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# **INTERNATIONAL BUSINESS COMPETENCE AND SUCCESSFUL SME MARKET SEEKING INTERNATIONALISATION**

**Research on SME capability development and internationalisation processes**

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Key words: internationalisation, small and medium enterprises, SME, International business competence, IBC, capability development

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# TABLE OF CONTENT

Preface	5.
Abstract	6.
<b>1. Introduction</b>	<b>7.</b>
1.1 Internationalisation of SMEs	7.
1.2 Relevance	8.
1.3 Research questions	9.
1.4 Structure of the thesis	9.
<b>2. Literature review</b>	<b>10.</b>
2.1 SMEs and international business	10.
2.1.1 The internationalisation process	10.
2.1.2 The internationalisation of SMEs	11.
2.1.3 Liabilities of internationalisation	13.
2.1.4 The challenge of SME internationalisation	14.
2.2 Capability development	14.
2.2.1 The origins of capabilities	14.
2.2.2 The Capability Life Cycle	15.
2.3 International Business Competence	16.
2.3.1 The concept of IBC	16.
2.3.2 The impact of IBC	17.
2.4 Antecedents of IBC	18.
2.4.1 Antecedents of International Orientation	18.
2.4.2 Antecedents of International Marketing Skills	20.
2.4.3 Antecedents of International Innovativeness	23.
2.4.4 Antecedents of International Market Orientation	27.
2.4.5 Antecedents of IBC	31.
2.5 Literature review overview	33.
2.5.1 Summary	33.
2.5.2 Research propositions	34.
<b>3. Methodology</b>	<b>36.</b>
3.1 Empirical method	36.
3.1.1 Case study	36.
3.1.2 Case selection	36.
3.2 Data collection and analysis	38.
3.2.1 IBC score of case companies	38.
3.2.2 Success of internationalisation	39.
3.2.3 Antecedents present in case companies – Level 1 antecedents	39.
3.2.4 Case description and cross case analysis – Level 2 antecedents	40.
3.3 Validity	41.
3.3.1 Internal validity	42.
3.3.2 External validity	42.
3.4 Reliability	42.
3.4.1 Internal reliability	42.
3.4.2 External reliability	42.
<b>4. Results</b>	<b>43.</b>
4.1 Case descriptions	43.
Case 1: Funk-E	43.
Case 2: Zytec	46.
Case 3: Feltest	48.
Case 4: Boska Holland	50.
Case 5: Rijnplant	53.
Case 6: Aerolift	55.
Case 7: Control Union	58.
4.2 Cross case analysis	60.
4.2.1 Score of IBC	60.
4.2.2 Presence of antecedents of IBC in the cases	61.
4.2.3 Development of IBC and international experience	64.

4.2.4 Development of IBC and company size	66.
4.2.5 Development of IBC and entrepreneurship	68.
4.3 Analysis overview	72.
5. Discussion and Conclusion	74.
5.1 Discussion	74.
5.1.1 The concept of IBC	74.
5.1.2 Antecedents of the four dimensions of IBC	75.
5.1.3 The emergency of IBC over time	77.
5.2 Conclusion	78.
5.2.1 SQ1: The main antecedents that contribute to IBC	78.
5.2.2 SQ2: The development of IBC over time	79.
5.2.3 RQ: The main factors that contribute to IBC	79.
5.3 Limitations and future research	80.
5.4 Contributions to the literature	81.
5.5 Managerial implications	81.
6. References	83.
Appendix 1	88.
Appendix 2	126.
<b>List of Tables</b>	
<b>Table 1. Overview of possible antecedents of IBC</b>	<b>33.</b>
<b>Table 2. Case overview</b>	<b>36.</b>
<b>Table 3. Overview of interviews</b>	<b>38.</b>
<b>Table 4. IBC scores per case</b>	<b>60.</b>
<b>Table 5. Presence of Level 1 antecedents in the researched cases</b>	<b>61.</b>
<b>Table 6. Presence of Level 1 antecedents in with distinction of origin</b>	<b>62.</b>
<b>Table 7. Score on degree of how entrepreneurial a company is</b>	<b>69.</b>
<b>Table 8. Overview of results</b>	<b>72.</b>
<b>List of Figures</b>	
<b>Figure 1. The causal order of antecedents of IBC</b>	<b>34.</b>
<b>Figure 2. IBC and the presence of antecedents of IBC</b>	<b>63.</b>
<b>Figure 3. IBC and international experience of the research casees</b>	<b>64.</b>
<b>Figure 4. IBC and company size</b>	<b>66.</b>
<b>Figure 5. IBC and degree how entrepreneurial the companies of the cases are</b>	<b>70.</b>
<b>Figure 6. IBC, the dimensions of IBC and the antecedents of IBC</b>	<b>76.</b>

# PREFACE

This thesis is the result of a trajectory of 10 months of desk research, empirical research and endless evening and weekend hours of writing beside my job at Microbeton – Concrete Valley. The conduction of this thesis is the last part of the Parttime Master of Business Administration at the Erasmus University Rotterdam School of Management, where all the skills I learned in the last two years are practiced. The completion of the Parttime Master Business Administration is the end of a trajectory of intellectual enrichment and personal development.

I choose the subject of internationalisation and capability development in small- and medium enterprises out of my own interest. Since I was a teenager I am fascinated by entrepreneurship and the opportunities that comes with it. In my own period as entrepreneur of Digital Engineering, I learned how hard it can be to be successful as an entrepreneur and how hard it is to move a company in the direction that you want. From that time, I still have questions how some companies achieve their success. This curiosity drove me to do research on capability development. My passion for international cultures and the possibilities that international business brings for companies, made me choose to do research on the capability development of international business competence.

I am grateful for the support of my girlfriend Silvia Naber. She supported me during the full two years of the Parttime Master and especially in the last ten months of the conduction of this thesis, that were the hardest months of the Parttime Master. I would also like to thank my employer Microbeton and my parents Rene and Conny Hiemstra for the support that they gave me to do this Parttime Master. Without both their support, it would not have been possible for me to even start the Parttime Master of Business Administration at the Erasmus University. I would also like to thank Wouter van Koppen en Steven Hiemstra for their support and reflections on my thesis.

Special thanks goes out to Dr. Rene Olie, my coach for this thesis writing process. Apart from his wide knowledge on this subject, his structured coaching and honest, critical reflections on my work contributed much to the achieved result. There go also special thanks out to Dr. Wim Hulsink, the co-reader of this thesis. His wide knowledge on this subject and his critical reflections on my work from a slightly different angle contributed also much to the achieved result.

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# ABSTRACT

Many entrepreneurs and companies have the ambition to be international successful. Internationalisation can bring a company many benefits as new markets and customers, new insights in the opportunities of their product or service and off course growth of the company. Internationalisation also comes with many risks. It is important to learn fast and become very quick very good in international business.

In 2009, Knight and Kim (2009) published a paper with their definition of International Business Competence (IBC). They defined this capability as the capability to 'be good' in international business. They prove that the presence of this capability would contribute to higher international performance.

To learn how to become good in international business, research has to be done on the concept of IBC, in order to determine what factors contribute to the development of IBC and how this capability itself develops in companies.

In this study, desk research has been done on internationalisation processes of Small and Medium Enterprises (SMEs), capability development in companies and the theoretical direct antecedents that contribute to the development of IBC.

The empirical research is conducted in the form of case studies. Through the conduction of interviews and collection of survey questionnaires, empirical data is collected in seven case companies.

The results confirm the relationship between the presence of the theoretical, direct antecedents of IBC and the presence of IBC. The result also reveals entrepreneurship as the main driver behind the presence of the direct antecedents of IBC and the director of the further development of IBC. The results also reveal that other factors as company size and international experience influence the presence of IBC through their influence on the presence of the direct antecedents of IBC.

The results contribute to the scientific literature on the subject of capability development because the theoretical propositions on this subject are empirical confirmed. The results contribute also to the scientific literature on the subject of IBC, because this study provides the first in-depth analysis of this concept.

The results are translated in managerial implications that can give entrepreneurs or managers of SME companies direction when they want to start international activities or if they want to improve their international activities.

# 1 INTRODUCTION

## 1.1 Internationalisation of SMEs

Entrepreneurs are everywhere. They start companies and develop businesses, see and seize opportunities. This entrepreneurial character characterizes many Small and Medium Enterprises (SMEs). Entrepreneurs generally want to move forward, let their company grow and look for new business opportunities. These new business opportunities are not always obvious as it is possible that the best opportunities are found in foreign markets.

Research from the ING Economisch Bureau (2013) – International Trade Research report 2013 – shows that in 2013, approximately two out of three Dutch SMEs are involved in international business. The study shows that internationally trading companies perform better than companies that do not. Furthermore, the study shows that the internationally trading companies not only export to neighbouring countries, but also invest in the United States, Africa and the BRICS-countries. Of all Dutch SMEs 37% export to foreign markets, 11% import from foreign markets and 18% both import and export to foreign markets.. Moreover, approximately 9% of the Dutch SMEs invests abroad. Only 18% of the Dutch SMEs are not willing to take their business abroad.

This means that 82% is internationally active or are willing to be internationally active. One of the conclusions of the ING International Trade Report 2013 is the smaller the company, the smaller the likelihood that they are internationally active.

Sea2Cradle is an example of a small company that took the step abroad. The Dutch company arose from a restart of a spin-off company of Nedlloyd. The company has a corporate purpose. Their mission is to end all polluting and dangerous ship demolition and recycle old ships in a safe and environmental responsible way. The only way to achieve this goal is to act on a global level and internationalize the company. The problem of unsafe and polluting ship demolition is global and primary take place in developing countries.

Within a short amount of time, Sea2Cradle was able to become an international company and already demolished five ships in a safe and environmental responsible way.

Sea2Cradle claims they owe big part of their international success to their international network. The network was important to find partners and to understand their culture and beliefs. Besides, there are of course many more factors why Sea2Cradle has succeeded in such a short amount of time. Many companies try to achieve this successful internationalisation, only few succeed.

It is hard for companies to internationalise. Companies have to face several liabilities as they bring their business abroad. In a foreign market, clients and suppliers often speak a different language and have a different cultural background. Companies do not know the foreign market as they know their domestic market and thereby they have to invest to export their product or service.

It is especially hard for SMEs, because often they have fewer resources than bigger companies. This is also called the 'resource poverty condition' (Welsh and White, 1981). But there are companies who seem to overcome this condition.

But why do some companies seem to overcome the difficulties of internationalisation easier than other companies do? And why do some companies suffer from the resource poverty condition and others do not?

These questions can be answered through an analysis of the competences a company has. Some companies are able to develop an 'International Business Competence'.

Knight and Kim (2009) first introduced International Business Competence (IBC) in 2009. It is a collection of several skills and capabilities.

IBC is a general competence a SME can learn, to perform better in an internationalisation process. This competence is path dependent and can be developed to a company-unique asset. As a result of its uniqueness and path dependency, this asset/resource is very hard to imitate for the competition and gives strength to the company's competitive strategy.

This thesis will conduct research to the conditions that are related to the emergence and development of IBC.

Kim and Knight (2009) suggest that there are external and internal factors that contribute to the emergence of IBC. This thesis will search for these internal and external factors. By unravelling these factors it should be possible for managers to adapt the organization structure to create a fertile place for the emergence of IBC.

For antecedent research, it is important to understand the causality of events. Through the conduction of qualitative research and data collection through interviews with entrepreneurs and employees who were involved in the internationalisation process, the causality of events can be reconstructed. The construction of this capability will be revealed. This makes it easier to understand the way this capability works and how a company can develop it.

## **1.2 Relevance**

IBC seem to be an interesting concept for SMEs with international ambitions. According to Knight and Kim (2009), IBC can contribute to a more successful internationalisation and it saves resources to start the internationalisation process. On the other hand: it is not just a capability to learn easily. It will take time and resources to develop IBC. But when IBC is developed, the SME has an interesting tool to take their business to foreign markets and to compete with other companies that want to do so.

It is important to assess the value of IBC as a tool for internationalisation. It is also important for SME management to know how to develop and manage IBC if this concept fits the SME strategy. Antecedent research is the best way to both identify the factors that contribute to the development of IBC and analyse and value IBC.

When Knight and Kim introduced the concept of IBC in 2009, they suggested that research on the antecedents of IBC would contribute to the knowledge on IBC, because so far this was uncharted territory. After their 2009 publication, there are no new publications on the subject of IBC. It cannot be ruled out that maybe IBC is just a new name for a concept that has been known for decades. This thesis will be the platform to find out if IBC is a new contribution to the scientific knowledge on business internationalisation, or just a new name for an old concept. This is the same for the dimensions and antecedents of IBC.



There are not many scientific publications on the topic of capability development and the ones that exist are explorative in character. This thesis pays attention to the development of a capability and therefore can either confirm or nuance the existing literature on this topic.

### **1.3 Research Questions**

This thesis is about to identify the main factors of International Business Competence and sort out the critics on causal ambiguity in International Business Competence.

The following research questions are defined:

Research question:

What are the main factors that contribute to the development of International Business Competence?

Sub question 1:

What are the main antecedents that contribute to International Business Competence?

Sub question 2:

How does International Business Competence develop over time?

### **1.4 Structure of the thesis**

This thesis will provide insights in the internationalisation of SMEs and empirically investigate the antecedents of IBC.

In chapter 2 the internationalisation process in general will be mapped, the difference between larger and smaller firms in internationalisation will be revealed, liabilities of foreignness will be identified and the way SMEs internationalise will be explored. There is extra attention for the development of capabilities and the concept of IBC will be introduced and the dimensions of IBC will be analysed. Special attention is paid to what is already known about the antecedents of IBC.

Chapter 3 will provide insight how the research is conducted and what methods are used to analyse the results. The case research will be explained and the researched cases will be introduced.

The results are presented in chapter 4. Of every researched company a case description is elaborated and a cross case analyses identifies patterns that are found.

The conclusions follow in chapter 5 together with the managerial implications and limitations and recommendations for further research.

## 2 LITERATURE REVIEW

In this chapter the relevant knowledge about SME internationalisation processes will be mapped. This starts with the exploration of internationalisation processes, the difference between larger companies and SMEs in internationalisation and the exploration of the SME internationalisation patterns. After that, there will be extra attention for liabilities in internationalisation and the development of capabilities. The concept of IBC will be introduced in detail. This is followed by desk research on the possible antecedents of IBC. This chapter closes with a short summary and the definition of propositions.

### 2.1 SMEs and international business

This chapter explores the internationalisation process in general and focuses on the internationalisation of SMEs.

#### 2.1.1 The internationalisation process

Internationalisation of a business is something that at some point can be topical for many companies. Companies internationalise for different reasons. Sometimes the entrepreneur / general manager has international ambitions or opportunities arise outside the company's domestic market. This internationalisation is conscious and pro-active. Sometimes companies internationalise accidentally. This is called 'unsolicited export order' in the international business literature (Liang, 1995). An unsolicited order is a purchase order from a foreign company. The exporting company is reactive and would have never done business abroad, if this opportunity had not appeared.

Companies that are pro-active to export their product or service achieve higher international sales volumes as result of their pro-activeness (Dean et al., 2000).

The Uppsala Internationalization Process model by Johanson and Vahlne (1977) is well known and accepted as an appropriate framework to conceptualize the process of internationalisation. In this framework Johanson and Vahlne (1977) argue that market knowledge is the base of a commitment decision to extend current activities and by this extension they acquire new market knowledge owing to their new experience. In line with this philosophy, companies start their international activities in foreign markets that differ as less as possible from their domestic market.

This model is interpreted by Barkema et. al (1996) and translated to four stages of entry that occur during internationalisation.

- Stage 1: No regular export activities;
- Stage 2: Export via independent sales agents;
- Stage 3: Creation of an offshore sales subsidiary;
- Stage 4: Overseas production facilities

In 2009, Johanson and Vahlne (2009) revised their framework and took the effects of business networks into account. In this framework they argue that existing business networks are the start of new international activities, because they make it possible to identify and exploit opportunities, have a considerable impact on the particular geographical market a company will decide to enter and on which entry mode to use.

When the relationship intensifies, both partners decide to give the relationship more commitment, what the relationship will intensify even more. In this process companies learn from each other and create trust. By sharing knowledge, the company's position in the network is changing. This leads to a new network position.

This can be interpreted and translated to the next four stages:

Stage 1: Position in a domestic business network;

Stage 2: Identifying and exploiting opportunities in (a) foreign market(s);

Stage 3: Intensifying position in international business network;

Stage 4: Intensifying exploitation of opportunities in foreign markets.

When companies decide to do international business, they can choose how many financial resources and commitment they invest in that internationalisation (Anderson and Gatignon, 1986). These different modes of entry can be divided in three modes:

Mode 1: High-Control Modes: Dominant Equity Interests

Mode 2: Medium-Control Modes: Balanced Interests

Mode 3: Low-Control Modes: Diffused Interests

Mode 1 includes fully owned subsidiaries and joint ventures with dominant shareholder / ownership. Mode 2 includes plurality shareholder / ownership, equal partner joint ventures (50/50), restrictive exclusive contracts (distribution agreement, licensing), franchising and nonexclusive restrictive contracts. Mode 3 includes nonexclusive, non-restrictive contracts (intensive distribution, some licenses) and small shareholder / ownership.

The choice of entry mode depends on many variables. The choice of entry mode is an important discriminant in the internationalisation process, but the internationalisation process involves more.

### **2.1.2 Internationalisation of SMEs**

Although most research on internationalisation has focussed on large multinational companies, there also is a stream of research on internationalisation of SMEs. The characteristics of SMEs are different from those of large companies in some ways. SMEs have a different management style; different scale of operations and a different governance structure. Small businesses are not, as Shuman and Seeger (1986) put it, smaller versions of larger businesses. They deal with unique size-related issues and need to act different to overcome those issues. SMEs often have to deal with different and more competitors and act in fragmented and highly competitive industries. The owner / manager salary represents a larger fraction of the revenue than a larger company. External forces seem to have more impact on smaller businesses than on larger companies and smaller business cannot afford to make mistakes or misjudgements. (Welsh and White, 1981; Gomes-Casseres, 1997; Coviello and McAuley, 1999).

SMEs differ in characteristics from larger companies. SMEs are often more "entrepreneurial". Entrepreneurship is a container concept with a lot of definitions. In a paper of Mirjam van Praag (1999), several views on entrepreneurship and several definitions are inventoried. The best known and generally most valued definitions of entrepreneurship are from Schumpeter and Kirzner. Schumpeter (1934) defines the entrepreneur as leader of

the firm and as the innovator and therefore, prime mover of the economist system. Kirzner (1973) defines entrepreneurs as the persons in the economy who are alert to discover and exploit profit opportunities. They are, according to Kirzner (1973), the equilibrating forces in the market process. (Van Praag, 1999).

These two definitions capture the concept of entrepreneurship as something pro-active. Entrepreneurs start something and they take faith into their own hands. These descriptions often fit smaller companies where the entrepreneur is in charge of every decision and the vision and capabilities of the entrepreneur are leading for the company's strategy.

Lu and Beamish (2001) conducted some research on the level of Foreign Direct Investment (FDI) of SMEs and the choice of entry mode when a company enters a foreign market. FDI is defined as direct investment in foreign markets to minimize transaction-related risks through internalizing markets for proprietary asset exchange (Hennart, 1982; Rugman, 1982). In their research, Lu and Beamish (2001) found support for their hypotheses that low level of FDI have a negative influence on the SME performance, but high level of FDI have a positive influence on the SME performance. Lu and Beamish (2001) also found evidence that exporting can have a negative influence on SME performance when the currency exchange rate is not attractive for foreign customers to import the SMEs products.

Wakelin (1998) found that large innovative firms are more likely to export and smaller innovative firms with only one or two innovations are less likely to export and more likely to service the domestic market. This finding fits the traditional view that strategic options available for SMEs are driven by the "resource poverty" (Welsh and White, 1981) condition. The resource poverty condition implies that smaller companies do not have the same resources to execute the strategy preferred, but they have to make choices what to do and what not to do. When a SME chooses to start an internationalisation process, it may not be able to raise investment on innovation, because they do not have the resources to do so. When they fail to succeed the internationalisation process, the company can get into serious trouble.

To understand why some SMEs succeed and why some SMEs fail to expand their business abroad, it is important to understand the SME internationalisation process.

Bell et al. (2003) identify three pathways of expanding in foreign markets in SME internationalisation: SMEs can internationalize in a 'Traditional' pathway; they can follow the 'Born Global' pathway; or they can follow the 'Born-again Global' pathway.

The traditional pathway is the way of internationalisation in stages. Companies start to export and when they become more familiar with the foreign market, they incrementally commit more resources to their foreign activities and start to expand slowly abroad. The assumption underneath this theory is that all the companies are well established in their home market. (Bell et al., 2003)

The Born Global pathway is the way of rapid internationalisation direct after the company's founding. The driving force behind this rapid internationalisation is often one of the entrepreneurs and a disruptive new technology that creates substantial value. (Bell et al., 2003). One of the features the Born Global firm is to, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. (Oviatt and McDougall, 1994)

The Born-again Global pathway is the way of rapid internationalising, after a long period of incremental growth abroad. Often caused by a sudden change in management or access to financial resources or knowledge. The change from the traditional pathway to a born global pathway (the route a born-again global company follows) can also be caused by a critical event in the company's domestic market. (Bell et al., 2003)

Companies need to acquire knowledge about the foreign market they have entered. The entrance of a new foreign market is often described as a process of organizational learning (Barkema, et al., 1996; Barkema and Vermeulen, 1998; Johanson and Vahlne, 1977; Pennings et al., 1994). To learn effectively and efficiently, it is important for companies to develop absorptive capacity. Absorptive capacity is the recognition, assimilation and application to commercial ends of new external knowledge (Cohen and Levinthal, 1990). Absorptive capacity is an important competence a company needs to acquire when it wants to be able to adapt itself to the new foreign market. Lord and Ranfit (2000) found that many of the important knowledge about a foreign market are tacit. That makes it even more evident that companies learn to become very sensitive to absorb market knowledge. When companies are eventually international active in several foreign markets, they become more skilled, to learn about new foreign markets social aspects (Yeoh, 2004). Companies learn to 'learn' about new foreign markets. Exposure to foreign markets enhances the potential for learning.

### **2.1.3 Liabilities of internationalisation**

Companies face some liabilities when they decide to take their business abroad.

Cuervo-Cazurra et al. (2007) build on the Resource Based View of the firm (RBV). The RBV argues that a company exists of bundles of resources. (e.g., Grant, 1996; Penrose, 1959; Teece and Pisano, 1994; Wernerfelt, 1984). Examples of these resources are financial capital, employees, tangible assets like the company's real estate and so on, but these resources also involve intangible assets like routines and capabilities (Wernerfelt, 1984).

The three categories of liabilities in internationalisation that Cuervo-Cazurra et al. (2007) have identified are: 1) The loss of an advantage, 2) The creation of disadvantage and 3) the lack of the complementary resources.

When a company suffers from the liability of the loss of an advantage, this occurs because resources lose their advantageous nature when they are transferred to a new country. Sometimes a company is not able to transfer a crucial resource (e.g. an autism diagnosis tool that cannot be exported to a country where autism is not recognized as a medical disorder) or a resource that is scarce in the domestic market, may be widely available in the foreign market (e.g. a company specialized in labour saving techniques is unlikely to create business in a low-wage country). Cultural, geographical and institutional context have influence on the extent to which a company can create value in a foreign market (Cuervo-Cazurra et al., 2007).

When a company suffers from the creation of disadvantage, this occurs when transferred to a new market, a resource creates disadvantage. Resources can be heavily embedded in a company's routines and techniques. These routines and techniques are based on resources in a certain context and create advantage in this context. The same routines and techniques can create disadvantage by change of context. The fewer the resources transferred to a new market, the lower the problems generated when the resources create disadvantage in the new market.

When a company suffers from the lack of complementary resources, this occurs because the firms lack complementary resources required to operate in the new country. On firm level a

company can have to deal with three categories of lack of complementary resources: 1) The liability of expansion, or the lack of complementary resources needed to operate at a larger scale; 2) the liability of newness (Stinchcombe, 1965) or the lack of complementary resources needed to compete in a new environment, the company deals with issues similar to a firm's start up and 3) the liability of foreignness (Hymer, 1976) or the lack of complementary resources needed to operate in a new institutional environment. The knowledge and capabilities that an SME has developed by operating in its original markets are often not suited to operations in the new market. (Lu and Beamish, 2001)

A not-firm-specific lack of complementary resources is the liability of infrastructure. (Cuervo-Cazurra et al., 2007) For example: an online on demand video platform in a country with poor internet connections will suffer the liability of infrastructure.

#### **2.1.4 The challenge of SME internationalisation**

Internationalisation is not an easy task for the average company. Company characteristics are an important factor for internationalisation success. Characteristics that fit SMEs are less favourable for internationalisation success and that makes successful international business for SMEs even harder to realise than for larger companies.

Many choices must be made at the start of an internationalisation process. The choices not only affect investment in time and money, but they also tell something about ambitions and opportunities. Differences in motivation, objectives and knowledge intensity in each of the internationalisation trajectories have impact on the patterns and pace of internationalisation. This influences the strategic approaches adopted by companies. (Bell et al., 2003). Each of the different trajectories has their own liabilities for the foreign company versus the domestic company. It is certain that SMEs in every way of internationalisation have to deal with the liabilities and challenges they face. Companies that decide to do business abroad need to act clever to overcome those liabilities. They need to know which constraints they face with the resources and capabilities the company possesses and they need to figure out in which way they can overcome the constraints the company has. The company needs to know and overcome as much of the constraints possible before they actually enter a foreign market.

## **2.2 Capability development**

This chapter explores the development of capabilities and the concept of the Capability Life Cycle (CLC) to understand capabilities in organizations.

### **2.2.1 The origins of capabilities**

To overcome liabilities in internationalisation, companies can develop capabilities. The idea of development of capabilities is based on the RBV. According to Wernerfelt (1984), intangible assets are also resources a company can possess. These intangible resources can be used to develop competitive advantage. Intangible resources are valuable for a firm in different ways and those that are relatively unique create competitive advantages by enabling the firm to produce value-added offerings for given markets. Intangible resources are especially valuable when they are scarce or distinctive (Barney, 1991; Collis, 1991; Mahoney, 1995). Scarce and distinctive resources are not easy to imitate and therefore valuable as competitive advantage.

In the same way causal ambiguity and social complexity make it hard to imitate the competitive advantage. They give rise to the development of firm specific knowledge and competences that are imperfectly imitable by would-be rival firms (Barney, 1991).

Firm specific resources and capabilities are the core of competitive advantage in the RBV. The development of capabilities (and resources) is more likely to emerge during periods of greater turbulence and organizational change (Wernerfelt, 1984).

Empirical research on this topic found that capabilities evolve as a result of firm response to competitive environments (Sharma and Vredenburg, 1998; Barnett et al. 1994; Levinthal and Myatt, 1994). As a result of this, these capabilities within organizations seem to influence competitive strategies (Ginsberg, 1994; Barney and Hansen, 1994).

This indicates that capabilities evolve over time through exposure of a firm to the competitive environment. This means that companies learn-by-doing. The development of a capability start when a company needs to possess this capability to be competitive compared to their rivals.

In their 1998 study, Sharma and Vredenburg (1998) found that petrochemical companies that respond pro-active to environmental treats in their operation, developed faster and better environmental capabilities than companies that respond reactive. Due to the fact that these companies where very pro-active working on the development of their environmental-impact reduction-capability, they developed much stronger capabilities than their rivals that responded reactive. The strong development of capabilities on the environmental-impact reduction part of the company provided deep embedded, causal ambiguous and tacit roots of these capabilities that it is impossible for competitors to replicate them (Sharma and Vredenburg, 1998). These findings implicate that the more energy is invested in dealing with difficult issues, the quicker and stronger capabilities develop, that eventually the company enables to deal with these issues.

### **2.2.2 The Capability Life Cycle**

Helfat and Peteraf (2003) introduce the concept of the Capability Life Cycle (CLC). Helfat and Peteraf (2003) compare the CLC with the Product Life Cycle (PLC); products have development paths that follow recognizable patterns, known as Product Life Cycles and so do capabilities. The CLC and PLC can be compared for their pattern, but are in the foundation different lifecycles. Capabilities can be divided in two categories: Operational Capabilities and Dynamic Capabilities.

An operational capability is defined as 'a high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type'. (Winter, 2000)

A dynamic capability is defined as 'a capability that does not involve production of a good or provision of a marketable service. Instead, dynamic capabilities build, integrate, or reconfigure operational capabilities. Dynamic capabilities do not directly affect output for firm in which they reside, but indirectly contribute to the output of the firm through an impact on operational capabilities' (Teese et al., 1997).

According to Helfat and Peteraf (2003) all these capabilities consists of sets of organizational routines. This implies that "the capability must have reached some threshold level of practiced or routine activity. At a minimum, in order for something to qualify as a capability, it must work in a reliable manner. Taking a first cut at an activity does not constitute a capability" (Helfat and Peteraf, 2003).

This means that companies need to practice capabilities in order to develop them. Helfat and Peteraf (2003) describe the CLC in detail. After a capability was found through initiative and the will to achieve a certain goal, the capability starts to develop. For the founding of a capability, it is extremely important that the right ingredients are present. The so-called 'key skills' must be present in order for the capability to be found. The individuals involved can bring in these 'key skills'. There also must be some kind of leadership to 'melt' the key skills. In the development phase, the individuals involved are trying to improve the capability. Improvements in the functioning of a capability derive from a complex set of factors that include learning-by-doing of individual team members and of the team as a whole, deliberate attempts at process improvement and problem-solving, as well as investment over time. It is an iterative and both pro-active and reactive process (Helfat and Peteraf, 2003).

This thesis is focussed on the development of capabilities (Especially in the form of IBC) and therefore is focussed on the first two stages. After these first two stages, a capability enters the maturity stage. In this stage, the capability is exercised and becomes deeper and deeper embedded in the organization. After this stage, a capability can be replicated (organizational internal) and as a 'best practice' introduced to other parts of the company, or the capability will no longer be maintained and will decline or eventually disappear. This happens when the capability does not longer provide competitive advantage and top management decides to retrench on it. Another scenario is not the decline and disappearance of the capability, but the capability becomes an ingredient (or key skill) for another capability. The original capability becomes the start for a future capability. (Helfat and Peteraf, 2003)

## **2.3 International Business Competence**

International Business Competence as a concept will be revealed in detail and the evidence for the impact of IBC will be explained.

### **2.3.1 The concept of IBC**

To overcome liabilities in internationalisation, Knight and Kim (2009) identified International Business Competence (IBC). They define IBC as a multidimensional concept that reflects the extent to which the SME adopts a bundle of international competences to carry out international business activities in foreign markets in an effective way.

The idea of IBC finds its roots in the Resource Based View of the firm. Knight and Kim (2009) describe IBC as an intangible, scarce and distinctive resource. That is part of the resource-bundle that a company possess. IBC emphasizes the SMEs possession of intangible, cultural orientations as well as processes that account for international business success. It includes competences in multiple areas as learning about international environments and adapting the whole organization to a new environment by interacting with foreign markets.

In the research of Knight and Kim (2009), four dimensions emerged as the foundation of the concept of IBC. These dimensions are intangible, path-dependent and idiosyncratic and therefore hard to imitate, which make them useful for competitive advantage abroad.



#### Dimension 1: International Orientation

International orientation concerns the pro-active, almost aggressive drive to internationalise. Companies with a strong international orientation tend to actively explore new business opportunities abroad. This competence is valuable for small companies with limited tangible resources, in order to take the initiative to pursue new opportunities in complex markets, typically fraught with uncertainty and risk (Mort & Weerawardena, 2006).

#### Dimension 2: International Marketing Skills

International Marketing Skills concerns the ability a company has to successfully create value for customers abroad by effective segmentation and targeting. This value creation needs to be conducted by integrated international marketing activities. These activities include planning, controlling, and evaluating the way marketing tools are used, to differentiate offerings from those of competitors. International Marketing Skills are the lifeline to connect with foreign customers and learn from them and their preferences, to improve the international marketing strategy and positioning in the foreign market. (Zou and Cavusgil, 2002)

#### Dimension 3: International Innovativeness

International Innovativeness is identified by Knight and Kim (2009) as the capacity to develop and introduce new processes, products, services, or ideas to international markets. Innovativeness results from both internal R&D and external market intelligence (including the innovations of competitors) (Nelson and Winter, 1982). Innovativeness supports opening of new markets by adopting market intelligence into new products and customize new products tailor made for foreign markets. Innovativeness is crucial for success in foreign markets and has a positive influence on international SME performance. (Knight and Cavusgil, 2004)

#### Dimension 4: International Market Orientation

International Market Orientation is conceptualized by Knight and Kim (2009) as the extent to which the firm's international business activities are orientated toward customers and competitors, and the extent to which these activities are coordinated across functional areas in the firm. Market orientation is important for a company and its success. Market intelligence plays a crucial role because the nature of customers and competitors can (and will) be different in a foreign market from a domestic market (Hurley and Hult, 1998; Narver and Slater, 1990).

### **2.3.2 The impact of IBC**

Knight and Kim (2009) found evidence that IBC contributes to a higher company performance. They conducted a quantitative study and measured the degree of IBC present in a company and they measured the degree of success a company has on four performance indicators: International Market Share, International Sales Growth, International Profitability and Export Intensity. For each indicator they found the following results:

- International Market Share: IBC explains about 17% of variance in market share.
- International Sales Growth: IBC explains about 14% of variance in sales growth.
- International Profitability: IBC explains about 14% of variance in profitability.
- Export Intensity: IBC explains about 8% of variance in export intensity.

As a result, Knight and Kim (2009) conclude: “Of these four dimensions, International Market Orientation and International Orientation appear to have the highest contribution to IBC”. International Marketing Skills contribute to IBC, but it contributes less than International Market Orientation and International Orientation.

International Innovativeness does not reveal IBC as well as the other three dimensions. Knight and Kim (2009) argue that a strong International Orientation can shape organizational culture and International Market Orientation influences a company’s internal effort to collect and distribute market intelligence on foreign customers and competitors. International Market Orientation also coordinates functional areas internally for international business activities.

## **2.4 Antecedents of IBC**

The next section is dedicated to the theoretical exploration of the possible antecedents of the four dimensions of IBC.

### **2.4.1 Antecedents of International Orientation**

International Orientation as Knight and Kim (2009) define it consists of managerial vision, proactive organization culture and commitment to the internationalisation process that the company chooses to enter. To identify the antecedents of International Orientation as a dimension of IBC, there must be a focus on vision, culture and decision-making activities.

