“International Entrepreneurship in Swedish well established companies”

A qualitative study of selected companies in Jonkoping County

Master Thesis within Business Administration

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Jönköping International School of Business, June 2009

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Abstract

Research is focusing on the process through which companies internationalize, which is often based on their size, operations, internal capabilities and competencies. Present global economic conditions enforced by the strong competitiveness factor stimulate every company to act in a different way. More and more well established companies encounter with an increasing need to reinforce and redefine its strategic direction. To address these issues companies are inevitably forced to act in a more agile entrepreneurial way. Therefore, entrepreneurial orientation postures were selected among other theoretical alternatives to identify the relationships and effects entrepreneurship can bring to the process of internationalization.

The research was based on the data generated from three well established companies in Jonkoping County. These companies are bright representatives of the manufacturing sector in the region. Besides, they are characterized as market leaders in their preferred segments forming a trend in the industry they serve and keeping a strong competitive edge. Following the path of data collection, a process of individual internationalization was mapped retrospectively, with a focus on identifying entrepreneurial orientation leading this process.

The findings indicate interesting aspects that are applicable to all three firms. We have concluded that nascent decision to internationalize was driven by the external factors which to a great extent accountable for major strategic renewal. Consequently, change in the strategy and processes related to its implementation foster entrepreneurial injections and considerably speed up international commitment. Furthermore, we have identified that theoretical background considerably differ from the practical matters performed in these companies.
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1. Introduction

Introductory section explains the most important aspects that will be discussed in the next sections of master thesis. Particularly, the concerns here are devoted to the research background, problem identification, purpose of the study, main frame of concepts used, and structural template of the thesis. Primarily we provide the reader with basic understanding of the discovered phenomena and unfold emerging aspects of international entrepreneurship as well as internationalization.

1.1 Research background

The global business environment is changing dramatically. Traditionally, competition within international markets was an issue of large companies. However, the removal of government-imposed barriers, general global production shifts and technological innovations, allow even the smallest firms to access a bigger scope of customers, suppliers and collaborating opportunities around the world. Entrepreneurially founded enterprises – both domestically and internationally – are the driving factors for incremental economic growth and innovations. These trends are transforming management strategies, public policies, and the daily lives of people around the globe (Wright & Dana, 2003).

The internationalization process requires various steps to be taken in order to approach a new market, and in developing the foundation upon which further foreign market expansion may be built. Consequently, there is an inherent danger of imposing undue rigidity over time on the direction (the type of foreign markets targeted), form (the operation methods used), and content of international activities. It has been argued that such rigidity may result if planning becomes ritualized, too formalized, or an end in itself rather than simply a guide to action (Starbuck, 1993). An overly inflexible approach to planning may limit a company’s ability to react quickly on opportunities, think and perform effectively from a process perspective (Welch & Welch, 1996).

Therefore, the outcomes of internationalization act as inputs into the company’s strategic foundation, which in turn serves as its resource base for international operations. Conclusions from research on internationalization indicate that a major part of the firm’s foundation is found in less tangible areas – such as appropriate experience, knowledge, skills, and entrepreneurial behavior (Welch & Luostarinen, 1988). Moreover, strategic planning forms a general direction for the company’s expansion, and extreme importance here is devoted to the sufficient supply of the intangible information and its flexible implementation for the well being of the company.

In general, internationalization process produces its own unique set of challenges and opportunities, which cannot be estimated using a strategic planning perspective. In the international arena, companies are frequently confronted with unforeseen opportunities or problems to which they must seek appropriate responses and may, in the process, be under considerable pressure to act quickly (Quinn, 1988). Therefore, the various internationalization steps can produce their own, often unintended outcomes as well. Confronted with such emerging opportunities, threats, or unexpected outcomes, companies often will be required to adapt their long-term strategies that require some set of entrepreneurial behavior.
There are some general challenges with companies that are adapting an international strategy. When we go international, we need to understand the market and people in the new market, otherwise we will fail in gaining the benefits from the economies of scale that can be achieved, or seizing the new opportunities that is being exposed (Gooderham & Nordhaug, 2003). The host country national identity might create other hindering effects on the future performance. Furthermore, successful organizational expansion requires a specific knowledge about the market, its trends, competition, networks, future stakeholders, etc. Johnson and Vahlne (1977) argued that a knowledge acquisition challenge is central to the gradual process of internationalization. Another common challenge is that international expansion could lead to rigidity in operations and an increased amount of bureaucracy or resistance.

In recent years, however, the demarcation line between international business and entrepreneurship has begun to erode. Businesses in an increasing number of countries are seeking international competitive advantage through entrepreneurial innovation (Simon, 1996). Well established companies call for new trends, and adopt entrepreneurially oriented form of behavior. Moreover, entrepreneurship traits are perceived to generate advantages in local and international markets that rocket company’s performance. More and more companies adopt entrepreneurial orientation to stay connected, agile and adjustable to seize every profitable opportunity.

If, however, we are interested in understanding and explaining ‘entrepreneurial’ internationalization behavior, conceptual models need to be sufficiently flexible to accommodate the range of conditions that might influence and lend explanation to a firm’s internationalization decisions, actions and dynamic processes. This requires a greater understanding of entrepreneurial behavior, and we therefore turn to the entrepreneurship literature to enrich our understanding, their interconnections, and possible synergies.

As defined by McDougall and Oviatt (2000), international entrepreneurship is “a combination of innovative, proactive and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (e.g. performed from McDougall & Oviatt, 2005, p. 539). Important in this definition is explicit integration of the generally accepted understanding of internationalization as a firm-level activity that crosses international borders (Wright & Ricks, 1994), with the characteristics of an entrepreneurial orientation as defined by Miller (1983), Covin and Slevin (1989), Dess and Lumpkin (1996, 2001): innovative, proactive and risk-seeking behavior.

What is evident in internationalization/entrepreneurship area of research is that entrepreneurship and internationalization are generally accepted as entailing processes, and, specifically, the behavioral processes associated with the creation of value by assembling a unique package of resources to exploit an opportunity (Morris et al., 2001; Johanson & Vahlne, 2003). Process too is implicit in McDougall and Oviatti’s (2000) definition of international entrepreneurship, which, following Covin and Slevin (1991), describes internationalization as a composite of behavior, innovation, proactivity, risk-seeking and value creation. Consequently, we have the common foundational element of behavioral process from which an integrative conceptualization can be developed.

Internationalization entails entry into new country markets. It may therefore be described as a process of innovation (Andersen, 1993; Casson, 2000). International new ventures have, in particular, been described as especially innovative in their internationalization (Oviatt & McDougall, 1994; Knight & Cavusgil, 2004). Innovation is also central to the field of entrepreneurship (Schumpeter, 1934; Shane & Venkataraman, 2000).
Jones and Coviello (2005) argue that the firm’s cross-border business modes are important because they provide evidence that value-creating activity has taken place, the point of time it was established and the country with which the business occurs. Furthermore, discrete measures of entry modes can be used to construct indicators of the extent of internationalization behavior such as, for example, functional diversity (range of mode choice) and functional time intensity (range of modes in relation to time) (McDougall & Oviatt, 2000).

Some consider internationalization behavior as an entrepreneurial strategy per se (Lumpkin & Dess, 1996; Lu & Beamish, 2001), and others find that strategic actions influence internationalization behavior (McDougall, 1989; Calof & Beamish, 1995; Bloodgood et al., 1996), strategy is not accommodated as a specific variable in the general model. Chell (2001) argued that strategy should be inferred post hoc from the emergent patterns and dynamic profiles of internationalization behavior.

Alternatively, if researchers were interested in understanding how the international new venture compares with more established firms, firm-level measures such as organizational resources and knowledge, networks, and entrepreneurial orientation (Miller, 1983, Dess & Lumpkin, 1996) might be introduced as antecedents to internationalization behavior, with firms assessed at various stages of the life cycle (e.g. start-up, early internationalization, late internationalization). Therefore, the considerable issues arise from the above discussion. Besides, the main frame of the literature describes the internationalization phenomenon within well established big companies, and usually disregarding such aspects as entrepreneurial behavior influence. However, these companies increasing their participation in international expansion through the adoption of the entrepreneurially minded approaches.

1.2 Problem identification

Define the extent of entrepreneurial orientation and entrepreneurship of the companies that follow the process of internationalization and expansion. How challenges of entrepreneurship addressed during the process of internationalization? More precisely, our paper will make an attempt to analyze whether the entrepreneurial orientation speeds up and influences the international market entry.

1.3 Purpose

The purpose of the thesis is to look at the internationalization process of three companies in Jonkoping. Define the importance of the entrepreneurial commitment along the internationalization development process. Analyze relationships between the two proposed phenomena (entrepreneurship and internationalization).

1.4 Key concepts

The key concepts are thoroughly explained through the frame of reference section:

- **Internationalization** (Johnson & Vahle, 1977, 1990; Johnson & Wiedersheim-Paul, 1975) is a concept referring to the process of the firm’s increasing involvement in international operations across borders. It is a process of growing market commitment, acquisition of experimental knowledge and successful implementation
of both aspects in favor to create superior performance. Internationalization is further described in Section 3.1.1.

- **Entrepreneurial Orientation** (Miller, 1983; Dess & Lumpkin, 1996, 2005; Covin and Slevin, 1989, 1991), abbreviated as EO, is an empirical term that can be measured and assessed. The term is best described as the strategic orientation or general outlook of a firm’s entrepreneurial endeavors. EO is further described in Section 3.2.2.

- **Corporate Entrepreneurship** (Sharma & Chrisman, 1999; Birkinshaw, 1997; Zahra et al. 2001). It is a concept that employs combination of entrepreneurial and venturing activities which might take internal or/and external forms and is intended to renew strategic foundation in order to create value. CE is further described in Section 3.2.2.

### 1.5 Structure of the thesis

**Chapter 1:** In the introduction section we have presented a brief background of the international entrepreneurship phenomenon. Therefore, the research problem was identified and purpose of the study emphasizes the area of research. This section is further followed by a short description of the key concepts and presents a detailed structure of the thesis. Much attention here is devoted to the research background section where we have briefly discussed Internationalization and Entrepreneurship implications important for our research.

**Chapter 2:** In the second section, we have offered a description of the methodology used in the empirical study. It provides an explanation of the qualitative research method and its specifications. Moreover, the passage unfolds specific areas of research and precisely explains the strategic choices toward data collection.

**Chapter 3:** This section reveals the theoretical implications, models and theories related to our frame of research. It defines Internationalization Process Model and reveals intangible aspects of Entrepreneurial Orientation. This is done to meet visible theoretical assumptions and prepare a base for an analytical assessment of the empirical section. Proposed models and managerial implications are organized to reveal potential relationships and unfold some novel aspects, not presented as theoretical background.

**Chapter 4:** The following section consists of primary and secondary gathered data. Primary information was gathered from conducted interviews with top executives on the basis of specially designed questions that would reveal areas of potential interest for our further analysis. Interviews aim at bringing data that would unfold information related to Entrepreneurial postures and some other intangible organizational aspects. Secondary data were gathered, performed, evaluated and presented here as well, to leverage internationalization activities. Besides, it became possible to draw a development chart for each company, which could be found and screened under Appendices section.

**Chapter 5:** The presented findings from the previous chapter are analyzed on the basis of theoretical framework, in regard to the purpose of our thesis. The
Chapter consists of two sections. The first section is designed in a way to present analytical background, explaining relationships between studied phenomena. The reader can find a table containing data that visibly show the sequence of gradual variable influences. The second section devotes its attention to an analytical model, presented earlier in the section 3.4., which has a vital importance towards an identification of the causal relationships and practical effects on internationalization speed.

Chapter 6: Based on the analysis, authors draw conclusions with an aim to answer the research questions and consequently the purpose of the thesis. This section is also contains our own implications to the study and possible future research endeavors in this field.
2. Methodology

Method section touches the aspects of the data collection, identification of the research design and foremost important it aims to generate readers’ understanding regarding the research method, used in practice. Further detailed discussion leads to logical conclusions, and presents Qualitative research method as the most efficient and sufficient tool to meet the purpose of the thesis requirements. Qualitative data was gathered through personal interviews (e.g. with CEOs) and secondary received data (e.g. websites, annual reports, companies’ presentations). Therefore, the validity and reliability of the information have a high ratio of trustworthiness.

2.1 Research method

Based on different purposes, two types of research were designed to maintain a business related research: qualitative and quantitative. Our thesis utilizes a qualitative research approach. We argue that factors influencing internationalization process can be better leveraged through qualitative data, specifying that the research will take a holistic and longitudinal view. Furthermore, qualitative research involves analyzing and interpreting texts and interviews in order to investigate specific patterns (Auerbach, 2003).

On the other hand, Jensen (2002) described quantitative research as a primarily concerned with demonstrating a cause-effect relationships and aims at to generate findings which lead to the acceptance or rejection of specified hypotheses. Quantitative research generates numerical data and then the data have to be analyzed using statistical tools. Our research has no objective to present relationships between statistically analyzed variables.

We are centrally interested in describing and assessing a phenomenon based on theoretical model that leverage internationalization and entrepreneurship interconnections. Furthermore, the concepts used to collect a qualitative data explore a subject in as real manner as possible (Saunders et al., 2003). Therefore, our investigation revolves around a qualitative research approach.

The research strategy is seen as a general plan of how the research questions will be developed, answered, and presented in the empirical and analytical parts. It should contain clear objectives, derived from the research questions, specify the sources of the information acquisition. Moreover, description of the choices regarding researched companies or interwove people would address the strategic approach further (Saunders et al., 2003). Therefore, we have defined strategic alternatives that will follow the research and could objectively present the studied phenomena.

- Longitudinal study. As far as internationalization process is compounded from a set of a strategic decision over some period of time, we have assumed that some aspects of longitudinal study are highly appropriate. The main strength of longitudinal research is the capacity that it has to study change and development (Saunders et al., 2003). Following the observational nature of the longitudinal study we had a possibility to identify developmental trends across life span of the observed companies. Following the phases of international development we have been observing the shifts, trends, specific behavioral issues, and entrepreneurial postures to leverage their implementation and exploitation in international perspective.
• Explanatory study. This type of study establishes causal relationships between variables examined. The emphasis here is on studying a situation or a problem in order to explain the relationships between variables (Saunders et al., 2003). In our case, internationalization and entrepreneurial orientation were presented for an analysis of causal relationships.

Saunders et al. (2003) summarized two major advantages to employing several methods in the same study. Different methods can be used for different purposes in the study. This would give you confidence that you were addressing the most important issues.

2.2 Data collection

As this study intends to develop an understanding of the internationalization process and address entrepreneurial postures into the theoretical modeling, interview as a form of the data collection was preferably chosen among other tools. This technique is found to be more agile and easy way to collect necessary information in a short period of time.

Therefore, the data collection for this paper can be viewed as two folded. The first hand data comes from the one most reliable source, an interview with two CEOs and one top ranked manager. The second flow of data comes from secondary sources such as information gathered from internet sites, annual reports, company’s presentations, and press realizes, etc.

Selection of the companies

The actual number of cases or research objects appropriate in this type of research has been discussed in literature. Yin (1989) stated that number of cases chosen should correspond to the number of case replication that the researcher has found to be sufficient to illustrate the phenomenon under scrutiny. We have addressed this issue through the level of depth of each firm case. Therefore, as far as there is no general rules to follow, identifying the quantity of cases, the final number to evolve itself after the selection phase was completed.

The selection process of the companies has included several determinants that served as preliminary factors of interest:

• First of all, cross border (e.g. international) operations determined our foremost interest in the selected companies. We have picked different companies, however their structure consist of relatively broad quantity of outside business units (subsidiaries, fully and partly owned business units, strategic partners, newly created or acquainted local companies with a full production cycle).

• Second of all, the location (Jonkoping County) of their headquarters as well as top management presence gave us an explicit possibility to reach them easily and got information directly from top executives.

The region of Jonkoping County is characterized with a specific and unique concentration of companies that stimulate their involvement into entrepreneurial processes more rapidly than companies in other locations within Sweden. As far as our paper consists of theoretical implications within entrepreneurship, we perceive the usefulness of the research as very high in nature to this specific geographical
region. Besides, on the basis of Jonkoping University there are actively functioning research divisions that are famous far beyond the Swedish borders, especially for their extraordinary endowment into Entrepreneurial Orientation and Family business field of research.

- Third of all, these companies possess leadership within their markets, niches or segments. Therefore, objectively having a capacity to develop trends on the market and could generate the positive correlations between the concepts that might be applicable to other companies within the market or/and niche.

- Fourth of all, the companies are characterized as well established and mature business units, operating in the manufacturing business. We have selected them according to our own preferences that suit the purpose of the thesis. The reason behind that explained below.

It is explicitly stated that well established manufacturing businesses are unable to act rapidly using entrepreneurial determinants. The approach to entrepreneurial action commonly observed in new ventures and less-established organizations demonstrates more of a dynamic capabilities or competencies approach (i.e., Lei, Hitt, & Bettis, 1996; Teece, Pisano, & Shuen, 1997). Therefore, taking to consideration the environmental factor of the Jonkoping County (e.g. entrepreneurially oriented behavior in actions) we would like measure and shed a light on the area of interest, addressing the purpose of the study (Section 1.3).

Since it was not possible to measure in anticipation the contributions from each case, the actual number of them was determined during the research process rather than during the planning stage. By the time 10 companies had been contacted. Unfortunately, not all of them responded on our inquiries. Furthermore, several CEOs were unable to participate due to busy time schedules and physical absence in the office caused by the continuous business trips. Therefore, only three companies were able to take part in the research. However, we perceived this fact as not a constraint or limitation to our results but as a good determinant that helped us to narrow our forces and save time for an extra concentration. Indeed, these companies have proved to possess market niche leadership and dominating positions over several markets. Consequently, there are the companies that have participated in our research:

- **NEFAB AB** (Located in Jonkoping)

  Nefab AB is a fast growing company which main business is revolving around transport packaging. It is a world wide provider of compete packaging solutions for several segments: automotive, telecom, machinery, energy, medical equipment and electronics. The company is well presented in the most important markets like Europe, America, and Asia. Furthermore, the group consists of three dozens of subsidiaries, partly or fully owned. Since 2003 the company has been involved into 15 successful acquisitions. 2007 was characterized by 20% invoicing increase to SEK 2,281 M (1,903).

- **ESBE AB** (Located in Reftele, Jonkoping municipality)

  ESBE is a leading brand in hydraulic system control. The company manufacture, develop and market valves and actuators for controlling hydraulic systems for central heating and domestic boiler applications (e.g. technical information performed from www.esbe.se). It
is considered to possess market leadership in hydronic systems. Presently, the company employs 200 employees, characterized by the complete in-house production and mainly working through sales companies (e.g. Germany, France, and Italy), concentrating on big corporate customers and covering major European markets. ESBE has also representatives in more than 20 countries. Previous 2008 financial year brought SEK 400 M in sales and coverage of European market up to 8%.

• **ITAB AB** *(Located on Jonkoping)*

ITAB is a company that develops and produces warehousing systems and shop solutions. This includes for example shelves, entrance gates to shops and checkout systems. The latest journey of success for ITAB Shop Concept AB, as it is called today, began in 1997. In the North and in the Baltic region, ITAB is the market leader. Not least through the many partnerships, ITAB also has a strong position in the other European markets. Overall, ITAB is number two in size in Europe. Currently, ITAB has 20 branches and 1720 employees in 14 European countries and partners in 15 more European countries. The current turnover is about SEK 3,600 M.

In order to maximize the data accuracy and reliability, we followed Huber and Power’s (1985) guidelines on how to get quality data from single informants. Entrepreneurial orientation is normally assessed from the perspective of the CEO (Covin & Slevin, 1989; Wiklund & Shepherd, 2003), and CEOs are typically the most knowledgeable persons regarding their companies’ strategies and overall business situation (Zahra & Covin, 1995). Most of our respondents possess titles such as chief executive officer or managing director on the spot, who are personally responsible for a decision making and strategic planning perspectives.

**Interviews**

The empirical findings of our study were built primarily on personal interviews. These meetings were carried out in such way that the activities of the firm on its different markets were covered and process of internationalization was identified. The process of entrepreneurial postures was also address, trying to visibly identify relationships and interconnections of researched phenomena. In all cases, the firms’ web sites proved very helpful in drawing a picture of international activities, as they contain longitudinal information. Moreover, interview is an interrogation by one or more interviewers with the intention to get personal information or facts. It is one of the essential sources in case studies to receive information (Yin, 1994).

