1. Overview

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DEFINING THE TERMS

Internationalization and Globalization

Internationalization is the expansion of economic activities beyond a country's border. Internationalization has been underway for centuries, but the pace is quickening. Prior to the days of empires, international trade had been about final goods and based on absolute advantage. Finished final products that were not produced or were produced in insufficient quantities in one's own country were imported, and products produced abundantly were exported (Vernon, 1966; Ghauri and Cateora, 2014). The advent of empires changed the balance of benefits. Conquered colonies supplied cheap resources on which value was added in dominant 'mother' countries. The finished products were partially consumed at home, while the rest were exported, thus creating wealth in the mother countries. Many firms in the mother countries became large and controlled operations abroad, for example the East India Company and the British American Tobacco Company. These firms became the precursors of what became known as MNEs – multinational enterprises.

After World War II, there was a surge of foreign direct investment (FDI). Many parts of Europe were devastated. As North American firms were untouched by such ravages, they saw a window of opportunity. FDI flowed to Western Europe and Latin America. Resources and product development gave them an internally transferable advantage that allowed them to overcome competition from local firms. Also, they became the main study of much international business literature. Basically, internationalization is the natural consequence of the growth of the firm. As the firm grows, it grows out of the home market and looks for further growth by crossing national borders. Internationalization has thus been subject to many studies and the topic has been studied from several angles: rate, speed, gradual stepwise approach versus born global and advantages and disadvantages of different entry modes (Buckley and Ghauri, 1999 and 2015).

Gradually, internationalization has converted into globalization for most MNEs. Advances in information technology and an increasing interdependence in the world have made foreign markets a vital part of the strategic planning for large organizations, the MNEs. The infrastructure that permits globalization is becoming more powerful. There are several pillars of this infrastructure that are mutually reinforcing this trend. The first pillar is the expanding scale, liquidity, mobility and integration of the capital markets. Second is the growing ability worldwide to leverage on knowledge, talent and technology. Firms like Coca-Cola, Microsoft and Hyatt Hotels are gaining much from a business model that minimizes their investment in fixed assets and maximizes their ability to leverage brands, standards, management skills and intellectual property across the global arena (Underwood, 2004). Third is the liberalization of national regulations and lowering of economic barriers to trade, capital flows and technology links. Fourth, is the worldwide deregulation of the telecommunication industry that has cut the marginal cost of computing and communication almost to zero. Fifth, is the growth of the global labour pool that in the next 10–12 years will absorb nearly two billion workers from emerging markets, who will cost less, and will not be much less productive than their counterparts in rich lands. Therefore, the unit cost of production will go down dramatically. Sixth, is the economic restructuring that followed the integration of Central and Eastern Europe into the EU, as well as the expansion of markets in China, India and Asia, specifically in the ASEAN group. Globalization is thus a phenomenon mainly driven by economic forces, which has resulted in liberalization and integration of capital markets, spatial reorganization of production and international trade. The slicing of the manufacturing process into multiple partial operations can be carried out at different locations and consumed globally (Buckley and Ghauri, 2004).

It is estimated that today the motivation of reaching new customers or looking for optimal locations for different parts of their value chain explains perhaps the bulk of FDI. Many are in industries such as autos and fast-moving consumer goods (FMCGs) where foreign firms set up locally to do better business or in service industries where a local presence is beneficial. MNEs have been building plants in low-wage countries and also then exporting the finished goods to other countries including the home market in addition to producing products for local consumers in the host country. Although business is the primary engine driving globalization, international organizations have arisen to coordinate policy among nations on global issues such as trade, the environment, sustainable development, health and crisis management. Further the global marketplace is being institutionalized through the creation of a series of multilateral entities. Overall, globalization is leading to integrated global markets, intensifying competition, diminishing control, shortening product cycles and increasing uncertainty. The new global economy is one in which most firms are continuously vulnerable.