The business culture (a ‘proactive’ business culture) is identified as one of the possible antecedents of International Orientation. Swartz and Davis (1981) define culture as a “pattern of beliefs and expectations shared by the organization’s members”. This implicates that employees of a company have to have (implicit) similar expectations and beliefs. Culture is rooted in deeply held beliefs and values. These values and beliefs create situational norms that manifest in specific social behaviour. Next, this behaviour becomes the basis of development of beliefs and values. Out of these beliefs and values arise new social norms. (Swartz and Davis, 1981). Although Knight and Kim (2009) do not explicitly define what they mean by a pro-active business culture, it can be interpreted as a more innovative organisational culture. The term ‘innovative organisation culture’ is introduced by Volberda (2004) and is part of a flexible enterprise. The characteristics of this concept seem to represent the idea of a ‘proactive business culture’. Both concepts include personal initiative, transformational leadership and open orientation. A proactive business culture has to develop over time. Several factors as leadership, identity, unwritten rules and external orientation have to be in the right configuration for the development of an innovative organisation culture or proactive business culture. (Volberda, 2004). For example: Leadership has to inspire and encourage the generation of new ideas. Transformational leadership will probably fit this profile. Incentives are also an issue in creating an innovative organizational culture: they must be aligned with the strategy and reward experimental behaviour and not to punish failures.

Vision is an important tool by forming the corporate business culture. A vision is a mental perception of the kind of environment an individual, or an organization, aspires to create within a broad time horizon and the underlying conditions for the actualization of this

perception (El-Namaki, 1992). A vision is a direction the company points out to go and the resources and commitment made available to achieve this future perception. A vision affects the corporate culture and a lot more than that. A good vision consists of a simple, clear and feasible view on the company's future. It has to provide a challenge for the whole organization and be able to be translated into goals and strategies. A good vision has to be endorsed and frequently articulated by top management. It has to be derived from a sense of direction (El-Namaki, 1992). It is important that the vision is supported by top management commitment and the availability of resources. A good vision can easily be eliminated before it can flourish by failure to get strategic commitment (especially by senior-management), a missing reality test and a misaligned reward mechanism (El-Namaki, 1992). Baum et al. (1998) found evidence that a good vision contributes to higher company performance. In their longitudinal study, Baum et al. (1998) found support for the hypothesis that proposes that vision attributes of brevity, clarity, abstractness, challenge, future orientation, stability, and desirability are significantly related to subsequent venture growth. There is also support for the hypothesis that proposes that vision growth imagery is significantly associated with subsequent venture growth (Baum et al., 1998). This implicates that a vision has significant impact on future company performance. Knight and Kim (2009) propose the same effect of vision on International Orientation. Aragon-Correa et al. (2008) identify capabilities as a shared vision, stakeholder management, and strategic pro-activity as significant related to pro-active environmental practices. Pro-active environmental practices is a concept Aragon-Correa et al. (2008) introduce and by definition is similar to the ability to develop new capabilities as required by the development of IBC. Therefore putting shared vision, stakeholder management and strategic pro-activity on the shortlist as possible antecedents of International Orientation.

Sommer and Haug (2010) found that there are some important antecedents for intentional entrepreneurial behaviour. The largest direct effect on intentional entrepreneurial behaviour is knowledge. This implies that in internationalisation many entrepreneurs are interested in extending their companies activities abroad, but most of them do not simply do so, because they do not know how to properly implement internationalisation. (Sommer and Haug, 2010).

The second largest direct effect on intentional entrepreneurial behaviour is experience. This of course is close related to knowledge, but it also includes implicit prior knowledge. Prior knowledge is knowledge someone has in his or her unconscious as result of an experience. Someone can use this knowledge unaware by acting on intuition. It is this prior knowledge a manager or entrepreneur uses to make big decisions (Ardichvili et al., 2003).

Intentional entrepreneurial behaviour is important in decision-making. Decision-making is identified by Knight and Kim (2009) as one of the factors of International Orientation. Decision-making in SMEs is proposed by Sommer and Haug (2010) to be a 'cognitive proces'. They plead so because according to Hanning (2005) "the mental process of perception, memory, and information processing, which allows the individual to acquire knowledge, solve problems and plan for the future" can be identified as cognition. Because SMEs are often lead by entrepreneurs or entrepreneurial managers, the mental process in their head is important to understand SME decision-making. It is quite possible that decision-making in SMEs often happen inside the entrepreneurs head.

To conclude: The possible antecedents of International Orientation could be:

- Vision
  - The company must have a consistent, bright view on the desirable future.
  - The vision must be articulated and endorsed by top management.
  - The vision must lead to the availability of resources.
  - The strategic objectives must be aligned with the vision.
- Prior Knowledge
  - The company's leader(s) need to have the right knowledge or have access to the right knowledge to make the right decision properly.
  - The company's leader(s) need to have the right experience (or prior knowledge) to make the right decision properly.
- Proactive business culture
  - The company's culture must be proactive and entrepreneurial.
  - There must be an open culture with tolerance for ambiguity.
  - Leaders must exhibit transformational leadership: they have to inspire and encourage initiative and not punish mistakes.
  - Incentives must be aligned with proactive behaviour.

#### **2.4.2 Antecedents of International Marketing Skills**

International Marketing Skills as Knight and Kim (2009) define it, consists of value creation through segmenting and targeting, planning, controlling and evaluating marketing tools and the ability to differentiate from the competition. A business culture that development of marketing skills encourages is also possible as a contributing factor.

Strong International Marketing Skills can lead to other crucial skills to make an internationalisation process successful, as knowledge of the foreign market to improve marketing strategies, form partnerships and locate distributors and retailers.

These crucial skills can possibly work in the opposite direction and act as one of the antecedents of International Marketing Skills.

On the topic of marketing skills, there are two distinct types of organizations; 1) the Functional Marketing Organization and the 2) Marketing Process Organization (Moorman and Rust, 1999). The Functional Marketing Organization can be characterized as an organization with the marketing activities concentrated to marketing dedicated divisions. The benefits of this type of organization are that they can develop specialized, distinctive capabilities and enhance efficiency. The risks include the challenge of coordination between inter functional conflict, overspecialization and specialized functions.

The Marketing Process Organization can be characterized by dispersion of marketing activities across the whole organization. This appears in several forms: key is the presence of a conscious market orientation (Moorman and Rust, 1999). Antecedent of the Marketing Process Organization are focused on customer orientation and inter function coordination and therefore linked with the antecedents of International Market Orientation, which will be analysed in chapter 2.4.4.

To analyse the antecedent of International Marketing Skills, the focus is on the Function Marketing Organization characteristics, because a focus on the Marketing Process Organization would rule out all the companies that do not fit the conscious market orientation of this research. As a result of the fact that this research is focussed on all SME companies in all different industries, the Function Marketing Organization provides the base of analysing of antecedents of International Marketing Skills, without ruling out the companies that do not fit the conscious market orientation.

Moorman and Rust (1999) found evidence that a dedicated marketing function as proposed in the Functional Marketing Organization, contributes to financial performance, customer relationship performance and new product performance. They also found evidence that more knowledge about links between customer and product (which represents the goods or services a company produces), customer and service (which represents the service supplied by delivery of the product) and customer and financial ability (which represents the ability to make profit out of the firms actions) leads to better performance on these subjects.

Gilmore et al. (2006) identifies key marketing skills (those that encompass planning and delivering marketing mix activities) a company must possess, in the marketing literature:

- Planning marketing activities: reviewing marketing and sales activities, product category management and developing marketing objectives and strategies;
- Increasing market knowledge: identifying changes in market place and acquire information about competitors;
- Managing distribution: increasing the level of direct and indirect channel distribution, attracting new customers, increasing the use of sales force and targeting new market sectors when appropriate;
- Managing product decisions: developing branded products, developing own product labels, and making packaging decisions and managing new product development.
- Managing promotional activity: sales promotion and public relation activities to encourage customer loyalty and managing media activities;
- Managing price: reducing pressure on margins, meeting or preventing competitive pricing and setting pricing policies;
- Acquiring marketing resources: obtaining advice, giving advice and promoting partnerships and/or alliances within the channel and gaining financial support;
- Marketing innovation: encouraging new ideas, identifying marketing opportunities and develop new marketing ideas and opportunities.

To achieve some degree of International Marketing Skills as one of the dimensions of IBC, a company has not only to develop and acquire the marketing skills needed, they also need to adapt these skills to the foreign market they want to enter. This is where the business network can provide access to these foreign markets and where partnerships can provide access to the knowledge needed to adapt the company's marketing skills (Johansson and Vahlne, 2009).

Gilmore et al. (2006) found evidence that networking activities of SME managers / entrepreneurs contribute to higher marketing skills adaptation to the environment. This implicates that networking activities of SME managers / entrepreneurs in an internationalisation process contribute to higher marketing skills adaptation to the foreign market, which contributes to development of stronger International Marketing Skills as dimension of IBC.

To develop International Marketing Skills, there is one important possible antecedent left: to learn and adapt marketing skills to foreign markets, a company can have a lot of networking activities but it is crucial that the company can learn from its network and actually is able to adapt their marketing skills to foreign markets. It depends on the degree of Absorptive Capacity a company possesses, in which degree the company is able to learn from its network. Absorptive capacity is the recognition, assimilation and application to commercial

ends of new external knowledge (Cohen and Levinthal, 1990). There are two distinct types of absorptive capacity: 1) the potential absorptive capacity, which includes acquisition and assimilation of new external knowledge and 2) realized absorptive capacity, which includes knowledge transformation and exploitation of new external knowledge. (Zahra and George, 2002). In their 2005 research, Jansen et al. (2005) identify the main antecedents of absorptive capacity. Jansen et al. (2005) found evidence for the following organizational mechanisms as antecedents of absorptive capacity:

- Cross function interfaces (as cross functional teams and liaison personnel to enable knowledge exchange) (Gupta and Govindarajan, 2000) contributes to both potential- and realized absorptive capacity.
- Job rotation (The functional transfer of employees within an organization) (Campion et al., 1994) contributes to both potential- and realized absorptive capacity.
- Formalization (The degree to which rules, procedures, instructions and communications are formalized or written down) (Khandwalla, 1977) contributes to realized absorptive capacity.
- Connectedness (The density of linkages in the company's social network) (Jaworski and Kohli, 1993) contributes highly to realized absorptive capacity.
- Socialization tactics (The way new members of the organization are introduced and encouraged to interpret and respond to situations in a predictable way) (Ashforth and Saks, 1996) contributes highly to realized absorptive capacity.

International Marketing Skills also have a possible antecedent in the business culture. The business culture needs to encourage development of International Marketing Skills. Desphande et al. (1993) found evidence that a business culture with an external positioning has the most impact on business performance through openness and market thinking. It is safe to assume that these cultures encourage development of marketing skills. They define two distinct types of business cultures with an external positioning. A "Market-culture" emphasizes competitiveness and goal achievement (Cameron and Freeman, 1991) and has the most impact on business performance. An "Adhocracy-culture" emphasizes values of entrepreneurship, creativity and adaptability. This culture also has a positive impact on business performance. This culture has the same characteristics as the "innovative organisation culture" proposed by Volberda (2004), which embodies the proactive business culture that was identified as one of the antecedents of International Orientation as a dimension of IBC. The "Adhocracy-culture" by Desphande et al. (1993) (Together with their "Market-culture") should provide the antecedents of the encouraging culture for development of International Marketing Skills as one of the dimensions of IBC. The main antecedents of the Adhocracy-culture and Market-culture are entrepreneurship, competitiveness, creativity and adaptability. The leadership style suited for these cultures is both transformational and transactional. The Adhocracy-culture needs an entrepreneurial, risk taking and innovating leader, while the Market-culture needs a decisive and achievement-orientated leader (Desphande et al., 1993). It depends on the type of organization and the nature of its business what type of leader suits the company best.

To conclude: The possible antecedents of International Marketing Skills could be:

- Marketing Skills
  - o Dedicated marketing function with concentration of knowledge and skills.
  - o Access to market intelligence.

- Presence of key marketing skills, which are relevant in the industry a company operates.
- International networking skills
  - A position in a business network and possibility to use these connections to change the business network position, serving the internationalisation objectives.
  - The ability to start partnerships and maintain relationships with companies that give access to knowledge about the adaptation of marketing skills.
  - Absorptive capacity (both potential- and realized absorptive capacity) to absorb and apply new external knowledge.
- Encouraging business culture
  - Open orientation and external positioning to adapt to movement in the market place.
  - Leaders can exhibit both transformational and transactional leadership: dependent on the type of organization a leader can be decisive and achievement-oriented, or entrepreneurial, inspiring and encourage initiative to innovate.

### **2.4.3 Antecedents of International Innovativeness**

International Innovativeness as Knight and Kim (2009) define it, consists of the creative capability to develop and introduce new processes, products, services, or ideas and the degree of openness to the innovation (the degree to which members of an organization are willing to consider the adaptation of an innovation or the degree in which they are resistant to it). Innovation needs a strong R&D department and a good source of market intelligence about the foreign market. Although Knight and Kim (2009) found International Innovativeness to be the least important of the four dimensions, they did identify some significant importance of this dimension for IBC as a whole.

Market intelligence is referred to as an important antecedent of International Innovativeness. This is also important for International Marketing Skills and International Market Orientation. Market intelligence is a cross sectional antecedent of IBC, the antecedents of marketing intelligence will be discussed in chapter 2.4.4, because it is the closest related to International Market Orientation. Marketing intelligence provide the input needed to innovate the right innovations for the right foreign market. In this section of International Innovativeness the focus will be on the antecedents of innovativeness, because the type of market intelligence defines the degree of international the innovativeness is.

In innovativeness, openness for innovation is an important issue. Because unknown territory is about to be explored in an innovation process, it is important to have a broad search area. A broad search area is of great value, because there is a lot of useful external knowledge to absorb for the benefit of the innovation process. At the same time, it is important to focus this search area at the right moment. It has negative consequences for the innovation performance to “over-search” (Koput, 1997). Too many ideas can be hard to manage and make it difficult to make choices (so called ‘absorptive capacity problem’). Many innovative ideas may come at the wrong time at the wrong place to be fully exploited (so called ‘timing problem’). When there are so many ideas, few of these ideas are taken seriously or given the required level of attention or effort to bring them into implementation (so called ‘attention

allocation problem') (Koput, 1997). Laursen and Salter (2006) found strong support for the hypothesis that external search breadth is curvilinear (taking an inverted U-shape) related to innovation performance. Laursen and Salter (2006) found also support for the same hypothesis on external search depth. External search depth is the extent to which firms draw intensively from different sources (E.g. suppliers, customers, universities) of innovative ideas. This is explained in the same way as the U-shaped curve for external search breadth: firms have to search deep in several sources, but they must be aware not to get stuck in the specificity of these sources. (Laursen and Salter, 2006)

When it comes to openness for innovation it is important to be open minded for different ideas from different sources, but be aware not to over-search or get stuck in the specificity of import sources for depth searching.

Absorptive capacity, identified earlier as one of the possible antecedents of International Marketing Skills, is related to the openness for innovation in the absorption of new ideas and the ability to exploit these ideas for commercial ends. Research from Fosfuri and Tribo (2006) confirms a crucial role of potential absorptive capacity for innovation. They found that firms with higher levels of such capability systematically obtain larger shares of their sales from new or substantially improved products.

Ayers et al. (1997) conducted research on the organizational antecedents for new product success. They focus their research on the relation between marketing and R&D divisions in a company. Ayers et al. (1997) found support for hypothesis that state that integration between marketing and R&D improve new product performance. R&D and marketing interact to generate ideas, establish product schedules, assess customer requirements, and evaluate competitive actions. These two divisions integrated with each other are better equipped and skilled to conduct a new product development process. They also found evidence that strong relational norms have a negative contribution to new product performance. This is explained by the idea that there has to be some kind of positive tension in a new product development process and that a heterogeneous group of product developers without strong relational norms are the best setting to create this constructive tension. (Sethi et al. 2001)

The main organizational antecedents for proper division integration and creating the right constructive tension are, according to Ayers et al. (1997), centralization and formalization. Centralization refers to the extent to which decision-making authority is concentrated within a few positions (John and Martin, 1984). Formalization refers to the "degree to which rules or standard operating procedures are used to govern the interaction between individuals" (Ruekert and Walker, 1987).

Centralization and formalization both contribute to marketing and R&D division integration, centralization enforces integration and formalization enhances it.

Centralization reduces relational norms. Formalization does not enhance development of relational norms, but the integration of the divisions causes the emergence of relational norms.

The antecedents of new product success (and therefore also a measure for innovativeness) are: integration of marketing and R&D division and reduction of emergence of relational norms. This can be achieved by centralize decision-making authority and formalize operations to govern the interaction between individuals.

In addition to these antecedents, Sethi et al. (2001) identify six key conditions for new product innovativeness in their literature review: 1) it is more likely to generate innovative



ideas when there is more diversity in input of ideas (Sethi et al., 2001); 2) innovative ideas are typically the result of finding new relationships between existing ideas and perspectives (Amabile, 1983); 3) innovative ideas are an outcome of an extended effort focused on a well-defined problem (Hogarth, 1980); 4) innovative ideas emerge from a nonroutine problem-solving approach (Amabile, 1983); 5) innovative ideas deviate from the status quo and therefore not only bear a degree of risk, but also may result in defensive reactions of several stakeholders (Sethi et al., 2001); 6) when innovative ideas must be implemented, it is important that the necessary resources are available (Kanter, 1983).

To accelerate innovation, a company must not only be open for new ideas and have the right configuration of organizational antecedents; the company must have the right focus in product development. Companies can develop several innovations at the same time: it is key to have the right balance in these projects to use the limited resources in an efficient way. Wheelwright and Clark (1992) have developed a framework to map innovation projects in an ordered manner. They order projects in several categories as 1) Breakthrough projects (more radical innovations with significant changes to existing products and processes); 2) Platform projects (less radical innovations with changes to existing products and processes, but without introduction of complete new technologies) and 3) Derivative projects (incremental innovations and minor improvements to existing products and processes). Companies that are large enough to have a separate R&D division can use this division to create new know-how and know-why of new materials and technologies that eventually translate into commercial development projects (Wheelwright and Clark, 1992). Companies need to map their projects in more or less change in existing product and more or less change in existing processes and bring the whole configuration in line with their competitive strategy. Companies can develop new innovation projects sequentially, or work on new projects parallel to each other. It is key that companies develop all these projects in line with the innovation strategy, with focus in line with the company's competitive strategy.

When a company has the right configuration of innovation projects, (in line with the competitive strategy), are open to new ideas and have the right configuration of organizational antecedents, there is still some work left to achieve a substantial level of innovativeness. And since not every company has an R&D division filled with natural inventors, they have to form teams to work on innovation projects. Sethi et al. (2001) conducted research on innovativeness of new project development teams. They found evidence that team characteristics and contextual influences have influence on the innovativeness of the innovation teams. Social cohesion (or as Ayers et al. (1997), define it: relational norms) has a negative influence on innovativeness, caused by the lack of constructive tension.

Super ordinate team identity (the degree in which team members identify with their team instead of their functional background) has a positive influence on the innovativeness of the innovation teams, because a feeling of psychological ownership arises among the team members, which makes them feel comfortable to contribute to the innovation process. Customer's influence also contributes to innovation teams innovativeness. These findings are consistent with the conclusion of Ayers et al. (1997) to integrate the marketing and R&D department: they proposed to involve the customer side of the product in the innovation process.

Encouragement to take risk is also one of the antecedents of innovation team innovativeness. It is important to try new ideas and take risk, to explore unknown territories. This fits the 'innovative organisation culture' proposed by Volberda (2004), which embodies inspiring leadership and room for creative experiments. Therefore it is safe to assume that a culture in line with the 'innovative organisation culture' (Volberda, 2004) or the 'proactive business culture' as one of the antecedents of International Orientation as a dimension of IBC.

In line with the revisited Uppsala internationalization model from Johanson and Vahlne (2009), networking is also one of the possible antecedents of International Innovativeness. As proposed in chapter 2.4.2, companies start their international activities through their connections in their business network. Ritter and Gemunden (2003) conducted research on the topic of business networks and their impact on innovation. It is evident that they conclude that network competence (as defined by Ritter and Gemunden (2003) as the necessary knowledge and skills to maintain a business network that provide access to (technical) collaborations) has a strong positive influence on the extent of inter organizational technological collaborations and on a firm's product and process innovation success.

When it comes to innovation, the turbulence and pace of change in technical standards and innovation can be a great game changer for competitive advantage. A new (often technological) innovation can provide a substantial competitive advantage for a company. This effect is even greater when the innovation is also legally protected. Technological turbulence (The rate of technological change (Jaworski and Kohli, 1993)) can be an antecedent of International Innovativeness. The effect of international innovativeness will be greater when there is more technological change, when these changes come faster and when the changes are more radical. Lichtenthaler (2009) found evidence that technological turbulence positively moderates between the effect of Absorptive Capacity on innovation and company performance. This means that when there is more technological turbulence, companies with some amount of Absorptive Capacity are better able to innovate and bring new innovations successful to the market space. A technological asymmetry between two foreign markets can also provide a competitive advantage for the company who is ahead in the development of a certain technology. This company can bring this technology, which is not new anymore in the domestic market to the foreign market where it will provide a competitive advantage again. In this situation, competitive advantage is created through the transfer of the technology. This is the opposite of the loss of an advantage (Cuervo-Cazurra et al., 2007) as described in chapter 2.1.

To conclude: The possible antecedents of International Innovativeness could be:

- Openness for innovation
  - o Absorptive capacity to absorb knowledge and generate new ideas.
  - o The ability to focus at the right moment and be able to know which ideas to develop fully.
- Organizational antecedents
  - o Integration of Marketing and R&D divisions to work together on new innovations and combine both customer knowledge and technical/specialized knowledge.

- Centralization of decision making to start the collaboration of Marketing and R&D together.
- Formalization to enhance the collaboration of Marketing and R&D.
- Innovation project strategy
  - Develop the right configuration of innovation projects in line with the competitive strategy
  - The right configuration of knowledge and skills in the innovation project teams
  - The right culture for innovation “Innovative organisation culture”
- Business networks
  - The position in the business network is important for R&D collaboration and the acquisition of new and specialized knowledge.
- Technological turbulence
  - The turbulence in technological development can possibly have a positive effect on the effect of Absorptive Capacity on Innovativeness and business performance.
  - Transfer of technology can provide competitive advantage by absence of that technology in the foreign market.

#### **2.4.4 Antecedents of International Market Orientation**

International Market Orientation as Knight and Kim (2009) define it, consists of organization-wide generation of market intelligence regarding customer needs, the distribution of this intelligence throughout the company and organization-wide responsiveness to it (Kohli and Jaworski, 1990). Antecedents of this market orientation can be found in three components: customer orientation, competitor orientation and inter functional coordination (Jaworski and Kohli, 1993).

Kohli and Jaworski (1990) are the first researchers to define a clear definition of Market Orientation in a jungle of research papers with different and ambiguous definitions of Market Orientation. They make clear they mean the proper implementation of the marketing concept as a company’s Market Orientation. In other words: the execution of the marketing concept in line with the marketing concept.

Market Orientation exists of three elements: 1) marketing intelligence generation; 2) marketing intelligence dispersion; 3) market responsiveness. These elements are the base for Market Orientation and necessary to execute a marketing concept properly.

Market intelligence is a broader concept than customers’ verbalized needs and preferences. It also includes an analysis of factors that influence those needs and preferences. Effective market intelligence not only knows what the preferences and needs of today’s customers are, but also what they will be in the future.

The generation of market intelligence relies not just on customer surveys, but also on a host of complementary mechanisms. Intelligence may be generated through a variety of formal as well as informal means (e.g., informal discussions with trade partners) and may involve collecting primary data or consulting secondary sources. Kohli and Jaworski (1990) emphasize that intelligence generation is not just the exclusive responsibility of the marketing department. R&D engineers may for example obtain information at scientific conferences, senior executives might uncover trends reported in trade journals etc. A company depends on its Potential Absorptive Capacity to acquire new external knowledge in

an effective and efficient way (Cohen and Levinthal, 1990) and through this, realize the generation of market intelligence.

The dispersion of market intelligence is an important link for the degree of impact that market intelligence will have on a company's products or services and profitability. When the knowledge will not be dispersed, some part of the company will just not know they probably need to know to adapt their service to the customer. This is in line with the concept of Realized Absorptive Capacity, which emphasizes that new acquired knowledge must be communicated through the whole organization to apply it to commercial ends. (Cohen and Levinthal, 1990).

Market responsiveness is the response to market intelligence. An organization can generate intelligence and disperse it through the organization; however, unless it responds to market needs, very little is accomplished. Market responsiveness is the action taken in response to intelligence that is generated and dispersed. Responsiveness is taking action on market intelligence in the form of selecting target markets, designing and offering products or services that anticipate on customers current (and future) needs and the production, distribution and promotion of the product in a way that elicits favourable end-customer response (Kohli and Jaworski, 1990).

There is evidence that a market orientation has a positive influence on a company's profitability. Narver and Slater (1990) found support for hypothesis that states that a market orientation enhances a firm's profitability. Although Narver and Slater (1990) define the concept in a different way than Kohli and Jaworski (1990) do, the four researchers have in common that they all include the customer focus and importance of internal coordination as the main elements of the concept of market orientation.

In their 1993 paper, Jaworski and Kohli (1993) dig deeper into the antecedents of the concept of Market Orientation. They found evidence for many antecedents of Market Orientation:

- The top management team must emphasize the need for on going tracking and responding to market developments to employees continually. This communication is very important because Market Orientation is a responsibility for the whole organization and not just for some employees.
- Top management teams must not be risk averse: adapting to customer needs always bears a risk and this risk must be taken to finally adapt to customer needs. Top management teams who are risk averse delay adaptation and put the company's Market Orientation in jeopardy.
- Conflict and tension between employees and divisions have a negative influence on the company's Market Orientation because in this situation it is less likely that employees trust each other and share information. Intelligence dispersion is vital for Market Orientation and therefore conflict and tension in the company has a negative influence.
- A high degree of Connectedness (the density of linkages between organization members) has a positive influence on Market Orientation. This is in line with the findings of Connectedness as an antecedent for Realized Absorptive Capacity.
- The company's reward system is strongly related with the degree of a company's Market Orientation. Companies that reward employees on the basis of factors such as customer satisfaction, building customer relationships, and so on, tend to be more market-oriented.

- Centralization of decision-making has a negative influence on Market Orientation, because it slows down the responsiveness of a company and makes the company less flexible to form to new market circumstances.
- Formalization seems to have no relationship with the degree of Market Orientation a company has.

In additional research on the communication of market intelligence, Maltz and Kohli (1996) found some additional antecedents for inter functional coordination and market intelligence sharing:

- An equal mix of formal and informal communication of market intelligence seems to be optimal for maximizing the quality of intelligence dispersion across functions. In reality it seems that formal communication is used more often because of the verifiability of formal communications.
- Dispersion frequency can be increased through more joint customer visits, shorter distances between the receiver and sender of market intelligence in an organization, and relatively lower standing of the sender in the organizational hierarchy. Dispersion frequency can also be increased by improving a receiver's organizational commitment and trust in a specific sender, although these processes are more long-term issues.

Market intelligence should be an important source of information for international innovativeness. Li and Catone (1998) conducted research on the relationship between market knowledge, new product advantage (the extend of new characteristics of a new product that provides competitive advantage for this product in the market place) and a company's market performance. They also explored the antecedents of market knowledge. Li and Catone (1998) found evidence that new product advantage has a positive impact on a company's market performance. They also found evidence that customer knowledge (intelligence about customer preferences), marketing and R&D interface (in line with the findings of Ayers et al. (1997)) and competitor knowledge (intelligence about competitor activities) have a positive influence on new product advantage.

The main antecedents of customer knowledge are customer demandingness (the level of buyers' requirements for product performance and the sophistication of their technical standards and specifications.), technological change (the speed of technology development in a product market) and the perceived importance of market knowledge (the amount of emphasis top managers place on market information affects a company's generation of market intelligence about competitors and customers, as well as its interdepartmental coordination). The antecedents of competitor knowledge are also customer demandingness, technological change and perceived importance of market knowledge.

Customer demandingness and perceived importance of market knowledge are also antecedents of marketing and R&D interface.

It is important to have the right information as foundation to make the right decision. In many cases the question is: "Given a firm's strategic situation, what actions should it take?" but the question should be "What information should a firm collect to understand its strategic situation?" (Li and Catone (1998), Makadok and Barney (2001)).

Knight and Kim (2009) suggest that technological turbulence and market turbulence (The rate of change in the composition of customers and their preferences (Jaworski and Kohli,

1993)) are possible antecedents for IBC. Technological turbulence already is identified as a possible antecedent for International Innovativeness.

Jaworski and Kohli (1993) conducted some research on the topic of environmental turbulence and they found that market turbulence makes it more important to have a strong market orientation, because market turbulence has a positive effect on the relationship between market orientation and business performance. Businesses operating in more turbulent markets are more likely to have a strong market orientation, because they more often have to modify their products to stay ahead of the competition. Market turbulence so far has not appeared to be antecedent to market orientation. This thesis will investigate the possibility of market turbulence as an antecedent of market orientation, to explore the suggestion of Knight and Kim (2009). The findings of Jaworski and Kohli (1993) that market turbulence has influence on the effects of a market orientation does not rule out the possibility that the same market turbulence can lead to development of strong market orientation. This even suggests that companies need to have a strong market orientation in a more turbulent market, to thrive and be competitive in this type of market.

Jaworski and Kohli (1993) found for technological turbulence a different effect: they found that when an environment is more technological turbulent, a market orientation becomes less important for the business performance. They found this because bringing the newest, most advanced and most sophisticated technology to the market provides so much competitive advantage, that having a strong market orientation can hardly have some influence the company performance because this is totally determined by the technological superiority. Technological turbulence may not be antecedent to International Market Orientation; it still is possible antecedent to International Innovativeness because of its positive effect on the relationship between Absorptive Capacity and Innovation performance and company performance (Lichtenthaler, 2009).

The antecedents described above are all antecedents of Market Orientation. The dimension of IBC what this chapter is about, is International Market Orientation. We can assume that what is true for Market Orientation, is also true for International Market Orientation, with the distinction that the Market Orientation in International Market Orientation concerns a foreign market. From a company's perspective, the same antecedents of Market Orientation still matter for International Market Orientation, only the level of analysis is different.

To conclude: The possible antecedents of International Market Orientation could be:

- Market intelligence
  - o Access to information about (foreign) markets to generate market intelligence.
  - o The right internal coordination to disperse the (foreign) market intelligence through the organization.
  - o High levels of both Potential Absorptive Capacity and Realized Absorptive Capacity to acquire new external knowledge and disperse the new external knowledge through the organization.
- Leadership
  - o Top management must emphasize the importance of International Market Orientation
  - o Top management must not be risk averse
- Organizational mechanisms

- The reward system must encourage risk taking and responding to customer needs
- A high degree of connectedness enhances the knowledge sharing
- A minimum level of tension and conflict enhances the knowledge sharing
- A minimum level of centralisation of decision-making enhances the responsiveness to (future) customer needs.
- Market turbulence
  - A turbulent market place can force companies to develop a strong International Market Orientation to stay ahead in the competition.

#### **2.4.5 Antecedents of IBC**

There are many possible antecedents of IBC and every dimension has many possible antecedents of its own.

The next possible antecedents are the ones that seem to be the most obvious and important. The fact that International Orientation and International Market Orientation seem to be the most important dimensions for IBC is taken into account in the resume of the main possible antecedents of IBC.

The possible antecedents of International Business Competence could be:

- Vision (for International Orientation)
  - The company must have a consistent, bright view on the desirable future.
  - The vision must be articulated and endorsed by top management.
  - The vision must lead to the availability of resources.
  - The strategic objectives must be aligned with the vision.
- Leadership (for International Orientation and International Market Orientation)
  - The vision must be articulated and endorsed by top management.
  - Top management must emphasize the importance of International Market Orientation and the company's international activities
  - Top management must not be risk averse
  - The company's leader(s) need to have the right knowledge or have access to the right knowledge to make the right decision properly.
  - The company's leader(s) need to have the right experience (or prior knowledge) to make the right decision properly.
- Innovative business culture (for International Orientation and International Marketing Skills and International Innovativeness):
  - The company's culture must be proactive and entrepreneurial.
  - There must be an open culture with tolerance for ambiguity.
  - Open orientation and external positioning to adapt to movement in the market place.
  - Leaders must exhibit transformational leadership: they have to inspire and encourage initiative and not punish mistakes.
- Absorptive Capacity (for International Marketing Skills, International Market Orientation and International Innovativeness)
  - Absorptive capacity to absorb knowledge and generate new ideas.
  - High levels of both Potential Absorptive Capacity and Realized Absorptive Capacity to acquire new external knowledge and disperse the new external knowledge through the organization.

- Market intelligence (for International Marketing Skills, International Market Orientation and International Innovativeness)
  - o Access to information about (foreign) markets to generate market intelligence.
  - o The right internal coordination to disperse the (foreign) market intelligence through the organization.
- Organizational antecedents (for International Innovativeness and International Market Orientation)
  - o Integration of Marketing and R&D divisions to work together on new innovations and combine both customer knowledge and technical/specialized knowledge.
  - o The reward system must encourage risk taking and responding to customer needs and incentives must be aligned with innovative behaviour.
  - o A high degree of connectedness enhances the knowledge sharing
- Marketing Skills (for International Marketing Skills)
  - o Dedicated marketing function with concentration of knowledge and skills.
  - o Presence of key marketing skills, which are relevant in the industry a company operates.
- Business network and networking skills (for International Marketing Skills and International Innovativeness)
  - o A position in a business network and possibility to use these connections to change the business network position, serving the internationalisation objectives.
  - o The ability to start partnerships and maintain relationships with companies that give access to knowledge (marketing intelligence) about the adaptation of marketing skills.
  - o The position in the business network is important for R&D collaboration and the acquisition of new and specialized knowledge.
- Market turbulence (for International Market Orientation)
  - o A turbulent market place can force companies to develop a strong International Market Orientation to stay ahead in the competition.
- Technological turbulence (for International Innovativeness)
  - o The turbulence in technological development can possibly have a positive effect on the effect of Absorptive Capacity on Innovativeness and business performance.
  - o Transfer of technology can provide competitive advantage by absence of that technology in the foreign market.

There are also possible antecedents of which it is unknown if it contributes to IBC.

For International Market Orientation, a minimum level of centralisation of decision-making enhances the responsiveness to (future) customer needs. Formalization does seem to have no effect on International Market Orientation. For the development of integration between Marketing and R&D divisions, centralization of decision making to start the collaboration of Marketing and R&D together and formalization enhances the collaboration of Marketing and R&D. Empirical data from the case studies can clarify some of the ambiguous antecedents and confirm the possible antecedents.



Table 1 provides an overview which possible antecedent is related to which dimension of IBC and whether it is an external or internal antecedent.