Interviews can be defined as unstructured, semi-structured or structured (Saunders et al., 2003). Different interview approaches give access to different kind of data, describe causalities and open up for different results and conclusions. It is therefore important to be aware of these differences in order to know which one that is best suited for a research project (Lantz, 2007). The interview made for this paper is best defined as a semi structured interview. Saunders et al. (2003) define semi structured interviews as interviews where the researchers has a list of themes and questions that is intended to be covered during the interview session, although the order of the questions and which of those that are included in the interview can vary depending on how the interview continues. This approach puts the interviewee in focus and thus he or she has the potential to decide how the phenomenon of study is defined and effects how it is understood (Lantz, 2007).
Welman et al. (2005) concluded that the questions at the interview can be of different nature. They identified two types of questions possible: close-ended and open-ended questions. The first type generalizes questions that have a limited range of possible answers. Therefore, this type of the questions was not used for the data collection; instead the participants were asked open-ended questions. Ghauri et al. (1995) and Welman et al. (2005) argued that interviewees can formulate their answers just as they like and thus can generate a large amount of variations in the answers. We believe that open-ended questions would best serve to the purpose of our thesis and provide more accurate information, since interpersonal communication with respondents could unfold specific moments along the process of entrepreneurial commitment and international expansion.

The reader can find the list of questions we have used for interviews in the Appendix A, B. We have carried out a semi structured interviews and they practically emerged, following the next sequence:

- **8th** of April 2009, Headquarter of NEFAB AB – Jonkoping
  Interviewee – Mr. Stefan Ekqvist (the CEO and President)

- **29th** of April 2009, Headquarter of ESBE AB – Reftele (Jonkoping municipality)
  Interviewee – Mr. Ulf Liljewern (Business Development Manager)

- **7th** of May 2009, Headquarter of ITAB AB – Jonkoping
  Interviewee – Mr. Ulf Rostedt (the CEO)

2.3 Approaching qualitative data

Qualitative analysis may utilize a number of analytic strategies. Each strategy essentially transforms collected data using a set of features. These features or set of processes involve the following activities:

- Categorization. Classification the data into meaningful categories, which may be derived from these data or from the theoretical framework.
- Unitizing data. Undertaking this stage of the analytic process means that you are engaging in a selective process, guided by the purpose of the research, which has the effect of reducing and rearranging data into a more manageable and comprehensive form.
- Recognizing relationships and developing the categories. Generating categories and reorganizing data according to them, or designing a suitable matrix and placing the data gathered within its cells, means to be involved into the process of analyzing.
- Developing and testing hypotheses or research questions to reach conclusions.

Performed from Saunders et al., 2003.

Yin (1994) proposed a number of specific analytical procedures to follow an analysis of a qualitatively collected data.

- The first analytical procedure is termed *pattern matching*, and essentially involves predicting a pattern of outcomes based on theoretical propositions to explain what you expect to find. Using this approach demands an establishment of a conceptual framework, exploring and utilizing existing theory, and then tests an adequacy of the framework as a mean to explain the findings.
Another approach to patter matching, which Yin (2004) refers to as a special type, involves an attempt to build an explanation while collecting data and analyzing them, rather than testing a predicted explanation. He labeled this procedure as explanation building. This procedure is designed to go through the following stages (Yin, 1994):

1) devising a theoretically based proposition, which will be then seek to analyze;
2) undertaking data collection through a specific techniques in order to be able to compare the findings from them in relation to the theoretically based proposition;
3) when necessary, amending this theoretically based proposition to suit the findings;
4) undertaking a further round of data collection in order to compare the findings in relation to the revised proposition;
5) perform further iteration of the process until a satisfactory explanation is derived.

Performed from Saunders et al., 2003.

This paper, in a more general nature, seeks to find a relationship between entrepreneurial implications and their imposed effect on internationalization speed in discovered companies. Theoretically, as described above, the initial process appeared to be easily operated. Practically, our area of intents includes data collection within tangible (e.g. secondary data) and intangible (e.g. interviews) determinants.

Secondary data are ready made up and can be easily collected from the sources we have mentioned earlier. Therefore, it can be performed into numerical, graphical and longitudinally processed results. The outcomes from the company based analyses unfold the picture of their international activities. The data gathered from all companies were analyzed and assessed, creating the patterns based on pattern matching (Yin, 1994). On this occasion, we were able to form a development chart for each of them (Appendix). Structure of the charts was designed accurately to follow the speed of international markets entry and on the same way describe internal company’s growing capabilities, in order to meet new challenges.

Primary data, impose some difficulties on analysis, because it presents some intangible information regarding entrepreneurship, which cannot be easily assessed due to nascent specificity of the Entrepreneurial Orientation test (e.g. if no regression analysis is used). It means that analysis of Entrepreneurial Orientation will be based on our feelings about each company’s entrepreneurial aspects. However, taking to consideration our educational background and knowledge dealing with local companies along our studies, we have an ability to evaluate and analyze the data from the personal perspective. Here we mean that our qualification in dealing with EO aspects and analytical skills were developed enough to test hypotheses, recognize relationships and develop categories to make interesting and insightful conclusions and present connections between discovered phenomena. To address this issue, indeed, we would also use analytical methods and logical assumptions.

In order to follow methodological procedures forming our analytical section, we have identified several patterns of outcomes that were based on the theoretical framework with its models. However, to reduce the possibility to be involved into a standardized way of conclusion building we therefore have approached an explanation building procedure which let us productively emphasize aspects of change that lead to greater internationalization and entrepreneurial orientation commitment.
3. Frame of references

At this stage, earlier research on internationalization will be discussed and analyzed under following headings. Due to practical impossibility to review all the concepts, models and strategic choices on internationalization, we have selected a theory that best explains the internationalization of well established manufacturing companies. Furthermore, the IP model was initially formulated in Sweden and based its findings on the local manufacturing companies.

As far as we are further interested in drawing a connection between internationalization and entrepreneurship, we have used the frame of reference to address the next emerging issue – Entrepreneurial Orientation and its implications. The basic idea of these theoretical acknowledgements is to bring up leverage spots that explicitly and implicitly connect Internationalization and Corporate Entrepreneurship. Besides, to meet the requirements, we have included the section with models which are based on the theory presented in the frame. In addition, own model was designed to bring up our understanding about the studied phenomena.

3.1 The phenomenon of internationalization

Internationalization is defined as – the process of increasing involvement in international operations across borders (Jones, 1999; Welch and Luostarinen, 1988). Therefore, internationalization is a major dimension of the ongoing strategy process for the most successful business firms. The strategy process determines the ongoing development and change in the international firm in terms of scope, business idea, action orientation, organizing principles, nature of managerial work, dominating values and converging norms (Melin, 1992).

Strategy and entrepreneurship scholars argue that firms succeed by building and retaining a competitive advantage (Porter, 1985, 1990). Ireland, Hitt, and Sirmon (2003) proposed theories from the strategy and entrepreneurship disciplines to explain the process of advantage development and sustaining. They noted that firms succeed by identifying and exploiting new opportunities and by deploying their resources in ways that allow them to create value (following Penrose’s logic, 1959). Some of these opportunities lie in foreign markets, requiring strategies that leverage companies’ skills and capabilities.

The following view is consistent with Dunning’s (1988, 2001) paradigm that presents that firms internationalize their operations in order to capitalize on differences in factor endowments across countries. The scale of internationalization indicates the extent to which a firm’s activities depend on foreign markets. A large scale of foreign operations allows firms to leverage their domestic skills abroad and acquire their market share rapidly (Bartlett & Ghoshal, 1998).

Still, for many companies, building a large scale of international operations is challenging because of the diverse skills needed and the costs involved (Hill et al., 1990). Success also requires integrating foreign operations, adopting new technologies, introducing control systems, and ensuring effective coordination (Porter, 1986). Franko (1989) argues that there are still serious risks of not internationalizing. Consequently, companies that fail to internationalize may lose their competitiveness, especially when their home markets are small, as in the case of Sweden.
The models in the field of international business describe the internationalization process as a gradual development taking place in distinct stages and over a relatively long period of time (Melin, 1992).

### 3.1.1 Theoretical model of internationalization

“Mainstream” internationalization theory tends to describe a process of progressive expansion from domestic markets into neighboring countries facilitated through a series of incremental structured decisions (Hooley et al. 1998). Examples of these include the so-called stage theories such as the Uppsala internationalization model / Internationalization process model (Johnson & Vahlne, 1977, 1990), internationalization (Buckley & Ghauri, 1994; Buckley & Casson, 1976) and other economic theories, resource based approaches and Dunning’s eclectic paradigm (Dunning, 1993). We have identified that Uppsala model describes the most prominent aspects of the firm’s internationalization process.

A key feature of the International Process model is its logical sequence of the expansion strategy steps. Presented stages, naturally tend to foster international commitment, and thus may involve implication of sub-motivating forces which main assignment is to accelerate the movement towards greater foreign market commitment. Our data collection approach has been designed to reveal information, which was vital for a gradual fulfillment of these stages. The formation of the internationalization development chart was one of the basic issues we wanted to address. Besides, apart from the theoretical perspective of the model, it has concentrated and turned our data collection into the planned frame, which has been fruitfully mirrored on the accuracy or the gathered information.

**Internationalization Process Model**

The earliest insights about internationalization came more that three decades ago. Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) made the most prominent contribution to this area of studies. The model is often characterized as the Uppsala Internationalization Model, U-Model or Internationalization process model (IP). Johanson and Wiedersheim-Paul (1975) investigated four Swedish cases, where they were observing the behavior companies tend to follow during international expansion. The authors found empirical evidence for the gradual nature of the internationalization process, which follows a number of steps in the establishment chain (Johanson & Wiedersheim-Paul, 1975).

The first international engagement comes in the form of export to another country. When export operations established and hold a substantial part of the company’s sales, the next stage gradually maintains the operations with agents, who participate as local representatives of the exporting company on spot. A firm progresses from agents approach to the establishment of local subsidiaries or business outlets and finally ends it penetration setting up a manufacturing facility.

![Figure 1. The Establishment Chain (Johanson & Wiedersheim-Paul, 1975)](image-url)
A company moves from one stage to another in terms of how organization involves in international market activities and gain experience in the market place. The first stage gives practically no experience at all, while the second stage provides the company with information about the market and the market conditions. The following two steps lead to actual experience and a more differentiated and extensive market knowledge (Johanson & Vahlne, 1990; Naldi, 2008).

**Psychological distance**

Following this establishment chain, authors argued that firms approach markets of successively greater “psychic distance”. Psychic distance is defined as “factors preventing or disturbing the flows of information between firms and market. Examples of such factors are differences of languages, culture, political systems, level of education, level of industrial development, etc” (Johanson & Wiedersheim-Paul, 1975, p. 18). However, the experience impact tends to mitigate the psychological distance obstacles even after the first entry. A crucial factor here to consider is knowledge that is more easily obtained from countries geographically and psychologically closer than other chain partners (Dow, 2000; Brewer, 2007).

According to Hollensen (2004) companies that follow the Uppsala model prefer to start their internationalization by entering those markets that are easier to understand, where the opportunities emerged to be easily seized and the market uncertainty is low. Therefore, the most appropriate behavior towards the internationalization would be to enter the market that is geographically similar to the domestic counterpart, as in case of Sweden (Johanson & Wiedersheim-Paul, 1975). However, according to empirical findings made by Andersen (1993) the studied firms seemed to enter the market with relatively strong psychic distance.

The work by Johanson and Wiedersheim-Paul (1975) was developed and refined the IP model further (Johanson & Vahlne, 1977). In an attempt to explain the internationalization process described above, the authors focused on the model formulation, in which the outcome of one cycle of events constitutes the input to the next (Andersen, 1993). Consequently, it aims at defining the interplay between the development of knowledge about foreign markets and operations on the one hand, and an increase in commitment to foreign markets on the other hand (Naldi, 2008). The model is performed of two main traits of the firm; the state and the change aspects, both interplays according to the model composition.

![Figure 2. The Internationalization Process Model (Johanson & Vahlne, 1977)](image-url)
State aspects consider resources that are committed to the foreign markets and the knowledge about foreign operations. The major assumption here is that the commitment affects the firm’s perceived opportunities and risks (Johanson & Vahlne, 1977).

- Market commitment. Authors assumed that the characteristic consists of two dimensions: resource commitment and degree of commitment. Committed resources represent the physical amount currently invested into the market, basically the initial financial injections in the form of marketing, general organization or personnel. Whilst, the degree of commitment characterized with an intensity of the investments.

- Market knowledge. This is the characteristic related to the specific knowledge fulfillment that the company supposed to possess in order to identify opportunities and potential risks. Furthermore, it would be appropriate to maintain the activities knowing the conditions that might follow the process of business transactions.

Authors made a distinction between two types of knowledge, which is consistent with the explanation of the learning process. According to them, objective knowledge is more theoretical kind of knowledge that can be taught, while experiential knowledge is the kind of knowledge a person obtain from experience and can only be learned. Furthermore, experiential knowledge creates a window for “real” opportunities and strengthens the feeling of the opportunities explored. Moreover, experiential knowledge is generally assumed to be important because it reduces uncertainty associated with the foreign market commitments (Bukley & Ghauri, 1994).

Another distinction of knowledge is the one between general knowledge (marketing methods and consumer behavior), and market specific knowledge (business climate, culture patterns and characteristics of the individual companies and their people). Both kinds of knowledge are advantageous when exploring a new market. However, general knowledge can be acquired more easily and transferred from one market to another, meanwhile market specific knowledge comes from mainly own experience in that specific market.

Change aspects are the decisions regarding the resource commitment and the performance of the current business activities.

- Current activities within the market provide the necessary opportunity and risk related knowledge. Maintaining activities on the proper profitable level, both firm experience and market experience are decisive determinants for the correct interpretation of the external and internal flow of information.

- Commitment decisions are about the level of resources that involved during the entry level penetration and further enlargement decisions. The decision to inject or/and acquire resources are usually based on the perceived opportunities or problems, and market specific experience. Both problems and opportunities are identified primarily by those responsible for activities in question and both findings normally lead to some kind of extension of the current operations; increased commitment in order to examine opportunities or increased commitment to ‘fix’ occurring problems.

On the basis of these four concepts, and by making the assumption of incrementalism, the model predicts that the basic pattern of firms’ internationalization is 1) to start and continue to invest in just one or in a few (neighboring) countries, rather than to invest in several
countries simultaneously and 2) that the investments in a specific country are carried out cautiously, sequentially and concurrently with the learning of the firm’s people operating in that market (Forsgren, 2000:02).

Therefore, a firm is expected to increase its involvement in a specific foreign market as it gains experience from its current activities; or, put it differently, acquiring considerable knowledge allows the firm to assume greater risks and continue growing in international markets. Consequently, IP model practically experienced minor changes since its theoretical acknowledgement. However, even its honorable creators admitted the fact that the model lacks some modern implications (e.g., networks, firm level entrepreneurial behavior, etc.). Therefore, in order to meet the requirements for our paper, we have identified other important traits that will serve as a theoretical ground for the further analysis. In the light of the entrepreneurial direction we want to follow, the next section is completely committed to explain and present the inevitable importance of interconnections between entrepreneurship and international development.

3.2 Entrepreneurship

Entrepreneurship is an important concept that needs to be clearly defined in order to follow the sequence of the theoretical implications in this paper. It serves as a basic determinant for the practical understanding of such concepts as: strategic entrepreneurship, entrepreneurial behavior, entrepreneurial orientation and international entrepreneurship, which will be discussed in the next passages.

The historical development of the term entrepreneurship has been documented by various authors (e.g., Gartner, 1988; Hisrich, 1986; Livesay, 1982; McMullan & Long, 1983). Gartner (1990) identified two distinct clusters of thought on the meaning of entrepreneurship. The first group of scholars focused on the characteristics of entrepreneurship (e.g., innovation, growth, uniqueness, etc.) while the second group focused on the outcomes of entrepreneurship (e.g., creation of value).

Among members of the first group, most seem to rely on variations of one of two definitions of entrepreneurship: Schumpeter’s (1934) or Gartner’s (1988). Following Schumpeter’s track of thoughts (1934, p. 212-255), “an entrepreneur is a person who carries out new combinations, which may take the form of new products, processes, markets, organizational forms, or sources of supply”. Entrepreneurship is, then, the process of carrying out new combinations. In contrast, Gartner states that “Entrepreneurship is the creation of organizations” (1988, p. 26). As we can see Gartner presented a much more narrow approach that is not fully elaborating the entrepreneurship phenomenon. The fact is that, half a century has passed but Schumpeterian views have been dominating the formulation of the basics for the entrepreneurially oriented studies.

Therefore, the perspective has broadened over time, and entrepreneurship has become more a hypothetical and abstract term attached to any individual or group creating new combinations (e.g., Lumpkin & Dess, 1996; Pass, Lowes, Davies & Kronish. 1991), either on their own or attached to existing organizations. The perspective on entrepreneurship and its path is still debatable. However, we have assumed that it might take several forms and genuine directions. It is, indeed, complicated to follow one phenomenon explanation but still possible to synergistically employ several of them in one set, as is the case with Corporate Entrepreneurship.

For the purposes of our study we would like to utilize the identification of “entrepreneurship” adopted by several authors:
As such, entrepreneurial actions entail creating new resources or combining existing resources in new ways to develop and commercialize new products, move into new markets, and/or service new customers (Ireland et al., 2001; Ireland & Kuratko, 2001; Kuratko, Ireland, & Hornsby, 2001; Sexton & Smilor, 1997; Smith & DeGregorio, 2001).

Globalization and therefore growing internationalization have created a competitive landscape with substantial uncertainty (Bettis & Hitt, 1995; Ireland & Hitt, 1999). Filled with threats to existing patterns of successful competition as well as opportunities, to form competitive advantages through innovations that create new industries and markets, this landscape was characterized by substantial and often frame breaking change, a series of temporary, rather than sustainable competitive advantages for individual firms, the criticality of speed in making and implementing strategic decisions, shortened product life cycles, and new forms of competition among global competitors emerged (Bettis & Hitt, 1995; Hitt, 2000; Hitt et al., 2001a; Hitt, Keats, & DeMarie, 1998; Ireland & Hitt, 1999).

However, there are opportunities in uncertainty. The firm’s focus must be on identifying and exploiting these opportunities (Shane & Venkataraman, 2000). Entrepreneurship involves identifying and exploiting opportunities in the external environment (Ireland & Kuratko, 2001; Smith & DeGregorio, 2001; Zahra & Dess, 2001); an entrepreneurial mindset is useful in capturing the benefits of uncertainty (McGrath & MacMillan, 2000).

Entrepreneurial organizations often initiate actions to which competitors then respond, and are frequently first-to-market with new product offerings. In support of this strategic orientation, entrepreneurial firms characteristically emphasize technological leadership and research and development (Khandwalla, 1977).

In this setting, entrepreneurial strategies for both new ventures and established firms are becoming increasingly important as their link to firm success (Bettis & Hitt, 1995; Ireland et al., 2001a). An entrepreneurial mindset is required for firms to compete successfully in the new competitive landscape through use of carefully selected and implemented entrepreneurial strategies. An entrepreneurial mindset denotes a way of thinking about business and its opportunities that capture the benefits of uncertainty. These benefits are captured as individuals search for and attempt to exploit high potential opportunities that are commonly associated with uncertain business environments (McGrath & MacMillan, 2000).

In the context of our research, it would be highly valuable to present the notion of strategic entrepreneurship. The fields of strategic management and entrepreneurship have developed largely independently of each other. However, these two aspects are focused on the firm’s adaptation to the environmental changes and exploitation of emergent opportunities created by high level of uncertainty in the process of wealth creation (Hitt & Ireland, 2000; Venkataraman & Sarasvathy, 2001).

3.2.1 Strategic entrepreneurship

Integrating entrepreneurial and strategic actions is necessary for firms to create maximum wealth (Ireland et al., 2001a). Entrepreneurial and strategic actions are complementary, not interchangeable (McGrath & MacMillan, 2000; Meyer & Heppard, 2000). Entrepreneurial actions are designed to identify and pursue entrepreneurial opportunities. Thus, it is valuable in dynamic and uncertain environments such as the new competitive landscape.
because entrepreneurial opportunities arise from uncertainty. Entrepreneurial action using a strategic perspective is helpful to identify the most appropriate opportunities to exploit and then facilitate the exploitation to establish competitive advantages.

McGrath and MacMillan (2000) stated that strategists must exploit an entrepreneurial mindset and, thus, have no choice but to embrace it to sense opportunities, mobilize resources, and act to exploit opportunities, especially under highly uncertain conditions.