Strategy

Very few organizations these days would admit to lacking a strategy. If they are not doing well, the usual statement is that we lack a good strategy. But over time the word 'strategy' seems to have been drained of focused meaning by overuse. A foremost historian of military strategy has tried to find a workable definition (Freedman, 2013). A recurrent theme is the dichotomy between strategies based on the application of superior force and those based on the application of guile, the latter signifying cleverness that defeats brute force. *The Art of War*, an ancient Chinese military treatise attributed to Sun Tzu, a high-ranking military general and strategist, has had an influence on Eastern and Western military thinking, business tactics, legal strategy and beyond; his theme was that 'all war is based on deception' (Sun Tzu, 2003). He advocated stratagem and finesse rather than the 'chance of arms' (Ghauri and Fang, 2001). His teachings are still used in business schools and military academies today. Another great strategist who advocated deceit and psychological manipulation is Niccolò Machiavelli ([1532] 1961), who is also still studied.

But the concept of strategy as it was usually understood by the end of the twentieth century was as a way of uniting operational ability in the military sphere with political objectives. As Carl von Clausewitz, a great Prussian strategist put it: 'War is not merely an act of policy but continuation of political intercourse carried on with other means' (von Clausewitz [1932–43] 1984, p. 87). The belief is in the centrality of a victory that compels an opponent to submit to one's will. This is examined in its three main forms, one being the 'strategy of force' from von Clausewitz to nuclear game theory and the rise of asymmetric warfare. The second is 'strategy from below', which looks at political varieties such as Karl Marx, who saw himself as the 'General Staff' of the downtrodden. The third is 'strategy from above', which examines the development of big business strategy.

In modern times the pursuit of decisive victory has been undermined by the mutual destructive power of nuclear weapons and the frustrations from counterinsurgency operations. The same is true in politics and business; initial success is hardly ever decisive. Strategy is not a grander name for a plan that moves you forward in predetermined steps. A German general, Moltke, said 'No plan survives contact with the enemy'. Or as boxer Mike Tyson said 'Everyone has a plan 'til they get punched in the mouth'. The present authors conclude that it may be better to look at strategy as a form of script, which incorporates the possibility of chance events, attempts to anticipate the interactions of many players over a long time, and is open-ended.

Global business strategies in the twentieth century

Let us now turn to global business strategies. In the earlier twentieth century, firms expanding internationally were categorized as resource seekers, market seekers and efficiency seekers (Dunning, 1988, 2000). At a later time, firms emerged that were market adaptors and market integrators. In the former case, firms gained the ability to adapt to specific geographic areas to obtain the benefits of scope and specialization. At the core of the multilocal approach is the privileged local access stemming from large local investments. ABB, Nestlé, Shell and Unilever took this approach internationally. One of the first multilocals was arguably the Swedish Match Company, who owned or controlled match factories in many different countries.

Later, in the 1960s a different type of firm, the global marketer, began to emerge, one aiming to create global markets for specific products. These global marketers created global demand and established global standards (Levitt, 1983). Boeing used scale in airframes and Canon used specialization in 35 mm cameras to satisfy foreign markets without making large foreign investments (Bryan and Fraser, 1999). More recently, firms have been converging around a global or transnational model that combines the best aspects of each approach (Buckley and Ghauri, 2004). This model relies on greater internal integration to capture global specialization and scale advantages, and on local approaches to gain privileged access. However, in spite of the 'think global, act local' rhetoric, there appears to be little empirical evidence that this approach has led to regional market penetration levels similar to the ones obtained in the home region (Rugman and Verbeke, 2004). Therefore, MNEs holding differing market positions in various regions of the world indicates the need for different competitive strategies. It implies that international markets are characterized by incomplete integration that is regional and not global.

Global economic growth has resulted in a shift from capital-intensive to technology-intensive production to marketing-intensive strategies. Many historic determinants of cost and value advantages are disappearing, and are replaced by intangibles such as talent, intellectual property, brands and networks. Intangibles now enable a firm to 'buy' the access that used to come with geographical privilege. Intangibles lie at the heart of specialization and will be the scarce resources. These will be the branding, configuration and entrepreneurial capabilities that generate enormous competitive advantage (Ghauri et al., 2011). Thus Microsoft wins large returns from Windows and Apple generates huge profits from iPhone.