**Table 1. Overview of possible antecedents of IBC**

	Dimensions of International Business Competence			
	International Orientation	International Marketing Skills	International Innovativeness	International Market Orientation
<b>Internal Antecedents</b>				
Vision	X	-	-	-
Leadership	X	-	-	X
Business Culture	X	X	X	-
Absorptive Capacity	-	X	X	X
Market Intelligence	-	X	X	X
Organizational antecedents	-	-	X	X
Marketing Skills	-	X	-	-
<b>External Antecedents</b>				
Business networking skills	-	X	X	-
Market turbulence	-	-	-	X
Technological turbulence	-	-	X	-

X An antecedent contributes to the dimension above

- An antecedent does not contribute to the dimension above

## 2.5 LITATURE REVIEW OVERVIEW

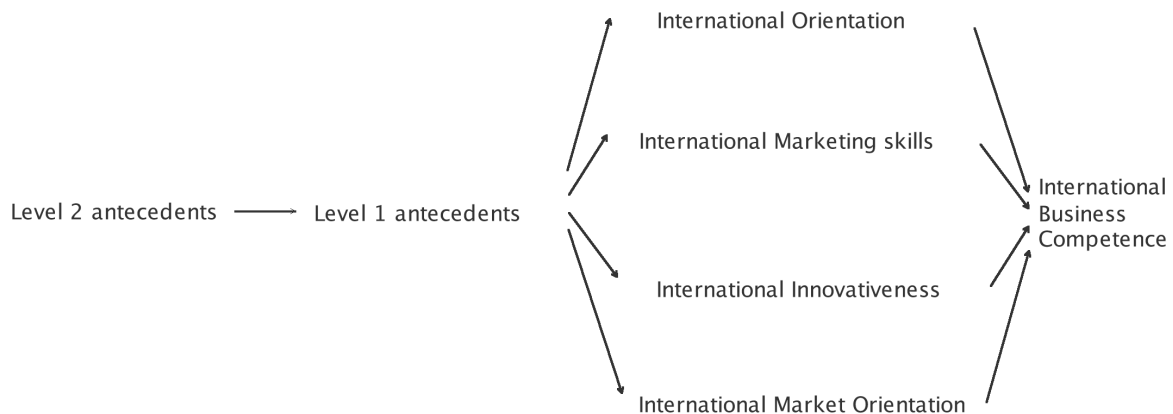
### 2.5.1 Summary

SME companies face difficult challenges when they choose to take their business to foreign markets. To overcome challenges, companies can develop capabilities. The international SME companies can develop IBC to overcome challenges in internationalisation. The existing literature on the characteristics of the four dimensions of IBC gives many suggestions of possible antecedents of these dimensions. Subjects as the business culture, absorptive capacity and market intelligence seem to be antecedent to many dimensions of IBC. A shortlist of all possible antecedents is defined in chapter 2.4.5. Although the empirical research is focussed on these possible antecedents, this does not rule out that other factors also contribute to the development of IBC.

The antecedents of IBC that are explored in the literature review are the antecedents with a direct contribution to the development of IBC. These antecedents can be appointed as the direct antecedents or “Level 1 antecedents”. Other factors that contribute to the existence, or influence the degree, of these Level 1 antecedents can be appointed as the “Level 2 antecedents”. In the literature review, there is mainly attention for the Level 1 antecedents,

because these can be led back to IBC and the four dimensions of IBC. Desk research on the Level 2 antecedents would take an enormous amount of time and would be speculative of character. The Level 2 antecedents are explored in the data collection. Figure 1 explains the influence of the direct (Level 1) antecedents on the four dimensions of IBC, which form IBC and the influence of other factors (Level 2 antecedents) on the Level 1 antecedents.

**Figure 1. The causal order of antecedents of IBC**



### 2.5.2 Research propositions

The literature review leads to the following propositions:

- 1. When a company has developed a high degree of IBC, it is more likely that that company also possess many Level 1 antecedents of IBC.**

This is the result of the causal effect of the antecedents. When the Level 1 antecedents are in place some degree of IBC can be formed and when a company starts an internationalisation process, IBC can be developed even more through the application of it. The presence of Level 1 antecedents functions as the presence of the key-skills in the Capability Life Cycle. The key skills are needed as the base of the capability. The Level 1 antecedents form the base ingredients for the existence of the four dimensions of IBC. Through this, the Level 1 antecedents form the basic ingredients for the existence of IBC.

- 2. The longer a company is international active, the more likely it is that that company developed a high degree of IBC.**

The longer IBC is applied, the more it will be improved. The time that a company is international active, functions as the exercising of the capability in the Capability Life Cycle. Improvement of IBC take place while it is practised. Through time and experience, IBC will be developed to maturity.

- 3. When a company is smaller and has fewer resources available, it is more likely that that company can profit from development of IBC to safe resources in internationalisation and therefore smaller companies will develop higher degrees of IBC than larger companies.**

Smaller companies often have fewer resources available and can bear the smaller risks. Smaller companies need to achieve international success much faster than

larger companies, because they will run out of resources much faster. The benefit of a high level of IBC is large, because this saves valuable resources. A high level of IBC also allows smaller companies to be more entrepreneurial, because the entrepreneurs / managers can invest their time and energy in other initiatives when the international activities evolve quicker more successful. Larger companies often have more resources and can often bear larger risks. The benefit from a high degree of IBC will be smaller, when a company is larger. This leads to stagnation of the development of IBC; to develop a high degree of IBC, the capability must be exercised over time and the capability will be improved. This development will be stopped when improvements does not create more value. The capability will no further be developed and reaches a mature stage.

**4. The more turbulent the business environment is, the quicker a company is able to develop a certain degree of IBC.**

As stated before: A company develops IBC over time. IBC will be improved when it faces reality. This contributes to the proposition that the longer a company is international active, the more likely it is that that company developed a high degree of IBC. The development of IBC of course does not only depend on the time that a company is international active, but also on what the company does in that time that it is international active. This is related to the fact that capability must be exercised to let them grow. But for the exercising it does not only matter how long the capability is exercised, but also how intense the capability is exercised. This results in the fact that the more turbulent the business environment is, the higher degree of IBC will be formed in a smaller amount of time.

# 3 METHODOLOGY

In this chapter the research design and methodology will be explained. The used data collection methods and data analysis methods will be explained. The researched cases will be introduced and per case, an explanation will be provided why that case contributes to the research.

## 3.1 Empirical method

### 3.1.1 Case study

This thesis is conducted with the method of case study. Case study involves the detailed and intensive analysis of a single or multiple case(s) (Bryman and Bell, 2011).

Case study allows research to dig deep into a case and get the whole picture of the mechanisms that work in a single case. This helps to understand the complexness and idiosyncrasy of the different cases better and gives some overview which factors are related to IBC. Case study provides a strong foundation for explorative research and development of new or stronger insights when in advance is not fully known what or where this new knowledge might be.

The empirical part of this thesis is built on multiple cases, which exist of a qualitative data collection part and a quantitative data collection part. The qualitative part consists of semi-structured interviews and the quantitative part consists of survey questions. This data together provide a strong picture of the case.

The case study research is conducted at seven different companies that went through an internationalisation process. The results of the seven cases are compared to each other. The patterns evolving from the results provide the insight needed to answer the research questions.

### 3.1.2. Case selection

Case study research will be conducted at seven SME companies that went through an internationalisation process.

This thesis includes seven cases for practical reason. Seven cases should give a good overview and provide the right amount of data for the purpose of this study.

Table 2 provides an overview of which companies are selected for this research and it shows some data about the company and their international activities.

**Table 2. Case overview**

Case no.	Company	Employees	Founded	International active since	Industry	Regions of international activity
1	Funk-E	21	2009	2013	Animations	Germany
2	Zytec	19	2013	2013	Magnetic couplings	Whole world
3	Feltest	2	2008	2008	Test equipment	Europe, Asia, America's
4	Boska Holland	80	1896	2002	Cheese tools	Europe, America's
5	Rijnplant	300	1944	1991	Ornamental flowers	Europe, Asia, America's
6	Aerolift	5	1960	1970	Vacuum lifting	Europe, Asia, America's
7	Control Union	2700	1920	1950	Inspections	Whole world

The companies vary in all sorts of ways. Per company, an explanation follows, why this company is selected in the selected sample and what it contributes to the results of this

research. The companies were selected for company specific criteria. The criteria for the selection of every company are described per company:

1. Funk-E was selected because it is a small and very entrepreneurial company. They produce explanation animations and this type of product is not easily to bring to a foreign market, but Funk-E did so. The company is small and their international venture exists for only one year. This could contain a lot of information about the development of IBC in the early stage of internationalisation.

2. Zytec was selected because it only exists for one year and they already brought their product to foreign markets all over the world. This should provide information about IBC, because this company definitely seems to have some kind of competence in international business.

3. Feltest was selected because it is a very small company. The company exists of one entrepreneur and one employee. Although the company exists of only two people, they are able to serve complete Europe, Asia and North- and South America. This case must be able to contribute to the knowledge about IBC.

4. Boska Holland was selected because it is a very old company in a very domestic industry: cheese tools. How is this company able to sell this product around the whole world and how is this related to IBC? What does the presence of possible antecedents mean for their development of IBC?

5. Rijnplant was selected because it is a very large company, in a very old business. Rijnplant has a subsidiary in China and serves Europe, Asia and North- and South America. Rijnplant is interesting for the development of IBC, because it is a very large SME company and they have a long history of international business. Rijnplant is also interesting for their product: ornamental flowers, of which one could expect that everybody can grow them around the world. So why is Rijnplant this large and this international active and how is that related to IBC?

6. Aerolift was selected because it is a company with a long history, which also has a long international history. If IBC develops over time, Aerolift should demonstrate that.

7. Control Union is selected because it is an outsider in this sample. The company delivers a service, which is more labour intensive than the delivery of a product when the company is scaling up. Control Union is not a SME; with over 2700 employees it is a multinational company. What does this mean for the development of IBC? Control Union was years ago a SME like the other six companies of this sample, but they have grown through. After all these years of growth, is there still something left of some kind of IBC? And how is this in comparison to, for example, Rijnplant that has approximately 300 employees? And how in comparison to Feltest, the smallest company in the sample, with the same international reach?

The case companies were contacted after research on the internet. During this desk research, the researcher searched for international SME companies. The search for suitable companies continued through the researchers own business network. Eventually all companies that are interesting for this thesis were selected. The companies are pro-active contacted through cold calling by the researcher with the question whether the company would participate with this research or not. Several companies were not able or interested to participate within the two months that were available for the data collection. Eventually, the researcher was able to plan interviews with the case companies of this thesis.

Table 3 provides an overview of the conducted interviews.

**Table 3. Overview of interviews**

Interview no.	Date	Company	Interviewee	Function
1	22-05-2014	Funk-E	Joost Vissers	Entrepreneur / Manager
2	22-05-2014	Funk-E	Alexander Broekman	Entrepreneur / Manager
3	11-06-2014	Zytec	Gert-Jan van Scherpenzeel	Marketing manager
4	11-06-2014	Zytec	Danny van Nielen	Chief Commercial Officer
5	17-06-2014	Aerolift	Robert Lem	Project Engineer
6	17-06-2014	Aerolift	Hans van den Tol	Entrepreneur / Manager
7	17-06-2014	Aerolift	Mary Notermans	Sales manager
8	01-07-2014	Feltest	Marcel Lensvelt	Entrepreneur / Manager
9	02-07-2014	Rijnplant	Mao Liu	Account manager
10	14-07-2014	Boska Holland	Martijn Bos	Entrepreneur / Manager
11	17-07-2014	Control Union	Annelies Moerdijk	Project Manager
12	17-07-2014	Control Union	Sander Jongeneel	Project manager
13	18-07-2014	Boska Holland	Jeroen Brem	Managing Director

## 3.2 Data collection and analysis

### 3.2.1 IBC-score of case companies

The score of IBC of the case companies is determined through the data collection of survey questionnaires. This quantitative data collection consists of a survey about the degree of IBC that a company has developed. This survey is based on the research of Knight and Kim (2009) and the questions posed are the exact same questions they posed to their respondents. The survey consists of 40 questions about the four dimensions of IBC.

For International Orientation, Knight and Kim (2009) developed 10 questions. Respondents need to answer in which degree questions about international orientation are applicable for their own organisation. For International Marketing Skills, respondents need to answer 12 questions about whether their marketing skills are better / worse developed than their competitors. For International Innovativeness, respondents need to answer 7 questions in which degree questions about international innovativeness are applicable for their own organisation. For International Market Orientation, respondents need to answer 11 questions in which degree questions about international market orientation are applicable for their own organisation.

The surveys are analysed per case company. When there are several respondents, their mean score is determined. Per case company, a score per dimension of IBC and for IBC total is determined. Per case company one to three respondents complete the survey. The same respondents as in the interviews completed the surveys. The results of the score per case company presented in Table 4.

### **3.2.2 Success of internationalisation**

The correlation with internationalisation success is proven in the research of Knight and Kim (2009) and is no point of focus in this thesis. The degree of international success is taken into account in this thesis to complete the picture as a control variable and to reflect on the findings of Knight and Kim (2009).

It is hard to determine whether a company is international successful or not, since there is not one definition to measure success. As result of the fact that Knight and Kim (2009) already had proven the correlation between IBC and international success, exploration of the perception of international success by the companies themselves contributes more to the knowledge about IBC and international success.

To check whether the companies actually find them selves successful, their perception of success by the company itself is asked in the interviews.

In the interviews, interviewees are asked to rate the company's international success. Their own rating of this success will be used to determine how successful their international activities are. After the respondents have rated their company's international success, the reason why they rated their company by that rate is asked. The answers provide insight in the motivations, goals and ambitions that the case companies have in foreign markets. The description of success of the case companies international activities and the definition and meaning of this success is included in the case descriptions.

### **3.2.3 Antecedents present in case companies – Level 1 antecedents**

The antecedents present in the cases are determined through the data collection in the interviews. The semi-structured interviews did not have a clear list with questions; it was rather a conversation about the history of the international activities and the developments in the company. The interviewer gathered answers on several questions about the Level 1 antecedents that followed out of the literature review. In the interviews, these answers are placed in context, to value the importance of the several Level 1 antecedents and to find out what other factors contribute to the development of IBC.

The interview data is used to identify antecedents of IBC in the cases. In this way, the researcher determines the presence or absence of antecedents. Appendix 1 provides the elaboration of the determination whether antecedents are present or absent in the case companies. Through the elaboration of the answers on the questions that need to be answered to determine the presence of several antecedents, the presence of Level 1 antecedents in the case companies is determined. The degree of presence of a Level 1 antecedent is rated by the researcher through the description of a degree of 1 to 10. A score of 1-4 means that a certain antecedent is not present in the company. A score of 5-7 means that a certain antecedent is present in the company to a small extend. A score of 8-10 means that a certain antecedent is present in the company to a large extend.

When antecedents are classified in which degree they are present in the company, there were some cases where some antecedents were not present in the company itself, but present in the business network of the company. This happens especially when companies work with foreign sales agents. The antecedents are in those cases present in the form of "social capital". Social capital is a broad concept, that did not have a clear definition until Nahapiet and Ghoshal (1998) defined it in a more narrow way. Based on Bourdieu (1986) and Burt (1992), Nahapiet and Ghoshal (1998) adopted this clear definition of Social Capital: Social Capital is the sum of the actual and potential resources embedded within, available

through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network.

This definition implicates that social capital is not only the presence of a (business) network through existence of linkages between people and companies, this definition includes all the actual and potential resources that are embedded or available through this network.

The antecedents that are available for companies through their external sales agents are part of this social capital for these companies. The same antecedent can be internal for other companies. The possibility of an antecedent to appear in the form of social capital is not applicable on all antecedents. In this the cases of this thesis this only appears when a company works together with foreign sales agents. The foreign sales agent contributes to the companies IBC with information and knowledge about the foreign market.

The results of these analyses are presented in Table 5 and Table 6.

### **3.2.4 Case description and cross case analysis – Level 2 antecedents**

As stated above: the semi-structured interviews did not have a clear list with questions; it was rather a conversation about the history of the international activities and the developments in the company. The interviews are conducted in this way to maximize exploration of the story of the international activities of the case companies. With a maximum amount of information it is possible to create an accurate reconstruction of the internationalisation process and the order of events that happened in this process. With this information, a case description is written per case company. The case description reveals the nature of the company and the way the company found its way to foreign markets. There is extra attention for the future plans of the company's leader(s). The case descriptions end with a conclusion about the internationalisation process in relation with the development of IBC and the propositions that followed from the literature review.

For the comparison in the cross case analysis, the "Necessary Condition Approach" (Dul et al., 2010) is used. The necessary condition approach is developed by Dul et al. (2010) and needs to provide insight whether conditions are causal related to each other. In their 2010 paper, Dul et al. (2010) explain a methodology of data analysis that make it possible to determine whether a condition is necessary or not. A "necessary condition" is a synonym for a "critical success factor"; a factor that is needed to achieve the intended success. This methodology is suited for quantitative and statistical researches, where hypotheses are formulated which are tested to be confirmed or falsified.

The methodology involves the determination whether condition A is necessary for outcome B to happen. For example: in several cases condition A leads to outcome B. If that happens in all the cases, condition A can be seen as necessary for outcome B. The amount of negative cases where outcome B happens to be without the former condition A must be very small to appoint condition A as necessary. The percentage of negative cases is arbitrary, but the higher this percentage is, the less credible condition A becomes to be necessary for outcome B.

The analysis that is conducted at the seven cases is based on the necessary condition approach, but it is not a full implementation of it. The difference with the approach of Dul et al. (2010) is the fact that it is not possible in this case study of seven cases to state which



conditions are absolute necessary. The seven cases are all different and on a base of seven cases it is not possible to determine whether without condition A, outcome B is impossible or not. Dul et al. (2010) developed their approach for full quantitative research, which this thesis is not. The base of the approach of Dul et al. (2010) that is suitable for this thesis is the part where condition A is compared with outcome B.

The different propositions that follow from the literature review are tested in the results of the empirical data. The results are being plotted in chapter 4 on a coordinate system where condition A (E.g. the years of international experience) is compared with outcome B (the degree of IBC) for all the seven cases. This approach provides insight in the factors that influence IBC and how they this influence works. This comparison is conducted for all the propositions from the literature review, to determine how accurate these propositions are.

In the cross case analysis, the companies are compared with each other. The score of IBC from the data collection of the survey is compared with:

- 1) The presence of the Level 1 antecedents;
- 2) The international experience;
- 3) The size of the company;
- 4) The degree of how entrepreneurial a company is.

The presence of the Level 1 antecedents resulted from the data collection of the interviews and the analysis in Appendix 1. To determine the relationship between the Level 1 antecedents present in the case companies and their score on IBC, the amount of antecedents present are compared with the IBC score. The antecedents present are based on the results of Table 5. Every strong present antecedent counts for 1 antecedent present. Every weak present antecedent counts for  $\frac{1}{2}$  antecedent present. The result of this analysis is presented in Figure 2.

The international experience of a company is expressed in the amount of years that a company is international active. The result of this analysis is presented in Figure 3.

The size of the company is expressed in the amount of employees that a company has employed. The result of this analysis is presented in Figure 4.

To determine the degree of how entrepreneurial a company is, the interview data is used. Entrepreneurship is all about the seizing of opportunities and to initiate new activities and innovations.

A company is more entrepreneurial when the managers / entrepreneurs seize more opportunities that emerge. A company is also more entrepreneurial when the managers / entrepreneurs initiate more new activities and innovations. Appendix 2 contains an analysis of questions that need to be answered to determine how entrepreneurial a company is. The result of this analysis is presented in Figure 5.

### **3.3 Validity**

Validity is concerned with the integrity of the conclusions that are generated from the research (Bryman and Bell, 2011).

### **3.3.1 Internal validity**

Internal validity concerns the issue of causality (Bryman and Bell, 2011). There needs to be no space for questions about causal concerns in the data found and the conclusion drawn. In antecedent research the causality is one of the main contributions to the existing literature. One of the main results of this research is a reconstruction of the events that contributes to the development of IBC. The causal concerns are part of this reconstruction and therefore is the internal validity part of the answering of the research question.

### **3.3.2 External validity**

External validity concerns the issue of generalisation. The results of this research need to be able to be generalised beyond the specific research context (Bryman and Bell, 2011). In this research, the cases are selected on their random differences. Because all cases are arbitrarily different, results should be easily generalised to a different context, although the exact results can be very company specific for the researched case companies.

## **3.4 Reliability**

Reliability is concerned with the question of whether the results of a study are repeatable or not (Bryman and Bell, 2011).

### **3.4.1 Internal reliability**

Internal reliability concerns whether or not, when there is more than one observer, who is member of the research team, agree about what they see and hear (Bryman and Bell, 2011). In this research there is only one observer collecting the data. This means that all collected data will be reliable in relationship to its collector.

### **3.4.2 External reliability**

External reliability concerns degree a study can be replicated. This study involves a qualitative case study. This implicates that it is per definition hard to replicate, because the same conversation between the same respondent and research will never take place at the same time and context again. According to Bryman and Bell (2011): "It is not possible to 'freeze' a social setting". To make this study controllable for investigation from external researchers all conversations are, with permission of the respondents, recorded. All recordings and analysis will be archived and available for replication research.

## 4 RESULTS

In this chapter the results of the research will be presented and analysed. First, for every case a description follows what the core business of the company is, how they become international businesses and the internationalisation means to them. After that, a cross case analysis follows. For every case, the score of IBC will be determined and the antecedents that are present will be revealed. After that, patterns in the presence of IBC and company characteristics will be investigated.

### 4.1 Case descriptions

In this chapter, the case descriptions of the cases are presented.

#### CASE 1: Funk-E

##### About Funk-E

Two International Business Administration students founded Funk-E in 2009. These students were Joost Vissers and Alexander Broekman, both students with entrepreneurial drive. They just wanted to start a business and see how far they could get. Within one year, both Vissers and Broekman graduated their study and they could both focus on the growth of Funk-E. Funk-E was meant to be an e-commerce company.

Vissers and Broekman soon learned that there was market for animated movies, in which complex products or problems are explained. These explanation-animations became the main product of Funk-E in early 2010. To become competitive with competitors, Vissers and Broekman knew they should make the animations quicker and more standardized than the competition. They reduced the production time from approximately six weeks to approximately three days. With standardized animation set-ups and characters, they were able to offer animations to the market, with substantial lower costs.

From the very beginning, Vissers and Broekman had a clear vision on their enterprise-to-be. They find inspiration in the company of Virgin and the entrepreneur of Richard Branson. Especially the fact that Virgin is able to produce a bottle of cola and run an airline within the same brand is inspiring for the Funk-E entrepreneurs. Also the drive to always want to take the business to the next level is an important Virgin-feature for Vissers and Broekman. Virgin is not only taking their clients into the air, they want to take them even to outer space. This inspires Vissers and Broekman to think big, without being unrealistic.

##### The internationalisation process

In 2011 and 2012 Funk-E grew rapidly. Vissers and Broekman had the ambition to be an international enterprise from the very beginning and plans to internationalise grew when it became more realistic. Vissers and Broekman both studied International Business Administration and therefore they had affinity with international business. Next to that, Broekman has roots in Italy and he even lived there in his younger years. Although there was still much work to be done in the domestic market, the entrepreneurs decided to take their business abroad anyway.

Vissers and Broekman started to visit some international exhibitions in the business of e-commerce and digital animation. They visited several countries as the UK, France, Belgium and Germany. They found various levels of interest in their product.

From their own analysis they knew that a company like Funk-E thrives in an environment where internet and digital animations are very accepted. They knew that countries as the UK, Germany and the Scandinavian countries provide the best environment for Funk-E internationalisation. Countries like Spain, Italy and almost every country around the Mediterranean Sea should not be likely for Funk-E to enter as result to the cultural differences and the less prominent role of Internet and digital animations in daily life.

The UK could have been a very good market, but there were already many competitors of Funk-E active. So Vissers and Broekman had to choose between Germany and one of the Scandinavian countries for Funk-E to enter. The distance to the Scandinavian countries is larger, not only geographical, but also cultural and linguistic. Germany is also one of Europe's strongest economies, and seems to suffer less from the economic crisis than the rest of Europe. Thereby is Germany also a very large market, approximately five times bigger than the Netherlands.

All these considerations together in mind, Vissers and Broekman decided that Germany was the best market to start their international business.

Funk-E started their international activities in Germany by hiring a sales agent in Germany and started to offer their Dutch customers, who are also active in Germany, some translations of their Dutch animations for reduced prices. Next to that, Funk-E also offered some complete new animations to German subsidiaries of Dutch clients for reduced prices. As Funk-E started to sell their first animations to German clients, Vissers and Broekman decided that they definitely needed to open an office.

Since the first of January 2013, Funk-E officially opened their office in Berlin. Berlin is known as the European epicentre of creative internet-related industry and therefore perfect for Funk-E to settle.

With opening the German subsidiary, Funk-E faces several risks. The biggest risk is the financial risk. The total costs of the German start-up was estimated on € 60.000,-, but is starting to cost more. At this point Funk-E has a cash flow of € 90.000,-. When the Dutch sales should start to fall back, the whole company could be in jeopardy. Vissers and Broekman are aware of this risk, but see falling back of Dutch sales as such a big threat to their business, that this needs to be prevented at any time. When the Dutch sales should fall back, the company would never make it, with or without a German subsidiary. The absence of Funk-E Germany should only give Funk-E some extra time when sales fall back, but it would not prevent Funk-E from collapse.

First, Broekman left for running the Berlin Funk-E office. He was there the first three months of Funk-E Germany. Vissers headed off to Berlin to run the German Funk-E subsidiary after Broekman had returned. This meant that Broekman and Vissers did not work on Funk-E together for six months. This led to stagnation on the Dutch Funk-E office. The business did not significantly grow in the Netherlands, as it had always done.

Meanwhile Funk-E Germany was going through hard times. Small things like proper Internet connections led to big problems when it did not work, as it should.

Funk-E as an organisation was not adapted to dealing with two offices. Communication between the two offices is very hard. This resulted in an organisation that did not learn from itself. The same mistakes that Funk-E Netherlands made, made Funk-E Germany again. This resulted in professional improvements, which made the whole company more stable and less person-dependant.

While Vissers and Broekman are working very hard to make Funk-E international successful, Funk-E employees do not understand the importance of the international subsidiary. They even asked “when the German office starts to make money or will be closed”. Vissers and Broekman were not able to let the Funk-E employees understand the purpose of the international venture.

Animation selling works different in Germany than in The Netherlands. It takes a lot more time to sell a project in Germany and it requires more contact with the client. Funk-E Germany needed to adapt to this different type of sales. Not all projects that were sold in Germany were also produced in Germany. Some of the projects were built in The Netherlands, due to the limited production capacity Funk-E Germany has.

### **The success of the international activities and future plans**

The internationalisation of Funk-E Germany costs a lot more than estimated but Funk-E claims to have earned back the investment. Funk-E Germany had not made money yet, but after one year it did not cost money. Funk-E Germany is still growing, but it is not stable. It takes a lot of attention from both entrepreneurs to keep the subsidiary running.

In the self-assessment to rate their own international success on a scale from 1-10, Vissers and Broekman rate their success on a 6. The internationalisation project is not as successful as Vissers and Broekman would like it to be, but it is sufficient successful and has still some growing perspective. Therefore Funk-E continues their internationalisation project.

With the experience of this internationalisation project, Vissers and Broekman are better equipped to start their next internationalisation project and they definitely will start a new international venture.

### **Conclusion**

Funk-E did develop some degree of IBC within the one year they are active in a foreign market. It is clear that Funk-E is still developing their international skills and they still struggle with internationalisation issues. Funk-E does have some possible antecedents of IBC within their company, but this is limited. It is very clever that Vissers and Broekman explored and analysed the markets in advance, this contributes strong to International Market Intelligence, one of the most important dimensions of IBC. The entrepreneurs of Funk-E perform on a high level and are very ambitious. They have the perseverance that is needed to overcome all the issues that Funk-E faces with internationalisation. The whole internationalisation is the result of their unbridled ambition. It will take some time to succeed, but it is important that Vissers and Broekman took the step abroad to initiate the internationalisation and start to develop their international business skills. They realize that this is the only way to full fill their ambitions.

## **CASE 2: Zytec**

### **About Zytec**

Zytec was founded in April 2013 in Vlaardingen as a venture in magnetic torque couplings. The company is organized around the revolutionary and patented torque coupling technology.

The technology can best be described as uncoupled coupling. The connection in the coupling is realised by magnetism and therefore it does not need mechanical coupling. The torque couplings as Zytec produces are used to couple electronic engines with a mechanism that the engine needs to drive. Usually the engine and the mechanism are coupled in a mechanic manner. This includes some drawbacks: the mechanic coupling need to be maintained and is subject to wear. Moving parts that do not fit properly can cause problems and this leads to extra load for the engine. The coupling with use of magnetism as patented by Zytec does not have these drawbacks. The magnetic coupling can even cause energy savings by adjusting the load of the mechanism on the electric engine. Zytec claims that the investment in a Zytec coupling can earn its money back on energy savings in one year.

The application of the Zytec coupling is varied and in almost every situation with an electric engine that is driving a mechanism applicable. Zytec sells their magnetic coupling in various industries as mining, petrochemicals, food processing and the maritime sector.

### **The internationalisation process**

Zytec started as a production company in April 2013 with the ambition to grow fast. The plan was to be a manufacturing company of the magnetic torque couplings and to sell these to distributors. The distributors would sell the products to their customers, the end-users.

Soon Zytec's distributors found out that transport of the product was expensive and that the delivery time from the Netherlands was too long for their demanding customers around the world. Zytec rapidly changed its strategy by sourcing out both production and sales to their distributors.

By this strategy change, Zytec became a company of knowledge. The strategy of sourcing out production and sales to distributors was then developed to a business model of licensing of the complete technology. The earnings for Zytec in this licensing model are based on a start-fee, a monthly fee and a royalty fee for every sold coupling. The deal of fee that a distributor pays to Zytec is different per country. For example in China, where it is hard to monitor sales, the royalty fee for every sold coupling was replaced for a higher monthly fee.

When Zytec started its internationalisation, they analysed which market would be best to enter first. These analyses are all conducted by desk research due to the fact that many crucial factors for potential success could be identified in public accessible data.

After choosing which countries and industries are obvious the best opportunities to enter, they sought for these markets and countries distribution partners who buys the product at Zytec and sells the products in their own region. Zytec found these distribution partners by using their international business network.

The Zytec coupling has broad application possibilities and the sales could grow very fast. This of course is an advantage for Zytec, but it also is a liability in the internationalisation process: opportunities come in such great numbers and resources to respond to these opportunities

are scarce as result of the size of the start-up company. Zytec had to be clever and make the right choices in what opportunities to respond to and which markets (countries and industries) to focus on. In this first year of existence of Zytec, they choose to focus on 'the low hanging fruits'. Zytec only entered industries that were easy to reach and focussed on countries that had good opportunities to do business with. For example: A big country with great potential as Brazil was for that moment not interesting for Zytec to enter, because its strong legislation around the import of foreign manufactured products. In Brazil, products that have been manufactured in foreign countries need to pay a 300% import fee. This implies that Brazil is only an interesting foreign market for Zytec, when Zytec manufactures their couplings in Brazil and avoid the 300% import fee.

By picking the 'low hanging fruits', Zytec started to generate turnover and earn money to invest in the product development- and internationalisation-process.

To scale up the production and sales, Zytec adapted their business model to the licensing model. Zytec than leases the whole technology to their distributors. In this case, Zytec is the centre of knowledge and has to take care that this knowledge is dispersed to all distributors. The knowledge of Zytec is not only the technological part of the product, but it also involves the production techniques and the way to bring the coupling to the market place. Zytec developed a program in which instructors and quality controllers could take care of the instructions and check on quality of the produced couplings. This program made it possible to disperse new knowledge about the product or new innovations for certain industries or countries very quickly.

Zytec was very eager to share their knowledge and be open and transparent to their partners, but they do not think that there was a danger for infringement of their patent. The technology of magnetism and the way to apply this technology is very complex. Zytec needs to work and learn very hard to acquire and maintain their knowledge about magnetism and focuses on this as the core of their company. They need to do this to stay on top of this technology and become leading in uncoupled magnetic couplings. They think that even if they share almost everything they know about their product, it still would be very hard to replicate their product. And if companies do so, Zytec always has the opportunity to sue these companies for infringement of their patent.

### **The success of the international activities**

Within a year, Zytec has achieved a lot. The international activities grew very fast and the company is growing according to their timetable. In the self-assessment to rate their own international success on a scale from 1-10, Zytec rate their success on an 8. They rate their success so because up until now everything goes according to their plans, but they have much more ambitions, so they can always do better, even if the are successful.

In the near future, Zytec wants to be a company of knowledge of magnetic torque couplings. They want to continue developing the product for new applications, new industries and new markets. The organization of Zytec needs to 'own' this knowledge and be able to distribute this knowledge to all their licensing clients. By the strategy of adaptation, Zytec transformed from a domestic production company to a global network of knowledge in a little more than one year.

## **Conclusion**

It is remarkable what Zytec seem to have achieved within one year of founding of the company. Although their technology is very sophisticated and patented, (therefore they have many business opportunities) the pace of the growth of Zytec is impressive. Zytec seem to have all the crucial possible antecedents of IBC covered. Zytec also seem to have reached a high degree of IBC within a very small amount of time. They putted all the right people and resources in the right place at the right time. Zytec benefits a lot from the fact that their product is superior to other products in the market and that their product is not already present in all the markets that they will enter. Nevertheless, the product can be superior, the internationalisation still needs to be performed and Zytec does this (until now) very good.

## **CASE 3: Feltest**

### **About Feltest**

From 1995 till 2007, Marcel Lensvelt was a sales agent for the Benelux for suppliers in the paper production industry. The paper production industry is a small, global operating industry. Lensvelt had, as a sales agent, a dense business network within this industry and knows the market very well. Due to special events where agents from all regions and countries in the paper industry meet each other, Lensvelt also is really well known inside the world of sales agents in the paper production industry.

While the paper production industry in Europe consolidates, mergers and acquisitions were common. As a result of these mergers and acquisitions, the sales agents business in the Benelux started to fall back and Lensvelt chooses for a different future.

Lensvelt already developed some measurements tools for one of his customers as a sales agent and started a company in the production and delivery of paper-industry-specific measurement tools. For liability reasons he already founded a limited company in 2002, but per the 1<sup>st</sup> of January 2008 he focussed solely on this company: Feltest Equipment.

The customer, paper production companies, is the core business of Feltest. Feltest develops, produces and delivers measurement tools for paper production companies.

In the first year of Feltest's existence, the company could not thrive on the measurement tools and Lensvelt started to sell commercial products to his customers.

Feltest innovated in several types of products that were used in the paper production process. Not all the products of Feltest are related to each other, except that the same customer uses them all: the production manager of a paper production company.

Many of the paper production companies are, as result of the mergers and acquisitions in this industry, large multinational companies. Due to his large network of sales agents, Lensvelt could easily sell his product abroad.

