

**Internationalization Processes and International Entrepreneurship**

**Successful Coordination of Structures and Processes in Internationalisation Stages –  
Analysis of Family-Owned SMEs**

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## **ABSTRACT**

This article addressed stages of internationalisation combined with firms' structural, systemic, cultural dimensions, and success. Three hundred managers of small and medium-sized, family-owned firms evaluated their international situation of today and ten years ago, however only the situation today is relevant in the present analysis. Five internationalisation stages could be identified, and successful and less successful firms are analysed in each stage in terms of managing structures, systems and culture. In the result it is shown that different coordination dimensions are relevant to success in each stage. This implies a changing relevance of structural, systemic and cultural dimensions to success in the internationalisation process. For SMEs, a glance at successful firms in different stages of internationalisation open up various avenues for planning future structural, systemic and cultural aspects. At the same time, promising ideas emerge for future research.

## **KEY WORDS**

Internationalisation Stages, Structure, Systems, Culture, Success, Small-and-Medium-Sized Enterprises (SMEs), Primary Data, Integrative Analysis

## INTRODUCTION

Internationalisation processes are still a challenge for most SMEs (Ruzzier, Antoncic and Hisrich, 2007). For all of them it would be a dream to know how internationally successful SMEs manage their structures and processes so that they can plan these changes prior to their own firm's internationalisation steps.

This is maybe a reason for the huge body of research focusing on internalisation processes (see reviews by Leonidou and Katsikeas, 1996; Ruzzier, Hisrich and Antoncic, 2006). In general, some research streams (concerning single organisations or populations of organisations) focus on the first stages of internationalisation (export stage models, Uppsala-model), others are related to MNCs (Three-Es-approach, IR-framework), while yet others look at both of these (born global research, GAINS). They can be categorised according to their basic understanding (voluntaristic or deterministic), their process understanding (evolutionary/incremental or in stages/episodic/epochal), their scope (focus on basic decisions or patterns, their consequences for structures or processes and/or their determinants), their empirical verification, etc.

Only a few studies deal with scope decisions empirically and integratively, such as the connection between internationalisation stages and the structural, systemic and cultural dimensions, and above all the success of the firm. The present article moves in this field, conceptualising two levels of firms' internationalisation and testing the relations based on questioning SMEs that are not subject to any publication requirements. The primary purpose of the article is based on identifying stages of internationalisation on a primary (macro) level. However, the intention is not to discuss paths at this level, but to analyse the specific structural, systemic and cultural differences between successful and less successful firms within each stage at a secondary (micro) level. As a distinctive feature, the authors try to bring together different research streams and to give recommendations for potentially viable large-scale empirical studies on internationalisation processes including more detailed discussion of measurements. The procedure is based on a conceptual framework and related conceptualisations. The methodology, results of the empirical study and discussion then follow.

## CONCEPTUAL FRAMEWORK

As indicated, this analysis tries to include elements of several theories in a two-stage framework from the viewpoint of SMEs.

- The primary level referred to below relates to macro decisions of internationalisation, such as entry to individual markets, choice of operation modes or allocation of value added functions abroad.
- As the secondary level, firms' structures, systems and culture are conceptualised, based on the differentiation between processes and structures in the Three-Es-approach, supplemented by learning theory elements of cultural or leadership characteristics, such as attitudes or cultural-psychic distance.

### *Conceptualisation of a Primary Level: Establishment Chain, Country Dimension and Value-Added Transfer*

In terms of conceptualisation, the authors of the present article could opt for an easy way, adopting to the contingency-based GAINS approach, in which stages of internationalisation and successful environment-strategy-structural gestalts are modelled (see Macharzina and Engelhard, 1991). On the other hand, the general orientation of contingency approaches are criticised as being too externally deterministic (Hult et al., 2007). Furthermore, it seems to make sense to separate the environment (which is only addressed indirectly here) and the development stages from the structural, systemic and cultural dimensions because internationalisation can be viewed separately at each of these levels.

Alternative basic considerations on the primary level could be found in born global research, although the latter has not been based on an integrating theory to date (e.g. Rialp, Rialp and Knight, 2005; Kuivalainen, Sundqvist and Servais, 2007). As is known, born global research is originally based on empirical observations, suggesting non-incremental internationalisation. At least in more recent studies, it explicitly distinguishes between gradually varying intensity of rapid internationalisation (e.g. Servais, Madsen and Rasmussen, 2007 and Kuivalainen, Sundqvist and Servais, 2007), with the differentiation of an apparent born-global pathway (born-international firms), and a true born-global pathway (genuine born-global firms). For the purpose of the present analysis, these theoretical underpinnings seem to be limited. In comparison, the traditional process models (based on decisions, growth and learning theories) currently provide an extended understanding of internationalisation of most SMEs (Johanson and Vahlne, 1977, 2003; Steen and Liesch, 2007), even if there are restrictions in

terms of their explanatory horizon or measurability (Andersen, 1993; Johanson and Vahlne, 2006; Sousa and Bradley, 2006). One of their advantages is rooted on similar learning theory considerations, as in early export stage models.

