1. Introduction

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This volume was inspired by scholarly works initially presented at the 15th Annual McGill International Entrepreneurship conference held at the University of Pavia in the historic city of Pavia. It is also the sixth volume in the McGill International Entrepreneurship Series. The broad objective of this volume is to examine the impact of the changing environment on a list of selected issues in the International Entrepreneurship (IE) domain, which is a young but rapidly evolving field of scholarly enquiry. Although IE is defined primarily at the intersection of the older field of International Business (IB) and the younger and expanding Entrepreneurship (E), this intersection is also expanding rapidly parallel to developments in other related areas, both in scholarly inquiries and actual practice. These developments are emanating in part from a rapidly changing global institutional environment, developments in high-technology and advances in communication and information technologies (CITs), which are influencing, if not exerting pressures, on allied social sciences. Similarly, the ongoing and evolutionary technological change, especially in the new millennium, has profoundly impacted many fields, both directly and indirectly. International entrepreneurship has not been immune to such waves of change as they have exposed IE to challenges unlike others before them. However, time and space limitations will only allow us to focus on a selected list in this volume. This volume comprises three parts.

The underlying theme of the first part in the volume is the relationship among, the interaction between, and the effects of a few fundamental *entrepreneurship concepts* that characterize entrepreneurial efforts with significant impacts on internationalization of entrepreneurial firms. Following this introduction, the discussion begins with a focus on *the entrepreneur*, or the top management team (TMT) as the firm expands and travels through time. This discussion expands the examination of a five-part entrepreneurial orientation (EO) in Part I, which also includes the entrepreneur's, or the TMT's, marketing orientation (MO), collaborative orientation (CO) and learning orientation (LO). A combination of

these orientations impact strategies that guide an entrepreneurial firm's internationalization and pave the path for the firm's overall international business conduct. Part II focuses on *the firm* and its actions, behaviors and orientations that either give rise to, or profoundly influence its performance (P) in the international markets. Such influences result from the firm's choice of basic strategies in general, and collaborative strategies in particular, which emanates from the entrepreneur's (or the TMT's) collaborative orientation (CO). Combined, they determine the firm's extent of collaboration with, or dependence on, other domestic or international partners for competition at home and in international context. Although scholars have examined many aspects of the evolution of entrepreneurial orientations for some three decades, mainly in the simpler domestic context, the nature of the relationship between the overall orientation (that is, a combination of EO, MO, CO, LO, and so on) and performance in the international context are not yet clear. Naturally, international operations impose their own complexities that can be characterized through additional moderating, intervening, competitive and strategic factors not present at home (MFs, IFs, CF and SFs, respectively) with profound influence on performance abroad. The nature and complexity of such relations have remained underexplored and not well understood. In favor of clarity, we refer to this relationship as the overall dependence of performance (P) on independent, moderating and strategic factors, each reflecting its corresponding influence relating to certain decisions, regardless of the origin or the source of decisions or influences. Consequently, we do not know enough about the impact of international markets' inherently higher complexities and impact on the international counterpart of the Performance–Orientation relationship. To summarize the above discussions, we resort to simple symbolic formalization. Symbolically, the relationship can be viewed as $P = \text{Function of (EOs, IFs, MFs, CF, SFs, and so on)}$. These influential factors may combine with their local counterparts to require extra managerial attention for avoiding adverse impact on performance both at the local and international market level, at times simultaneously. Such combinations demand not only a deeper examination of the older concepts, even theories, but also an examination of potential pathways for facing new problems not experienced before. Therefore, this volume's overall aim is to shed fresh light on a range of concepts, influential factors and strategic decisions facing internationalizing firms by examining them in their own respective environmental, institutional and operating conditions and contexts following some theoretical developments in each of the three parts of the volume. Specifically, the three parts of this volume aim to inform entrepreneurs, or TMT, in Part I, the firms and policymakers (in Part II) and firms and institutions (in Part III) about comparative and

pertinent cases for better operational and strategic decisions. Similarly, each chapter responds to a set of research and related questions based on pertinent scholarly inquiries.

THE STRUCTURE OF THIS VOLUME

In short, all chapters included in the volume have addressed certain specific problems in terms of certain research questions, to which they suggest a set or a family of solutions following a research methodology. The up-front introductory materials of each part provide an *overall overview and a theoretical structure* for the chapters included in that part. Accordingly, an introduction to the relationship between the entrepreneurial orientation and performance is the theme of Part I. Part I includes three chapters and discusses aspects of the theme. Operational decisions, including decisions regarding collaborations and extent of dependency, or mutual interdependency, on other firms to deal with increasing complexities and competitive challenges constitute the theme of Part II. Part II builds on the first contextual layer of Part I by offering a similar overarching, but introductory exploration focused on firms' strategic decisions and actions, as the context for highlighting the salient features of the five chapters included in this part. Part III's theme focuses on environmental and institutional developments by providing similar contextual commentary for the two chapters included in Part III. The concluding chapter presents implications, insight and lessons based on the discussion of previous chapters with a view to influential factors and evolutionary trajectories that affect not only the EO-P relations across time, locations and diverse contexts; but also impact on the firm's path of growth and internationalization.

BRIEF INTRODUCTION TO PART I

As reviewed briefly earlier, Part I of this volume, entitled "Examination of Entrepreneurial Orientation-Performance Relations," examines selective aspects of the above relationship in international contexts. Generally, the foreign country-markets differ from what has been experienced before at the home environment. The entry into international markets exposes the entrepreneur (or TMT) to different conditions than those experienced at home, or other international markets, requiring a re-examination of previous orientation and calling for adopting different risk mitigation profiles and developing strategies for dealing with the varying local business conditions, each with high potential to generate positive impact on the extent,

speed and outcomes of the internationalization and the ensuing international marketing strategies. Naturally, the overall performance relationship (for all markets) remains present in the background as decisions impact its component as well as the relationships as a whole.

This introduction to Part I begins with a brief review of the evolution of entrepreneurial orientation, from a relatively simpler and older form with a proposed direct impact on performance to a more complex relation with a difficult-to-measure influence on performance across time and international markets. In so doing, we draw on the three chapters in Part I in order to portray a more comprehensive picture of the orientation–performance (O–P) relationship in an international context at the end, which can also serve as a contextual layer not only for Part I of the volume, but also for Parts II and III that follow – as some degree of entrepreneurial orientation is always omnipresent.

HIGHLIGHT OF PART I: A BRIEF EXAMINATION OF ENTREPRENEURIAL ORIENTATION–PERFORMANCE RELATIONS

The prospects of future outcomes resulting from the implementation of current strategies remain uncertain until the initial results point to emerging directions. Generally, without the benefits of perfect information, or foresight (or reliable forecasts), about market direction, a firm's strategic orientation (or aims) sets a strategic direction for accomplishing the required tasks for achieving firm objectives. In the resource-constrained, smaller and younger firms, the firm's strategic aims and entrepreneurial orientation are at times fluid and possibly indistinguishable. The observed entrepreneurial orientation (EO) can be viewed as the antecedent, if not a proxy, for the firm's emerging strategic direction. In the context of an uncertain future, especially when smaller firms lack power to influence markets, an entrepreneurial orientation is predicated on the firm's proactive posture on the influential strategic factors necessary for dealing with the emerging and unfolding markets, changing environment(s) and competitors' reaction to the firm's strategies. Notable trends in environmental change include, but are not limited to, shortening product life cycle, increasing mobility and higher competition worldwide, mainly due to the removal of barriers and increasing levels of innovative efforts of competitors at the far-corners of the world seeking market opportunities regardless of time and location. In the absence of perfect information and clear market trends, with potentially adverse impacts on performance, the firm needs to proactively adopt an entrepreneurial and strategic orientation for

offerings and renewal of innovative products (or services) without having the benefits of perfect knowledge of market reaction to its offerings in the near future. Deviations from the status quo by offering innovative goods and services, as well as entering new markets, will involve entrepreneurship and entail risk and risk-taking. They may also require a potent entrepreneurial and strategic posture to enhance the firm's competitiveness with a positive impact on performance.

