

## **SMALL FIRM INTERNATIONALISATION COMPETENCE: AN UNDERSTANDING-BASED PERSPECTIVE**

### **Abstract**

Current entity-based explanations of small firm internationalisation competence primarily identify attributes that enable firms to compete in international markets, which have resulted in an ever-expanding range of necessary attributes as sources of competence. While we acknowledge such progress, we contend these explanations do not adequately answer the questions: what determines competence in small internationalising firms, and how do owner-managers of small firms organise and use their competence as they internationalise? We address these questions by moving beyond entity-based explanations to a notion that competence is not a possession of firms or individuals but relational. Competence is viewed as the relation between the individual, their knowledge and its use when accomplishing their work and the context within which they practise. As such, we adopt an understanding-based approach and apply phenomenography to the practices of small owner-managed internationalising Australian wineries. We reveal four qualitatively different understandings of firm internationalisation and internationalisation competence in small owner-managed internationalising wineries. Our findings suggest that competence in small internationalising firms is determined by how owner-managers understand and practice firm internationalisation and that internationalisation competence is multi-faceted and one of variation in the way owner-managers organise their key attributes into sets of distinctive competence rather than represented as a set of prerequisite ingredients that a firm must possess in order to ‘successfully’ internationalise.

## **SMALL FIRM INTERNATIONALISATION COMPETENCE: AN UNDERSTANDING-BASED PERSPECTIVE**

### **INTRODUCTION**

Small firms play an important role in international business and their importance continues to grow (Knight & Kim, 2009) with the number of internationally active SMEs accounting for over a third of world merchandise trade (OECD, 2005). Not only have small internationalising firms benefitted from changes in technology and increased inter-connectedness of the world (Axinn & Matthyssens, 2002); they, like their larger counterparts, must possess and demonstrate special advantages to compete. These special advantages tend to be knowledge-based organisational routines, as well as innovative and idiosyncratic management practices, which are often internalised within the firm and its management (Knight & Cavusgil, 2004; Kogut & Zander, 1993, 1992; Liesch & Knight, 1999).

In the case of most small firms, these largely intangible idiosyncratic routines and knowledge practices are orchestrated by the owner-manager, who is primarily the sole person engaged in conducting their firm's international activities (Crick & Chaudhry, 1997). Furthermore, for the smaller resource constrained internationalising firm these critical knowledge-based resources may help explain their idiosyncratic processes and patterns of international conduct (Beamish & Lee, 2003). However, attempts at unbundling and articulating these practices have only recently emerged, despite their being fundamental to any firm's international venturing. Furthermore, our knowledge of the underlying processes and practices is still fragmented, partial and incomplete (Knight & Kim, 2009; Lamb, Sandberg, & Liesch, 2011).

While we acknowledge the progress and development of competence-based explanations of small firm internationalisation competence (e.g. Jantunen, Puumalainen, Saarenketo, & Kyläheiko, 2005; Knight & Kim, 2009); we, however, argue they do not adequately answer

the questions: what determines competence in small internationalising firms, and how do owner-managers of small firms organise and use their competence as they internationalise? We address these questions by adopting a paradigmatic route (see, Alvesson & Sandberg, 2011) and move beyond entity-based explanations that conceive competence as a possession and/or belonging to the firm, or the individual owner-manager, to a notion that competence is “...relational and something that people do” (Sandberg & Pinnington, 2009). Competence is therefore the relation between the individual, their knowledge used when accomplishing their work and the context within which they practise.

We contend competence in small owner-managed internationalising firms is determined by how owner-managers understand and practise firm internationalisation. We further argue that competence in small firm internationalisation is multi-faceted and one of variation, rather than being presented as a set of pre-requisite ingredients that a firm must possess in order to ‘successfully’ internationalise.

We present our position by initially posing the question: how do current theories explain what defines competence in small firm internationalisation? Thereafter, we critique these theories and then offer an alternative understanding-based approach to internationalisation competence using phenomenography as an appropriate methodology. We, then, present our findings that emerged from our phenomenographic analysis of the internationalisation practices of owner-managers of small Australian wineries. Our discussion follows and thereafter we offer some concluding remarks.

### **SMALL FIRM INTERNATIONALISATION COMPETENCE**

In general, competence-based explanations of firm behaviour embody a variety of distinct but overlapping streams of enquiry (Foss, 1996), including capabilities, dynamic capabilities, core capabilities and core competences (see, Eisenhardt & Martin, 2000; Leonard-Barton,

1992; Prahalad & Hamel, 1990; Selznick, 1957; Teece, Pisano, & Shuen, 1997) and are associated with knowledge- (Grant, 1996; Kogut & Zander, 1992), resource- (Barney, 1991; Penrose, 1959; Wernerfelt, 1984) and evolutionary-based explanations (Nelson & Winter, 1982). The unifying characteristics of these seemingly disjointed approaches: are their pursuit in identifying and understanding the source(s) or ingredients that give organisations character and competitive distinctiveness (Selznick, 1957). Competence-based explanations also attempt to elucidate how firms integrate and develop their knowledge and skills and that of its managers to sustain and generate its competitive advantage over time (see, Sanchez, 2004; Teece, et al., 1997).