The authors are sympathetic to the evolutionary and decision-based conceptualisation of the Three-Es-approach, in which the interaction of evolutionary development, episodic decisions or epochal changes is modelled (Kutschker and Bäurle, 1997; Kutscher, Bäurle and Schmidt, 1997). Even if the question of incremental or revolutionary development is not crucial in the present study, a basic decision must be made. From the viewpoint of the majority of SMEs, it can be argued that it made more sense to conceptualise on the basis of incremental assumptions and that typical stages can be identified, even if – according to born global research – firms do not have to pass through these stages successively. Thus, conceptualisation of the primary (macro) level is based on the patterns of internationalisation in the behavioural-based process models, albeit with slight modifications:

- (1) The "establishment chain" with its progression of (operation) modes, no regular export activities, exports via an independent agent, sales subsidiaries and production subsidiaries abroad.
- (2) The sequence in which international markets are entered, based on the geographical/cultural assumption.
- (3) Increasing international value-added transfer in internationalisation processes.

The first two macro dimensions set up an alternative perspective to foreign sales volumes as a predictor for the degree of SME internationalisation in export stage models and more recent born global research (e.g. Kuivalainen, Sundqvist and Servais, 2007). Evidently, internationalisation is not restricted to these two macro dimensions only, but can also be considered as an ongoing process (Kutscher, Bäurle and Schmidt, 1997; Hadjikhani, 1997 speaks of intangible commitment) or as a value-added process (Porter, 1986; Hashai and Ref, 2008). In order to enlarge the scope of the analysis on the primary level, the authors integrated value-added transfers as a third dimension. Subsequently, these three dimensions are integrated conceptually to model the internationalisation stages.

### ***Conceptualisation of the Secondary Level: Structure, Systems, and Culture***

While consequences of evolutions, episodes, and epochs on processes and structures are modelled in

the Three-Es-approach, in both behavioural and born global research, there seems to be a research gap relating to the whole range of firms' structure, systems, and culture. Integrating concepts may be found in contingency approaches (Miller and Friesen, 1984; Vorhies and Morgan, 2003) that are rooted in general systems and open systems perspectives (Zeithaml, Varadarajan and Zeithaml, 1988), or in the international gestalt approach (Macharzina and Engelhard, 1991). The latter, for example, consider strategies, structure and processes that have to be balanced to suit the external environment. Lawrence and Lorsch (1967) argued that building up effective organisations involves a well-balanced package of strategy, structure, processes, and management ideology, while Ouchi (1979) examined market, bureaucratic and informal/social dimensions.

In the present study, external environment is represented to a certain extent by the stage of internationalisation to which a firm is assigned based on its decisions at a specific point in time. The extent to which a "fit" between internal or external environment has to be assumed explicitly is questionable, particularly for SMEs (similar to Olsen, Slater and Hult, 2005; Xu, Cavusgil and White, 2006). This lends support to an internally deterministic perspective (Hult et al., 2007). Focusing on family-owned firms, the present paper considers culture as third important dimension of (internal) dynamics (Leung et al., 2005), in addition to structure and systems.

Conceptually, the *primary (organisational) structure* is reviewed in terms of structural changes, i.e. the visible structure of the firm (Mintzberg, 1979; Fredrickson, 1986), conceptualised by Westney and Zaheer (2005), for example. Furthermore, *centralisation*, formalisation and specialisation are discussed (e.g. Ruekert, Walker and Roering, 1985; Ghoshal and Nohria, 1993). Centralisation refers to the extent to which a firm is controlled centrally by its top management. Formalisation relates to formal rules and standards applying to the organisational structure (e.g. Bartlett and Ghoshal, 2002). Specialisation refers to the degree of functional specialisation. In view of the increasing complexity in the internationalisation processes of SMEs, it would be reasonable to extend formal aspects by adding a *secondary organisation* of informal instruments, such as international project teams or cross-national work groups (Edström and Galbraith, 1977).

Conceptually, firms can be considered as *systems* in which information is processed (Galbraith, 1977). Important elements here are the reporting system and controlling (Chenhall, 2003; Mukheri et al.,

2004). Since internationalisation processes by SMEs are also characterised by restricted knowledge of internationalisation, it can be concluded that instrumental controlling or market research processes should be part of the *information system*. The importance of strategic *planning systems* increases as the environment becomes more dynamic (Li, Li, and Dalgic, 2004). In literature and in the following, various aspects of information and planning systems are analysed, such as importance and intensity of use, formalisation, centralisation, and network compatibility (Mukheri et al., 2004).

Conceptually, *culture* is a multi-layer construct that is anchored in international management, but is not clearly defined (see Leung et al., 2005). Schell and Solomon (1997) generally consider culture to be the "glue" that holds firms together. In international firms, influence is both national and international (Tung, 2008). In the present context, the authors model not only the *general culture* of the firm and *cultural transfer*, but also (*managerial*) *leadership characteristics* with such aspects as risk and growth orientation (Macharzina and Engelhard, 1991; Acedo and Jones, 2007), as well as managerial attitudes/commitments and perceived cultural-psychic distance (Sousa and Bradley, 2006).

### ***Framework and Conceptualisation of the Success***

Having provided a brief review of the literature and description of the authors' understanding of the constructs used, this section concludes by setting forth a conceptual framework (see Figure 1).