Strategic management entails the set of commitments, decisions, and actions designed and executed to produce a competitive advantage and earn above-average returns (Hitt, Ireland, & Hoskisson, 2001). Strategic management calls for choices to be made among competing alternatives (Stopford, 2001). Alternative entrepreneurial opportunities constitute one of the primary arenas of choices to be made. Strategic management provides the context for entrepreneurial actions (Ireland et al., 2001).

Entrepreneurism is about creation; strategic management is about how advantage is established and maintained from what is created (Venkataraman & Sarasvathy, 2001).

Wealth creation is at the heart of both entrepreneurship and strategic management. Outcomes from creation (i.e., entrepreneurship) and exploiting current advantages while simultaneously exploring new ones (i.e., strategic management) can be tangible, such as enhancements to firm wealth, and intangible, such as enhancements in the firm’s intellectual and social capital. Thus, entrepreneurial and strategic perspectives should be integrated to examine entrepreneurial strategies that create wealth. Consequently, Hitt et al. (2001) call this approach strategic entrepreneurship.

Strategic entrepreneurship is a synergetic mix of opportunity seeking behavior (entrepreneurial mindset) and advantage seeking perspective, combined in order to create value. Jantunen et al. (2005) also argued that it is necessary to combine entrepreneurship and strategic management perspectives when explicating sources of wealth creation. Besides, value creation through the recognition of entrepreneurial opportunity and proactive strategic orientation, as well as sustaining value through disciplined strategic-management actions are both essential elements in ability to sense and seize opportunities (Teece, 2000).

Hitt & Ireland (2000) and Ireland et al. (2001) identified several domains where entrepreneurship and strategic management proved to interconnect naturally. The domains include external networks, resources and organizational learning, innovation, and internationalization. Primarily, we have made an accent on first three domains to eliminate a repetitive nature of the passage. Internationalization concept is explicitly described in the Section 3.1.

- External networks

With a process of continuous economic environment growth, and increasing competitiveness of the international and domestic business players, external networks have become increasingly important (Gulati, Nohria, & Zaheer, 2000). Networks usually involve relationships with customers, suppliers, and competitors. As far as competition is increasing every year and breaking international borders, the notion of network importance brings a specific advantage to a company in the form of social capital. Moreover, networks unfold the possibility of the information, technology, resources, and markets acquisition (Gulati et al. 2000). Network related activities immensely influence new ventures in their competitive opportunities with a more established firms in the industry. The market related information
provided or acquainted during the networking might help entrepreneurial firms identify potential opportunities (Cooper, 2001).

Evidently, the most important effect from networks is seen in the form of provision of resources and capabilities needed to compete effectively in the marketplace (McEvily & Zaheer, 1999).

In particular, external networks can be valuable because they provide the opportunity to learn new capabilities (Anand & Khanna, 2000; Dussauge, Garrette and Mitchell, 2000; Hitt et al., 2000). The notion of learning opportunity is closely related to the IP model (Johanson & Vahlne, 1977), where the authors stated that the knowledge gained in the process of continuous involvement in the foreign market activities and through the experimental exploitation are seen as central important factor for the incremental decisions regarding the resource commitment.

Networks are particularly important to the well established companies when exploring new locations. Market knowledge limits always impede the moves toward greater commitment, but overacted when the necessary base is established. In fact, research suggests that new start-up firms can enhance their chances of survival and eventual success by establishing alliances and developing them into an effective network (Baum, Calabrese and Silverman, 2000).

Tsai (2000) argued that the existence of social capital is also vital factor emerged from networking. Social capital is developed through experience operating in networks. Over time firms learn how to work effectively with partners and build trusting relationships (Kale, Singh & Perlmutter, 2000). While partners may use alliances for learning races (Hamel, 1991), the building of mutual trust among partners often prevents the opportunistic outcomes of such learning (Kale et al., 2000).

According to Welch and Welch (1996), even when the positive effect recognized, it is still difficult for companies to include networks in the strategic planning cycle, as network development may occur in an unintended way or as an unexpected outcome of deliberate actions. Earlier work by Welch and Welch (1993) pointed out the important role of individuals in establishing and maintaining networks, which might cause staffing policies to become a valuable aspect of strategic flexibility.

McDouggall and Oviatt (2005) stated that founders of the Uppsala model Johanson and Vahlne have propose that the development of foreign customer – supplier relationships determine the nature of international entry and expansion. They also argued that cross-national-border networks, along with knowledge-type, moderate the speed with which international entrepreneurial opportunities are exploited (McDougall & Oviatt, 2005, p. 543).

Consequently, we think that the potential implication of the network phenomenon is vital for an identification of the entrepreneurial behavior that might be fostered in the organization that utilizes networking. Due to the intangible nature of the networks and their positive effect on social capital enrichment (as an outcome), the visible connection emerged. It might be explained through the relationships intersection, supported by the intangible nature of the transactions, between networking and specific set of behavior. Concretely, entrepreneurial orientation phenomenon and the impact the organizational environment gets from it enhances the way the networking is organized, formed and operating. This is the new flow of communication that is visibly affecting the process of internationalization. Networking and entrepreneurial orientation are two issues that emerged relatively in the near past, therefore manipulating closely around similar approaches to value and wealth creation.
• Resources and organizational learning (e.g. knowledge perspective)

“A firm’s resources consist of all assets – both tangible and intangible, human and nonhuman – that are owned or controlled by the firm and that enable it to formulate and implement value-enhancing strategies” (Halawi, McCarthy, and Aronsson, 2005, p. 78). Within the resource-based view, researchers have assumed that the “firm” is a collection of hard-to-copy resources and capabilities (Conner, 1991; Rumelt, 1984) and those differences in size distribution and competitiveness of firms arise from their unique abilities to accumulate, develop, and deploy those resources and capabilities to formulate and implement value-creating strategies (Barney, 1991; Rumelt, 1984).

Barney (1991), conveniently classified resources into three categories: physical, human, and organizational capital resources. Comparing to the Dollinger (1999), strategic resources are classified more broadly and consists of: physical, reputational, organizational, financial, intellectual/human, and technological resources. He identified them as a major profit factors for an organization.

Knowledge is another critical firm-specific intangible resource. Grant (1996) suggests that knowledge is a firm’s most critical competitive asset. Much of a firm’s knowledge resides in its human capital. Therefore, the selection, development, and use of human capital can be used to create firm’s value (Hitt et al., 2001b).

Several authors (Hymer, 1976; Inkpen & Beamish, 1997; Zaheer, 1995) agree that the learning process is critical for firms trying to overcome their blind spots of foreignness while competing on international markets. Lord and Ranft (2000) also emphasized that learning about a new host country is not a smooth process that is homogeneous across firms, and the difficulty of its acquisition may serve to increase its benefits (Andersen, 1993) (performed from McDougall & Oviatt, 2005, p. 547).

Knowledge is generated through organizational learning (Hitt & Ireland, 2000; Hitt, Ireland and Lee, 2000). Learning new capabilities helps firms to compete effectively, survive, and grow (Autio, Sapienza & Almeida, 2000). Besides, it is helpful in making a decision regarding the level of resource commitment, assessing different stages of the company’s involvement into external environment (Johanson & Vahle, 1977, 1990).

Therefore, it is fair enough to conclude that learning new knowledge may be necessary to help a firm adapt to its environment (external and internal). Newman (2000) argues that learning can help organizations to change. As explained in the previous section, learning is a common reason for establishing alliances and participating in strategic networks (i.e., Gulati, 1999; Inkpen, 2000; Steensma & Lyles, 2000).

Hitt et al. (2001b) found that the transfer of knowledge within a firm builds human capital (employees’ capabilities) and contributes to higher firm performance. Furthermore, the firm’s human capital is used to implement strategies that in turn enhance performance as well. Therefore, established firms and new ventures alike must continuously learn to build dynamic capabilities and competencies (Lei, Hitt & Bettis, 1996; Teece, Pisano & Shuen, 1997).

As is defined above, the possession of the right set or resources might be positively related to a sustainable competitive advantage perspective. In terms of international strategic notion, specific experimental knowledge about the new market generates firm’s commitment and stimulates the decision making process. Further
acquisition of knowledge through learning unquestionably unfolds new opportunities and accelerates internal forces along their efficient exploitation.

- Innovation

At the heart of the entrepreneurial activity is innovation: the effort to create purposeful, focused change in an enterprise’s economic or social potential (Drucker, 1985). Innovation is considered by many scholars and managers to be critical for firms to compete effectively in domestic and global markets (Hitt et al., 1998; Ireland & Hitt, 1999). Hamel (2000) argues that innovation is the most important component of a firm’s strategy. He also stated that strategy innovation is a process of applying innovative thinking to the entire business model of a company, not just to its products or inventions.

Subramaniam and Venkatraman (1999) conclude that the capability to develop and introduce new products to the market is a primary driver of a successful global strategy. Roberts (1999) empirically proved that the company cannot achieve high profitability by avoiding the competition through lack of innovative endeavors.

Many authors (Lumpkin & Dess, 1996; Miller, 1983; Drucker, 1985) argue that a key dimension of an entrepreneurial orientation is an emphasis on innovation. Thus, an entrepreneurial mindset is required for the founding of new businesses as well as the rejuvenation of existing ones (McGrath & MacMillan, 2000). Therefore, Ireland et al. (2001) concluded that an important value-creating entrepreneurial strategy is to invent new goods and services and commercialize them, regardless of domestic or international business environment.

In many cases innovation is enhanced with a sufficient level of knowledge enrichment or simply learning from network partners. Yli-Renko, Autio, and Sapienza (2001) reported that firms are able to use knowledge acquired from partners to enhance their technological distinctiveness. Zahra et al. (2000b) found that firms with greater breadth, depth, and speed of technological learning had higher levels of performance. These results suggest that firms can employ strong innovative capabilities to implement entrepreneurial strategies and thereby create wealth.

Strategy innovation can provide new growth prospects for companies in any marketplace and should be a capability, if not a core competence, of every company hoping to survive in the dynamic business world of the twenty-first century (Johnson & Bate, 2003).

Firm-level behavior perspective

With a growing importance of the entrepreneurial paradigm, it is increasingly acknowledged that organization can behave in entrepreneurial manners (Jennings & Lumpkin, 1989). Bulgerman (1984, p. 154) cited that corporate entrepreneurship involves “extending the firm’s domain of competence and corresponding opportunity set through internally generated new resource combinations”. Covin and Slevin (1991) and Wilkund (1999) argued that entrepreneurial organizations are those in which particular behavior patterns are recurring and entrepreneurial postures proved to influence the path of actions.

Covin and Slevin (1991) have adopted an assumption that an entrepreneur’s effectiveness can be measured in terms of the firm’s performance. They also argued that firm performance is a function of organizational as well as individual-level behavior. Admittedly,
individual-level behavior on the part of the entrepreneur may affect an organization’s actions. However, the fact that organizational-level behavior is a predictor of the key entrepreneurial effectiveness criterion of firm performance would seem an independently noteworthy reason for adopting an organizational-level perspective on the entrepreneurial process.

A behavioral model of entrepreneurship is suggested (Covin & Slevin, 1991) because behavior rather than attributes are what give meaning to the entrepreneurial process. Individual characteristics of the person do not make him/her an entrepreneur. The organization’s actions make it entrepreneurial.

The issue of measurability also gives advantage to a behavioral model of entrepreneurship. Knowing the behavioral manifestations of entrepreneurship or its specific postures, we can reliably and objectively measure the entrepreneurial level of firms. The next section’s aim is to shed a light on the broad perspective of entrepreneurial orientation that in present literature holds a leading position in explaining a nature of entrepreneurs’ actions.

Finally, a behavioral model of entrepreneurship is appealing because behavior is manageable. Firm-level entrepreneurial behavior is affected by and therefore can be managed through the creation of particular organizational strategies, structures, systems, and cultures. As such, a behavioral model of entrepreneurship allows for considerable managerial intervention, and the entrepreneurial process can be viewed as much less serendipitous, mysterious, and unknowable.

### 3.2.2 Entrepreneurial orientation

Number of works has been dedicated to the entrepreneurial orientation and growth. The definition of “entrepreneurial orientation” is distinct from work to work, even though there are the core similarities between the major factors defining the meaning. Entrepreneurial orientation (EO), as a concept, is a growing concern in the modern world of business, where the competition is getting more intense and severe. EO is seen as the mean, both, to survive in the highly competitive environment and to achieve the sustainable competitive advantage.

As this paper studies entrepreneurship in established firms, we have preferred to use a firm-level conceptualization of entrepreneurial orientation (EO). Covin and Slevin (1991) stated that “firms with entrepreneurial postures are risk taking, innovative, and proactive. They are willing to take on high-risk projects with chances of very high returns, and are bold and aggressive in pursuing opportunities”. Miller (1983) determined three dimensions, defining the EO in the companies (proactiveness, risk-taking and innovativeness); later Lumpkin & Dess (1996, 2001) complemented two dimensions to the model of Miller. Five dimensions defining the EO are as follows: proactiveness, risk-taking, innovativeness, autonomy and competitive aggressiveness.

- Autonomy is perceived as independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion. It measures the degree of freedom in decision making at the different levels of the organization.
- Innovativeness is defined as a willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes.
• Proactiveness is a forward looking perspective characteristic of a marketplace leader (first mover advantage) that has the foresight to seize opportunities in anticipation of future demand.

• Competitive aggressiveness is defined as an intense effort to outperform industry rivals. It is characterized by a combative posture or an aggressive response aimed at improving position or overcoming a threat in a competitive marketplace.

• The last but not least, risk taking requires the moving towards the uncertainty with the certain degree of failure.

Each of the five dimensions has been a subject of interest in the works of various scholars (Brown, Davidsson, & Wiklund, 2001). Wiklund and Shepherd (2003) contributed to the understanding of the correlation between EO and the firm performance. EO factors have the benevolent influence on the “bundle knowledge of the based resources” that defines the firm performance. The mere fact of possessing the resources does not guarantee the high performance. Only proper utilization of the resources might lead to the increase of the firm performance.

In the work of the Wiklund and Shepherd (2003), there are identified not only the positive relationships between EO and firm performance but, based on the empirical findings, there have been identified the positive correlation between EO and opportunity recognition. In other words the more entrepreneurial the firm is the more efficiently it uses its resources and more carefully it listens to the market.

The degree of entrepreneurship cannot be measured by ignoring some and taking into account the rest of the EO factors (Davidsson & Wiklund, 2001). Entrepreneurship is the process where all of the factors are interacting, thus defining the degree of the EO in the companies. Consequently, we might say that the EO test could objectively leverage and shed light on the point of interest, determining the entrepreneurial vector of the company.

**Entrepreneurial architecture**

Entrepreneurial architecture is defined by Burns (2005) as a system of processes and structures underpinned by a style of management, reinforced by a particular culture and given direction in an uncertain world by a strong vision. Entrepreneurial architecture can create competitive advantages on which the organization can build effective strategies for succeeding against competitors. Moreover, it is the architecture that creates the entrepreneurial organization. The structure characteristic of entrepreneurial organizations is by Burns describes as:

• Reliance on relationships rather than formal structures for authority
• Encourages opportunity spotting, creativity and innovation
• Shares information, knowledge and learning, so as to react quickly to environmental changes and capitalize on opportunities
• Encourages and facilitates delegation and decentralization.

The notion of entrepreneurial architecture is very close related to learning organization. A learning organization has been defined by Pedler, Burgoyne and Boydell (1991) as one that facilitates the learning of all its members and continuously transforms itself adapting, changing, and developing in response to the needs, wishes and aspirations of people, inside and outside. A learning organization facilitates learning for all its members and continually transforms itself:

• Encouraging systemic problem solving;
• Encouraging experimentation and new approaches;
• Learning from past experience and history;
• Learning from best practice and outside experience;
• Being skilled at transferring knowledge in the organization.

Therefore, truly entrepreneurial companies are in fact learning organizations. Continually developing, learning and acquiring new knowledge is at the heart of learning organization. However, knowledge is not only about information sharing. It is about learning from each other and from outside the organization. It is about a better understanding of interrelationships and complexities. Moreover, learning organization should constantly look for new solutions to the problem and focus on the root cause of it rather than being distracted by the symptoms.

The development of an entrepreneurial orientation is intrinsically linked to the existence of flexible, organic organizational procedures that pave the way both for a proactive search for new business opportunities and for prompt economic exploitation (Miller 1983; Covin & Miles 1999; Covin et al. 2006).

“At this point it is sufficient to specify that EO is not perceived as a strategic orientation possessed by a firm, and it cannot be used as an absolute substitute to strategic management tools”. (Authors)

Firms can manifest an entrepreneurial orientation in different degrees of intensity and frequency throughout their activities because some are of a more innovative, proactive, and risky nature than others, and varying entrepreneurial activities can be developed within the same firm (Covin & Slevin 1991; Morris & Sexton 1996). Moreover, not all firms show the same involvement in their international activity.

Degree and scope can be considered as the most representative variables of a firm’s international activity. Degree refers to the firm’s percentage of foreign turnover while scope reflects its geographic diversification. A firm’s commitment in foreign markets will vary depending on these dimensions. The greater the international degree and scope, the greater the international commitment of the firm will be (Sullivan 1994, 1996).

Firms developing an EO perceive new opportunities more quickly than their competitors, and their proactive character and willingness to take higher risks facilitate the exploitation of these opportunities before their competitors. Knight and Cavusgil (2004) have argued that entrepreneurial orientation should be instrumental to the development and enactment of key organizational routines to succeed in international markets. Therefore, an entrepreneurial orientation can positively influence an increase in international activity for established firms.

Consequently, Entrepreneurial Orientation together with Internationalization are two major concepts dominating the construction of the theoretical ground for our research. Therefore, we can conclude that truly learning organization utilize the conceptual traits of entrepreneurial orientation, that can assist every company in a successful implementation and construction of an entrepreneurial architecture. To describe an EO phenomenon within established organization, it would be highly valuable to present the findings within corporate entrepreneurship perspective. Furthermore, this discussion encompasses a strategic importance of entrepreneurship in relation to international activities.
Corporate entrepreneurship

A firm level entrepreneurship is becoming more and more studied phenomenon in the present management literature (Dess et al. 2003). Furthermore, based on the previous sections, we can conclude that scholars have begun to pay increasing attention to entrepreneurial activities within existing organizations that are acting on the market for quite some time.

We have organized the data in this section in the way that mostly serves the purpose of our study. It means that the central attention is devoted to the international perspective of corporate entrepreneurship. Besides, it is practically impossible to leave without attention corporate notion in terms of the established firms’ perspective. Taking to consideration the strategic perspective, described earlier in the chapter, we would like to exploit and use the next definition of the corporate entrepreneurship.

Corporate entrepreneurship is “the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization” (Sharma & Chrisman, 1999, p. 18).

Corporate entrepreneurship encompasses two different phenomena: Strategic renewal and Corporate venturing. Both concepts suggest changes in either structural or strategic dimensions of an existing organization, which involve innovation. Corporate venturing can be classified either as external or internal. We are more interested in external or international dimension. Therefore, external corporate venturing refers to “corporate venturing activities that result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organizational domain” (Sharma & Chrisman, 1999, p. 19).

Entrepreneurial activities can renew established companies (Kuratko, Montagno & Hornsby 1990; Pinchot 1985; Stopford & Baden-Fuller 1994). Renewal is usually achieved through innovation and venturing activities (Guth & Ginsberg 1990) that give the firm access to different skills, capabilities, and resources (McGrath et al. 1995). According to that, entrepreneurial activities are a strategic intent that exploits the necessity of extensive organizational restructuring for a wealth creation.

Venturing activities emphasize the creation of new businesses by entering new foreign markets or expanding in existing ones (Bannon 1998; Bossak & Nagashimi 1997; Shama 1995; Zahra et al. 2000a). It exposes the firm to different cultures, markets and systems of innovation. It also connects the firm to new networks of suppliers, competitors, and customers (Zahra et al., 2000a). A firm, therefore, can revise its business base by entering new economic regions, capitalizing on the differences in the resources that may exist in various locations (Porter, 1990). International venturing can also enhance a firm’s performance by using its existing knowledge and resources in new markets. International venturing can also expand the firm’s knowledge base (Schlender, 1997), which increases the innovativeness of a firm’s products and strategy (Stopford & Baden-Fuller, 1994).

The above-mentioned benefits from venturing into foreign markets are consistent with the internationalization process model which characterized by various stages of growing market and resource commitment (Johanson & Vahlne, 1977).