### **The internationalisation process**

In early 2008, Feltest was doing well. Sales grew quickly and financial advisors hinted on the acquisition of extra capital to finance even greater growth. Lensvelt got a loan of € 100.000,- to finance this growth. Soon the odds turned against Feltest. In September 2008, the economic crisis became reality and Feltest sales fall back. In 2009, turnover sales decreased by 75%. Feltest's sales were focussed on Europe and the economic crisis mainly



took place in Europe and the U.S. To survive, Feltest had to find growing markets and found these in Asia. China was the first country to expand activities.

Feltest started selling their products through Chinese sales agents and presence on exhibitions, where Lensvelt's business network continued to grow. Feltest had a partnership with a Finnish sales agents company. The advantage to work with this company should have been the European management and legislations, and the presence of local agents in several countries in Asia. The products of Feltest cost approximately € 2.000,-, other products that the sales agents often sell, are in a prize range of > € 50.000,-. Therefore the sales agents were not really motivated to sell Feltest products, because the commission they earned was relatively low. The sales agents preferred selling other products on which they earned higher commissions. Direct sales in Asia were not easy to achieve, because of the cultural difference with the Dutch company. Selling in Asia is a slow process and due to the financial crisis, Feltest was in a hurry to increase sales.

As a result of this, sales in Asia were not on the level Lensvelt intended it to be, although the sales where enough for Feltest to survive the economic crisis years. Feltest survived the crisis years mainly because of the revenue in Asia. This was not only in China, but also in India and Thailand. In Thailand, Feltest had a remarkable successful exhibition in political turbulent times.

In China, Lensvelt learned that people invest a lot of time and money in their business relations. This meant that it took a lot of time to eventually sell a product. For Feltest, the great sales successes took too much time to arrive.

When Lensvelt met a Canadian company on an exhibition in Delhi, new opportunities for Feltest arose. The company had already experienced with products similar to those of Feltest and they are interested in a partnership. Eventually, this company became Feltest distributor in North America.

An import difference between a sales agent and a distributor is the line of responsibility. A sales agent intermediates between customer and the company it works for. When both parties come to a deal, this deal is between the company and the customer. The agent earns a fee for the services delivered. A distributor does not only intermediate between company and customer, the distributor buys the product from the foreign company and sells it in their own country. The deal is between the company and the distributor and between the distributor and the customer.

For Lensvelt, this made a big difference in doing business in Canada and the U.S. The products that Feltest produced are used to conduct testing in the paper production process. In this process, very expensive installations are in use. When such an installation does not work, the paper producing company is losing money very quickly. When a product of Feltest could cause a production delay, Feltest could be liable to the production loss. Due to the sue culture the U.S. and Canada are well known about, Feltest would rather not be the selling company in these countries.

### **The success of the international activities**

Feltest and Marcel Lensvelt himself, learned a lot from the internationalisation they initiated. In the self-assessment to rate their own international success on a scale from 1-10, Feltest rate their success on an 8. They rate their success so because the international activities are very good for the company. The company would not exist anymore nowadays, if it had not been active in Asia during the financial crisis. The international activities means a

lot to Feltest and therefore the international success is rated on 8. This leaves also space for improvement.

Sales in North America were done by the Canadian partner company, but this company not only sold Feltest products, they also developed and sold their own lab instruments for paper production companies. Again a Feltest product brought very small revenues to the distributor, compared to their own products. Feltest could not control North America sales and after a few years, the sales did not meet Feltest's ambitions anymore. The partnership with the Canadian company was stopped in May 2014. From August 2014, Feltest will sell its product in North America on its own. After the partnership, Lensvelt knows more about the American market and now he finds it safe to sell Feltest products himself in North America.

A few years ago, Feltest worked with four persons, but the extra employees did not deliver what Lensvelt expected they would do. The company is really small but operates worldwide in Europe, Asia, Australia, North and South America and even in South Africa. The strategy with sales agents is successful, but Feltest keeps on suffering from the fact that most other products the sales agents sell are more expensive and bring the agent more commission. Feltest works very hard to overcome this 'liability of smallness', the first step should be the direct sales to big paper production companies in North America.

The paper production industry is a small industry and operates worldwide. Feltest needed to be an international venture from the very beginning, because the paper production companies are the only customers for the Feltest products.

## **Conclusion**

Feltest is the smallest company in this thesis and therefore very interesting to see how international business works in a two-man company. Due to its size and network of sales agents, Feltest seem to have all the crucial possible antecedents of IBC within their reach. This is interesting, because the company does not have to invest in itself to acquire antecedents to achieve a high degree of IBC, but they only have to have the right connections in their business network, or have strong networking skills. The entrepreneurial character of Lensvelt is the full driver of the existence and successes of Feltest, without his perseverance, the company would never have survived the financial crisis in 2009. The international character of the paper production business is the main reason that Feltest is an international company and the business connections that Lensvelt inherited from his former job as sales agent were very useful for Feltest.

## **CASE 4: Boska Holland**

### **About Boska Holland**

With its origin in 1896, Boska Holland is a company with more than 100 years of history. Boska is seller, producer and developer of Cheesewares®, accessoires and tools for cheese, initially for the professional market.

The family business was passed on to the fourth generation in 2002 and Martijn Bos became the owner and entrepreneur of the firm. At the time, Boska Holland was a company that was orientated on the domestic market with an export of 8% of its revenue to Belgium and Germany.

### **The internationalisation process**

To grow the business, Bos knew he had to raise the export and foreign sales. Bos studied in the U.S. and is international orientated in his social life. He decided to take the chance and started to export the Boska products. In order to increase international sales, Boska was present on international exhibitions. This led to an explosion of international sales and within two years, Boska sells its products in approximately 85 countries.

The fast growth and sales in 85 countries caused internal chaos in the company, and Bos decided to change the organization. Since 2004, Boska focuses on some markets, and is passive present in other markets. The sales and international investments were focussed on France and the U.S. In France, Boska had a sales agent and in the U.S., they had an importer. Soon, Boska learned that once a customer had bought a Boska product, he would use it the rest of his lifetime and was less likely to become a customer again.

Once again Bos decided to interfere in the international sales. In France, Boska incorporated the French sales agent. In the U.S., Boska decided to stop selling through the importer and import the products by its own, together with a new partner.

Together with the start of the international activities, the range of products changed dramatically. Bos took his chances to focus on the consumer market instead of the professional market. Boska expands its assortment with new consumer products for the department stores and retailers. In the early days of internationalisation, Boska had over 2.000 products in store. In 2004, the assortment was also changed with a reduction from 2.000 to 100 products.

Boska learned soon that the consumer market is a different market than the professional market and that it took more support and attention to be active in this market than Boska was used to.

Due to the fact that Boska is present in the cheese tools market in over 85 countries, it is not possible for Boska to innovate for specific markets. Ideas for innovation are fed by learning and experiences in other markets, not all of the ideas have global potential though. Once an innovation is done, it is carried out in all the countries. The only exceptions are projects of co-labelling; these are projects in a partnership with another manufacturer to produce a specific cheese tool together for a specific market.

After the quick internationalisation start, Boska changed internationalisation strategy to a focus-strategy with focus on some markets. The incorporated sales agent in France did not bring the intended results and the construction with the agent as an employee did not work properly. As a result of this, he was replaced for another sales agent. This new sales agent was a Walloon Belgian. When the sales with the new sales agent started to work, the sales team on the French and Belgium market was growing.

In the other focus market, the U.S., the international activities also did not deliver the results intended. To change this, Boska decided to do the U.S. sales on its own, without a partner. Nowadays the U.S. activities are still growing with an office with seven employees in New York, a sales manager in Chicago and 54 brokers as a connection to all the retailers and department stores.

Since 2008 Germany, Switzerland and Austria also had become focus markets. This means that these countries also have a special team present in Germany.

In the 75 countries that are not appointed as focus market, Boska exports from the Netherlands. The Netherlands remains the most important market for Boska, with a sales volume of approximately 50% of all sales. The 75 export countries are served with a team of four export managers. The knowledge of the focus markets is big, because there is a lot of attention from all the sales managers for these markets. The knowledge of the 75 export countries is not so big. This is a conscious choice, in line with the focus strategy.

In the focus-markets, from the first start till the point of profitability, it can take approximately 5 years. In the U.S. it even took 12 years to become profitable. This illustrates the investments that Boska does in the markets that they focus on. First, the costs come and the profits follow later. This is the result of 'the substance', a minimum level of sale volume to start with a local team to sell more proactive to continue growing. The lesson was 'to do less better' as Bos calls it. First, the focus markets need to become profitable and run well. After that, Boska is ready to take the next step in internationalisation.

### **Success of international activities**

Boska went through a lot of success and failure in the past 12 years. In the self-assessment to rate their own international success on a scale from 1-10, Boska nowadays rate their success on an 8. They rate their success so because the international activities are successful, but there is still space for improvement. This level of success must be consolidated and when it is possible, the success must be increased.

Boska has a production company in China, but they do not have significant sales activities in China. Although, Boska has obtained a sales permit in China, to leave the opportunity open to do so in the future. Bos does not see potential in China (and Asia) on short terms. The cheese companies need to go there first, it is not possible for Boska to sell cheese tools, when the cheese sales are on a low level. Bos thinks that within 10 years, the Asian market becomes more interesting.

Bos emphasizes the importance to have a clear strategy in a fast growing and internationalising business. In the execution of this strategy this means for Boska to achieve acquisition and sharing of knowledge and after that to deliver a good product and alignment of product with markets. For Bos this implies learning in culture and personal development for his employees. Nowadays Boska invests in learning from cultures and personnel development to achieve this.

One of the lessons of the success and failure of Boska Holland is for Bos that in the Netherlands, in general, we underestimate the importance of deepening in the local culture. The Dutch are inclined to tell people how they should do things, but instead of doing so, Bos pleads to listen how other people do things and to go with the flow of a country. It is important to have good local people in the company to sense the small things in conversations and choose the right words in the marketing. An awkward and small mistake can have big consequences.

The international activities so far are successful, but there is still a lot to improve. This improvement is especially on the field of local adaptation. Bos is aware of the importance of this adaptation, but he also knows that as a Dutchman, you can never fully understand the culture of, for example, an American.

## **Conclusion**

Boska Holland chose deliberately to take their business to foreign markets. In the twelve years that they are international active they have learned a lot and developed a certain degree of IBC. Boska Holland is still developing their IBC incrementally. Many possible antecedents of IBC are present in the company. The most notable is the fact that the entrepreneur is very conscious of the fact that cultural differences are present. Bos knows that he must overcome these differences in an honest way. The whole internationalisation is initiated by the entrepreneurial drive of Bos. The hard work and perseverance that Bos displayed is key to the international success.

## **CASE 5: Rijnplant**

### **About Rijnplant**

Rijnplant has been founded in 1944. In the end of the 1980's, Rijnplant was a family business of the family Van Rijn. It was a greenhouse company specialized in the cultivation of Anthurium flowers. To differentiate from the competition, Rijnplant initiated research to find out what the customers would like to improve on this flower. With the findings, Rijnplant went to the laboratory to crossbreed Anthuriums until they had made the improved Anthurium. Today's Anthurium of Rijnplant has a bigger flower and is longer tenable than the traditional Anthurium. Rijnplant indicates that the quality of their Anthurium is nowadays extremely high and therefore recognized around the world. The flower cultivating and trading business is a global business, where The Netherlands traditionally has an important role. With two of the world's largest flower auctions and an agricultural dedicated university, The Netherlands are very proactive in this world. The trading in flowers is global, but there are many different types of flowers. This means that the trading world in one specific type of flower is not so large and the same companies are dealing with each other for years. In the trading world of the Anthurium, Rijnplant is one of the biggest companies and is worldwide very well known for the quality of their products. Nowadays, Rijnplant exists of two companies; the first company is an Anthurium nursery, which grows adult plants and sells them to the world market. The second company is an Anthurium breeding company, which grows small plants to sell them to Anthurium nurseries around the world.

### **The internationalisation process**

Rijnplant is a big company within the world of Anthurium small plant breeding. Rijnplant is one of the two big companies who are active in this niche and together with their competitor they serve markets around the world.

They have a position of dominance because of their resources. It takes almost seven years and dozen researchers and hectares of agricultural greenhouses to crossbreed a new and improved type of Anthurium. The niche market of Anthurium small plant breeding is very small and Rijnplant acquired this position in time during the 1990's and 2000's.

The hardest part of internationalisation for a company, which exports living goods, is the phytosanitary certificate legislation that almost every country has. The products of Rijnplant are living plants and it could carry organic diseases with it. This legislation is different in every country. For some countries the goods need to be in quarantine for several weeks.

The internationalisation of Rijnplant is a result of the global character of the Anthurium trading business. Rijnplant started as a Dutch domestic Anthurium nursery, but with the acquisition of superior types of Anthurium, Rijnplant was capable to export their product abroad, due to the global trade market of Anthuriums. In the 1990's Rijnplant mainly served the European market. With the start of their breeding business, Rijnplant strengthened its position in the European market. The relative quick European internationalisation was due to the European unification. With the introduction of the European market and the alignment of legislation, it became easier for Rijnplant to grow in Europe. Rijnplant grew incrementally and since the early 2000's they started to do business with Asia. The Asian business was focussed on China. Rijnplant entered the Chinese market with exposing on Chinese exhibitions. The reputation of Rijnplant in the world of Anthurium breeding was already known in China and when the Chinese middle class starts to grow, the demand for ornamental flowers also rises. When after a few years the sales volume in China had reached a certain amount, Rijnplant decided to open up a Chinese subsidiary to meet with the Chinese demand. For Rijnplant the opening of the Chinese subsidiary is a relative safe investment, because the subsidiary is opened when the orders are already sold. The plants are grown in order and clients in the Chinese flower business are used to pay in a very early stage.

At the end of the 2000's, Rijnplant is ready to head to the west and start to do business with North- and South America. With presence on worldwide exhibitions, their potential American customers already recognized Rijnplant. With the entering of the American market, potential Anthurium nurseries can easily find Rijnplant. As result of the fact that the Anthurium breeding business has two major companies with superior products that dominate the market and the large demand for Anthurium small plants, Rijnplant finds their customers in an easy way: they approach Rijnplant instead of Rijnplant approaching their potential customers. There are customers that Rijnplant does approach; these are the customers of their competitor. With good service en great offers, Rijnplant tries to persuade these customers of their competitor to become their customer.

### **Success of international activities and future plans**

Rijnplant has a very good position in the market. In the self-assessment to rate their own international success on a scale from 1-10, Rijnplant rate their success on a 9. They rate their success so because of their strong position in the market and the outlook of how they can consolidate that position.

In 2014, Rijnplant is international active in Asia, both North- and South America and in South Africa. In Asia Rijnplant has a subsidiary in China and is carefully entering India. India has a great potential, but the market needs to grow. Rijnplant sees the Indian market as the Chinese market of 10 years ago. This is the result of the lower prosperity. This means that it has so much potential that in about ten years, Rijnplant maybe will have an Indian subsidiary. The Asian market is now served through the Chinese subsidiary. For Africa it is the same story; the prosperity is too low to sell a luxury products as ornamental flowers. Rijnplant is active in Africa through business in South Africa, but Rijnplant is not focussed on Africa at the moment.

Rijnplant is at the moment focussed on North- and South America. The American activities are growing and Rijnplant is considering opening a subsidiary in North America when sales volumes are large enough.

The internationalisation means a lot to Rijnplant. It allows Rijnplant to sell more products because they have more markets to serve since they brought their business abroad and it results in lower risks. The lower risks evolve as result of the dispersion of business activities. When one market is declining or the market in another country is going to be protected by their government, Rijnplant has many other countries and markets to cover the negative consequences.

For the future Rijnplant is continuing their R&D activities to adapt their products to the demand of their customers. For example: customers in the north of the world want Anthuriums that resist low temperatures, customers in the tropics want Anthuriums that resist high temperatures and a moist environment. Due to the fact that these adaptations are time consuming and cost intensive and Rijnplant, as one of the few competitors in this market, is in the position to innovate on this adaptations, Rijnplant assumes that they can consolidate their competitive advantage.

### **Conclusion**

Rijnplant benefits a lot from the fact that they have developed a superior type of Anthurium. The fact that their global market is an oligopoly of Rijnplant and one competitor also helps them to consolidate their strong position. Rijnplant is good in doing international business, but does not especially have a high degree of IBC. Rijnplant does possess several possible antecedents of IBC, but not in an extreme high degree. Rijnplant is very successful and that mainly has to do with their superior product and their position in the market. They can maintain this position through the financial resources they have available. It is very hard for new companies to compete with Rijnplant because R&D investment is very high and it takes years to develop a product that compares with the Anthurium of Rijnplant and their competitor. The business culture also contributes to the consolidation of their position, the whole company seem to be focussed on the production of the best Anthuriums and the development of the futures best Anthuriums. The company is very ambidex with the two companies: the nursery for the exploitation of their current products in their current markets and the breeding company for the exploration of their future products and markets.

## **CASE 6: Aerolift**

### **About Aerolift**

Aerolift was founded in the early 1960's as a company in vacuum lifting technology in a partnership of eventually two and later three companies. The other two companies in this partnership are UBO engineering and MHZ machine factory.

UBO engineering is a company that is specialized in design and engineering of (mostly concrete) factories. In the factories designed by UBO, there is a high demand for efficient lifting technologies. Aerolift was created as a company that specializes in efficient lifting technologies, by using vacuum technology.

MHZ machine factory is a machine factory that since the early 1990's specializes in the production of the vacuum lifting machines that are designed by Aerolift. Today, MHZ builds all the machines that are designed by Aerolift.

Aerolift is a design and engineering company that is specialized in vacuum lifting solutions. They design all their products tailor-made for their customers. Aerolift and MHZ are two small companies (5 + 15 FTE) and together they create approximately 30 vacuum lifting machines per year.

### **The internationalisation process**

Quick after it's founding in the 1960's, Aerolift starts to sell their products abroad. In almost their whole history of 50 years, Aerolift has been an international represented company. Today's owner and entrepreneur, Hans van den Tol, acquired Aerolift in 2006. Today sales agents represent Aerolift in 13 countries, but Aerolift is able to serve the whole world.

Aerolift is a company of knowledge. This knowledge is the only real competitive advantage the company has. Aerolift is an engineering company and serves their clients with vacuum lifting solutions. The production and actual delivery of the vacuum-lifting machine is done by MHZ machine factory. The knowledge of Aerolift is acquired through many years of designing vacuum lifting machines. The knowledgebase is built on a wide range of experience and the delivery of hundreds of vacuum lifting machines. All this knowledge is well documented and well preserved and is applied in every new machine that is designed by Aerolift.

Since their early internationalisation, Aerolift works with international sales agents. In the early years, even the domestic sales used to be done by sales agents. These agents not only sell products of Aerolift, but they sell a whole portfolio of related products like cranes and hydraulic parts. They have a strong network in their own country or region and they know how the business works. These agents have knowledge of the local market and they are familiar with the local culture and uses in business. The agents are able to identify opportunities in the market and they are closest to the industries where Aerolift vacuum lifters will be sold.

Today, Aerolift has partnerships with agents in 13 countries. Aerolift acquires these agents on international exhibitions. Every year Aerolift represents itself on the three largest exhibitions in lifting industries and on these exhibitions Aerolift is open to meet new sales agents. The relationships with the agents can be various, some relations are very strong and long lasting, other relationships are superficial, the agents are not all very active with Aerolift sales because they have a whole portfolio of companies for who they are a sales agent. Agents sometimes go out of business or stop selling Aerolift machines. When Aerolift wants to enter a new market, they first acquire a good agent. Foreign sales always go through the agent; the agent has all the contact with the customer.

Since the advent of Van den Tol as the entrepreneur of Aerolift, there has been searched for agents in India and China. Through successful sales in these countries during the economic crisis in Europe and the U.S., Aerolift did not have to deal with disappointing sales in the years 2008-2014. Aerolift sells to every country in the world, as long as there is an agent that is willing to intermediate between Aerolift and the client. Aerolift sold vacuum lifting



machines to Nigeria and Australia lately although they do not have a fixed agent in these countries.

### **Success of international activities and future plans**

Although Aerolift has been into international business for more than 40 years, there is still a lot to achieve abroad. In the self-assessment to rate their own international success on a scale from 1-10, Aerolift rate their success on a 8. They rate their success so because the international activities are successful, but Aerolift has more ambitions than just successful exporting. Van den Tol wants to open a subsidiary abroad. For Van den Tol the foreign country where there is a lot to achieve is China. In his former career, Van den Tol was leading a factory building company that build factories in China. From this period, Van den Tol has still good business connections with China. Van den Tol is convinced that there is a lot of business to win in China. To respond to emerging opportunities, Aerolift is changing its international strategy. Instead of working with sales agents and engineering and production facilities in The Netherlands, Aerolift is willing to start a production facility in China in 2014. Together with former business partners of Van den Tol, Aerolift is participating in a joint-venture with a Chinese company, to start an Aerolift production plant and an Aerolift sales company.

This Chinese venture must allow Aerolift to scale up their Asian business. The sales company needs to focus on Aerolift sales. Aerolift already has a sales agent in China, but this agent is not only focussed on the sales of Aerolift, but also on sales of other companies of which he is the sales agent. The production facility must make it possible that the sales can grow. As a result of Van den Tol's earlier experience in building a factory in China, he knows exactly what to do.

Aerolift is heading towards China for several reasons. First of all they already have a lot of Aerolift vacuum lifters delivered in China which need service. They already have customers in China and with their presence in China, Van den Tol expects a growth of sales volume. According to Van den Tol, sales in China could grow to approximately five times of today's Aerolift China-sales. The market in China and surrounding countries (e.g. India) is enormous and the economy is growing. India could be the next step, but Aerolift first needs to focus on a proper execution of their strategy in China. Aerolift does not intent to own factories in Asia, Van den Tol sees this China-project as a way to scale-up Asian sales and production. After several years, Van den Tol hopes to sell the profitable factory and continue the partnership between the factory and Aerolift.

### **Conclusion**

Although Aerolift has such a long history of international business, their competitive advantage seem to come from the fact that they have very much experience with the development of vacuum lifting machines. The international business has always been through sales agents and Aerolift entered and left many markets around the world in the 40 years that they have been international. With the advent of Van den Tol in 2006 a new era in internationalisation is started. Van den Tol has much influence on that because of his former experience in China and his business contacts in China. Aerolift has definitely developed a high degree of IBC. Due to the fact that it is a small company and they have a strong network of sales agents, many antecedents of IBC are present. It is noticeable that the 43 years of internationalisation history and experience seem to play a small role compared with the international experience of Van den Tol.

## **CASE 7: Control Union**

### **About Control Union**

Control Union was founded in 1920 by one of the members of the family Peterson. The company bears the name of the family until today for some of their activities. Control Union is the name of a French company that was acquired by Peterson in the 1950's. After this acquisition, the company carried the name Control Union in the foreign markets.

Peterson started as a grain storage inspection company in Rotterdam. Through the years Peterson grew and specialized itself in other types of inspections.

Today, Peterson and Control Union do inspections in several sectors and businesses.

They do quantitative inspections of commodity loads and industrial inspections on industrial equipment. Control Union has two other types of activities next to the inspection activities, which are related to the execution of inspections. These activities are the certification of several types of certificates (E.g.: FSC hardwood label) and collateral services for the guarding of goods that are guard in security until the debt is satisfied.

Control Union does these services in the sectors of (among others) agriculture, food, chemicals, oil, gas and coal. Nowadays, Control Union has over 2700 employees in more than 60 countries. The service that is delivered by Control Union is always on behalf of their client whose interests they represent. The role as an inspection company is generally neutral, but always on behalf of a client.

### **The internationalisation process**

Peterson was, when it started a domestic Dutch company. After a few years they also did some inspections in Belgium and Germany, but the largest part of their services were conducted in The Netherlands. This changed in the 1950's, when France became the 'granary of Europe'. This development forced the Dutch customers of Peterson to do business in France and with them they took Peterson to France. In that time, Peterson acquired Control Union, a French competitor.

Through the years Control Union expands their inspection activities to other businesses, on request of their clients. This led expansion to North America in the 1970's. Again at request of their clients, Control Union shifted their boundaries.

One of the characteristics of the inspection business is the bound of trust a client has with the inspection company. When a client has a good relationship with an inspection company they trust, they want to get all their inspections done by this company. That is the reason why their clients requested Control Union to also inspect their foreign activities and caused the internationalisation of Control Union.

The importance of trust in this relationship is enormous. Control Union does not have a department of R&D or marketing such as other companies have. The best marketing is a good and long lasting relationship with a client and the delivery of a high quality service that meets with the client's expectations. This also means that Control Union is not inclined to take large risks, because damage on their reputation as a result of failure is one of the worst things that can happen to an inspection company. For Control Union it is very important to consolidate the long lasting relationships with their customers. The importance of trust is comparable of the importance of trust for banks.

The organization of Control Union is highly decentralized. This means that all the foreign subsidiaries can make strategic decisions on its own. An entrepreneurial manager often leads the subsidiaries. Although the organization is highly decentralized, Control Union is still capable of delivering the same high quality service all over the world. The reason that Control Union is capable of this is the strong business culture. There are many unwritten laws that are shared by almost all employees and this system seems to work for Control Union. To achieve this kind of strong business culture, Control Union organizes job rotation between functional divisions and both domestic- and foreign offices. They also have a digital portal that they use to share knowledge. The main purpose of this portal is to avoid making the exact same mistake several times. This portal seems to work for Control Union.

### **Success of international activities and future plans**

Control Union has a very good position in the market and a strong relationship with their clients. In the self-assessment to rate their own international success on a scale from 1-10, Control Union rate their success on a 9. They rate their success so because of their strong relationship with their clients and their strong position in the market.

Today, Control Union is a large company that has the necessary resources to deliver the same trusted service worldwide. The company is definitely beyond the size of a SME, but still privately held by the Peterson family. Nowadays it is easier for Control Union to enter a foreign market because of the resources they possess. This also means that entering a new market, which Control Union still does, is not so much risk as it was when the company was smaller and had less resources. Today, Control Union still follows their clients all over the world. Control Union has good information about the worlds inspections markets and is eager to react on opportunities in the market. This also means that Control Union also enters a foreign market, when there is no request of a client. When the market experts expect large potential, Control Union enters that market and opens an office. Dutch expats and local employees run this office professionally, fully equipped and with the mission to deliver the exact same service a client can expect from Control Union, all over the world. As result of the availability of resources and the size of the company, opening a new office to enter a new foreign market is less risky than it should be when the company was smaller and had fewer resources available. When the entry of a new foreign market eventually is not successful, it is no problem for Control Union to withdraw their investments and to bear the loss.

Control Union had entered foreign markets on every possible way, through the acquisition of a local company, through Greenfield internationalisation and by working in a partnership with a local partner.

In some countries it is only possible to enter the market together with a local partner, due to local trading legislations. Control Union is a pragmatic company that is eager for opportunities and as a result of this attitude they form their entry of a new foreign market to the opportunity that arises.

The future of both Peterson and Control Union will be the same as it was in the past and it is today. The companies will consolidate their long-term relationships with their clients and they will respond to opportunities in the market.

## Conclusion

Control Union is the largest company of this thesis and is not a SME company. Control Union is interesting because it once was an international SME company but grew on until the multinational company it is today. Control Union does have many antecedents of IBC present. Control Union is very successful but does not seem to have an extremely high degree of IBC (what is expected by their success). This could be declared because it is not an SME company and when companies grow (for Rijnplant it is the same in a smaller degree), other factors become more important for international success. Like Rijnplant, Control Union has a very strong position in the market. They have strong relationships with their clients and this relationship is the reason clients continue doing business with Control Union. The most important factor that contributes to their success is the fact that they have the financial resources to maintain their position in the market. Control Union has also a very strong business culture that enables them to have a very decentralized company and deliver the same quality around the world. Control Union benefits from this quality when they enter a new foreign market. Together with their financial possibilities to enter foreign markets, that is the main reason for their international success.

## 4.2 Cross Case Analysis

### 4.2.1 Score of IBC

The data collected in the quantitative data collection is about the score of IBC. Table 4 provides an overview of the level of each dimension of IBC and for IBC in total, per company.

**Table 4. IBC scores per case**

Case no.	1	2	3	4	5	6	7
Company	Funk-E	Zytec	Feltest	Boska	Rijnplant	Aerolift	Control U.
International Orientation	62%	76%	89%	67%	60%	74%	63%
International Marketing Skills	55%	89%	79%	70%	63%	72%	65%
International Innovativeness	57%	78%	80%	80%	78%	78%	67%
International Market Orientation	70%	87%	85%	73%	81%	79%	71%
International Business Competence – overall score	61%	83%	83%	73%	71%	76%	67%

Source: Survey data

Funk-E is with a development of 61% IBC the company with the lowest development of IBC, and Zytec and Feltest are the companies with the highest development of IBC, with 83%. The lowest score on a single dimension of IBC is 55% of development of International Marketing Skills by Funk-E. The highest score on a single dimension of IBC is 89% of International Marketing Skills by Zytec and 89% of International Orientation by Feltest.

All the scores are above the 50%, which indicates that all the companies have reached a substantial level of IBC.

According to Knight and Kim (2009), companies with a high score on IBC should also score high on international success.

#### 4.2.2 Presence of antecedents of IBC in the cases

The Level 1 antecedents that contribute to the four dimensions of IBC are present in Table 5. The relationship of all these antecedents with the dimensions of IBC is explained in the scientific literature, which is summarized in Chapter 2.

**Table 5. Presence of Level 1 antecedents in the researched cases**

	Presence of antecedents in the cases						
	Funk-E Case 1	Zytec Case 2	Feltest Case 3	Boska Case 4	Rijnplant Case 5	Aerolift Case 6	Control Union Case 7
<b>Internal Antecedents</b>							
Vision	X	X	X	X	X	X	X
Leadership	x	X	X	X	x	X	X
Innovative Business Culture	x	X	X	x	x	X	x
Absorptive Capacity	x	X	X	X	X	X	X
Market Intelligence	X	X	X	X	X	x	X
Organizational antecedents	-	x	X	x	x	x	x
Marketing Skills	X	x	x	X	X	-	x
<b>External Antecedents</b>							
Business network	x	X	X	X	X	X	X
Market turbulence	x	x	-	X	-	x	-
Technological turbulence	x	X	x	-	x	x	x
Amount of antecedents	6	8,5	8	8	7	7	7

- X Strong presence of antecedent in case company
- x Weak presence of antecedent in case company
- Absence presence of antecedent in case company

Source: Interview data and analysis in Appendix 1

Funk-E has with total three strong present antecedents and 6 weak present antecedents a score of 6 antecedents present, the lowest score of all the case companies. Zytec has with total seven strong present antecedents and three weak present antecedents a score of 8,5 antecedents present, the highest score of all the case companies. Both Feltest and Boska have a total score of 8 antecedents present and Rijnplant, Aerolift and Control Union have 7 antecedents present.

Table 6 illustrates again all present Level 1 antecedents in the researched cases. The difference with table 5 (which does the same) is the distinction between company external and company internal presence of the antecedents. The blue marks indicate that an antecedent appears to a company in the form of social capital. The company does not

**Table 6. Presence of Level 1 antecedents in the researched cases with distinction of origin**

	Presence of antecedents in the cases						
	Funk-E Case 1	Zytec Case 2	Feltest Case 3	Boska Case 4	Rijnplant Case 5	Aerolift Case 6	Control Union Case 7
<b>Internal Antecedents</b>							
Vision	X	X	X	X	X	X	X
Leadership	x	X	X	X	x	X	X
Innovative Business Culture	x	X	X	x	x	X	x
Absorptive Capacity	x	X	X	X	X	X	X
Market Intelligence	X	X	X	X	X	x	X
Organizational antecedents	-	x	X	x	x	x	x
Marketing Skills	X	x	x	X	X	-	x
<b>External Antecedents</b>							
Business network	x	X	X	X	X	X	X
Market turbulence	x	x	-	X	-	x	-
Technological turbulence	x	X	x	-	x	x	x

- X Strong presence of antecedent in case company
- x Weak presence of antecedent in case company
- Absence presence of antecedent in case company

- X Company external antecedent in regular external form
- X Company external antecedent in the form of social capital

Source: Interview data and analysis in Appendix 1

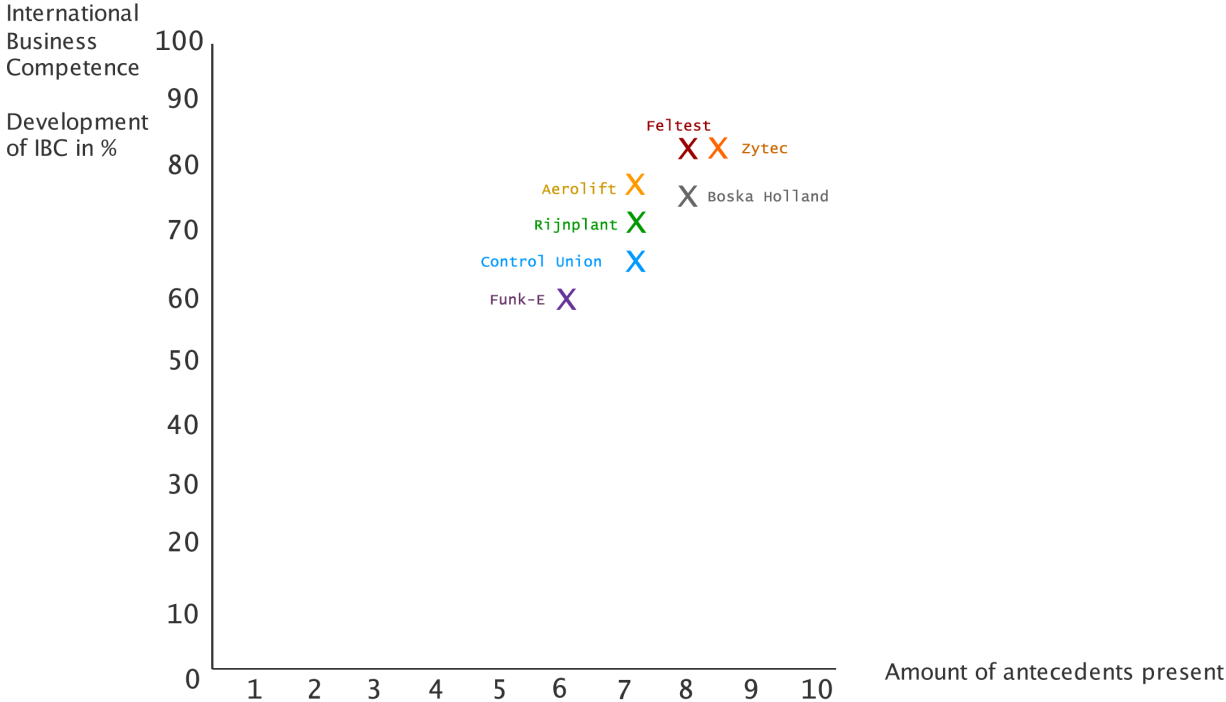
actually have this antecedent present in their organization, they have this antecedent present in their business network and they have access to this antecedent. For example market intelligence for a company as Zytec. They have knowledge of the foreign markets that they are present in, but their contact with the market goes through their sales agent. Zytec does have market intelligence, but they have this, because their sales agent has market intelligence. This makes the antecedent ‘market intelligence’ an antecedent that appears in the Zytec organization through their social capital.