--Figure 1--

First, the *primary level* of the framework is examined, conceptualised on the basis of a combination of the three dimensions discussed. Referring mainly to the behaviour-based models, firms may be identified that are in different stages of internationalisation in terms of their international development on the establishment chain, the country dimension and value-added transfers. Thus, the following explorative research question can be formulated, although it is not the primary focus for the purposes of the present analysis, but is vital for the overall context:

*R1: Stages of SMEs' internationalisation can be identified within the internationalisation process.*

The second observation relates to analysis on the secondary level and its link to the primary level. The connection between strategy and structure is raised by Wolf and Egelhoff (2002), for example. Studies

on *information and planning systems* deal with the relevance of market research, for example, and with more intensive (market-related) information processes for the internationalisation process (Yip, Biscarri and Monti, 2000). Furthermore, the connection between strategy formation and strategic planning is analysed (Upton, Teal and Felan, 2001) or related to firms' success (Xu, Cavusgil and White, 2006). The same applies to formalisation and standardisation (Dibrell, Down and Bull, 2007). Whereas planning processes tend not to be formalised or standardised to a large extent in the initial stages of internationalisation, this increases as internationalisation progresses. Obviously, the question of periodicity of international planning can be assessed in a similar way. Studies focusing on firms' *culture* discuss (global) leadership culture (Hmieleski and Ensley, 2007), cultural transfers (Brock et al., 2008), risk and growth orientation of entrepreneurs (Weber and Hsee, 1998; Acedo and Jones, 2007), and their attitudes towards foreign markets (Gripsrud, 1990). The situation is similar when looking at cultural-psychic distance (Sousa and Bradley, 2006; Ellis, 2007).

There still seems to be contention in both behavioural and born global research concerning integration and conceptualisation of success. However, success is used as a resulting concept in various internationalisation studies, usually interpreted as synonymous with performance (Katsikeas, Leonidou and Morgan, 2000; Kuivalainen, Sundqvist and Servais, 2007) and conceptualised either based on objective data (e.g. financial reports) or based on managerial perceptions (Katsikeas, Leonidou and Morgan, 2000; Cavusgil and Zou, 1994). Some studies investigate success or firms' performance in international markets linked to structural (e.g. Meijaard, Brand and Mosselman, 2005), systemic (e.g. Xu, Cavusgil and White, 2006) and/or cultural aspects (e.g. Hult. et al., 2007). In this context, the authors of the present study distinguish between more and less successful international firms, related to the basic idea of successful international gestalts (Macharzina and Engelhardt, 1991) or empirical studies focusing explicitly on intra-firm "fit" (e.g. Olsen, Slater and Hult, 2005; Xu, Cavusgil and White, 2006). Against the background of findings available on success in single stages, arguments can only be brought forward tentatively, leading to the following explorative research question:

*R2: Successful and less successful firms within a specific stage of internationalisation differ in terms of (a) structural, (b) systemic and (c) cultural dimensions.*



## METHODOLOGY

### *Empirical Design and Sample*

The empirical study is based on managerial perceptions, which – in spite of its shortcomings – is widespread in internationalisation research (e.g. Acedo and Jones, 2007) and should be considered due to lacking secondary data in German SMEs that are not subject to any publication requirements.

To develop the sample, every fifth SME in a German address database was selected if it was possible to identify the firm as being family-run, not diversified or as having had stable management over a longer period of time. After initial contact by post with information about the study, a questionnaire was completed in writing, or verbally on request, or a reminder telephone call was made. Over two thousand questionnaires were sent out, and a total of 346 questionnaires were returned. A further 46 (firm belonging to a group of companies), 39 (unstable management or national activities only) and 14 (only contractual production or missing values) were excluded from the study. Since empirical data collecting was a step-by-step process without real time lag between sending out the questionnaires and their return, non response bias should not be a critical issue. Nevertheless, key variables were compared between early to latest responding firms, and also tests between responding and non-responding firms (industry and, if available, number of employees and foreign sales ratio) show insignificant ( $p < 0.05$ ) differences (Armstrong and Overton, 1977).

The 247 firms used in the final sample represent highly internationalised German industries, particularly mechanical engineering (35%), chemicals (24%), textiles/clothing (24%), polymer processing (10%), and a miscellaneous group. The firms that specified their total and foreign sales show 35% with a foreign sales ratio under 30%, 31% between 30% and 50%, and 34% over 50%.

### *Measurements*

Many measurements are not related to SMEs (see Meijaard, Brand and Mosselman, 2005). Nevertheless, the authors tried to apply approved measurements and scales/items adapted in face-to-face interviews. Cronbach's Alpha (each  $> .6$ ) and explorative factor analyses were calculated for constructs measured with more than one item. In order to be able to compare constructs measured on the basis of individual items (see Bergquist and Rossiter, 2007, for example, on the acceptance of this procedure) with the

scale-based constructs, arithmetical index values were formed for the latter (by summing the extent to which each activity was reported as being important and then dividing the summarised score by the total number of items). This seems opportune for behaviour-based analyses and for reflective scales.

*Measurement of the primary dimensions:* The establishment chain was measured according to Chang and Rosenzweig (2001) and Manolova et al. (2002), and the country dimension according to Ruzzier, Antoncic and Hisrich (2007). These measurements only took account of the (operation) modes and countries that had at least a middle-rated relevance based on seven-point likert-type scales. (see Figure 2). An own scale has been developed for *value-added transfer*.