Many of the emerging competence-based enquiries into small firm internationalisation, similarly, follow firm-based explanations which also embody competence, capabilities and dynamic capabilities orientations. These streams of enquiry focus either on the firm or the individual owner-manager.

#### Firm focused Explanations of Internationalisation Competence

From a *dynamic capabilities* perspective, Knudsen and Madsen (2002) link internationalisation processes and performance from an export strategy orientation. Jantunen, Puumalainen, Saarenkto and Kyläheiko (2005), explore the effect of entrepreneurial orientation and a firms' reconfiguring capabilities on international performance. In a similar vein, Lu, Zhou, Bruton and Li (2010) suggest that a firm's information capabilities and adaptive capabilities mediate the relationship between resources, such as institutional capital and managerial ties and international performance. Knight and Cavusgil (2004) identify global technological competence, unique product development abilities, quality focus abilities and leveraging foreign distributor competences of the firm as key attributes that underlie a firm's ability to succeed in their international development.

A *competence* orientation is adopted by Li and Cavusgil (2000) to investigate firm competence in terms of market knowledge competence in new product exports. Muzychenko (2008) raises the notion of cross-cultural entrepreneurial competence as a moderating variable in relation to entrepreneurial opportunity competence. More recently, Knight and Kim (2009) reveal a collection of intangible capabilities considered necessary for internationalising SMEs. Knight and Kim (2009, p. 259) specifically identify international orientation, international marketing skills, international innovativeness and international market orientation as "...the most important organizational attributes in contemporary international SMEs" and collectively call these 'international business competence' (IBC) and link IBC to explaining the international performance of SMEs.

These explanations identify a variety of attributes as sources of small firm internationalisation competence and are described in terms of firms possessing an ever increasing set of competence attributes from which to internationalise. However, there is seemingly little agreement as to which ingredients are used and which are more valuable as firms internationalise.

#### Owner-manager/entrepreneurial Explanations of Internationalisation Competence

Firm-based explanations of small firm internationalisation competence largely ignore the owner-manager and their association with their firm's international venturing (Andersson, 2000; Manolova, Brush, Edelman, & Greene, 2002). However, entrepreneurial streams explain small firm internationalisation competence by way of identifying characteristics of the individual by focusing attributes of owner-managers (Andersson, 2000), their knowledge (Jones & Coviello, 2005; Knight & Cavusgil, 1996), their international orientation (Kuivalainen, Sundqvist, & Servais, 2007), their international experiences (Bloodgood, Sapienza, & Almeida, 1996; Leonidou, Katsikeas, Paliawadana, & Spyropoulou, 2007),

international mind-set (Acedo & Jones, 2007), global mind-set (Nummela, Saarenketo, & Puumalainen, 2004), and pre-acquired international market knowledge (Zhou, 2007; Zhou, Barnes, & Lu, 2010).

The importance of owner-manager competence attributes is evident from these studies; however, competence is conceived as belonging to the owner-manager, where these attributes are matched to the task of internationalising. As with firm-based explanations there is little consideration offered which attributes are used and which are more valuable as they and their firms internationalise.

#### Critiquing Existing Explanations Small Firm Internationalisation Competence

As noted current entity-based explanations identify set(s) of firm and/or individual qualities that represent sources of internationalisation competences resulting in an ever-expanding range of necessary attributes required to successfully internationalise. However, these explanations do not address the questions: what determines competence in small internationalising firms, and how do owner-managers of small firms organise and use their competence to establish and maintain their footprints across international markets over time, i.e. what they do and how they do it?

These approaches, also, assume the identified attributes of firms and/or individuals are equally weighted and are evenly applied during their internationalisation process. These attributes might be considered as strategic necessities rather than strategic assets (Aaker, 2005). Current theories do not discriminate between those attributes which are necessities and which are the basis of their competitive advantage and their use as they internationalise. Put differently, current explanations demonstrate "...neither whether the workers [firms and/or owner-managers] use these attributes, nor how they use them in accomplishing work" (Sandberg, 2000, p. 11).

Furthermore, current competence theories are seemingly unable to address how firms and/or owner-managers create, develop and transform their competences in order to sustain their international presence. These explanations identify what attributes are needed to be successful; for example, Knight and Kim (2009) consider international orientation, international marketing skills, international innovativeness and international marketing orientation to be the most important attributes in their composite international business competence. However, they and others fail to explain how these competence attributes develop, i.e. the antecedents. Nor do they elucidate on the transformative mechanisms or combinative capabilities by which firms and owner-managers use to enable progression to higher-order principles (Kogut & Zander, 1993, 1992; Teece, et al., 1997).

Also, not only do these theories assume that higher performing firms or owner-managers possess superior set(s) of attributes; they consider these attributes to be context-free, i.e. they have no fixed meaning and are able to be transferred across a range of contexts and sets of work activities (Sandberg, 2000) without variation. However, an increasing number of relational studies (Cook & Brown, 1999; Dall'Alba & Sandberg, 2006; Sandberg & Pinnington, 2009) claim that entity-based explanations of competence neglect the contextual nature of competence. Brown and Duguid (2001) and Schön (1983) suggest attributes are context dependent giving rise to the likelihood of multiple rather than a set of universal competence attributes to fit a variety of experiences.