The other point of view discussed well established firms and suggested that they are believed by many people to evolve into international activities only after a period of domestic maturation and home market saturation (Caves, 1982; Porter, 1990). Empirical
findings have in the past found that large, established companies go through distinct stages in the development of an international division and occasionally advance to the establishment of a fully integrated, global enterprise (Aharoni, 1966; Bilkey & Tesar, 1977; Czinkota & Johnson, 1981; Stopford & Wells, 1972).

As we have previously discovered, the stage internationalization model presented as an incremental, risk averse and reluctant adjustment to changes in a firm or its environment (Johnson & Vahlne, 1977, 1990). Following this, authors of the Uppsala model, concluded that there is emerging need for adjustment to a concept, due to many unique challenges that were addressed to the model at the path of increased international activities and changing paradigm of the international relationships.

Furthermore, the increasing homogenization of many distant markets has made the reality of international business easier to understand for everyone. With such conditions, the markets and countries are now linked more efficiently than in the past and more companies trying to search for a competitive advantage using proactive entrepreneurial techniques.

At this section we have devoted much attention describing the antecedents, effects and phenomenon of particular entrepreneurial events (e.g. EO, entrepreneurial architecture, corporate entrepreneurship, firm level behavior). These traits shed a light into a company’s unfolding entrepreneurial activities and therefore provide an understanding of the contribution from the above mentioned characteristics to company performance. It would be particularly interesting to test the relationships between entrepreneurial postures, growing external venturing, and performance there. Therefore, the next section is solely devoted to practical models of these relationships, and reveals an extreme interest level of interaction.

3.3 Theoretical models connecting entrepreneurship and internationalization

In this section we have made an attempt to conclude the theoretical implications, presented in the previous sections, into some framework or model. Furthermore, we have found that the models we are trying to compose are already formed and in use by academic scholars (Zahra et al., 2001; McDougall & Oviatt, 2005). Therefore, the first model is a representing graph of interconnecting relationships between International expansion, entrepreneurship, and organizational learning. Furthermore, the model of international speed entry was presented. The purpose of this model is to present a clear description of the factors that stimulate and accelerate firm’s international expansion. Summarizing, we have performed our own analytical framework.

3.3.1 Internationalization, entrepreneurship, and organizational learning model

Internationalization opens the firm’s capabilities to new environment where it can use them more profitably while learning and gaining the necessary experiential knowledge (Johnson & Vahlne, 1977, 1990; Zahra et al. 2000a). Internationalization process often connects the firm to different market players and other networks. External networks are a valuable source that gives the firm access to important resources, markets, new opportunities, and information (McEvily & Zaheer, 1999). Frost (2001) argued that the possessed information enables the company to identify new market niches and develop new products, systems or processes.

Internationalization also exposes the firm to different national systems of innovations (Nelson, 1993). Countries vary significantly in their organization of industries and the
systems that they use to promote entrepreneurship. These differences reflect historical investment patterns, cultural differences, and geography (Krugman, 1998).

On the other hand, internationalization spurs entrepreneurship by lowering executives’ perceptions of risks. Entrepreneurship centers on taking calculated risks (Stevenson & Gumpert, 1991). As the firm expands internationally, investments made in entrepreneurial activities are spread over many markets. This can reduce senior managers’ perceptions of their respective levels of risk and significantly influence their decisions. Specifically, when executives do not feel that reputations, positions, or rewards are at a significant risk, they are likely to support entrepreneurship.

Research indicates that entrepreneurship is associated with superior company performance (Zahra, 1991; Zahra et al., 2000b). Also, a study of 437 Swedish firms found that entrepreneurship is positively associated with performance (Wiklund, 1999; Wilkund & Shephard, 2003). A recent study found that entrepreneurship in the international operations of 167 companies was related to company performance, but this link varied across business environments (Zahra & Garvis, 2000).

Learning arising from internationalization is crucial for building new skills. Companies build new skills by taking stock of their new knowledge, relating it to their existing knowledge base, and deploying it in pursuit of strategic goals. This integration of knowledge is important for the development of new skills. These skills are then combined to build new competencies that spur new cycles of entrepreneurship through innovation and venturing, as well as further international expansion. This process is presented in Figure 6, which shows an ongoing cycle of creative destruction. This cycle cannot be sustained, however, without a keen awareness of and significant commitment to defining new opportunities (Kirzner, 1979). The unfolding and persistence of this cycle, in turn, depends on a firm’s ability to recognize and utilize the knowledge it has learned from its international expansion. The firm should also develop systems that probe and capture any new marketing, technological and social knowledge gained from internationalization.

However, entrepreneurial organization, enforced with an entrepreneurially oriented mind set and behavioral patterns, evaluates the potential opportunities more proactively than other firms. Therefore, organizational level behavior stimulates learning and development of new skills in front of the potentially valuable international perspective.

Figure 3. International Expansion, Entrepreneurship, and Organizational Learning (Zahra et al., 2001).
3.3.2 A model of international speed entry

Johanson and Vahlne, Johanson and Wiedersheim-Paul (1975, 1977, 1990) showed that initial internationalization activities of many firms were targeted to psychically close markets and used the less committed modes of entry, such as exporting. They explained that international actors learn and increase their foreign market knowledge over time primarily through experience, and only after start to increase their foreign market commitments and later expand to more psychically distant markets.

We have previously identified (Section 3.1.1) that Uppsala Model explains how foreign market risks are managed by acquiring tacit knowledge about host country and incrementally leverage on commitment to that markets. However, the Uppsala Model is focused on traditional cross-border behavior, not on accelerated internationalization or on entrepreneurial behavior. Other models highlight how technological advances in transportation, communication, and computers permit entrepreneurial actors to form new ventures that internationalize rapidly (Knight & Cavusgil, 1996; Oviatt & McDougall, 1999).

Some authors argued that all these influences are mediated by the perceptions and decision making of the entrepreneurial actors (Oviatt, Shrader, & McDougall, 2004). We definitely don’t want to leave without attention other organizational factors including characteristics of the entrepreneurial actors, directly influencing international entrepreneurial behavior, while being moderated by environmental and strategic factors (Zahra & George, 2002) (performed from McDougall & Oviatt, 2005, p. 541).

To make our explanation consistent with the purpose of the paper, we think that it is vital to explain what actually can drive entrepreneurial behavior to cross national borders in some firms more that in others. There may be a performance advantage in rapid internationalization (Autio, Sapienza, & Almeida, 2000). Therefore, it is also consistent with our paper to define the form of relationships among the different aspects, modes, and forces that are exploited theoretically and practically to achieve a better understanding of how international opportunities are discovered, enacted, evaluated, and exploited in an accelerated manner to speed up international activities (performed from McDougall & Oviatt, 2005, p. 541).

McDougall and Oviatt (2005) proposed a model in which mediating, moderating, and other forms of influence determine the speed of entrepreneurial internationalization:
The process of entrepreneurial internationalization begins with an emerging opportunity that is discovered or enacted by some entrepreneurial actor or emerged accidentally nurtured by some environmental changes. The most important notion of the model is to show how the speed of entrepreneurial internationalization is defined by four types of forces: enabling, motivating, mediating, and moderating (performed from McDougall & Oviatt, 2005, p. 542).

- **Enabling force** makes internationalization acceleration feasible. Examples of enabling forces: physical openness of the borders, technological innovations, decreased transportation costs, advent of internet (performed from McDougall & Oviatt, 2005, p. 542).

- **Motivating force** of competition. While technological breakthroughs enable faster internationalization, competitors encourage and aggressively foist it upon entrepreneurs (performed from McDougall & Oviatt, 2005, p. 542).

- In this model entrepreneurial actor is acting as a mediating force. The person or group that discovers and seizes an opportunity is a central link between this opportunity and its fruitful exploitation. Therefore, accelerated international entrepreneurial behavior can only be explained by understanding how the opportunity, the enabling forces, and the motivating forces are interpreted, or mediated, by the entrepreneurial actor (performed from McDougall & Oviatt, 2005, p. 542).

- Two forms of moderating forces exist. Knowledge intensity and entrepreneur’s internal network enforce opportunity recognition to further determine internationalization speed (performed from McDougall & Oviatt, 2005, p. 543).
3.3.3 Analytical model

In this section we have used findings from the previous, presented earlier, models to generate our own final model, which will help us analytically assess empirical findings and unfold theoretically new determinants. However, we perceive the possibility to use other models as a representation of some specific aspects related to Internationalization and Entrepreneurship.

![Strategy - EO - Internationalization Framework](Authors own framework)

The whole Frame of reference section attempts to place Internationalization and Entrepreneurship determinants into some strategic longitudinal context. Figure 7 presents continuous our personal understanding of the causal relationships between studied theoretical phenomena, where internationalization sets in motion, and presented in a strategic and EO context.

Both strategic direction and Entrepreneurial orientation are equally presented in the framework, following McGrath and MacMillan (2000) way of thoughts that “entrepreneurial and strategic actions are complementary, not interchangeable”. Thus, it is valuable in dynamic and uncertain environments such as the new competitive landscape because entrepreneurial opportunities arise from uncertainty. Entrepreneurial action using a strategic perspective is helpful to identify the most appropriate opportunities to exploit and then facilitate the exploitation to establish competitive advantages. McGrath and MacMillan (2000) stated that strategists must exploit an entrepreneurial mindset and, thus, have no choice but to embrace it to sense opportunities, mobilize resources, and act to exploit opportunities, especially under highly uncertain conditions. Similarly, Covin and Slevin (1991, p. 13) cited that “entrepreneurial postures reflect an overall strategic philosophy concerning how the firm should operate on particular behavioral dimensions”.

Consequently, following the theoretical implications and interpreting information, entrepreneurship can be adopted as a firm level behavior and used to pursue external opportunities in order to supply strategic management with a flexibility to exploit these opportunities. Therefore, the relationships should favorably influence the speed of internationalization, indeed, assuming that some other moderating forces (e.g. networks, technology, competitors, acquisitions, etc.) may affect these connections.

Therefore, opportunities to be profitable encourage the firm to act in an entrepreneurial way, mobilizing resources and in the same way effecting business practices and strategies to receive advantages of faster expansion:
Figure 5a. Strategy – EO – Internationalization Framework (Add-ons).
4. Empirical findings

The following section consists of primary and secondary gathered data. Primary information was gathered from conducted interviews with top executives on the basis of specially designed questions that would reveal areas of potential interest for our further analysis. Interviews aim at bringing data that would unfold information related to Entrepreneurship postures and some other intangible organizational aspects. Secondary data were gathered, performed, evaluated and presented here as well. Besides, it became possible to draw a development chart for each company, which could be found under Appendices.

4.1 NEFAB AB

“become a global partner in complete packaging solutions“

4.1.1 Description of the company

General overview

Nefab is a leading company in the field of transport packaging. Since introduction of a new strategic approach, Nefab became more agile and capable to serve its international customers that have been in high demand for more requirements related to optimal logistics and packaging solutions (Stefan Ekqvist, personal communication 2008-04-09). Nefab has presence in Europe, America, and Asia. It has been able to grow its branch in China and India which represent emerging strategic locations due to the delocalization of many businesses (e.g. automotive and telecom industry) to low cost countries.

Evaluating the success of Nefab, its growth, competitiveness and profitable performance, the company is also facing many challenges while operating in a fragmented market. Challenges and risks reside in entrance of new markets, operations in new segments (mainly automotive) and also the dependence on raw material prices. Nefab’s experience spans far and wide through its years as a leader in transport and industrial packaging.

Its Market Segments include the following industries:

- Telecom: with more than 50% of the world market share, Nefab is a leader in this segment; it is delivering for OEMs. The telecom share of the groups’ total sales amounted to 39% in 2007.
- Automotive: the market share is estimated to 5%-10%.
- Renewable Energy.
- Machinery, electronics, and medical equipment.

(Performed from www.nefab.se)

Historical development

Since it was founded in the 1923, Nefab has experienced major changes. The same spirit remains, a flat organization with short decision paths. Dramatic development has occurred over the years, which transformed the company from being a production-oriented company, to now being a market-oriented and global service company.
Company Milestones:

- At the very beginning in the 1920s, Sigurd Nordgren started a small carpentry workshop in Ovanåker, Sweden. In 1940s the company’s production was concentrated on bread-boxes made of plywood and steel strip; the traditional “Nefab box” had been designed.

- The 1950s were marked by the creation of the company’s core business activities. The CEO has admitted an internal division development and the first export ventures in Germany and France. During this period Hans-Elov and Sven-Erik Nordgren took of the company’s top management tenure.

- During the 1960s and 1970s, the company’s strategy was turned towards Product focus with more diversification. Indeed, the development of both expendable and returnable packaging with the company’s largest customer (e.g. Ericsson) formed a long term partnership and brings a valuable experience. In the 1970s, “Nefab box” becomes something of an industry standard in the telecom sector. At the same time Nefab target was also international expansion, thus, international marketing activities were intensified through agents, distributors and sales companies, primarily in Germany, Switzerland, France, the Netherlands, England and Belgium.

- In the 1980s, home market saturation pushed a company towards accelerated expansion that began within Europe where wholly owned sales companies and a production plants were established in France, Spain, England, the USA, and Canada. Market development then continued to North America, Asia and South America. The creation of a separate organizational unit Nefab Teknik AB, previously operating as division, was an inevitable move in order to concentrate all the technical issue and be flexible in responding to global customers.

- 1990s is characterized by market and service focus. Creation of separate companies: Nefab Components AB and Nefab Supply AB was objectively reasonable due to the growing global presence and immense strategic shift required to concentrate specific operations under an umbrella division. Furthermore, new product ranges were presented to address diversification perspective. The presentation of the new product became possible after successful acquisitions of two major Swedish competitors. Internationalization continues and production plant was established in Chicago, Brazil and China, sales company in Italy and Singapore. Several strategic partnerships with telecom giants, like Motorola, Alcatel, and Nortel were formed.

- Since the 2000 the company’s vision to be the global partner for complete packaging solutions (Figure 7) identified its strategic path. Furthermore, organic growth via increased internal capacity and continuous internationalization through acquisitions are on the agenda (Stefan Ekqvist, personal communication 2008-04-09).

(e.g. Company milestones performed from www.nefab.se)

Structure

Nefab presents a unique hybrid organization structure. NPNC Intressenter AB, (“NPNC”) is the parent company of Nefab that was established on June 25, 2007 jointly owned by the Nordgren/Pihl family (the “Shareholding family” – 40%) and Nordic Capital Fond VI (“Nordic Capital” – 60%). (Stefan Ekqvist, personal communication 2008-04-09). Apart from ownership the organizational structure affects performance and directly influences the
level of entrepreneurial orientation. Nefab’s operating structure is flat and very flexible. Indeed, it is a company where operations are organized under a network structure and where every branch has high autonomy when it comes to decision making (Stefan Ekqvist, personal communication 2008-04-09).

Strategy

From the very beginning of the modern NEFAB till 1995, the company focused on offering standardized products in few countries; at that time there was a big market change in packaging industries, and competition increased all over the world. There was a trend for outsourcing in order to keep focus on core business capabilities. The growing opportunity was identified and Nefab began implementing new operational policy. At the same time they have realized that in the long term, the prominent packaging company should be both providing customized solutions and be globally present to meet customers’ needs.

Following these objectives the company has analyzed the packaging industry and identified two types of competitors (e.g. players) on the packaging market. One set, is big global companies focusing in few primary products. These companies were extremely product oriented and were too centralized and heavy to diversify and spot opportunities. Another set consists of huge amount of small companies, acting locally to feed local markets, and possessing a very detailed knowledge about internal conditions. However, their locality and insufficient material resources impede them from expansion ambitions. Therefore, the main strategy of Nefab became to acquire these small companies to satisfy its growth endeavors and react on the external global conditions (Stefan Ekqvist, personal communication 2008-04-09).

Aiming to go global, Nefab made attempts to cooperate with other packaging company (outside Scandinavia), but the initial growth perspectives went very slowly and they changed the strategy and concentrated on small companies acquisitions (Stefan Ekqvist, personal communication 2008-04-09).

Today, Nefab’s vision is to be the global partner for complete packaging solution. As mentioned before, this vision anchored from an evolution of the company since its creation. Indeed, from the 20s till the late 60s the focus was on the production and product, but with market saturation and visible external growth opportunities during the 80s, the company initiated strategic moves towards international expansion and increased market and service focus. This strategy gave Nefab a unique international platform, which makes the company very competitive on a large and fragmented market.

Therefore, the company’s business concept and strategy comprise many aspects in order to enforce the global structure and unique position in delivering packaging solutions, those aspects include:

- Target Group. Nefab targets multinational companies, manufacturing high-value, transport-sensitive or theft-prone products.
- Customer Offering. Nefab provides added value through delivering world-leading packaging products, services and customer-adapted packaging solutions.
- Global presence through Growth and extensive Network.

The acquisition strategy focuses on packaging companies that create value through a combination of high service levels and local further processing. Moreover, the acquisitions
should strengthen Nefab’s packaging expertise, add more local presence and shape previously untouched niches.

Figure 6. CPS concept of Nefab AB (www.nefab.se).

Global presence development

Nefab is growing fast and all over the world organically and through acquisitions; it expanded the businesses in 35 different countries. In the Nordic region Nefab is represented as a leading packaging-oriented company with an estimated 23% of sales. Continental European market characterized as the most important resource of financial receivables from sales: it represents 41% and continues to perform well. In fact, the major part of acquisitions remains in this region. Asian market responds with 26% from total sales. The numbers have increased and performance improved since the start of production in India (2006) and launch of a newly set up plant in China (2007). Operations in North America remain modest and represent 16% of total invoicing. More detailed internationalization picture can be found under the Appendix C.

The expansion into European markets began in the early 50s, after thirty years of a steady focus on Swedish market. Sales during these years were dominated by a large internal customer (e.g. Eriksson), thus concentrating firm’s capacity to serve one segment at a time. The penetration was performed through Export ventures in France and Germany.

1960s characterized with a growing involvement into sales operations within previously targeted markets. The firm had also minor sales to smaller customers in Scandinavia. However, market saturation of Swedish packaging industry in the beginning of 1970s, pushed Nefab towards greater foreign market involvement.

During 1970s, company began expanding its export markets geographically, with a focus on building distribution network in Western Europe. Besides, international marketing activities intensified through new products proposition. To address growing ambitions, the company expanded through agents and distributors in Germany, Switzerland, France, the Netherlands and Belgium. In the late 70s, sales company was established in England. At this
time an internal sales department was designed in order to cultivate prominent industrial segments for Nefab in Sweden.

Following Nefab’s history, relationship with the first big Swedish customer has been particularly important in relation to international sales expansion. Furthermore, cooperation was very helpful and fruitful in terms of new products development and innovations.

Previous decades (e.g. 50s-70s) can be characterized by the immense creation of variety of new international contacts and accelerated acquisition of knowledge. 1980s brought strategic changes and reformed the direction from product to market segments focus. Largely due to introduction of new strategic direction, diversification of products range, owners decided that the time is favorable for establishment of a fully owned sales company in France and USA. In addition, the company moved to another level of internationalization and established production units in Spain, England, France and Canada.

In the mid 1990s, few new markets were entered, among which Brazil, China, sales companies in Italy and Singapore. Operations in the USA were growing and establishment of production plant in Chicago satisfied the demand for Nefab products in Northern part of States and partly USA. Sales expanded rapidly, especially in the historically earlier approached markets. Furthermore, sales perspectives were secured largely because of several strategic partnerships with European and USA biggest telecom manufacturers (e.g. Alcatel, Nortel, and Motorola). To continue it successful expansion Nefab used IPO (e.g. Nefab shares were introduced on the Stockholm Stock Exchange) to generate financial resources for a strategic penetration into Chinese market (S.Ekqvist, personal communication 2008-04-09). Home market activities were intensified through acquisitions of two major competitors, which helped attain a market leadership in Scandinavian market. Late 1990s, also characterized by the drastic change in the way Nefab approached it business capabilities. Complete packaging solutions concept was introduced and shifted the companies operations into completely new value chain.

To meet the determinants of new business concept, Nefab adopted acquisition growth strategy. Since 2000, Nefab has been involved into fifteen acquisitions within continental Europe. This was made mainly to secure market position in current countries and explore new locations. China and India have been greatly evaluated for further expansion as a highly profitable in terms of sales location. Besides, several long term customers announced intentions to relocate their production units in these countries. Moreover, recently distribution agreement has been signed for Australian and New Zealand markets. In addition, company is also growing organically, expanding internal capacities on the strategically vital spots. Presently, nearly 70% of customers are global companies, but there is only a small portion of these with whom company conduct businesses in more than one country. Therefore, the development potential is great.