The discussion of strategy–performance relations and a firm's concerns for its strategic profile go back to the early works of Khandwalla (1977) and Mintzberg (1979), among other scholars concerned with the strategy–performance relationship. These early scholarly efforts were concerned with the interactive relations between the external environment and internal strategies and the difficulty of shaping a firm's capabilities to achieve the expected performance. Miller (1983) articulated strategic profile in terms of entrepreneurial orientation to pave the road for linking orientation to strategy in entrepreneurial firms. Miller suggested that an entrepreneurial firm “engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch” (Miller 1983: 771), which served as the early articulation of a unified EO construct in terms of its three components: *forward-looking actions* regarding innovation (*innovativeness*), taking proactive initiatives (*proactiveness*) and preparing to deal with the associated risks (*risk-taking*).

Innovativeness refers to a firm's internal predisposition to engage in creative and innovative activities through costly and time-consuming research and development (R&D) for developing new products, services and markets with the aim of achieving competitive, market and technological advantage (for example, first mover advantage and technological leadership) for exploiting emerging market opportunities. When such creative and innovative activities succeed, the firm will benefit from its proactive orientation with occasional higher-than-expected performance, enabling it to further strengthen its market position with further investments resulting in higher performance, possibly for an even longer time period. In the event that new products and services do not take hold in existing or new markets, the consequent performance would be below expectations, exposing the firm to potential, if not real, losses.

Proactiveness refers to an internal opportunity-seeking orientation searching for, and possibly forming and shaping, incipient opportunities. Such future opportunities would be non-existent or embryonic at the time when facing uncertain market prospects. *Risk-taking* is a commitment to, or the capability for, supporting costly and uncertain experimentation (for example, through R&D for new product, service and market developments)

for realizing uncertain market opportunities; all in the absence of perfect information about buyers, competitors, suppliers, other market agents and their corresponding strategies and market behavior. R&D is an uncertain process – its beginning and goals are known and the end results depend on many uncontrollable factors. Naturally, a firm's commitment to build capabilities to portray a strong EO profile would require expenditures and investment over time with uncertain impact on performance at the time of adopting associated decisions. However, Miller's (1983) definition and its formal conceptualization have been adopted broadly and received scholarly support. Furthermore, a positive relationship between EO and performance is generally supported (for example, Kropp, Lindsay and Shoham 2006, and Rose and Shoham 2002).

Other scholars have examined and expanded upon EO's earlier conceptualization. Building on a body of research, Lumpkin and Dess (1996) suggested that EO would portray the firm's *entrepreneurial* as well as *strategic profile* in terms of preference for a style, or a way, of conducting business. They identified two additional components of the EO construct: *Competitive Aggressiveness* and *Autonomy*. *Competitive aggressiveness* refers to a firm's concerns for the influential aspects of competition and translates into engaging in a certain degree of aggressive effort for dealing with perceived or prevailing competitive threats by competition. *Autonomy* refers to the independent action of a firm's top management, or entrepreneurial leaders, to initiate new ventures and see them through to fruition and to improve upon the firm's entrepreneurial and strategic posture for gaining higher competitiveness. Similar to the previous three components, reaching levels in competitive aggressiveness and autonomy capable of yielding tangible results would take effort, commitment and above all time. Furthermore, the time dependency may also suggest path dependence – that attaining a certain level of EO, *the desired configuration and strategic posture* would involve adopting a strategy with openness to gainful observation and experimentation, learning from its own successes and mistakes, as well as those of others, in order to continuously improve upon its entrepreneurial orientation, and strategic position, over time. More importantly, implicit in the above components are two additional sensitivities or orientations, which are likely to develop, mature and impact *internationalization* and growth over time: namely, *Market Orientation (MO)* and *Learning Orientation (LO)*.

Market orientation refers to the firm's extent of understanding the prevailing market behavior and trends and its level of preparedness and capabilities for responding to the current and emerging market trends in a competitive and timely fashion. Stated differently, MO represents the firm's understanding of its competitive environment and focus on

meeting its customers' needs. Market-oriented firms are likely to be more successful than others (Shoham, Rose and Kropp 2005; Deshpande and Farley 1998, 2000). Operationally, firms may adopt the emerging concept of a *customer-centric strategy* as a part of, or parallel to, their marketing orientation (Etemad 2012). Learning orientation refers to a firm's commitment, or disposition, to learn from every situation facing it. Naturally, a firm can also learn from others' market behaviors, especially those of competitors. Logically, a higher LO enables the firm to learn by itself, as well as from other's experience, faster and more effectively to attain higher and better performance (Baker and Sinkula 1999; Hult et al. 1999). Such learning can also enhance the firm's market orientation resulting in better detection and understanding of market signals and a faster translation of market behavior for gainful outcomes. The logical interaction between the market- and learning-orientations raises the question of interrelation and interactions among the components of entrepreneurial and strategic orientations. Lumpkin and Dess (1996) suggested that their five components could adopt different values, each with varying effects on performance across time and space. Consequently, some scholars have favored using EO as a single unified construct; while others have preferred to use one, or a combination, of the five (or seven later on) components for measuring their corresponding, and possibly combined, impacts on performance. In view of added international market complexities, it is conceptually easier to adopt the latter position (that of Lumpkin and Dess 1996, 2001) for developing deeper understanding of the EO-P (or Strategy-P) relationships with higher precision in relating performance to the various EO components locally and globally.

Internationalization poses particular problems for market-oriented firms, especially for entrepreneurial, smaller and younger firms in the early stages of their lifespan. When a firm lacks rich experiential knowledge (Johanson and Vahlne 1977) of the diverse markets in which it is active, or aspires to be active, it is likely to suffer from such low local market knowledge resulting in a relatively lower initial market orientation. To remedy such low MO in the short term, a firm may rely on *collaborating* with foreign local agents in order to *learn* from, or with them, about the market. However, adoption of such strategy depends on the firm's extent of LO and openness to collaboration – or *Collaboration Orientation (CO)*; and the firm's desire for high autonomy and for taking independent actions (leading to low CO or nearly ruling out collaboration) requires the firm to rely on itself in order to capitalize on rapid experiential learning for its possible impact on MO. Conversely, low learning capability (or low LO), higher international collaboration (high CO if low Autonomy) can compensate for the firm's foreignness (Hymer 1976),

newness (Stinchcomb 1965) and outsidership (Johanson and Vahlne 2009) in foreign markets. The introduction of market, learning and collaborative orientations (that is, MO, LO and CO, respectively) clearly adds to the level of complexity and further complicates the interrelation of the various orientation components (the interaction among CO, MO and Autonomy). We abstract from further discussion of potential interaction of the EO's components in favor of discussing them in the specific context presented by the three chapters of Part I. However, the fundamental discussion of mapping the configuration into one unified or few interrelated constructs (based on a combination of three to eight orientations discussed above) regardless of the context, deserves further scholarly attention.¹

BRIEF EXAMINATION OF EO-P RELATIONS IN INTERNATIONAL ENTREPRENEURSHIP CONTEXT

In the international context, where the firm is either currently active or aspires to establish an entrepreneurially oriented presence in the near future, the EO-P relationship will expose the firm to the international and cross-cultural aspects of international entrepreneurship (IE), including the home- and host-country market differences, with potentially unclear, positive or adverse, impacts on performance. Research has pointed to the potential impacts of geographic and psychic distances (Johanson and Vahlne 1977; Johanson and Wiedersheim-Paul 1975) as well as institutional distance (Xu and Shenkar 2002) between the current (for example, generally home) and a near-future prospective operation (for example, usually a potential host). The actual impact of such distances arising from real or perceived differences, however, depends on many factors, including, but not limited to, the firm's overall entrepreneurial and strategic orientation, the selected mode of entry into the country-market, the nature of a firm's goods (and services) offering's sensitivities to environmental differences (that is, between those at home and other host country markets), the magnitude (or severity) of such differences and the cost of required adjustments, some of which relate to, and possibly impact, the components of EO. Although a firm needs to examine a prospective market's prevailing economic, competitive, socio-cultural, and institutional differences as well as the stages of its product life cycle (PLC) in the market prior to entry decision, a deeper examination of such differences assume a greater importance and urgency for formulating an entry decision for its impact on operations in the market and consequent performance. Therefore, the above already-complex and interactive multidimensional relationship is bound to assume further complexities when the firm is exposed