### Shifting Ground

Current explanations struggle to reflect the complexity and idiosyncratic actions associated with international business research and more specifically small firm internationalisation competence because of the underlying rationalistic assumptions, i.e. a dualistic ontology and an objectivistic epistemology, that guide and constrain research enquiry (see, Jack, Calás,

Nkomo, & Peltonen, 2008; Thompson, 2011). These assumptions direct internationalisation competence researchers to conceptualise and describe small firm internationalisation as two independent entities: the firm and/or owner-manager and their internationalisation competence attributes. By so doing, little attention is given to how owner-managers view their work, how they practise firm internationalisation and their experiences of it.

We propose a shift in ground to overcome limitations present in current small firm internationalisation competence explanations. We suggest, the owner-manager, their work, their work situation and their experiences be jointly conceptualised. In other words, we suggest competence in small internationalising firms be alternatively considered as relational.

#### A 'Relational' Way Forward

Sandberg and Pinnington (2009, p. 1141) suggest competence is "...relational and something that one does"; rather than what one possesses. They identify three dominant approaches to competence within the relational school: competence as knowing in action (Cook & Brown, 1999; Schön, 1983); competence as understanding of work (Sandberg, 1994, 2000; Sandberg & Targama, 2007) and practice as a locus of competence (Cook & Yanow, 1993; Lave & Wenger, 1991; Wenger, 1998). Each address shortcomings associated with entity-based theories mentioned previously. Competence as knowing-in-action provides insight into what constitutes competence, i.e. competence is not what is possessed but is inherent within the action. However, competence as understanding of work "...endeavours to further explain how knowledge functions as a tool of knowing-in-action" (Sandberg & Pinnington, 2009, p. 1142). Competence therefore is not wholly determined by KSAs rather it is determined by the way individual workers understand their work. Practice as the locus of competence suggests practice forms the focus of competence rather than action or understanding. Competence

from this perspective is not unique to the individual, their tools or tasks but is defined by their relationships within particular social system.

We adopt *competence as an understanding of work* approach proposed by Sandberg (1994, 2000) using phenomenography as a methodology to investigate competence in small internationalising firms which offers an opportunity to move beyond existing explanations of owner-manager internationalisation competence. In doing so, we reframe and refocus on the individual owner-manager and conceive internationalisation competence as a single entity where the owner-manager and their internationalisation activities are related through the lived experiences of their firm's internationalisation. Phenomenography was chosen because it is specifically designed to capture possible variation in qualitatively different ways people understand one and the same aspect of reality, in this case firm internationalisation practice (see, Lamb, et al., 2011) and how that understanding forms the basis of their internationalisation competence.

## **METHOD**

### Empirical Context and Participants

The Australian wine industry represents the empirical context of our study and owner-managers of small internationalising wineries belonging to Wine Export Networks are our sampling frame. The 22 owner-managers were purposively selected after consultation with key industry players and the selection of cases was based on sampling criteria eliciting the greatest possible variation in the ways in which the practice of small firm internationalisation and internationalisation competence were understood.

### Data Collection

Our primary data are in-depth interviews, supplemented by ongoing commentaries on the wine industry and observational visits to our sampled wineries. Secondary data were used extensively including field notes, diaries and industry-based publications. Interviews were dialogue-based designed specifically to capture the *variation* in how respondents understand aspects of their realities. Two principal questions were asked of each participant: “In your opinion, what is critical about doing business internationally?” and “What is difficult about doing business internationally?” These questions were subsequently followed-up by asking: “What do you mean by that?” and “can you give me examples of this?” to elicit deeper meaning. Participants were interviewed initially, with each interview taking 1-2 hours. Follow-up interviews were subsequently conducted with each participant to seek clarification on issues that arose after the initial interview. A total of 21 audible interviews were transcribed verbatim producing 470 pages of single-spaced text (one interview was unable to be used because of poor sound quality).

### Data Analysis

The analysis of the transcripts was guided by the phenomenographic procedures offered by Marton and Booth (1997) and Sandberg (2000). The analytic procedures consisted of an ongoing interpretive and iterative practice which alternated between *what* constitutes firm internationalisation competence, and *how* owner-managers understand firm internationalisation practice. While we analytically considered these two aspects separately, in reality they form a relational whole. The analysis was divided into four phases: first was familiarisation, second focusing on *what*, third focusing on *how* and finally focusing on *what* and *how* concurrently.

In the familiarisation phase, we sought to gain a general view of the various understandings by reading each interview transcript several times. At the end of our familiarisation phase, we sorted participants into groups based on the similarities and differences in their understanding of firm internationalisation practice. However, in the second phase, we focused specifically on *what* constituted firm internationalisation competence for these owner-managers, identifying key attributes used in their tasks to deepen their firm's international involvement. We highlighted statements expressing the task activities associated with their internationalisation practices on each and then compared them between groups. Afterwards, we categorised the statements into sets of key attributes.

