepreneurship, and strategic management. In particular, behavioural theories of the firm have been focused on. More precisely, the theories of internationalisation, growth, and entrepreneurial orientation have held the centre stage.

The strongest theoretical contribution falls within the international business research tradition. So far the topic of international growth has been approached either from the perspective of growth, or from internationalisation. This research is the first serious attempt to combine internationalisation and growth stages models together to find out what international growth is. Many studies have a rather empirical approach to international growth, as well as to other topics that have not been studied that thoroughly (e.g. Hedlund & Kverneland, 1984; Bonaccorsi & Dalli, 1990; Melin, 1992; Rao & Naidu, 1992; Gankema et al., 1997; Gankema et al., 2000). However, the need for theory building and knowledge accumulation has been expressed by many in international business, which supports the aims of this research to combine earlier research to address a current research gap (e.g. Buckley, 1991; Buckley, 2002; Buckley & Ghauri, 2004; Peng, 2004; Buckley & Lessard, 2005; Oesterle & Laudien, 2007). This study can be considered among the first to conduct a thorough literature review in terms of international growth and its related topics within the international business field. The definition of international growth developed during the research process is the first attempt to place the international growth process into a single definition in a manner that both describes and explains the phenomenon and its complexity and context.

Regarding the use of the developed model for international growth, it can also be applied to other types of companies than the more traditional SMEs demonstrating incremental development, such as born-globals and domestic SMEs that export sporadically. These examples, illustrated in figure 42, represent the extremes compared to the rather incrementally internationally grown case SMEs.

The second strongest contribution falls in the field of entrepreneurship. The use of an entrepreneurial orientation to explain the process turned out to be a

useful and suitable option. The concept is broad enough to capture the working culture and values of SMEs that strive for international growth and it turned out that the factors and issues within entrepreneurial orientation can provide explanations as to how and why international growth takes place. Additionally, this research added a new factor to the five existing entrepreneurial orientation factors, opportunity seeking, which was discussed in sub-chapters 4.7 and 5.3. The study also demonstrated the usability of an entrepreneurial orientation in the current research topic in a modern context, and provided a practical application of the concept and illustrated the varied contents of the concept in the five cases. One of the merits of this study is also the observation that not many earlier studies on entrepreneurial orientation have really opened up the content of the different factors in an empirical context⁵⁷. This study provided its own interpretations of the factors and the way they could manifest themselves within the SMEs studied, during their international growth process. The concept of certainty was also introduced to as it helped to illustrate the nature of entrepreneurial behaviour that is essential in the materialisation of the international growth process.

In the beginning of the study the phenomenon and conceptualisation of international growth was problematised. Through the empirical study and the discussion of the findings an attempt has been made to solve these problematic issues. As was exemplified in the case descriptions and cross-case analysis, the relationship between internationalisation and growth and entrepreneurship can take many forms. In some cases the internationalisation and expansion was so rapid that organisational change and growth lagged behind. On some occasions, the process was less rapid and more incremental and thus the international growth happened simultaneously on both the company and the market level. Moreover, in all the cases, entrepreneurial behaviour preceded and enabled the materialisation of international growth. To conclude, the operationalised theoretical framework is only a tool for outlining, structuring, and understanding international growth, and states that the phenomenon of international growth is an interconnected and contingent co-evolution of both internationalisation and growth processes. They and their effects on each other are inseparable within the context of one company.

The aim of the study was to gain further understanding about the international growth process in an incremental, in vivo manner (Andersen & Kragh, 2007; 2008). It can be said that this aim has been reached. As such, the aim was theory development and building, rather than theory testing or the generation of a brand new theory from an inductive, empirical basis. Resulting from this, the main theoretical contribution of this study is the combining,

Lumpkin and Dess (1996) represents one of these few exceptions.

updating, and operationalising of existing theories and models to describe and explain a current, but relatively understudied research topic.

6.2 The methodological contribution of the study

Drawing attention to the methodological contribution, thus far there are not many studies within the international business discipline that concentrate on methods. In this respect, the study can be found to have the value of novelty. On the other hand, for a researcher to be able to study methods within international business, a context fitting the international business scope is required. Creating a multifaceted methodological approach and evaluating its applicability with the help of empirical data produced information and, later on, knowledge about a research object, as well as the quality of the methodological approach. Due to this constant interconnectedness of the theory and the method, the context and the action, the means and the end, it is challenging to separate the contribution of this thesis into either a methodological or a theoretical one.

The contribution this study makes is manifold. From a theoretical viewpoint, an attempt has been made to combine the theories of internationalisation, growth, and entrepreneurship in order to develop a theory of international growth that is suitable in the context of SMEs. It is expected that the existing theories can be used as a basis for future theoretical approaches based on the suggested formulation. However, researchers ought to be aware that case study companies, except for one or two, will not follow the traditional stages models, even though some characteristics of the stages theories will apply. This becomes evident through the case descriptions and the path modelling. The definition of international growth was formulated based on the analysis and the results. A preliminary idea of the definition already existed, which was drawn from existing literature, although it did not directly address international growth. This idea was then compared with the results of the empirical study and was either reinforced or questioned and reformulated. With regard to the methodological contribution, the suggested model, with the possible corrections made after its practical application in this thesis, has been presented and suggestions and guidance for its further application have been given.

In conclusion, the pros and cons of the developed approach, as well as its usability and promise have been discussed at length. From the perspective of this research process, the approach reclaimed its promise and turned out to be usable and appropriate, and perhaps better than many other alternative methods, as it brought up new themes outside the used theories, and separated

out some unused theoretical themes. However, the generalisability and usability of this approach is possible also in other contexts, and with advance ground work. This is basically due to the characteristics of the approach because, when making narratives on certain organisational processes, one needs to be relatively certain that the chosen cases and interviewees can contribute to the topic of the research. Nevertheless, by presenting a multidisciplinary research approach combining theories, models, and methods, and by reporting the conducted research process and the results in detail, an attempt has been made to answer the calls made in earlier research for transparency (Mishler, 1986, 112-113; Shaw, 1999, 59; McGaughey, 2007, 14). By bringing forward this methodological experiment, an attempt has been made to encourage other researchers to apply the method, present their own methodological inventions and ideas, and at least, to have an open mind about new research methods and approaches in the fields of international business, entrepreneurship, and SME research. However, more contributions are still required to fill the content and method-related gaps in qualitative international and entrepreneurial SME research.

6.3 The managerial implications of the study

In the pilot study, as well as in many other earlier studies (e.g. SMEbarometer, 2007; Stenholm, Pukkinen, Heinonen & Kovalainen, 2009), Finnish SMEs are not very active internationally. Similarly, the industrial structure of the Finnish national economy is not very export driven, as an increasing share of SMEs focus on services and the main exporters belong in the manufacturing industry. It has also been found that established, manufacturing companies are also among the most entrepreneurially oriented companies in the Finnish economy (Stenholm et al., 2009, 55). However, high expectations are held for Finnish SMEs to create jobs, to elevate their level of innovativeness and new products, their ability to open and create new markets, to maintain the competitiveness of the nation, and to benefit and strengthen the national economy (e.g. Wiklund et al., 2003; Ruzzier et al., 2006; Stenholm et al., 2009). As such, the few SMEs that are strongly international and aim at further internationalisation and growth face perhaps a greater challenge and responsibility. Part of this challenge and responsibility is also carried by the government, which has to support these pioneers and encourage other companies to broaden their scope outside the home markets.