The fact that a company has many antecedents present, should lead to a high degree of IBC. The antecedents are the skills that contribute to the development of IBC. According to Helfat and Peteraf (2003) a capability can be developed when the so-called ‘key skills’ are present and the capability is actively exercised throughout time. This implies that the presence of the antecedents should contribute to the development of IBC.

Figure 2 provides an overview of the amount of antecedents of IBC present in a case and the degree of IBC developed. The amount of antecedents present in a case is based on the findings in Table 5. A large ‘X’ counts as one antecedent present and a small ‘x’ counts as a half antecedent present.

The results in Figure 2 suggest that degree of development of IBC and the amount of antecedents present have a relationship with each other. The antecedents seem to contribute to a higher degree of IBC.

**Figure 2. IBC and the presence of antecedents of IBC cases plotted on a coordinate system**



Source: Interview data, survey data and analysis in Table 4 and Table 5

There is a strong positive correlation between the score on Level 1 antecedents present and the score on IBC. Zytec, the company with the highest score on antecedents present, has together with Feltest also the highest score on IBC. Funk-E, the company with the lowest score on antecedents present, has the lowest score on IBC. The only unexpected result is the higher score on IBC for Aerolift than Boska Holland, although Boska Holland has a higher score on antecedents present. The results of both companies are very close to each other, which means that this unexpected result does not have a large impact on the credibility of the strong correlation between the score on Level 1 antecedents present and the score on IBC. The results lead to confirmation of Proposition 1. Proposition 1 is confirmed and needs no adjustment.

**Proposition 1:**  
**When a company has developed a high degree of IBC, it is more likely that that company also possess many antecedents of IBC.**

### 4.2.3 Development of IBC and international experience

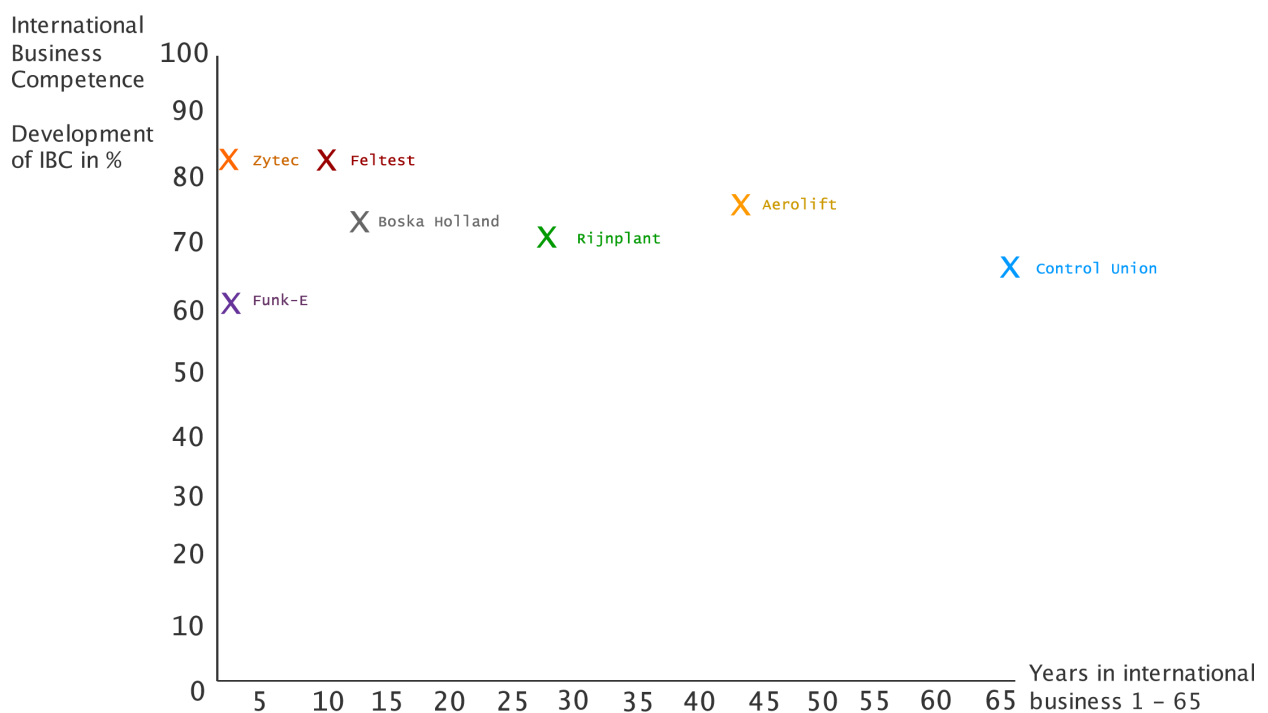
The Level 1 antecedents are not the only things that contribute to the degree of development of IBC; it is also important that a company exercises their capability. The literature about capability development suggests that capabilities evolve over time when the right key skills are present and the capability is actively exercised (Helfat and Peteraf, 2003).

Figure 3 presents the cases of this thesis, compared with each other in degree of IBC developed and international business success. The degree of IBC developed is expressed in a percentage. The degree of international experience is based on the time that a company is international active.

Funk-E is the company with the least development of degree of IBC and together with Zytec the company with the least international experience. It is notable that Zytec has such a high score on IBC although this company is very young.

Feltest has, together with Zytec, the highest development of IBC.

**Figure 3. IBC and international experience of the research cases**



Source: Interview data, survey data and analysis in Table 2 and Table 4

Aerolift and Boska Holland have a lower development of IBC than Zytec and Feltest. In the analysis of the antecedents, they also have fewer antecedents strong developed than Zytec and Feltest. Rijnplant and Control Union (the larger companies) score lower on development of IBC. Although they have more years of experience in international business, this does not result in a higher score on IBC.

These findings result in the fact that there is no correlation found between the amount of years that a company is international active and the score on IBC.



Proposition 2 needs adjustment. The proposition that “The longer a company is international active, the more likely it is that that company developed a high degree of IBC” is not confirmed by the results of this thesis.

It is very likely that international experience contributes to the level of IBC a company has, but the way in which this experience itself manifest may be different than only in the amount of years that a company is international active. The circumstances in the different case companies help to interpret the results of Figure 3.

International experience seems to contribute to the development of IBC, but this does not have to mean that a company itself needs to have this international experience. A company always exists of people and people have also experience. For Feltest and Zytec it is clear that the company is young, but the top management brings a lot of international experience to the company. This is the same the other way round: when all the people with specific experience leave a company, the company loses this experience when this is not transferred to the rest of the company. This knowledge transfer will in daily practise not always be easy organized. International experience, or the time that a company is international active will definitely influence the degree of IBC that is developed, but it is not the only factor that contributes to the development of IBC.

The score of Zytec can be explained by the fact that the company is very young, but top management and the other key-employees have much international experience. Also the configuration of product and organisation seems to be right at Zytec.

This is the same for the other company that is very young, but scores a high score on IBC. Feltest itself is young, but there is a lot of international experience inside the company through the entrepreneur and key employee. Feltest itself only exists for six years, but the entrepreneur behind the company, Marcel Lensvelt has a lot more experience in the business in which Feltest is active. In the case of Feltest the characteristics of their product is an important contributor to their success.

The other companies have developed a steady level of IBC over time, where Boska Holland has the least international experience, although they are already for twelve years active in foreign markets.

Proposition 2 can be adjusted to:

**Proposition 2:**

**The more international experience a company, or the top management and key employees of a company have, the more likely it is that that company developed a high degree of IBC.**

The empirical data shows nuance on the proposition that the longer a company international active is, the higher the developed degree of IBC is. Zytec and Feltest proof that it is possible to achieve a substantial degree of IBC within a short amount of time through the introduction of former international experience of top managers and key employees.

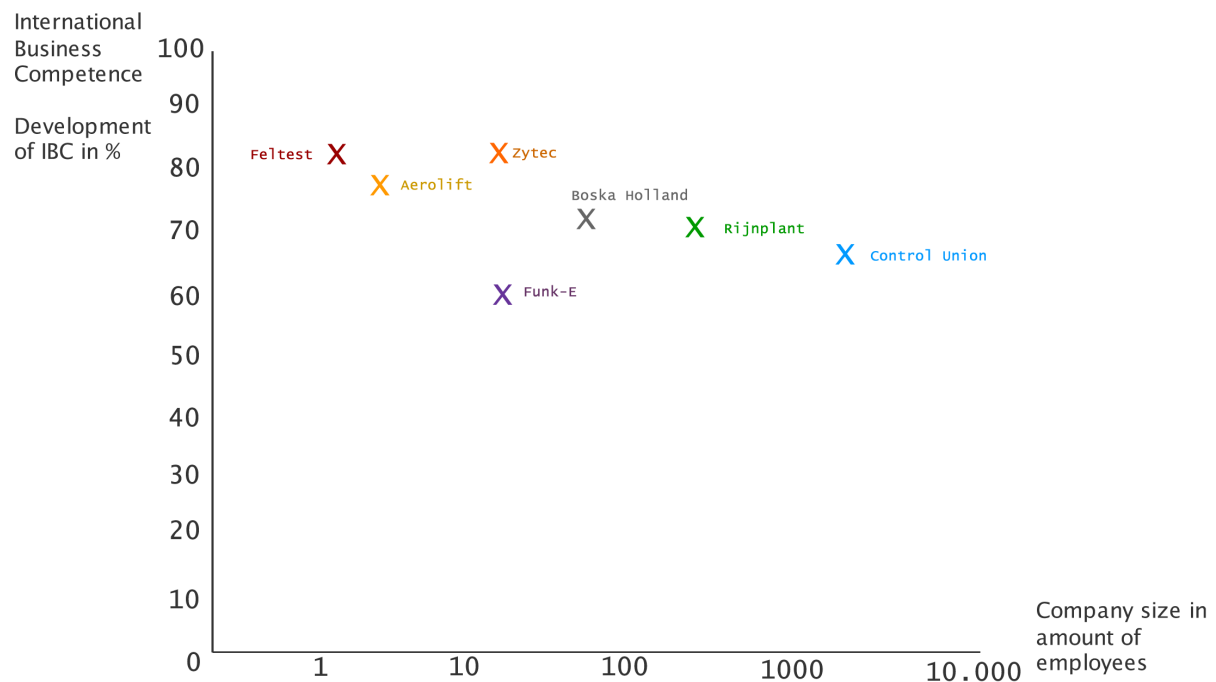
#### 4.2.4 Development of IBC and company size

As stated above: The larger companies seem to score lower on development of IBC. This raises questions about IBC and company size. The concept of IBC was developed especially for SME's. The definition of a SME according to Knight and Kim (2009) is a company with an amount of employees until maximum 500 employees. In this thesis, only Control Union has more employees than 500.

Figure 4 shows the case companies sorted on company size and degree of IBC developed. Pay attention for the scale of amount of employees: this is not a linear scale but a logarithmical scale. The horizontal space between the companies does not represent the difference that these companies have in absolute amount of employees.

It is notable that the smaller companies are the companies that have developed a higher degree of IBC. This indicates that maybe it is easier to develop a higher degree of IBC in a smaller organization.

**Figure 4. IBC and company size**



Source: Interview data, survey data and analysis in Table 2 and Table 4

The results suggest a weak negative correlation between company size and the score on IBC. The smaller companies, Zytec, Feltest and Aerolift score the highest on IBC. Boska Holland, the company of medium size has a little lower score on IBC and Rijnplant and Control Union, the largest companies of this research have an even lower score on IBC. Funk-E is the only company that does not fit in this correlation.

The circumstances in the different case companies help to interpret the results of Figure 4.

Feltest is the smallest company in this thesis: it only exists of two people; the entrepreneur and one employee. The organization is so small, that a lot of the antecedents of IBC are present. An organization of two people is not complicated if the two persons are a strong team together. As result of the less complexity, it is easy to achieve a high degree of IBC, because the antecedents are easily present. For example: absorptive capacity (especially the realized absorptive capacity) is not hard to realize when the entrepreneur has a good network of clients who rapport the latest developments to him and the entrepreneur communicates these developments clearly with his employee. The whole problem of proper knowledge dispersion through the organization is no longer an issue when it only needs to be communicated with one person.

The larger companies (Rijnplant and Control Union) also have developed a certain degree of IBC, but for them it is not of vital importance, because these companies can bear some losses on a failed internationalisation and continue their daily business 'as usual'. The impact of a failed internationalisation would not be so big due to their position in the market and wide spread resources around the world. As result of widespread resources around the world and presence in several countries, these companies can easily enter other foreign markets, from another subsidiary in the region.

According to Sander Jongeneel (Control Union):

*"Control Union start the entering of a new foreign market from an office in the region. When a market seems to have a lot of potential it is easy to go there from an office in the region and when Control Union start to create a lot of volume in this market, it is worth opening an office there. In case of decreasing demand it is also easy to close that office, without losing a lot of money."*

For these larger companies, IBC is more a concept that can be used as a tool to fine tune internationalisation approaches and check whether they can prepare their company even better, using the four dimensions of IBC. In these larger companies, entrepreneurship seems to play a smaller part in the company than in smaller companies. The business culture and the availability of financial resources seem to be more important for the development of the antecedents of the four dimensions of IBC.

Larger companies face less risk when they bring their business to foreign markets. Next to the fact that larger companies can survive a failure more easily, they have less need to enter foreign markets, because they already serve, in the case of Rijnplant and Control Union, several foreign markets and consolidation of their business is their first priority.

Mao Lui (Rijnplant) stated:

*"Through the presence at several foreign markets, Rijnplant faces less risks. When the sales in one markets start to decline, it does not affect the whole company, because there are still other markets where sales can still go well. The more markets Rijnplant is active worldwide, the smaller the risk that we face."*

This implies that the benefit of entering more foreign markets could be large and the risk of failure is small, because the company can easily bear such losses.

In both Rijnplant and Control Union, the financial resources to enter foreign markets are more important than the entrepreneurship, to make it successful. In the case of Control

Union, the largest company in the sample, the importance of the business culture was large. Control Union has a very flat organization structure, with much autonomy for all the business units and subsidiaries.

Annelies Moerdijk (Control Union) emphasizes that:

*“Everyone in the company needs to think the same and make the same decision if they were in the same situation. Control Union achieves this through a digital knowledge sharing portal, job rotation and knowledge sharing meeting in real life. This is important, because business units and subsidiaries can make entrepreneurial decisions, as entering a new market or country, on their own.”*

Funk-E is the only company that does not fit in the correlation that smaller companies score higher on IBC. This could be explained by the influence of Proposition 2: The fact that they have little international experience. Funk-E is only international active for one year and unlike Zytec (and Feltest), the entrepreneurs do not have much international experience to bring to the company. This influence can be the explanation why Funk-E does not fit in the correlation. This implicates influence from other factors on each other, what is likely to happen in reality.

Proposition 3 needs adjustment. The proposition that “When a company is smaller and has fewer resources available, it is more likely that that company can profit from development of IBC to safe resources in internationalisation and therefore smaller companies will develop higher degrees of IBC than larger companies” is confirmed by the results of this thesis, but the results suggest adjustment of the substantiation of the proposition.

**Proposition 3:**

**When a company is smaller and has fewer resources available, it is more likely that that company can profit from development of IBC to safe resources in internationalisation and therefore smaller companies will develop higher degrees of IBC than larger companies.**

The empirical data confirms this proposition. The empirical findings suggest also that it is easier for smaller companies to achieve a higher score of IBC than it is for larger companies. This means that: smaller companies are more anticipated for larger internationalisation challenges than larger companies are. This has two reasons: 1) it is of more vital importance to smaller companies to succeed faster. 2) It is easier to achieve a higher degree of IBC in a smaller company. Many antecedents are about communication and organizational mechanisms that are much easier to organize in a smaller company.

**4.2.5 Development of IBC and entrepreneurship**

The Level 1 antecedents need to exist in order for IBC to emerge, but something causes a specific mix of Level 1 antecedents to be present in a company. After that something causes adjustments and improvements of these Level 1 antecedents during the internationalisation, to further develop the capability.

The literature review suggested a relationship between environmental turbulence and capability development. Environmental turbulence would contribute to capability development through the fast changing circumstances and the need for improvement of the capability. The need for improvement follows from the intensive exercising of the capability that the turbulent environment causes.

During the conduction of the research and collection of the data, another view on this theory appeared:

In most of the cases, the internationalisation process was in the beginning very hard. It took some courage of the entrepreneur (who in most of the cases owns the company and is financial dependent on the company) to take such a risk. It also took perseverance and a strong vision and belief in the possibilities of the company. It also took investments in the form of financial resources and a lot of time of the entrepreneur or general manager. To accurately identify what was needed to bring the business to foreign markets the best definition would be: 'entrepreneurship'.

It is not the turbulence of the environment, but the attitude of the entrepreneurs that improve IBC over time. The turbulence of the environment of course create the need to improve the company's capabilities, but the actual improvement is always conducted by the entrepreneurs. This is the same when environmental turbulence is low, but the ambition of the entrepreneur is high: the entrepreneur does improve the company's capabilities, although there is no need to do it from the environment. The case descriptions illustrate this and these newfound insights caused a change on focus for Proposition 4. Instead of a focus on environmental turbulence, the focus in the cross case analysis is on the degree of entrepreneurship that manifests itself in the company.

Table 7 shows the degree of how entrepreneurial the case companies are on a scale from 1 - 10. The substantiation of the degree how entrepreneurial the companies are is elaborated in Appendix 2.

**Table 7. Score on degree of how entrepreneurial a company is**

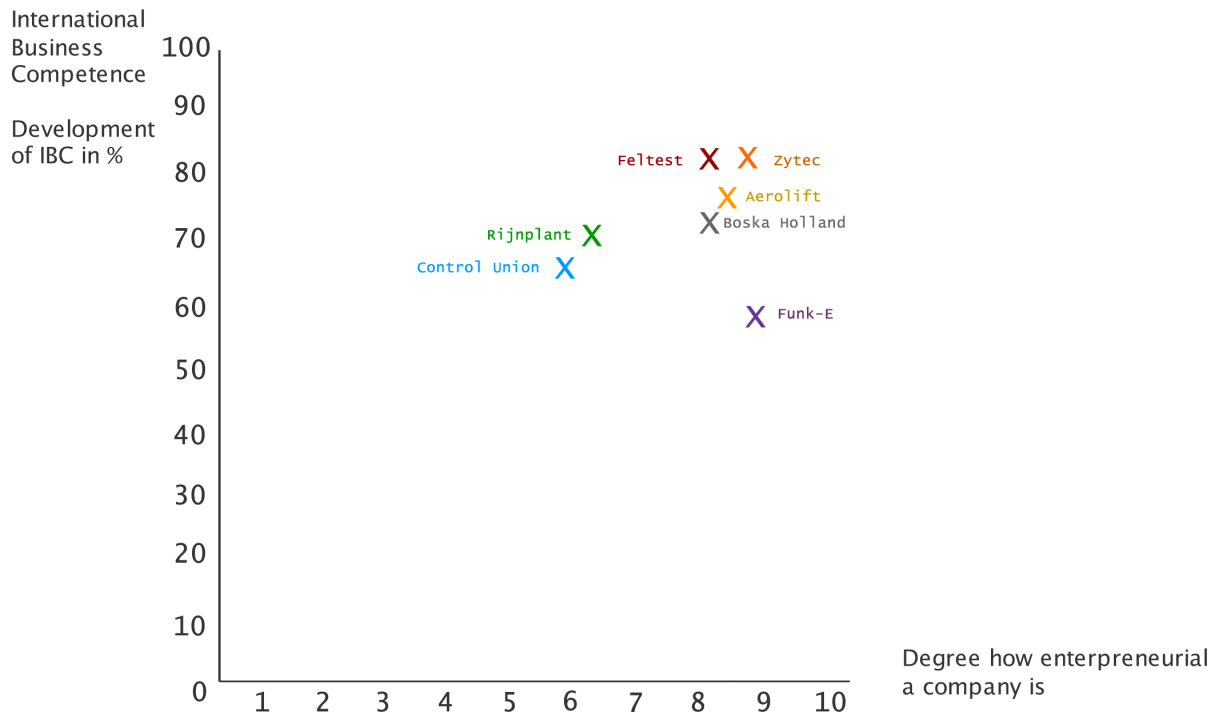
Case no.	1	2	3	4	5	6	7
Company	Funk-E	Zytec	Feltest	Boska	Rijnplant	Aerolift	Control U.
Initiative taking	9,3	6,7	7,3	10	5,3	9,6	7,7
Opportunity seizing	8,3	10	9,3	8,7	6,7	7,3	6,7
Innovativeness	9	9,3	8,3	6,3	8,3	8,3	3,7
Degree how entrepreneurial a company is	8,9	8,7	8,3	8,3	6,5	8,4	6,0

Source: Interview data and analysis in Appendix 2

Figure 5 shows the degree of how entrepreneurial the case companies are and the degree of IBC that the companies have developed.

The results suggest a strong positive correlation between how entrepreneurial a company is and the score on IBC. The companies that score high on entrepreneurship, Zytec, Feltest and Aerolift score the highest on IBC. Boska Holland has a little lower score on IBC, but is approximately as even entrepreneurial as Zytec, Feltest and Aerolift. Rijnplant and Control Union, the lesser entrepreneurial companies of this research have an even lower score on IBC. Funk-E is the only company that does not fit in this correlation.

**Figure 5. IBC and degree how entrepreneurial the companies of the cases are**



Source: Interview data, survey data and analysis in Table 4 and Table 7

The entrepreneurs saw chances outside their domestic market and acted on that. They took a risk and took their chances abroad. Entrepreneurs in general are willing to take risk, but none of them lovingly embrace risk nor rely exclusively on courage in order to take risk (Burke, 2009). When they do take a risk, entrepreneurs are generally committed to this choice and do everything they can and what is necessary to make their choice successful. This is exactly what happened in the cases in this thesis. Not the turbulence in the environment, but the entrepreneurs themselves contributes to the development of IBC.

Funk-E is committed to start an office in Berlin and in order to make the internationalisation happen, they invested money in this choice and they prepared themselves to almost know for sure that opening an office in Berlin is viable. When there do occur problems in internationalisation, the entrepreneurs are very committed to overcome those problems. Felttest for example had to deal with dropping sales at the start of the financial crisis in 2008 / 2009. In order to survive, they choose to take their business to Asia and fight to overcome all the problems that occurred there. Another example is Zytec; the company that first had no clear plans to internationalise, but when the opportunity occurred, they quickly adapted their company and strategy to seize that opportunity. Out of these acts of entrepreneurship, the antecedents of IBC that are necessary in that specific situation emerge and the company start to have some degree of IBC. Every time that a company need to take an extra action to be successful, the manager / entrepreneur takes initiative to improve the company's

international performance and does this through establishing some of the antecedents of IBC, to eventually become more capable to do successful international business.

Entrepreneurship in relation to the emergence of the antecedents of IBC is mainly important for the smaller companies, which have limited resources available to conduct an internationalisation process. These companies (Funk-E, Zytec, Aerolift, Feltest and even Boska Holland) had a small amount of resources and time to bring their business to foreign markets and get return out of this investment. In all of these five cases, they had to develop a certain degree of IBC to eventually succeed the internationalisation within their available resources. If they did not succeed within the time span and investment they had available, they would need to retract their company from the foreign market(s) or worse: the whole company could be in jeopardy and eventually not financial survive the out of control investments in the foreign activities.

Marcel Lensvelt (Feltest) stated that:

*“the company would not exist today, if we were not on the Chinese market from 2009-2012”.*

Hans van den Tol (Aerolift) is sure that:

*“Aerolift would never be the company it is today, if we did not sell products in Asia during the financial crisis”.*

This illustrates the importance of successful internationalisation for the smaller companies and also the importance of a certain degree of IBC, to achieve a certain degree of internationalisation success in a certain amount of time.

Proposition 4 needs adjustment. The proposition that “The more turbulent the business environment is, the quicker a company is able to develop a certain degree of IBC” is not confirmed in this thesis.

**Proposition 4:**

**The more entrepreneurial a company is, the quicker a company is able to develop a certain degree of IBC.**

The empirical data shows that it is not the turbulence of the business environment, but the entrepreneur that improves IBC over time. The more entrepreneurial a company is, the more IBC will be formed over time. A turbulent business environment increases the need for a company to be entrepreneurial, so indirect there is a relationship between a turbulent business environment and the speed of IBC development, but it is very clear that the entrepreneur and the company itself need to develop IBC.

### 4.3 Analyses overview

There are several factors responsible for IBC to emerge. In this chapter, these factors are discussed.

To develop a capability (such as in this thesis IBC), according to Helfat and Peteraf (2003) a company must have key skills and a company must exercise the capability.

**Table 8. Overview of results**

Case no.	1	2	3	4	5	6	7
Company	Funk-E	Zytec	Feltest	Boska	Rijnplant	Aerolift	Control U.
IBC – score	61%	83%	83%	73%	71%	76%	67%
Amount of Level 1 antecedents	6,0	8,5	8,0	8,0	7,0	7,0	7,0
International success	6,0	8,0	8,0	8,0	9,0	8,0	9,0
Company size	21	19	2	80	300	5	2700
International experience	1	1	6	12	23	43	63
Entrepreneurship - score	8,9	8,7	8,3	8,3	6,5	8,4	6,0
Unsolicited order / ambition	Ambition	Unsol.	Unsol.	Ambition	Unsol.	Unsol.	Unsol.
Internationalisation pathway	Stage	Born G.	Stage	Born AG.	Stage	Stage	Stage

IBC score is expressed in a percentage from 0 – 100 %

Amount of Level 1 antecedents present is expressed in an amount as defined in Table 5

International success score is expressed in a score from 1 – 10 points

Company size is expressed in amount of employees active

International experience is expressed in amount of years that the company is international active

Entrepreneurship score is expressed in a score from 1 – 10 points

Unsolicited order / ambition distinct the origin of the internationalisation between the start with ambition (Ambition) to do international business, or a start with an (unsolicited) export order (Unsol.) from a foreign country.

Internationalisation pathway indicates whether the companies follow the internationalisation in stage pathway (Stage), the born global pathway (Born G.), or the born again global pathway (Born AG.)

Source: Interview data, survey data and analysis in Table 2, Table 4, Table 5 and Table 7

#### The Level 1 antecedents of IBC

For IBC the key-skills are the Level 1 antecedents, as identified in chapter 2. The empirical data shows that these antecedents actually are present in the companies. The empirical data also shows that companies with more antecedents present, score a higher degree of IBC. The antecedents definitely contribute to the development of IBC.

#### International experience

IBC must be exercised throughout a period of time to become mature. This implies that companies that are international for more years should score a higher degree of IBC. The empirical data does not show this. Some companies that are very young (as Zytec and Feltest) actually do score a very high degree of IBC. The nuance in this proposition is inside the company: the company exists of people and when these people bring much international experience with them, this also contributes to the development of IBC. The fact that Funk-E scores a lower degree on IBC confirms that experience is an important factor, because the entrepreneurs of Funk-E do not have much international experience. All the high scores on IBC can be explained by much international experience, but this experience is not always the experience of the company, this can also be the experience of the top management and key employees of the company.



### Company size

From the empirical findings follows that company size the degree of IBC influences. When a company is smaller, it seems to have more benefit from a high degree of IBC and it seems easier to achieve that. The concept of IBC is developed for SME companies, up to 500 employees. The findings of this thesis implicate that this boundary of 500 employees is possibly too high. The results of Rijnplant and Control Union are approximately similar, although Control Union is almost nine times bigger than Rijnplant. Both of the companies have a certain position in the market that they want to consolidate. Both of the companies have a certain reputation and relationship with their customers, what leads to a strong position in the market. When a company faces these circumstances, IBC is not the most appropriate resource that brings the international activities significant benefit. These companies have more benefit from the availability of financial resources to maintain their position in the market and enter foreign markets from the positions they already have. Smaller companies have much more benefit from IBC, especially in the first phase of an internationalisation process when IBC can save time and money for a company to succeed.

### Entrepreneurship

From the empirical findings follows that entrepreneurship is an important driver of IBC. The antecedents that are in place and contribute to the development of IBC are in place because the entrepreneur put them there. Even for the small companies as Feltest and Aerolift it is possible to acquire many antecedents (sometimes in the form of social capital) and develop a high degree of IBC in an entrepreneurial way. Entrepreneurship fully fills the role of capability exercising the Capability Life Cycle of Helfat and Peteraf (2003). Entrepreneurship is the constant driving force behind the internationalisation. When the companies face the difficult liabilities that an internationalisation process brings, entrepreneurship is there to overcome those liabilities. The perseverance and problem solving capability of the entrepreneur is of vital importance for the smaller enterprises. Entrepreneurship often is the drive behind the whole internationalisation process and definitely responsible for the development of IBC.

### Causal development of IBC

From former research of Helfat and Peteraf (2003) one would expect that a capability like IBC evolves over time when the right antecedents are in the right place and the company works hard to develop that capability.

The empirical findings confirm that causal effect. The capability evolves over time. The entrepreneur needs to put the right antecedents in the right place at the start and needs to anticipate on new situations with new measures. In this process IBC is developed and more and more antecedents are developed or acquired. Sharma and Vredenburg (1998) found evidence that a capability evolves itself faster when the company faces a turbulent environment. The empirical findings also confirm this; Funk-E and Zytec are good examples of what degree of IBC can be developed within one year. Funk-E started with almost no experience and developed a degree of more than 60% of IBC. Zytec started with much more international experience, but this is former experience of individual managers. Within one year they sought large challenges and they put themselves in short time schedules to increase the pressure. This led to the achievement of 83% of IBC, within one year.

Rijnplant and Control Union are nowadays not in a turbulent environment (anymore). This may cause that these companies do not develop IBC (anymore).

# 5 Discussion and Conclusion

## 5.1 Discussion

### 5.1.1 The concept of IBC

International Business Competence (IBC) as defined by Knight and Kim (2009) is a new and 'real' concept and does add value to what already existed in the SME internationalisation literature. IBC is a useful concept to determine on what level a SME company is able to act internationally.

In this study, evidence is found that companies develop IBC in their international ventures. A strong illustration is this quote of Marcel Lensvelt (Feltest):

*"When I first was in China, I had no idea how to do business. I learned over time that the Dutch direct approach was not working, but that I had to take time with the Chinese business relations."*

The international entrepreneurs face dozens of these challenges and they need to adapt to the new circumstances to be successful. In this process, the companies develop a certain degree of International Business Competence.

Although IBC is developed over time, starting international entrepreneurs can actually have advantage from early development of IBC.

The following quote of Alexander Broekman (Funk-E) illustrates the benefit of early development of IBC:

*"We already visited some exhibitions in several countries and found out that there is a lot of competition in the UK. Due to my Italian roots, I know that in the Mediterranean countries is less interest in digital animation products like ours. After one year we knew that Germany would be the best market for our product and company"*.

This implicates that Funk-E already developed a substantial amount of market intelligence. Market intelligence is pointed as one of the most important dimension, together with international orientation by the introducers of the concept: Knight and Kim (2009). This means that Funk-E possibly had a substantial degree of IBC developed at the time that they took their business abroad. Funk-E did so, because they knew that they had limited resources to realize the successful opening of an international office and that they needed to make the right choices.

This example can repeat itself in different forms. For example in the situation of Hans van den Tol (Aerolift):

*"I already worked for one year in China as project manager of the building of a factory and so I already know a lot about the Chinese way of doing business. I also have strong connections with Chinese business partners of my time there. I worked together with them and will maybe do that again in the near future"*.

The former experience of Van den Tol contributes to the development of IBC for Aerolift.

The managerial implications of IBC can be interesting for SME companies with international ambition.

### **5.1.2 Antecedents of the four dimensions of IBC**

Knight and Kim (2009) defined the four dimensions of IBC very strong, which leaves limited space to explore the antecedents of this concept. In the literature review of this thesis, all possible antecedents of the four dimensions of IBC (and thus for IBC as a whole concept) were identified. The empirical data of the case studies shows that the companies that are international active, actually have these antecedents present. Table 5 shows all the antecedents of IBC that are explored so far.

The empirical data also shows that antecedents can be present inside the company, or outside the company in the company's social capital. Other antecedents are per definition outside the company, but they still can contribute to the development of IBC. Table 6 shows all the antecedents of IBC that are explored so far and that are found company intern or extern, or in the social capital of the company.

The external antecedents Market turbulence and Technological turbulence contribute to IBC in a different way than all other antecedents. Technological turbulence can cause technological asymmetry: this means that a company can possess a technology, that is not (yet) present in a foreign market. This leads to opportunities and competitive advantage for the company. To achieve this advantage, companies that have a certain technology, can sometimes develop or adapt their product in a way that is new to a foreign market. This is an antecedent for International Innovativeness.

This is the same for market turbulence. A company that has a certain product can sometimes develop or adapt their position in the market in a way that is new to a foreign market. This is an antecedent for International Market Orientation.

Technological- and Market turbulence allows companies to take advantage from technological asymmetry and unused positions in the market. Technological- and market turbulence do have some relation with each other.