4.1.2 Interview with the CEO – Stefan Ekqvist

Stefan Ekqvist is a President and CEO of Nefab AB Sweden. Stefan, who is 47 years old, holds MSc in Industrial Engineering and Management. He joined the company in 1995 and previously was a Director of Operations for Nefab and has earlier had a number of different positions within the group.
Developing entrepreneurship

Risk taking:

The company’s development was predetermined by the evolution rather than revolution factors (Stefan Ekqvist, personal communication 2008-04-09). Examining the historical development and following the interview we might conclude that Nefab AB has been involved into gradual growth and calculated risks accordingly, estimating all pros and cons of such actions. However, at the same time being active and risk seductive.

Mr. Ekqvist identified several phases of the gradual risk aversion generated and used within the company (Stefan Ekqvist, personal communication 2008-04-09).

- Operating for a long period of time within Swedish market, formatting the core products range as well as production techniques have eliminated the problem of core competencies identification. Furthermore, contracts with major market players (e.g. Ericsson) predetermined the capacity utilization and stable flow of orders. Moving towards the expansion, the company’s risk level has increased due to the external environmental and business factors that differ from home market.

- Therefore, initial internationalization endeavors were risky (Stefan Ekqvist, personal communication 2008-04-09). However, such behavior was inevitable and formed as a reaction to the home market conditions (e.g. saturation of the market and decrease of orders from major customers). Following that logic, expansion abroad was the only one choice that would bring security, grow ambitions and bring more value to the company, thus to the family.

- Introduction of a new core concept (e.g. late 1990s) has provided another type of risks associated with the successful introduction of process innovation and consequently it future effect on value creation was ambiguous. Complete packaging solutions concept (e.g. CPS) bounces the usual operational flow into new approach where several departments are working as one whole unit. Therefore, it was highly risky at that time make such a novel strategic choice, redesigning the usual flow of operations (Stefan Ekqvist, personal communication 2008-04-09).

Autonomy:

Company’s governance chart can visibly demonstrate the highly autonomous nature of the entire organization. Starting from the first wave of the expansion (e.g. 1970s) and until the mid 1990s, organizational external units experienced decentralized focus of control (Stefan Ekqvist, personal communication 08-04-09). The situation has changed slightly after the new operational concept was introduced (e.g. CPS). Following the emergence of the potential benefits the CPS concept can introduce to the company’s performance and growing number of the external acquisitions, the shift towards centralization became more reasonable, addressing the conceptual difference from the previous strategic orientation (Stefan Ekqvist, personal communication 08-04-09). Besides, the CEO has mentioned that the centralization of the decision making is on present agenda, which advantages will be seen in the near future and would foster the adaptation of the new companies.

“We are trying to keep our decision making as decentralized as possible, following the notion of flat organization and making the decision path as fast as possible. However, we are growing, and more control needed to govern appropriately” (Stefan Ekqvist, personal communication 08-04-09).
Further describing the autonomous dimension of the Nefab AB, the CEO has mentioned a small group of agents that are operating on the three major destinations (e.g. Europe, Asia, America) generating and developing the specific sets of information about possible business opportunities. They are called Global business developers, acting highly autonomously from the organization but strictly accountable only to the CEO (Stefan Ekqvist, personal communication 08-04-09).

The autonomy and decision empowerment of these external business units emphasize the culture of “trust” within the whole group which is a main characteristic of being excessively profitable and keep a mark of a long standing organization. From the point of its autonomy the company can act in a very agile way, quickly responds to the external shifts in demand on the spot and convey the information straight away to the central office to make weighted and reactive decisions. For the organization entities like Nefab, dimensions of its autonomy have stimulated another important determinant of an entrepreneurial organization. These factors can explain agility and extreme survival nature of the entire organization as well as its overseas units. Autonomy eliminates hampering factors for those managers on the spot, who consider the subsidiary as their own child and do whatever possible to make it efficient and profitable, and on the other hand acting as a strong chain in the Group activities.

Innovativeness:

Talking about innovation and its importance to this particular organization brought up interesting issues. The packaging industry was characterized by the CEO as pretty mature and well established. Indeed, product innovation is not an emerging aspect but still can convey some issues of the production efficiency (Stefan Ekqvist, personal communication 08-04-09). However, innovativeness has many aspects within Nefab.

Main aspect of the present strategic orientation is devoted to the compete solutions. Therefore, strategic shift from single product to complete solutions focus proved to have major innovative aspect for the company and notably for the industry. Nefab is trying to innovate with the processes that have a foremost importance for the entire solutions as well as for every customer individually. Furthermore, dozens of technically genuine and novel IT applications were introduced to increase optimization and lean production. To address growing internationalization and expansion into new markets, the company has adopted several process-related innovations that are particularly connected to the functional side of the CPS (Stefan Ekqvist, personal communication 08-04-09).

Vendor management inventory (VMI) is one of the widely used methods intended to reduce uncertainty, variability, and lead time. Its functionality is based on the continuous information interchange where supply chain actors create symbiotic relationships and share risks. VIM business techniques idea is to involve into trustworthy transactions and supply partners with inventory and distribution related information to reduce costs and make these transactions both efficient and profitable. Therefore, in the case of Nefab VMI approach all the suppliers into commitment that would organize solutions chain towards value creation (Stefan Ekqvist, personal communication 2008-04-09).
Product data management (PDM) is another process innovative tool that was embedded into the company’s day-to-day operations is Product Data Management. PDM serves as a central repository of process and product information, concentrating previously and presently generated historical facts, promoting integration and data exchange among every business units operating in the Nefab group.

We used to believe that our “globality” is a major innovation here in Nefab”. Being global means being innovative, that what is forming our innovative endowment into the development of the company (Stefan Ekqvist, personal communication 2008-04-09).

Aggressiveness:

Aggressive business actions may partly explain performance success of practically every company. According to Mr. Ekqvist, aggressiveness was not naturally adopted by the company, not in the past neither in the present conditions. However, the owning company (e.g. Nordic Capital) is trying to put a strain and increase company’s aggressive penetration in Asian markets. This external policy, that has a high probability to be implemented in the near future, is caused by the notion that Asian markets are highly profitable, growing and more attention is required along their environment assimilation. Besides, Nordic Capital is followed by the experience and results by other companies in the group which show immense growth capabilities and potential to greater market commitment (Stefan Ekqvist, personal communication 2008-04-09).

Therefore, we (e.g. Nefab group) evaluate a possible shift of production intensity within Asian markets, but only in the case of the positive mapping and analysis and not because of some sort of pressure” (Stefan Ekqvist, personal communication 2008-04-09).

Proactiveness:

Proactiveness is a driving force for successful opportunity identification. It is very important to employ such a behavior when striving for growth and wealth generation. In the reference to Stefan Ekqvist, on the early stages of development the company followed simple organic growth techniques, expanding locally within Swedish market, concentrating production on the prominent high volume partners. As was explained before, local market conditions pushed Nefab along external perspective even faster than anticipated. According to Mr. Ekqvist, acquisitions have been seen as a proactive growth strategy towards a global disposition and inner firm competency (Stefan Ekqvist, personal communication 2008-04-09).

Historical developmental phases have shown that Nefab continuously reshaped its organizational abilities to meet the market requirements. Inevitable importance of such historical development was a substantial concentration on the core aspects of the business environment. The market for the company’s operations is characterized as homogeneous and innovation passive. Therefore, Nefab has reconfigured its dynamic capabilities and changed the perception about the transport packaging and its processes (Stefan Ekqvist, personal communication 2008-04-09).

Development of new capabilities based on rapid market knowledge acquisition, predetermined the formation of practically new strategy (e.g. CPS). CPS is an explicit example of dynamic capabilities which anchored the reconfiguration and redeployment of active resource base to meet customers’ demands. Complete packaging solutions aims to bring new reshaped value to the customers, based to present total costs’ incentives and core
capabilities concentration. Total costs thinking was adopted together with the new CPS concept implementation. Every unit in the organization is free to propose changes that would inevitably reduce total cost picture; it also requires them to work closely with customers and collaboratively align their wishes.

Specific set of routines was developed to face a dynamic environment or unpredictable market shifts. Packaging development center (PDC) was established to meet the information flow from a growing number of subsidiaries. This unit is a central repository that storing and generating product, process and production issues and serves as a data base and knowledge sharing for every employee and organizational group unit. Stefan argued that creation of this central repository allows Nefab “to be on the top of the possibilities”. Together with PDM, PDC are forming a powerful tool that proactively reduces lead time create faster collaboration between different units within a Nefab group (Stefan Ekqvist, personal communication 2008-04-09).

Talking about the group as a whole organism, Mr. Ekqvist mentioned that Networking is an essential specification of their organization. Consisting of three dozens of subsidiary units, networking can be very helpful, and extremely valuable in the process of active opportunity identification. Global business developers are working on this occasion as a bridge between Nefab’s core competencies and global packaging opportunities. They form a presence on every strategically important direction through broad range of connections (Stefan Ekqvist, personal communication 2008-04-09). Further evaluating the potential of networking activities, we have concluded that Nefab is not only actively and collaboratively engages every single unit into cooperation and sharing of ideas but also is stimulating partnership within Nordic Capital group. For example, Bufab AB that is also a company within Nordic Capital, leading manufacturer for a broad range of small parts for several market segments, using products from Nefab. This cooperation is not only valuable for both parts but also highly profitable for their shareholders (e.g. Nordic Capital).

Moreover, the company is actively using mapping techniques. They are used to analyze markets for new entry, as is the case with Turkish market. Nefab’s team is presently working on a business plan for the possible operational presence in this country, which overall conditions are characterized as highly promising in the growth and performance context (Stefan Ekqvist, personal communication 2008-04-09). From the words of Stefan, the USA market is another spot where mapping activities can bring sufficient results. This location is further discovered for hidden incentives and advantages, and taking for consideration its vast territory, Nefab is planning to expand operations to achieve a full coverage between Canada and Mexico.

In order to face and track the external opportunities more frequently and share the knowledge between the organizations inside Nefab network, trainee program was designed to introduce fresh graduates into industry insights. Moreover, Nefab is trying to secure the future need for managers, training them accordingly. The program is designed in a very proactive way and merges several trainees from different locations into one team in a headquarter office. During one year trainings, prospective managers’ involvement consists of practical seminars within head office and offshore projects in demand. After successful achievements they are placed on manager positions in their host country.

T-shape entrepreneurship: A unique organizational entrepreneurial characteristic that was briefly described by the CEO Stefan Ekqvist, but immensely increased our attention as the particular aspect of entrepreneurship that might influence the speed of International commitment.
Figure 7. T-shape entrepreneurship in Nefab AB.

HQ – corresponds to Head Quarter. BU – corresponds to “Business Unit”. As you can see from the figure, operations conducted within organization connected to the activities the business unit is performing on the external scale. Therefore, MD on the spot is acting down the row, maintaining internal operations, aiming to increase profitability and thus performance, like a private entrepreneur, but also acting as a chain member supplementing operations on an external scale to secure value chain of complete packaging solutions concept.

4.2 ESBE AB

4.2.1 Description of the company

General Overview

With 100 years behind them, ESBE is a well established brand known in many countries, with a continuously increasing market share in Europe and Northern America. Presently, ESBE is the leading brand in hydronic system control. ESBE activities consist of manufacturing, developing and selling valves and actuators for controlling hydronic systems for central heating and domestic boiler applications (e.g. technical information performed from www.esbe.se). The company concentrates on few product segments to create more power, gain more time and achieve higher degree of skills.

The global trend today, that is to concentrate on ever-larger companies and dominating brands, puts more responsibility on ESBE to be a leading company in providing the best products, the best solutions, and a reliable long-term relationship with its customers. The Products aesthetics and appearance is also important. ESBE states that there is no need for a product to be ugly, clumsy and hard to use only because it is hidden (Ulf Liljewern, personal communication 2009-04-29). On the contrary, design is the focus of attention. ESBE products must be both aesthetically pleasing and easily used.

ESBE has 200 employees and a turnover of 400 million SEK. Approximately half of the personnel are shareholders but all of the employees are part of a profit-sharing scheme. The company head office is located in Reftele (Jönköping municipality) and other sales
companies are in Germany, France, Italy, and Turkey. The operational structure is also complemented with representatives in more than 20 countries.

At nowadays ESBE is dedicated to provide innovative and premium quality products besides establishing sales offices in growing European markets to ensure a direct relationship with its end customers who are mainly OEMs (original equipment manufactures). Among these OEM manufacturers such companies as: Danfoss, Siemens, Bosh, Daykin energy, supplying them with categories each for specific use:


(www.esbe.se)

Historical milestones

In **1906**, Johan August Pettersson, ESBE’s founder, named his small enterprise “Skogsfors Bruk” and started developing and manufacturing products targeting farming (www.esbe.se). It is important to mention that before revolution in Russia took place, this enterprise had been supplying Czar Army with some metal equipment for cavalry.

In the **1920s** the factory manufactured all kinds of equipment for making agriculture more effective, from stump grabbers for clearing new fields to motorized harvesting equipment. The company also developed an assortment of valves and pumps for water system installations.

During the **1930s** the product range was expanded to include water pumps, hydrophores and mixing valves. The specialization in Hydronic Systems had begun. Exactly in **1935** the mixing valve was launched, it was an enormous sales success at a time when central heating became the preferred solution in Swedish homes. And during the same period Johan August was traveling and exporting his product to large parts of Northern Europe and Russia. In **1939** Johan August sold the main part of his business but kept the mixing valves manufacturing element and gave up his tenure to his son Göte (www.esbe.se).

Göte successfully managed the company, during the **1950s** and **1960s** by developing and manufacturing new valve concepts for OEM clients. At this stage ESBE also managed to perform its first steps on the international market (e.g. 1965), with establishment of sales office in Germany. This resulted in a huge breakthrough in sales, setting the standard for a connection between valve and actuator and an increase in export sales which represented more than 50% turnover.

The **1970s** and **1980s** marked the introduction of two main innovations: the thermostatic valves (1970) and the complete, rotating motorized valves (1980). In 1970s, the introduction of the product aesthetic concept to the production development marked a revolution. Since then, ESBE set a long-term strategy of establishing a premium brand with quality product that are developed and produced in Sweden and where the “Made in Sweden” logo stands for the Swedish quality and stability (Ulf Liljewern, personal communication 2009-04-29).

The **1990s** was the decade where the company continued to create and develop products with modern designs, compact dimensions, and added functions. But it was also the decade where the company has focused on continuing its internationalization path through
increased exports and through establishing sales office in France in the early 1990s, shaping two major European markets.

In **2000s**, the company decides to specialize in three product groups: rotating, thermostatic, and linear motorized valves, where its brand presence was the most powerful and promising. Until 2006, the company has intensive product development, and expansion projects. This has lead to the launching of 100 new products in 2007, establishment of logistics center in 2008 and the creation of a sales company in Turkey by the end of 2008. In order to achieve an optimal positioning within the European markets and meet competitors pressure, ESBE has invested in a centralized distribution center that will empower the logistical access and reliability of ESBE.

(e.g. Historical milestones performed from www.esbe.se)

**Structure:**

ESBE is a family owned business, 80% of the company shares belong to the third and fourth generation of the Skogsfors family, the rest 20% are owned by the company employees. ESBE is not listed in the stock exchange market and the owning family has no intentions to do that in the future (Ulf Liljewern, personal communication 2009-04-29). It is a company where the owner and the employees are mutually involved. Personnel policies are highly regarded as it is for both the sake of the employee and for high quality as well as retained productivity. The head office is organized into divisions which include the product development division, the production division, product testing division, and marketing department. ESBE sales companies in other countries do adopt the same strategy for the sales and marketing to meet intent to safeguard the company culture in anticipation and build a strong brand. These companies are autonomous in the daily management of their activities, taking into consideration differences in the business environment from one country to another. The flat structure enables flexible customer relation management and quicker decision-making.

**Strategy**

Today ESBE is a growing company facing immense competition (e.g. especially Italian subsidiary) and expansion challenges related to entering new markets. In fact, ESBE sales and distribution activities are mainly transactional and thus characterized by a network of partners, wholesalers, and OEMs.

ESBE aims to respond to specific market needs and establish a long-term relationship with its partners, thus adopting a sales and distribution strategy where it is now moving from a transactional relationship to a more collaborative relationship through stronger OEM partners, resellers channel (e.g. agent model), and a stronger focus on direct contact with end customers through a network of sales offices in every country where its customers are present (Ulf Liljewern, personal communication 2009-04-29).

With the ambitious goals of becoming a global leader in hydronic system control, the company’s strategy has been influenced by major shifts in order to respond to the actual market expansion and the increased degree of competition. As mentioned before, the shift lies in the transformation of the company from a transactional business to a more collaborative business towards customers, indeed building a brand culture to which all stakeholders will identify and this brand will in turn represent the companies’ most valuable asset. A brand that sets the standard in the industry through consumer-oriented products that respond to the energy, comfort and safety regulations and requirements. ESBE continuous investment in product development and maintaining the highest quality are a
key for giving an edge to the existing line of products and resources. Mr. Liljewern perceived such change as a visible prove of positive strategic renewal within ESBE since 1980s.

**Internationalization path**

Internationalization has been important to the firm since it successful market activities on the Swedish market until 1960s. Throughout these years, international sales have been achieved through export to local distributors and direct contacts with manufacturers abroad, mainly in Scandinavia. In the mid 1960s, sales company was established in Germany and after several years was accountable for 50% from the total sales. Intensive financial results achieved from international activities, forced ESBE involve more into the exploration of the European markets. 1970s and 1980s, the company entered with a broad product development and design improvements. Moreover, external operations were growing through extensive contacts and further distribution contracts and involvement of local European agents.

In the early 1990s, sales subsidiary was established in France, opening operations in the second biggest European market for ESBE products. Beginning of the new millennium characterized with a substantial change that pushed a company towards aggressive penetration strategy. With two years time, the firm established sales subsidiaries in Italy (2007) and Turkey (2009). Italian market perceived to be the most taught choice the company ever made, because of high concentration of major European competitors. However, this fact is not seen as a constraint for the future success. On the other hand, Turkish sales unit is showing extraordinary results in terms of sales forecasts and since the beginning of the year has fulfilled a three year budget plan.

German subsidiary has been acting very productively along 40 years, which resulted in establishment of a new central logistics hub in Munich that will cover a growing market presence in host country and would act as a platform for further expansion in the region. The logistic center at Munich, which operations is planned to start this year, will play an important role in: Product distribution management, Orders processing, Transport procedures and planning, Warehouse operations, and IT system. The Munich logistical center will ensure efficient operations in terms of time (short lead time), costs, and quality (high delivery service performance) (Ulf Liljewern, personal communication 2009-04-29).

By the end of 2008 the firm had number of agents for various countries in Europe such as: Denmark, Finland, Norway, France, Germany, Russia, Austria, Belgium, Bulgaria, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Ireland, Italy, Poland, Rumania, Slovakia, Slovenia, Spain, Serbia, Ukraine, Israel, Egypt, Canada, the USA, Argentina, Japan, and the UK.

**4.2.2 Interview with ESBE Business Development Manager – Ulf Liljewern**

Ulf Liljewern is a Business development manager in ESBE. He has joined the company three years ago and since that time responsible for business development of new sales companies. Sales companies in Italy and Turkey were successfully established within these three years and show immense increase in operation and sales. Ulf’s previous working experience includes several years of top positions in telecom industry (e.g. Eriksson). Therefore, he is a valuable person in the ESBE Company, dealing with international operations (e.g. external opportunities) and explicitly informed about its Historical development.
Developing entrepreneurship

Risk taking:

One ESBE risk lies in its will to continue acting as a family business in the future. Taking into consideration that Skogsfors family has no intentions to give up its control in the face of the venture capitalists propositions, which are numberless, the possibilities to compete with companies which have strong financial basis are somewhat constrained (Ulf Liljewern, personal communication 2009-04-29).

For ESBE the family’s notion has formed a strength and extra potential. Keeping in mind the fact of the continuous family members’ tenure as active owners, the aspects of “familiness” and specific sets of the interaction between two dimensions (e.g. family and business) have substantial effects. This “familiness” (Habbershon & Williams, 1999) can, depending on its character, either promote or inhibit EO. Some of the common family-related resources that facilitate entrepreneurial activities are opportunity seeking, insight bursting, decision-making, bootstrapping, venture financing, team building and habitual or portfolio entrepreneurship.