In the third phase, we focused on *how* owner-managers understood firm internationalisation. Our intent was to move beyond the general connotations formed in phase one to systematically articulate meanings of how owner-managers understand firm internationalisation. Each transcript was reviewed several times focusing on the meaning of the highlighted statements in relation to the context of other statements and the transcript as a whole. This process was repeated independently for all participants. We then shifted our analysis from individual participants to comparing the understandings of firm internationalisation within and then between groups.

The final phase was conducted by simultaneously considering both *what* constitutes firm internationalisation competence and *how* firm internationalisation was understood - collapsing these components into one relational whole. We focused on the overall meaning of firm internationalisation in relation to the key attributes constituting firm internationalisation competence. We cross-checked our interpretations to test the robustness and continued this process until we felt confident that each understanding remained stable.

## COMPETENCE IN SMALL OWNER-MANAGED INTERNATIONALISING FIRMS

Internationalisation competence in the small owner-managed firm when viewed from an orthodox perspective identifies key attributes for example, international business knowledge, owner-manager traits and many more. More generally, Jeannet and Hennessey (1992) categorise internationalisation competences into environmental competence; analytic competence; strategic competence; functional competence and managerial competence. Irrespective of labels and categories given to the various competences required to successfully internationalise, what is common is that these competences are seen as possessions of the firm or the individual owner-manager. However, our findings reveal an alternative view of how competence in small owner-managed internationalising firms is conceived, structured and practised by owner-managers.

Competence in small owner-managed internationalising firms is based on the interdependence of how owner-managers understand and practice their firm internationalisation activities. Lamb et al. (2011) identified four qualitatively different ways in which owner-managers of small Australian wineries understand and practise firm internationalisation and a set of specific activities used to internationalise. As we will demonstrate these understandings not only influence their practice, but they also determine internationalisation competence, and how competence is organised into distinctive sets upon which owner-managers rely to internationalise (see Figure 1).

\*\*\*\*\* Insert Figure 1 about Here \*\*\*\*\*

### Understanding 1: Firm Internationalisation as Confronting Opportunities

For this group, firm internationalisation is about overcoming the unfamiliarity and uncertainties associated with prospective international markets. These owner-managers need

to feel confident and assured. The most distinguishing aspect for this group's competence is their *sense of market(s)* that is, how market(s) are governed and the impact of those governance mechanisms on market operations to offset their lack of market familiarity. In doing so, they *analyse and interpret* fine-grained market-based information in an attempt to minimize uncertainties relating to markets and the opportunities they might hold. "A very big concern is understanding the regulatory regime and all that goes with that...and then understanding the business model of how it flowed...and of course how we assess this information" (t17a). "We need to understand the marketplace...each market is different ...you need to know how it works" (r16f). It is the owner-manager's skills related to synthesising and interpreting these individual components of information that expands their knowledge-base to build confidence in their capacity to make decisions regarding their firm's internationalisation in relation to choice of market and agent selection.

Furthermore, these owner-managers, rely on their skills in *developing and leveraging* their connections with government agencies, their staff and industry contacts in order to alleviate their lack of market familiarity and to offset their apparent lack of resources in conjunction with analysing, synthesising and interpreting fine-grained and trustworthy market-based information; "Knowledge of the marketplace...we don't have it...I don't know how a small company like us can get it...I've got to rely on someone...I cannot do it on my own...so we are now using others [like] Austrade" (s11b). For these participants their ability to 'connect' with knowledgeable and resource-endowed parties is vital to analysing and assessing international market opportunities. This group, also, leverages these agency relationships to prospect and attract foreign-based agent interest; in a 'brokerage' sense in terms of what can they do for me to offset my lack of market familiarity: "...we have Austrade...the support they gave us was amazing...they did the homework for us [doing] background checks and [suggesting potential agents who] could be good for our business...it made it easier".

However, in assessing the compatibility of foreign-based agents, these owner-managers apply *judging and evaluating* skills to assess whether selected or introduced agents can be trusted to do the ‘right thing’ and are a ‘good match’ for their business, i.e. *to verify agent compatibility*: “you’ve got to find out whether they can do what they say” (m18f). “We did more background checks after the meeting [with the agent] by ringing [their] customers to verify what they said was true...but it is hard sorting out the guys who are telling the truth and who are really keen on your product” (c12d). Assessing and selecting agents is therefore “a process of elimination” (r20a) and of verification, which relies on the owner-manager’s intuition, and their ability to *analyse and interpret* fine-grained information gained through their interaction(s) with not only prospective foreign-based agents, but also from their on-going association with government agencies and industry contacts.

In supporting and sustaining foreign-based agents, this group recognises the need to feel satisfied that the agent is promoting their product and meeting sales targets. In this regard, this group’s *ability to establish on-going cooperative agent relationships* is founded on their sense of market(s) and what can agents do for ‘me’ to build and stimulate sales volumes. As a consequence, these knowledge and skills also strengthen their “understanding of the market, how it operates and where the opportunities are” (r20a) to offset their lack of market familiarity.

