

ARE INTERNATIONAL NEW VENTURES PROACTIVE OR REACTIVE?

Paper for the EIBA 2019 conference

Track: Entrepreneurship and Family Firms

Competitive paper

Erik S. Rasmussen (era@sam.sdu.dk)

Corresponding author

Associate Professor

University of Southern Denmark

Department of Marketing and Management

Campusvej 55

5230 Odense M, Denmark

Per Servais (per.servais@lnu.se)

Professor and Dean

Linnaeus University, Sweden

Kalmar

Abstract: This paper will elaborate on the distinction of proactive-reactive from both a theoretical and an empirical point of view. From the outset, there has been a discussion in International Entrepreneurship on whether the international entrepreneur is proactive or reactive and, in the same line, whether international entrepreneurial firms are reacting to external stimuli as in the classical internationalization literature or are proactive as in the classical entrepreneurship literature. From four Danish cases, we will show how small, highly international firms are not necessarily proactive but can be reactive too or use agents and intermediaries to get access to markets. It is our intention in the paper to show that reactive-proactive is a continuum and not a dichotomy. The empirical analysis is done by applying the typology from (Ellis, 2000) and from (Merz & Sauber, 1995). The four cases are all Danish INVs and illustrate the typologies from the theoretical part. The cases can be placed far from each other on a reactive-proactive continuum. Furthermore, the cases illustrate that firms must find their strategy of reactive-proactive in a balance between the context of the market and the internal culture of the firm.

INTRODUCTION

International entrepreneurs and how they establish new, highly international ventures are becoming more and more critical for all economies in the world. However, these entrepreneurial processes are not necessarily causal but often effectual (Kalinic & Forza, 2012, Kalinic, Sarasvathy, & Forza, 2014), displaying considerable variation in how they exploit the opportunities for different types of firms. As stated by Efrat, Gilboa, and Yonatany (2016), in the Born Global type of firm, marketing and innovation activities interact uniquely, often depending on the type of market and other environmental factors combined with the management style of the founder(s). Furthermore, Efrat and Shoham (2013) found that the Born Global firms are sensitive to opportunities provided by the host market, which could result in high-commitment entry modes. The article analyzes the entry mode decision of Born Global firms from two groups of factors: the external market conditions and the firm's strategy. For some Born Global firms, a stable and large market is seen as an opportunity that can be exploited through high-commitment entry modes. If the markets are seen as risky with a long distance from the home country of the firm, they will instead use a low-commitment entry mode. Hence, a principal research question is how international entrepreneurial firms use their global marketing knowledge and opportunities to identify, evaluate, enact, and take advantage of opportunities in the markets. At the same time, firms and entrepreneurs must reduce the risk of operating in highly competitive, multi-speed global markets. In the nexus of market opportunities and personal and business strategies, the quest for how international entrepreneurial firms can utilize the opportunities that exist and achieve growth is one of the remaining questions.

In line with a number of scholars (Cavusgil & Knight, 2015, Coviello, 2015, Knight & Cavusgil, 2004, Zander, McDougall-Covin, & Rose, 2015), it can be concluded that current research adequately covers which types of firms tend to be global from their foundation, answering the question of what are the antecedents and typical characteristics of rapidly internationalizing young firms. They are

often influenced by the globalization of markets and customer needs, for example, and by the impact of new communication and transportation technologies that make international operations less costly than before (Cavusgil & Knight, 2015, Knight & Cavusgil, 1996, Knight & Cavusgil, 2004, Knight & Liesch, 2016). The purpose of this article is to develop a more nuanced picture of the different strategies used by International New Ventures (INVs), exploiting the opportunities identified in the markets all over the world. Internationalization has often been seen as a firm's (and a founder's) reaction to stimuli as in the classical models of (Johanson & Vahlne, 1977), typically beginning with an unsolicited order from abroad. This reaction results in behavior with incremental and risk-averse adjustments to changing conditions as a response to external stimuli (Johanson & Vahlne, 2003, Johanson & Vahlne, 1977, Johanson & Vahlne, 1990). Opposite to this point of view, the classical entrepreneurship research as in (Kirzner, 1973, Schumpeter, 1934) sees the entrepreneur as proactively reacting to an observation of an available opportunity.