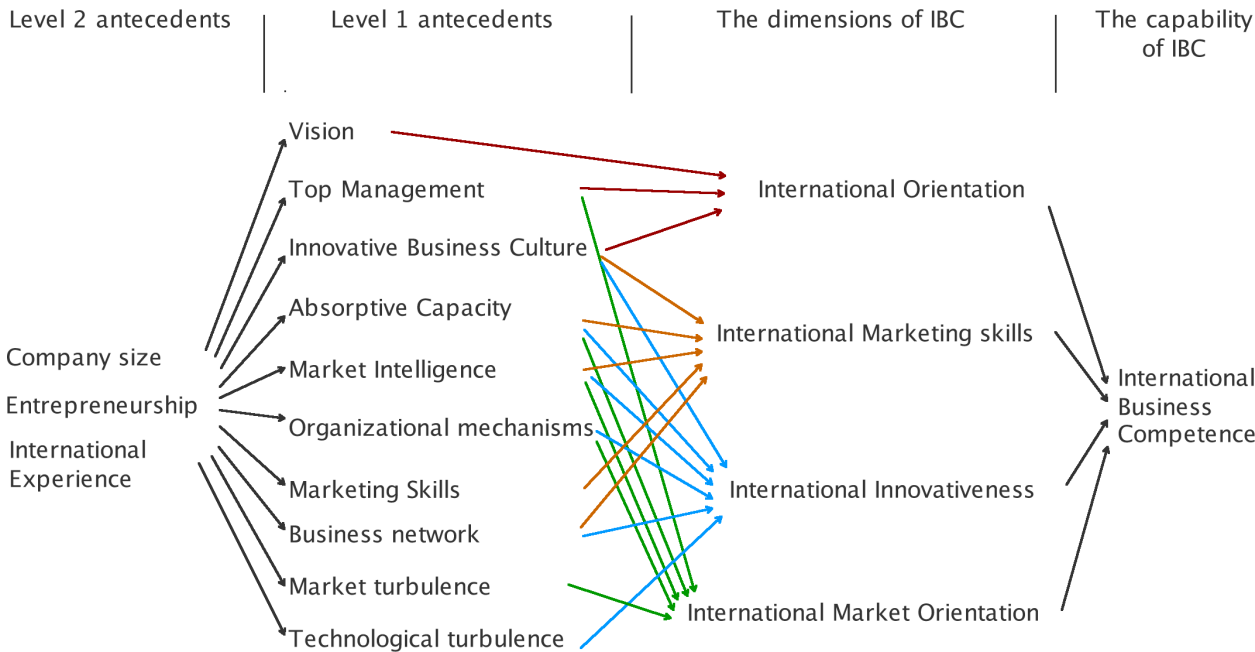
The search for antecedents does not end with the identification of the circumstances in the organization that contributes to the development of IBC. These circumstances exist for a reason and have their origin earlier in the organization. In all the cases of this thesis, the existence of the right antecedents were all leading back to one factor: entrepreneurship. In the search for antecedents of IBC, entrepreneurship should be part of these antecedents. The role of entrepreneurship is that of initiator of the emergence of the antecedents. Figure 6 shows the relationship between entrepreneurship, the main antecedents of IBC and IBC itself.

Even the external antecedents as the market- and technological turbulence are due to entrepreneurship. Entrepreneurship does of course not initiate or influence the existence and degree of market- and technological turbulence, but entrepreneurship does play a role in the choices that were made in which market and technological field a company and product/service moves. In that way, entrepreneurship (in the form of the entrepreneur or top management team) influences the market and technological field that shapes the company's environment.

When a company grows larger, the degree of IBC is less influenced by entrepreneurship. The cases of both Rijnplant and Control Union indicate that the influence of the invested amount of financial resources and the business culture becomes more normative for the degree of IBC that a company develops. Rijnplant is a SME company according to the measurements that Knight and Kim (2009) applied to the development of the concept of IBC. With approximately 300 employees worldwide, is Rijnplant a large SME company. Control Union is the largest company in the sample of this thesis, with approximately 2700 employees world wide. The effects and importance of IBC seem to be similar for both companies, despite the difference in company size. The way in which IBC manifests itself differs significant in larger companies from smaller companies.

Figure 6 reflects the relationships that seem to exist between IBC, the four dimensions of IBC, the antecedents of IBC. The antecedents of IBC are divided in two types: level 1 and level 2 antecedents. Level 1 antecedent are the ingredients that need to be present in the organization in order for IBC to emerge. In the Capability Life Cycle of Helfat and Peteraf (2003), the Level 1 antecedents are the key-skills that must exist to found and develop a capability. The Level 2 antecedents are antecedents that influence the Level 1 antecedents.

**Figure 6. The relationship between IBC, the dimensions of IBC, the antecedents of IBC**



*Table 11. The relationship between IBC, the dimensions of IBC, the antecedents of IBC*

The Level 2 antecedents are: company size, international experience and the degree how entrepreneurial a company is, also influences the development of IBC. These factors influence the organization and the position of the company in its environment.

As stated before: Entrepreneurship is the driving factor behind all the Level 1 antecedents present. Entrepreneurship is the initiator that causes the existence of the Level 1 antecedents. Entrepreneurship is also the driving force in the exercising of the capability as described by Helfat and Peteraf (2003). Many of the companies of this thesis would not be international without entrepreneurial drive and almost all of them would not have survived without entrepreneurial drive.

Company size is an important factor, because this influences the organization structure and the amount of financial resources available. It also has impact on the company's environment; for example Rijnplant has this position in an oligopoly, which they only have to defend. The market is not turbulent unless Rijnplant does not defend its position properly. Technologically, Rijnplant is the turbulent force in their market, because they invest a lot in development of new sorts of Anturiums. Together with their only competitor they have an arms race of who has the best sorts of Anturiums, which makes the business to turbulent for new entrants to enter the market.

International experience is an important factor because this influences the amount of exercise IBC has had, according to Helfat and Peteraf (2003). A capability must be exercised in order to develop itself. The longer a company is international active, the more IBC is exercised. As resulted from the empirical data: young companies can also have much international experience; this can be brought into the company by top management and key employees.

### **5.1.3 The emergence of IBC over time**

For the founding of a capability are key-skills needed. These key-skills are the Level 1 antecedents of IBC. To 'found' IBC, not all the Level 1 antecedents are needed, but some must be present. The empirical findings show that these key-skills can be brought into the company through entrepreneurship (proactive interference of the entrepreneurs) and the people that form the company. Former experience of the people that form the company (especially top management) can contribute to these key-skills.

In theory to develop a capability, exercising of this capability is needed. From the moment that a company enters a foreign market, this exercising is started. The entrepreneurs must adapt and improve IBC in order to become successful in the foreign market. After some amount of time, IBC will be mature. It will be maintained but the degree of IBC will not substantially grow anymore.

The more the company grows, the smaller the importance of IBC becomes. Larger companies with strong positions in the market, does not need IBC in the way small companies that are in an early internationalisation process. Other factors become more important for the consolidation of their success: financial resources and a strong business culture take the leading role of IBC over.

## 5.2 Conclusion

In this chapter, the research questions will be answered. The conclusions are based on the empirical findings of this research. The purpose of this thesis is to find answer to the research questions about the antecedents of IBC.

### Research question:

What are the main factors that contribute to the development of International Business Competence?

### Sub question 1:

What are the main antecedents that contribute to International Business Competence?

### Sub question 2:

How does International Business Competence develop over time?

### 5.2.1 SQ1: The main antecedents that contribute to IBC

The main antecedents that contribute to IBC are the Level 1 antecedents.

The Level 1 antecedents and their contribution to one or more of the four dimensions of IBC will be summarized in the next section:

- Vision: a strong vision contributes to a strong sense of direction where the company must go in the future. Especially in an internationalisation process, it is important to know which way to go with which reason.
- Leadership: the entrepreneurs or general managers have an important role in the internationalisation process. Their former experience can have huge impact on choices they make and the company's performance in foreign markets. Entrepreneurial characteristics as perseverance, pro-active handling and problem solving capability can make the difference in hard times.
- Innovative business culture: this contributes to the degree of how entrepreneurial a company is. When top management has international ambitions and wants to develop IBC to achieve their goals, the rest of the company must be aligned with that ambition.
- Absorptive capacity: this is important for development of a broad base of market intelligence, the absorption of ideas for innovations and product adaptations and the processing of international experience in improved IBC.
- Market intelligence: it is very important for companies to know very much about the market that they want to enter, because this can influence the way this foreign market will be entered and the choice of entry mode that is suitable for that situation.
- Organizational mechanisms: this is especially an item for larger organisations. The smaller SME companies are less complex organisations, which result in less complex organizational mechanisms. The larger SME companies seem to struggle with organizational mechanisms and this antecedent seems to evolve over time as a company becomes more experienced in international business.
- Marketing skills: this enables companies to sell their product in a foreign market. The marketing skills do not have to be present in the company itself, it is also possible

that a sales agent in the business network of the company has these skills and uses them for the company that wants to sell their product in the foreign market.

- Business Network (networking skills): this is a very important antecedent, almost all the companies in this thesis use their business network to sell (with sales agents) their product or to gather information about the foreign markets they want to enter, so they can adapt their strategy and even their product to the expected circumstances.
- Market turbulence: the asymmetry in the market is used by companies that have a product or service that is superior to other products or services that are already present in the foreign market. The competitive advantage that follows from the asymmetry allows companies to enter a market and apply their IBC, so they can develop their IBC.
- Technological turbulence: companies use the asymmetry in technological performance in the same way as an asymmetry in the market. They bring technological superior products or services to foreign markets where there is no such technology. This provides competitive advantage that allows companies to enter a market and apply their IBC, so they can develop their IBC.

### **5.2.2 SQ2: The development of IBC over time**

IBC does causally develop in the way other organizational capabilities develop. In the seven cases from this thesis, IBC follows the Capability Life Cycle of Helfat and Peteraf (2003). The Level 2 antecedents influence the Level 1 antecedents, which on their turn fulfil the forming of the four dimensions of IBC.

Presence of some of the Level 1 antecedents is important for the founding of IBC, but it is not clear on which moment this happens. Some antecedents are already present in the company through the company's product or service characteristics or the former international experience of top management.

When IBC is applied in an internationalisation process, the company needs to adapt and improve IBC to perform better in the foreign market(s). This adaptation and improvement is the 'exercising' that Helfat and Peteraf (2003) indicate to be a part of the capability development phase.

Improved IBC will lead to improved international performance, which lead to more international activity. More international activity improves IBC and leads to a higher degree of development of IBC. This process continuous until IBC reaches maturity.

When a company reaches a mature degree of IBC, the company had grew larger and IBC becomes less important for the company to be successful in foreign markets. IBC had fulfilled its purpose and can be the key-skill for a new capability that the company can develop.

### **5.2.3 RQ: The main factors that contribute to IBC**

The main factors that contribute to IBC are both the Level 1 and Level 2 antecedents.

The Level 1 antecedents contribute directly to the formation of IBC. The Level 2 antecedents influence the emergence of Level 1 antecedents.

The Level 2 antecedents and their contribution to the formation of the Level 1 antecedents (and IBC as a whole) will be explained:

- Entrepreneurship: this is the driver behind the emergence of many of the Level 1 antecedents. Entrepreneurship also is the force behind the adaptation and improvement of IBC when it is applied
- Company size: this influences the importance of IBC for the company and the degree of difficulties for many Level 1 antecedents to emerge. In smaller companies, the Level 1 antecedents emerge more easily, in larger companies, many antecedents emerge much more difficult.
- International experience: this influences the emergence of IBC. Generally: the longer the company is international active, the more IBC will be adapted and improved. International experience can also be brought in by top management and key employees former experience, which enables very young companies to be also international experienced.

### **5.3 Limitations and future research**

The used research methods and the way this research is conducted, have several limitations. One limitation is the fact that the antecedents that are found are based on a single observation, conducted by one single researcher. The antecedents where found in few examples in the case companies and the more abstract concepts (for example Absorptive Capacity) are interpreted by the researcher. These observations took place in some hours that the research was conducted and are revealed in the interviews, by one of the interviewees. This does not mean that the observation of the antecedents present in the case companies is not reliable, but for future research it is interesting to measure the antecedents present in an organization in a different way, for example by validated Likert-scales in a quantitative study. This thesis provides direction for more deductive studies, by identifying the main antecedents of IBC.

Another limitation is the amount of cases that are part of this thesis. The research took place at seven companies. The companies where willing to cooperate on this study and there may be a bias that these are the more transparent and successful compared with other companies. The study gained rich and in-depth information in every case, but the findings may not be found in other companies. This makes the results specific for these seven companies and not generalizable. As result of the fact that the companies that took part in this study are companies from different industries, the results that are found in a single case can be specific for that industry.

In the cases of Feltest (Case 3) and Rijnplant (Case 5) only one interviewee is interviewed. This is the result of the fact that the whole organization of Feltest exists of two persons and that the other person was not available. In the case of Rijnplant, it was the result of the fact that it is a very large organization with widespread and very busy international sales representatives, which are in foreign markets a long periode of time. The other sales representatives where not available in the time span that the interviews where taken. In return; in case 1,2,3,4 and 6 the entrepreneur / general manager was always one of the interviewees and in the case of Boska Holland (Case 4) this meant that the interview had to take place in a Skype conversation, because the entrepreneur was in the U.S. for business. This study is the foundation for further research on antecedents of IBC and international business success in general. Future research can include quantitative research on the antecedents that are present in companies with a certain degree of IBC (or international success) and the degree of influence every antecedent has on the degree of IBC, longitudinal



research on the development of IBC over time and the role of social capital as organizational antecedents for IBC.

It could also be relevant to examine the relationship between the presence of the antecedents of IBC and international success. In the possible research on this relationship, could the concept of IBC be disregarded.

During the conduction of this research, questions rose about the concept of IBC and its relationship with international success. The evidence of this relationship is the backbone of the concept of IBC and the main achievement of the paper of Knight and Kim (2009). When the direct relationship between the antecedents of the dimensions of IBC and the degree of international business success is proven, the whole concept of IBC will be seen from a different view. IBC may be an empty vehicle that only summarizes the antecedents in one concept. One can question if IBC is the cause of improved success in the paper of Knight and Kim (2009) or that the presence of IBC is just a logical result of the success companies have abroad. The quantitative study that was conducted in 2009 does not proof that the companies are more successful because of the presence of IBC, or that IBC is present because of their successful internationalisation. Knight and Kim (2009) only demonstrated a significant relationship between successful internationalisation and the presence of IBC. Although Knight and Kim (2009) demonstrated a positive connection between International Market Share, International Sales Growth, International Profitability, Export Intensity and (mainly) International Orientation and International Market Orientation and the variance is substantial, IBC does not seem to be crucial to failure or success, it only affects in some way the degree of failure or success. Interesting as IBC may sound, it may not be the crucial factor for a company to succeed or fail in a foreign market.

Then again: for a company with limited tangible resources, IBC can at the start of an internationalisation process maybe be crucial for the financial viability of the process.

The impact of IBC on company performance can be subject to future research on this topic.

#### **5.4 Contribution to the literature**

This study contributes to the existing business internationalisation literature through the analysis of the concept of IBC. The antecedents that where identified in the literature study and are confirmed in the empirical study properly reflect the mechanisms lie behind the concept of IBC. The analysis of the antecedents of IBC are not limited to the concept of IBC, but can be generalized as the working forces behind international success of small- and medium enterprises.

Knight and Kim (2009) first introduced the concept of IBC in 2009, but it is not a whole new concept. IBC is more a rearrangement of loose concepts that where not properly integrated. The building blocks of this concept are revealed in this thesis and that allows researchers and managers to determine the value IBC. The analysis of the antecedents of IBC translates IBC from an abstract, scientific concept to a manageable phenomenon. This translation reveals the mechanics behind the achievement of international success for SME's.

#### **5.5 Managerial implications**

The results of this study may have the biggest impact on managerial implications.

International business success is for a lot SME's of vital importance. A company like Feltest would, according to its owner, not exist anymore if it was not able to do business abroad.

The concept of IBC was, until the finishing of this thesis, a very abstract concept. The idea of some kind of capability that makes a company 'good at international business' was clear, but the handles how to deploy this capability where left to the readers own interpretation. The analysis of the antecedents' reveals clear components of a company, which contributes to the development of this capability. Managers and entrepreneurs have with the knowledge of these antecedents' handles to pull to focus and control the development of IBC.

The managerial implications of this thesis even go beyond the focus and control of the development of IBC. The antecedents of IBC are probably generalizable as the antecedents and causes of international business success in general. Many of the antecedents need to be present for a company to international succeed, although this is probably company specific. The revelation of the antecedents is useful for entrepreneurs and managers to know what the ingredients are to become 'good at international business'.

When a company is actually able to develop a high degree of IBC in a short time, with the knowledge about the antecedents of IBC from this thesis, it could be quicker in generating revenue in a foreign market and spent less time and money to start their international activities. For almost every SME, time and financial resources are limited and there are only a few chances to become successful in foreign markets.

The last managerial implication involves the exploration of the capability development. In this thesis, capability development was focussed on IBC, but this focus can also be on another capability. This thesis describes how companies can develop capabilities and become 'good' at something.

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# APPENDIX 1

This appendix contains the analysis of the interviews conducted at the case companies. The substantiation of the antecedents present in the case companies can be found here.

During the data collections, the answers for the following questions were distilled from the interviews. Every antecedent is rated; this rating is based on the interpretation of the interviewer and the questions answered in the interviews. After the answer is given, a rating from 1-10 is given to this answer to determine how strong it contributes as antecedent for IBC.

## CASE 1 – ANALYSES ANTECEDENTS FUNK-E

### Vision

1. The vision of the company: to what extent has the vision something to do with the international activities?
  - a. What does the vision of the company with the international activities?
    - i. The vision determines everything; it is the cause of the international activities and the motive to keep on going. **10**
  - b. Is the vision also supported by available means to act onto the vision?
    - i. Yes indeed, there is definitely invested in resources to realize the internationalization. The moment that it became more expensive than budgeted, there is still invested more money to continue the internationalization. **8**

### Leadership

2. What is the position of the management regarding the international activities?
  - a. What kind of knowledge or experience does the management have in the field of international business?
    - i. The management does not have any experience in the field of international business, but both entrepreneurs have done international studies. Even one of them is of Italian origin. Also both of the entrepreneurs speak multiple languages and have an international network. **3**
  - b. How does the management deal with the risks of international entrepreneurship?
    - i. The management deals with those risks with an entrepreneurial spirit. The management is aware of the potential risk but there is nothing over analysed and calculated. **5**

### Innovative business culture

3. Is the company open to new ideas and prepared to invest in these ideas?
  - a. How does the company deal with innovation issues?
    - i. Funk E is always looking for new innovations and tries to look forward by questioning themselves what they need to change to become ten times bigger as a company **9**



- b. How does this relate to the business culture? (How does the management deal with making mistakes?)
  - i. The entrepreneurs are very innovative. Because they are not able to carry this forward to their staff, there is no innovative business culture. **6**

### **Absorptive capacity**

- 4. To what extent is the company able to acquire new knowledge?
  - a. To what extent is the company able to spread to new knowledge and take action to use the knowledge?
    - i. The company is able to acquire new knowledge but spreading the knowledge between the Dutch and German office proved to be difficult. **6**
- 5. Are there examples of acquired knowledge that have led to new or improved products or services?
  - i. The only example is the improvement of internal processes. **6**

### **Market intelligence**

- 6. How does the company have access to knowledge on (new) international markets?
  - a. How does the company process this knowledge to new products/services?
    - i. The company processes the knowledge through testing the product in the foreign markets. First they sense whether there is demand for the product, and how it will fit within in this foreign market. Next to that, the company is focussed on how the product is best sold. **7**
- 7. Are there examples of knowledge extracted from the foreign market(s), which are reflected in a particular product or service?
  - i. There are no examples known of knowledge extracted from foreign markets, which are reflected in a particular product. At the same time Funk-E is very eager to gather information about foreign markets before they take action. The example of the sensing whether there is demand is the best example of that. **6**

### **Business network**

- 8. Does the company use partnerships with local partners to shape the international activities?
  - a. What kind of role does the network of the company/ the entrepreneurs play within the international activities of the company?
    - i. The first products were sold within their network of existing customers. **8**

### **Business environment**

- 9. How turbulent are the foreign markets and what impact does this have on the international activities?
  - i. The foreign market is not turbulent yet. Funk E is relatively early within the market of Germany and they are expecting to profit of the growth of this foreign market. **8**
- 10. How turbulent are the technological developments and what kind of effect does this have on the international activities?

- i. The technological developments are not very turbulent, but affairs that are developed in the Netherlands provide a competitive advantage in Germany. **7**

### **Causality**

11. Is the company formed through experience within the international activities or are the international activities the result of the format of the business?
  - i. The company is formed by international activities; the forming of different organisational parts reflects this. **7**
12. In what time sequence was the internationalization conducted? Did the company first focus on a product and actively searching for a market or did they had a business opportunity first and subsequently product development?
  - i. First, the company had the ambition to be an international company. Second, the company was searching for opportunities in any kind of foreign country. Later this foreign country turned out to be Germany. **8**

### **Organizational antecedents**

- a. How are employees rewarded?
  - i. The employees are being rewarded for performed activities; they do not receive a bonus for extra achievements. **2**
- b. How do stakeholders work together during the development of products and services for international markets?
  - a. The stakeholders of the company do not work together. The collaboration between the Dutch and the German establishment is very difficult and is only carried out at management level. **2**

### **Marketing skills**

- a. What are the key marketing skills that are present within the company?
  - i. The key marketing skill of Funk-E is the ability to sense what the client wants and to process this within their products. **8**
- b. How is the international marketing managed within the company?
  - i. The international marketing is not really managed within the company but the process is focussed on trial-and-error. **6**

### **ANALYSIS**

Define the extent to which an antecedent is present within the company

Scale: 1-4 = not present, 5-7 = present to a small extent, 8-10 = present to a large extent

The possible antecedents of International Business Competence could be:

- Vision (for International Orientation)
  - o The company must have a consistent, bright view on the desirable future.
    - Yes, a very clear view on the desirable future is present within the company (Virgin!) **10**
  - o The vision must lead to the availability of resources.
    - Yes, the company invested more money because that was needed to realize the internationalization. **8**

- The strategic objectives must be aligned with the vision.
  - Yes, the company always adhered to the vision. **8**
- Leadership (for International Orientation and International Market Orientation)
  - The vision must be articulated and endorsed by top management.
    - No, the vision does not come across the staff of the company. **3**
  - Top management must emphasize the importance of international Market Orientation and the company's international activities.
    - No, the information does not come across the staff of the company. The employees of the company does not see the same opportunities as the entrepreneurs does. **3**
  - Top management must not be risk averse
    - Yes, risks within the company are being calculated. **8**
  - The company's leader(s) need to have the right knowledge or have access to the right knowledge to make the right decision properly.
    - Yes, both leaders studied an IBA education. Next to that, both entrepreneurs grew up in an international environment. **8**
  - The company's leader(s) need to have the right experience (or prior knowledge) to make the right decision properly.
    - No, this antecedent is not applicable on this case. Both leaders of the company are very inexperienced with the exception of their international studies. **4**
- Innovative business culture (for International Orientation and International Marketing Skills and International Innovativeness):
  - The company's culture must be proactive and entrepreneurial.
    - Yes, this antecedent is applicable on this case although it is not quite so. Within the company the employees are being filtered. **6**
  - There must be an open culture with tolerance for ambiguity.
    - Yes, new ideas are being appreciated but it is a transgression that sometimes the ideas are being crushed before they are thought out. **7**
  - Open orientation and external positioning to adapt to movement in the marketplace.
    - Yes, there is always viewed how a product can be improved. **9**
  - Leaders must exhibit transformational leadership; they have to inspire and encourage initiatives and not punish mistakes.
    - Neutral, during the interview this does not come across as being applicable on this case. **5**
- Absorptive Capacity (for International marketing Skills, International Market Orientation and International Innovativeness).
  - Absorptive capacity to absorb knowledge and generate new ideas.
    - Yes, the entrepreneurs are always on the look out for new knowledge. **8**
  - High levels of both Potential Absorptive Capacity and Realized Absorptive Capacity to acquire new external knowledge and disperse the new external knowledge through the organization.
    - No, it remains difficult to organize communication between both offices. **4**

Market intelligence (for International Marketing Skills, International Market Orientation and International Innovativeness).

- Access to inform about (foreign) markets to generate market intelligence.
  - Yes, Funk-E invest much time and attention to know as much as possible of the market that they want to be active in. **8**
- The right international coordination to disperse the (foreign) market intelligence through the organization.
  - There is not internal dispersion, but this is not necessary yet. The information is now only available for the entrepreneurs. Funk-E needs to disperse the information maybe in a later stage, when this information becomes relevant for other employees. **8**
- Organizational antecedents (for International Innovativeness and International Market Orientation).
  - Integration of Marketing and R&D divisions to work together on new innovations and combine both customer knowledge and technical/ specialized knowledge.
    - Both yes and no, the company is too small for this so this is mainly taking place in the level of management. **5**
  - The reward system must encourage risk taking and responding to customer needs and incentives must be aligned with innovative behaviour.
    - No, there is no extra incentive within the reward system of the company. **3**
  - A high degree of connectedness enhances the knowledge sharing.
    - No, there are a lot of links between each employee but these links are not functional. **3**
- Marketing Skills (for International Marketing Skills).
  - Dedicated marketing function with concentration of knowledge and skills.
    - Yes, somebody who is working on the German market is, is localized in Germany. **8**
  - Presence of key marketing skills, which are relevant in the industry a company, operates.
    - Neutral, the skills are present within the company but not in a complete order. The company still needs some more skills. **6**
- Business network and networking skills (for International Marketing Skills and International Innovativeness)
  - A position in a business network and possibility to use these connections to change the business network position, serving the internationalization objectives.
    - Yes, notably through existing customers from the Netherlands to Germany. **8**
  - The ability to start partnerships and maintain relationships with companies that give access to knowledge (marketing intelligence) about the adaption of marketing skills.
    - No, they tried this but it lead to nothing because the management could not find the right partners to collaborate with. **3**
  - The position in the business network is important for R&D collaboration and the acquisition of new and specialized knowledge.

- Neutral, not so much for innovation but the company is always in consultation with clients to develop new products. **6**
- Market turbulence (for International Market Orientation)
  - A turbulent market place can force companies to develop a strong International Market Orientation to stay ahead in the competition.
    - Yes, timing is crucial so Funk-E needs to be there in time (which they do). **6**
- Technological turbulence (for International Innovativeness)
  - The turbulence in technological development can possibly have a positive effect on the effect of Absorptive Capacity on Innovativeness and business performance.
    - No, the technological aspect is not important enough. **5**
  - Transfer of technology can provide competitive advantage by absence of that technology in the foreign market.
    - Yes/ neutral, not so much the technology itself, but the form in which the technology is presented will provide competitive advantage within the foreign market. **5**

## **CASE 2 – ANALYSES ANTECEDENTS ZYTEC**

### **Vision**

1. The vision of the company: to what extent has the vision something to do with the international activities?
  - a. What does the vision of the company with the international activities?
    - i. The vision of the company is focussed on seizing opportunities and realizing a rapid expansion. Once there were opportunities to go international, the company started their internationalization process. **7**
  - b. Is the vision also supported by available means to act onto the vision?
    - i. Yes, all resources are made available. This is part of the business plan and the previously attracted funding. **7**

### **Leadership**

2. What is the position of the management regarding the international activities?
  - a. What kind of knowledge or experience does the management have in the field of international business?
    - i. The board has a lot of previous experience in doing international business and radiated this too, for example a deal with Kuwait that led to stagnation in growth of a former business of the COO of Zytec. **9**
  - b. How does the management deal with the risks of international entrepreneurship?
    - i. It deals conveniently with; risk is avoided as much as possible by 'cherry picking'. Not because the company is risk averse. **7**

### **Innovative business culture**

3. Is the company open to new ideas and prepared to invest in these ideas?
  - a. How does the company deal with innovation issues?

- i. It is very much invested in product development and the product is under continuous development. **9**
- b. How does this relate to the business culture? (How does the management deal with making mistakes?)
  - i. The entrepreneurs are very innovative. But as they are not able to carry this forward to their staff, we cannot speak of an innovative culture. **6**

### **Absorptive capacity**

- 4. To what extent is the company able to acquire new knowledge?
  - a. To what extent is the company able to spread to new knowledge and take action to use the knowledge?
    - i. Within one year, the company has developed itself to a knowledge organisation and so acquiring new knowledge and apply it to new commercial application is priority number one. **9**
- 5. Are there examples of acquired knowledge that have led to new or improved products or services?
  - i. The product itself is based on magnetic technology. This technique is still very much experimented and so this knowledge is acquired in order to apply the competitive advantage when sold under license. (No Chinese counterfeiting seeing knowledge complexity.) **10**

### **Market intelligence**

- 6. How does the company have access to knowledge on foreign markets?
  - a. How does the company process this knowledge to new products/ services?
    - i. A lot of knowledge is gain via desk research. Next to that, through the experience of users and distributors, a lot of feedback is coming back from the foreign markets and countries. **8**
- 7. Are there examples of knowledge extracted from the foreign market(s), which are reflected in a particular product or service?
  - i. Adaptation of the product for a variety of niche markets. Again, also here Zytec is 'cherry picking' the adaptations they want to make, o only simple and easy adjustments are made to quickly enter a new market. **9**

### **Business network**

- 8. Does the company use partnerships with local partners to shape the international activities?
  - a. What kind of role does the network of the company/ the entrepreneurs play within the international activities of the company?
    - i. The distributors are connoisseurs of the market and play an important role in the final application of the product. In the future, the distributors are also playing an important role in the production and the complete sale of the products. **8**

### **Business environment**

- 13. How turbulent are the foreign markets and what impact does this have on the international activities?

- i. The product does not exist yet, so it creates turbulence in the market. This provides Zytec competitive advantage. **8**
- 14. How turbulent are the technological developments and what kind of effect does this have on the international activities?
  - i. At this moment, these developments are turbulent by the effort of Zytec. **9**

### **Causality**

- 15. Is the company formed through experience within the international activities or are the international activities the result of the format of the business?
  - i. The company is only a year old and is completely shaped by their international activities. **8**
- 16. In what time sequence was the internationalization conducted? Did the company first focus on a product and actively searching for a market or did they had a business opportunity first and subsequently product development?
  - i. Initially, the entrepreneurs had the ambition to be a manufacturing company within the Netherlands. When there was a demand from abroad, Zytec has responded well to this and adapted their ambitions to license sales. **6**

### **Organizational antecedents**

- a. How are employees rewarded?
  - i. The employees are being rewarded for performed activities; they do not receive a bonus for extra achievements. **5**
- b. How do stakeholders work together during the development of products and services for international markets?
  - i. There is a very close interplay by those involved to adapt the product and sell it in other foreign markets. **7**

### **Marketing skills**

- a. What are the key marketing skills that are present within the company?
  - i. Professional promotion of the product and to clearly explain the benefits to rationalize sales. **7**
- b. How is the international marketing managed within the company?
  - i. Through distributors who seek opportunities and buying licenses from Zytec. **7**

### **ANALYSIS**

Define the extent to which an antecedent is present within the company

Scale: 1-4 = not present, 5-7 = present to a small extent, 8-10 = present to a large extent

The possible antecedents of International Business Competence could be:

- Vision (for International Orientation)
  - o The company must have a consistent, bright view on the desirable future.
    - Yes, the company has a clear growth plan clear with keen adaptability to meet the targets. **8**
  - o The vision must lead to the availability of resources.

- Yes, there are plenty of vital resources available to spend on product development and market directions. **8**
    - The strategic objectives must be aligned with the vision.
      - Yes, the company always adhered to the vision. **9**
- Leadership (for International Orientation and International Market Orientation)
  - The vision must be articulated and endorsed by top management.
    - Yes, as far as incalculable the targets are clear and is moving well within the whole company. **7**
  - Top management must emphasize the importance of international Market Orientation and the company's international activities.
    - Yes, the interests are known. The company own a large part of the growth to international interest. **7**
  - Top management must not be risk averse
    - Yes, risks within the company are being calculated but because there are so many opportunities the company is taken relatively low risks. Not because the company is risk averse. **6**
  - The company's leader(s) need to have the right knowledge or have access to the right knowledge to make the right decision properly.
    - Yes, the management board the management is internationally established. Next to that, since July there is also an American board member present within the company. **8**
  - The company's leader(s) need to have the right experience (or prior knowledge) to make the right decision properly.
    - Yes, the board consists of people with considerable and serious international experience. **9**
- Innovative business culture (for International Orientation and International Marketing Skills and International Innovativeness):
  - The company's culture must be proactive and entrepreneurial.
    - Yes, there are many changes and the company seems to be able to adjust itself within each situation. Employees appear to move along with these changes, otherwise they would not last this long. **7**
  - There must be an open culture with tolerance for ambiguity.
    - Yes, new ideas are being appreciated but not every idea is being developed. The management board is making clear choices in line with the strategy. **7**
  - Open orientation and external positioning to adapt to movement in the marketplace.
    - Yes, the product is moving along with the demand. The technology can always be adapted to a specific application for the product, while it still remaining a standard product. **10**
  - Leaders must exhibit transformational leadership; they have to inspire and encourage initiatives and not punish mistakes.
    - Neutral, during the interview this does not come across as being applicable on this case. **5**
- Absorptive Capacity (for International marketing Skills, International Market Orientation and International Innovativeness).
  - Absorptive capacity to absorb knowledge and generate new ideas.



- Yes, since its establishment, the company is working to improve the product and to become a centre of knowledge. **8**
  - High levels of both Potential Absorptive Capacity and Realized Absorptive Capacity to acquire new external knowledge and disperse the new external knowledge through the organization.
    - Yes, the company is specially designed to disseminate knowledge at a fast rate. Knowledge and User License has been the only thing the company is actually selling, so therefore is good knowledge dissemination needed to succeed the product and here they work with might and main for. **10**
- Market intelligence (for International Marketing Skills, International Market Orientation and International Innovativeness).
  - Access to inform about (foreign) markets to generate market intelligence.
    - Yes, the company has indirect access but good access via distributors that come up with recommendations in specific markets and countries. **8**
  - The right international coordination to disperse the (foreign) market intelligence through the organization.
    - Yes, the company is specifically designed to spread this knowledge rapidly to other markets. **8**
- Organizational antecedents (for International Innovativeness and International Market Orientation).
  - Integration of Marketing and R&D divisions to work together on new innovations and combine both customer knowledge and technical/ specialized knowledge.
    - Both yes and no, it is not entirely clear how this is integrated. **6**
  - The reward system must encourage risk taking and responding to customer needs and incentives must be aligned with innovative behaviour.
    - No, there is no extra incentive within the reward system of the company. **5**
  - A high degree of connectedness enhances the knowledge sharing.
    - Both yes and no, it is a small company, whereby effective links are not immediately clear. **6**
- Marketing Skills (for International Marketing Skills).
  - Dedicated marketing function with concentration of knowledge and skills.
    - Yes, there are employees only occupied with marketing. Also the distributors are each specialized on different markets. **7**
  - Presence of key marketing skills, which are relevant in the industry a company, operates.
    - Neutral, the skills are present within the company but they are indirect. Marketing is taking place on a macro level. Praising and similar are done by the distributors. Zytec sees themselves as manufacturing and business knowledge. **6**
- Business network and networking skills (for International Marketing Skills and International Innovativeness)

- A position in a business network and possibility to use these connections to change the business network position, serving the internationalization objectives.
  - Yes, distributors are in connection with all markets. **9**
- The ability to start partnerships and maintain relationships with companies that give access to knowledge (marketing intelligence) about the adaption of marketing skills.
  - Yes, there is a partnership with the distributors. **9**
- The position in the business network is important for R&D collaboration and the acquisition of new and specialized knowledge.
  - Yes, there is a lot of feedback coming from the foreign markets and ideas through the distributors. **9**
- Market turbulence (for international Market Orientation)
  - A turbulent market place can force companies to develop a strong International Market Orientation to stay ahead in the competition.
    - Yes, Zytec profits from the imbalance in the market. **8**
- Technological turbulence (for International Innovativeness)
  - The turbulence in technological development can possibly have a positive effect on the effect of Absorptive Capacity on Innovativeness and business performance.
    - Yes, Zytec is building competitive advantage. **10**
  - Transfer of technology can provide competitive advantage by absence of that technology in the foreign market.
    - Yes, this makes it possible to Zytec to 'cherry pick'. **10**

### **CASE 3 – ANALYSES ANTECEDENTS FELTEST**

#### **Vision**

1. The vision of the company: to what extent has the vision something to do with the international activities?
  - a. What does the vision of the company with the international activities?
    - i. The vision to create specially developed measuring instruments has nothing to do with internationalization. This is because the paper industry is already international oriented. **5**
  - b. Is the vision also supported by available means to act onto the vision?
    - i. Yes, the employees adhered to the vision of the company and more specific products are being developed. **7**

#### **Leadership**

2. What is the position of the management regarding the international activities?
  - a. What kind of knowledge or experience does the management have in the field of international business?
    - i. The entrepreneur first was a sales agent himself for a similar company in the Benelux, so they are aware of how this particular world is working. **8**
  - b. How does the management deal with the risks of international entrepreneurship?