Interestingly for this group, and other groups, is that their skills and knowledge applied to international markets are similar or the same as they developed domestically: “...what you do internationally, you also do domestically. You’ve got to understand all those backgrounds...all that background information that you just intrinsically know as an Australian dealing within the Australian marketplace” (t17a), and “...but it is the same as what we do here [in Australia]” (c12d). However, for this group their competence is made

more difficult and compounded by “...the tyranny of distance and a lack of understanding of the changes in the country [and their market and regulatory environments]” (t17a).

### Understanding 2: Firm Internationalisation as Competing on Price

This group is preoccupied with the value and competitiveness of their offerings. In contrast to owner-managers in Understanding 1, the members of this group accomplish their internationalisation by *evaluating competitive-based dimensions of markets* and monitor these parameters. They consider the interactions of market structures, competitive offerings and attractiveness jointly in terms of price, price points and value. Their primary competence is the assembling and judging a variety of competition-based information in order to commit to international markets and formalise relationships with ‘compatible’ foreign-based agents.

In understanding how markets operate, these participants recognise the regulatory and institutional arrangements that govern markets; they are not seen as novel as do participants from Understanding 1. They see a different and slightly bigger picture; their *sense of market(s)* is competitively scoped. They *analyse and interpret* information about the suitability of their product and its competitiveness: “you’ve got to find out what wines are selling and where the market spots are [at what price points]” (k2b). This group’s knowledge of markets is confined to their ability to comprehend how competitive structures and conduct within markets impact on the ‘value’ of their offering, and their attractiveness to prospective agents.

In seeking competitive market-based information, government agencies are also relevant but participants are more active and independent compared to Understanding 1. Government agencies are used to complement their ability to identify and select suitable foreign-based agents: “...how we found [some contacts] was by getting on the internet, getting every bit of information and send big mail outs...admittedly not much came out of it, but we knew who

was around” (p15g). Even so, this important relationship is to not only understand prospective market(s) but also their *ability to assess the attractiveness of prospective foreign-based agents* is highlighted: “it is just a matter of finding a real person who is interested in your wine” (a21o) and you have to “price your products especially if they are unknown at a very reasonable price...maybe a fraction above cost” (p15g). The process and information needed to select and appoint foreign-based agents, where there is mutual interest and compatibility, is not unique: finding “a match...if their portfolio fits yours, their distribution fits and their volume projections fit...then after that they might taste your wine...they might” (k2b). However, the basis of interest and selection is whether the product will sell. The decision(s) is not necessarily based on chemistry or personal compatibility. These attributes are evident, but it is their *ability to verify agent compatibility* in terms of competitiveness and value of the wine: “It does not matter how much they like you. If they cannot sell your wine, they’re not going to do it” and “it is a constant on-going pursuit of foreign-based agents who want our product that represents value for money” (k2b). As such, finding compatible and interested agents for this group relies heavily on gathering, deciphering and evaluating competitive aspects of their own offering and the veracity of information provided by agents and other market players.

For this group, to support and sustain agent interest is underpinned by their ability to influence, stimulate sales and retain agent commitment to the relationship. However, the owner-manager’s intent here is to drive sales; this is not unusual or unremarkable. However, here product and marketing knowledge and skills are enacted to sustain product value: “you spend time with the importer and their staff doing floor tastings or helping people who serve your wine...[however] you’ve just got to keep pushing to stimulate sales” (d1t), and “It’s the bloke that makes the stuff [wine] they want to talk with...[but] it is the bloke that makes the most noise gets the attention and gets the order” (p15g).

### Understanding 3: Firm Internationalisation as Portraying Distinctiveness

Internationalisation, for this group, is expressed in terms of product distinctiveness where they emphasise their knowledge and skills by offering an appealing product package to attract agent interest, and to convince agents who share a joint commitment to distinctive wines it is a package they can sell. It is their ability to recognise and evaluate markets for their sophistication and their acceptance of distinctive wine, their ‘wine mentality’, i.e. their knowledge of markets that comes to the fore. Their *sense of market(s)* moves beyond competitive scoping to that of market sophistication and readiness, i.e. in terms of consumer and intermediary preferences for wine. This is displayed by their ability to *analyse and interpret* market-based signals and preferences to assess each ‘market’s readiness’ for distinctive wine branding, wine style and/or regionality by looking for: “markets that have a wine mentality and niche markets looking for a difference” (g13r), and “I think there is an increasing awareness of regional wines, handmade and crafted wines...so that is where we want to be” (a7c). They identify niche markets that value distinctive wines. Their approach to *analysing and interpreting* market-based information is quite deliberate compared to the other Understandings 1 and 2. In doing so, their competence in terms of *sense of market(s)* is broader and their investigations directed beyond market governance and competitive mechanisms.