The number of studies suggesting new policies, legislation, and government measures to increase entrepreneurship and enhance the situation of entrepreneurs is extensive (Moini, 1998; Leonidou et al., 2007; Stenholm et

2009, 85). Among them is the Commission Green Paper of al., Entrepreneurship issued in 2003, which is also reflected in the Finnish policy agenda. The GEM (Global Entrepreneurship Monitor) study of 2008 (Stenholm et al., 2009, 87) indicates that the Finnish policy agenda also supports general governmental policy regarding entrepreneurship, the protection of intellectual property rights (IPR), business and physical infrastructure, entrepreneurial opportunity, female entrepreneurship, high growth, and innovation receptivity, to name but a few. However, work is still to be done regarding technology transfer, market change, entrepreneurial capacity, and entrepreneurial education, among others. However, the applicability of different agendas can be questioned, as yet little development has taken place on a national level. In the same vein, the application of these suggestions is also difficult, as all the SMEs, their circumstances, and their aims differ greatly, and no single approach is suitable for all. Similarly, from a governmental and policy perspective, it is extremely difficult to detect those SMEs that would have international growth potential, and that would also be interested and active in starting operations abroad. It is extremely difficult to find good and workable business ideas and start-ups, or encourage those already established and promising domestic companies to take a bold step into a foreign market. And it is not always a matter of the availability of financing or government aid, as some SMEs just do not feel the need to go abroad. According to Johannisson (1990, 32), both scientific inquiry and practice have laid the artificial expectation that all entrepreneurial firms seek growth. This idea is largely brought about by venture capitalists who are mostly interested in emerging high-growth firms, and by EU policies that call for accelerated growth. For example Wiklund et al. (2003) found that non-economic concerns were more often small business managers' focus rather than expected financial outcomes. Stenholm et al. (2009, 67) aptly outline the situation as follows:

"Growth entrepreneurship and firm growth are often seen as driving forces for enhancing employment, and competitiveness of nations. For individual entrepreneurs, however, growing the business is not a self-evident goal. For some entrepreneurs securing the standard of living and quality of life may be an aim as such, while others aspire actively for growing their business."

Leonidou et al. (2007, 735) found in their review, in turn, that in spite of contextual issues, such as time, space, and industry, there are certain systematic motives that encourage SMEs to export. These, of which the majority were more of less found in the case SMEs, are

"...the desire to achieve extra sales, profits, and growth, utilize better idle production capacity, exploit a unique/patented product, avoid the threats of a saturated domestic market, reduce home market dependency, and respond to unsolicited orders from abroad."

In brief, some entrepreneurs are not that ambitious or as entrepreneurially business driven as others. Nevertheless all entrepreneurship is important from the national economy perspective. The challenge perhaps buried here has two sides: Firstly, how can those entrepreneurs that actively seek growth in the domestic market be attracted to expand their businesses abroad? Secondly, how can those less active companies be encouraged to expand their businesses in the domestic market? The paths to growth therefore ought to be many.

How, then, does this study address these concerns and challenges? The study outlined the idea that entrepreneurial behaviour and orientation are key issues when trying to achieve international growth. Without an entrepreneurial culture, none of the studied firms would have materialised international growth. This was aptly demonstrated by the cases of Finndow and Hartrek, where growth took place only after a more entrepreneurially oriented culture was obtained. Similarly, the case of Comerg indicated how the international growth achieved can be lost once entrepreneurial behaviour ceases. This finding also emphasises the meaning of delegation within a company. The issues that can enhance a company's competitiveness and its maintenance are that the founder-owner-entrepreneur does not carry out all the central tasks but delegates some of the responsibility to at least a few colleagues, actively seeks and recruits promising employees, builds up a pool of varied resources, and obtains fresh ideas from employees with different backgrounds and experiences. The delegation can, in this sense, also facilitate the renewal and flexibility of the organisation and the operating culture of the company. Additionally, the complexity surrounding international growth and the complexity it introduces into the companies once international growth has been achieved was brought to attention. This requires that a company has the skills to integrate the achieved growth efficiently, if international growth is being sought as a continuous process. In this respect the concept of certainty was introduced to provide further clarification on the nature of the entrepreneurial behaviour and culture that is required during an international growth process.

SMEs aiming to commence international operations require support and guidance. The observed uniqueness in every international growth path reveals the pressures that are placed on policy-makers and support systems in a country that aims to support its entrepreneurs. The uniqueness is not often perceived as such by entrepreneurs, but what is experienced is the vast amount of issues that need to be managed within an international growth process. More training on comprehending and managing the complexity and ambiguity of issues and their interconnectedness is required for entrepreneurs and managers wishing to expand internationally. This is a significant challenge that the policy-makers and support providers need to be prepared for, if they

hope that more SMEs will expand their operations to international markets. The benefits of providing support and guidance include the reduction of uncertainty and the perceived risk related to international growth, an increase in the amount of internationally operating companies in Finland, a decrease in the failure rate of companies trying to expand abroad, and motivating entrepreneurs to establishing companies internationally based on their innovations. However, it is worth noting that export promotion programmes will not guarantee success and are not even expected to do so. They should mainly be used to facilitate SMEs in their efforts at critical points in their international growth paths.

Based on the findings of this study, international growth can be said to be a complex, challenging, and difficult issue to grasp. Additionally, achieving it can be considered as the ultimate indicator of company success. From such success a company can obtain more cash flow from a larger market area, a stronger position and presence in the international markets, gain an increased ability to affect the structure and development of an industry, branch, or market, and develop the ability to engage in sustained international growth. From this perspective, international growth is a significant issue deserving of the attention of policy-makers, as well as entrepreneurs and managers.

In practice, the suggested holistic research approach could be used as such, as an individual complete entity, or as singular, complementary parts, by using the presented research methods, concepts and definitions, research data, process view, or theoretical approach and models as parts of a different kind of research approach. On the other hand, the theoretical contribution would enhance theory accumulation and development by providing the field of international business with a comparable research approach, which could enhance comparability between different studies. In practice comparability could be enhanced between earlier studies and current studies, between studies within one discipline, e.g. between studies dealing with company growth and internationalisation, and between studies across disciplines, such as management and international business. The holistic approach taken would enhance the quality, reliability, generalisability, and applicability of the results and the conclusions drawn with its approach. Furthermore, studying a phenomenon over a longer time period, and with several different research methods, contributes to the better reliability of a study.⁵⁸

From the point of view of the empirical and practical contributions, the aim is to shed more light on the international growth development of SMEs, in particular Finnish SMEs, through case descriptions and path modelling. This was accomplished by showing the differences in the development processes

For a similar medthodological contribution, see e.g. Nissley and Graham (2009).

and international growth performances of the case study firms, with all their setbacks and moments of success. Thus, examples and, perhaps in the best case, also guidance can be given to entrepreneurs planning on entering the international business environment and to companies currently operating solely in the domestic market or struggling with their internationalisation and growth plans, visions, and strategies. This practical contribution is also available for decision makers outside the immediate contexts of SMEs in the form of providing a further understanding of the international growth dynamics of Finnish SMEs with their drivers as well as limitations.

6.4 Implications and avenues for further research

The implications of this research can broadly be categorised into three groups; the implications from the theoretical model, the methodological approach, and the entire research setting. The implications are presented in their respective order in the following.

The theoretical model, i.e. the theoretical framework, for international growth for industrial SMEs could be applied as such in other country contexts. This could develop the field of international business further, and produce comparative knowledge about the international growth process among the SMEs in the manufacturing industry. Cross-national comparisons could also produce further information about the influences of the external business environment on SMEs, as well as further culture related knowledge about internal factors, namely their entrepreneurial orientation, in different countries and nations. A broader study including more companies and different countries could also increase the reliability of the research, and increase generalisability to a larger group of SMEs and SMEs in other countries. This could also possibly attenuate the effect of the macro economy on the international growth process. Another application of the theoretical framework could be to conduct a comparative study between different industries and industry branches. This could address the applicability of the theoretical model to other industry contexts.

The theoretical model could also be evaluated in different economic, policy, and attitudinal conditions. Based on the results and findings of this study, the role of economic conditions is relatively strong regarding the materialisation of SME international growth. This study covered the years 1997 to 2006, which can generally be described as an era of economic upturn. However, the years since 2006 have seen unfavourable economic conditions, which have also affected the shapes of the SME international growth curves. As such, there is room for a comparative study between different economic conditions

and their effect on companies. Relating to this, and turning more to the policy implications viewpoint, a comparative study could also be conducted to compare different economic and governmental policies targeted at SME internationalisation and growth. Often the materialisation of SME aims is directly linked to the availability of public funding. Therefore, a comparison between beneficial and less beneficial times from the SME perspective could be approached and the effects of public policies could be evaluated in this way. Once the effects of public funding are empirically established, the discussion on their necessity and targeting could be raised to a higher level. Finally, turning to the attitudinal conditions, the internationalisation, growth, and international growth of SMEs could be analysed through the different attitudinal climates towards entrepreneurship. This could be commenced in the Finnish context, where changes in public opinion about entrepreneurship as a profession and lifestyle could be evaluated in the light of SME internationalisation and growth development. This could shed light on whether attitudes towards SMEs and international growth affect the way entrepreneurs see the development of their company, its lucrativeness and how easy or difficult it is to obtain external support. This comparison between different attitudinal climates could also be expanded to other countries, where attitudinal differences are culture-bound and greater attitudinal, national, and cultural differences could emerge.