Usually, family businesses are characterized as conservative economic units, which usually are resistant to change and mainly concentrated on sustaining the firm wealth (Aronoff & Ward, 1997; Kets de Vries, 1993; Sharma, Chrisman, & Chua, 1997; Hall, Melin, & Nordqvist, 2001). However, some of them are characterized as examples of very effective entrepreneurial firms, which are actively engaged in the risky ventures and prohibit entrepreneurial thinking among all the organizational chain (Litz, 1995; Aldrich & Cliff, 2003; Rogoff & Heck, 2003; Zahra, 2004). From the interview with Mr. Liljewern it became visible that ESBE corresponds to the second type of the family firms, constantly engaging into risky activities on the international scale.

The company is constantly weighting the risks to benefits ration it will achieve out of possible international involvement, especially when investing in long-term research projects and expansion strategy. Indeed, deep market researches are conducted before entering any market and integration process of subsidiaries is handled over a long period of time to ensure the operation success.

Largely concentrating on the products high quality and consequently on the ESBE brand, the risk of loosing the face and reputation is constantly on the agenda. Therefore, to maintain the activities around positive brand creation, ESBE approach a very deep and detailed assessment of their partners in the value chain, as much as it supports the high standards of production (Ulf Liljewern, personal communication 2009-04-29).

Zahra (2005) studies risk taking as an important dimension of entrepreneurship in family firms. His results show that family ownership and family involvement (i.e. the higher the number of generation the greater effect) promote entrepreneurship. Moreover, Naldi et al., (2007) find statistical support for the hypothesized relationship that risk taking is a distinct dimension of EO in family firms and that it is positively associated with the two dimensions of proactiveness and innovation. They also find that even if family firms do take risks while engaged in entrepreneurial activities, they take risk to a lesser extent than non-family firms.

It is visible that ESBE handle risks differently than might do other firms. In the context of the inseparability of the management and ownership, risky decisions may impose harmful
effect on the family’s wealth. To address an issue of risky decision making, external manager (e.g. Mr. Liljewern) who shows less rigidity to international activities and more proactive thinking, were employed to unfold a potential of expansion (e.g. our personal observation).

Autonomy:

In last five years when the company has opened two subsidiaries, one in Italy and another one in Turkey. The company has faced many challenge of ensuring the Swedish quality of work and service with some difficulties in the beginning, but hopefully was always dealing with highly responsive people. Mr. Liljewern was accountable for the development of these subsidiaries, dealing with the creation of background for successful market entry, possessing extreme level of autonomy in his decisions. As a business development manager Mr. Liljewern is free to decide upon approaches to the research he is performing along the process of new subsidiary development.

We can admit that ESBE has started to operate in the right direction and using prosperous techniques towards an international presence, using short decision path and autonomous perspective for their external and internal managers. Moreover, ESBE emphasizes the importance of having the external MD from that country to facilitate higher involvement into processes and exploit cultural advantages. In general, the managers are autonomous in taking daily decisions to maintain strategic path of the local branch. Every eternal MD is reporting to the head office and personally to CEO (Ulf Liljewern, personal communication 2009-04-29).

ESBE has unique personnel policies, and almost every employee feels the home atmosphere, the communication is very open and information is handled efficiently among the branches and head office. This is corresponds to the creation of the family orientation, which includes: interdependency, loyalty, security, stability and tradition.

Innovativeness:

ESBE is one of the most innovative companies in the heating and hydronic sector. The company has been able to put on the market 100 new products only in 2007. Screening the historical development of the company’s product proposition, we could conclude that the process of innovation is in the cornerstone of this organization. From the very beginning of the modern ESBE, R&D succeeded to introduce dozens of technically new products that were always highly accepted by the market. It means that ESBE has been making a trend since early 60s, which helped it to perform better and attain plenty of big customers to use their products for a final assembly. Moreover, ESBE constantly replaces old models to rapidly respond to the changing European regulations in terms of safety and energy consumption.

Mr. Liljewern argued that ESBE’s visible competitive advantage is its product and production development division, it which the considerable amount from income is invested every year in improving the technological performance of its products through a competent team of 20 engineers. The plant is highly automated and equipped with the latest production machines and robots allowing the automation of 90% of the production process take place. Furthermore, the company is also spending significant amounts on improving the customer’s service and finding innovative process for both efficient distribution and engineering solutions (Ulf Liljewern, personal communication 2009-04-29).
The market target for ESBE puts the standards for innovation, EBSE is offering high standard quality products to highly demanding customers who are leaders in their industries thus growth is to be achieved not mainly through cost reduction and reengineering but through being innovative, a key element in providing aggressive top-line growth, and for increasing bottom-line outcomes.

**Aggressiveness:**

In order to strengthen its brand image, ESBE has been very aggressive during the last 5 years. The company has been present in most of the European trade fairs to market its premium products and to be known among the industry actors which include whole-sellers, OEMs and distributors within the construction, the heating, and the solar industries. It also raises the question of the intellectual property protection, which continuously involves the company into disputes and suits to protect themselves against fakes (Ulf Liljewern, personal communication 2009-04-29).

Time and financial resources have been dedicated to patent the company’s inventions and protect them from being copied. Denunciation of copied products has led to their suppression from the market. Today ESBE is selling all of its products under its name, over the years the focus has been moved to the core business and the customer service.

Expansion was a turn point for ESBE since it was able to increase its market shares in Germany during 1990 and a market situation that was characterized to be weak and when the construction market shrank by 30%. But ESBE aggressiveness and ability to switch from producers focus to whole-sellers focus and convince them of the different applications of its products was rewarding.

While operating in highly competitive markets such as France, Italy, Belgium and Netherlands, ESBE has been able to reach big customers through professional managers’ competence who were able to exhibit the products’ functions and benefits besides building a close relationship and collaboration which was lacking on the competitors side.

The overall impact was a positive turnover of 38 million euros in 2008, and estimated budget of 44 million euros in 2009. Striving for competitive aggressiveness approach toward a market development is for ESBE a main component in increasing its market share in Europe, Middle East and America as well as reaching its vision to achieve 150 million euros turnover until 2020.

**Proactiveness:**

Proactiveness is determined through involvement into processes that will favor stronger and faster opportunity recognition. In the case of ESBE, the right people are making and turning the wanted forecast into real performance. External MD’s are the first standing force of the successful formation of market presence within the European region. Mr. Liljewern has described them as very aggressive entrepreneurs that pursue not only company’s directions but also show excessive initiative (Ulf Liljewern, personal communication 2009-04-29).

Since its creation ESBE has been a proactive company, it has performed major changes in its core business from manufacturing agriculture equipment, producing central heating equipments to specializing in a segment which includes valves and actuators. Though, the first transformation from agriculture to heating was not planned, but the specialization in
the valves and actuators segment which started in the 1960s was not hazardous, it was the result of the former CEO clear and long-term vision perspective on making ESBE a leading company specialized in hydronic system control. At that time ESBE knew that in order to compete outside Sweden and to produce competitive products, specialization and quality were a must. Then, it started focusing on the core business and on offering premium services and responding proactively to global customers’ needs.

The business development path shows that ESBE is intending to be more proactive in the future. Another example of the ESBE’s proactive behavior is the level of its current investments into the development for energy saving products and solutions in cooperation with the solar energy equipments manufacturers (Ulf Liljewern, personal communication 2009-04-29). Renewable energy sector is growing and practically every highly reactive entrepreneurial mind is striving to capture a piece from this lucrative opportunity. The same did ESBE, establishing relationships with such renewable energy producers, keeping in mind that the sector will continue to grow due to present demand (e.g. personal observations).

The use of technology to get and spread information is a key tool for ESBE to detect future market trends and increase customers awareness regarding its innovations, this include the use of internet, accessing B2B platforms as well as holding seminars and participating in exhibitions. Mr. Liljewern’s personal involvement into these processes of intensive opportunity seeking is immense; presently he is responsible for the creation of any kind of business relationships. His previous background and experience in the telecom sector brought the insights of aggressiveness and faster decision making into the previous flow.

4.3 ITAB AB

4.3.1 Description of the company

General overview

ITAB sells, develops and manufactures products and entire concepts of fittings and equipment for chain stores only. ITAB’s customers are retailers in the Nordic, Baltic and Benelux countries, the UK, Germany, Central Europe, Russia and recently Ukraine. The Group manufactures shop fittings, checkouts and entrance systems. ITAB also acts as a contractor for building new stores or refitting existing ones.

ITAB’s 2008 sales reached SEK 3,412.3 million and the company has 1,720 employees on the day of the interview with CEO. The Parent Company is based in Jonkoping, Sweden, and the Group’s Class B shares are traded on First North on the OMX Nordic Exchange Stockholm (ITAB’s Annual report 2007, p. 5 and 2008, p. 5).

Shop fittings, checkouts and entrance systems are developed and manufactured at the company’s own production and logistics units and then shipped to much of Europe. Production, sales, project management, installation and service is conducted at units in Sweden, Norway, Finland, Denmark, Lithuania, the UK, Holland, Belgium, Germany and the Czech Republic. The units in Estonia, Latvia, Russia and Ukraine have functions involving project management and purchasing. In addition to ITAB’s own units, the company’s activities are supplemented by partners in several European countries (ITAB’s Annual report 2007, p. 5; Ulf Rostedt, personal communication 2009-05-07).
ITAB’s target group consists of large-sized shops and major chain stores in the food and non-food sector. Following the extensive number of acquisitions carried out in 2000 – 2008, ITAB is now the largest player in the Nordic and Baltic countries as well as the UK. In Germany, Central Europe and the Benelux countries ITAB is also a leading supplier. ITAB ranks as Europe’s largest checkout supplier and second largest in entrance and queue management systems. ITAB’s business activities are based on long-term business relations and excellent delivery reliability coupled with streamlined production resources (U.Rostedt, personal communication 2009-05-07). Consequently, shop equipment sales correspond to about 25 % of ITAB’s total turnover while hop fittings, with project management, installation and service, account for the rest 75 % of ITAB’s turnover (ITAB’s Annual report 2007, p. 5 and 2008, p. 5).

The products are supplied largely to the food sector, but also to chain stores like: IKEA, Clas Ohlson, Gamma, Karwei, Systembolaget and Plantagen. The food sector consists of national and international grocery chains such as Ahold with ICA, Rimi, Albert Hein and COOP, Axfood, Dansk Supermarket with Netto, Kesko, S-Gruppen, Real, Kaufland, Lidl, Metro Group, Tesco, Sainsbury, Morrison, Waitrose Wilkinsons and ASDA. In the non-food sector, ITAB’s customers include H&M, KappAhl, Cubus, Stadium, Statoil, Jysk, Stockman, Etos, Hema, Dunnes, Homebase, Oasis and Delhaize (ITAB’s Annual report 2007, p. 20).

**Strategy**

In the 1990s, ITAB’s strategic focus can be characterized as production oriented, internal growth and concentration on Scandinavian market. However, in the late 1990s, the firm began exhibiting a more active approach to internationalization with a stricter focus on big international customers and satisfaction of their conceptual preferences. In 2004 when ITAB hived off from XANO Group (e.g. parent company) and started to act as an independent ITAB Shop Concept, there was an incremental need for a new strategic direction and vision, to be embedded into the company’s mind. This period characterized by the increased marketing activities and product sales focus (e.g. establishment of ITAB Shop Products). Furthermore, company has focused its potential and capabilities on exploring Northern and Central part of Europe only, due to geographical closeness and visible future opportunities (Ulf Rostedt, personal communication 2009-05-07).

Presently, ITAB’s major business idea is to develop and nurture long-term business relations with chain stores within the food and non-food segments by working closely with its customers and their markets. The strategic direction will be accompanied by competence, dedication and business acumen that characterizes the Group must generate trust and confidence in each and every customer. ITAB will develop new concepts, products and solutions by utilizing its extensive market expertise and innovativenes while also working closely with its customers. Consequently, ITAB is using its stable position on the preferred European markets to create the conditions for further growth and expansion in selected markets (e.g. Central Europe and Benelux) and maintain its position as a market leader (e.g. Nordic, Baltic markets and the UK) (ITAB’s Annual report 2007, p. 13; Ulf Rostedt, personal communication 2009-05-07).
Internationalization development

Nordic countries: the starting point
ITAB is the market leader for shop fittings and shop equipment in the Nordic market, both in the food and non-food sectors. Market leadership was largely achieved through extensive number of successful acquisitions during 1990s. This position was further cemented in 2000s with several investments in Sweden, Denmark and Norway. Presently, Scandinavian countries concentrate the production of wooden shop fittings, metal products, checkouts and entrance systems production. Sweden represents a hub for sales, project management, construction, R&D and logistics. The consolidation activities that took place in recent years have complemented central production unit in Jonköping with operation from other regions. Acquisitions strategy in the region has been continuous in order to expand a product portfolio and bring new capabilities. Operations on Scandinavian markets are planned to be coordinated more to achieve economy in scale and scope. Acquisition in 2008 of Pan-Oston, one of Finland’s leading checkout and entrance system suppliers, and previously the biggest competitor in that region, added much competence and enhanced ITAB’s position for complete solutions. Finish office is also responsible for marketing units in Estonia and Russia and strengthening its activities for a more massive penetration into Russia. In 2007 the company made a successful attempt toward product diversification and acquired Swedish based Sintek which is now collaborating with ITAB’s Norwegian company, PharmaService in targeting pharmacies.

Benelux
ITAB performed its first acquisition outside Scandinavia in 2000. Due to some strategic reasons ITAB acquired a Dutch company that was producing shop concepts. This acquisition was followed by some difficult years in Holland, since the acquired company went bankrupt and had to be reorganized. Nevertheless, it was very valuable as an entry ticket into the Central European market. Starting from that successful investment and accordingly carried relationships with newly possessed customers, ITAB began proactively following its long term partners into new markets. Presently ITAB is the leading checkout supplier and one of the largest players in the shop fitting sector. In conjunction with the acquisition of the Hansa Group (in 2008), ITAB has assumed a strong position in Belgium through Hansa Mertens. Much of the company’s need for checkouts and standard shop fittings is produced at ITAB’s Czech production units (ITAB’s Annual Report 2007, p. 28).

The UK
Two acquisitions in 2006 made ITAB the largest player in UK market. ITAB in the UK is the market leader in entrance and queue management systems and supplies shop chains mainly in the food sector. After some consolidation, UK subsidiary managed to approach large-sized customers and gain substantial results. “Recycling” of shop fittings is an interesting new niche. This concept means that older shop fittings are renovated for reuse. The service is available in the UK today, but since recycling is not only an eco-friendly alternative but also economical for the shop, and goes along the ITAB’s CSR plan, this innovative trend might spread to more markets over the next few years (ITAB's Annual report 2007, p. 27). Integration with other companies in the Group is also good, with deliveries of shop fittings and checkouts from the Czech Republic to the UK.

Baltic countries
ITAB is the market leader for shop fittings in the Baltic countries. Shop equipment on the other hand has a smaller market share. Market leaderships was attained through establishment of a project management and logistics centers in Estonia and Latvia, in
addition acquisitions in Lithuania during 2001-2006. Emphasis is on the food sector and the large hypermarkets. Several major agreements with international customers have been decisive for ITAB’s collaboration with these chains even outside the Baltic countries. Collaboration will continue between the Latvian and Lithuanian companies the next few years enabling more intense marketing activities and be an instrumental part of the company’s future plans to expand in the east. The Estonian unit has to a certain degree been integrated with ITAB’s Finnish company. ITAB’s organization in the Baltic countries will in future become one of the gateways for more activities in Russia and Poland (ITAB’s Annual report 2007, p. 28, 36).

Germany
The Hansa Kontor Shopfitting Group was acquired in January 2008. With this acquisition, Hansa Harr, Europe’s largest checkout manufacturer, was incorporated into the ITAB Group. Renamed ITAB Harr, the company has a large share of the German market, as well as export to the major German chains in Europe. The combination with ITAB’s own checkout production makes ITAB the largest in Europe with an annual production volume of approximately 22,000 checkouts. To be successful in Germany requires a well-established German organization and network. Hansa Kontor’s work methods and offer to the market coincides with ITAB’s business concept and profile. The companies complement each other perfectly. Hansa Kontor has lacked the type of standard fittings that ITAB makes in the Czech Republic. Entrance systems and queue management systems are other product groups previously lacking in Hansa Kontor’s range. Hansa Kontor has an advanced design centre and marketing organization in Cologne which, together with its old and new product range, reinforces its position as concept supplier to the largest German chain stores (ITAB’s Annual Report 2007, p. 28, 29).

Central Europe
Central European focus consists of the Czech Republic, Slovakia, Poland and Hungary and is a significant market for ITAB in the future. The market of Central Europe was entered since two major acquisitions took place in Czech Republic in 2004. ITAB’s operations in this region are managed from the Czech Republic premises. The mentioned countries possess a number of certified installation and project management partners. The Group is the leading supplier of checkouts and one of the largest suppliers of shop fittings in this market. Customers operate primarily in the food sector. In just three years, ITAB has built a strong platform and a confidence on the Central European market. New opportunities for more production to customers based in Central Europe present themselves with the opening of ITAB’s new factory in the Czech Republic. Consequently, 2008 distinguished by intensive marketing activities that target new and existing chain stores. The Czech production unit focuses on standard fittings and checkouts and is the main subsidiary responsible for standardized products to customers in Central Europe and to subsidiaries in Holland, UK and Denmark (ITAB’s Annual report 2007, p. 29).

Russia
ITAB has launched a new office in St. Petersburg that is managed from Finland. The company focuses on marketing and project management activities. Russia is characterized by a small number of large customers in the hypermarket sector. To address future expansion of global chain shops into Eastern region the office was conversed into a fully owned subsidiary that made ITAB a complete business partner capable of performing installation and service assignments for checkouts and entrance systems in the Russian regions.
Ukraine

Ukrainian office complemented with sales and project management operations and is located in Kiev. In organizational terms, the office is part of ITAB’s Lithuanian operations. Therefore, Lithuanian office is supplying Ukrainian market with the necessary shop fittings.

ITAB’s geographical presence is distinguished by its strategy to operate close to its customers. When these customers expand into new countries, ITAB can continue to act as supplier, either through its own operations or through authorized partners. ITAB’s broad geographic spread in Europe and its willingness to follow customers to new areas creates excellent conditions for increased cooperation (ITAB’s Annual report 2007, p. 24-25).

(e.g. performed from Annual reports 2004-2008 and personal communication with CEO)

4.3.2 Interview with ITAB CEO – Ulf Rostedt

Ulf Rostedt was appointed new CEO for ITAB Shop Concept AB effective 8 February 2008. He succeeds Jan-Ola Wirehn who, after shouldering responsibility for more than ten years, has chosen to cut back and resigned the position of CEO. Jan-Ola Wirehn will continue to work within the Group on business development issues. Ulf Rostedt, 41, has held various executive positions within the ITAB Group since 1997 and served as Deputy CEO since the Group’s listing in 2004 (ITAB’s Annual report 2007).

Developing entrepreneurship

Risk taking:

ITAB took it major risk in the beginning of the 2000s when top management decides to react on an ongoing acquisition of ICA (e.g. Swedish food chain) by Dutch Ahold group. At that time ITAB has also faced its first international acquisition (outside Scandinavia), and bought bankrupted company in Holland but with substantial business activities with Ahold group (Ulf Rostedt, personal communication 2009-05-07). Hopefully, the decision was made at the right time and Dutch subsidiary cemented its position in the region acquiring many prominent partners.

The main risk for the company comprises entrance to the new markets through acquisitions. ITAB generally selects carefully companies it wishes to acquire based on the company experience, market position and customers, as well as its management. Such factors are key determinants that lead the successful integration of the subsidiary and future increase of ITAB’s market shares (Ulf Rostedt, personal communication 2009-05-07). Therefore, complete compatibility is required to meet the Group’s vision.

Following the big customers represents other risks in terms of investments and proximity to production facilities. However, it is still the main strategy that enables ITAB to build strong partnership with its big customers. ITAB has been very successful in Norway, Netherlands, Denmark and UK where its main customers are located (Ulf Rostedt, personal communication 2009-05-07).

In terms of global crisis, current financial anxiety and economic predictions ITAB’s experienced no marked affects the year that passed. The market is however difficult to assess. Thus, structural changes were made to face plausible global conditions and be more discreet and careful monitoring the trends (Ulf Rostedt, personal communication 2009-05-07).
Autonomy:

ITAB’s management philosophy is based on distinct accessible leadership, coupled with delegated responsibility. It is important for ITAB that all of its branches follow the same management procedures in order to achieve stated goals and deliver consistent and quality work to the customers. As Mr. Rostedt admitted, central office is like a highway, building the strategy, vision and direction that every employee should follow. However, there is a lot room for additional supplementary roads along the direction that might supply company’s strategy, but never change it.