They also combine their analytical skills and knowledge of markets to identify both foreign-based agents and their clients who have discerning wine tastes and preferences, i.e. “...they are looking for something that is different and distinctive” (g13r). In attracting prospective foreign-based agents, this group, as do others, use the services of both government agencies and industry contacts, but are more independent compared to understandings 1 and 2. This group is also keenly aware of the importance of their compatibility with prospective agents and vice versa. However, this group’s *ability to assess foreign-based agent attractiveness*

relies heavily on being able to demonstrate their attractiveness to prospective agents, based on their wine's distinctiveness through symbols, branding, regionality and novel wine styles: "it is not about the best wine...it is about distinctiveness and tapping into internationally recognised symbols" (w5w). In addition to their ability to attract prospective agent interest, for this group, to *verify agent compatibility* is crucial. However, compatibility is assessed on the prospective agent's wine knowledge and shared passion for distinctive wines and agents: "having a penchant for fine wines...a belief there is a real market for specialty wines" (g13r), and "...it is also about [their] wine knowledge and [our] mutual correspondence and time horizons" (a7c). For an agency relationship to be formally consummated in the first instance, wine knowledge, a thirst for distinctiveness and belief in the seller are critical.

The competence associated with supporting and sustaining agent relationships appear to be universal across all understandings where agents expect dinners, tastings, store visits, product demonstrations as a matter of course. However, for this group *establishing on-going cooperative agent relationships* is underpinned by their persuasive and communication ability to educate and motivate the principals of the agencies, their staff and their clients about their wine's distinctive characteristics to generate some degree of scarcity and exclusivity that aids and sustains foreign-based agent relationships: "The education side is vitally important to give them confidence in recommending the brand and confidence in the [distinct] quality...it is more a regional story" (g10g). Such distinctiveness is assisted by the fact that these wines are not widely known, which is desirable for speciality wine sellers. Furthermore, recommendations from recognised wine commentators and wine show medals, international and domestic, are used to supplement their own selling and communication persuasive efforts to establish and sustain an 'air' of distinctiveness of the product: "we've been fortunate to win quite a few international awards which has given us credibility in the marketplace" (a7c).; but also to support the agency relationship formed through the mutual appreciation

and acknowledgement of uniqueness and distinctiveness of the ‘wine’, not necessarily that of personality. However, these associations are “driven relationships...where the measure of success is turnover” (c1p).

#### Understanding 4: Firm Internationalisation as Storytelling

For these members, practising firm internationalisation means telling a personal experiential tale. Their distinctiveness moves beyond the uniqueness of their wine to their ability to communicate their passion and their personal embodiment in their wine and to persuade prospective agents and customers to build an on-going relationship based on their sense and intuition of the suitability of a market for their wine, and their shared passion for their ‘personal’ story to engender an on-going ‘friendly’ relationship.

In choosing markets, this group does so through their personal assessment of the suitability of the market(s) for their wine. They are unwilling to enter markets where their wine is not appreciated; to these people their wines are distinctive in ‘style’ and are extensions of themselves: “I don’t see why we should bring our company into that arena for the sake of saying I sell wine to China or wine to wherever” (f14p). So their ability to *analyse and interpret* market-based information relates more to the suitability of their wine, and reflects their ability to analyse and overlay their personal preferences on markets: “we were dissatisfied with...England...[it] does not suit our product...our products need to be hand sold...they are not interested in more delicate styles [like ours]” (d8l). Consequently, their *sense of market(s)* is of a higher order compared to other Understandings based on judging and evaluating the suitability of the market for *their* wine. This group exhibits a well-developed but distinctively practical and idiosyncratic competence set to market wine based on their telling a personal tale and creating an experience for prospective buyers.

In assessing the attractiveness of prospective foreign-based agents, this group has an intuitive ability to judge whether agents share a similar passion for ‘their wines’. They value those intermediaries who are able to demonstrate their knowledge of wine and show a mutual enthusiasm for distinctive wines, similar to Understanding 3. However, their *ability to verify agent compatibility* is judged more on personal qualities of the agent’s principal(s) and an assessment on whether the parties could become genuine friends: “you’ve got to be on friendly relationships” (p9l) and these relationships are personal: “...it is a personal relationship after which we establish an on-going business relationship...but you need to have confidence in the person...you need to actually like the person and trust them” (d8l). It is “... more than a business relationship” (f14p). Business friendships are critical to this group because of their personal involvement with *their* wine and its representation.

This group’s *ability to establish on-going cooperative agent relationships* and retaining their agent’s commitment these owner-managers, as do others, visit markets as frequently as practicable to support their agent’s sales effort and to drive their performance. However, on their visits they educate and motivate agency staff and their clients by combining and re-combining their wine expertise and knowledge of markets with their persuasive communicative skills by constructing and telling a personal story of their own experiences about and of *their* wine to an appreciative audience who demand and value a personal tale and personal representation: “the staff are on our side. Once you have them on our side they push for you” (p9l). These impressions are engaging, persuasive and distinctive: “...it’s the classic personal approach...they want the face to go with the wine...[it] is a package of personal appeal...providing a [memorable] experience with the product [our wine]” (d8l) and it is the “...honesty and genuineness of a family business. That is, it is the people behind the business [and their wine] you are drinking...[and] its got passion in there. And it is real” (f14p).