SMEs and Globalization

There is a wide range of definitions and measures of SMEs, varying between many countries and also between different sources reporting SME (small and medium-sized company) statistics. However, the most common basis for definition is employment, and here again, there is variation in defining the upper and lower size limit of an SME. Despite this variance, a large number of sources, including the European Union, define an SME as having a cut-off range of 0–250 employees. Some of the other commonly used criteria are total net assets, sales and investment level. SMEs account for 60 to 70 per cent of jobs in most OECD countries, with a particularly large share in Italy and Japan, and a relatively smaller share in the United States (Ghauri and Park, 2012). Throughout they also account for a disproportionately large share of new jobs, especially in those countries that have displayed a strong employment record, including the United States, United Kingdom and the Netherlands. Some evidence also points to the importance of age, rather than size, in job creation: young firms generate more than their share of employment (OECD, 2000). Table 1.1 indicates that SME employees are around two-thirds of the total labour force in the majority of countries. Further, that the SME sector's contribution to GDP is significant in most countries.

Obviously very few SMEs can be termed global companies in the sense of having a significant market share in many countries of the world. The word *globally* in the context of the title of this book refers to the comparative study of the international performance of SMEs from different countries. We believe that the comparative study of such SMEs will add immense value for researchers and managers, who will be able to compare the performance and the reasons for SMEs internationalizing in different ways and at different levels and speeds from different nations. The parameters defining SMEs vary in many countries. It is useful to draw these out as they often influence the type and extent to which strategies can be developed.

Born Globals

Around the turn of the millennium, several studies appeared on 'born globals' (BGs) (see, for example, Gabrielsson and Kirpalani, 2004). These studies refer to small firms with unique technology, superior design or innovative products/services, know-how, systems or other specialized

Table 1.1 Firm size and employment/GDP share

Nation	(1) GDP/Capita in US$	(2) SME250	(3) SMEOFF	(4) SME_GDP	(5) INFORMAL	(6) INFO_GDP
Albania	744.077	9.49				
Argentina	7483.77	70.18	70.18	53.65		21.80
Australia	20930.40	50.60		23.00		15.30
Austria	29619.35	66.10	66.10	16.00		10.45
Azerbaijan	558.29	5.34	5.34			47.20
Belarus	2522.94	4.59	4.59	9.00		16.65
Belgium	27572.35	69.25	69.25			18.65
Brazil	4326.55	59.80	59.80	49.21		33.40
Brunei	17983.77					69.40
Bulgaria	1486.74	50.01	50.01	39.29	63.00	31.25
Burundi	170.59		20.51			
Cameroon	652.67	20.27	20.27		61.40	
Canada	19946.50		58.58	57.20		11.75
Chile	4476.31	86.00	86.50		40.00	27.60
Colombia	2289.73	67.20	67.20	38.66	53.89	30.05
Costa Rica	3405.37		54.30			28.65
Côte d'Ivoire	746.01	18.70	18.70		59.6	
Croatia	4453.72	62.00	62.00		70.00	23.50
Czech Republic	5015.42	64.25	64.25			12.35
Denmark	34576.38	68.70	78.40	56.70	15.40	13.60
El Salvador	1608.91		52.00	44.05	46.67	
Estonia	3751.59	65.33	65.33			17.85
Finland	26813.53	59.15	59.15			13.30
France	27235.65	67.30	62.67	61.80	9.00	12.10
Georgia	736.79	7.32	7.32		36.67	53.10
Germany	30239.82	59.50	70.36	42.50	22.00	12.80