--Figure 2--

*Measurement of success:* As indicated, success can be conceptualised based on objective data or managerial perceptions (financial and non-financial). Arguments against objective scales are the reluctance of SMEs to provide "hard" financial data versus more complete data with subjective measures, the lack of possible ways to check the accuracy of any financial data of (non-publishing) SMEs, and the industry-related effects of absolute financial scores (Miles, Covin and Heeley, 2000). The decision was made to measure with a target approach, defining success as the degree to which an intended target is achieved (Cavusgil and Zou, 1994; Evans and Mavondo, 2002). The assessments of the importance and degree of achievement of five financial and five non-financial targets (see Cavusgil and Zou, 1994) takes account of the wide range of possible targets in SMEs (see Figure 3). They were combined in one index  $I_{AZj}$  (see Formula 1), which was used to distinguish between more and less successful firms, based on the median. Validity is supported by correlation of the index values with global success estimation ( $r=.77$ ) and foreign sales development ( $r=.56$ ).

--Formula 1 and Figure 3--

*Measurement of the structural, systemic and cultural dimensions:* Organisational structure (Westney and Zaheer, 2005), centralisation and secondary structure were measured as conceptualised (Edström and Galbraith, 1977; Swoboda/Anderer, 2008) (see Figure 4). Formalisation was only measured in the context of the systems. Specialisation was neglected because the assumption of explicitly functionally differentiated systems does not really apply to SMEs. Information gathering, including report-

ing/controlling systems (Mukheri et al., 2004), and the planning dimensions (Kellermanns and Eddleston, 2006) are systemic aspects. In the planning system (Upton, Teal and Felan, 2001), five aspects were measured (see Figure 5 and Swoboda/Anderer, 2008). The cultural dimension was measured as conceptualised by general culture, cultural transfer, and leadership characteristics (see Figure 6).

--Figure 4 to 6--

## **RESULTS OF THE EMPIRICAL STUDY**

### ***Identification of Different Stages of Internationalisation***

To identify stages of internationalisation or homogeneous groups of firms within the internationalisation process, a cluster analysis for the current situation was applied with the three dimensions of the primary level of the conceptual framework. The Ward algorithm was used because it has good partitioning properties and assigns elements to the groups with relatively good accuracy (Mirkin, 2005). After initial evaluation of the number of clusters based on several randomly selected sub-samples, a five-cluster solution was found to best suit the empirical data, also supported by the elbow-criterion.

--Table 1--

Discriminant analysis (cumulated Wilk's Lambda .981, 99.2% correctly classified cases) corroborates the quality of the solution, as do the Scheffé tests. In addition, the groups – in the sense of an external criterion – show highly significant differences in terms of total sales (F-Value=24,615;  $p=.000$ ; adjusted  $\eta^2=.43$ ), based on the firms that provided related information. The clusters can be interpreted as follows:

- Cluster 1 contains firms that export (indirect/direct, without own presence/branch) to Western and Eastern Europe and transfer relatively little value-added to foreign countries (firms with European exports).
- Cluster 2 contains firms that focus on indirect and direct exports without own presence on a worldwide level and having a higher rate of value-added transfers (firms with global exports).
- Cluster 3 contains firms that export with own presence/sales office, operating worldwide and having a significantly higher rate of value-added transfers than Cluster 2 (worldwide exporters with own pres-

ence).

- Cluster 4 contains firms with larger value-added transfers to foreign markets and direct investments in first production subsidiaries (owned or joint venture) operating in Europe and overseas (firms with first local production).
- Cluster 5 contains firms with several (at least three) worldwide production subsidiaries, in seven cases with autonomous national companies, and by far the largest value-added transfer (multinational firms).

### ***Successful vs. Less Successful Firms in the Different Stages of Internationalisation***

Table 2 shows the primarily interesting comparison of more and less successful firms in each stage (including t-tests). The comparison between clusters is then examined in addition.

--Table 2--

Regarding *European exporters*, less successful firms have no or only marginal reporting, while more successful firms establish increased direct reporting or even export managers. Secondary structure and centralisation do not differ significantly. The information system is significantly more highly developed in more successful firms, the planning system less so (standardisation and centralisation are not significant). In the cultural dimension, the differences are significant almost everywhere (with exception of growth orientation). An interesting aspect is the lesser developed risk orientation (also cultural transfers) in more successful firms, while their positive attitudes to foreign markets and the less perceived cultural-psychic distance are known from other studies.

Regarding *worldwide exporters*, the primary structure is not significant, the secondary structure is lower and centralisation is higher in less successful firms. The information system is more developed in successful firms in almost every case, as is the planning system (but not periodicity and centralisation). The cultural dimensions are more highly developed in more successful firms, which was to be expected. Risk orientation, however, is not significant. Compared to the cluster of European exporters, some values are higher, as expected, such as the structural and systemic dimensions. Cultural-psychic distance, however, differs very little, which is surprising in view of the studies conducted in this area.

Regarding *worldwide exporters with own presence*, the primary structure in more successful firms is implemented by the export division responsible or by integrated forms. Differences in secondary structure and centralisation are non-significant. Regarding the information system, more and less successful firms differ in relevance and intensity of market research, and in relevance of controlling. The planning system is significantly more highly developed in more successful firms, most clearly in standardisation. In the cultural dimension, general culture, cultural transfer and risk orientation are fairly even, while growth orientation, attitudes (highest in a cross-comparison with all other clusters) and little cultural-psychic distance characterise the more successful firms.