to country-markets with large environmental and operating differences (for example, competitive, environmental, institutional, geographic and even temporal – for example, PLC – differences) requiring more than a superficial understanding of the environment for optimal adjustments. In such contexts, the firm's entrepreneurial characteristics are exposed to, and are possibly affected by, not only the varying influences arising from different local country-market and competitive conditions, but also the country's prevailing socio-cultural and institutional environments. Such exposure suggests the need for a *cross-cultural orientation* (CCO) to sensitize the firms to cultural and institutional differences with potential direct or indirect impacts on performance through the various orientations. Cross-cultural orientation, or cross-cultural intelligence (Hofstede 1980), therefore, refers to a firm's capability, and willingness, to explore socio-cultural and institutional differences for their potential impacts on performance and also on its capability to exploit such differences fruitfully – that is, view them as opportunities as opposed to costly adversities. Research points to a taxonomic approach to classification of the country-market environments– for example, a dichotomous classification, such as friendly (or similar) and hostile (or very different) has been suggested (Covin and Slevin 1989; Slater and Narver 1994). Similarly and when firms learn more on how to deal with environment, the temporal aspects of a country-market will potentially have a larger impact on performance, which also needs to be carefully considered. Narrowly viewed in terms of the extent of market, industry or product developments, temporal aspects refer to, and arise from, differences in the prevailing stages of products', firms' and industry's life cycles in the various country-markets. These differences may also offer opportunities that can be exploited in some cases; but differences usually entail additional costs. These aspects suggest that one needs to view EO–P relations as *embedded in, and adjusted for, the IE context*; which we refer to as the *contextually-adapted EO–P relationship*, or IEO–IP relationship hereafter, where the orientation–performance (or possibly strategy–performance) relationships are adjusted for influential impacts of the various country-market factors capable of exerting pressure on different components of the relationship in different environmental contexts. We can draw on the rich concept of embeddedness (Granovetter 1985) to summarize the above discussion. Logically, an EO–P relationship is embedded in one environment and when it needs to be contextualized for another, it will acquire more complexity than its counterpart in a former environment; thus suggesting that one needs to abstract from certain details in favor of a deeper understanding of the relationship in the given environment, where boundary conditions are relatively well-defined. Similar to orientation, performance is also a multidimensional construct

and is affected by differential forces of its operating context(s) suggesting the need for a careful examination (or re-examination) of the performance metrics in an IE context. Such adjustments in the performance metrics may yet introduce a higher degree of complexity than those in a simple EO–P relationship in a given isolated county-market, especially where comparative performance is concerned. In summary, the above discussion should serve as the background for highlighting the three chapters contained in this part of the volume.

CHAPTERS IN PART I

The first chapter in this part, co-authored by Elena Cedrola, Loretta Battaglia and Anna Grazia Quaranta, is entitled “International entrepreneurship and performance: what are the important factors in markets with high cultural distance?” Four distinctive features of this chapter are noteworthy: (1) It builds a comprehensive EO–P relationship by incorporating cross-cultural orientation (CCO), market orientation (MO) and learning orientation (LO) into the original relationships for responding to customer needs in different cultures effectively and entrepreneurially; (2) It presents an integrated analytical and interpretive framework for building better-formulated business models, making better tactical and strategic decisions with the likely consequent results; (3) It applies its proposed framework to study the performance of a diverse sample of 338 Italian entrepreneurial firms entering and operating successfully in the culturally-distant market of China; and (4) It uses a mixed and dyadic (or binary) methodology to empirically verify its findings and enrich the power of its framework in interpreting the relationship between the principal components of entrepreneurial and strategic orientation (EO and CCO, LO and MO) and performance. This chapter’s extensive collection of information is then subjected to a classificatory (cluster) analysis, which *identifies four clusters of firms that actually fall into five groupings with distinct configuration of CCO, EO, LO and MO*. This chapter’s interpretive analysis points to clear relations between the *performance profile* of firms in each grouping and the group’s respective *profile on their orientation components*. In short, the firm’s profile on the principal orientation components map well into their expected performance: The best performances are associated with a carefully considered configuration (or combination) of orientation components; while the poorest performances relate to a poorly considered configuration of orientation components.

The second chapter in this part by Noémie Dominguez, is “Risk-Seeking Behaviours in SME’s Internationalization.” This chapter focuses on the

risk-taking aspects of EO–P processes and addresses the risk and uncertainty associated with internationalization. As discussed earlier, entrepreneurial risk and risk-taking was proposed and formalized initially by Miller (1983) as one of the principal components of OE and has been included by other modifications presented later.

Even in the entrepreneur's home-market, where an entrepreneur is presumed to be familiar with his own environment, there are certain risks intrinsic in the two original components of EO – proactiveness and innovativeness due to the absence of foresight and inherent risks of innovation. Internationalization takes entrepreneurs and entrepreneurial firms to less familiar markets and exposes them to yet higher risks. Generally, the act of internationalization involves uncertainty and a heightened degree of exposure to the risks inherent in entering and operating in foreign country-markets, mainly due to unfamiliarity with, or lack of experiential knowledge about, the foreign country-market environment (Johanson and Vahlne 1977). Additionally, the absence of perfect information about market behavior, especially when some degree of newness and innovativeness are involved, for example, introduction of new products, service, brand, and the like, associated with both the innovativeness and proactivity of entrepreneurship processes, heightens perceived risks. The fundamental question for entrepreneurial, smaller, younger and resource-constrained firms is how to attain the tacit (experiential) knowledge to successfully exploit such foreign-market opportunities to grow internationally without falling victim to high risks. This raises a number of questions, including: Do international entrepreneurs perform a deeper due-diligence before approaching an international opportunity? Do they acquire more reliable information, or attribute higher reliability, to the tacit information provided by the foreign-market agents? Do they use tried and true products (or services) and strategic processes to reduce, if not eliminate, the inherent risks involved in entrepreneurial processes (for example, innovativeness and proactiveness)? Do they have higher tolerance for risk and uncertainty than others? Does their approach to risk analysis, risk-taking and risk bearing differ from those of others? Or, are they simply lucky gamblers?

This chapter reports that internationalizing entrepreneurial firms are neither totally risk-averse nor gamblers: they take measured risk to maximize their foreign market opportunities. The authors of the chapter suggest entrepreneurs' perceived risk falls into a richer classification than the simple dichotomous (risky, not risky) categories; and that they are mitigated accordingly. They further suggest that the entrepreneurial (and entrepreneurial firm's) attitude toward risk-taking, or risk-mitigating, differs and covers a wide range: some take measured risky opportunities at one extreme and some adopt a cautious approach to identifying opportunities that limit

their exposure to the associated risks at the other extreme. Furthermore, they proactively create sufficient internal capabilities to compensate for the probable adverse impact of relatively risky opportunities before they attempt to exploit them. Therefore, situations that appear to be highly risky to uninformed outsiders may not be as risky to the firm, suggesting that viewing risk and risk-taking in isolation from other components of EO–P can be misleading. This is due to the information asymmetry when viewed from different vantage points: The firm is perfectly aware of its privileged assets (or lack thereof), capabilities and internal (tacit) knowledge related to the seemingly risky external opportunity, while others suffer from the lack of that information. This chapter presents new approaches and proposes new challenges at the risk-opportunity frontiers.

In contrast to the first two chapters discussing selected components of EO–P and their interrelationship in international entrepreneurship context(s), the third chapter's analytical framework is not EO–P relations; but it is closely related to it. In fact, it explores aspects of both sides of the relations and suggests that certain behavioral characteristics enrich the relationship. One can consider, for example, the implicit assumption that an internationalizing entrepreneur (or an entrepreneurial team in a firm as the firm's operating agent) has some initial entrepreneurial orientation and the outcomes of its operations can be characterized by the EO–P relationship. Such agents are operating behind the scenes and their personal and psychological traits do not exert direct influence into either side of the relationship. In fact, this chapter peers behind the scenes and explores what factors are, or could be, influencing, if not supporting the principal components of the EO–P relations. This chapter is co-authored by Huu Le Nguyen and Sören Kock, and is entitled "Psychological traits, experiences, foreign language knowledge of entrepreneurs, and re-internationalization strategies of SMEs: a theoretical analysis." As hinted in the title, it introduces the personal characteristics and psychological traits of the entrepreneur as they relate to the EO side of the relationship. On the performance side, it examines the interesting case of re-internationalization following failure in previous internationalization attempts leading to withdrawal – de-internationalization – from international markets, partially or totally. After a failure in the initial internationalization attempt, the logical question is: why should the entrepreneur, or the entrepreneurial team of a firm, attempt to internationalize once more?