Ghana	377.18	51.61	51.61		71.76	
Greece	11 593.57	86.50	74.00	27.40		24.20
Guatemala	1460.47	32.30	32.30	50.25		55.70
Honduras	706.01		27.60			46.70
Hong Kong, China	21 841.82		61.50			13.00
Hungary	4608.26	45.90	45.90	56.80		29.85
Iceland	27 496.90		49.60			
Italy	19 218.46	79.70	73.00	58.50	39.00	22.20
Japan	42 520.01	71.70	74.13	56.42		11.10
Kazakhstan	1496.16		12.92		40.00	28.25
Kenya	340.85	33.31	33.31		41.10	
Korea, Rep.	10 507.69	76.25	78.88	45.90	19.62	38.00
Kyrgyzstan Rep.	972.25	63.22	63.22		40.00	
Latvia	2418.82	20.63				29.80
Luxembourg	45 185.23	70.90	70.90	76.30		
Mexico	3390.17	48.48	48.48			38.05
Nicaragua	432.34		33.90			
Nigeria	256.55	16.72	16.72		48.85	76.00
Netherlands	27 395.01	61.22	58.50	50.00		12.65
New Zealand	16083.78		59.28	35.00	9.20	10.15
Norway	33 657.02		61.50			11.30
Panama	2998.63	72.00	72.00	60.12		51.05
Peru	2162.12	67.90	67.90	55.50	54.56	50.95
Philippines	1099.31	66.00	66.00	31.50	30.63	50.00
Poland	3391.08	63.00	61.81	48.73		16.45
Portugal	11 120.81	79.90	81.55	67.25		16.20
Romania	1501.08	37.17	37.17	33.60	42.73	17.55
Russian Federation	2614.38	13.03	13.03	10.50	42.18	34.30
Singapore	22 873.66		44.00			13.00
Slovak Rep.	3651.45	56.88	32.07	37.10		10.00

Table 1.1 (continued)

Nation	(1) GDP/Capita in US$	(2) SME250	(3) SMEOFF	(4) SME_GDP	(5) INFORMAL	(6) INFO_GDP
Slovenia	9758.43		20.26	16.65	31.00	
South Africa	3922.60		81.53			
Spain	15 361.80	80.00	74.95	64.70	21.90	20.00
Sweden	27 736.18	61.30	56.50	39.00	19.80	13.80
Switzerland	44 716.54		75.25			8.55
Taiwan, China	12 474.00	68.60	68.60		14.50	16.50
Tajikistan	566.44		35.91			
Tanzania	182.85	32.10	32.10		42.24	31.50
Thailand	2589.83	86.70	86.70			71.00
Turkey	2864.80	61.05	61.05	27.30		
Ukraine	1189.84	5.38	5.38	7.13		38.65
United Kingdom	19 360.55	56.42	56.42	51.45		10.40
United States	28 232.07		52.54	48.00		12.20
Vietnam	278.36	74.20	74.20	24.00		
Yugoslavia, Fed. Rep.	1271.12	44.40	44.40			
Zambia	418.93	36.63	36.63			
Zimbabwe	643.84	15.20	15.20		33.96	

Notes: The variables are defined as follows (values for variables 2 to 6 are 1990–99 averages): GDP/Capita is the real GDP per capita in USD; SME250 is the SME sector's share of formal employment when 250 employees is used as the cut-off for the definition of SME; SMEOFF is the SME sector's share of formal employment when the official country definition of SME is used; SME_GDP is the SME sector's contribution to GDP when the official country definition of SME is used; INFORMAL is the share of the shadow economy participants as a percentage of the formal sector labour force; INFO_GDP is the share of the shadow economy participants as a percentage of GDP.

Source: Ayyagari, M., T. Beck and A. Demirgüç-Kunt (2003), 'Small and medium enterprises across the globe: a new database', *World Bank Open Knowledge Repository*, Washington, DC. © World Bank; accessed 6 May 2015 at https://openknowledge.worldbank.org/handle/10986/18131. License: CC BY 3.0 IGO.

competence and had the vision to globalize rapidly. For born global firms the realization of entrepreneurial activities cannot be separated from the international business context and market in which they are being created. But the BG start-up lacks resources compared to the requirement of reaching world markets. Such resources include managerial and financial resources required for globalization and global marketing. These resources are difficult to gain from conventional sources because the BG has yet to prove its credibility as a profitable entity. The risk of not gaining profitability is even higher and these firms face even bigger challenges. Born globals probably fit in to Solberg and Askeland's description framework where theories of networks and alliances are seen as most useful to explain firms' internationalization strategies (Solberg and Askeland, 2006).