Combining these two research streams in International Entrepreneurship must thus lead to a discussion of whether the international entrepreneur is proactive or reactive. It is our intention with this paper to elaborate further on the distinction of proactive-reactive from both a theoretical and empirical point of view. From four Danish cases, we will show how small, highly international firms are not necessarily proactive but can be reactive too or use agents and intermediaries to get access to markets.

The outline of the paper is such that first, the definition of INVs is briefly discussed, followed by an examination of the concept of proactiveness, which is central to most of the international entrepreneurship literature. Methodologically, we present four Danish cases that have been studied over a long period. All four cases are classical INVs following the original definitions but with four different strategies that can be seen as archetypes of how INVs find and exploit opportunities in the markets. A brief overview of the cases is given, and they are compared in terms of their strategies for

recognizing and exploiting opportunities in international markets. Suggestions for further research are given in the last part of the article with a focus on the proactiveness of the international entrepreneur.

INTERNATIONAL ENTREPRENEURSHIP (IE)

Following the discussion from above, it can be stated that the initial research on IE took the standpoint of the proactive firm and entrepreneur. Oviatt and McDougall (1994) originally defined an international new venture as a “business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (p. 49). Related to entrepreneurship research, they later defined IE as a proactive behavior that crosses national borders (McDougall & Oviatt, 2000) and later as opportunity-seeking behavior (Oviatt & McDougall, 2005). Proactivity and opportunity recognition have thus been in focus in IE research from the beginning.

It is important to note that even though (Oviatt & McDougall, 1994 p. 49) use the wording ‘multiple countries’ in their definition of INVs, most of the earlier research on early and rapid internationalization takes no account of either the number of or the distances between the countries on firm performance (Kuivalainen, Sundqvist, & Servais, 2007). It can be discussed whether it is better for an INV to be very active and go to multiple and distant markets, or better to be less active and react to opportunities closer to home. One of the main reasons for this unanticipated lack of research is the fact that there is no clear definition (neither theoretical nor empirical) of what it means to be a Born Global firm (Knight & Liesch, 2016, Kuivalainen, Sundqvist, & Servais, 2007, Rasmussen & Madsen, 2002).

It is worthwhile to stress that INVs possess several particular characteristics. First, international entrepreneurs often possess a global vision from inception (Oviatt & McDougall, 1994), while traditional international firms have to spend time and resources to develop their internationalization

motivation and accumulate their international experiences incrementally. The entrepreneurs are internationally experienced and have access to extensive international business networks so that the risks of foreign operation for international new ventures are decreased dramatically. Second, entrepreneurial orientation is an essential characteristic that international new ventures possess (Oviatt & McDougall, 1994). The essence of entrepreneurship is a new entry into a market or development of a market niche with new products or services (Burgelman, 1983), which are often marked in three dimensions of entrepreneurial orientation: innovativeness, risk-taking propensity, and proactiveness (Lumpkin & Dess, 1996, Miller, 1983). This observation led McDougall and Oviatt (2000) to further elaborate on the definition of IE and to define it as “a combination of innovative, proactive and risk-seeking behavior that crosses national borders and is intended to create value in organizations (p. 903)”. The study of IE, therefore, includes research on such behavior as well as research comparing entrepreneurial behavior in multiple countries.

THE LEVEL OF REACTIVENESS/PROACTIVENESS IN FIRMS

Changes in internationalization strategy can be defined along a continuum of reactive versus proactive change. Reactive change, according to Agndal and Chetty (2007), is a change in strategy that arises as pressure from the firm’s internal or external environment. This change encompasses everything from the firm’s response to unsolicited orders to moves by other actors. Whereas reactivity is somewhat easy to define, measuring the opposite – proactiveness – has been more challenging to define. Agndal and Chetty (2007) lean toward the definition by (Melin & Hellgren, 1994 p.254): “an active search for new strategic options and strategic steps taken in new directions, although neither the internal nor the external situation requires new strategic actions.” It is somewhat unclear, however, in which situations one deals with a specific strategy and what exactly is visible to whom and when. Therefore, it is necessary further to investigate the term.