The second set of implications is related to the developed methodological approach. In the purest form the visual episodic narrative interview could be applied as such in other research contexts within international business research, within other fields of economics and business administration, and within other scientific disciplines. The approach could also be employed in studies observing and analysing other processes and process-natured, dynamic phenomena. Examples of such processes, where the approach could be applied are organisational changes, development processes, the setting and reaching of goals, executing strategies, innovations and R&D processes, the execution of different strategies, the application of new structures or systems, different kinds of organisational behaviour and so on. The list of topics where the approach could be applied, and only under the umbrella of international business, is broad. Another methodological implication could be the further development of the visual episodic narrative interview approach. This could be developed, for example, through the use of different types of illustrations in interviews, and by applying different kinds of and different numbers of probes to assist and guide the interviews. Naturally, the application of the developed approach in different research projects always requires some adaptation to meet the requirements and particular characteristics of the studied topics.

Due to the multifaceted nature of the developed methodological approach, its implications fall in many different methodological domains. Resulting from this, the research can contribute to the field of narrative, longitudinal, multiple-method, and case research. At the least, the developed approach and the conducted research can serve as illustrations of the application's ability to be used in different approaches, a combination of different approaches, and to be used as a tool to develop new and unconventional research approaches based on existing methods and methodologies.

The implications for the research settings are twofold. Firstly, the same companies could be studied for an extended time period to see, what happened in the companies after 2006. This would indicate whether and how the companies survived the changes in the global economy post 2006, and how the companies have changed since 2006. With this kind of study, one could also see how the companies continued their international growth and how they have achieved it. The second application of the research setting could be to continue the following of the five case study SMEs, but in the results and discussion move from a company centred viewpoint to an industry or more general SME viewpoint. In this kind of study it could be possible to observe how the industry, market, and economic changes, to name but a few, do actually affect the evolution of companies. Furthermore, it should be possible to study the development of SMEs co-evolution, where SMEs are more or less (reactive) followers of larger-scale changes, and see if they are truly capable of (proactively) taking their own routes in spite of developments in an external environment. In general, using a longer time period for a study increases its reliability, as the conclusions that are drawn in the company context are based on a larger and longer data base that covers all kinds of events from slow evolution to sudden, exceptional situations.

A possible avenue for further research could also be to track, how and where income from foreign operations is used and allocated within different firms and to see whether revenue from foreign operations is directed to finance other operations, or whether it is invested back into international operations and their development. Another interesting research topic could be to find out, if successful international growth leads to further international growth and how this development takes place. This topic could lead to a study of how SMEs transform into MNCs/MNEs, which would necessitate a life-cycle viewpoint of a company's long-term development. In this respect there would also be room and demand for research focusing on micro-multinationals as there still remains a gap on this subject in the existing research literature.

The process perspective addressed in this research could also be extended to entrepreneurship in studying how the entrepreneurial process could affect international growth. This avenue for new research could cover two streams, firstly, how do the processes of international growth and entrepreneurship connect to each other over time and in the level of their operations and development, and secondly, what are the relationship dynamics between them, i.e. how do they facilitate or challenge each other's materialization, or do they have any effect on each other at all?

The relationship between entrepreneurship and international growth could also be studied in more detail. Possible avenues for this line of research could be to identify what the possible international growth opportunities for companies are, and to discuss the flexibility and agility required of SMEs to manage the integration of the international growth attained and the simultaneous search for further international growth.

In conclusion, the research sets out several avenues for further research, be they in the context of this research or development from its original purposes. As such, the ability of a study to raise questions, to urge further research, and to present research implications can also be considered to be one of its most important and central contributions.

6.5 The limitations of the research

The limitations of this study can be divided into two groups: the limitations that delineate the research topic, such as the theoretical framework and the research context, and the limitations that are connected to the conduct of the research, such as the chosen methods and approaches.

The empirical context sets perhaps the most limitations on this research. The context is formed by Finnish industrial SMEs that have experienced international growth from 1997 to 2006. This limits the discussion and makes it not entirely applicable, if at all, to companies in other countries and in other branches, such as services (Johanson & Sharma, 1987), or in other sizegroups, such as MNCs and MNEs, companies that operate solely in domestic markets, companies that have experienced international growth outside the studied period, and companies that did not participate in the survey or were just simply left out of the sample. However, these limitations are not seen to affect the results of the study or hinder its completion, as the aim of the study was to gain a better understanding of the international growth process in this narrow context and to develop a methodological approach in order to elicit information about the process in a thorough manner. In international business, SMEs that are larger and more established are increasingly referred to as micro-multinationals. The distinctive features that separate other SMEs from micro-multinationals are their strategy and structure, which reflect that of MNEs and MNCs. (See e.g. Dimitratos et al., 2003; Ibeh et al., 2004.)

However, in the context of this study, it is considered purposeful to study SMEs, even older and larger ones, since it is expected that these SMEs still have a rather informal structure, which can support an entrepreneurial organisational culture, which, in turn, is expected to enable international growth. Moreover, this new research stream on micro-multinationals is still relatively under-researched (see e.g. Nummela & Säilä, 2009), which has the added the value of newness for this study, but which also means adding complexity and a number of unknown factors to the already problematised research topic.

This discussion begins with the network perspective. Among others, Johanson and Mattsson (1988) developed a network theory, where internationalisation theories, namely the Uppsala School, and internalisation theories (e.g. Coase, 1937; Williamson, 1975; 1985) were combined to update the internationalisation theory of the 1970s to meet the demands of the globalised and integrated markets of the 1990s and 2000s. The network perspective focused originally on MNEs and MNCs, as the internalisation theory strongly relied on the resources of a firm and a firm's capability to apply foreign direct investments (FDIs) in its internationalisation process. This line of thinking is highly unlikely in SMEs. Another perspective is provided by Autio et al. (2005)

"In the network perspective to internationalization, the main focus is on the facilitating effect of the firm's production net on its internationalization process: the firm internationalizes because its production net internationalizes."

In this study the focus is on the organic entrepreneurial growth processes of firms. This organic type of growth refers to growth that is mainly accomplished through a company's own efforts, skills, and resources. The process of growth can also include mechanistic characteristics, in that a company can grow through acquisitions. However, in this situation the company needs to be the acquiring party, which usually provides a better ability to study a company longitudinally, as the same unit, in comparison to a company that has been acquired and merged into another company Since the aim is to find out what factors drive and influence the international growth process and its dynamics, the focus is on a firm's own skills and abilities, and not those of its network with its shared ownership and resources. Regarding co-operation and other relationships a firm may have affecting its international growth development, the focus here is on a firm's capabilities to find partners and to create and maintain relationships. The focus in the study is first and foremost on the growth and internationalisation of a company, and not on the growth and internationalisation of a network. Naturally a company attempts to attract e.g. new customers, suppliers, and agents to enable its international

growth, but in this study the focus has been placed on the evolution of an individual company and the changes that take place within it during the studied period. As the companies selected as cases for this study were rather well established they possesed a relatively well-founded resource base, even if they were still influenced by the typical resource-scarcity associated with SMEs. Furthermore, having an established resource base often means for SMEs that they do not necessarily have to look for access to other companies' resources.

Chetty and Blankenburg Holm (2000) have, in turn, presented limitations of the network theory developed by Johanson and Mattsson (1988). Firstly, the model does not discuss the importance of decision-making or company characteristics in the exploiting of internationalisation opportunities emerging from networks. In this research the external environment, where the networks can also be seen to be embedded, is an important source of opportunities, but their materialisation is seen to be completely dependent on the characteristics of a firm and its culture. This is in line with Calof and Beamish (1995) who note that networks do not only facilitate, they can also inhibit internationalisation and growth; a lack of networks can also inhibit the internationalisation of SMEs, which is mainly due to resource constraints. Additionally, the theoretical framework developed in this study takes into consideration more possible explanatory factors for international growth than those that are included in network theory. Networks should instead be considered as one explanatory external factor among others.

Another theory-driven limitation in this research is the focus on internationalisation stages models and entrepreneurial orientation instead of international entrepreneurship as such. The study acknowledges international entrepreneurship, but does not concentrate on it, as its explanatory power and fit was not seen as suitable for the chosen theories. According to Autio et al. (2005), international entrepreneurship theories have not focused that much on the internationalisation process of internationally entrepreneurial organisations, despite the fact that the field is seen as a cross-roads where internationalisation and entrepreneurship theories intersect (see e.g. Dana, Etemad & Wright, 1999; McDougall & Oviatt, 2000). For example, the liabilities of newness and foreignness (see e.g. Ellis, 2008) have not been considered sufficiently by international entrepreneurship researchers. Similarly, studies concentrating mainly on entrepreneurial personality (e.g. Littunen, 2000; Lee & Tsang, 2001) are not the central focus here, because the international growth process is observed here as company entrepreneurial behaviour and culture.