Regarding *first foreign producers*, all developments (except the information system) in the dimensions are smaller in a cross-comparison with the previous cluster, which basically challenges incremental assumptions. A comparison of more and less successful firms shows significant differences in all structural and most system dimensions. In the cultural dimension, risk and growth orientation are highly developed and cultural-psychic distance less so in more successful firms.

Regarding *multinational firms*, a cross-comparison with the other clusters yields the "highest" values, as expected. While there are significant differences in primary structure between more and less successful firms, these are only marginal for secondary structure and centralisation. There is hardly any difference between the relevance and intensity of market research, and the intensity of planning. In addition, cultural transfer, risk orientation, and attitudes are more highly developed in more successful firms, while cultural-psychic distance is less developed.

## DISCUSSION AND IMPLICATIONS

The purpose was to focus on structural, systemic and cultural differences of more and less successful firms within different empirical stages of internationalisation. The authors are aware of the limitations (e.g. managerial perceptions, using own scales checked by means of reliability analyses, German firms only, descriptive and small sample-based results, family-owned firms with stable management only, which do not enable a review of epochal changes). Nevertheless it can be argued that the approach presented yields interesting results and ideas for future research.

As **key results**, the significant structural, systemic and cultural differences indicate initially that a further integrative analysis of internationalisation processes would be of interest as this can be more meaningful than an exclusive analysis of isolated variables, such as cultural-psychic distance. Integration of success illustrates not only to managers which structural, systemic and cultural dimensions in present or future stages of internationalisation are promising, thus appropriate decisions can be made.

Detailed links to other studies can be suggested. Here, three aspects are highlighted. Ghoshal's (1987) assumption of a higher degree of centralisation with increasing internationalisation cannot be verified, but the increasing importance of secondary organisation proposed by Caruana, Morris and Vella (1998) certainly can. In a cross-comparison of the five stages, the centralisation of decision-making and of planning drops substantially. Another interesting aspect are the non-incremental developments between stages. In addition, centralisation is not a relevant factor with which to categorise into more or less successful firms in all stages. Observations of the information and planning systems support the arguments of Yip, Biscarri and Monti (2000), who maintained that information and planning systems are also used systematically during systematic and progressive internationalisation of firms. Here, too, developments are not all linear and not of equal importance in all stages when considering success. If we refer to leadership characteristics, such as growth and risk orientation, which may lead to groundbreaking and accelerated internationalisation (Harveston, Kedia and Davis, 2000; Acedo and Jones, 2007), different conclusions can be drawn for specific stages of internationalisation.

The authors derive suggestions for **further research** from the study at the present time. For example, simple correlations could be used to show what relation exists between success and the structural, systemic and cultural dimensions in the various stages. Three examples illustrate this:

- Primary structure has higher correlation to success ( $>.50$ ) in Clusters 1 and 3 and lower correlations ( $<.30$ ) in the other clusters.
- Information systems have the highest correlations to success ( $>.65$ ) in Clusters 1 and 2, lower correlations in the middle clusters and high correlations again in Cluster 5.
- Firms' culture has the highest correlations in the first two clusters, while leadership characteristics show a high level of correlation in virtually all clusters.

This is an indication that the structural, systemic and cultural dimensions can have differing relevance to

success depending on the internationalisation stage. Of course, (moderated) regression analyses would be interesting in each of the stages of internationalisation. However, inter-correlations and possible moderating effects would have to be conceptualised, and the sample size increased. A second example for further research is to examine further dimensions at secondary level. International competitive or marketing strategies should be considered here, which appears to be possible for non-diversified SMEs. It would certainly be exciting to find out how they develop over time. A third example would be to take account of internal and external determinants of development, which could form a third level of the conceptual framework.

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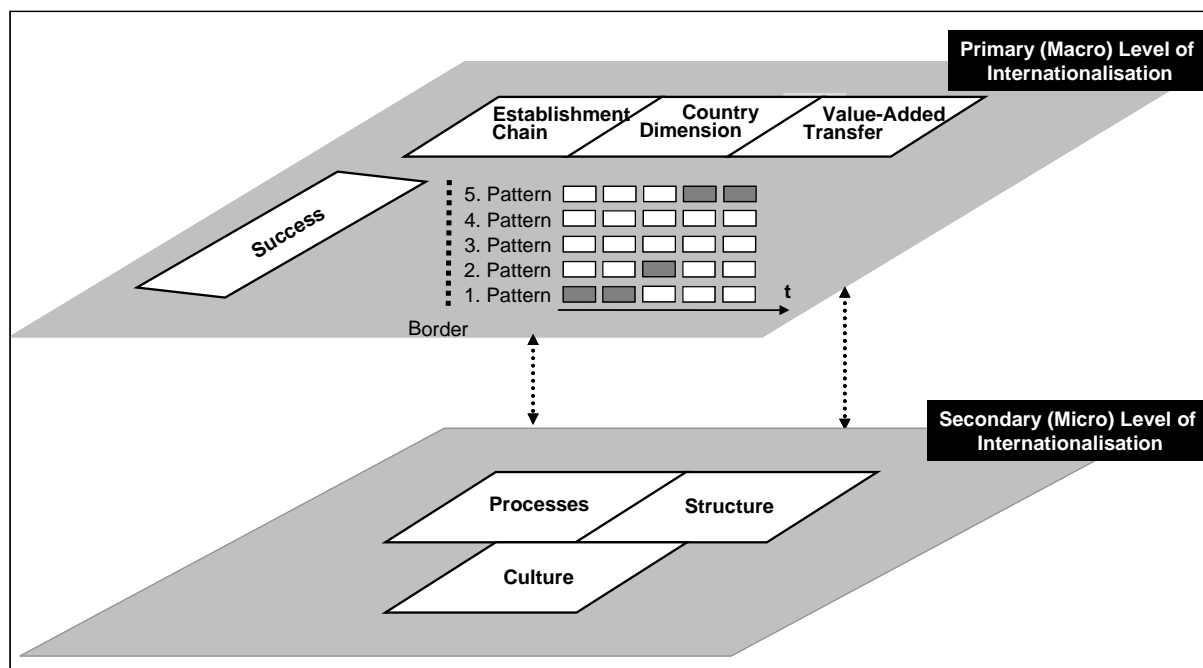
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**FIGURE 1: Conceptual Framework**