The concept of 'proactive behavior' has been the focus of discussion in much of the international entrepreneurship literature following the entrepreneurial orientation (EO) literature as with (Miller, 1983) over the decades. Proactiveness has often been positioned as an element in the concept of EO (Covin & Slevin, 1990). Embedded in the Kirzner-inspired construct used by (Miller & Friesen, 1978), proactiveness of decisions is defined in terms of the firm's behavior towards the environment (market). The guiding question is: does the firm (try to) shape the environment via the introduction of new products, technologies, administrative processes, etc., circumscribing a high level of proactiveness, or does it merely react to market trends and chase market trends and imitate market leaders (Miller & Friesen, 1978)? This definition is echoed by (Miles & Snow, 1978), who suggest that there is indeed an important distinction to be made between purely prospecting – which characterizes proactive behavior – and defensive behavior. The proactive behavior of the entrepreneur and the internationalization of the firm is thus linked in a process that leads to the foundation of an internationally-oriented firm through the willingness of the entrepreneur (or entrepreneurs) to accept a higher risk (Acedo & Florin, 2006, Acedo & Galan, 2011, Acedo & Jones, 2007). According to Welch, Plakoyiannaki, Piekkari, and Paavilainen-Mäntymäki (2013), research on internationalization and especially international entrepreneurship can be seen as a process of how the entrepreneur(s) and the firm(s) interact proactively to find or create opportunities internationally for a new firm.

In the classical entrepreneurship literature (Kirzner, 2009, Kirzner, 1997, Kirzner, 1997), proactive behavior as a method to identify opportunities has been seen as a subjective process related to the individual entrepreneur, while the classical International Business literature has had its focus on the firm. Some researchers (Ardichvili, Cardozo, & Ray, 2003, Mainela, Puhakka, & Servais, 2014, Zahra, 2005) have tried to link the entrepreneurial behavior of the individual and the firm through the concepts of opportunity and proactivity. Entrepreneurial actions – in a nexus between individuals and firms – must, in our view, be seen as an intentional behavioral process stemming from a proactive

behavior and resulting in the identification or creation of opportunities. In entrepreneurship research, the proactivity of an entrepreneur or a firm has thus often been linked to opportunity recognition (Eckhardt & Shane, 2003, Shane, 2003, Shane, 2000). Accordingly, and following other seminal authors, Shane and Venkataraman (2000) argue that there are reasonable indications that the entrepreneur is less susceptible to 'inaction inertias' than the general population. As such, the dominant nexus view of opportunities involves a subject (the individual entrepreneur) and an object (the opportunity). Following this view, the proactive behavior of the entrepreneur is argued to be embedded in seeking, identifying, and exploiting opportunities (Shane & Venkataraman, 2000). This intentional behavior drives a directional movement from the existence of an opportunity to the discovery of it and its later exploitation (Eckhardt & Shane, 2003). Hence, traditional literature casts the entrepreneur as a person actively involved in the search for opportunities instead of reacting to changes in the environment. The reactive disposition characterizing non-entrepreneurial behavior has been further expounded in a study conducted by (Sarasvathy, Simon, & Lave, 1998).

It can be somewhat problematic to operationalize the concept of proactiveness. In the seminal article about entrepreneurial orientation, Covin and Wales (2012) express that the notion of an orientation toward entrepreneurial activity has been given a variety of labels in past research including entrepreneurial orientation, intensity, style, posture, proclivity, propensity, and in some instances, corporate entrepreneurship. They furthermore stress that EO research can be traced to the work of (Mintzberg, 1973). In his theorizing about strategic decision-making, Mintzberg conceived of an entrepreneurial strategy-making mode as a managerial disposition characterized by the active search for new opportunities in uncertain environments through which dramatic growth might be realized. They further suggest the Entrepreneurial Orientation scale was intended to operationalize the construct of EO as initially discussed by Miller (1983). They underline that EO is reflected in

innovativeness, risk-taking, and proactiveness, and these constructs, in turn, are reflected in their specific indicators.

Reactive-proactive can also be seen as part of the general discussion in management research regarding how firms can balance the outside-inside paradox of change and stability or how to be innovative and stable at the same time (Lynn, 2005). Being reactive allows the firm to respond to changes in the environment without significant changes in the existing organization and strategy while proactive provides an opportunity for innovation, which in the end leads to changes (Lynn, 2005, Poole, Dooley, Van de Ven, & Holmes, 2000).