International growth can be approached from a more quantitative perspective, namely the degree of internationalisation (DOI) literature (see e.g.

Contractor, Kundu & Hsu, 2003; Lu & Beamish, 2004; Thomas & Eden, 2004; Contractor, 2007). The degree of internationalisation, diversification, and R&D intensity all belong to the internalisation literature model, which has very different assumptions and predictions to those of the internationalisation process models. In general, the former usually concentrates on multinationals and the latter on SMEs (see e.g. Dunning, 1988; Forsgren, 1989; Johanson & Vahlne, 1990). The increase in international involvement and the degree of internationalisation represent only the static international fingerprint of a company (Kutschker, Bäurle & Schmid, 1997, 104), which lacks the process view. Kutschker et al. (1997) added time to the model and formed three categories: international evolution, international episodes, and international epochs. This three stage theory was built on the theory tradition of multinationality and the performance of MNCs/MNEs. Although the internationalisation process descriptions by Kutschker et al. (1997) and Kutschker and Schmid (2008) with time considerations have similarities with this study; their level of analysis is more general. They discuss the process from the perspective of time, whereas this study has the company as its starting point. The degree of internationalisation studies merely measures the degree, but does not comment on how the companies have reached their certain degree. Additionally, the current study is interested in the process and dynamics of international growth and not on the issue of whether one company is more international than another. Naturally, a company has to have some international activities to be included in this study, which leads to the obvious statement that in the studies the companies are more international than e.g. companies that operate solely in the domestic market. Another similar research tradition that has been ruled out is export market strategy literature (see e.g. Lee & Yang, 1990), since it concentrates on the performance of the company, even though growth is often connected to performance as one of its indicators. Additionally, this literature also resembles the degree of internationalisation literature, as it relies on three dimensions of export market expansion (Ayal & Zif, 1979; Piercy, 1982); the level of experience, the geographical extent, and the magnitude of the marketing efforts, which are all rather static indicators of internationality in comparison internationalisation process.

The timing of the stages in the international growth process as such is not the interest of this research. For example Melin (1992) and Gankema et al. (1997, 191) discuss the timing of the stages in the progression of the process in exact terms, i.e. does the movement from stage to stage take place every year, every second year and so on. In this research, however, the timing of the process is addressed in terms of other, micro and macro-economic events that could have had an effect on the international growth process. How quickly or

slowly, or at what pace or how long a company takes to move from stage to stage, or the length of the international growth process is left to the aims of other studies.

From a methodological perspective, this study is mainly qualitative, although it applies quantitative data in the pilot study and in the case selection in the form of a multiple and mixed method study. This was a choice made based on the characteristics of the research topic. As such, it was more measurement oriented, although statistical approaches were ruled out as the main means of revealing what international growth is. Similarly, although an entrepreneurial orientation is applied as an explanatory model for the international growth process, no attempt was made to discover universal causalities for that process. Instead of studying universal causalities, regularities, or conformities to laws within the international growth process, the aim was to try to discover local causalities and how those issues and factors were connected to international growth, and attempt to obtain a broader picture of the dynamics, complexities, and characteristics that constitute international growth.

7 SUMMARY

In the field of international business new openings have been sought for over a decade. Nevertheless, the field is still relatively fragmented and many central topics have been studied either partially or not at all. The constant changes in the markets and companies, the main research contexts of international business, have brought forward new research topics that call for research efforts. On the other hand, the existing research literature needs to be employed and knowledge accumulated.

A review of existing literature showed a gap, where the internationalisation and growth processes of SMEs had not yet been studied together as an independent research topic. Instead, there were excessive amounts of studies dealing with MNE and MNC internationalisation, growth, and change, and a large amount of SME internationalisation, growth, and change studies. Nevertheless, a study combining internationalisation and growth stages, and also entrepreneurship, was absent, as were other studies concentrating on international growth as an independent topic in any context.

Research methods have constantly been gaining more attention in the international business field, and the use of different research approaches, pluralism, and interdisciplinary research has become more popular and accepted. The use of cases has reached a strong and credible foothold and the traditions in longitudinal research are long, if not, however, fully articulated. Moreover, narrative approaches have increased their use in the social sciences in general. Nevertheless, visual methods have been used only marginally. In an attempt to create new openings in the international business field, a unique methodological path was selected.

This study aimed at bringing something new by applying something old. New theoretical and methodological approaches were developed based on existing studies, through which new knowledge about traditional international business phenomena was to be sought. The theoretical framework was developed from a combination of internationalisation and growth stages models and entrepreneurial orientation, and the visual episodic narrative interview approach, which was a new combination of existing methodological approaches and methods, was used in data collection. With the help of these approaches, the following research questions were answered to further enhance our understanding of the international growth process in the Finnish SME context.

- How does the international growth process of SMEs occur?
- What is the role of an SME's entrepreneurial orientation in the process of international growth?

With the help of the developed methodological approach, a broad and multifaceted research data set was compiled from multiple primary and secondary sources. Five case study SMEs were found from the quantitative pilot study and a theoretical and an operationalised working definition of international growth were formulated based on the survey findings. In the qualitative main study, five narrative interviews were collected with the developed methodological approach. In the analysis, rich narrative case descriptions, together with international growth path modelling, were compiled. During the empirical research, the usability of the developed methodological approach was evaluated and strengthened.

Based on the empirical results, it turned out, as earlier research had suggested, that each company is a unique entity with unique characteristics, and thus also unique development processes. With the help of the developed theoretical framework, five different international growth paths were modelled. It was found that entrepreneurial behaviour and orientation can explain how and why international growth takes place. Based on this finding and the fact that entrepreneurial orientation played a key role in the process, a sixth factor, namely opportunity seeking, was introduced to the entrepreneurial orientation factors. The findings also show that within the international growth process internationalisation and growth are strongly bound to each other with a contingent relationship. Rapid international growth can create challenges with regard to how to develop a company's organisation at the same speed as such rapid growth, whereas in a slower process the fitting of the organisation to the achieved international growth is more manageable. Although all the paths were unique with different internal and external factors affecting their shapes, the theoretical framework was not entirely obsolete or out-of-date. This occurred because the framework was broad and flexible enough and enabled the description of the development process of five very different companies. By allowing the theoretical and methodological approaches flexibility and variability the gained research data and results maintained their richness, and thus provided more thorough and broader results and implications. The model of international growth developed based on the findings was also shown to have applicability outside the context of the five SMEs studied.

In addition to contributing to the research field, answering the research questions showed how new, practical knowledge brought the complexity of the business process into the everyday business life of an entrepreneur, company owner, or a manager. The concept of certainty was introduced to

address this complexity and to provide a further understanding of the skills an internationally growing SME should possess in order to manage such growth. This complexity is also increased by the fact that the process is different in each company. From the perspective of policy-makers, encouraging companies to grow, internationalise, and behave entrepreneurially is a challenge. It is also a challenge to find companies that would have the potential to be successful and to grow internationally. Based on the study results, each company would require a tailored programme that looks at how international growth could be enhanced for them alone. However, current governmental programmes for finding support-needing companies and supporting them are to a large extent based on generalisations.

Demonstrating the complexity of SME international growth processes could better enable the improved development of government policies, and could further increase academic research interest in the topic. Moreover, presenting company cases where international growth has materialised could also encourage more entrepreneurs, company owners, and managers to begin internationalising and expanding their companies, and could indicate to financiers and government decision-makers how different the success stories and international growth paths of companies can be. The successful overcoming of the challenges related to achieving international growth could be considered the ultimate indicator of the successful management of a business venture.

In general, the complexity and richness of a research topic can be captured by allowing the topic to maintain its natural characteristics. Some researchers have even suggested that a methodological approach ought to be developed for each study, which is used in addition to the development of the theoretical framework. Irrespective of the vantage point, this study benefited from its tailored approaches, as it was able to shed light on what the essence of an international growth process is, what it contains, why it is shaped like it is, and the issues that affect it.