- i. There are certainly risks taken, but where possible, they are trying to deal with risk as convenient as possible. For entrepreneurs it is clear that entrepreneurship means taking risks. **8**

### **Innovative business culture**

- 3. Is the company open to new ideas and prepared to invest in these ideas?
  - a. How does the company deal with innovation issues?
    - i. Feltest lives of innovations and creating instruments that no other company is making. Thus, Feltest has created its own niche. **9**
  - b. How does this relate to the business culture? (How does the management deal with making mistakes?)
    - i. The company consists of two people so a certain culture is not the case, but the mindset of the two founders is flexible and entrepreneurial. **9**

### **Absorptive capacity**

- 4. To what extent is the company able to acquire new knowledge?
  - a. To what extent is the company able to spread to new knowledge and take action to use the knowledge?
    - i. Acquiring knowledge goes through the sales agents and is based on the knowledge of the entrepreneurs themselves out of the market. This knowledge is far reaching and Feltest seems perfectly capable to retrieve relevant knowledge from the market. Because the business is very small, spreading the knowledge is very easy. **9**
- 5. Are there examples of acquired knowledge that have led to new or improved products or services?
  - i. All products of Feltest examples of this. It is the market Feltest to develop products based on new demand and knowledge of markets and products. **9**

### **Market intelligence**

- 6. How does the company have access to knowledge on (new) international markets?
  - a. How does the company process this knowledge to new products/ services?
    - i. Through its sales agents. All information of the market comes from sales agents. Through the business network and the experience of the entrepreneur, often these are sales agents. If there is high demand, a new instrument is developed. Knowledge by market is not nearly as relevant, as the market is divided among several prominent parties that you should know. This remains like this, because t a lot of investment is required to start paper factory. The entrepreneur knows exactly how this world works. **7**
- 7. Are there examples of knowledge extracted from the foreign market(s), which are reflected in a particular product or service?
  - i. There is no example by market or by country, but that is because the paper industry worldwide is very homogeneous and there are no national adaptations. Companies are usually active in several countries and the industry consolidated mainly so there are always the same companies everywhere. **6**

### **Business network**

8. Does the company use partnerships with local partners to shape the international activities?
  - a. What kind of role does the network of the company/ the entrepreneurs play within the international activities of the company?
    - i. All sales are through agents, so the business network is very important. It seems quite difficult to find good quality agents, wanting to sell by low price instruments. **8**

### **Business environment**

9. How turbulent are the foreign markets and what impact does this have on the international activities?
  - i. The market is not turbulent. A few large companies consolidate in this market for years and the demand is stable nowadays. **4**
10. How turbulent are the technological developments and what kind of effect does this have on the international activities?
  - i. Not turbulent, Feltest is developing practical devices, that are not existing elsewhere in a commercially way, so Feltest is locked up in a niche thanks to technological applications. This makes that Feltest products are internationally relevant. **7**

### **Causality**

11. Is the company formed through experience within the international activities or are the international activities the result of the format of the business?
  - i. The company is formed by the international activities without international activities Feltest would not exist (anymore). **8**
12. In what time sequence was the internationalization conducted? Did the company first focus on a product and actively searching for a market or did they had a business opportunity first and subsequently product development?
  - i. The market where Feltest operates in is completely international, so Feltest is international orientated since day one. **8**

### **Organizational antecedents**

- a. How are employees rewarded?
  - i. The entrepreneur is rewarded by his income. The remuneration of the junior associates is not known, but because the company is so small they do have a lot of benefit from a good turnover. **8**
- b. How do stakeholders work together during the development of products and services for international markets?
  - i. There is always collaboration between the two men, and so it is very good. **9**

### **Marketing skills**

- a. What are the key marketing skills that are present within the company?

- i. The entrepreneur himself knows the knowledge of the world of paper production. This is a very specific knowledge, which is also caused by long working experience, even with paper machines. **8**
- b. How is the international marketing managed within the company?
  - i. This is not really controlled and goes through the sales agents. The relationship with the sales agents is herein important. **6**

## ANALYSIS

Define the extent to which an antecedent is present within the company

Scale: 1-4 = not present, 5-7 = present to a small extent, 8-10 = present to a large extent

The possible antecedents of International Business Competence could be:

- Vision (for International Orientation)
  - o The company must have a consistent, bright view on the desirable future.
    - Yes, there is certainly a vision there, but this captured the most in the entrepreneurial spirit of the entrepreneur. **8**
  - o The vision must lead to the availability of resources.
    - Both yes and no, Feltest is not a large company that can invest a lot, but where possible, everything is done to pursue the vision. **7**
  - o The strategic objectives must be aligned with the vision.
    - Yes, the strategy is in line with the vision of the entrepreneur, because it all happens in the mind of the entrepreneur. **9**
- Leadership (for International Orientation and International Market Orientation)
  - o The vision must be articulated and endorsed by top management.
    - Yes, another employee, and who knows what the vision is. Due to the small scale of the company, this is very easy. **9**
  - o Top management must emphasize the importance of international Market Orientation and the company's international activities.
    - Both yes and no, emphasizing is not necessary; the other employee knows that 99% of the industry is taking place outside the Netherlands. **8**
  - o Top management must not be risk averse
    - Yes, risks are definitely taken and decisions are based on the entrepreneurial spirit. **8**
  - o The company's leader(s) need to have the right knowledge or have access to the right knowledge to make the right decision properly.
    - Yes, the entrepreneur is 'grown' into the world of paper and knows the industry very well. **7**
  - o The company's leader(s) need to have the right experience (or prior knowledge) to make the right decision properly.
    - Yes, the entrepreneur was previously a sales agent of similar products within the Benelux. **7**
- Innovative business culture (for International Orientation and International Marketing Skills and International Innovativeness):
  - o The company's culture must be proactive and entrepreneurial.
    - Yes, the company consists of 50% of the proactive and entrepreneurial entrepreneur. **9**

- There must be an open culture with tolerance for ambiguity.
  - Yes, the employer and the employee can deal with ambiguity and understand the difficulty of international business. **8**
- Open orientation and external positioning to adapt to movement in the marketplace.
  - Yes, they are always on the look out to see how the product can be improved. New products are developed when large customers are demanding this. **7**
- Leaders must exhibit transformational leadership; they have to inspire and encourage initiatives and not punish mistakes.
  - Neutral, the setting of the company is too small for such leadership. **5**
- Absorptive Capacity (for International marketing Skills, International Market Orientation and International Innovativeness).
  - Absorptive capacity to absorb knowledge and generate new ideas.
    - Yes, through knowledge of the market and feedback from agents and customers existing products are further developed and new products developed. **8**
  - High levels of both Potential Absorptive Capacity and Realized Absorptive Capacity to acquire new external knowledge and disperse the new external knowledge through the organization.
    - Yes, the spreading in the organization of two people going very well. **9**
- Market intelligence (for International Marketing Skills, International Market Orientation and International Innovativeness).
  - Access to inform about (foreign) markets to generate market intelligence.
    - Yes, the entrepreneur has the knowledge but there is little difference between the foreign markets because the paper industry worldwide is a small market. **8**
  - The right international coordination to disperse the (foreign) market intelligence through the organization.
    - Yes, the spreading in the organization of two people going very well. **9**
- Organizational antecedents (for International Innovativeness and International Market Orientation).
  - Integration of Marketing and R&D divisions to work together on new innovations and combine both customer knowledge and technical/ specialized knowledge.
    - Both yes and no, the company is too small to analyze this properly. This happens mainly at board level. **6**
  - The reward system must encourage risk taking and responding to customer needs and incentives must be aligned with innovative behaviour.
    - Yes, the entrepreneur is the owner and the employee may continue to work if all goes well, so incentive is certainly there. Only, it is not present in the form of a specific system, but in to the form of the company itself. **9**
  - A high degree of connectedness enhances the knowledge sharing.
    - Yes, due to the limited number of employees, these connections are absolutely there and by the way of working together, they are well utilized. Knowledge is easily shared. **9**

- Marketing Skills (for International Marketing Skills).
  - Dedicated marketing function with concentration of knowledge and skills.
    - Both yes and no, the entrepreneur is doing this himself and it works via contacts within his network and the sales agents. **6**
  - Presence of key marketing skills, which are relevant in the industry a company, operates.
    - Neutral, specific skills are not actually present but the entrepreneur knows well how the world of paper industry works and subsequently the marketing is sent. **5**
- Business network and networking skills (for International Marketing Skills and International Innovativeness)
  - A position in a business network and possibility to use these connections to change the business network position, serving the internationalization objectives.
    - Yes, sales goes via the sales agents. **9**
  - The ability to start partnerships and maintain relationships with companies that give access to knowledge (marketing intelligence) about the adaption of marketing skills.
    - Yes, but sometimes it difficult to get the sale agents to make efforts for Feltest because of limited financial commission. **6**
  - The position in the business network is important for R&D collaboration and the acquisition of new and specialized knowledge.
    - Yes, innovations enter through the sales agents. **7**
- Market turbulence (for international Market Orientation)
  - A turbulent market place can force companies to develop a strong International Market Orientation to stay ahead in the competition.
    - No, the market is not turbulence. The paper industry consolidates and Feltest is locked up in their own niche. **2**
- Technological turbulence (for International Innovativeness)
  - The turbulence in technological development can possibly have a positive effect on the effect of Absorptive Capacity on Innovativeness and business performance.
    - No, the market is not technically turbulent. In the paper industry, the technology remains often the same and instrumentation is present also for years but Feltest profits from their innovations within their own niche. **5**
  - Transfer of technology can provide competitive advantage by absence of that technology in the foreign market.
    - Yes, Feltest brings well-developed technology in a convenient way to their customers. **7**

## **CASE 4 – ANALYSES ANTECEDENTS BOSKA HOLLAND**

### **Vision**

1. The vision of the company: to what extent has the vision something to do with the international activities?
  - a. What does the vision of the company with the international activities?

- i. When Martijn Bos took the helm, he had a clear vision of the internationalization of the company. This vision has ensured that the company is now active in 85 countries. **9**
- b. Is the vision also supported by available means to act onto the vision?
  - i. The company cannot invest in every country and every market but in certain focus countries is heavily invested to let the international activities grow. **9**

### **Leadership**

- 2. What is the position of the management regarding the international activities?
  - a. What kind of knowledge or experience does the management have in the field of international business?
    - i. The management is initiator and example of its international operations. **9**
  - b. How does the management deal with the risks of international entrepreneurship?
    - i. There is reasonable risk taken within the company. After it has almost gone out of control ten years ago, the board is slightly more conservative but risks are still taken. **8**

### **Innovative business culture**

- 3. Is the company open to new ideas and prepared to invest in these ideas?
  - a. How does the company deal with innovation issues?
    - i. The product range of Boska Holland is very large (over 1000 products). In collaboration with partners and on special request of customers, new products are developed and marketed. **6**
  - b. How does this relate to the business culture? (How does the management deal with making mistakes?)
    - i. The business culture focuses on an entrepreneurial approach and perseverance when things are slightly off. Innovation does not play a crucial role within the products of Boska; it's more about the efficient execution of the products and good marketing. **7**

### **Absorptive capacity**

- 4. To what extent is the company able to acquire new knowledge?
  - a. To what extent is the company able to spread to new knowledge and take action to use the knowledge?
    - i. Boska seems well able to acquire the knowledge of marketing and competitors, while the focus is on the competitors. Outside this market knowledge, there is not much knowledge to acquire for Boska. **7**
- 5. Are there examples of acquired knowledge that have led to new or improved products or services?
  - i. No, there is no example. Perhaps the best example of how Boska Holland is manifested in the focus countries. **6**

### **Market intelligence**

- 6. How does the company have access to knowledge on (new) international markets?
  - a. How does the company process this knowledge to new products/ services?
    - i. In particular, the marketing staff carefully monitors the focus markets. **6**



7. Are there examples of knowledge extracted from the foreign market(s), which are reflected in a particular product or service?
  - i. No, there is no example. Only the fact that Boska is able to deliver a good performance within the focus markets. **6**

#### **Business network**

8. Does the company use partnerships with local partners to shape the international activities?
  - a. What kind of role does the network of the company/ the entrepreneurs play within the international activities of the company?
    - i. Boska Holland has a good network of retailers in all focus markets and this is working well together. **7**

#### **Business environment**

9. How turbulent are the foreign markets and what impact does this have on the international activities?
  - i. The market is turbulent. The products of Boska are luxury goods and no daily requirement. Their competition is based on entirely different products. The sales of Boska are continuously endangered from all angles. **8**
10. How turbulent are the technological developments and what kind of effect does this have on the international activities?
  - i. The technological developments are really small. Boska is not selling technological products, so the technological turbulence does not play a significant role. **4**

#### **Causality**

11. Is the company formed through experience within the international activities or are the international activities the result of the format of the business?
  - i. The company was 15 years ago, completely different. The internationalization and the change of product categories changed the company considerably. **8**
12. In what time sequence was the internationalization conducted? Did the company first focus on a product and actively searching for a market or did they had a business opportunity first and subsequently product development?
  - i. Boska Holland existed for over 100 years when in 2002 Martijn Bos became the owner and was willing to go international with the business. Boska first went abroad and has subsequently succeeded to realize turnover there. **9**

#### **Organizational antecedents**

- a. How are employees rewarded?
  - i. This varies by function but generally are employees rewarded for the work performed. There is no bonus for extra performance. **5**
- b. How do stakeholders work together during the development of products and services for international markets?
  - i. The cooperation between R&D and marketing seems to go smoothly. R&D plays a relatively small role for the products of Boska Holland. **8**

## Marketing skills

- a. What are the key marketing skills that are present within the company?
  - i. Perseverance and entrepreneurial skills to let the business grow internationally. **9**
- b. How is the international marketing managed within the company?
  - i. Through the export managers and offices in the focus countries. The marketing departments are divided by focus country and there is an export department for all non-focus countries. **8**

## ANALYSIS

Define the extent to which an antecedent is present within the company

Scale: 1-4 = not present, 5-7 = present to a small extent, 8-10 = present to a large extent

The possible antecedents of International Business Competence could be:

- Vision (for International Orientation)
  - o The company must have a consistent, bright view on the desirable future.
    - Yes, the vision focused on international business has everything put into action. **9**
  - o The vision must lead to the availability of resources.
    - Yes, Yes, where possible, the company is investing well in their business within their focus countries. **9**
  - o The strategic objectives must be aligned with the vision.
    - Yes, the strategy and its implementation are in good agreement. **9**
- Leadership (for International Orientation and International Market Orientation)
  - o The vision must be articulated and endorsed by top management.
    - Yes, the entire company is involved in the internationalization process. **8**
  - o Top management must emphasize the importance of international Market Orientation and the company's international activities.
    - Yes, the entire company has understood this vision and understands the importance of the international activities. **8**
  - o Top management must not be risk averse
    - Yes, risks are absolutely taken. Previously risks were taken up to the edge but the risks now remain within certain limits. **8**
  - o The company's leader(s) need to have the right knowledge or have access to the right knowledge to make the right decision properly.
    - Yes, the entrepreneur was fairly inexperienced but he has studied in America and many international contacts, so he does have a sense of an international approach. **7**
  - o The company's leader(s) need to have the right experience (or prior knowledge) to make the right decision properly.
    - Yes, in the early years of internationalization not but now they do because of this internationalisation. **8**
- Innovative business culture (for International Orientation and International Marketing Skills and International Innovativeness):

- The company's culture must be proactive and entrepreneurial.
  - Yes, both the entrepreneur and the management are very entrepreneurial. There is a kind of self-selection in such companies, which retain only the people who can identify with it. **8**
- There must be an open culture with tolerance for ambiguity.
  - Neutral, this is hard to estimate. There appears to have originated a relationship with the entrepreneurial character, but this is not to say with certainty. **5**
- Open orientation and external positioning to adapt to movement in the marketplace.
  - Both yes and no, Boska is always ready to respond to opportunities but has a clear vision of what direction the company wants to go. It will only continue to grow if the company itself is ready. **6**
- Leaders must exhibit transformational leadership; they have to inspire and encourage initiatives and not punish mistakes.
  - Neutral, the way of leadership is not entirely known. It appears to happen in an entrepreneurial manner, but to what extent that is really transformational, is not known. **5**
- Absorptive Capacity (for International marketing Skills, International Market Orientation and International Innovativeness).
  - Absorptive capacity to absorb knowledge and generate new ideas.
    - Yes, there is a sure way of knowledge absorption, particularly in the focus markets. **8**
  - High levels of both Potential Absorptive Capacity and Realized Absorptive Capacity to acquire new external knowledge and disperse the new external knowledge through the organization.
    - Yes, knowledge is disseminated within the company. Particularly in markets teams, the knowledge properly shared. **8**
- Market intelligence (for International Marketing Skills, International Market Orientation and International Innovativeness).
  - Access to inform about (foreign) markets to generate market intelligence.
    - Yes, knowledge absorption is focused on knowledge about the focus markets. **8**
  - The right international coordination to disperse the (foreign) market intelligence through the organization.
    - Yes, knowledge is disseminated within the company. Particularly in markets teams, the knowledge properly shared. **7**
- Organizational antecedents (for International Innovativeness and International Market Orientation).
  - Integration of Marketing and R&D divisions to work together on new innovations and combine both customer knowledge and technical/ specialized knowledge.
    - Yes, provided there is real R & D is involved. Most of it is strategy and marketing. **6**
  - The reward system must encourage risk taking and responding to customer needs and incentives must be aligned with innovative behaviour.
    - No, in general there is no additional incentive. **3**

- A high degree of connectedness enhances the knowledge sharing.
  - Neutral, where necessary, the links seem to be present and the knowledge is shared. The intensity of the connections is not known, but the company is relatively small and so there are many internal contacts there. Contacts with the foreign establishments decays stiff. Here are especially locals placed. **5**
- Marketing Skills (for International Marketing Skills).
  - Dedicated marketing function with concentration of knowledge and skills.
    - Yes, this feature is present and is well organized. **9**
  - Presence of key marketing skills, which are relevant in the industry a company, operates.
    - Yes, this feature is present and is well organized. **9**
- Business network and networking skills (for International Marketing Skills and International Innovativeness)
  - A position in a business network and possibility to use these connections to change the business network position, serving the internationalization objectives.
    - Yes by networking with selling parties, sales to consumers (now 80% of sales) are possible. **7**
  - The ability to start partnerships and maintain relationships with companies that give access to knowledge (marketing intelligence) about the adaption of marketing skills.
    - Yes, cooperation with other parties and collaballing are things Boska is now working on, but this is not such a big part within the company. **8**
  - The position in the business network is important for R&D collaboration and the acquisition of new and specialized knowledge.
    - Yes, retailers can indicate what sells well and what does not, this information is useful in product design and development of products by market. **7**
- Market turbulence (for international Market Orientation)
  - A turbulent market place can force companies to develop a strong International Market Orientation to stay ahead in the competition.
    - Yes, the market is very turbulent. Boska delivers premium luxury products and in that corner, you have a lot of competition from other products. This makes the market very diffuse and difficult to play on. **8**
- Technological turbulence (for International Innovativeness)
  - The turbulence in technological development can possibly have a positive effect on the effect of Absorptive Capacity on Innovativeness and business performance.
    - No, technology plays a minor role and developments are not very turbulent. **4**
  - Transfer of technology can provide competitive advantage by absence of that technology in the foreign market.
    - No, technologically the products are too simple to take advantage of an absence of technology. **4**

## **CASE 5 – ANALYSES ANTECEDENTS RIJNPLANT**

### **Vision**

1. The vision of the company: to what extent has the vision something to do with the international activities?
  - a. What does the vision of the company with the international activities?
    - i. The vision of Rijnplant is aiming to grow as large as possible within the Anthurium business. All turnover which thereby can be achieved internationally is welcome as a result of this vision. **8**
  - b. Is the vision also supported by available means to act onto the vision?
    - i. Yes, Rijnplant invests heavily in R & D and international sales activities. **9**

### **Leadership**

2. What is the position of the management regarding the international activities?
  - a. What kind of knowledge or experience does the management have in the field of international business?
    - i. In a broader sense, Rijnplant has an international management with a lot of people with an international background. This is a lot of international knowledge within the company. **9**
  - b. How does the management deal with the risks of international entrepreneurship?
    - i. There is little risk taken, because it is simply not necessary. **5**

### **Innovative business culture**

3. Is the company open to new ideas and prepared to invest in these ideas?
  - a. How does the company deal with innovation issues?
    - i. Rijnplant is very serious about this with a great laboratory and testing grounds for new species to cross and develop. This also, makes Rijnplant unique with only competitor. **9**
  - b. How does this relate to the business culture? (How does the management deal with making mistakes?)
    - i. Innovation and the development of new species are an important part of the business, but the company is mainly focused on exploitation of existing species. Innovation projects often take years (7 years on average), so they are not part of everyday work for many of the employees. Making mistakes in the exploitative side is not tolerated; on the other hand in exploratory side mistakes are much more tolerated. **7**

### **Absorptive capacity**

4. To what extent is the company able to acquire new knowledge?
  - b. To what extent is the company able to spread to new knowledge and take action to use the knowledge?
    - i. It is a big industry that operates in a large global market. The knowledge of customer preferences etcetera shall be determined in consultation with the clients. Together with marketing and the R&D department is Rijnplant able to acquire relevant knowledge about the market. **7**

5. Are there examples of acquired knowledge that have led to new or improved products or services?
  - i. For example, Anthuriums that can that cold of heath better can be developed for cold or warm countries. At this level, the product can be improved in the laboratory. **9**

### **Market intelligence**

6. How does the company have access to knowledge on (new) international markets?
  - a. How does the company process this knowledge to new products/ services?
    - i. All markets are taken care of by marketing employees. **9**
7. Are there examples of knowledge extracted from the foreign market(s), which are reflected in a particular product or service?
  - i. For example, anthuriums that can that cold of heath better can be developed for cold or warm countries. At this level, the product can be improved in the laboratory. **9**

### **Business network**

8. Does the company use partnerships with local partners to shape the international activities?
  - a. What kind of role does the network of the company/ the entrepreneurs play within the international activities of the company?
    - i. The company has no business network with local partners. Rijnplant does all the selling internationally itself. The company makes use of existing customers and network for advertising their product. **8**

### **Business environment**

9. How turbulent are the foreign markets and what impact does this have on the international activities?
  - i. The market is not (yet) turbulent, changes are very slow and it takes years to make a change. **5**
10. How turbulent are the technological developments and what kind of effect does this have on the international activities?
  - i. Technological developments are not very turbulent, but they are there. Only it takes a very long time, through research and crosses in the laboratory. **6**

### **Causality**

11. Is the company formed through experience within the international activities or are the international activities the result of the format of the business?
  - i. The company is formed by international activities. Before the international activities, it was a very different company. Rijnplant was a much smaller family business. **8**
12. In what time sequence was the internationalization conducted? Did the company first focus on a product and actively searching for a market or did they had a business opportunity first and subsequently product development?

- i. Slowly Rijnplant grew and they had developed a superior Anthurium. Slowly but surely, they started to sell this Anthurium in it slowly in the rest of Europe, followed by Asia and America. Rijnplant follows the international demand of their product. **6**

### Organizational antecedents

- a. How are employees rewarded?
  - i. This varies by function but generally are employees rewarded for the work performed. There is no bonus for extra performance. **5**
- b. How do stakeholders work together during the development of products and services for international markets?
  - i. The cooperation between R&D and marketing seems to go smoothly. Development processes are long. R&D developed some species of which marketing know that are demanded, or marketing is selling the species that R&D has been able to develop. **8**

### Marketing skills

- a. What are the key marketing skills that are present within the company?
  - i. The company has a good reputation because of the quality of the plants. Furthermore it is a professional company, which seem to deliver the high expectations every time. **9**
- b. How is the international marketing managed within the company?
  - i. They anticipate every demand there is. **8**

### ANALYSIS

Define the extent to which an antecedent is present within the company

Scale: 1-4 = not present, 5-7 = present to a small extent, 8-10 = present to a large extent

The possible antecedents of International Business Competence could be:

- Vision (for International Orientation)
  - o The company must have a consistent, bright view on the desirable future.
    - Yes, there is a clear growth vision and the international activities are a result of this. **7**
  - o The vision must lead to the availability of resources.
    - Yes, Rijnplant has many resources and invest where necessary to pursue the vision. **9**
  - o The strategic objectives must be aligned with the vision.
    - Yes, to the extent that it is assessable, this is in line with one another. **8**
- Leadership (for International Orientation and International Market Orientation)
  - o The vision must be articulated and endorsed by top management.
    - Both yes and no, the vision is clear with the office staff but with the production staff in a lesser extent. **6**
  - o Top management must emphasize the importance of international Market Orientation and the company's international activities.

- Yes, the entire market is international and therefore there is no need to overstate the vision. It explicitly defines all focus is on the international activities in the policy of the company. **6**
  - Top management must not be risk averse
    - No, there are minimal risks taken. It is only invested in emerging markets when there are minimal risks. **3**
  - The company's leader(s) need to have the right knowledge or have access to the right knowledge to make the right decision properly.
    - Yes, there is international staff presence in key management positions. Also, the leaders of the company have knowledge of international business through education, training or previous experience. **8**
  - The company's leader(s) need to have the right experience (or prior knowledge) to make the right decision properly.
    - Both yes and no, because Rijnplant is internationally active for 20 years, there is a lot of knowledge within the company. This experience is applicable through the whole business, on the individual level is this not known. **8**
- Innovative business culture (for International Orientation and International Marketing Skills and International Innovativeness):
  - The company's culture must be proactive and entrepreneurial.
    - Yes, this is different per department and part of the company. Within the explorative parts of the company this will come back more, with production parts this is perhaps not quite the case. **6**
  - There must be an open culture with tolerance for ambiguity.
    - Neutral, the way of leadership is not fully known and will vary by part of the company. **5**
  - Open orientation and external positioning to adapt to movement in the marketplace.
    - Yes, they are always on the look out to see how the product can be improved. New products are developed when large customers are demanding this. **7**
  - Leaders must exhibit transformational leadership; they have to inspire and encourage initiatives and not punish mistakes.
    - Neutral, the way of leadership is not fully known and will vary by part of the company. **5**
- Absorptive Capacity (for International marketing Skills, International Market Orientation and International Innovativeness).
  - Absorptive capacity to absorb knowledge and generate new ideas.
    - Yes, the company is always engaged with customers to learn about preferences and respond to them. **9**
  - High levels of both Potential Absorptive Capacity and Realized Absorptive Capacity to acquire new external knowledge and disperse the new external knowledge through the organization.
    - Both yes and no, the information only needs to be exchanged between marketing and R&D and this seem to be going well. Furthermore, there is no vast knowledge spreading within the



- company, because this is not relevant for larger parts of the business (exploitative side). **6**
- Market intelligence (for International Marketing Skills, International Market Orientation and International Innovativeness).
    - Access to inform about (foreign) markets to generate market intelligence.
      - Yes, there is a lot of knowledge of the markets represented in the company and the sales people are working hard to keep up to date with this knowledge. **8**
    - The right international coordination to disperse the (foreign) market intelligence through the organization.
      - Neutral, the knowledge needs not to be shared by the entire organization but only with the sales people. **6**
  - Organizational antecedents (for International Innovativeness and International Market Orientation).
    - Integration of Marketing and R&D divisions to work together on new innovations and combine both customer knowledge and technical/ specialized knowledge.
      - Yes, this is the only link of knowledge and this also seems to be the only relevant cooperation for Rijnplant. **8**
    - The reward system must encourage risk taking and responding to customer needs and incentives must be aligned with innovative behaviour.
      - Both yes and no, this varies by department, but generally there is no additional incentive. **3**
    - A high degree of connectedness enhances the knowledge sharing.
      - Neutral, this varies by department, but where necessary the links appear to be provided and the knowledge is shared. The knowledge need not be shared on a daily basis, so connectedness is perhaps not quite an important factor in their knowledge sharing. **5**
  - Marketing Skills (for International Marketing Skills).
    - Dedicated marketing function with concentration of knowledge and skills.
      - Yes, this feature is present and is well organized. There are specialized market managers who cover a region of the world. These managers know a lot about this region or come even (as the respondent) from that region. **9**
    - Presence of key marketing skills, which are relevant in the industry a company, operates.
      - Yes, this feature is present and is well organized. There are well educated marketing employees who are on a daily base active with the marketing activities. **9**
  - Business network and networking skills (for International Marketing Skills and International Innovativeness)
    - A position in a business network and possibility to use these connections to change the business network position, serving the internationalization objectives.
      - Both yes and no, it is more the position in the market that Rijnplant is doing well. It comes to brand awareness and reputation, rather than the individual connections within the business network. **7**

- The ability to start partnerships and maintain relationships with companies that give access to knowledge (marketing intelligence) about the adaptation of marketing skills.
  - Yes, there is cooperation with other parties such as universities and laboratories to develop the products further and maintain them. **8**
- The position in the business network is important for R&D collaboration and the acquisition of new and specialized knowledge.
  - Yes, especially the contact with the customer is important, but also contact with universities and laboratories is important. **9**
- Market turbulence (for international Market Orientation)
  - A turbulent market place can force companies to develop a strong International Market Orientation to stay ahead in the competition.
    - No, the market is not turbulence. The changes are very slow and the dominant position of Rijnplant and competition has been hard to keep up with the resources they have for hands (and other parties do not have for hands). **3**
- Technological turbulence (for International Innovativeness)
  - The turbulence in technological development can possibly have a positive effect on the effect of Absorptive Capacity on Innovativeness and business performance.
    - No, the technology does change but is not very turbulent. This really takes years. **4**
  - Transfer of technology can provide competitive advantage by absence of that technology in the foreign market.
    - Yes, the technology to reach the final end product creates competitive advantage for Rijnplant in markets where this technology is not known (and therefore as well the end product). **7**

## CASE 6 – ANALYSES ANTECEDENTS AEROLIFT

### Vision

1. The vision of the company: to what extent has the vision something to do with the international activities?
  - a. What does the vision of the company with the international activities?
    - i. International activities are part of the company and play a major role in the overall vision, in the way of project work (custom made). The international activities provide a certain sales volume, and so for example, by large sales in Asia, the economic crisis in Europe is avoided. **7**
  - b. Is the vision also supported by available means to act onto the vision?
    - i. Yes, currently the company is investing in a production facility in China to be able to scale and meet the higher demand. **8**

### Leadership

2. What is the position of the management regarding the international activities?
  - a. What kind of knowledge or experience does the management have in the field of international business?

- i. The company's leader has in previous relationships already built a factory in China, so he knows his directions and is familiar with the international surroundings. **9**
- b. How does the management deal with the risks of international entrepreneurship?
  - i. The management deals with those risks with an entrepreneurial spirit. Risk are being taken, for example the sale of a project in Nigeria when after production, the order suddenly was cancelled. This time it took the wrong way, but the management does not mind this happening and sees this situation as a downside of entrepreneurship. **7**

### **Innovative business culture**

- 3. Is the company open to new ideas and prepared to invest in these ideas?
  - a. How does the company deal with innovation issues?
    - i. Actually, each product (custom made) of Aerolift is an innovation issue. Also the technology used within each product, is not the same in every case. Also Aerolift is currently building a paper roll crane, which does not work with vacuum suction, but with practical hydraulic grasping arms. **8**
  - b. How does this relate to the business culture? (How does the management deal with making mistakes?)
    - i. Mistakes are being tolerated and so the business culture seems to be flexible and adaptive. **8**

### **Absorptive capacity**

- 4. To what extent is the company able to acquire new knowledge?
  - a. To what extent is the company able to spread to new knowledge and take action to use the knowledge?
    - i. The company is able to acquire new knowledge, but this knowledge always seems to be of the same character, namely vacuum technology and the same international markets. Knowledge can relatively easily being spread because the company consists of only six employees. **8**
- 5. Are there examples of acquired knowledge that have led to new or improved products or services?
  - i. The best example is the vacuum lift for wind turbine blades, because this project brought a new group of customers for which a new type of machine is developed. **8**

### **Market intelligence**

- 6. How does the company have access to knowledge on (new) international markets?
  - a. How does the company process this knowledge to new products/ services?
    - i. Through its sales agents. All information of the market comes from sales agents. This ensures that some markets are potentially but not used, if no sales agent is available. If a market is interesting; there is automatically a sales agent. **6**
- 7. Are there examples of knowledge extracted from the foreign market(s), which are reflected in a particular product or service?