FRAMEWORK FOR ANALYSIS

The discussions mentioned above relate to the concepts used in this article to analyze the proactive-reactive motives for embarking in internationalization processes as they might be different. Jones, Coviello, and Tang (2011) conclude, “although the firms in these studies appear similar, they are not. However, a lack of detail regarding each sample precludes a truly meaningful comparison of findings.” Also, Di Gregorio, Musteen, and Thomas (2008) argue that while INV formation is linked with entrepreneurial action to exploit opportunities (as are all entrepreneurial ventures), INVs are differentiated by the geographic dispersion of individuals, resources, and market opportunities, and their ability to exploit novel combinations of those elements across national boundaries. It is worthwhile to stress that firm internationalization relates to the firm’s international development over time. Firm internationalization has been defined as “. . . the process of increasing involvement in international operations” (Luostarinen & Welch, 1990 p.249). This process may be through inward and outward involvement, although the process of outward involvement is emphasized in this article. It is important to stress that market involvement is a multi-dimensional concept. Wind, Douglas, and Perlmutter (1973) differentiated between levels of market and international involvement according to managerial orientation and attitudes toward foreign markets. Johanson and Vahlne (1977) argued that

the type of organizational form and the extent of foreign market coverage reflect the extent of market involvement. In his representation of dynamism in the internationalization process, Luostarinen (1979) proposed the firm's international market involvement is a learning process in which the firm's adoption of a particular product-operations-market (POM) mix in a foreign market was generally first determined by external stimuli, but that subsequent and deepened involvement saw POM mixes defined through the firm's internal knowledge base. Luostarinen and Welch (1990) extended the dimensions of market involvement beyond the organizational mode and market coverage to include consideration of product, organizational structure, and organizational capacity. Their scale and scope further distinguish internationalization processes. Sullivan (1994) proposed an operationalization and means of measuring the degree of internationalization (DOI) of the firm, and suggested "... the DOI of a firm has three attributes: performance (what goes on overseas) . . . structural (what resources are overseas) . . .and attitudinal (what is top management's international orientation)." It was later suggested that a possible approach for exploring the extent of firm internationalization involves considering the interaction between the constructs of market commitment, market knowledge, and market involvement. Lamb and Liesch (2002) reframe the relationships between three constructs widely used in models of the firm internationalization process. The constructs are market commitment, market knowledge, and market involvement, which interact in a way that makes it difficult to differentiate them in the firm internationalization process rather than direct, causal relationships. Instead, they must be seen as part of an organizational culture that makes internationalization possible in the firm. As (Lamb & Liesch, 2002) state, classical internationalization has often had a static and deterministic point of view and has not looked at the dynamic processes, particularly behind internationalization of the small firm. One of the dynamic processes to be analyzed in the internationalization of firms is the reactive-proactive dichotomy of behavior. The purpose of this article is thus to look deeper into international market involvement by

new ventures and whether this can be characterized as reactive or proactive. The focus is on the management of the internationalization processes in INVs and not on the structural analysis of the outcome of internationalization as in the classical International Business research (Liesch, Welch, Welch, McGaughey, Petersen, & Lamb, 2002). The analysis is done by establishing a framework from previous research related to a reactive-proactive typology, primarily following (Ellis, 2000) and (Merz & Sauber, 1995).

Ellis (2000) emphasizes that despite the significance of the initial entry decision, little is known about the actual process by which firms come to identify both foreign markets and specific buyers within those markets. Ellis (2000 p.446) further underlines that any investigation of the phenomenon should ideally take into account the fact that exchange relationships may be seller-initiated (exporter's initiative), buyer-initiated (an unsolicited order), broker-initiated (sponsored by an entrepreneurial middleman or agency), or initiated as a result of a trade-fair/chance encounter. In a follow-up to this research, Paul Ellis has discussed the role of social ties in international entrepreneurial firms (Ellis & Pecotich, 2001, Ellis, 2008, Ellis, 2011). Social networks are vital for the INV, but social connections can both promote and limit the search for international opportunities (Ellis, 2011). The time horizon is essential as the entrepreneur typically reacts to opportunities in the social network at the foundation of the firm and later becomes more proactive. Social entrepreneurial networks can thus lead to a limited active search for new opportunities and sub-optimal behavior. The discussion of the role of social and business networks for initial internationalization can also be seen in (Evers & O'Gorman, 2011). In this research, it is shown that the first internationalization is typically initiated through a social network and that firms and entrepreneurs react to opportunities initiated from their network. Later, it is necessary for the firms to develop a business network and use this for a more proactive strategy in a search for new customers and markets.