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Tekniikka ja Talous journal

Talouselämä journal

Taloussanomat newspaper

Research reports including case company information:

Pellervo economic research institute PTT

The Finnish Innovation Fund (Sitra)

The Finnish Funding Agency for Technology and Innovation (TEKES)

The web pages of trade unions, industry organisations and research centres:

The Confederation of Finnish Construction Industries RT

The Federation of Finnish Enterprises

The Confederation of Finnish Industries EK

Employment and Economic Development Centre

APPENDICES

APPENDIX 1 Summary of studies defining the internationalisation stages models and the delineation of the proposed theoretical model.

Existing approaches to internationalisation stages and parts of proposed theoretical			
model Author(s)	Stages	Proposed model*	
Johanson &	No regular export activities	Stage 1:	
Wiedersheim-	Export via overseas agents/independent	Exporting based on	
Paul (1975)	representatives	unsolicited orders	
1 aui (1973)	Establishment of an overseas sales subsidiary	Stage 2:	
	Own overseas production manufacturing	Direct export activities	
Bilkey &	Management not interested in exporting	operated from the	
Tesar (1977)	Management is willing to fill unsolicited orders	domestic country	
1esai (1977)		· ·	
	Management explores feasibility of active	Stage 3:	
	exporting	Exporting through	
	Experimental exporting to psychologically	domestic agent	
	close countries	agreements	
	Firms look to export to psychologically distant	Stage 4:	
Cavusgil	Domestic marketing only	Exporting through foreign agent	
(1980)	Domestic marketing only	agreements	
(1980)	Dra avnort stage	Stage 5:	
	Pre-export stage Experimental involvement in psychologically	Establishment of a	
	close countries	company's own	
	close countries	foreign sales office	
	Active involvement	Stage 6:	
	Committed involvement	Establishment of	
Reid (1981)	Export awareness	production	
11010 (1701)	Export intention	cooperation with a	
	Export intention	foreign representative	
	Export trial	Stage 7:	
	Export evaluation	Establishment of an	
	Export acceptance	own foreign	
		manufacturing	
		subsidiary	
Wortzel &	Importer pull/foreign customer orders		
Wortzel	Basic production with capacity and marketing	1	
(1981)	Advanced production with capacity and		
	marketing		
	Product marketing with channel push		
	Product marketing with channel pull		
Czinkota	Completely uninterested firm		
(1982)	Partially interested firm		
	Exporting firm		
	Experimental exporter]	
	Experienced small exporter		
	Experienced large exporter		

Varaldo	Wait orders from abroad
(1987)	Seek out foreign customers
	Set up a foreign sales organization
	Full-scale internationalization accomplished
Luostarinen	Export stage
& Welch	Sales subsidiary stage
(1990)	Licensing stage
	Production subsidiary stage
Rao & Naidu	Nonexporters: no current exports or intentions
(1992)	Export intenders: no current exports but
	intentions
	Sporadic exporters: exporting on sporadic basis
	Regular exporters: exporting on regular basis
Fina &	Agreement with local (in foreign markets)
Rugman	distributor or agent on exporting
(1996)	Representative office abroad
	Sales office abroad
	Branch abroad
	Subsidiary abroad
	Manufacturing contract with local (in foreign
	markets) firm
	Joint venture in manufacturing with a foreign
	firm
	Wholly owned manufacturing plant (greenfield
	or acquisition) with distribution capacity
	Licensing agreements with foreign licensees
Crick (1995)	Completely uninterested firm
	Partially interested firm
	Exporting firm
	Experimental exporter
	Experienced small exporter
	Experienced larger exporter
Petersen &	Export via home-based sales force
Welch (2002)	Export via sales branch
l , ,	Export via local (in domestic markets) sales
	agent
	Export through an export group subsidiary (in
	foreign markets)
	Export via own sales subsidiary (in foreign
	markets)
* In the table th	ne final column indicates the chosen stages for the theoretical framework.

APPENDIX 2 Summary of studies outlining the growth stages models and the delineation of the proposed theoretical model

Existing appro	aches to stages of growth models and the parts of the propos	sed theoretical
Author(s)	Stages	Proposed model*
Steinmetz (1969) critical stages in small business	Direct supervision: the entrepreneur the leader due to ownership and not leadership, return on investment fairly limited, heavy reliance on personal skills or unique product, slow increase in sales and profitability, a one-man operation with ineffective delegation	Stage 1: Founder-led start-up and innovation
growth	Supervised supervision: the entrepreneur manager rather than an owner, learning to delegate through a few levels of command, diversification of product line, horizontal and/or vertical integration possible, calculated risks are taken, management's thinking rigid and administrative skills are not yet learned	Stage 2: Feasibility and gaining position
	Indirect control: the entrepreneur uses total indirect control, some of the divisional managers may show disloyalty, overstaffing in the middle-management usual, odds of company death are reduced Divisional organization: the company has survived the	Stage 3: Success and growth through repetition and
Thain (1969)	critical three phases Survival and growth, dealing with short-term operating problems, exploitation of immediate opportunities	delegation
	Growth, rationalisation and expansion of resources, functionally oriented operations within the scope of one product/service Trusteeship in management, investment and control of large, increasing and diversified resources, growth through product diversification and exploitation of general business opportunities	Stage 4: Organization and strategising and managing and planning
Greiner (1972; 1998) stages in firm age and size	Creativity stage leading to leadership crisis Direction stage leading to autonomy crisis Delegation stage leading to control crisis Coordination stage leading to red tape crisis Collaboration stage leading to '?', possibly psychological saturation of employees	Stage 5: Renewal through constant development
Barnes & Hershon (1976) growth and power	Firm survival the core problem, fusion of diverse talents and purposes within the firm, management individualistic and direct, informal firm structure, CEO supervises employees, two levels of management used Managing growth the core problem, fission of general	Stage 6: Stability and the choice of direction Stage 7:
transfers in family firms	authority into specialized functions, management collaborative, structure according to functional specialists, CEO manages specialized managers, at least three levels of management used	Decline or new growth
	Managerial control and resource allocation core problems, fusion of independent units into an interdependent companyunion, management collective, structure as divisional organizations, CEO manages generalist managers, at least four levels of management used	
Galbraith (1982) stages of growth	Proof if principle prototype: inventing and making the product through informal processes and structures with founder as a quarterback	

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	Model shop: testing and finishing the product through	
	informal processes and modest hierarchy with founder as a	
	player or coach	
	Start-up volume production: volume in production and	
	distribution through formal processes and functional	
	structures with specialists and founder as a coach	
	Natural growth: profitability through formal processes and	
	functional structure with experienced professional managers	
	and founder as a manager	
	Strategic manoeuvring: dominating a niche through planned	
	processes and matrix structure with career managers and	
	leader as a strategist	
Churchill &	Existence: obtains customers and delivers the product,	
Lewis (1983)	organization is simple and informal and the owner is the	
stages of	business	
small	Survival: gained a sufficient customer base and	
business	product/service range, organization is simple and informal	
growth	and employees make decisions based on the orders of the	
J	owner	
	Success: the company is at a cross-roads; whether to aim for	
	growth with the gained assets and market position, or	
	whether the owner hands the company over to experienced	
	managers	
	Take-off: focus on financing further growth and delegation	
	of responsibility to skilled and managers, organization is	
	divisionalized and the operations are strategically planned	
	Resource maturity: focus on controlling operations and	
	finances, maintaining flexibility and entrepreneurship and	
	avoiding inefficiencies, management is decentralized and	
	professionalized	
Robinson,	Start-up: founding a firm, positioning it in a certain industry	
Pearce,	and employing a certain competitive strategy	
Vozikis &	Early-growth: test of initial product-market strategy, owner-	
Mescon	manager directs all activities, stabilization of sales pattern	
(1984) stages	may occur	
of	Later-growth: multiple sites of retail and service,	
development	diversification of manufacturing, delegation in decision	
-	making and several layers of middle management	
Whetten	Entrepreneurial: early innovation, niche formation, high	
(1987)	creativity	
organizational	Collectivity: high cohesion, commitment	
growth	Formalization and control: emphasis on stability and	
process	institutionalization	
process	Elaboration and structure: domain expansion and	
	decentralization	