## **DISCUSSION**

### Competence in Small Owner-Managed Internationalising Firms

In this paper, small firm internationalisation competence is explored through an understanding-based lens using phenomenography, in contrast to rationalistic approaches that dominate the emerging field of small firm internationalisation competence. Our findings not only reveal what constitutes small firm internationalisation competence but we revealed the variation in the way owner-managers organise their knowledge and skills into sets of distinctive competence. More so, our findings demonstrate that competence in small owner-managed internationalising firms is not defined as a specific set of firm and/or owner-manager attributes, but is defined by the way owner-managers understand firm internationalisation, i.e. how they understand and do their internationalisation work.

Our findings offer new insights into competence in small owner-managed internationalising firms, which not only complement aspects of existing explanations but move beyond current theories. Our findings suggest competence in small internationalising firms is constituted by two interdependent dimensions: owner-manager understandings of firm internationalisation, and the associated set of key internationalisation competence attributes. Internationalisation competence is not presented as a universal explanation, as is seemingly the case with existing explanations. Instead, competence in owner-managed internationalising small firms is revealed as multifaceted. The way owner-managers understand firm internationalisation and the activities associated with their internationalisation over time, shape and organise their knowledge and skills into sets of distinctive competence for orchestrating their international work.

We capture and recognise some of the attributes identified in the emerging small firm internationalisation competence literature and alluded to in the broader explanations of small

firm internationalisation. Market knowledge and market knowledge competence is of critical importance to internationalising firms (Johanson & Vahlne, 1977, 2009; Li & Cavusgil, 2000) and is captured within the key internationalisation competence of an *ability to analyse and interpret* and of *knowledge of the market*. Market knowledge is acquired and processed by owner-managers through their in-market visits, trade shows, dinners and tastings organised by Austrade and other government agencies. Owner-managers attempt to make sense of how markets operate and are governed. They also develop and refine their customer- and competitor-learning processes (Li & Cavusgil, 2000), as well as gathering and applying the three forms of experiential knowledge: business, institutional and internationalisation (Eriksson, Johanson, Majkgard, & Sharma, 1997) combined with objective knowledge (Forsgren, 2002) provided and shared by government agencies, industry contacts and desk research in assessing market opportunities (Johanson & Vahlne, 2009). In addition, leveraging foreign distributor competences (Li & Cavusgil, 2000) and differentiating network behaviours (Muzychenko, 2008) are evident within and across the internationalisation competences of an *ability to assess foreign-based agent(s) attractiveness*, an *ability to verify agent compatibility* and an *ability to establish cooperative agent relationships* as owner-managers use their networks within markets to identify and attract a wider array of prospective agents, and to also develop their knowledge on how markets work and expand the horizons in relation to subtle and obscured market opportunities. Furthermore, we acknowledge evidence of environmental, analytical, strategic and functional competences identified by Jeannet and Hennessey (1992).

Nevertheless, there are several aspects of small firm internationalisation competence arising from our findings that challenge existing conceptualisations and explanations of internationalisation competence. First, our findings reveal variation in the meaning of competence in small owner-managed internationalising firms, i.e. there is no fixed meaning

attached to each competence. In other words, small firm internationalisation competence is not a universal concept, but multifaceted. Our findings reveal that competence acquires meaning through the way owner-managers understand firm internationalisation as they practise their international work. For instance, the meaning associated with the key attribute *ability to analyse and interpret* varies across each understanding of firm internationalisation.

In Understanding 1 *confronting opportunities*, knowing market(s) meant making sense of fine-grained market-based information on how markets operated and the institutional arrangements that governed market behaviour. In Understanding 2 *competing on price*, the meaning shifted to seeking and interpreting more coarse-grained market knowledge relating to market competitiveness in order to assess their competitive position within the market and their attractiveness to prospective agents. For Understanding 3 *portraying distinctiveness*, the meaning of knowing markets expanded to understanding the readiness and acceptance of markets for distinctive wines and their degree of sophistication as well as that of prospective agents. For those members of Understanding 4 *storytelling*, the meaning associated with knowing markets is more of a personal assessment of the suitability of markets for ‘their wine’. Consequently, internationalisation competence for these owner-managers is shaped and reshaped through their on-going everyday social interaction of orchestrating their international development. Small firm internationalisation and internationalisation competence, in particular, is linked to the individual and their experiences of international activities as an inter-connected entity, and of a process that is differentiated and one of multiplicity that accounts for industry contexts (Spender, 1989) and the broader structures and institutions of society (Bourdieu, 1990; Giddens, 1984).

Secondly, the various understandings of owner-managed small firm internationalisation also influences which aspects of each competence are developed and used to deepen their international involvement over time. The specific sets of knowledge and skills emphasised by

owner-managers in Understanding 1 vary markedly from those relied on by Understanding 4 to accomplish the deepening of their internationalisation. For example, owner-managers in Understanding 1 stress analytic, interpretive, relationship and persuasive competences to help offset their lack of confidence due to their limited international exposure and awareness of markets and how they operate. In contrast, owner-managers in Understanding 4 accentuate interpretive, judgemental and experiential set of competence to identify and sustain their presence in markets they judge as suitable for 'their wine'. In essence, the distinctive sets of competence of owner-managers shift from their *ability to analyse and interpret* individual market-based information variables, as did owner-managers in Understanding 1, to envisioning markets and agent relationships as a whole as revealed in Understanding 4. Consequently, these distinctly different forms of competence form a hierarchy of internationalisation competence, evidenced by the growing comprehensiveness of each Understanding.