Merz and Sauber (1995) highlight that there has been a tendency to study small business management related to planning, organizing, staffing, and controlling activities. The majority of studies seem dedicated to planning, including information gathering and processing, and the studies provide detailed knowledge of individual management functions. They typically ignore other realities of managerial processes such as task environment, organizational configuration, and managerial characteristics by artificially focusing attention on one or two functions, sometimes in association with a firm's performance. Their study found that (1) there are configurations (profiles) that encompass common managerial, structural, and environmental factors in small firms and that (2) small firms' managerial and structural characteristics are consistent with their environments. In (Merz & Sauber, 1995), it is documented that small firms display identical managerial and structural configurations when faced with similar contexts. It is thus possible to present a typology of four different profiles and to apply this typology to the firms in this paper.

Figure 1 app here

Highly relevant to this article, Merz and Sauber (1995) define entrepreneurial orientation in their empirical study as the firm's degree of proactiveness (aggressiveness) in its chosen product-market unit (PMU) and its willingness to innovate and create new offerings. This definition is consistent with the conceptual schemes developed by (Miller & Friesen, 1984). Based on the previously mentioned observations and the fact that product markets are not always chosen, it could be interesting to include learning orientation (Jantunen, Nummela, Puumalainen, & Saarenketo, 2008, Jantunen, Puumalainen, Saarenketo, & Kyläheiko, 2005), but this is outside the purpose of the paper. Hence, the environmental turbulence construct is defined regarding dynamism: unpredictable environmental changes, hostility (environmental threats to the firm's vitality), and heterogeneity (diversity of the firm's environments). Environmental hostility could be found to be a valid explanatory variable in

studying international learning orientation, innovativeness, organizational structure, and global market performance.

In further analysis of the reactive-proactive behavior of INV, we will use the two typologies from above. First, we will give a short presentation of the methodology of empirical research and give a short presentation of the case studies.

METHODOLOGICAL FRAMEWORK

In a recent article, Johanson & Vahlne propose that “Empirically we believe longitudinal case studies would be the way forward. As we think the strategic considerations and contextual aspects are important in understanding the processes of internationalization and globalization, these are better studied jointly, and preferably real time” (Vahlne & Johanson, 2013). The argumentation in this quote is one of the reasons why qualitative, processual, and comparative case study research is chosen to study early internationalization and the initial market entry by four Danish INVs. This exploratory study provides answers to “how,” “why,” and “what” questions (Eisenhardt, 1989) and (Yin, 1994). We will follow up on the critical events of four Danish SME companies concerning their internationalization strategies from their conception episode onwards. The four cases are intended to illustrate the four types of strategies with data from a long period of contact with the firms – typically between ten and twenty years. All four firms can be said to be INVs following the classical definition (McDougall & Oviatt, 2000, McDougall & Oviatt, 2003, McDougall, Oviatt, & Shrader, 2003, Oviatt & McDougall, 2005, Oviatt & McDougall, 2005, Oviatt & McDougall, 1994).

The cases stem from longitudinal studies of Born Globals and INVs by the researchers for more than 20 years. The firms were initially selected from secondary data and a questionnaire following the classical definition of a Born Global firm from (Knight & Cavusgil, 1996) and (Madsen, Rasmussen, & Servais, 2000): 25% export within the first three years of the foundation of the firm. Later, the sample of firms has been supplemented with newly founded firms that can be labeled as Born Global

following the initial definition. The firms have been part of several research projects with interviews, personal meetings, and network meetings over these 20 years, and data has been collected and saved by the researchers. It is thus possible to go back to the foundation of the firms and the information collected at that time. The quantitative data have been merged into one file in SPSS with data from questionnaires and secondary data. The qualitative data has been systematized, and recordings from interviews and meetings have been transcribed and analyzed with the use of the data tool Nvivo.

The four case studies have been selected to illustrate and elaborate on the four ideal types of relationships from the research of Ellis (2000):

1. *The proactive seller-initiated export strategy – case A*
2. *The reactive buyer-initiated strategy – case B*
3. *The strategy initiated by a broker or middleman or by an agent – case C*
4. *The trade-fair strategy where the firm presents its products/services and the potential buyers react to this – case D.*

The cases have been selected to illustrate the four types of strategies and not because they can be seen as being representative of a particular group of firms.