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Scott & Bruce	Inception: establishing the company is based on the	
(1987) stages	founder's skills and product/service idea, the distribution	
of growth in	channels and planning of operations are limited	
small	Survival: the company is a business entity that has	
business	demonstrated viability, the product is simple and	
	concentrates on the original innovation, growth comes from	
	market expansion	
	Growth: more focus on coordination of managers and	
	functional structuring of the company, product range is	
	expanded to the limits of scarce resources, further growth is	
	opportunity-led	
	Expansion: focus on decentralised authority, planning and	
	control systems and funding of operations, growth is desire	
	and opportunity-dependent	
	Maturity: focus on expense control, productivity and finding	
	of growth opportunities, decentralized management,	
	innovativeness, renewing production and coping with price	
	competition are central	
Kazanjian &	Conception and development: focus on invention and	
Drazin (1989)	development of products and/or technology, securing	
stage of	adequate financing and identification of market	
growth	opportunities, no structure or formality	
progression model	Commercialization: focus on product commercialization and	
model	constant R&D, acquiring adequate facilities, establishing	
	cooperation relations, developing product support, limited	
	formal structure with a single or a few people in charge of	
	the venture	
	Growth: increase in sales and number of employees,	
	balancing between volume and profitability, avoiding	
	inefficiency, functional specialization in structure increases	
	and personnel becomes more professionally trained and	
	experienced	
	Stability: growth rate slows to a level consistent with market	
	growth, challenge in maintaining growth momentum and	
	market position, focus on developing second generation	
	products and expansion to new geographic areas and	
	markets, formal structure remains and owner-manager is	
	replaced or supported by professional manager or team	
Dodge &	Formation: the owner-manager is concerned with converting	
Robbins	an idea into reality, getting the organization going, and	
(1992)	building financial support for developing products and	
organizational	business concepts	
life-cycle for	Early growth: establishment of business through strong	
SME	positive growth with commercially feasible products and	
development	market approach	
•	Later growth: slower growth due to increased entry of direct	
	competitors and the narrowing gap between the total	
	potential market and the active market	
	Stability: bureaucratic activity due to lack of new ideas and	
	ability to delegate responsibility, need to renew the earlier	
	materialized growth by taking advantage of market position,	
	initiating change and eliminating inefficiencies	
	minaning change and chimnaning members	

Hanks,	Start-up stage: simple structure, informal and flexible	
Watson,	working conditions, founder-centralized management, aim at	
Jansen &	identifying a niche, obtaining resources, building	
Chandler	products/services and setting up a structure	
(1994)	Expansion stage: functional structure, relatively formal	
growth stage	systems of operation, limited delegation, expanding resource	
configuration	base and production and distribution volume, setting up	
s related to	operation systems	
life-cycle	Consolidation stage: functional structure, bureaucratic	
construct	operating culture, moderately centralized management, focus	
	on profitability and control of business, setting up	
	management system	
	Diversification stage: divisional structure, bureaucratic	
	operating culture, decentralized management, diversified	
	business and expansion of product market scope	
	Decline stage: mostly functional structure, excessive	
	bureaucracy, moderately centralized management,	
	revitalization and redefinition of the business mission and	
	strategy	
Churchill	Conception	
(1997)	Survival	
(1997)	Profitability	
	Growth	
	Take-off	
T	Maturity	
Lester, Parnell &	Existence: simple, owner-dominated structure,	
Carraher	experimentation in operations, prospector/first-mover	
	strategy applied	
(2003)	Survival: functional structure with some delegation,	
empirical	beginning of formal information processing, analyzer/second	
scale on	mover/differentiation strategy applied	
organizational	Success: bureaucratic structure with reliance on internal	
life-cycle	information processing, defender/segment control strategy	
	applied	
	Renewal: divisional or matrix structure with sophisticated	
	decision making systems, analyzer/differentiation/cost-	
	leadership strategy applied	
	Decline: bureaucratic and functional structure with moderate	
	sophistication and centralization in decision-making,	
	reactor/cost-leadership strategy applied	
* In the table th	ne final column indicates the chosen stages for the theoretical fram	iework.

APPENDIX 3 Summary of studies defining entrepreneurial orientation and the delineation of the proposed theoretical model

Existing approaches to the construct of entrepreneurial orientation and parts of the proposed theoretical model			
Author(s)	Definition	Proposed model*	Contents in this study
Miller (1983) "characteristics of an entrepreneurial firm"	Engagement in product market innovation Undertaking of risky ventures	Factor 1: innovativeness	■ closely related to the new combinations introduced by Schumpeter (1934) ■ anything that is innovative in the company and somehow connected to the international operations of the company ■ requires the innovation to be something new to the market or the industry for it to bring international growth to the company
Stevenson &	Being first to come up with 'proactive' innovations, beating competitors to the punch Balancing between risk	Factor 2: risk taking	 a company's increased risk tolerance and acceptance for reaching international growth need to be connected to strategising in that it is not
Jarillo-Mossi (1986), Stevenson & Jarillo (1990)	and possible reward		merely about adventurous behaviour without a strategic aim
"features of an entrepreneurial organization & entrepreneurial management"	Trying initiatives with unknown potential Individuals are taking responsibility and enabled to pursue opportunities within the organization	Factor 3: proactiveness	 behaviour that attempts to outperform rivals earlier than the rivals moves or with an action that is not yet employed by the rivals operating in a different manner than merely responding or reacting to competitors actions
Covin & Slevin (1989; 1990; 1991; 1993) "entrepreneurial strategic posture as organizational- level behavior"	The continuous adaptation of the organization to change Risk taking in investment decisions and strategic actions in the face of uncertainty	Factor 4: autonomy	the company's ability to operate in a constantly changing environment in a manner of focusing on its own goals, such as international growth, irrespective of the external changes market changes may require the company to adapt, but autonomy is also considered as the company's ability to adapt its surroundings to its needs
	Extensiveness and frequency to innovation and technological leadership	Factor 5: competitive aggressiveness	• the company's continuous efforts to compete with its rivals for reaching its goals more strongly

	Dianaging nature of the	■ the someony's will J
	Pioneering nature of the	• the company's will and
	firm as tendency to	effort to reach something
	aggressively and	more than mere survival in
	proactively to compete	the competition, such as
7.1 (1001	with industry rivals	international growth
Zahra (1991;	The timing of entry into	
1993) "the	global industries as a	
international	manifestation of	
dimension of firm	proactiveness	
entrepreneurship"	Changes in the product	
	mix and pattern of	
	competition as an	
	indication of risk taking	
	behaviour	
Zahra & Garvis	Internationalisation can	
(2000)	fuel innovativeness that	
"international	reduces risk of business	
corporate	failure, enables the	
entrepreneurship	outperforming of rivals	
& venturing"	and improves	
	profitability	
	Proactiveness	
	demonstrated by	
	pioneering or first entry	
Lumpkin & Dess	Autonomy: independent	
(1996; 2001)	action aimed at bringing	
"dimensions of	forth a business concept	
entrepreneurial	or vision and carrying it	
orientation"	through to completion	
	Innovativeness:	
	willingness to support	
	creativity and	
	experimentation in	
	introducing new	
	products/services and	
	processes	
	Risk taking: tendency to	
	take bold actions e.g.	
	venturing to unknown	
	markets, committing	
	resources to uncertain	
	ventures and borrowing	
	heavily	
	Proactiveness:	
	opportunity seeking,	
	acting ahead of	
	competition and in	
	anticipation of future	
	demand	
	Competitive	
	aggressiveness: the	
	intensity of the efforts	
	to outperform rivals and	
	respond to competitors'	
	actions	

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Brown, Davidsson	Encouraging new ideas,	
& Wiklund (2001)	experimentation and	
"firm's degree of	creativity develops an	
entrepreneurship	entrepreneurial culture	
& entrepreneurial	where new ideas are	
culture"	valued and sought out	
	Opportunities are	
	sought and considered,	
	although their outcome	
	is uncertain	
Antoncic &	New-business –	
Hisrich (2001)	venturing	
"intrapreneurship	Innovativeness	
dimensions"	Self-renewal	
	Proactiveness	
Bamber, Owens,	Innovation and creative	
Davies & Suleman	behaviour by	
(2002)	empowered employees	
"entrepreneurial	Risk taking through	
organization"	taking responsibility for	
	decisions made	
	Autonomy through	
	empowerment and	
	responsibility	
Wiklund &	Willingness to innovate	
Shepherd (2005)	to rejuvenate market	
"entrepreneurial	offerings	
strategic	Take risks to try out	
orientation"	new and uncertain	
	products, services and,	
	markets	
	Be more proactive than	
	competitors toward new	
	marketplace	
	opportunities	
	Firm's strategic	
	orientation in decision	
	making styles, methods,	
	and practices	
Kropp, Lindsay &	Proactiveness	
Shoham (2008)	Innovativeness	
"entrepreneurial	Risk taking	
orientation in		
venture start-up"		
Moreno &	Innovative behaviour	
Casillas (2008)	Proactive behaviour	
"entrepreneurial	Risk taking behaviour	
style of		
management"	1 1 1 1 1 1	
I " In the table the fin	iai column indicates the cho	osen factors for the theoretical framework.