Performance

The word *performance* in context refers to success/failure in international markets. Such performance measurement is a combination of indicators relating to growth and to profitability – that is, a judgement on the mix of volume, value, rate of advancement and of sustainability of the operations. It is known that growth and profitability do not always correlate positively (Moreno and Casillas, 2008). The relationships between differentiated international strategic orientations leading to different strategic behaviours and the subsequent international performance of SMEs is a very important question for entrepreneurs and policy-makers. Our approach is that the international growth of an SME is derived from strategic behaviour, which is influenced by its entrepreneurial orientation. Operationally this is influenced by the SME's internal factors and those related to the external business environment (Elg et al., 2014).

Porter's model (1980) offers strategies of leadership and differentiation. These strategies seek to obtain sustainable competitive advantage, which will allow the business unit to obtain high levels of profitability. Compared to this typology two others can be considered for SMEs. The first one was proposed by Ansoff (1965): growth through new products or technologies, and growth through attention to new needs or new markets. The second one by Miles and Snow (1978) made a significant contribution about differentiated strategic orientations. They outline four strategic behaviour types:

- prospectors;
- analysers;
- defenders;
- reactors.

Prospectors emphasize innovations, explore new market opportunities, trends and technologies. Defenders have a conservative strategy – they follow the successful leader. Analysers are in between. Reactors have no consistency. The type of strategic orientation influences organizational behaviour that creates distinctive competencies that to varying degrees enable innovation or efficiency or quality or customer responsiveness, each of which can be leveraged to create a cost or differentiation advantage that influence growth and total performance.

An empirical analysis has aimed at finding different strategic types amongst internationalizing SMEs and their resulting international performance differentials (Hagen et al., 2012). The study found that a combination of customer orientation and niche strategy was effective in international performance (Luostarinen and Gabrielsson, 2006), and as a successful route to small firm internationalization (Zucchella et al., 2007). Cluster analysis and logistic regression showed that the probability of being a high performer in foreign markets for the entrepreneurial/growth-oriented type, the customer niche group and the production-oriented SMEs are almost five time higher as for firms lacking orientation and strategy. These high-performing SMEs are characterized by higher export ratios and more consistent growth rates and also measure things such as product performance and profits realized abroad (Hagen et al., 2012). In general, the results were corroborated by the findings from earlier internationalization literature (Buckley and Casson, 1976; Cavusgil, 1984).

Entrepreneurial Strategies

We think the word *entrepreneurial* is best understood in this context in conjunction with defining the words entrepreneurship and entrepreneur. Schumpeter, arguably the most famous economist in the field of entrepreneurship, focuses on the entrepreneurial function and not on the attributes of the person. His concepts include the introduction of new products, new production methods, the opening of new markets, new sources of supply and raw materials and the reorganization of an industry (Schumpeter and Clemence, 1989). Traditionally, researchers explain firms' growth through their opportunity seeking and entrepreneurial behaviour (Hayek, 1945; Penrose, 1959). It is thus the opportunity seeking that creates dynamics for firms and markets (Ghauri et al., 2005). Researchers such as Kirzner (1997) and Shane and Venkataraman (2000) ground their perspective in the behaviour of entrepreneurs instead of market mechanisms, thus turning from external market devices to internal factors such as opportunity-seeking behaviour.

In summary, the literature has brought out four main attributes of an entrepreneur. These are innovation capability, internal focus of control, risk-taking propensity and energy level. Innovation refers to creative thinking and acting in all sectors. Internal focus indicates the ability of a person to be self-reliant. The other two attributes are self-explanatory. Innovation is well recognized as an entrepreneurial capability. Research indicates that the other three attributes decrease in importance with increasing cultural distance from the Protestant model of independent achievement to collectivist group cultures.