Finally, our findings provide insight into how competence in small owner-managed internationalising firms is developed and sustained. In identifying attributes as proxies for internationalisation competence, alternative competence-based explanations are relatively silent on how internationalisation competence is created and how this competence is recreated to provide some degree of prosperity for small internationalising firms. For instance, Lu et al. (2010) and Knight and Cavusgil (2004) within their capability orientation infer the dynamic nature of internationalisation competence by acknowledging the need for a firm to recombine and leverage knowledge-based resources to achieve on-going success in their international development. However, these authors and others in this emerging field of enquiry (see, Knight & Kim, 2009; Li & Cavusgil, 2000; Muzychenko, 2008) remain mute on the creation and recreation of internationalisation competence. Nevertheless, our findings reveal owner-manager internationalisation competence is dynamic and results from on-going

everyday experiences associated with internationalisation work. Our findings suggest the development of internationalisation competence is a process of producing and reproducing their internationalisation realities and enacting them, based on their understanding of firm internationalisation (Giddens, 1984; Weick, 2001).

### **CONCLUDING REMARKS**

The most immediate theoretical insight is that competence in small internationalising firms is not a composite of owner-managers' internationalisation competence attributes; instead, it is determined by how owner-managers understand firm internationalisation. Furthermore, competence in small internationalising firms is revealed as a one of variability and multiple set(s) of distinctive competence, not as a 'one size fits all' approach.

This paper also has implications for owner-managers and policy makers. We demonstrate there is no one best way to internationalise. We suggest that standardised attribute approaches prescribed for use as small owner-managed firms internationalise may be ineffective because of the variation in owner-managers' understandings of firm internationalisation and where different internationalisation competence apply.

In terms of further research, we consider competence development to be a fertile area of enquiry: how might owner-managers reconfigure their firms through developing staff competence is a leading question? We also suggest there are opportunities for investigating the influence of industry and nation context and to also explore competence creation within and across subsidiaries MNEs (see, Narula & Rugman, 2011). There are also opportunities to give weight to the notion of combinative capabilities and higher-order organising principles as proposed by Kogut and Zander (1993, 1992).

In conclusion, we provide new insights to the emerging topic of small firm internationalisation competence by revealing not only what constitutes competence in small internationalising firms, but also the variation in the way owner-managers organise their key attributes into sets of distinctive competence using an understanding-based approach and applying phenomenography.

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Understanding: Firm Internationalisation as:	Key Attributes of Competence in Small Owner-Managed Internationalising Firms					
	Main Focus (Sense of Markets)	Ability to Analyse and Interpret	Knowledge of Market	Ability to assess foreign-based agent(s) attractiveness	Ability to verify agent compatibility	Ability to establish on-going cooperative agent relationships
Confronting Opportunities	Relation between monitoring fine-grained market-based information on how market(s) are governed to offset the lack of market familiarity	Analyse and interpret institutional and regulatory arrangements to minimize uncertainty and unfamiliarity of foreign markets	Understanding how changes of institutional and regulatory arrangements influence market opportunity and familiarity.	Leveraging government and industry agencies relationships to 'broker' foreign-based agent interest and to off-set their limited international exposure and reputation.	Judging prospective agents and assessing the veracity of information provided by agents: i.e. are they right for me and can I trust them?	Persuading and motivating agents and their customers to stimulate sales through personal representation in the market
Competing on Price	Relation between monitoring competitive-based information on how market structures and competitive conduct within market(s) influences the attractiveness of their offerings	Analyse and interpret competitive-based market information to assess competitive position	Comprehending how competitive structures and conduct within markets impact on their 'value' offering.	Assessing how competitive-based market information influences their attractiveness to potential agents: is our wine priced right and will it sell	Evaluating agents' capacities and interests to sell our competitively priced wine.	Influencing and stimulating agent(s) commitment to their wine's value to encourage on-going agent support and promote sales volumes
Portraying Distinctiveness	Relation between market readiness and sophistication, and acceptance of distinctive wine styles	Interpreting market signals and preferences for wine.	Recognising markets for their wine mentality and sophistication.	Demonstrating to prospective agents their attractiveness through distinctiveness: it is what's on the outside of the bottle that makes us different.	Assessing agents based on their shared interest and passion for distinctive wines.	Educating and reinforcing product distinctiveness to foreign-based agents to retain their on-going support.
Storytelling	Relation between their personal embodiment of wine and the suitability of market(s) for their wine	Analysing and overlaying personal preferences on markets	Judging markets based on suitability for 'our wine'.	Judging whether agents share 'our' passion for 'our' wines.	Judging whether a personal friendship can be built with interested agents.	Motivating and educating staff and clients of agents by telling a personal and experiential tale.