APPENDIX 4 Export obstacles and challenges for Finnish exporting companies that were found in earlier studies

Obstacles to exporting	Challenges to exporting
Inexperienced management regarding	Education and language skills
international operations	
The attitudes of the management/staff	Staff exporting skills
The educational level of the	Availability of workforce
management	·
Lack of professional export personnel	Inadequate capacity
The professionalism of the personnel	Availability of raw materials
Eagerness to go abroad	Small production outputs (compared to
Personnel's shortage of time	mass production)
Company marketing skills	Adaptability of the export products
Language skills	Product variety
Lack of export information and	Problems in R&D
knowledge	
Lack of exportable product	Gaining access to and reaching
Planning/the systematic nature of	customers
business operations	
Availability of information	Distribution channels
Competition in the export markets	Transportation costs
Financing	Pricing/the right price-quality ratio
The low profitability of exporting	Sales promotion
Inadequate production capacity	Marketing
Production/transportation costs	Competition
Ability to compete on price	Competitiveness/ high domestic
Sales margin	expenses
Ability to find distributors and	Taxation
customers	
Credibility from the customers'	Availability of export financing
viewpoint	
Marketing communications	Availability of governmental financing
	and benefits/support
Laws, regulations, norms, and standards	Technical directions, regulations and
Physical and technical incompatibilities	standards
Adequacy of the domestic market	Difficulties in obtaining information
Inexperience in handling foreign	Lack of guidance in export skills
currencies	
Adapted from Arola and Larimo (1998)	

APPENDIX 5 Competitive means and success factors of Finnish exporting companies found in earlier studies

Competitive means	Success factors	
Price	Size of the office/company	
Quality	Growth of the company	
Product	Changes in and planning of business	
Product variety	Strategic planning and aims	
Product development (R&D)	International orientation from the start	
Specialisation/specialised products	The skills and competences of the	
	entrepreneur and the personnel	
Technology	The entrepreneur's earlier experience	
Production/manufacturing technology	The personality of the entrepreneur	
Customer relations	Export experience	
Marketing	Use of external professionalism	
Communications and public relations	International demand	
(PR)	Reliability of deliveries	
Advertising	Financing	
Trade fairs and exhibitions	Technological core competence	
Target markets/segments	Long-term customer relations	
International contacts and relations	Guaranteed product quality	
Advertising/sales support in the target	The broadness of product variety	
markets	Profitability	
Location	Fast and flexible availability of	
	maintenance and technical support	
Costs	Service offering	
Production/manufacturing capacity	Creative marketing to avoid copying	
Financing	Exporting strategy	
Company image	Focus on certain segment	
Distribution	Reactivity to changes	
Delivery time	Ability to compete on price	
Service offering Ability to change operations and		
Personal selling	Coincidence/chance	
(Adapted from Arola and Larimo, 1998.)		

APPENDIX 6 A summary of the upturn and downturn factors emergent in the cases

Year	Upturn factors	Downturn factors	Trends by year
Prior to 1997	Internal Creating innovations Developing special product characteristics Creating customer relations and references Having an exportable product/service External	Internal Late arrival on foreign markets Scarce knowledge and experience of doing business abroad Unprofitable business solutions and operations Lack of focus in any market or segment Lack of delegation of responsibility or power by the founder-entrepreneur External	 Innovativeness Developing export-readiness Relying on long-term relations Lack of knowledge, experience, focus, delegation, and planning
	Obtaining new and maintaining long-term customer and agent relations	-	
1997	Internal External The pull of a large domestic company to foreign markets and international business skills	Internal - External -	Large domestic customer creates a market pull
1998	Internal Gaining a good international reputation External Obtaining a key customer account	Internal ■ Constant need for heavy investment in R&D ■ Heavy dependency on the founder-entrepreneurs efforts External -	 Gaining a good international reputation and a key customer account Constant heavy investment needs
1999	 Internal Developing a new line of products External Reaching a key retail agreement that opened up international sales channels Gaining public funding 	Internal ■ Management relatively risk-averse and settling for modest growth External -	 Gaining access to sales channels through retailers Developing new product lines Obtaining public funding Unambitious and risk-averse management

2000	Internal	Internal	 Proactiveness
	 Being proactive in 	-	in product
	launching a new		launch
	technology	E-Asses 1	 Markets grew slower than
	External Obtaining new	External Market growth was slower	expected
	representatives in foreign	than expected	 Customers
	markets such as the Baltic	The developed new product	perceived the
	states	was expensive for customers	price to be
		 Unfavourable economic 	expensive
		conditions affect the industry	 Heavy price
		 Heavy price competition 	competition
2001	Internal	Internal	among rivalsExpansion and
2001	Establishing affiliates in	No prior experience of	firmer foothold
	strategic sites	setting up companies abroad	in foreign
	 Establishing sales offices 	Restructuring the company	markets
	 Development of 	to fit the global markets	through
	manufacturing technique	swallows resources	affiliates and
		 Competition forces the 	sales offices
		improved control of the	 Restructuring
		entire production process	the company to
		Earlier owners' agenda has	meet international
		decelerated growth	i iniemanonai i
I	Entourol		
	External Gaining firmer foreign	External	business
	 Gaining firmer foreign 	External The distant location is seen	business demands
	 Gaining firmer foreign market position 	External	business demands
	 Gaining firmer foreign 	External The distant location is seen as a drawback by new	business demands Owners'
	 Gaining firmer foreign market position Long-term relationships 	The distant location is seen as a drawback by new customers	business demands Owners' agenda influences growth
	 Gaining firmer foreign market position Long-term relationships with customers and 	The distant location is seen as a drawback by new customers Disagreements with dealers	business demands Owners' agenda influences growth Domestic
	 Gaining firmer foreign market position Long-term relationships with customers and 	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of	business demands Owners' agenda influences growth Domestic location not
2002	 Gaining firmer foreign market position Long-term relationships with customers and agents pay off 	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations	business demands Owners' agenda influences growth Domestic location not competitive
2002	Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal	business demands Owners' agenda influences growth Domestic location not competitive Competitive
2002	Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive	■ The distant location is seen as a drawback by new customers ■ Disagreements with dealers lead to restructuring of foreign operations ■ Internal ■ R&D activities and product	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness
2002	Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal R&D activities and product development too slow	business demands Owners' agenda influences growth Domestic location not competitive Competitive
2002	Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings heavy market share	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal R&D activities and product development too slow The sudden death of the	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness results in
2002	Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal R&D activities and product development too slow	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness results in market share Benefiting from
2002	 Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings heavy market share Founder's skills enhance growth External 	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal R&D activities and product development too slow The sudden death of the founder-entrepreneur sets the company adrift External	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness results in market share Benefiting from competitors'
2002	 Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings heavy market share Founder's skills enhance growth External Competitors had even 	■ The distant location is seen as a drawback by new customers ■ Disagreements with dealers lead to restructuring of foreign operations ■ R&D activities and product development too slow ■ The sudden death of the founder-entrepreneur sets the company adrift ■ External ■ The telecommunications	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness results in market share Benefiting from competitors' failings
2002	 Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings heavy market share Founder's skills enhance growth External Competitors had even bigger problems during 	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal R&D activities and product development too slow The sudden death of the founder-entrepreneur sets the company adrift External The telecommunications industry hit a crisis as it	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness results in market share Benefiting from competitors' failings R&D activities
2002	 Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings heavy market share Founder's skills enhance growth External Competitors had even bigger problems during the telecom market crisis 	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal R&D activities and product development too slow The sudden death of the founder-entrepreneur sets the company adrift External The telecommunications industry hit a crisis as it became mature	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness results in market share Benefiting from competitors' failings R&D activities too slow
2002	 Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings heavy market share Founder's skills enhance growth External Competitors had even bigger problems during the telecom market crisis Revival of old foreign 	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal R&D activities and product development too slow The sudden death of the founder-entrepreneur sets the company adrift External The telecommunications industry hit a crisis as it became mature Heavy price war with a	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness results in market share Benefiting from competitors' failings R&D activities too slow Dependence on
2002	 Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings heavy market share Founder's skills enhance growth External Competitors had even bigger problems during the telecom market crisis Revival of old foreign relations 	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal R&D activities and product development too slow The sudden death of the founder-entrepreneur sets the company adrift External The telecommunications industry hit a crisis as it became mature	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness results in market share Benefiting from competitors' failings R&D activities too slow
2002	 Gaining firmer foreign market position Long-term relationships with customers and agents pay off Internal Competitive aggressiveness brings heavy market share Founder's skills enhance growth External Competitors had even bigger problems during the telecom market crisis Revival of old foreign 	The distant location is seen as a drawback by new customers Disagreements with dealers lead to restructuring of foreign operations Internal R&D activities and product development too slow The sudden death of the founder-entrepreneur sets the company adrift External The telecommunications industry hit a crisis as it became mature Heavy price war with a	business demands Owners' agenda influences growth Domestic location not competitive Competitive aggressiveness results in market share Benefiting from competitors' failings R&D activities too slow Dependence on one person