Communication is an important aspect in the success of the newly acquired companies integration, management team has to be open to change and critics and able to take courageous decisions and actions (Ulf Rostedt, personal communication 2009-05-07). There is a high degree of autonomy that characterizes the work process. The company devotes a lot attention to project management as mediating force to assure quality, delivery and reliability during the process of inter subsidiary communication and delivery of complete shop concepts.

Thanks to the collaboration between specialized centered production facilities (in Germany, Belgium, Czech Republic) and its companies all over Northern Europe, the Benelux and some Eastern European countries, ITAB has the ability and expertise to be on charge and deliver the entire shop concept. Thus, the degree of autonomy within ITAB makes it flexible, agile and highly competitive in delivering complete package products to its global customers.

Innovativeness:

“ITAB is innovative in the way of doing business” (Ulf Rostedt, personal communication 2009-05-07). One of the company’s strategic orientations is to engage in the development of new concept solutions by utilizing its extensive market expertise and growing product innovativeness as well as using close collaboration with its customers and partners. ITAB is also innovative when it comes to the products (new self-checkout system, the only system independent concept on the market) and logistics processes, continuously working to reduce total costs (Ulf Rostedt, personal communication 2009-05-07).

The expansion within selected markets through acquisitions requires constant innovative processes that adapt to the business and market environment within the newly entered markets. For this, ITAB has specific structure lead by dedicated employees that act to achieve more collaboration inside and among these independent companies to create greater synergies. To meet an innovative perspective, every company has its own R&D team. In addition, two hubs, one in Germany and one in Norway, serves as general repositories and producers of major breakthrough design ideas, that consult all other subsidiaries, generate and follow trends (Ulf Rostedt, personal communication 2009-05-07).

Long-term agreements are another aspect where ITAB wants to be ahead of and provide to its customers products and solutions that fit their demands and future expectations. Today, ITAB has developed innovative turnkey solutions that will be offered for the entire flow – starting from an idea to installation (ITAB Annual Report 2007). Mr. Rostedt considers that introduction of the Complete Shop Concept as ITAB’s future strategy substantially brought an innovative flow into shop fitting industry. “ITAB innovativeness, competence and
dedication will enable having strong and stable partners” (Ulf Rostedt, personal communication 2009-05-07).

Aggressiveness:

ITAB has been growing extremely fast in the last five years; this is due to an aggressive expansion strategy that was adopted since it started to act as an individual company (previously division of XANO group). When the decision to go global was made, the need to act under new strategic direction emerged drastically. Being a market leader in Nordic countries make it possible for the company to generate necessary financial resources, knowledge and reputation, and fall into an exploration rapidly approaching global players. Furthermore, ITAB’s Stock Exchange listing has introduced its serious intentions towards market presence.

From the early reports it is visible that ITAB has been openly mapping its current competitors in terms of market presence and capacity. Presently, the company has acquired major part of those competitors and successfully consolidated their operations increasing networks cooperation (e.g. Hansa Kontor) and supplying several new locations within newly approached channels.

There is a great commitment of the top management to upgrade the company facilities and machinery as well as invest more into studying programs for present employees in order to compete in the newly entered market and be a leader in its preferred market and geographical segments (Ulf Rostedt, personal communication 2009-05-07).

We will follow our customers to new areas that are within our strategic expansion scope (Ulf Rostedt, personal communication 2009-05-07). There is a real concern of building a long-term relationship with the customers, indeed, ITAB aggressive expansion strategy gives a broad geographical spread to the company that serves both the interests of its global customers and ITAB market development. For ITAB, operating close to the customers is a main competitive advantage.

Proactiveness:

Investments in new acquisitions and production facilities are done to respond to its global partners’ activities and deliver a product that will respond to the local market specifications. However, this should be in accordance with ITAB’s overall strategy that design to target only Northern European countries. “We are a global company that needs to be local” (Ulf Rostedt, personal communication 2009-05-07). Company’s main strategy is to focus on specific markets through defending its position in preferred markets and acquiring key businesses in the Northern European countries.

ITAB’s level of proactiveness is high. The company has been able to seize the newly emerged opportunities related to market expansion which enabled ITAB to be the market leader in its key destinations (ITAB’s Annual Report 2008).

Based on its extensive knowledge of the business environment it operates in, ITAB has been taking proactive actions that affected the company’s organizational structure in a way that will make it more flexible in responding to customers present and future demands. This new organizational structure was launched in the autumn 2008 and will be implemented in its entirety by the end of 2009, being operated in a trial mode. Thus, ITAB is now divided into five sales regions and a separate production divisions, responsible for particular range...
of products (e.g. ITAB Pharma Concept). ITAB Shop Products, among them, was formed recently, following strategically important direction and aiming at improving product sales, mainly to new markets, using the company’s own organization. ITAB already has significant exports outside Europe although there is room for growth. The actual structure was done to prepare ITAB for dealing with plausible market changes and ensure ITAB’s continued development (Ulf Rostedt, personal communication 2009-05-07; ITAB’s Annual Report 2008).

ITAB is developing several products and processes for the future that are aimed to be environment – friendly and mainly to enhance the benefits for the customers. ITAB developed self-scanning (in 2000), and self-checkout solutions for tomorrow’s shops. The company is committed to investing in R & D for self – scanning based checkout solutions between 2009 and 2010. “The potential is enormous. A higher throughput in the shop, more effective use of shop space, and better ergonomics are just a few of the benefits for ITAB’s customers,” explains lector Anders Rudgård at the School of Engineering, Jönköping University (ITAB’s Annual Report 2008). Mr. Rostedt suggests: “that product development will be intensified and certainly there are many exciting alternatives for future expansion that the company will try to approach” (Ulf Rostedt, personal communication 2009-05-07).

ITAB also participates in different trade shows and has a strong network of partners a way of achieving market knowledge. Indeed, the Euroshop trade show in Düsseldorf was organized in February 2008 and was a huge success for ITAB.
5. Analysis

The presented findings from the previous chapter are analyzed on the basis of theoretical framework, in regard to the purpose of our thesis. The chapter consists of two sections. The first section is designed in a way to present analytical background, explaining relationships between studied phenomena. The reader can find a table containing data that visibly show the sequence of gradual variable influences. The second section devotes its attention to an analytical model, presented earlier in the section 3.3.3, which has a vital importance towards an identification of the causal relationships and practical effects on internationalization speed.

The data that was gathered along the interviews and second sources assessment, made it possible to draw a picture on internationalization of the selected companies. The objective was achieved and development charts were performed (Appendix C, D, E). Therefore, we aim at presenting gradual development touching every company and build up an evolution path of international activities.

5.1 Internationalization development in three cases

What pushes these companies to a greater international commitment? What new procedures were developed in order to meet environmental changes? The foremost factor, as we have identified was their strategic direction. We have mapped several other factors that influenced firms’ attention towards external environment (outside Scandinavia). High commitment mode exploitation definitely was provoked by some reaction to a specific situation where the previously selected mode was obsolete or no longer applicable to present demand to use. Therefore, we would like to employ several modes of change proposed by Agndal (2004, p. 274):

- Proactive change initiated by central firm as a result of a perception of unexploited opportunities.
- Reactive change initiated by central firm due to pressure for growth or perceived need enter new market due to shrinking home market.
- Reactive change initiated by third party (e.g. customers, suppliers) where central firm management perceives little choice in applicability and undertaking change.

To make our analysis more clearly we have decided to merge three companies in one chart and qualitatively stress attention on the problem description. The table contains three studied firms and their determinants that will help us in forming analytical patterns for further explanation building. We consider these aspects to perceive immense influence on the development of internationalization and what is the most important on the speed of such activities. Therefore, to assess the level of entrepreneurial postures we have used a gradual scale from 1-low to 5-high. We have performed our evaluation based on the empirical finding assessment, particularly taking to consideration information received from interviews. Knowing the behavioral manifestations of entrepreneurship or its specific postures, we can reliably and objectively measure the entrepreneurial level of firms. We have also approached longitudinal manner of the analysis and preliminary evaluated the firms’ past performance in relation to EO. Thus, the numbers in brackets represent the level of EO postures before some changes in strategic direction. Strategic change evaluated according to Agndal (2004) modes, and internationalization presented as an outcome.
### Determinants of success

**Stepping stones**

<table>
<thead>
<tr>
<th>Firms</th>
<th>Strategic change</th>
<th>Entrepreneurial orientation</th>
<th>Internationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESBE</td>
<td>Production/product focus has changed to branding focus, influenced by proactive mode of change.</td>
<td>Risk taking: 5 (5) Autonomy: 3 (3) Innovativeness: 5 (5) Aggressiveness: 5 (4) Proactiveness: 5 (5)</td>
<td>From 1950s to 2000s penetration to only two markets. However, since 2000s establishment of contacts with some 20 agents, two new markets in 2007-2009.</td>
</tr>
<tr>
<td>ITAB</td>
<td>Production focus has changed to complete shop solutions, influenced by reactive mode of change.</td>
<td>Risk taking: 3 (3) Autonomy: 3 (3) Innovativeness: 5 (3) Aggressiveness: 5 (5) Proactiveness: 5 (4)</td>
<td>During 1990s 9 acquisitions in Scandinavia, after 2000s 18 acquisitions in Europe, establishment of 4 offices and dozens of representatives and agents.</td>
</tr>
</tbody>
</table>

### Discussions

#### Strategic change

Before some immense increase in internationalization, the presented firms were involved into export or acquisitions related activities in Scandinavia. Having the possibility to analyze the longitudinal effects from internationalization, indeed, we can conclude that these companies experienced positive shifts in performance. Qualitative changes greatly took place in the knowledge and skills acquisition, broadening of networks, increased pace in the sphere of product, production and processes innovations and consequently greater international commitment. As was concluded by Naldi (2008), the interplay between state and change aspects of IP model presents the continuous loop, thus explaining the internationalization process. Local market skills generated through experiential knowledge gradually have been increasing the level of commitment that pushed further expansion ambitions.

Johnson and Vahle (1977) distinguished between several types of knowledge to meet the target of consistent explanation of the learning process. Experiential and market specific knowledge reduced uncertainty in Scandinavian operations and creates the window for external opportunities (Bukley & Ghauri, 1994). Objective and general knowledge as more theoretical types of knowledge were taught along the development process. Dow (2000) and Brewer (2007) argued that knowledge is a crucial factor to consider especially when approaching geographically close markets. Following this establishment chain, indeed, create a background for firms to approach markets of successively greater “psychic distance” (Johanson & Wiedersheim-Paul, 1975).
In the beginning of 1990s, these companies have realized a growing need to be more responsive to the market they serve. In our case, **Nefab** has been operating in highly mature market with a low level of product innovations but high product standards. External and internal environmental changes (e.g. saturation of home market, advent of new niches, outsourcing by key customers) brought up an emerging **reactive change** caused by third parties and pressure for growth. On the contrary, **ESBE**'s knowledge generation activities have entailed the identification of the future opportunities and performed **proactive change** at the right point of time. We might also mention the family perspective that is dominating in **ESBE** and previously was in **Nefab**. Thus, this notion could lead us to the logical conclusion about the influence of family management on the positive performance and opportunity recognition as very high (Litz, 1995; Aldrich & Cliff, 2003; Rogoff & Heck, 2003; Zahra, 2004). On the other hand, **ITAB** experienced **reactive change** due to externally emerged opportunity from the third party that leads the company to involve into international operations.

We have made that distinction of change modes, in relation to our selected companies, based on the idea that change triggers and further implication of these changes into formation of strategic direction not immediately can be accepted as proactive act. It may be a reactive move as a reply on increased product demand, shrinking or/and saturation of the home market, or may be initiated after the exerted pressure from stakeholders, customers or competitors. The need in external activities does not itself generate strategic changes. Entrepreneurially oriented management supported by previously nurtured entrepreneurial mind-set can generate changes and accept external challenges in favor to create novel value (McGrath & MacMillan, 2000).

**Entrepreneurial Orientation**

The degree of entrepreneurship can not be measured by ignoring some and taking into account the rest of the EO factors (Davidsson & Wiklund, 2001). Entrepreneurship is the process where all of the factors are interacting, thus defining the degree of the EO in the companies. Therefore, we have performed the EO test to have an objective view on the firms’ entrepreneurial endeavors, and performance that follow after the exploitation of potential opportunities. Consequently, determining the entrepreneurial vector of each company we have made some deep evaluation of every EO factor to figure out which of the postures were dominating in the process of strategic transformation and internationalization.

The overall level of the entrepreneurial orientation was substantively lower several decades ago before the changes were initiated. That would be logically to conclude that previously international operations were conducted in a more weighted manner, through probing. However, even then Nefab, ESBE, and ITAB have been on the edge, performing actions to which major part of their competitors consequently responded. Technological, R&D, logistics, and quality leadership is in the cornerstone and characteristically differ them from the competitors (Khandwalla, 1977).

We have made the right choice during the process of company’s selection. Entrepreneurial mind set was nurtured by several family generations, the case of Nefab and ESBE, and proactive top management team, as the case of ITAB. In addition, we consider important to mention the fact that family owned firms have shifted their preferences regarding top management positions and have employed external professionals who can better handle and manipulate operations in the highly uncertain but perspective expansion endeavors.
Assessment of the empirical data opened up a broad perspective of these firms. Their entrepreneurial actions entailed combination of existing resources in new ways to develop and commercialize new products, move into new markets and service new customers (Ireland et al., 2001; Ireland & Kuratko, 2001). Summarizing international activities data into the development charts, it became clear that studied firms deliberately approach internationalization, implying greater concern during the market entry forms and strategy choices or modes. Strategic perspective is dominating in our cases, which make us think that entrepreneurial actions were enforced with a direction and vision. Reactive change mode entailed the context for a greater exploitation of entrepreneurial postures (Ireland et al., 2001).

Nefab, ESBE, and ITAB have integrated strategic and entrepreneurial perspective into a synergistic mix and designed an entrepreneurial strategy that redefined their value creation chain (Hitt at al., 2001). We might also conclude that strategic entrepreneurship is a synergetic mix of opportunity seeking behavior (entrepreneurial mind set) and advantage seeking perspective, combined in order to create value. Our companies have been greatly involved into: networking, skills and resources development, innovations and internationalization to address the synergistic effect (Hitt & Ireland, 2000; Ireland et al., 2001).

Networking appeared to be among the most important determinants of success that follow international presence. Nefab and ITAB have employed the Group structure with dozens of fully owned subsidiaries. Thus, communication between the members of network is favorably noticed on speed of the potential opportunity recognition. Greater involvement into external operations increased presence of Entrepreneurial actions which accompanied the implementation of strategy and became accounted for faster market commitment and new market entry. Moreover, networking has positively affected Nefab’s entrepreneurial spirit and created the framework, giving a rise for specific form of entrepreneurship (described in section 4.1.2) that is in turn increased the commitment of the acquired companies. Therefore, the results just prove the initial importance of networking, especially for well established companies as far as this notion generates strategic flexibility (Welch & Welch, 1996) so important for reactive changes.

ESBE on the contrary, has established two dozens of partnerships with independent agents and distributors, compensating in way the lack of physical presence on the European markets. However, the small size of the company and its low involvement into international operations in the past, do not constraint their ability to deliver and cooperate with the biggest EOMs in the industry. The primary driver of the company’s successful global strategy is its innovativeness (Subramaniam & Venkatraman, 1999). Besides, another EO factor, brand penetration aggressiveness, indeed making a great deal for ESBE.

We have noticed that in Nefab and ITAB major attention is devoted to the innovation in procedures, requiring entrepreneurial mind set for rejuvenation of existing or creation of new businesses (Ireland et al., 2001; Lumpkin & Dess, 1996; Miller, 1983). Furthermore, all companies show a high degree of Proactiveness in daily operations. Nefab and ITAB employ some strategically vital proactive tools to seize opportunities (Section 4.1.2, 4.3.2) in a way that stimulates fostering of international activities.

At this point it is important to mention risk taking and autonomy postures. Consequently, the low tendency of risk taking operations in Nefab and ITAB explained by high Proactiveness in actions that has mitigating effect of the overall level of uncertainty. However, risk taking in ESBE can be characterized as high due to its recent uncertain market entries (e.g. Italy – major concentration of competitors, Turkey – completely new
Psychic distant market). Autonomy is decreasing in terms of Group companies, because of their size enlargement and extensive activities consolidation, but still pretty high inside separate organizational units.

**Therefore, truly entrepreneurial companies are in fact learning organizations.** Nefab, ESBE, and ITAB are learning organizations and have been acting as companies that facilitate the learning of all its members (e.g. group of companies) and continuously transform themselves adapting, changing, and developing in response to the needs, inside and outside (Pedler, Burgoyne & Boydell, 1991).

Summarizing entrepreneurial orientation within the presented companies, we would like to appeal to the behavioral model of entrepreneurship (Covin & Slevin, 1991), because behavior rather than attributes are what give meaning to the entrepreneurial process. Furthermore, in our cases these behaviors are affected by and therefore can be managed through the creation of particular organizational strategies, structures, systems, and cultures (e.g. reactive and proactive change modes in Nefab, ESBE, and ITAB).

This section proves the positive correlation between Entrepreneurial Orientation (EO) and in advance undertaken Market Orientation (MO). Besides, successful Internationalization widely accepted as a determinant of greater performance, thus EO and MO are related to firm’s performance (Covin & Slevin, 1991; Wiklund, 1999).

**Expansion**

It is visible from the development charts that the markets that became firms’ basic trade zones are typically established in the early stages of internationalization. Later stages generally involve companies to enter more remote business locations.

The selected companies follow the basic pattern of firms’ internationalization (accept ITAB) (Johnson & Vahle, 1977). Furthermore, this pattern characterizes the start and continuous investments in just one or in a few (neighboring) countries, rather than to invest in several countries simultaneously and that the investments in a specific country are carried out cautiously, sequentially and concurrently with the learning of the firm’s people operating in that market (Forsgren, 2000:02). Similarly to our cases, the companies have entered geographically close markets that showed less uncertainty and greater number of opportunities (e.g. Scandinavia) (Hollensen, 2004).

It is, however, differences in how our companies go global. For example, only Nefab has followed the establishment chain and successfully completed all the stages. Consequently, the company has ended up with an increased need to acquire already acting companies in order to supply its newly designed value chain. Reactive change mode dominated reforms inside the company.

If we take ESBE and its development, the picture of international involvement visibly can be characterized as slow. But again, vision and strategy designed in accordance with family preferences put a constraint on the future internationalization. The company’s performance has been followed by export activities in geographically close countries, and then establishment of sales companies and broad range of agents and distributors in more distant locations (like USA). Brand maintenance is the foremost important factor in their business practice. That’s why all the production is in-house and concentrated in Sweden. This is due to high quality standards that the company wants to control fully. ESBE will continue to concentrate production in Sweden only and keep expanding its operations through the...
establishment of sales companies and broader its network of agents. And again we see that specific MO predetermined future internationalization.

ITAB is the biggest company in our sample in terms of turnover and internationalization speed. It has decided from the beginning to grow through acquisitions and further promote organic growth in consolidated companies. ITAB is a very strategically and market oriented company, with a clear plan for future that is based on the idea of total domination within preferred markets (e.g. explained in Section 4.3). Moreover, savvy exploitation of entrepreneurial determinants constantly decreases the level of strategic rigidity and increases flexibility in actions. Summarizing, the company have been involved in nine Scandinavian acquisitions during 1990s and twenty for the last 8 yeas in Europe.

Analyzing these companies we have realized that there are different types of change regarding to the choice of international market entry and not every company that is considered to employ entrepreneurial mind set can proactively and in advance identify emerging opportunities. MO and EO relationship can be accounted for a successful increase in international market entries.

5.2 Testing analytical model

Internationalization process requires various steps to be taken in strategic management and in developing firm’s foundation. Strategic planning may impose an undue rigidity over time on the direction, form, and content of international activities. Strategic flexibility is linked to strategic planning, thereby influencing both foundation development and the steps undertaken in the internationalization process. Of course, the ability to respond to emerging foreign market circumstances depends on the company having the means to do so.

The model in the Section 3.3.3, formed a point of departure to analyze our empirical findings. Following that model and theoretical implications, EO postures suppose to affect the change in strategic direction (McGrath & MacMillan, 2000) under a proactive mode of change (Ågndal, 2004). However, the relationships and correlations proved another flow of connections in the process of opportunity recognition and its further exploitation in order to speed up internationalization. This flow is represented here:

Figure 8. Strategy – EO – Internationalization framework: Reverse relationship.