The authors suggest that an entrepreneur's personal characteristics and psychological traits (for example, need for achievements, locus of control and propensity to take risk) give rise to, and further motivate, behaviors that are characterized by, or are implicit in, the entrepreneurial orientation (EO) and re-internationalization relates to the entrepreneurial

desire for higher performance (P) in the EO–P relations. In that sense, the third chapter relates and also complements the first chapter of this part. In the context of the second chapter's discussion of risk-taking, re-internationalization sounds like a losing gambler (who had lost a lot in his previous attempts) returning to the same gambling table for one more try of his luck. From a deeper perspective, however, the third chapter sheds fresh light on selected aspects of entrepreneurial internationalization by suggesting a re-examination of a firm's previous strategies from different perspectives based on the entrepreneur's prior experiences, farther horizons and richer resources, resulting in a different anticipated outcome for the previously used strategies. Returning to the above gambling metaphor, it is not the same gambler returning to the same table to play the same game. Rather, it is a more experienced agent with different strategic orientation (based on his own personal traits, education, experience and tacit knowledge) that logically justifies a re-attempting internationalization well-cognizant of the firm's previously failed internationalization attempt.

The authors suggest that the entrepreneur's personal characteristics, psychological traits and past experiences are resources that mediate against the previous failure risks (recall mediating factors, or MF, discussed earlier); thus enabling the firm's next entrepreneurial internationalization (or re-internationalization attempt) to succeed in exploiting international opportunities. Such suggestions imply that the entrepreneur's richer resources (experience, education, speaking foreign languages, international experience, and so on) are tantamount to higher international entrepreneurial orientation while both the previous de-internationalization experience and re-internationalization attempts relate, and even contribute, to the performance side of the EO–P framework. Stated differently, the evolution of an entrepreneur's personal characteristics, psychological traits and past experiences, including prior experience with internationalization and de-internationalization, are among the mediating, if not mitigating, factors similar to potent resources (including tacit knowledge) that raise the chances of re-internationalization's success; and thus contribute to a better understanding of the relationship across the range of re-, de- and initial-internationalization attempts, as they inform (and possibly enrich) entrepreneurial decision-making.

The introduction and the three chapters in Part I suggest that the EO–P relation as a whole, including the interactions among its various components, are omnipresent in the background, that is, they embed IE studies and activities and exert pressure or influence decisions directly or indirectly through the decision-makers' formulation of various orientations and strategies. They rely on the relation's tenets for guiding their decisions and operational actions and behaviors. As an example of such

embedded interrelations, we briefly point to an example of Part II's reliance on the overarching theme of Part I. Let us recall the above discussion of entrepreneurial and market orientations (EO and MO) in the context of smaller firms seeking to identify and exploit opportunities in international markets. EO points to taking calculated risk to exploit certain opportunities in foreign markets innovatively and proactively. However, the *constrained resources* of smaller firms, including the experiential knowledge of, and contacts in, distant international markets (for example, markets with large socio-cultural, institutional and temporal distances) make such initiatives either too risky or nearly impossible. However, depending upon the firm's extent of collaborative orientation (CO) and experience, it may decide in favor of a mitigating-strategy by drawing on foreign local partners. Such partnership with a locally embedded partner possessing higher tacit knowledge of the foreign local market (that of their own market) and possibly rich resources (to absorb higher risks) for exploiting the local market opportunities can compensate for the firm's shortcoming; but it requires collaboration on major decisions and action, which would bring the partner's EO-P relations into the firm's decision-making framework. However, such collaboration would be predicated on the firm's prior strategic position on the fundamental issue of *autonomy, dependence, or interdependence as opposed to independence, as an acceptable modus operandi for its international operations*. We suggest that the strategic concept of interdependence, and its associated trade-offs, are present in nearly all, and influence most, decisions of smaller, younger and entrepreneurial firms, especially in the early stages of their lifespan and internationalization. As a result, we have adopted collaborative partnership leading to the firm's dependence, including its variants, as the underlying theme of Part II. As in Part I, this broad and encompassing theme provides a framework for further discussion of the five chapters contained in this part.

BRIEF INTRODUCTION TO COLLABORATIVE INTERDEPENDENCE AS THE OVERARCHING THEME OF PART II

In classic economic theory, the firm's boundaries isolate firm activities from those of other economic agents in the market place (Coase 1937), implying that a firm can independently decide and act on matters such as optimizing production levels for maximum profits. This implication, or assumption, introduced much-welcomed simplicity to decisions inside a smaller firm on critical internal decisions such as optimizing production levels or maximizing profits *nearly independent* of others agents in the market and under

minimal outside interference. However, a deeper examination points out that most firms, especially smaller ones, are actually dependent on many other basic assumptions such as the stability of factor-input and prices as well as the continuation of similar market and competitive behaviors and trends outside the firm. Even in such a simple and deterministic system, the efficacy of the firm's decisions would, therefore, highly depend on the accuracy and salience of its assumptions impacting its operational decisions and behaviors (for example, input prices remaining the same, demand behaviors following their past trends or markets viewing small firm's decisions as small perturbations). The above typical discussion points to the firm's *implicit* dependence on outsiders making it an interdependent agent, regardless of the nature of its internal assumptions and treatment of such dependencies within the firm. This is similar and parallel to the suggestion of embeddedness in the concluding discussion of Part I, where a firm is embedded in, and dependent on, a broader economic system. Naturally, decisions regarding more difficult operations and complex conditions, such as those in entrepreneurial internationalization, cannot be far away or simpler than the above discussion. Let us consider one of the simplest acts of internationalization as an example: indirect exporting, where the limited capabilities and resources of an exporting firm point to selling in another country-market without direct involvement in the logistics, marketing and distribution of the firm's product in that market. All the required tasks to complete the exporting transaction would be performed by outside agents, each doing its own specialized task. In spite of its limited resources, the firm would bear nearly no risk, needs little to no knowledge of the export-market behavior, experiential or otherwise, and would not be required to perform any task outside the firm home market; as all international logistic and foreign local-marketing tasks would be left to a host of specialized service providers and the importing firm. Although such an operating regime would not provide opportunities for learning about the market or exercising control (requiring some degree of autonomy and independence) in the foreign local-market, the advantages of a firm collaborating with partners and outside agents is clear. In spite of its relative disadvantages, the firm's entrepreneurial orientation, for example the combination of proactiveness and risk-taking, might view indirect exporting as an innovative task for testing its products in the foreign markets with nearly no down-side risk. In light of the firm's limited possibilities, low knowledge of the foreign market or international processes for direct marketing, a firm's stronger market orientation (that is, a firm's desire to meet potential customers' needs and wants) would point to direct exporting eventually; but would also be supportive of such indirect exporting initially for paving the way to becoming customer-centric at the end. Naturally, such collaborative

strategy is not free from costs or risks (for example, lack of autonomy and control, absence of direct learning about the market by the firm and possible weak performances by partners, among others). In spite of the simple example above, the decision of collaboration and dependence are not particular to smaller firms with constrained resources. It is a strategic decision for all firms, regardless of size and resources.

As reviewed briefly earlier, the collaborative orientation is a part of the overall entrepreneurial orientation making it possible for entrepreneurs to explore and exploit opportunities on both the upstream and downstream of supply chain and value nets through collaboration. Collaboration with suppliers is not only necessary, but allows for seeking richer product and service varieties with higher quality and possibly lower costs through outsourcing. Such new combinations may add to the firm's competitiveness and open market opportunities without much added costs. In fact, outsourcing allows for higher quality, reduced costs and risks associated with upstream (supply chain) operations. The added competitiveness, due to higher value offerings (that is, higher quality and lower cost combinations), may also open new opportunities in the downstream operations (value net). Naturally, collaborations at both ends of the supply chain and value net may lead to a combination of new ideas and processes, which would not have been possible before collaboration with others to support higher international entrepreneurial initiatives. This discussion suggests that the extent and the nature of collaboration with, or the degree of dependence on, qualified partners should be viewed as important strategic issues enhancing entrepreneurial initiatives (and entrepreneurial orientation and performance relations) with significant impact beyond the short term. Accordingly, the overarching theme of Part II is *collaboration and partnership* with the clear implication of *dependence and interdependence*, as opposed to independence, along and across the supply chain and value net activities.