2003	Internal	Internal	 Employees
	 In-house inventions in working methods External Reaching dealer agreements in Russia and Canada 	 Significant investments required to establish a presence in foreign markets Lack of management External Stagnation of sales on a global scale 	developing working methods Foreign expansion requires heavy investments Lack of management Global sales stagnation
2004	Internal	Internal	 Attracting customers with
	 Establish a sales office and obtaining a foreign agent Doubling the production capacity increases customers' interest 	Restructuring the entire organisation in a short time after strong growth	increased capacity Restructuring organisation to fit attained
	External	External	growth Market
	 Recovery of telecommunications industry and therefore markets Boom in domestic construction industry 	 Hyper competition among rivals in prices and technologies Domestic market fluctuations create a foreign market push 	recovery and boom create a pull Hyper competition and strong fluctuations create a push
2005	Internal	Internal	Change in
	 Ability to raise prices to a more profitable level Change in ownership introduces a growth-seeking strategy New owner brings a new direction to the company 	 Lack of prior experience on cross-border acquisitions Lack of R&D activities Production facilities outdated 	ownership change company orientation Getting prices on a competitive
	External	External	level
	 Acquisition of a foreign company Revival of old customer and agent relations 	 Cultural differences Challenging market situation in the U.S. Fluctuations in currencies and foreign price levels 	 Cross-border acquisition brings fast international growth Cultural challenges Outdated facilities and R&D Foreign price levels, currencies and market situation challenging

2006	Internal	Internal	 Modernising
	Modernised production facilities with increased capacity Ability to serve a larger number of customers External Restructuring of the domestic market Heavy growth potential in Eastern European countries in the construction industry	External Customers having financial problems Cultural and language differences Global rise of raw material costs due to rise in oil price Foreign rivals entering domestic market Economic crisis in the U.S. Availability of skilled workforce limited	facilities increase ability to serve larger customer base • Heavy increase in foreign market growth potential • Global economic downturn starting to have effect • Increased raw material costs • Increased competition in home market • Lack of skilled workforce
2006	Internal	Internal	• Focus on core
onwards	 Focus on core competences Letting go of unprofitable exports 	 Shortage of finance starts to affect R&D Lack of resources dwarf the growth efforts Increasing amount of effort and resources needed to gain and maintain foothold in foreign markets Prior experience in operating in the Russian market is limited 	competences Streamlining Growth through acquisitions Ability to obtain external funding Environmental concerns create new markets Resource
	External	External	constraints
	 Growth reachable through acquisitions Targeting of profitable markets, such as Norway Customers interested in investing in R&D and machinery to secure future supply Russian and European markets demonstrate good growth prospects Energy and environmental concerns create new markets 	 In the telecoms market growth prospects are weakening Uncertain economic prospects in domestic and foreign markets 	hinder growth Uncertain economic prospects in different market areas and industries

In this appendix the SMEs that participated in the follow up survey conducted in 2003 and 2007 are observed from the perspective of growth. This is done to provide further background on the growth developments of Finnish SMEs during the research period. The domestic industrial sector, in contrast, is assessed through official reports to provide further clarification for the context regarding where the case companies have been operating and where they are heading in the international markets.

Reflecting on the survey data, the share of international operations to the total annual revenue had grown by approximately 20 percent in the survey firms during the research period⁵⁹. Similarly, nearly 20 percent of the companies had either remained the same or decreased in terms of international growth. However, the largest group, nearly 60 percent of the survey companies were domestic companies, who had no continuous or, in monetary terms, significant business operations outside of Finland. When concentrating on the internationally grown 20 percent, it turned out that in only about five percent of the companies did the share of international operations to annual revenue rise over 90 percent. Six percent of the companies had international operations accounting for up to 75 percent of their annual revenue, and in nearly 30 percent of the companies their international operations amounted to less than 50 percent of their annual revenue. This aptly illustrates the situation in the Finnish market, where the majority of the companies concentrate on serving the domestic market, whereas in those companies that have international activities, the significance of the activities in monetary terms is low. Additionally, the survey results also indicate that domestic companies' interest in internationalisation and growth in the coming years is relatively scarce, although the companies did not consider it as risky in the 2006 survey as they did in the 2003 survey. (Paavilainen & Kuuluvainen, 2008.)

From 1997 to 2006 gross domestic product (GDP) fluctuated from 6.1 percent in 1997 to 1.6 in 2002, and in 2006 it reached the level of 5.5 percent. According to a press release by Statistics Finland on March 1st, 2007 (Statistics Finland, 2007) general demand in Finland grew during 2006. This growth was fastest in exports, which grew by nearly 11 percent. Similarly the volume of imports grew by five percent. In 2006 the government invested six percent more in machinery, equipment, and transport equipment than the previous year. Investments in housing increased by 5.7 percent and in building construction by four percent. All in all the economy kept rising in 2006 and the figures showed only upward development. However, in the case company

The five case companies were found among this 20 percent of companies.

descriptions some of the mild signals of the upcoming economic downturn were visible already in 2005. It is, nevertheless, quite normal that companies react first and that national economies follow this development in both favourable and unfavourable economic conditions. Companies operate as types of sensors of the future prospects of the global markets.

From a historical perspective, it is worth considering the fact that many Finnish industrial SMEs were established in the 1970s or earlier and started their operations to serve the needs of a neighbouring country. For example the former Soviet market was often seen as a very promising and adequately large market, where many smaller Finnish firms could export almost endlessly. This was also supported by the trade agreements between Finland and the Soviet Union, which eased after the barter trade period and made economic conditions relatively sustainable. After the breakthrough of the Internet many ways of doing business and transporting goods have changed, but occasionally the old, long-term relations and the 'traditions' the companies have adopted, as well as the nature of their business, products, and customers, have meant that companies have continued to do business in tried and tested ways. Usually the Finnish SMEs, which are planning to internationalise their business activities, are interested in Russian markets or older European Union countries (SME-barometer 2007).

The heavy emphasis on manufacturing industry, as a legacy of the earlier decades, is still visible in the Finnish economy. In 2003 the value of the produce of the Finnish industrial sector was altogether 108 billion Euros. The metal industry employed over 200,000 people in 2004 and the value of the yearly production of metal product amounted to 47.5 billion Euros (Elf, 2006a; Elf, 2006b). In the electronics and telecommunications industry the value of yearly production totalled 19.5 billion Euros (Rönkkö, 2005). In the joinery industry yearly production equalled 7.6 billion Euros (Vallin, 2006). The manufacturing industry has traditionally been considered to be the industry with the best exporting preconditions compared to e.g. the services industry. The manufacturing industry also has a steady foothold in the Finnish economy. However, the internationalisation of the industry is relatively low. This can partially be explained by the fact that so far domestic demand has been quite high and companies have been profitable by operating solely in the domestic market. Due to the economic downturn, this situation may change, as companies may be forced to seek survival before growth, and this will hold true for those operating in foreign markets, too. Nevertheless, when Finnish industries are observed, the highest export rate is in the manufacturing industry (i.e. heavy and light industry), whereas the lowest export rate is in construction (see SME-barometer, 2007). This was also supported by the follow-up survey findings, where approximately 30% of the domestic SMEs represent a service industry.

Regarding entrepreneurial activity in different industrial sectors in established, older companies in Finland, Stenholm et al. (2009, 55) found that entrepreneurial activity is largest in the extractive industries, such as agriculture and forestry, after which comes transforming industries, such as construction and manufacturing, and then business services, and finally, consumer-oriented services, which are the least entrepreneurially active,. These findings indicate that the traditional industries are the most entrepreneurial and the most international.

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