**FIGURE 2: Measurement of the Primary Dimensions**

Construct	Items
<b>Establishment chain</b> - Dichotomous question (yes–no) <sup>1</sup>	- Domestic operations only - First indirect exports - Indirect and direct exports (without own presence) - Direct Exports (with own presence/sales office) - Joint venture - One/two owned production subsidiaries - Three and more production subsidiaries
<b>Country dimension</b> - Dichotomous question (yes–no) <sup>2</sup>	- Operating domestically only - Operating in German-speaking neighbouring countries - Operating in further neighbouring countries - Operating in Western Europe - Operating in Eastern Europe - Operating in one overseas market/region (e.g. North America, Asia) - Operating all over the world (three continents)
<b>Value-added transfer</b> <sup>3</sup> - Seven-point likert-type scales (1=not important at all to 7=extremely important)	- Production in foreign countries - R&D in foreign countries - Sales in foreign countries - After-sales services in foreign countries

<sup>1</sup> Interpretation of the six items as a vertical scale (0=domestic modes only to 6=three and more production subsidiaries); additional questions: relevance of each mode based on seven-point likert-type scales (1=not important at all to 7=extremely important), dominating mode, use of direct investment, number of foreign production subsidiaries.

<sup>2</sup> Interpretation of the six items as a vertical scale (0=operating domestically only to 6=operating all over the world); additional questions: dominating mode in a region, number of countries entered, existence of a dominating country.

<sup>3</sup> Aggregation to an arithmetical index value, i.e. by summing the extent to which each activity was reported as being important and then dividing the summarised score by the total number of items.

**FIGURE 3: Measurement of Success (Target Approach)**

Construct	Items
<b>Success (based on relevance and achievement of targets)<sup>1</sup></b> - Seven-point likert-type scales (1=not achieved at all to 7=achieved at all)	- Sales growth - Cost savings/productivity - Return on investment (ROI) - Market share - Profit/marginal Return - Capacity utilisation - Realisation of synergies - Access to resources - Gaining international experience - Gaining timing advantages compared to competitors

**FORMULA 1: Index Value for Success (Target Approach)**

$$I_{AZj} = \frac{\sum_{i=1}^{10} A_{ij} * Z_{ij}}{k_{ij}}$$

where:

$I_{AZj}$  = Index of the international success of firm j

$A_{ij}$  = Relevance of target i for firm j (seven-point likert-type scale; 0=not important at all to 6=extremely important)

$Z_{ij}$  = Extent of target i achievement of firm j (seven-point likert-type scale; 1=not achieved at all to 7=achieved at all)

$k_{ij}$  = Number k of targets i of firm j based on condition  $A_{ij} \neq 0$ .

**FIGURE 4: Measurement of the Structural Dimension**

Construct	Items
<b>Primary (organisational) structure<sup>1</sup></b> - Dichotomous question (yes–no)	- No/only marginal reporting - Direct reporting to the headquarter in home country - Export manager responsible in home country - Export division responsible in home country - Holding structure - Resort and/or regional structure - Combined structure (e.g. matrix)
<b>Secondary structure<sup>2</sup></b> - Seven-point likert-type scales (1=not important at all to 7=extremely important)	- International project teams - Cross-national work groups - International groups for exchange of experience - International workshops
<b>Centralisation<sup>3</sup></b> - Alternative question (central–decentral–jointly)	- Selection of country markets - Market entry strategy to country markets - Investment/financial decisions - Engagement of sales persons - Allocation of executive positions - Extension of customer services - Reorganisation of international activities

<sup>1</sup> Interpretation of the seven items as a vertical scale (1=no/only marginal reporting to 7=combined structure).

<sup>2</sup> Aggregation to an arithmetical index value, i.e. by summing the extent to which each activity was reported as being important and then dividing the summarised score by the total number of items.

<sup>3</sup> Interpretation of the number of mentions of „central“ as a vertical scale (1=only marginal to 7=extremely centralized).