CHAPTERS CONTAINED IN PART II

Five chapters are included in this part. The first chapter of Part II (Chapter 5), entitled "The dynamic development of international entrepreneurial networks," is co-authored by Vaiva Stanisauskaite and Sören Kock. This chapter introduces collaborative partnerships within networks as part of the firm's broader environmental context. It offers a comprehensive review of the network literature from different perspectives and portrays networks among the major contexts within which the firm is embedded. Naturally, as the firm grows from infancy to reach maturity

and internationalization, its information- and resource-needs change and therefore its interactive relations and reciprocal exchanges with its network partners will also change accordingly. As discussed above, international supply chain and value net activities expose the firm to a larger number of partners and environments, adding to the rate and nature of change. Such change suggests that there is a strong need for the firm to develop a “dynamic network” view (or strategy) to accommodate the evolutionary nature of collaborative partnership and network to accommodate entrepreneurial internationalization. Generally, internationalizing entrepreneurs experience faster growth and internationalize earlier and more extensively in a relatively shorter span of time than their larger counterparts or those who internationalize at a later stage of their lifespan. The literature of IE attributes this relatively faster and earlier growth to the firm’s reliance on, and the management of, its network relations, giving a critical importance to the understanding of the firm’s dynamic interaction with the network, as well as the institutional and socio-economic environments, especially for the smaller, younger and entrepreneurial firms. In contrast to the larger and richer firms with the ability to engage in experimenting with their position and memberships within a network (for example, in terms changing its relational, functional and structural aspects with a network) and possibly engage with different networks, the smaller entrepreneurial firms cannot do so easily. Although smaller firms grow and become better endowed, they have a higher sense of time urgency (Etemad and Wu, 2013) and higher vulnerabilities in their early stages of life, which points to their need for a dynamic network strategy in relation to their changing needs as they evolve further. They need to enhance their experiential knowledge, information and resources earlier-on, possibly through network membership, to counteract the liabilities of foreignness, newness, youth, and constrained resources (for example, Hymer 1967; Stinchcomb 1965; Johanson and Vahlne 1977, 2009), especially as they enter international markets with innovative products and services. Consequently, a typical firm initially faces a few generic network decisions or strategies, including: (1) Selecting a specialized network capable of responding to its major early needs, at least in part, with the intention to leave it after some time (for example, early start-ups joining an appropriate accelerator or incubator); (2) Taking the necessary steps to improve upon its position within its current network(s) in order to obtain its needs as they evolve (for example, changing the firm’s relational, functional and structural linkages to allow for leveraging its relational position with the network); (3) Migrating some of its relational linkages from its current (initial) network to another network(s) more responsive to its needs without leaving the former (for example, cultivating relations with a more appropriate network for establishing, and possibly

migrating, to that network when the reciprocal relations become capable and satisfactory); (4) Signaling its current network to become more responsive to its evolving needs; and (5) Identifying other potent networks for its desire of joining them when the need arises by exploring network relations and behavior of other competing agents in its industry and allied industrial sectors. Operationally, the smaller firms are not likely to have the requisite time, resources, network relational strengths (for example, strong ties) or the necessary bargaining power to force timely change in well-established and well-endowed networks. However, they can estimate or forecast the changing patterns of their needs in relation to network characteristics over time in order to formulate appropriate dynamic network strategies and prepare for utilizing them as they evolve, grow and internationalize over their lifespan. In short, there is a well-justified need for the discussion of this chapter regarding the formulation and deployment of dynamic network strategies and the theoretical insights of this chapter should shed fresh light on the topic. The next chapter focuses on a related topic, where the impact of specialized network services is empirically explored.

The second chapter in Part II (Chapter 6), entitled “The influence of the entrepreneur and the accelerator in the internationalization process of web-based firms,” is written by Diala Kabbara. Kabbara suggests that the literature of international business has paid little attention to the influential factors and to the dynamic process of the web-based firms’ internationalization, thus setting the stage to explore these young firms’ internationalization processes.

Aside from the fact that the web is a conducive platform for conducting international business, the young web-based start-up firms frequently exhibit international orientation from inception and share most attributes of internationalizing entrepreneurs. However, the factors that drive their internationalization intent and behavior may differ from typical processes: In addition to their international orientation that appear to be the main drivers behind starting up young web-based firms (for example, with high EO, MO, and possibly high CO, as discussed earlier), as opposed to traditional start-ups, their exposure to, and use of, efficient specialized services of incubators and accelerators point to either their own high initial international and collaborative orientations (IO and CO) or subsequent development of such orientations due to their involvement in internationally oriented start-up incubators and accelerators (that is, they may have had a dynamic network strategy from inception; or developed it as they evolve, as discussed in the previous chapter).

Kabbara’s research of these young web-based start-up firms shows that the network-like services provided by the highly focused and specialized network of American and European incubator programs complimented

the efforts of the young entrepreneurs (for example, less than 30 years of age and seven years of experience) of these firms by providing them with: (1) access to financial and information resources, (2) intensified training and assistance by experienced and trusted mentors for establishing relations, (3) professional expertise from their own network of experienced entrepreneurs, executives, investors, and (4) a community of peers for facilitating, and possibly accelerating, their growth and internationalization processes in a relatively short period of time. This chapter's study of web-based start-ups' experience with incubator programs provides general support for the positive impact of networks and also points to the critical role of selecting and joining specialized incubators (and accelerators) for not only getting the initially feeble start-ups off the ground, but also putting them on a trajectory of growth and internalization in the process. The second chapter of Part II points to the selection process, which is mostly interactive and occurs when the incubator management accepts an inspiring entrepreneur from the start-up candidates that had applied for acceptance in the incubator's program. Once selected, the incubator's management invites (or rejects) them after evaluating the candidates' potential for success. Expectedly, specialized institutions, such as accelerators and incubators, have a narrower orientation, scope of activities and options, as compared with a general network, which may influence, if not restrict, the start-up's choice. As the members of such specialized networks will have to leave such programs upon completion (or graduate from the program) after a specific time period, they may voluntarily join and collaborate with the members of other networks, nationally or internationally, possibly joining those introduced to them during their program. These aspects point to the importance of including the firm's network strategy among other growth and internationalization strategies from the inception (as partially discussed in the previous chapter). Some governments have recognized such needs and provided formal policy arrangements to facilitate collaborative partnerships, especially for internationalization of smaller domestic firms. The next chapter discusses the creation of such policy instruments in Italy.

The third chapter of Part II, "Formal inter-firm cooperation and international expansion: how Italian SMEs are using the network contract," is co-authored by Selena Aureli and Mara Del Baldo. This chapter, the seventh in the volume, examines the efficacy of *a policy-induced instrument* introduced by the Italian government in 2009 to foster collaborations and networking called the "network contract." It provided a formal framework for operating under the provisions of the "network contracts." Its aim was to support inter-firm cooperation in general and facilitating smaller firms' internationalization through collaborative relationships with foreign-based

firms in particular. One can easily relate the logic of this formal instrument to the early scholarly works of Welch and Luostarinen (1988) pointing to the initial comparative advantages of local foreign firms in performing local functions, such as marketing and distribution in their home markets, due to their intimate knowledge of these markets (Welch and Luostarinen, 1988) and membership in locally embedded networks as they do not suffer from the disadvantages of distance and liabilities of “foreignness” and “outsidership” (Johanson and Vahlne 1977, 2009). Similarly, international marketing scholars (for example, Bilkey and Tesar 1977) had suggested indirect exporting, which delegated the marketing and distribution functions to foreign local firms in their own local environments. With the galloping globalization and substantive improvements in logistic functions in material handling, shipping and rapidly advancing communication and information technologies (CITs) developments, the outsourcing of such operations in supply chain at the upper streams of the supply chain and lower streams of the value net have become strategic necessities. (This topic will be discussed in the next chapter.)

Although this chapter examines the broad question of network-partnership under the formal structure of “network contracts,” it poses a specific research question: “Does SME’s involvement in formal networks contribute to starting or augmenting internationalization?” It also sheds light on the broader related question of collaborative efficacy when network arrangements need to adhere to a given structure.