- i. No, there are no examples of this. **5**

### **Business network**

- 8. Does the company use partnerships with local partners to shape the international activities?
  - a. What kind of role does the network of the company/ the entrepreneurs play within the international activities of the company?
    - i. The business network is very important because all sales go through the business network. **9**

### **Business environment**

- 9. How turbulent are the foreign markets and what impact does this have on the international activities?
  - i. The market is not (yet) turbulent; there is still demand for vacuum lift machinery. The industries that are used to this kind of machinery are trusting to use it and other companies are beginning to see the utility of the machines. **6**
- 10. How turbulent are the technological developments and what kind of effect does this have on the international activities?
  - i. The technology is already 50 years old (like Aerolift), only the application is each time renewed. There are no turbulent developments. **4**

### **Causality**

- 11. Is the company formed through experience within the international activities or are the international activities the result of the format of the business?
  - i. The company is formed by the international activities, particularly because it is selling internationally for over 40 years. Seeing the international activities, the company has had no problems caused by the European crisis, what otherwise would have been the case. **8**
- 12. In what time sequence was the internationalization conducted? Did the company first focus on a product and actively searching for a market or did they had a business opportunity first and subsequently product development?
  - i. First, the product was sold in the Netherlands and after interest from abroad, the company started selling their products in Europe as well. Now the company is very actively looking for an Asian market, so first there was an ambition to sell within the foreign market and then came the international activities to pursue this ambition. **6**

### **Organizational antecedents**

- a. How are employees rewarded?
  - i. The employees are being rewarded for performed activities; they do not receive a bonus for extra achievements. **5**
- b. How do stakeholders work together during the development of products and services for international markets?
  - i. The company consists of six employees in Soesterberg and are located in one room. This makes the collaboration very well organized. This cooperation is the main asset of the company. **9**

## Marketing skills

- a. What are the key marketing skills that are present within the company?
  - i. There are no marketing skills present in the company; close connections with capable agents are the main skills. **3**
- b. How is the international marketing managed within the company?
  - i. Through maintaining the relationships with sales agents. **3**

## ANALYSIS

Define the extent to which an antecedent is present within the company

Scale: 1-4 = not present, 5-7 = present to a small extent, 8-10 = present to a large extent

The possible antecedents of International Business Competence could be:

- Vision (for International Orientation)
  - o The company must have a consistent, bright view on the desirable future.
    - Yes, there is a clear point on the horizon, namely the production and sales in China. **8**
  - o The vision must lead to the availability of resources.
    - Yes, there is certainly invested in the vision of the company. **8**
  - o The strategic objectives must be aligned with the vision.
    - Yes, the growth strategy is focused on Asia. **8**
- Leadership (for International Orientation and International Market Orientation)
  - o The vision must be articulated and endorsed by top management.
    - Yes, the other five employees will along with the entrepreneur. **7**
  - o Top management must emphasize the importance of international Market Orientation and the company's international activities.
    - Yes, it is emphasized. Everyone knows it, but in my view it is not very explicit. **6**
  - o Top management must not be risk averse
    - Yes, risks are definitely taken. The selling of a vacuum-lifting machine to a company in Nigeria is an example of this. Eventually, the machine was built, but the company never actually picked the machine up and never paid the invoice. This risk was present, but it did not stop Aerolift from producing, because this is inherent to international business and these risks must be taken to grow in international business. **8**
  - o The company's leader(s) need to have the right knowledge or have access to the right knowledge to make the right decision properly.
    - Yes, on the basis of experience. **8**
  - o The company's leader(s) need to have the right experience (or prior knowledge) to make the right decision properly.
    - Yes, the company's leader has experience in building a factory in China in a previous employment. **9**
- Innovative business culture (for International Orientation and International Marketing Skills and International Innovativeness):
  - o The company's culture must be proactive and entrepreneurial.

- Yes, this is partly due to the fact that it is a very small company in numbers of employees. **8**
  - There must be an open culture with tolerance for ambiguity.
    - Yes, new ideas are being appreciated although there may be thought much in the same solutions due to the long history and strong corporate culture. **6**
  - Open orientation and external positioning to adapt to movement in the marketplace.
    - Yes, the company get in touch with customers via sales agents and then they develop the best possible product to the customers demand. **8**
  - Leaders must exhibit transformational leadership; they have to inspire and encourage initiatives and not punish mistakes.
    - Neutral, mistakes are tolerated but it is not known how inspiring the leadership of the company is. **6**
- Absorptive Capacity (for International marketing Skills, International Market Orientation and International Innovativeness).
  - Absorptive capacity to absorb knowledge and generate new ideas.
    - Yes, but always-incremental new ideas. There is never a large technological change, there are small technological improvements all the time. **7**
  - High levels of both Potential Absorptive Capacity and Realized Absorptive Capacity to acquire new external knowledge and disperse the new external knowledge through the organization.
    - Yes, knowledge is well recorded and because it is a relatively small company, everything is easily shared. **8**
- Market intelligence (for International Marketing Skills, International Market Orientation and International Innovativeness).
  - Access to inform about (foreign) markets to generate market intelligence.
    - Yes, there is access but this access is gained through the selling agents. **6**
  - The right international coordination to disperse the (foreign) market intelligence through the organization.
    - No, there is no coordination to share this knowledge about their foreign markets. **3**
- Organizational antecedents (for International Innovativeness and International Market Orientation).
  - Integration of Marketing and R&D divisions to work together on new innovations and combine both customer knowledge and technical/ specialized knowledge.
    - Both yes and no, the company is too small to analyze this properly. This happens mainly at board level. **6**
  - The reward system must encourage risk taking and responding to customer needs and incentives must be aligned with innovative behaviour.
    - No, there is no additional incentive. **3**
  - A high degree of connectedness enhances the knowledge sharing.

- Yes, due to the limited number of employees, these connections are absolutely there and by the way of working together, they are well utilized. **8**
- Marketing Skills (for International Marketing Skills).
  - Dedicated marketing function with concentration of knowledge and skills.
    - No, there is not a marketing function within the company. Only the contacts with the selling agents are maintained. **3**
  - Presence of key marketing skills, which are relevant in the industry a company, operates.
    - No, this is not present. This is outside the company with the sales agents. **3**
- Business network and networking skills (for International Marketing Skills and International Innovativeness)
  - A position in a business network and possibility to use these connections to change the business network position, serving the internationalization objectives.
    - Yes, the connections with the sales agents are of great importance in international sales. **9**
  - The ability to start partnerships and maintain relationships with companies that give access to knowledge (marketing intelligence) about the adaption of marketing skills.
    - Yes, the collaborations with the many sales agents are working very well. **9**
  - The position in the business network is important for R&D collaboration and the acquisition of new and specialized knowledge.
    - Yes, by the demand through sales agents, new products for new customers can be developed. After contact via the agent, the deal is directly closed between the customer and Aerolift. **9**
- Market turbulence (for international Market Orientation)
  - A turbulent market place can force companies to develop a strong International Market Orientation to stay ahead in the competition.
    - Yes, this is partly present. It is not decisive for the development of International Market Orientation. **6**
- Technological turbulence (for International Innovativeness)
  - The turbulence in technological development can possibly have a positive effect on the effect of Absorptive Capacity on Innovativeness and business performance.
    - No, in the technical field, the possibility exists already for very long time. Only the way of use is constantly changed in detail. **5**
  - Transfer of technology can provide competitive advantage by absence of that technology in the foreign market.
    - Yes, Aerolift is developing tailored technology. This technology is not present within some market and therefore a competitive advantage for Aerolift. **6**

## **CASE 7 – ANALYSES ANTECEDENTS CONTROL UNION**

### **Vision**

1. The vision of the company: to what extent has the vision something to do with the international activities?
  - a. What does the vision of the company with the international activities?
    - i. The vision of the company is to provide a good reliable service and Dutch customers wanted that the same service shown in other countries. The vision of the company was not directly leading to the internationalization, but the internationalization is a result of the vision to provide good customer service. **6**
  - b. Is the vision also supported by available means to act onto the vision?
    - i. Control Union is a big company with enough resources. The necessary resources support the vision. **9**

### **Leadership**

2. What is the position of the management regarding the international activities?
  - a. What kind of knowledge or experience does the management have in the field of international business?
    - i. The management has the stature like that of a large company and is qualified enough for such international company. **9**
  - b. How does the management deal with the risks of international entrepreneurship?
    - i. Few risks are being taking because it is not needed. Faith in the company is very important (such as with banks) and therefore Control Union will never take too great of a risk. **3**

### **Innovative business culture**

3. Is the company open to new ideas and prepared to invest in these ideas?
  - a. How does the company deal with innovation issues?
    - i. Control Union is mainly trying to do what they do. If there are opportunities, they will develop new inspections and certificates, but that's not where the focus of the company lies. **6**
  - b. How does this relate to the business culture? (How does the management deal with making mistakes?)
    - i. The company is very focused on knowledge sharing and ensuring the quality; service and values around the world are the same, because customers must be able to rely on a certain standard. It is not clear whether this fits into the flexible, proactive business culture, but Control Union is doing its advantage with it as knowledge spread. **8**

### **Absorptive capacity**

4. To what extent is the company able to acquire new knowledge?
  - a. To what extent is the company able to spread to new knowledge and take action to use the knowledge?
    - i. New knowledge comes from customers inside, but it is not clear whether there are many new things within the business of Control Union, or that the employees should just perform their work in a reliable way. **6**



5. Are there examples of acquired knowledge that have led to new or improved products or services?
  - i. Spreading knowledge is very important in putting down a consistent quality and reliability. **8**

### **Market intelligence**

6. How does the company have access to knowledge on (new) international markets?
  - a. How does the company process this knowledge to new products/ services?
    - i. The markets in which CU active are known very well. Furthermore, there are still countries with potential; here they try to acquire the right information. **8**
7. Are there examples of knowledge extracted from the foreign market(s), which are reflected in a particular product or service?
  - i. No, there is no example. Knowledge of foreign markets is gained mainly through local staff of foreign branch offices. **6**

### **Business network**

8. Does the company use partnerships with local partners to shape the international activities?
  - a. What kind of role does the network of the company/ the entrepreneurs play within the international activities of the company?
    - i. Control Union has certainly made use of partnerships, if only because otherwise they may not work there in some countries. Wherever necessary and appropriate Control Union is able to enter into partnerships. **7**

### **Business environment**

9. How turbulent are the foreign markets and what impact does this have on the international activities?
  - i. The turbulence of the market is not entirely clear. Relationships are durable and if they are well maintained, the market is not turbulent. **5**
10. How turbulent are the technological developments and what kind of effect does this have on the international activities?
  - i. Technological development are there, but this is all gradual and are not of a particular turbulence level, that it has an effect on the activities of Control Union. **4**

### **Causality**

11. Is the company formed through experience within the international activities or are the international activities the result of the format of the business?
  - i. The company has grown slowly and gradually went further international while providing increasingly more and different services. Shape and activations have been developed to interact with each other. **8**
12. In what time sequence was the internationalization conducted? Did the company first focus on a product and actively searching for a market or did they had a business opportunity first and subsequently product development?

- i. Control Union has existed since 1920. When there was demand of Dutch clients to also develop a service for them in foreign, Control Union also went abroad. **5**

### **Organizational antecedents**

- a. How are employees rewarded?
  - i. This is unknown and is also different through the company but generally are employees rewarded for the work performed. There is no bonus for extra performance. **5**
- b. How do stakeholders work together during the development of products and services for international markets?
  - i. This is unknown. The products are more application-oriented than focused on a country or market. This ensures that there are no specific developments for certain markets. **5**

### **Marketing skills**

- a. What are the key marketing skills that are present within the company?
  - i. The reputation and reliability. Lasting customer relationships that are well maintained, provide a stable base. **9**
- b. How is the international marketing managed within the company?
  - i. There is not really an international marketing. The company maintenance especially customer relations very well and this makes it a very decentralized company. **8**

### **ANALYSIS**

Define the extent to which an antecedent is present within the company

Scale: 1-4 = not present, 5-7 = present to a small extent, 8-10 = present to a large extent

The possible antecedents of International Business Competence could be:

- Vision (for International Orientation)
  - o The company must have a consistent, bright view on the desirable future.
    - Yes, Control Union has a clear vision of their business with a less strong vision of the international aspect. **7**
  - o The vision must lead to the availability of resources.
    - Yes, they have enough resources at hand to pursue the vision, so when needed they will investment. **9**
  - o The strategic objectives must be aligned with the vision.
    - Yes, the strategy is accurately executed and from a distance it seems to work very well. **9**
- Leadership (for International Orientation and International Market Orientation)
  - o The vision must be articulated and endorsed by top management.
    - Yes, there is a strong corporate culture in which there is a focus on the service to deliver and not on the international activities. **8**
  - o Top management must emphasize the importance of international Market Orientation and the company's international activities.

- Both yes and no, employees know that international activities are important, but the focus is on the service to be delivered. Where this service would then be delivered is less important. **6**
  - Top management must not be risk averse
    - No, absolutely no risks are taken because the trust of our customers never may be harmed, but also because for Control Union opening a branch in a foreign country and see how it runs means totally no risk as they have ample resources. **5**
  - The company's leader(s) need to have the right knowledge or have access to the right knowledge to make the right decision properly.
    - Yes, the big international company is privately held and is well run. The leaders of this company seem to be capable and well educated managers. **9**
  - The company's leader(s) need to have the right experience (or prior knowledge) to make the right decision properly.
    - Yes, the big international company is privately held and is well run. The managers who are in charge of the company run this company for years and through that, they already have a lot international experience. **10**
- Innovative business culture (for International Orientation and International Marketing Skills and International Innovativeness):
  - The company's culture must be proactive and entrepreneurial.
    - Both yes and no, there is a strong culture of unwritten rules that make clear what can and can not do, but proactive and entrepreneurial may not be the most accurate characterizations. **6**
  - There must be an open culture with tolerance for ambiguity.
    - Neutral, it is difficult to assess. Tolerant of ambiguity of what? Not doing so at the expense of quality or reputation. **3**
  - Open orientation and external positioning to adapt to movement in the marketplace.
    - Both yes and no, when opportunities arise Control Union is keen to play in, but the company is not so flexible that it moves along with all the movements of the market. **6**
  - Leaders must exhibit transformational leadership; they have to inspire and encourage initiatives and not punish mistakes.
    - Neutral, the way of leadership is not entirely known and due to the decentralized organization, this will not always be the same. **5**
- Absorptive Capacity (for International marketing Skills, International Market Orientation and International Innovativeness).
  - Absorptive capacity to absorb knowledge and generate new ideas.
    - Yes, the export managers being considered exploratory potential, but this goes over the longer term. For the rest, the company seems to have a reasonable exploratory day-to-day business. **7**
  - High levels of both Potential Absorptive Capacity and Realized Absorptive Capacity to acquire new external knowledge and disperse the new external knowledge through the organization.

- Yes, the company has a special knowledge-sharing portal with the result that the same mistakes are not made in several places. **8**
- Market intelligence (for International Marketing Skills, International Market Orientation and International Innovativeness).
  - Access to inform about (foreign) markets to generate market intelligence.
    - Yes, especially export managers are working on this and open in response to this information regularly to enter new branches in new countries. **7**
  - The right international coordination to disperse the (foreign) market intelligence through the organization.
    - Yes, also for this the knowledge-sharing portal can be used. **8**
- Organizational antecedents (for International Innovativeness and International Market Orientation).
  - Integration of Marketing and R&D divisions to work together on new innovations and combine both customer knowledge and technical/ specialized knowledge.
    - Yes, but for both marketing and R&D are relatively small. The importance within the business of Control Union is maintaining the relationships with the customers and meeting their needs. **6**
  - The reward system must encourage risk taking and responding to customer needs and incentives must be aligned with innovative behaviour.
    - Neutral, in generally there is no extra incentive but this diver per place in the company. **5**
  - A high degree of connectedness enhances the knowledge sharing.
    - Neutral, where necessary, the links seem to be present and the knowledge is shared. The intensity of the connections is not known, but the company is relatively small and so there are many internal contacts there. Contacts with the foreign establishments decays stiff. Here are especially locals placed. **5**
- Marketing Skills (for International Marketing Skills).
  - Dedicated marketing function with concentration of knowledge and skills.
    - Neutral, in a business-to-business environment where everything is about reputation and trust, is the marketing function present in an entire different form; also other knowledge and skills are required. **5**
  - Presence of key marketing skills, which are relevant in the industry a company, operates.
    - Neutral, in a business-to-business environment where everything is about reputation and trust, is the marketing function present in an entire different form; also other knowledge and skills are required. **5**
- Business network and networking skills (for International Marketing Skills and International Innovativeness)
  - A position in a business network and possibility to use these connections to change the business network position, serving the internationalization objectives.
    - Yes, the networks with their customers are very important and very well maintained. **8**

- The ability to start partnerships and maintain relationships with companies that give access to knowledge (marketing intelligence) about the adaptation of marketing skills.
  - Yes, when necessary Control Union will enter partnerships and depending on the situation, country and part, the partnerships will vary. **7**
- The position in the business network is important for R&D collaboration and the acquisition of new and specialized knowledge.
  - Yes, again herein customer contact is very important. If a customer wants a particular service, Control Union is prepared to develop it. **8**
- Market turbulence (for international Market Orientation)
  - A turbulent market place can force companies to develop a strong International Market Orientation to stay ahead in the competition.
    - No, the market is not turbulent at all. The business is about long-term relationships of trust, which are not subject to daily turbulence. **3**
- Technological turbulence (for International Innovativeness)
  - The turbulence in technological development can possibly have a positive effect on the effect of Absorptive Capacity on Innovativeness and business performance.
    - Neutral, technology plays a minor role and developments are not very turbulent. **5**
  - Transfer of technology can provide competitive advantage by absence of that technology in the foreign market.
    - No, the emphasis is on good service and the trust that customers have in Control Union rather than on what Control Union can do better or not at all. **4**

## Appendix 2

This appendix contains the analysis of how entrepreneurial the case companies are. The case companies are assessed on several facets that are key in entrepreneurship. The conducted assessments are based on the interview data. The substantiation of the degree how entrepreneurial the case companies are can be found here.

During the data collections, the answers for the following questions were distilled from the interviews. Every facet is rated; this rating is based on the interpretation of the interviewer and the questions answered in the interviews. After the answer is given, a rating from 1-10 is given to this answer to determine how entrepreneurial the companies are.

### CASE 1 – ANALYSES ENTREPRENEURSHIP FUNK-E

#### Initiative

17. Does the entrepreneur / manager initiate new explorative initiatives in order to change or improve the activities of the company?
  - a. How often does the entrepreneur / manager initiate new explorative initiatives?
    - j. The two entrepreneurs are always busy (every day next to their daily tasks) with the question what activities they can do more and how they can improve their current activities **10**
  - b. How radical or reluctant is the entrepreneur in the initiation of new explorative initiatives?
    - i. It is hard to tell how radical the entrepreneur are, but they think in terms of 'new activities in other, new companies'. This implicates that every idea that is potential successful is a good idea, even if it is not complementary with the activities of Funk-D **9**
  - c. Is there a clear example of a new explorative initiative?
    - i. The subsidiary in Berlin arose from the drive to start new initiatives and the ambition to 'just be an international company'. **9**

#### Opportunity seizing

18. Does the entrepreneur / manager identify opportunities in the market and is he / she able to act on this new opportunities?
  - a. Is the entrepreneur / manager able to think out of the box to identify new opportunities?
    - j. The entrepreneurs are able to think out of the box. Funk-E did not start as a creator of explain-animations, Funk-E evolved over time to this activities because that was one of the opportunities that arose. **9**
  - b. How radical or reluctant is the entrepreneur in the seizing of opportunities in the market?
    - i. The entrepreneurs are quite radical, but they have a strong vision on their company. In the interview, they did not give the impression that

they are keen on seizing every kind of opportunity that will cross their path. **8**

- c. Is there a clear example of a seized opportunity in the market
  - i. The fact that they are nowadays creating explain-animations is the evidence that the entrepreneurs seize opportunities in the market. That was the gap in the market for a E-commerce business, according to the entrepreneurs. **8**

### **Innovation**

- 19. Does the entrepreneur / manager have a strong vision on innovation and does he / she lead the company to new activities?
  - a. Is there a strong drive for innovation in the company from the top management
    - i. The entrepreneurs are always busy with the way how they can improve their product or if they can innovate anything else. **9**
  - b. Is innovation driven from the demand in the market, or is the company also creating new innovations on their own behalf?
    - i. Innovation is more driven by the ideas of the entrepreneurs than of the demand of the market. When the entrepreneurs have a new idea, they test it in the market to see if there is any demand. This would not be necessary if the ideas would come from the market. **8**
  - c. Is there a clear example of an innovation of the company the last five years?
    - i. The fact that Funk-E is able to produce a single animation in three working days instead of five work weeks is a strong example. This is possible through process innovation and the introduction of production platforms. No other company does this (or did this at the time that Funk-E started to grow with that production model). **10**

## **CASE 2 – ANALYSES ENTREPRENEURSHIP ZYTEC**

### **Initiative**

- 20. Does the entrepreneur / manager initiate new explorative initiatives in order to change or improve the activities of the company?
  - a. How often does the entrepreneur / manager initiate new explorative initiatives?
    - k. Zytec has a strong R&D division and therefore it is a development company. Their growth is based on the progression they make in the development and production of their product. The topmanagement does initiate new initiatives but this all stays within the planned framework. **7**
  - b. How radical or reluctant is the entrepreneur in the initiation of new explorative initiatives?
    - i. Zytec is reluctant in the initiation of new explorative initiatives, because the company already is very explorative. Initiating new explorative initiatives would lead to lose of focus. Zytec has many opportunities and is busier with the seizing of the right opportunities than with the initiating of new initiatives. **7**
  - c. Is there a clear example of a new explorative initiative?

- i. The complete company is a new explorative initiative. Within Zytec there are no notable new explorative initiatives. **6**

### Opportunity seizing

- 21. Does the entrepreneur / manager identify opportunities in the market and is he / she able to act on this new opportunities?
  - a. Is the entrepreneur / manager able to think out of the box to identify new opportunities?
    - k. The managers are able to think outside the box. When Zytec first was meant to be a production company, they turned really quick to a complete other type of company and became a network of knowledge for a complete ecosystem that they create around their company **10**
  - b. How radical or reluctant is the entrepreneur in the seizing of opportunities in the market?
    - i. Zytec was not planned to be an international enterprise. As soon as the demand came from the foreign markets, Zytec seized that opportunity and turned themselves on to an international company. **10**
  - c. Is there a clear example of a seized opportunity in the market
    - i. The fact that Zytec started as a production company for the Dutch market, but very soon became a Born-Global company. Nowadays, Zytec becomes a network of knowledge that does not produce any products anymore and is only busy with the development of improvements and new applications of their product. **10**

### Innovation

- 22. Does the entrepreneur / manager have a strong vision on innovation and does he / she lead the company to new activities?
  - a. Is there a strong drive for innovation in the company from the top management
    - i. The management has a very strong vision on the activities of Zytec and they see the company as a soon learning and very flexible high tech company what has innovation on top of their agenda. **10**
  - b. Is innovation driven from the demand in the market, or is the company also creating new innovations on their own behalf?
    - i. Innovation is driven out of technological innovation. The products that follow from the technological innovation are driven by the demand of the market. **8**
  - c. Is there a clear example of an innovation of the company the last five years?
    - i. The complete magnetic torque coupling technology, which Zytec has patented is a innovation **10**



## CASE 3 – ANALYSES ENTREPRENEURSHIP FELTEST

### Initiative

23. Does the entrepreneur / manager initiate new explorative initiatives in order to change or improve the activities of the company?
- a. How often does the entrepreneur / manager initiate new explorative initiatives?
    - i. The entrepreneur is regularly active with the initiating of new explorative initiatives. This manifest itself mainly in the collaboration with partners and the entering of new markets. **7**
  - b. How radical or reluctant is the entrepreneur in the initiation of new explorative initiatives?
    - i. Feltest is not radical or reluctant, but moderate in the initiation of new explorative initiatives. The entrepreneur is very conscious about the needs of his customers and does always take initiative when there is need from a customer **7**
  - c. Is there a clear example of a new explorative initiative?
    - i. The change entry mode in the U.S. is an example of a new explorative initiative. Feltest does not longer sell their product through a sales agent in the U.S. but Feltest now sells their products in the U.S. by themselves. **8**

### Opportunity seizing

24. Does the entrepreneur / manager identify opportunities in the market and is he / she able to act on this new opportunities?
- a. Is the entrepreneur / manager able to think out of the box to identify new opportunities?
    - i. The entrepreneur is able to think outside the box, because most of the products that Feltest sells are not related to each other. The only thing the products of Feltest have in common is the end-user: the paper production company. This implicates that the entrepreneur is able to think outside the product range that Feltest has. **8**
  - b. How radical or reluctant is the entrepreneur in the seizing of opportunities in the market?
    - i. Feltest is very radical in the seizing of opportunities in the market. The entrepreneur did always all the opportunities to use all possible resources to achieve his goals **10**
  - c. Is there a clear example of a seized opportunity in the market
    - i. When Feltest went through hard times, the combination of European subsidy, the collaboration with a Chinese sales agent and the introduction of a temporary financier made it possible for Feltest to absorb the economic crisis **10**

### Innovation

25. Does the entrepreneur / manager have a strong vision on innovation and does he / she lead the company to new activities?
- a. Is there a strong drive for innovation in the company from the top management

- i. The entrepreneur started Feltest with the conduction of several innovations on behalf of his future customers. Feltest is specialized in the creation of new measurement tools for the paper production industry, due to this, innovation is part of their business model **9**
- b. Is innovation driven from the demand in the market, or is the company also creating new innovations on their own behalf?
  - i. Innovation is driven out of the demand of the market. Feltest creates products that the end users (the paper production industry) need. **7**
- c. Is there a clear example of an innovation of the company the last five years?
  - i. The measurement tools that Feltest sells are all innovations of Feltest. **9**

## CASE 4 – ANALYSES ENTREPRENEURSHIP BOSKA HOLLAND

### Initiative

26. Does the entrepreneur / manager initiate new explorative initiatives in order to change or improve the activities of the company?
- a. How often does the entrepreneur / manager initiate new explorative initiatives?
    - m. The entrepreneur initiated the internationalisation twelve years ago. Nowadays the entrepreneur initiates explorative new initiatives as the introduction of new cheese tools. **10**
  - b. How radical or reluctant is the entrepreneur in the initiation of new explorative initiatives?
    - i. The arrival of the entrepreneur in the one hundred year old company was a radical change with the one-hundred year before. The complete assortment, customers and market were changed. **10**
  - c. Is there a clear example of a new explorative initiative?
    - i. The entry of 80 foreign markets in 2003 is a strong example; Boska Holland had only sold products in Belgium and Germany from 1896 to 2002. **10**

### Opportunity seizing

27. Does the entrepreneur / manager identify opportunities in the market and is he / she able to act on this new opportunities?
- a. Is the entrepreneur / manager able to think out of the box to identify new opportunities?
    - i. The entrepreneur is able to think outside the box, and demonstrated this by the change of customer from tools for professional cheese markets to consumer products **8**
  - b. How radical or reluctant is the entrepreneur in the seizing of opportunities in the market?
    - i. The entrepreneur is quite radical in the seizing of opportunities, but but guards also the focus that the company has **8**
  - c. Is there a clear example of a seized opportunity in the market

- i. The idea of selling cheese products and using the Dutch cultural heritage in the marketing. There was in many countries no trading in cheese tools, but Boska Holland introduced this in many countries that do not have a large cheese tradition **10**

#### Innovation

28. Does the entrepreneur / manager have a strong vision on innovation and does he / she lead the company to new activities?
- a. Is there a strong drive for innovation in the company from the top management
    - i. The entrepreneur starts innovation in the form of development of a strong assortment per market. There is not many technological innovation in this process involved. **7**
  - b. Is innovation driven from the demand in the market, or is the company also creating new innovations on their own behalf?
    - i. Innovation is driven out of the ideas of Boska Holland. Many countries do not have a strong cheese tradition, so there is no strong demand in many markets. The Netherlands have a very strong, but conservative cheese tradition, so this does not lead to demand for innovations. **8**
  - c. Is there a clear example of an innovation of the company the last five years?
    - i. There are no strong examples of innovations in the last five years. **4**

## CASE 5 – ANALYSES ENTREPRENEURSHIP RIJNPLANT

#### Initiative

29. Does the entrepreneur / manager initiate new explorative initiatives in order to change or improve the activities of the company?
- a. How often does the entrepreneur / manager initiate new explorative initiatives?
    - n. The managers do not initiate notable explorative new initiatives. Rijnplant has a certain position in the market and does everything they need to do to maintain this position. This implies the exploration of product improvement, but not the initiation of new explorative initiatives. **5**
  - b. How radical or reluctant is the entrepreneur in the initiation of new explorative initiatives?
    - i. When Rijnplant does initiate a new initiative, this initiative is definitely not radical. Rijnplant does not take much risk in the entering of new foreign markets, so any new initiative is rather reluctant instead of radical. **5**
  - c. Is there a clear example of a new explorative initiative?
    - i. The incremental entry of new foreign markets is a good example. The focus is now on the U.S. and when it is safe to open a subsidiary, Rijnplant will do so. **6**

### Opportunity seizing

30. Does the entrepreneur / manager identify opportunities in the market and is he / she able to act on this new opportunities?
- a. Is the entrepreneur / manager able to think out of the box to identify new opportunities?
    - i. The managers are maybe able to think out of the box, but in their role, it is better when they do not think out of the box. Thinking out of the box always comes with some risk and Rijnplant is not willing to take such risks. **5**
  - b. How radical or reluctant is the entrepreneur in the seizing of opportunities in the market?
    - i. Rijnplant is eager on seizing opportunities in the market. The Anthurium breeding and -nursery is a market that changes very slow, because it takes a lot of time to innovate new products. Rijnplant has so far seized the most opportunities that came on their path. This is due to the fact that Rijnplant has (together with their only competitor) a competitive advantage that takes years for other companies to catch up with Rijnplant (and their only competitor) **8**
  - c. Is there a clear example of a seized opportunity in the market
    - i. No, there is no clear example. The fact that customers in several markets come to Rijnplant out of their own to buy their product illustrates the position and reputation that Rijnplant has in their market. **5**

### Innovation

31. Does the entrepreneur / manager have a strong vision on innovation and does he / she lead the company to new activities?
- a. Is there a strong drive for innovation in the company from the top management
    - i. Topmanagement has a very strong vision on innovation. To maintain their position in the market, Rijnplant must stay ahead of the competition with superior products. They invest much on R&D to maintain their position. **9**
  - b. Is innovation driven from the demand in the market, or is the company also creating new innovations on their own behalf?
    - i. Innovation is driven out of the biological and technologil possibilities. If Rijnplant is able to produce an Anthurium that can resist -20 degree Celsius, they will bring it to the market. Rijnplant expects that there is market for new types of Anthurium that has different characteristics than that already is on the market. **6**
  - c. Is there a clear example of an innovation of the company the last five years?
    - i. Rijnplant evolved types of Anthurium that can resist cold (until approximately 5 degrees Celsius, Nordern Europa and America winter climate) and they evolved a type of Anthurium of which the flower has a black colour. **9**

## CASE 6 – ANALYSES ENTREPRENEURSHIP AEROLIFT

### Initiative

32. Does the entrepreneur / manager initiate new explorative initiatives in order to change or improve the activities of the company?
- a. How often does the entrepreneur / manager initiate new explorative initiatives?
    - o. The entrepreneur is always busy with the initiating of new explorative initiatives. This year, the ambition is to open a production factory in China. **10**
  - b. How radical or reluctant is the entrepreneur in the initiation of new explorative initiatives?
    - i. The opening of a production factory for an engineering company with five employees is very radical. **9**
  - c. Is there a clear example of a new explorative initiative?
    - i. The opening of the factory in China is the perfect example. There are other examples as the introduction of other hydraulic lifting technology than the vacuum technology that is the core business Aerolift **10**

### Opportunity seizing

33. Does the entrepreneur / manager identify opportunities in the market and is he / she able to act on this new opportunities?
- a. Is the entrepreneur / manager able to think out of the box to identify new opportunities?
    - i. The entrepreneur does definitely able to think out of the box. The company is very flexible and the product that Aerolift develops differs per customer. That implies that the entrepreneur and the company must be able to think out of the box. **7**
  - b. How radical or reluctant is the entrepreneur in the seizing of opportunities in the market?
    - i. The opening of a factory in China is a more radical way of seizing opportunities in the market. Aerolift is not always that radical, it took forty years to try another lifting technology than vacuum lifting. **7**
  - c. Is there a clear example of a seized opportunity in the market?
    - i. The development of a lifting machine that works on another technology than vacuum lifting, but with the same machinery is a strong example of a seized opportunity in the market. **8**

### Innovation

34. Does the entrepreneur / manager have a strong vision on innovation and does he / she lead the company to new activities?
- a. Is there a strong drive for innovation in the company from the top management?
    - i. The entrepreneur has a strong vision on innovation, or on innovation culture. The whole strategy of the company is to be innovative and innovate for every question of a customer a tailor made innovative solution. Not all innovations are radical, the most are incremental, but

this culture leads to a strong innovative capability in a small company.

**9**

- b. Is innovation driven from the demand in the market, or is the company also creating new innovations on their own behalf?
  - i. Innovation is driven out of the demand of the market. When the customers have a question or a problem, it is the core competence of Aerolift to innovate to solve this problem. **6**
- c. Is there a clear example of an innovation of the company the last five years?
  - i. The machine that lifts in a hydraulic manner without the use of vacuum lifting. The same machinery parts are used, but in a whole different manner. **9**

## **CASE 7 – ANALYSES ENTREPRENEURSHIP CONTROL UNION**

### **Initiative**

- 35. Does the entrepreneur / manager initiate new explorative initiatives in order to change or improve the activities of the company?
  - a. How often does the entrepreneur / manager initiate new explorative initiatives?
    - p. Top management does not especially initiate new explorative initiatives, this happens on another level in the decentralized organisation. There exists an entrepreneurial culture where it is natural to start new initiatives. **7**
  - b. How radical or reluctant is the entrepreneur in the initiation of new explorative initiatives?
    - i. The new explorative initiatives are most of the times reluctant, but in the history of Control Union, some new initiatives are more radical. The radical initiatives always are on request of the customer. **7**
  - c. Is there a clear example of a new explorative initiative?
    - i. In the early years, Control Union did only quantitative checks on bulk cargoes. On request of their clients, Control Union does nowadays also collateral services. In this services, Control Union guards a bulk storage until the client of their client has fulfilled the payment. When a part is paid, Control Union releases that part of the storage. This is a whole other service that derives from their original activities **9**

### **Opportunity seizing**

- 36. Does the entrepreneur / manager identify opportunities in the market and is he / she able to act on this new opportunities?
  - a. Is the entrepreneur / manager able to think out of the box to identify new opportunities?
    - i. Control Union as a company is not really able to think out of the box. It is not positive for Control Union to think out of the box, because their whole business is based on the trust that their clients have in Control Union. In this relationship of trust, there is no room for thinking out of the box. **5**

- b. How radical or reluctant is the entrepreneur in the seizing of opportunities in the market?
  - i. When there is an opportunity, when a client has a request for a new kind of service, Control Union seizes that opportunity. These opportunities are most of the time not very radical due to the conservative of business that Control Union is in. For the conservative business, Control Union is radical in seizing opportunities. **7**
- c. Is there a clear example of a seized opportunity in the market
  - i. The fact that Control Union nowadays offers the collateral services to their clients is a strong example of a seized opportunity. **8**

#### Innovation

- 37. Does the entrepreneur / manager have a strong vision on innovation and does he / she lead the company to new activities?
  - a. Is there a strong drive for innovation in the company from the top management
    - i. The activities that Control Union does are controlling services. Due to the characteristics of a service, Control Union is not busy with innovation. Control Union is consolidating their activities and controlling their position in the market. **4**
  - b. Is innovation driven from the demand in the market, or is the company also creating new innovations on their own behalf?
    - i. Innovation by the meaning of offering new kind of services is pure driven from the demand of the market. **4**
  - c. Is there a clear example of an innovation of the company the last five years?
    - i. No there is no example. **3**