**FIGURE 5: Measurement of the Systemic Dimension**

Construct	Items
<b>Information system</b> (seven-point likert-type scales; 1=not important at all to 7=extremely important)	
Relevance of market research Intensity of (foreign) market research <sup>1</sup>	<ul style="list-style-type: none"> <li>- Systematic foreign market research</li> <li>- Analysis of political/economic environmental factors</li> <li>- Analysis of country markets</li> <li>- Analysis of market opportunities</li> <li>- Information about developments of customer industries</li> <li>- Analysis of local competitive strategies</li> <li>- Analysis of fit between product and target market</li> </ul>
Relevance of controlling Relevance of country reports <sup>1</sup>	<ul style="list-style-type: none"> <li>- General relevance of (international) controlling</li> <li>- Regularity of foreign country reports</li> <li>- Reports on market developments (e.g. customer needs)</li> </ul>
Use of controlling key figures <sup>1</sup>	<ul style="list-style-type: none"> <li>- Turnover</li> <li>- Key figures on profits</li> <li>- Personnel key figures</li> </ul>
<b>Planning system</b> (seven-point likert-type scales; 1=not important at all to 7=extremely important)	
Intensity of (foreign) planning <sup>1</sup>	<ul style="list-style-type: none"> <li>- Planning of turnover/profits</li> <li>- Financial planning</li> <li>- Personnel planning</li> <li>- Timing/scheduling</li> <li>- Strategic/prospective planning</li> </ul>
Formalisation	<ul style="list-style-type: none"> <li>- Formal/written fixing of planning</li> </ul>
Periodicity	<ul style="list-style-type: none"> <li>- Existence of medium-term plans for internationalisation</li> </ul>
Standardisation	<ul style="list-style-type: none"> <li>- Standardisation of market planning</li> </ul>
Centralisation of planning	<ul style="list-style-type: none"> <li>- Direction of planning processes "top down".</li> </ul>

<sup>1</sup> Aggregation to an arithmetical index value (see the legend in Figure 4).

**FIGURE 6: Measurement of the Cultural Dimension**

Construct	Items
<b>Firms culture</b> (seven-point likert-type scales; 1=not important at all to 7=extremely important)	
General culture <sup>1</sup>	<ul style="list-style-type: none"> <li>- Private contact by staff members</li> <li>- Encouragement of unconventional ideas</li> <li>- Priority of group decision-making compared to individual decisions</li> </ul>
Cultural transfer <sup>1</sup>	<ul style="list-style-type: none"> <li>- Active communication beyond departmental borders</li> <li>- Use of culture as management instrument</li> <li>- Transfer of culture to foreign countries</li> <li>- Influence of foreign national cultures at headquarter</li> </ul>
<b>Leadership characteristics</b> (seven-point likert-type scales; 1=not important at all to 7=extremely important)	
Risk orientation <sup>1</sup>	<ul style="list-style-type: none"> <li>- Equality of chances/risks leads to acceptance of decisions</li> <li>- Anticipation of customer needs rather easy</li> </ul>
Growth orientation <sup>1</sup>	<ul style="list-style-type: none"> <li>- Readiness to assume risk compared to retention</li> <li>- Abstinence of acquisition or displacement threats</li> <li>- Consistent growth and profit orientation</li> </ul>
Attitudes <sup>1</sup>	<ul style="list-style-type: none"> <li>- Consistent trust in own strength</li> <li>- Influence of market globalisation on firm</li> <li>- Encouragement of international orientation</li> </ul>
Cultural-psychic distance <sup>1</sup>	<ul style="list-style-type: none"> <li>- Future of the firm in international markets</li> <li>- No intentional trips abroad to get to know cultures/countries</li> <li>- Foreignness of Asiatic/South American culture</li> <li>- Problem of geographic distance to overseas markets</li> </ul>

<sup>1</sup> Aggregation to an arithmetical index value (see the legend in Figure 4).



**TABLE 1: Statistical Results of the Cluster Analysis (Final Cluster Mean Values)**

Cluster	n	Establishment chain		Country dimension		Value-added transfer	
		mean <sup>1</sup>	Scheffé <sup>3</sup>	mean <sup>1</sup>	Scheffé <sup>3</sup>	mean <sup>2</sup>	Scheffé <sup>3</sup>
C1: European exporters	49	2.16	C3/C4/C5	3.41	C2/C3/C4/C5	2.55	C3/C4/C5
C2: Worldwide exporters	51	2.00	C3/C4/C5	5.43	C1/C4/C5	2.72	C3/C4/C5
C3: Worldwide exporters with own presence	39	3.00	C1/C2/C4/C5	5.74	C1/C4	3.46	C1/C2/C5
C4: Firms with first local production	62	4.55	C1/C2/C3/C5	4.77	C1/C2/C3/C5	3.66	C1/C2/C5
C5: Multinational firms	46	5.91	C1/C2/C3/C4	5.78	C1/C4	5.07	C1/C2/C3/C4

<sup>1</sup> Mean values based on seven-point likert-type scales (0=domestic operations only to 6=three and more subsidiaries/worldwide).

<sup>2</sup> Mean value of arithmetical indexes based on a seven-point likert-type scale (see legend in Figure 4).

<sup>3</sup> t-tests in pairs (post-hoc) according to Scheffé procedure.