THEORIES AND MODELS OF INTERNATIONALIZATION

Traditionally, internationalization and global research approaches have evolved around two schools of thought: the process school and the economic school. The former assumes the firm follows a behavioural approach (Cyert and March, 1963); the latter relies on the rational economics-dominated firm utilizing transaction costs (Williamson, 1975). Research emanating from the process approach focuses on the question of how internationalization happens. The rationale for a stage-wise development is very reasonable: via the export mode, the firm can test foreign market acceptance with minimal risk. If demand proves promising, the firm increases market power by establishing a sales unit abroad. Then through non-investment foreign production operations, manufacturing conditions can be tested before establishing a production unit abroad (Johanson and Vahlne, 1977). The economic-based internationalization model assumes the firm policy-maker is 'homo economicus'. He or she has access to perfect information and will select the rational solution. This leads to approaches such as transaction cost and/or an eclectic paradigm: the OLI (ownership, location, internationalization) paradigm (Dunning, 1988, 2000). The 'homo economicus' view is useful in establishing production facilities during the later stages of a firm's internationalization but it sidesteps the process aspects of internationalization. Both the process- and economics-based theories are micro-level approaches, which imply that the firm and the market are two modes that can be used to accomplish an economic function. A macro-level framework was provided by Porter's national competitiveness model. From that stemmed the micro-model of the globalizing firm, which gains from industry globalization drivers and its own globalizing levers. The firm gains competitive advantage from value adding in its supply chain (Porter, 1980).

Based on the process theory model an SME's internationalization can be analysed through using a network perspective as the starting point.

It can be argued that firms internationalize because the firms in their international network are doing so. Within any system firms engaged in the production, distribution and use of goods and services depend on each other due to their specialization. Certain industries or markets are more likely to be internationalized given the configuration of the world economy (Buckley and Ghauri, 1999; Hadjikhani and Ghauri, 2001). Firms are interdependent both through cooperation and competition. From a micro-perspective, complementary as well as competitive direct relationships involving partners in the network are crucial elements of the internationalization process. From the macro-perspective, both direct and indirect relationships need to be taken into account. The indirect ones involve firms that are not partners in the network. For a firm both the strength of the network ties and the size of its international network influence its decision to diversify internationally. However, some research shows that the strength of the ties is more important than the size of the network. From the network perspective, the internationalization strategy of a firm can be shown as the need to lower the need for knowledge development, for adjustment and to exploit established network positions (Johanson and Mattsson, 1993; Elg et al., 2013). Much of the network-based research on international business focuses on the management of international relationships. Issues with regard to networks include different types of relationships, trust, control and interdependency.

Knowledge is often concentrated in one person in an SME who will have a substantial impact on internationalization through close social relationships with other individuals in other firms. These social relationships are extremely important for entrepreneurs. This social network is effective and is being affected by the business network of gained resources and the operational mode of internationalization. From the entrepreneurial perspective, networks of individuals and the tacit knowledge they integrate, the accumulation of social capital of entrepreneurs connected with each other, leads to entrepreneurs getting access to resources and information for entrepreneurial actions. Networks can increase firm legitimacy and legitimacy leads to greater access to customers, suppliers and other resources needed to be successful internationally (Hoang and Antoncic, 2003; Hadjikhani et al., 2008). Ceteris paribus the larger the network size the greater the possibility of gaining resources and information, both in volume and in variety. The process approach, like the economic approach, overlooks the possibility of individuals making entrepreneurial strategic choices. Thus they are less appropriate for understanding radical strategic change, where entrepreneurs play an important role (Reid, 1981; Andersson, 2000).