The authors examined all 231 partner firms involved in 39 network contracts signed by April 30, 2011 whose stated objectives had some international scope from the beginning and also had a minimum of one year’s experience with the formal structure. This examination gave them a sample of 119 firms involving 21 contracts. However, a semi-structured questionnaire was sent by email to all 231 firms to investigate all firms’ internationalization strategies before and after partnering in network contracts.

The authors report that the Italian SMEs used the formal structure to achieve different growth and long-term objectives. Overall, some firms used the structures to increase their international business activities abroad; but other firms with a pattern of previous international activities did not appear to have changed their approach to international activities. Their findings point out that a formal structure, such as the network contract, does not automatically lead to further international expansion or change a firm’s collaborative orientation (that is, CO discussed in Part I) in the short term (that is, after one year).

Chapter 7 reports that only in a few cases (identified as best practices) did participation in a network contract generate a perfect match between the planned international goals and outcomes; while some unstated inter-

nationalization also emerged as a by-product of inter-firm cooperation. These findings resonate with the suggestion in Chapter 5 for formulating dynamic and flexible network strategies for accommodating both the intended and potentially valuable, but also unintended, outcomes mainly due to collaborative dependencies.

A few important implications were also addressed. Both the intended internationalization objectives that were not obtained (called negative inconsistencies) and unintended outcomes that emerged (called positive inconsistencies) were due in part to: (1) the dynamics of collaboration creating change in the firms' initially stated strategies; and (2) a potential mismatch between partners and their network strategies deterring the achievement of their intended objectives. These implications confirm the earlier discussion in the previous chapter regarding the need for a careful examination of network characteristics that a firm intends to join in terms of consistency, coherence and complementarity of respective objectives. The criteria for selecting a network to join must include mutual synergies between the smaller firm and the network as well as coherence between their mutual, if not overall, orientation as the dominant objectives of the network are less likely to change to accommodate a newly joined firm, especially when it involves a larger size and objective differentials. The above discussion serves as a broad context for the next chapter that examines collaborative partnership in Born Globals in the upper streams of the supply chain.

The fourth chapter of Part II (Chapter 8), "How are knowledge acquisition and SMEs' internationalization related? Empirical evidence from Gruppo Germani," is co-authored by Mirella Migliaccio and Francesca Rivetti. In contrast to the previous chapter discussing the formal instrument of "network contracts" for structuring collaboration, the strategic needs of partners to attain their mutual objectives motivates and frames the collaboration in this chapter. In such partnerships, collaborating arrangements are likely to be a flexible structure to yield synergies for both parties in their collaboration. Partners are also likely to become synergistically dependent on one-another (Etemad 2003; Etemad, Wright and Dana 2001; Dana, Etemad and Wright 2000 and 2001). Specifically, the chapter analyzes the internationalization of an Italian SME operating in the fashion industry, that is, Gruppo Germani. Fashion is a global industry and is highly competitive worldwide with many firms from advanced and emerging economies competing vigorously side by side. Firms aspiring to participate and grow in such a competitive global industry need to find their own basis of competitiveness to sustain their growth internationally. Among other strategies, Gruppo Germani focused on emphasizing the "Made in Italy" slogan for distinguishing its brand from other competitors

in the crowded international markets of the fashion industry. The legal local content requirements of “made in” strategy requires a firm to create certain value in the country named in the “made in” label, including manufacturing and production. Against such competitive advantage, the “made in” label may result in restricting the firm’s outsourcing of its inputs or manufacturing of its apparel from cheaper sources worldwide. Although this restriction narrows the firm’s range of strategic choice and pre-empts it from extensive internationalization of its supply chain (for example, for raising value by reducing costs, which is discussed in the next chapter), it may increase its attractiveness to potential partners and enable collaboration with committed partners on other value-adding activities and functions to further enhance their joint value equation, including reliable and pertinent information for delivering perceived high value to their ultimate customers, and possibly becoming customer-centric to add value and raise their joint competitiveness, regardless of their respective locations. Accordingly, this chapter addresses the impact of information in successful forward internationalization by posing the following two research questions: (1) What sources of knowledge are particularly critical for the internationalization of SMEs, and (2) How does knowledge acquisition enhance the firm’s knowledge base?

Methodologically, the theoretical background and the above research questions required current, detailed and primary information, which was collected through an in-depth and longitudinal case study approach. The authors decided to concentrate on a single case study for examining the internationalization path of the firm over time. This methodological approach allowed for exploring the unclear dimensions and boundaries of the problem under examination over seven years, from 2007 to 2013, and enabled the articulation of the general phenomenon clearly. During that time frame, the authors used multiple research methods, including direct observation, unstructured and semi-structured interviews (37 in total), and also meetings with external partners as well as the analysis of internal documents.

The authors suggest that internationalization can be triggered by an event that is “critical” to the acquisition of new and potentially useful knowledge pointing to an opportunity. The spectrum of events holding potential opportunities, especially in international markets, can be very broad, each requiring some resources to explore and respond, when efforts and information confirm the opportunity. Given the constrained state of small and medium enterprises’ resources, access to pertinent and reliable information becomes not only crucially important for assessing the nature of the opportunity, but also equally important for realizing the opportunity. Accordingly, the authors came to conclude that pertinent information

and knowledge are among the most critical resources for an SME's internationalization. Therefore, the identification and participation in critical events for acquiring new knowledge useful to assessing the associated opportunity is necessary and acts as a barrier (or challenge) to an SME's growth and internationalization. This chapter's longitudinal case study sheds fresh light on the topic.

The chapter points out that participation in trade shows by Gruppo Germani served as the "critical event" for acquiring the consequent information and the subsequent opportunity, which also resonated with prior research in creating and maintaining a network for supporting international growth opportunities (Evers and Knight 2008). In the case of Gruppo Germani, trade shows turned out to be the event triggering internationalization. Participation in trade shows facilitated the acquisition of knowledge, especially tacit knowledge possessed by clients (and potential clients, mostly foreign), paving the road for getting the requisite resources to exploit the pending opportunity. The integration of such new external resources into the firm's internal information and knowledge base further helped to sustain the firm's competitive advantage. This reported finding is consistent with literature on the synthetic knowledge base, which considers clients as one of the main sources of knowledge (Asheim and Gertler 2005). The chapter highlights the important role of knowledge to, and the flow of information from knowledge sources, during the internationalization process. Finally, this chapter enriches the process of SME's internationalization by pointing to the critical role of "triggering events" to the initial perception of opportunity in enticing firms in favor of: (1) engaging in the acquisition of new and useful knowledge, especially the tacit knowledge possessed by clients and partners, which could help the firm's articulating and codifying mechanisms to enhance its knowledge base that in turn would enable the firm to (2) finalize its assessment of the opportunity, and formulate a potent strategy to realize it, including collaborative partnerships for acquiring the necessary resources.

The fifth chapter of Part II (Chapter 9), "Value chain activities in Born Global companies," is written by Ingemar Wictor. It expands on the discussion of the previous chapter by examining the entire value chain as the context for value creation and gaining incremental competitiveness. Although the term "Born Global companies" appears in the title of this chapter, the main thrust of its discussion is on the value chain activity of a family of relatively smaller firms that internationalize rapidly and successfully early on in their lifespan, sometimes at or near inception, to which different terminologies refer, including international new ventures (or INVs) (Oviatt and McDougall 1994), Born Global firms (for example, Rennie 1993; Knight, Madsen, Servais and Rasmussen 2000; Madsen and

Servais 1997; Andersson and Wictor 2003; Knight and Cavusgil 1996, 2004) and rapidly internationalizing enterprises (or RIEs) (Etemad and Wu 2013; Etemad and Keen 2011; Keen and Etemad 2012). The authors suggest that most common terminology is the “Born Globals,” and this term is, therefore, used throughout the chapter.