In fact, the analytical model has brought a key relationship between the strategic direction of the organization and its entrepreneurial orientation where the later one serves as a filtering factor and supplies the strategic management with tools that provide flexibility and efficiency in exploiting emerging opportunities. At the same time it is important to mention that the strategic change affected EO and not on the contrary as stated in previous
researches (Sections 3.2, 3.3.3). The combination of EO and strategic direction of the organizations, besides other market factors, have favorably influenced the internationalization process of these companies. Market orientation in correlation to Entrepreneurial orientation proved to have positive causal effect.

In order to fully express the findings we have added some mediating forces that greatly complement understanding of the reverse speed flow. Acquisitions and Networking undermine vital importance in our cases. Furthermore, Nefab and ITAB presently expand only deploying acquisition’s scheme and ESBE through networking with its key agents and distributors. Studies showed that the propensity to internationalize through making acquisitions can be explained by adopting a learning perspective (Barkema & Vermeulen, 1998). Growth through acquisitions has a faster and greater impact than generic growth. Time is a crucial resource for companies a reason for leaders to use acquisitions as strategic measure for growth and development. Networks are particularly important to the well-established companies when exploring new locations. Market knowledge limits always impede the moves toward greater commitment, but overacted when the necessary base is established. In fact, research suggests that new start-up firms can enhance their chances of survival and eventual success by establishing alliances and developing them into an effective network (Baum, Calabrese and Silverman, 2000). These two forces have considerably changed the implementation of strategy and exploitation of EO. Therefore, promoting new form of internationalization through faster knowledge, capacity, and market presence possession.

For this three leading companies doing business in today’s competitive market has brought a spirit of entrepreneurship that is shaped by an innovative way of doing business. As it was mentioned in the empirical findings NEFAB actions was driven by the willingness of being a global partner for its big customers through offering complete packaging solutions that responds to their specific needs both technically and geographically, in the same sense ITAB has been focusing on building a strong cooperation with its customers and following them in new markets through acquisitions which has brought them great experience and knowledge into specific markets. ESBE has been expanding as well but mainly though new subsidiaries where potential markets are growing and to gain customers trust it has ESBE has been developing products that respond to customers specific needs proactively.
6. Conclusion

Based on the analysis, authors draw conclusions with an aim to answer the research questions and consequently the purpose of the thesis. This section also contains our own implications to the study and possible future research endeavors in this field.

The purpose of the thesis was to look at the internationalization process of three companies in Jonkoping. Moreover, we have tried to define the importance of the entrepreneurial commitment along the internationalization development process and analyze relationships between the entrepreneurship and internationalization.

To satisfy the purpose of the thesis we have reviewed the literature in relation to Internationalization. Due to practical impossibility to review all the concepts, models and strategic choices on internationalization, we have selected a theory that best explains the internationalization of well established manufacturing companies. Furthermore, the IP model was initially formulated in Sweden and based its findings on the local manufacturing companies.

As far as we are further interested in drawing a connection between internationalization and entrepreneurship, we have used the frame of reference to address the next emerging issue – Entrepreneurial Orientation and its implications. The basic idea of these theoretical acknowledgements is to bring up leverage spots that explicitly and implicitly connect Internationalization and Corporate Entrepreneurship. Besides, to meet the requirements, we have included the section with models which are based on the theory presented in the frame. In addition, own model was designed to bring up our understanding about the studied phenomena.

To complement empirical findings, the interviews were conducted possessing the main focus on internationalization and entrepreneurship in selected companies. In our paper we aimed to look at both Entrepreneurship and Internationalization from a causality perspective, by studying three Swedish businesses that have a proven tradition of prolific initiative on both local and global scales, how they were able to develop the capabilities that owe them success, and whether or not applicable patterns could be generalized from this investigation.

After the process of analyzing we have identified similarities and differences between companies and tested the data based on the analytical model presented in theoretical part. Combinations of theoretical frameworks offer fruitful avenues for understanding a variety of different aspects of internationalization. Our cases indicate that the strategic change was reactively pursued by management, although it is apparently visible that limited choices in what action to take due to industry conditions and specificity of the products.

The changes in strategy and processes exposed and effect on the formation of EO and therefore increased the companies’ commitment towards internationalization. Every company in our sample have experienced drastic organizational shifts, these changes renew strategic direction and give a rise to a hidden potential of internationalization. Besides, international involvement was further fostered by entrepreneurial postures such as: Proactiveness, innovativeness, and aggressiveness.
Besides the accessibility criteria that enhanced our choice of NEFAB, ESBE and ITAB, as a subject of our learning process, since the three companies are located in Jonkoping County, the real reason behind our choice was driven by the remarkable trend of the three businesses towards performing beyond the Swedish borders, their leading role each in its industry and their innovativeness in sensing and seizing opportunities of new markets.

Based on the empirical data we gathered and the interviews we had with decision makers in the three above-mentioned entities, and while enlightened by the literature we examined seriously in the subject, we were able to develop an analytical model drawing correlation between what we believe it to be crucial for a successful internationalization strategy. According to the framework, there is a crucial and tight relationship between, Strategy, Entrepreneurial orientation and Internationalization. Internationalization effort in the three companies is fuelled by a strategic change and a strong entrepreneurial orientation that are both initiated by a raising opportunity.

Further research is needed incorporating a greater number of samples to establish the exact role that the EO-MO correlation plays on the EO-MO-Internationalization relationship. The nature of this correlation must be further evaluated.
References


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Appendices

A. Appendix: A - Research Questions

Developing a picture of Entrepreneurial Architecture

Strategy
1. What are your competitive advantages and are they sustainable?
2. What is the present strategic direction of the company?

Culture
1. How much is creativity valued among employees and management and are there facilities to express and support creativity?
2. Do employees usually support changes and new initiatives?
3. Are there annual/monthly gatherings among employees or between management and employees?
4. Do all organizational levels participate in sharing information and how is the infrastructure for company-information organized?
5. Are there many rules, working procedures and goals which employees have to follow?
6. Are there females in the management team and the rest of the company? How is the relationship between men and women?
7. Is the vision clearly defined and promptly communicated through all levels of the company?

Environment
1. How large is the influence of (inter)national economic developments such as inflation, unemployment, purchasing power, wealth, interest rates, etc on the sales and developments of your (new) product?
2. Are there many competitors? Is there collaboration among the competitors? Are these collaborations a threat or opportunity for your business?
3. Does your company rely on few large or many small customers? And do they possess information about margins, production costs, etc, that can influence sales?
4. How far are the suppliers integrated in your production system? (delivery, customization, kaiban) Do some suppliers deliver unique components?
5. Are there any changes in technology during the last 5-10 years concerning your products or components that influence the use and production of your products?
6. How mature is the market you operate in?

Entrepreneurial Orientation

Risk taking
1. What level of risk taking can be dedicated to your company? (depends on the environmental conditions)
2. What forms of risks do the company usually faces? (e.g. innovative activities, product development, drastic market changes, international environment, emerging opportunities that require rapid reaction)
3. How strong is the risk taking notion in relation to external markets?
4. What tools the company employs to evaluate and mitigate risks? (e.g. proactive planning, structural adaptation, precise evaluation of the future outcomes)
5. Were the initial host country(ies) conditions risky when the company first decided to go abroad? (e.g. environment, economic situation, legal conditions, barriers to entry, future return on investments)

6. How the whole process of internationalization can be described in general, taking to consideration the markets where the company is operating now?

Innovativeness
1. Has been innovativeness in the cornerstone of your organization?
2. What types of innovative activities has the company exploited during its development? (product innovation, structure innovation, strategy innovation)
3. How do you expand your product line? Along core competences or do you find new innovative products?
4. Has the notion to be innovative emerged itself as a logical condition for sustainability or as a respond to growing pressure from the market competitors? (e.g. competitors’ moves toward developing some new techniques or products based on the exploitation of innovative technologies)
5. Does innovativeness the major determinant of the company’s profitability, performance, competitive advantage?

Aggressiveness
1. Does the company exploit aggressive approach toward a market development (extensive promotional campaigns, actions against competitors, dumping, specific growth strategies, aggressive external penetration, etc.)?
2. What is the reaction on competitors’ endeavors? (e.g. performance, marker expansion, new product development)
3. Has the company been aggressive in their actions on the initial stages of the development and/or international development?

Proactiveness
1. How flexible is and has been your strategy in reaction to developments? (How proactive is the company seizing external opportunities and responding to the upcoming threats?)
2. Has the company usually been the first one to enter a new market?
3. Does the company actively search for new opportunities/advantages or try to seize the existing or newly emerged possibilities? (e.g. push or pull)
4. How this search corresponds to the international activities?
5. Does the management and employees are promptly informed about the possible threats/opportunities that they might face approaching new locations in advance?
6. What forms of proactive behavior might be attributed to your company? (employees commitment, top management propositions, networking)
7. Does networking characterized as a superior way of achieving the market knowledge?
8. Have you developed some specific forms of entrepreneurship (e.g. processes, structural implications, behavioral aspects)?
9. How does your company approach customers (e.g. follow them in new markets, map new areas, using networks)?

Autonomy
1. Are projects and day-to-day activities performed individually or in groups?
2. To what extend are employees autonomous and allowed to experiment?
3. Does organizational environment supports creativity among employees?
B. Appendix: B – Research Questions

Developing a picture of internationalization

No export activities
Right before the company started exporting or been involved in any other international activity:
1. What was the strategy followed right before export or any other international activity (e.g. home market dominance, diversification of product development, cost advantage etc.)?
2. Who was doing the decision making right before export or any other international activity, and what was the profile of that/those person(s) (e.g. position and functions inside the company)?
3. What was the situation of the company right before export or any other international activity (e.g. adaptability, knowledge development, establishment of core competences, etc.)?
4. What was the situation of the industry right before export or any other international activity (e.g. important home market customers, competitors, etc.)?
5. What was the macroeconomic situation right before export or any other international activity (e.g. Swedish economy, EU economic politics, trade barriers, technical developments, communication developments, etc.)?

Exports
1. When did the company start exporting or commence any other international activity?
2. Who was doing the decision making respecting that specific situation, and what was the profile of that/those person(s) (e.g. position and functions inside the company)?
3. Where were those activities directed to (which market(s), close or distant)?
4. What strategy followed those activities (e.g. growth, decentralization, concentration on core competences, competitive advantage, restructuring, etc.)?
5. What was the situation of the company at that moment (e.g. strong financial position, working in some innovation, implementation of a system for economic control, etc.)?
6. What was the situation of the industry (e.g. what were doing the competitors, relationships with suppliers, increased competition, etc.)
7. What was the macroeconomic situation (e.g. Swedish economy, EU economic politics, trade barriers, technical developments, communication developments, etc.)?
8. What factor(s) drives the company’s internationalization (opportunity or threat)?
9. Has the company changed its structure to handle or address growing international activities?

Sales subsidiaries
Same questions adapted to this phase

Production/Manufacturing facility
Same questions adapted to this phase

M&A activities
1. Why the company has chosen to grow through acquisitions or mergers?
2. How successful was the first wave of acquisitions? Why or why not?
3. Has the mother company changed management team in the acquired companies?
4. What strategy has been adopted in these acquired companies (e.g. followed by headquarter or fixed according to the local conditions)?
5. What advantages acquired companies brought to the overall performance determinants (financial results, corporate renewal, technological innovations, and market leadership)?

6. Are you planning to continue growing through acquisitions?

7. What other locations have you evaluated to be profitable and efficient for the future expansion?

8. What drives your company along the continuous internationalization?
### Appendix C, NEFAB AB Development chart

#### ‘s Vision “ become a global partner in complete packaging solutions “

<table>
<thead>
<tr>
<th>Year</th>
<th>Internationalization</th>
<th>Strategy</th>
<th>Entrepreneur</th>
<th>Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founded 1923</td>
<td>No export</td>
<td>Production focus</td>
<td>Sigurd Nordgren</td>
<td>A small carpentry shop was established</td>
</tr>
<tr>
<td>1950s</td>
<td>Export ventures in Germany and France</td>
<td>Production focus</td>
<td>Hans-Elov and Sven Erik Nordgren</td>
<td>Creation of the company’s core business activities. Start of internal development division.</td>
</tr>
<tr>
<td>1960s</td>
<td>Export to Germany and France</td>
<td>Product focus</td>
<td>Hans-Elov Nordgren</td>
<td>Development in cooperation with major customer (e.g. Eriksson). Growth of employees.</td>
</tr>
<tr>
<td>1970s</td>
<td>International marketing activities were intensified through agents and distributors, primarily in Germany, Switzerland, France, the Netherlands and Belgium. Sales company established in England</td>
<td>Product focus (diversification) International expansion</td>
<td>Hans-Elov Nordgren</td>
<td>Development of a sales organization to cultivate other sectors of the Swedish industry.</td>
</tr>
<tr>
<td>1980s</td>
<td>A wholly owned sales company was established in France and USA. Packaging production started in Spain. Factory opened in England. Production plant in Canada and France.</td>
<td>Market segments focus International expansion</td>
<td>Ing-Marie Nordgren Jochum Pihl</td>
<td>Home market saturation Concentration on wholly owned companies. Creation of separate organizational unit previously operating as division (Nefab Teknik AB).</td>
</tr>
<tr>
<td>1990s</td>
<td>Acquisition of two major competitors in Sweden. Production plant was established in Chicago, Brazil and China. Sales company in Italy and Singapore.</td>
<td>Market and service focus. Continuous internationalization through acquisitions. Strategic partnership with Motorola, Alcatel, Nortel.</td>
<td>Jochum Pihl (responsible for strategic international expansion)</td>
<td>Growing need to alter operations to meet customers’ demands. Creation of separate companies (Nefab Components AB, Nefab Supply AB). Presentation of new products. Increase in volume and capacity utilization.</td>
</tr>
</tbody>
</table>
Acquisitions in 2003:
- Portugal - RA Embalagem
- Finland - C-J Krogius

Acquisitions in 2004:
- Belgium – Packinn
- Sweden - Jönsson Case

Acquisitions in 2005:
- Netherlands – Bijl
- Austria – Franz Steffl Verpackung
- Norway – Gregersen

Acquisitions in 2006:
- Hungary – Macfarlane
- Spain – Mediterranean Goods
- Sweden – Scandinavian Procace

Acquisitions in 2007:
- Germany – Günther Verpackungen
- Austria – Oskar Eder Verpackungstechnik
- Spain – Pontevedra

Acquisitions in 2008:
- Finland – Kipack
- France – Nairod

Distribution agreement signed for Australian and New Zealand markets.
Factories in China and Estonia.
## Appendix D, ESBE AB Development chart

<table>
<thead>
<tr>
<th>Year</th>
<th>Internationalization</th>
<th>Strategy</th>
<th>Entrepreneur</th>
<th>Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founded 1906</td>
<td>No export …but export to Russian army until revolution began. Business connections with Germany</td>
<td>Production strategy</td>
<td>Johan August Skogsfors</td>
<td>Development of water troughs for agriculture.</td>
</tr>
<tr>
<td>1930s</td>
<td>No export</td>
<td>Production strategy</td>
<td>Johan August Skogsfors, Sigurd, Sven and Göte Skogsfors</td>
<td>During the 1930’s the product range was expanded to include water pumps, hydrophores and mixing valves. The specialization in Hydronic Systems had begun. Drastic structure changes and development of separate entrepreneurial entities.</td>
</tr>
<tr>
<td>1940s</td>
<td>No export</td>
<td>Production strategy</td>
<td>Göte Skogsfors</td>
<td>Distribution of valves, pumps, etc. Development of mixing valves. Adaptation of mixing valves to OEMs, which resulted in huge breakthrough in sales. Active development of new valve concepts.</td>
</tr>
<tr>
<td>1950s</td>
<td>Export to Scandinavian countries</td>
<td>Organic growth</td>
<td>Göte Skogsfors</td>
<td>Export sales represent more than 50% of turnover.</td>
</tr>
<tr>
<td>1960s</td>
<td>Beginning of 60s Export to Germany Middle 60s Sales company established in Germany</td>
<td>Production strategy</td>
<td>Göte Skogsfors</td>
<td>Export sales represent more than 50% of turnover.</td>
</tr>
<tr>
<td>1980s</td>
<td>Export to France. Late 80s Sales company established in France. Developing the network of representatives.</td>
<td>Production strategy</td>
<td>Mats Skogsfors</td>
<td>Continuous product innovations and development.</td>
</tr>
<tr>
<td>Decade</td>
<td>Activity</td>
<td>Production Strategy</td>
<td>Person(s)</td>
<td>Remarks</td>
</tr>
<tr>
<td>--------</td>
<td>--------------------------------------------------------------------------</td>
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<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1990s</td>
<td>Continuous sales transactions. Export to USA. Developing the network of representatives.</td>
<td>Organic growth, Product and brand development strategy</td>
<td>Mats Skogsfors, Johan Skogsfors</td>
<td>Continuous product innovation and development. Late 90s – consolidation and product concentration.</td>
</tr>
</tbody>
</table>
| 2000s  | 2007 Sales company established in Italy  
2008 Sales company established in Turkey. | Very strong emphasis on brand management, Organic growth | Johan Skogsfors | Specialization on three production groups: rotating, thermostatic and linear motorized valves. Continuous innovation and development. Brand management emphasis. |
Appendix E, ITAB AB Development chart

<table>
<thead>
<tr>
<th>Year</th>
<th>Internationalization</th>
<th>Strategy</th>
<th>Entrepreneur</th>
<th>Firm</th>
</tr>
</thead>
</table>
| 1990s | Acquisitions of several major players on Scandinavian market. In 1998, companies in Sweden, Norway, Finland and Denmark were merged to form ITAB Inredning group. Acquisitions in 1989:  
  • Sweden – ABO Metal  
  Acquisitions in 1991:  
  • Norway – Legra ASA  
  • Denmark – Super Service  
  Acquisitions in 1992:  
  • Sweden – Metallteknik met-o-matic AB  
  Acquisitions in 1996:  
  • Sweden – Productions AB R.Berg  
  • Denmark – Riva Hugin Swede  
  • Norway – KB Design A/S  
  Acquisitions in 1998:  
  • Finland – Expo Kaluste OY  
  Acquisitions in 1999:  
  • Sweden – Sabina Inredningar AB | Production focus | Jan-Ola Wirèhn | During 1999 and 2000, a number of long term agreements with leading chain stores were concluded, later leading to the position as market leader for complete shop fittings within the everyday commodities trade in the Nordic countries. |
| 2000s | Acquisitions in 2000:  
  • Sweden – ISC Inter Shop Center  
  Acquisitions in 2001:  
  • Legra Baltic – Lithuania  
  Acquisitions and establishments in 2003:  
  • Estonia – establishment of ITAB Sisustus AS  
  • Russia – establishment of representative office in St. Petersburg  
  • Sweden – Södergrens Metallkonstruktion AB | Organic growth and internationalization through acquisitions. Steady concentration on complete shop concepts. | Jan-Ola Wirèhn | Started from 2008 Ulf Rostedt | From the start of 2000, several of ITAB customers underwent a process of internationalization. So did ITAB and reconfigured its strategy to fit a growing demand for their products. In 2002, move of production from Falkenberg and Sävsjö to new production premises in Jönköping and Nässjö. ITAB (2004) was hived off from XANO Industri |
<table>
<thead>
<tr>
<th>• Czech Republic – Shop Equipe</th>
<th>• Denmark – Shop Equipe</th>
<th>• Sweden – Skandinavisk Inredning AB</th>
</tr>
</thead>
</table>

**Acquisitions in 2004:**
- Sweden – Stanestams Industri AB
- Norway – Lindco AS
- Czech Republic – ABL and APOS

**Acquisitions in 2006:**
- Holland – PremOers
- Lithuania – Novena
- UK – City Group and Radford CGC
- Norway – PharmaService

**Acquisitions in 2007:**
- Sweden – Sintek AB

**Acquisitions in 2008:**
- Germany – Hansa Kontor Shopfitting Group
- Finland – Pan-Osten
- Sweden – L-Form Logistics AB
- Holland – Scangineers

(then ITAB Industri) and became an independent group within shopfitting and equipment.

The company experiencing a stable growth in sales over 30% annually.

Continuous acquisitions of major competitors within shopfitting industry to increase market presence and capture leadership in complete shop concepts.

Swedish units’ consolidation. Consolidation of externally acquired companies.

Complete concepts for big shop chains.

2000s characterized by many partnerships and cooperation agreements with big shop chains around Continental Northern Europe and Nordic region.