The importance of entrepreneurs is widely recognized as main variables in the SME's internationalization. However, to create the most value, entrepreneurs also need to act strategically. Therefore, entrepreneurs can be seen as strategists who find a successful match between what a firm can do given its organizational strengths and weaknesses and what it might do given its environmental opportunities and threats. This is the research at the interface of entrepreneurship and international business research called 'international entrepreneurship' (McDougall and Oviatt, 2000). Such entrepreneurs have individual-specific resources that facilitate the recognition of new opportunities and assembling of resources for the venture (Schumpeter, 1950; Ghauri et al., 2005). They are one of the most important agents of change. These entrepreneurs establish ventures that operate across national borders. They are alert to the possibilities of combining resources from different national markets because of the competencies they have developed in terms of knowledge, background and networks.

DISCUSSION ON MAIN GLOBAL BUSINESS STRATEGIES

Traditional theories and models of internationalization have been based on research examining the international activities of large, mature firms. Broadly speaking, the resource-based view suggests that firms seek to capitalize on and increase their capabilities and endowments, whereas organizational economics asserts that firms focus on minimizing costs of organizing. Much of international business research has developed around resource-based theories. MNEs have large resources and the question was, what strategies to use for deploying them? Although these theories explain a substantial amount of international business activity of large, mature firms, these theories and models do not always explain the formation and operation of international new ventures, especially in today's dynamic environment. It has also been pointed out that the economic theories appear to be too narrow to cope with the complexity of volatile global competition (Solberg and Askeland, 2006).

When applied in a global market the resource-based theory builds on the international trade theory of comparative advantage and is seen as analogous to the organizational capability approach (Malhotra et al., 2003). A firm enters global markets when it can exploit and develop its comparative advantage, capabilities and societal resources for a sustainable competitive advantage (Andersen, 1997). The entry mode chosen for foreign markets, however, depends on the type of resource advantage. If the firm-specific advantage for instance, is superior knowledge based on tacit information, the firm should pursue a hierarchical governance structure, for example internalization, rather than a market structure. In contrast, if the firm faces capability constraint in an unfamiliar area of activity, collaborations are a useful vehicle for enhancing knowledge (Madhok, 1997; Park and Ghauri, 2014).

The organizational capability perspective, with its focus on both the firm's capabilities of which knowledge is one component and relationships is the other, covers both the internal and the external aspects of the international development of firms. This theory may be seen to follow naturally from first the international process theory, where building knowledge through own experience is central, and then the network theory where the importance of relationships for knowledge transfer is central (Andersen, 1993; Chiva et al., 2014).

As regards SMEs one could argue that the language of strategy and structure, which is often prescribed by many models of international business to enable firms to survive in competitive global markets, is somewhat limited for explaining SME internationalization. Close consideration of SME practice highlights the importance of multifaceted frameworks of analysis that go beyond the economic, strategic and behavioural and that take account of the often chaotic, opportunistic and incremental process through which entrepreneurs build international relationships and transactions (Buckley, 1991; Andersen, 1993; Calof and Beamish, 1995). This means that when evaluating the international activity of SMEs, there is a closer relationship to entrepreneurship than there is to international strategy and structure that have tended to dominate research (Eren-Erdogmus et al., 2010). International entrepreneurship is a tightly integrated process whereby entrepreneurs envision and realize the emergence of their business as an international entity.

An important difference between theories of multinational enterprise and a theory of international ventures seems to be the unit of analysis. Theories of international entrepreneurship argue that some firms start out internationally because of certain entrepreneur-specific capabilities versus firm-specific (Knight and Cavusgil, 1996; McDougall and Oviatt, 1996). When the entrepreneur creates the enterprise, there are no routines in place, but the entrepreneur has a vision and a network of contacts that he or she is going to build up further. Thus, the study of international ventures has to be concerned with individual learning by the entrepreneur as well as with organizational learning of the emerging entrepreneurial firm. Entrepreneurial behaviour in large, established companies, often referred to as 'corporate intrapreneurship', is not included in the discussion here; we are concerned only with SMEs. The remainder of the discussion is encompassing but not exhaustive and it does not cover all interactions among constructs. We start with stating a significant point that practitioners must constantly keep in mind – that they need to hone all the competencies and management know-how of the entrepreneur in order to keep internationalizing with a high-performance trajectory.