Although many definitions of Born Globals are based on a proportion of sales turnover in international markets (Andersson and Wictor 2003) in a predefined span of time (ranging from 10 percent to 25 percent in two to ten years from inception), the sources of their global competitiveness that supports such performance, distinguishing them from their counterparts, do not appear in the definition. These sources enable the firms to quickly internationalize relatively early on, and even remain competitive over time (Bengtsson 2004; Knight and Cavusgil 2004), which need to be clearly identifiable at the outset for others to emulate. Pearce and Robinson (2003) suggest that *customer value* is the distinguishing factor and therefore the study of “Value chain analysis [that] attempts to understand how a business creates customer value by examining the contributions of different activities within the business” (Pearce and Robinson 2003: 137) is critical to our better understanding of a firm’s competitiveness. In the case of Born Globals, international activities on either side of their value chain (that is, upstream and downstream) can contribute to incremental value, and even create additional customer value, especially when the smaller and younger firms lack the requisite scale to benefit from scale-economies. The earlier literature suggested that backward internationalization, for example, international outsourcing of parts, sub-assemblies and even complete products (or services), could contribute to the smaller firms’ early competitiveness at home and abroad (for example, Welch and Luostarinen 1988). With the progressive removal of barriers to mobility due to globalization, there is an increasing need for the examination of basic questions in Born Global companies, including the optimal combination of potential value-adding strategies (or operations), the composition of domestic-international value activities, scope and the nature of value creation in terms of how and where the value chain activities are organized and managed and what gives rise to incremental value and the roles management plays in those processes.

The authors suggest that it is not important to some companies if they manufacture the entire range of products at home or abroad; but for others it is a vital consideration. Therefore, the critical question is what components of the Born Globals’ production, if any, should be kept at home and what components can be outsourced? Naturally, the guiding issue behind the question is the strategic importance of collaborative partnership to a firm at a given time period and its evolutionary path over time, regardless of its structure and how it is formalized. The deductive and longitudinal

research methodology of this chapter sheds fresh light on value-creation issues involved. The earlier value chain models and their suggestions and implications for managing customer value served as the starting point and the initial framework for the study. The in-depth examination of value chain activities in four case studies of Swedish Born Global firms in different industries portrayed the actual structure, management practice and their associated issues. The chapter reports on significant findings, that:

1. The entrepreneurial CEOs and the top management teams (TMTs) take a proactive and strong approach to the value-equation and management of the value chain, which are driven by their vision and corporate culture;
2. Entrepreneurs and TMTs are strongly involved and effectively manage the different parts of the value chain operations;
3. Their dynamic and holistic roles are important to the customers and suppliers;
4. The entrepreneurial teams aim to achieve sustainable competitive advantages in international markets;
5. Some companies look up to the pattern of value management in certain competitive markets as the best practice and emulate them in their Swedish market; and
6. For outsourced production, the focal companies create value-creating networks and control their main suppliers of core (or important) components.

Finally, entrepreneurial teams are found to be very important to Born Global firms to facilitate the transfer of knowledge and to overcome barriers to value creation. Consequently, Born Global companies keep their competitive advantage by coordinating multiple value chain activities in a dynamic fashion in response to evolving competition and environmental changes.

Before turning to the discussion of Part III of this volume, it is noteworthy that all five chapters of Part II reported on some aspects of collaborative partnership, which involved seemingly unclear trade-offs between benefits and costs of collaboration at the beginning of the process. However, the last four chapters pointed to focal firms achieving relatively beneficial arrangements after some learning from, and experimentation with, their collaborative arrangements over time, which suggests the following: (1) Collaborative arrangements hold significant potential for delivering value to partners; (2) Most costs and benefits perceived as not symmetrical at the time may change over time; (3) Trust and transparency are critical to the stability of collaborative arrangements; and (4) It

is erroneous to assume that a typical partnership will necessarily result in higher-valued benefits than their associated costs, some of which may remain implicit, intangible and not readily quantifiable.

BRIEF INTRODUCTION TO INSTITUTIONAL CONTEXT AS THE UNDERLYING THEME OF PART III

The environment has been an influential factor in internationalization studies. As early as the 1960s, Stinchcomb (1965) referred to the “liability of newness” when products and services were new to an environment such as that of a host country. Hymer (1967) attributed incremental costs and risks to a firm entering into a new host country environment and called it the “liability of foreignness” when the firm was viewed as foreign or the host-home environmental differences adversely impacted a foreign firm’s initial operations in the host country-market. In the late 1970s, Johanson and Vahlne (1977) attributed additional costs and risks, if not barriers, to “distance,” expressed in terms of both *geographic and psychic distances* between the host and home country locations and operating environmental differences, respectively. While geographic distance is *tangible* and imposes transportation and travel costs, psychic distance is *intangible, if not tacit*, and yet leads to *perceived* additional operating costs (for example, as compared with those at home or at less distant environments). Johanson and Vahlne (2009) presented a different perspective later on, as they suggested the “liability of outsider-ship” for a firm before establishing its local roots and forming its local network in a foreign environment. Dunning (1980), among others, distinguished between the home (for example, headquarters) and host country operations and their respective advantages and costs that were not necessarily complementary, or synergistic, and the firm had to account for such differences by aligning them to succeed.

The scholars of institutional theory (Scott 1995; Eden and Miller 2004; Xu and Shenkar 2002) have elaborated on the major dimensions of the environment – the *regulatory, normative and cognitive dimensions* – and cautioned against “institutional distance” when there are large differences between dimensions of environments. Such institutional distance is more comprehensive than what was proposed previously and encompasses both the tangible and intangible aspects of the environment.² Theoretically, therefore, smaller institutional distances entail relatively lower costs, risks and liabilities for the firms to cope with than longer ones; thus implying that the smaller and younger firms could be initially attracted to environments with shorter distances, such as

the member countries in their regional free trading areas (FTA), where such countries have aimed to lessen (for example, North American Free Trade Agreement) and even actually remove (European Union) their environmental differences. This resonates with demonstrated preferences of North American and European firms' internationalization in their respective FTA country-markets (Etemad 2013). Etemad observed that much of the internationalization of SMEs in recent years could be attributed to the worldwide explosion of international flow of information, mainly due to advances in communication and information technologies (CITs) across the globe, resulting in decreasing costs and risks of international trade and investment. Similarly, the increasing formation of free and freer trade and investment areas, lessening of cross-border barriers in trading blocs, and also the broad global agreements for progressive removal of barriers to international mobility (that is, the World Trade Organization's efforts to increase the movement of goods, services, investment, people and establishments) must have all contributed to the increasing mobility and internationalization of firms. Logically, such increased international mobility and larger movement of goods and services across country borders should be viewed as the effective reduction of environmental distances, especially on intangible aspects (Eden and Miller 2004). Etemad (2014) goes to the extent of suggesting the "death of distance," mainly due to the advent and increasing use of CITs. Elaborating on the concept of environmental distance, Etemad (2014) suggested that internationalization and entrepreneurship literature have shied away from the reciprocal impact of national policies concerning the actual or perceived reduction (or increases) of the environmental distances. Similarly, the increasing international activities have effectively decreased the perception of, if not the actual, environmental distance. Most governments favor internationalization of their environment for its positive competitive impact and attempt to reduce barriers to the entry of international firms as well as enticing their own local firms to further internationalize to avail themselves of the associated benefits. To the extent that national authorities reduce their country-environment's differences with those of the international community by *harmonizing their policies and thus reducing their institutional distance* (that is, reducing the burdens of regulatory, normative and cognitive differences), they also reduce the overall costs and risks of internationalization for their own firms as well, which will benefit them directly and possibly entail a large multiplier effect. Stated differently, reduced institutional distance assists the international entry of foreign firms to better serve local customers as well as facilitating the internationalization of their own indigenous firms to benefit from numerous advantages of international markets. Logically,

such reduced distances would contribute to the higher accrued values for all concerned.

CHAPTERS CONTAINED IN PART III

Two chapters are contained in this Part: the first one deals with firms moving across neighboring borders and the second chapter addresses a national government's efforts for upgrading its institutional environment to further enhance national growth and foster internationalization of their own firms across the world. The first chapter of Part III (Chapter 10), "The creation and internationalization of border firms," is co-authored by Eva J.B. Jørgensen and Einar Rasmussen. This chapter's focus is on Norwegian firms taking advantage of newly prevailing conditions in the regions around the border between Norway and Russia favoring cross-border internationalization. The authors suggest that these firms are a special type of *geographically-focused* international venture, called "Border Firms." These business organizations develop, or take advantage of, opportunities across one single national border to internationalize. They serve the regional markets, create employment and wealth; and yet our knowledge of these firms is still limited. The chapter builds on the recent entrepreneurship theory emphasizing the *interaction between the venture location and opportunity development* to explore the existential nature of these firms and probe the path of their internationalization. Correspondingly, two research questions are posed: (1) What characterizes the opportunity development processes of border firms, and (2) How are these opportunity development processes related to different contexts of venture creation?

