Introduction

Internationalization of SMEs: Toward a New Paradigm

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There has long been an assumption in most International Business literature, that firms internationalize gradually, in an incremental manner, after a period of domestic experience and growth. A firm's first steps are typically characterized as reactive, resulting from unsolicited export orders. This stream of literature assumes that firms are well established in their domestic market before venturing abroad.

Recently, scholars in the field of Entrepreneurship have questioned the universality of the stage-theory explanation of firm internationalization. They point to the inconsistency between the stage theory and the empirical reality of a growing number of entrepreneurially oriented firms, which tend to adopt a global focus from their conception. Not only do these new ventures lack a period of gradual internationalization, but they also tend to be small firms facing volatile markets with scant experience and resources.

International Entrepreneurship, as a new field of inquiry, appears to have drawn both from International Business (traditionally focused on larger firms) and from Entrepreneurship, which primarily studies the entrepreneurial owner/manager of small firms. Logically there is no conceptual barrier to the fusion of these two fields: larger firms can, in theory, act as entrepreneurs; and smaller entrepreneurial firms can take advantage of the vast opportunities of international markets previously exploited almost exclusively by larger firms.

To explore and develop this emerging area of research, a pioneering, three-day conference was held in September 2000 at McGill University, in Montreal, Canada, under the joint auspices of McGill's Business and Management Research Centre, and the Dobson Centre for Entrepreneurial Studies. The conference brought together leading scholars from international business, and from small business/entrepreneurship, to stimulate integration of research in what had previously been widely divergent fields.

Selected papers were subjected to a rigorous process of peer review and comments. Each was revised extensively to incorporate and to reflect the perspectives of other disciplines. The final product is a series of leading-edge research papers which are presented in this volume, as well as in two other publications.[1]

This collection opens with a study that tests empirically the degree to which International Entrepreneurship, as an emerging field of inquiry, draws on selective theory essentials from International Business and from Entrepreneurship. Hamid Etemad and Yender Lee searched for the evidence of fusion and cross-fertilization of each field's knowledge network. They report an accelerated emergence of International Entrepreneurship as a field of research through the late 1980s and 1990s, in terms of the number of scholarly publications. They also point to an increasing number of citations to works from both International Business and Entrepreneurship, as well as other fields. Their article sets the stage for examination of more detailed issues rooted in both International Business and Entrepreneurship.

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The second paper, by Sumit K. Kundu and Jerome A. Katz, focuses further on the convergence of International Business and Entrepreneurship. It provides new insights into the process of export propensity among "born-international" firms in developing countries. Drawing on concepts both from Internationalization theory and from Organizational-Emergence theory, Kundu and Katz examined the impact of entrepreneur/owner characteristics and firm characteristics on the export growth and performance of newly-internationalizing small and medium-sized enterprises (SMEs). Their model focuses on resources and intentions as influential factors, both at the entrepreneurial level and at the firm level. Their model was tested using a sample of 47 born-international firms in the Indian software industry. Contrary to other studies, the findings of Kundu and Katz suggest that during the early stages of firm development, *owner* characteristics (for example, education, experience, expertise, resources and intentions) play a more pivotal role in the export performance of young, start-up global software firms than do firm characteristics. However, as firms grow by hiring more people with relevant expertise, and acquire more resources and deploy them more effectively, *firm* characteristics assume greater importance. These findings lend support to the conclusions of other papers in this collection: that export-promotion institutions should work to help develop entrepreneurial skills, expertise and networking in firms at the earliest stages of internationalization. However, as firms begin to mature, the focal point of assistance may gradually shift from the individual owner/entrepreneur to the enterprise itself.

In the next paper, Kevin I. N. Ibeh reports the findings of a study which employed perspectives from entrepreneurship, exporting and contingency literatures to investigate the impact of "export-entrepreneurial orientation" (EEO) on export-venture creation in a sample of 78 small firms from Nigeria. As in the work of Kundu and Katz, Ibeh distinguishes between the *entrepreneur* and the *firm*, as two distinct but potentially complementary (and interacting) levels of analysis. He explores, in particular, the effect of "entrepreneurial orientation" on export behavior. His definition of export-entrepreneurial orientation includes characteristics both of the entrepreneurs and of their firms. Ibeh's findings identify key decision-maker and company characteristics and competencies associated with successful export-entrepreneurial firms. The qualities that he found to be critical to EEO include international orientation and contacts, and previous relevant experience of top management. At the firm level, Ibeh finds that firms with higher EEO performed better on traditional firm characteristics, such as planning, strategic marketing, and deployment of new technologies.

Consistent with the findings of Kundu and Katz, Ibeh's findings challenge internationalization-seeking small firms to improve the entrepreneurial credentials and overall capabilities of their key decision makers before turning to accumulation and acquisition of other resources. They suggest, further, that export-assistance policies aimed at SMEs could benefit from a new focus on developing the credentials of the *entrepreneur* – including his/her networking capabilities – rather than focusing on the firm's past export involvement. This view is consistent with the suggestions put forth by Fischer and Reuber in the following paper.