**TABLE 2: Structural, Systemic and Cultural Differences Between Successful and Less Successful SMEs in Different Stages**

	European exporters (n=25/24) <sup>1</sup>		Worldwide exporters (n=26/25) <sup>1</sup>		Worldwide exporters with own presence (n=21/18) <sup>1</sup>		Firms with first local production (n=34/28) <sup>1</sup>		Multinational firms (n=25/21) <sup>1</sup>	
	more suc./ less suc. <sup>2</sup>	t-value/ Sign.	more suc./ less suc. <sup>2</sup>	t-value/ Sign.	more suc./ less suc. <sup>2</sup>	t-value/ Sign.	more suc./ less suc. <sup>2</sup>	t-value/ Sign.	more suc./ less suc. <sup>2</sup>	t-value/ Sign.
<b>Structural dimension</b>										
Primary structure	2.20 1.38	3.07 0.004	2.42 2.04	n.s. 	3.57 2.39	3.01 0.005	2.97 2.18	1.92 0.060	4.12 3.57	2.06 0.007
Secondary structure	1.91 1.67	n.s. 	2.56 1.68	4.43 0.000	4.43 4.04	n.s. 	3.65 2.55	2.97 0.004	4.61 4.26	n.s. 
Centralisation	5.80 6.13	n.s. 	3.65 5.00	-4.11 0.000	3.57 3.78	n.s. 	2.94 4.32	-4.53 0.000	3.24 2.43	n.s. 
<b>Systemic dimension</b>										
<b>Information system</b>										
Relevance of market research	3.24 1.92	4.47 0.000	4.31 2.04	6.95 0.000	4.48 3.72	1.78 0.089	4.79 3.67	3.99 0.000	4.71 4.44	n.s. 
Intensity of market research	3.67 2.45	5.32 0.000	4.21 3.23	3.51 0.001	5.18 4.28	2.74 0.009	5.26 4.64	4.08 0.000	4.83 4.74	n.s. 
Relevance of controlling	4.40 2.71	4.51 0.000	4.38 3.52	2.25 0.029	5.22 4.19	2.05 0.048	5.76 5.25	1.69 0.097	5.84 4.90	4.02 0.000
Relevance of country reports	4.16 2.75	3.69 0.001	4.69 4.60	n.s. 	5.83 5.57	n.s. 	5.29 5.96	1.96 0.055	5.84 5.19	3.38 0.002
Use of controlling key figures	3.96 2.78	3.25 0.002	4.50 3.42	4.56 0.000	5.85 5.68	n.s. 	5.99 4.46	4.85 0.000	6.42 5.41	3.59 0.001
<b>Planning system</b>										
Intensity of foreign planning	4.15 2.77	5.05 0.000	4.49 3.66	2.92 0.005	6.12 5.12	3.25 0.003	5.27 4.47	2.82 0.006	5.33 4.77	1.75 0.087
Formalisation	3.96 2.79	2.57 0.013	4.50 3.16	2.87 0.006	5.71 5.06	2.23 0.032	4.97 4.21	n.s. 	5.20 4.33	2.22 0.032
Periodicity	3.83 2.33	3.79 0.000	3.38 3.12	n.s. 	5.10 4.11	2.55 0.15	4.32 3.07	3.05 0.003	4.72 4.24	n.s. 
Standardisation	3.63 3.33	n.s. 	3.92 2.56	4.64 0.000	5.05 3.72	3.94 0.000	4.41 3.79	1.64 0.100	4.64 3.67	2.06 0.046
Centralisation of planning	5.20 5.29	n.s. 	4.27 4.92	n.s. 	3.95 4.67	n.s. 	4.18 4.86	-2.48 0.016	3.08 3.62	-1.96 0.055
<b>Cultural dimension</b>										
<b>Firms culture</b>										
General culture	4.38 3.44	4.03 0.000	4.72 3.58	4.21 0.000	5.01 4.94	n.s. 	4.85 4.67	n.s. 	4.72 4.42	n.s. 
Cultural transfer	2.58 3.41	3.62 0.001	3.63 2.71	4.33 0.000	4.21 3.98	n.s. 	3.90 3.69	n.s. 	4.47 3.94	2.42 0.020
<b>Leadership characteristics</b>										
Risk orientation	3.73 5.24	-4.48 0.000	4.31 4.31	n.s. 	3.24 3.56	n.s. 	3.71 4.26	-2.44 0.018	3.55 3.70	n.s. 
Growth orientation	4.51 4.17	n.s. 	5.40 4.73	2.58 0.013	5.98 5.13	3.85 0.000	5.63 4.63	5.36 0.000	5.73 5.05	3.24 0.002
Attitudes	4.80 3.86	2.89 0.006	5.53 3.47	9.42 0.000	6.56 5.57	4.38 0.000	5.20 4.85	n.s. 	5.89 5.43	1.98 0.056
Cultural-psychic distance	3.48 4.22	-4.11 0.000	3.27 4.24	-3.96 0.000	1.92 3.67	-4.10 0.000	2.94 4.12	-3.16 0.002	2.20 2.79	-2.16 0.036

<sup>1</sup> Read: Cluster European exporters (n=25/24) e.g. represents n=25 successful versus n=24 less successful firms.

<sup>2</sup> Mean values and indexes of successful versus less successful firms based on measurements in Figure 4 to 6; marginal variation of population.