The chapter's multiple case study approach resulted in the development of seven in-depth case studies of Norwegian firms operating across the Norwegian–Russian border. Empirical information was collected through interviews, company visits, newspaper articles, homepage examinations and company documents.

The empirical data clearly points to the interaction between, and even dependence on, the type and the location of the opportunity with clear implications for the selection of *opportunity development in relation to the venture location* due to their mutual dependence. The chapter's analysis identifies and discusses four distinct developmental paths in the internationalization of these geographically-focused firms: (1) Firms that develop *inward market-opportunities* tend to create a new venture in the proximities of the home-country's border regions (that is, operate mainly in the home country context); (2) Firms that develop *outward market-opportunities* show a tendency to create a new venture in the proximities of the host

country's border regions and possibly expand further into the host country (that is, operate mainly in the host-country context); (3) Firms that develop *outward resource-opportunities* are more likely to create a venture at home first, before venturing into the host country context; and (4) Firms that are capable of developing combinations of inward/outward and market/resource opportunities tend to create ventures in both country contexts simultaneously. These findings resonate with the firm's strategic logic favoring one, or a combination, of the pure developmental paths: (1) an inward home-country path; (2) an outward host-country path; (3) a born-again path; and (4) a home- and host-country path, which correspond respectively with the afore-mentioned paths discussed above.

This chapter's findings resonate with other chapters in Part II of the volume that *entrepreneurial internationalization* is not just limited to expanding into global markets. Entrepreneurial internationalization does, and indeed should, include allied topics as well, including the sources and factors enabling and sustaining internationalization as discussed in previous chapters (for example, see chapters 6, 7, 8 and 9). In the context of geographically focused border firms, their paths of internationalization seem to depend on the nature of opportunities, created or exploited, in relation to how a firm perceives, develops, and sustains, its international competitiveness and the consequent delivery of value over time.

The authors conclude that the entrepreneurs of border firms can exploit different types of business opportunities in the proximities of the border regions and the nature of these opportunities depends on the regional policies on both sides of the border. These policies positively (or adversely) impact the potential opportunities across the border. Although such policies may be narrow and specific to the two countries' border regions, they may facilitate, if not stimulate, the internationalization of firms on either side of the border as internationally oriented entrepreneurs would eventually take their cross-border firms beyond the region, once they have established a foothold across a border. In fact, the next chapter will address the art and science of formulating long term policies welcoming the inward flow, as well as enabling the outward flow of international trade and investment by changing the institutional context of a country's environment, that is, engaging in institutional entrepreneurship.

The second chapter of Part III (Chapter 11), "Institutional entrepreneurship and the embedded roles of leaders and state: an historical case study of Abu Dhabi," is co-authored by Jasem Almarri, Katariina Juusola, and John Meewella.

The stated aim of this chapter is to explore how institutional entrepreneurship has shaped the development of Abu Dhabi from the 1960s until now. However, its literature review and the theoretical discussion extend

far beyond Abu Dhabi and are equally applicable to local environments that suffer from insignificant opportunity-driven (in contrast to need-based) and low international entrepreneurship, trade and investment, all due to their relatively poor, if not inhospitable, institutional environment. As discussed in the introduction to Part I, chapters 1 and 2, entrepreneurship entails taking some risks; but entrepreneurs are not gamblers. They can absorb calculated risks and overcome limited environmental hostility to realize promising opportunities. However, when the up-front costs of setting-up and doing business far outweigh the potential benefits later on, entrepreneurs refrain from involvement, regardless of the venture's time and location. Naturally, the legacy industry's objections, even in the earlier stages of innovative, risky and possibly disruptive firms, are among the initially intangible costs that entrepreneurs will have to face. Dealing with bureaucratic and institutional barriers, especially when ventures are still feeble, is an example of additional tangible up-front costs. Generally, relatively backward environments impose higher costs and risks on entrepreneurship, some of which are intrinsic to the country's institutional environment and some have become so entrenched that they cannot be changed easily or quickly. This explains why relatively inhospitable environments cannot draw on entrepreneurship as a catalyst in increasing the country's sustained growth and development; as entrepreneurs would commit to more promising opportunities in more welcoming environments elsewhere. It takes committed institutional, and possibly social, entrepreneurship to introduce disruptive innovation (Schumpeter 1934) to introduce and enact change in the institutional environment in favor of bringing about receptivity and reducing crippling up-front costs. Such processes are likely to encompass and take relatively longer time, especially when the cognitive and cultural dimensions of the environment are also involved.

The chapter suggests that the majority of research on institutional entrepreneurship has concentrated on Western countries with well-established modern institutions and there is precious little research about developing environments where modern institutions have been lacking. The discussion of this chapter responds to that need and fills that void.

Methodologically, the chapter utilized a mixed methodology by deploying a longitudinal approach to documentary historical information. The authors augmented and expanded these archival documents by in-depth interviews with those who were knowledgeable about, if not involved in, or acted as, institutional entrepreneurs in creating the new and replacing the ineffective past institutions with modernized and conducive infrastructure in Abu Dhabi over six decades.

This chapter's combination of secondary historical information and

the primary evidence suggest that modernization of the institutional environment played highly significant roles in the rapid development and modernization of the Emirate of Abu Dhabi and paved the road for the Emirate's subsequent impressive growth and developments. However, the authors report that institutional entrepreneurship in Abu Dhabi's context was found to be an interactive form, where both individuals and the state have acted as committed entrepreneurs. Furthermore, the complementary actions of the institutional entrepreneurs, including authorities on behalf of the state organizations and individuals acting on their own behalf, aligned and coordinated their actions, interactions and in some cases even acted together. The past insights into institutional entrepreneurship research have typically been limited to viewing only individuals, organizations or the state as social entrepreneurs. The newly gained insight of this chapter suggests that the coordinated and complementary actions of all social and institutional agents in bringing about cohesive and enabling institutional environments are capable of stimulating the growth and development of all concerned.

In closing, this introduction followed a progressive developmental path of discussions, starting with a focus on individual entrepreneurship and advancing to international and institutional entrepreneurship, corresponding with chapters of the book contained in the three related and complementary parts of the volume. In fact, the discussions of Part III provide the institutional context(s), within which an entrepreneur is embedded at home and abroad. However, international entrepreneurs need to learn, adjust and operate in both its home and host countries' institutional contexts, which may, or may not, be similar or equally conducive; thus introducing the international challenges facing international entrepreneurs, mostly above and beyond those at home. In essence, when international entrepreneurs take firms to international markets, especially when there are large institutional distances involved, not only do they need to adjust for the institutional differences; but also for the adverse competitive reactions when new and innovative and possibly disruptive goods, services and entrepreneurial processes are introduced. Such innovative and disruptive processes exert pressure on the institutional, or even on the social, environments of their hosts, requiring them to adapt and change, no matter how minor, to become more welcoming. As discussed earlier, the higher costs–benefits ratio of operations in relatively less hospitable environments inhibits international entrepreneurs from engaging in such country-market environments and imposes even higher pressures on the local institutional (and even social) entrepreneurs to introduce change and see them through fruition as fast as possible. This suggests that there is a synergistic interaction, if not dependency, between international and institutional

entrepreneurship – one will benefit when the other acts to bring about positive and enabling change.

The last chapter of this volume is simply entitled “Concluding remarks, implications and lessons.” It will draw on the previous 11 chapters for their insights, implications and lessons. It builds on selective issues in the body of knowledge contained in the previous chapters to highlight implications for further scholarly research, management practice and public policy formulations.

NOTES

1. In fact, the way in which the five components do, or should theoretically, map into the unified EO construct is not as yet perfectly clear, especially in international contexts. The addition of CO, MO and LO to the original five presents theoretical challenges. We may return to this discussion in the concluding chapter.
2. Xu and Shenkar (2002: 614) characterize institutional distance as “From an institutional perspective, firms will refrain from investing in markets that are institutionally distant, because business activities in those markets require conformity to institutional rules and norms that conflict with those of the home country.”

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