At the heart of entrepreneurial activity is innovation. Schumpeter distinguished between invention and innovation, with invention being the discovery of an opportunity and innovation being the exploitation of this opportunity. International entrepreneurial success requires not just the discovery of a valuable innovation but also that the innovation be introduced successfully to international markets. Schumpeter suggested five possible situations where new innovations can occur (Schumpeter, 1934): (1) the entrepreneur revolutionizes the pattern of production by exploiting an innovation or an untried technology for producing a new commodity, or (2) producing an old commodity in a new way, (3) by opening a new source of supply of materials, (4) opening a new outlet for products, or (5) by reorganizing the industry.

INTERNATIONAL ENTREPRENEURSHIP AND RELATED STRATEGY CONCEPTS FOR SMEs

Our next step is to delineate the range of *international entrepreneurial strategies* that SMEs feasibly adopt and the reasons that limit the range. 'International entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations' (McDougall et al., 2003, p. 45; see also McDougall and Oviatt, 2000). The recognition of entrepreneurship as a significant force in the formulation of strategy has grown from the 1990s (Oviatt and McDougall, 1994). Controlled vision must be allowed to dominate rational calculations. The forerunners were the concepts of strategic stretch and leverage. Companies with the new thinking can rapidly grow internationally, jumping over stages as outlined in the process theory. They can even extend beyond the tight straitjacket of their own transaction costs by joining networks abroad. The conventional wisdom starts changing away from strategic fit and resource allocation towards a strategic stretch approach based on a gap between the resources available and the aspiration of the firm. The allied concept of leverage suggested a means of reaching these aspirations without changing the level of internal resources.

Entrepreneurial behaviour may occur at the individual, group or organizational levels. Once the entrepreneur paradigm is introduced, new concepts emerge. Thus, one can have a technical entrepreneur who focuses on a path that can create an international pull strategy where a network links with the firm. There is the other possibility of a marketing entrepreneur who implements an international push strategy. Further, one can have an entrepreneur who drives towards an international restructuring of an industry. Social capital can be defined as the goodwill that is engendered by the fabric of social relations and that can be mobilized to facilitate action (Adler and Kwon, 2002; Liu et al., 2010). It has earlier been an implicit assumption in resource-based theory that competitive advantage comes as a result of resources and capabilities owned and controlled by a single firm, but this view is changing – interfirm cooperation permits firms to share resources and thereby overcome resource-based constraints to growth. SMEs can thus gain advantages from social capital networks they participate in. Moreover, some researchers maintain that social networks are used at a personal level. Entrepreneurs can choose and manage the network they belong to (Oviatt and McDougall, 1994).

The international strategy an SME chooses is assumed to depend upon the firms' key employees' experience and network, the characteristics of the industry, how global it is and the characteristics of the product(s) It was concluded that the SMEs that may be recommended to venture abroad at an early stage are the ones with a unique product or process. These are ones that can be termed 'born globals'. In addition what can be very helpful are founders or other key employees with extensive experience and networks from previous employment in similar industries. In particular, the ones with good and well-established relations to certain actors in the industry supporting them with knowledge and insight to areas they themselves are lacking. Further, the pace by which a firm enters new markets and the increase in the firm's export share are a result of the industry being global; thus it makes foreign markets more accessible for internationalizing firms (Karlsen, 2007). For these firms, internationalization is not an extension of what has already occurred or 'has been' in the home market but is in fact a trajectory that can lead to their being classified as 'born globals'.

For SMEs that internationalize some years after start-up on the other hand, the international arena is seen as another 'site' in which entrepreneurial activities are tried out or practised. Internationalization is seen as an extension of what has already occurred in the domestic market and in this sense is also local or regional. This means that in staged or gradual internationalization, international entrepreneurship is characterized by the extension and broadening of entrepreneurial capabilities that have already been developed at home.

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