The fourth paper in this collection takes the findings of the previous papers a step further by proposing a new basis for delivering export-assistance services, based on the characteristics of the *entrepreneur* as opposed to those of the *enterprise*. Eileen Fischer and A. Rebecca Reuber address the issue of how export-support programs can be targeted most effectively to support the internationalization of SMEs. This is especially germane in light of the importance of owner-specific characteristics to SME internationalization, emphasized in the findings of the previous papers. Fischer and Reuber argue that the normally low awareness of export support programs among SME owners may be partially caused by the traditional practice of segmenting assistance programs which are based on the export behavior of the firm. This approach, reflecting a company's stage of exporting, is a legacy of the traditional "stages" theory of internationalization. The authors explore the nature and rationale behind these existing segmentation bases for export support programs. They suggest a new segmentation approach focused on the experience of the SME *owner* – such as prior business experience in export-related work – could usefully supplement traditional approaches that focus on the export behavior of the firm. As well they develop a theoretical rationale for this proposed segmentation basis, construct hypotheses related to it, and then test the hypotheses using data from a survey of owners of 188 Canadian SMEs. Their results indicate that segmentation based on the owners' level of export experience can be an effective supplement to the segmentation bases which are currently used.

The above three papers demonstrate that to recognize explicitly the entrepreneurially-oriented export efforts of many SMEs, the overall credentials of the *owner/entrepreneur* in the early phases of internationalization are at least as essential as traditional, firm-characteristic measures of internationalization. A focus on the past export behavior of the firm is likely to be less effective, these scholars argue, as the substance of support services may largely miss the legitimate and urgent needs of internationalizing SMEs.

The following study by Martine Spence, focuses on a specific mode of government support that has been neglected in most research: overseas-trade missions. Evaluating the effectiveness of these missions on export performance is always challenging because of the complexity of market reactions and the different levels of experience enjoyed by exporting firms. Spence examined the knowledge and structural characteristics of small firms, as well as their trade mission-related behavior prior to and following trade mission participation. She then delved into the impact trade-mission participation had on the export performance of these firms. In an empirical study of 190 companies involved in overseas trade missions in the U.K., Spence tracked each firm for 36 months – 12 months prior to and 24 months following their trade mission participation – and employed a longitudinal approach to take into account the time-lag effect between trade-mission participation and evidence of tangible incremental results in the targeted markets. She concludes that consistent efforts on a list of factors (such as a firm's objective knowledge prior to trade-mission participation, knowledge acquired experientially during and following a trade mission, and the firm's structural characteristics) impact both the *process* and the *outcome* of exporting. The process appears to gain momentum over time, as visits to the market, appointing sales agents, and nurturing contacts lead to increasingly favorable outcomes.

The lesson of Spence's work is consistent with those of the previous papers: that a firm's *entrepreneurial orientation* – both in preparation for a trade mission and in consistent follow-up – is necessary for exploiting the potential opportunities offered by trade missions. The very essence of a trade mission is information, particularly in terms of introductions to influential people and contacts in the host country, which will eventually constitute a social and/or commercial network for exporting. A further example of these two overarching subjects – information and networks – is the subject of the last paper in this collection.

This final paper focuses on one of the main resource constraints facing managers of newly-internationalizing SMEs: access to information, especially that regarding the export process, foreign markets, and reliable suppliers. Liesl A. Riddle and Kate Gillespie examined how the owners/operators of new ventures in the Turkish clothing-export industry used their formal and informal social networks to acquire the information they needed to export successfully. They conducted field research and a survey of 250 owners of Turkish clothing firms.

Their article first presents a demographic profile of new-venture firm owners. The profile explains how and why information needs and sources for export entrepreneurs vary from those of established firms. Open-ended questions were included in the survey to explore the types of sources Turkish clothing exporters use to acquire information about new product ideas, new technology and innovations, buyers, and suppliers. The research findings indicate that informal social ties – particularly friends and family connections – are key sources of information for new-venture firm owners. The authors suggest further that formal, non-governmental networks are perceived as being very important, particularly for export-law, market-research, and export-process information. Research was undertaken to further explore the kinds of information which formal, non-governmental networks offered export entrepreneurs, how export entrepreneurs acquired this information, and how crucial export entrepreneurs perceived this data to be. The results of Riddle and Gillespie's research illustrate how formal, but non-governmental networks, can help arm new-venture owners with the information they need to better understand the export process and foreign markets.

In summary, the papers in this special issue confirm, both theoretically and empirically, that the process of internationalization of entrepreneurially-oriented small firms is far from the linear, controlled and time-prolonged process posited by the traditional stage theories of internationalization. Entrepreneurial characteristics of the owner/manager appear to be especially critical in the very early phases of SME internationalization. However, as the enterprise grows in size and acquires more knowledge, information and expertise, characteristics of the entity or enterprise exert relatively greater influence on export behavior and success (although characteristics of top management and key-decision makers remain important, as always).

Internationalization of SMEs is a new phenomenon with processes which differ significantly from those of large, established multinationals. The contributions to this volume suggest that a new paradigm is emerging, which may better explain the patterns and successes of SME internationalization. The ideas and concepts presented here are relevant for managers, policy-makers, and scholars alike.

Note

[1] Other papers emanating from the 2000 McGill conference appear in *Journal of International Management*, Vol. 7, No. 3 (fall 2001); and in *Globalization and Entrepreneurship: Policy and Strategy Perspectives* (Cheltenham, U.K. and Brookfield, U.S.: Edward Elgar, forthcoming in 2002). Both collections are under the guest-editorship of Hamid Etemad and Richard W. Wright, who express their deepest gratitude to McGill University's Business and Management Research Centre, and to the Dobson Centre for Entrepreneurial Studies, for their sustained financial support of the pioneering conferences which have generated these and other leading-edge contributions to the emerging field of international entrepreneurship.