As the intention is not to present a detailed case study project, we will give a short overview of each case with a focus on the initial international market strategy of the firms.

Table 1 here

Case A

The focus of case A was the development and sale of control systems, call systems, and communication systems to be used within the hotel and restaurant industry. The company was established in 2000, and the main product is a small electronic disc used in cafeterias and self-service restaurants. The disc is given to customers after they have ordered and paid for a meal, like an ordinary sales receipt, but the disc discreetly beeps and flashes when the meal is ready to be collected. The

product is technically simple and has not been built on any patents or IPRs. The firm's core competency is marketing and sales combined with the service of the system while the production has been outsourced right from the start. The Danish market was targeted first but did not have any further potential after a short time. Instead, foreign markets were sought, especially the nearby markets of the Nordic countries and Germany. The strategy was the same in all cases: First, places that decision-makers frequent were targeted, e.g., bistros, cafeterias, and restaurants in airports. When the product had been installed in these places, decision-makers from, for example, supermarkets with cafeterias were contacted directly and asked if they had seen the product at the airport.

As the product was not protected in any way, the firm had to protect it by lowering prices to keep competitors away from the market and at the same time offering auxiliary services. These services could be maintenance and technical service or financial services as the opportunity to rent or lease the product instead of buying it. Furthermore, the firm established partnerships with large firms that would like to present a product or a campaign on the disc. These partnerships made it possible for customers with many users to have the product almost 100% financed with the help of logos or other advertisements on the disc.

The internationalization strategy can thus be described as a first-mover strategy with a focus on low prices and extra service. The price in-use is low for large customers, and the firm has, to a large extent, succeeded in keeping competitors away from the market. The markets nearby are serviced directly from the firm or by a subsidiary while the other markets are taken care of by an agent. In the broader markets, this agent will have these products as their sole responsibility while they will also have products from other firms in secondary markets. Service as new discs or change of advertisements on the disc will typically be taken care of by the agent or outsourced to a firm that often visits the same type of customers. In this way, the firm has succeeded in setting up a very cost-

efficient solution that can target and service overseas markets, even if we are talking about a small firm with few employees.

Case B

Case B is a sub-supplier of the development and production of electronic equipment. The company was founded in 1984. At that time, the founder worked in a local company as head of the electronic development department. When the company was taken over by a subsidiary of a large Swedish MNC (Y), it was also decided to transfer the development department to Sweden. The founder exploited the opportunity to start company B and took over some of the tasks of the externalized department. The opportunity was evident since the founder already possessed the relevant knowledge and experience to carry out those tasks. On this basis, company B established its business related to the Swedish MNC (Y), and company B began to develop and produce electronic steering and regulation equipment for Y worldwide. To gain increased control over the market situation, company B carried out a backward integration in 1993 by taking over a small Danish producer of automats. Since company B is in the “business to business” market, sales and marketing activities have been limited to trade fairs, personal selling, and direct marketing activities. Sales are generated through existing customers, and potential customers contact company B, and export sales are mainly generated through Y. A typical export activity begins, e.g., if a business partner from Y invites company B to visit a Y customer. The founder then joins the Y business partner in their field to explain their solutions. This process resulted in export sales to Germany and Sweden. Company B was very dependent on the relations to Y, and when outsourcing to China escalated, the founder decided in 2008 to sell company B to a holding group, and it is still part of that group, having the same number of employees as in 1985 – 24 employees.

Case C

The company was founded in 1982 by one person who also did all the design of the furniture with a focus on shelves and similar products. Within the first ten years, the firm grew to more than 100 employees in Denmark where all production takes place. The products have a unique design and are of exceptionally high quality and expensive.

The Danish market is small for a firm that is exporting more than 90% of its production, and the German market is of high importance, supplemented by markets in Austria and Switzerland. The products are sold through highly specialized furniture shops that focus on high-end private customers and the business market.

The main expenditures of the firm are for marketing, sales, branding, and PR, especially in the foreign markets. The largest market is Germany, which the firm entered with a large number of very spectacular activities like having street artists decorate their products and exhibit them in a subway station in Berlin. These activities were costly but gave the firm a lot of brand value in newspapers, magazines, and on TV. Together with sponsor activities such as theater and music, this made it possible for the company to brand itself as a high-quality alternative to traditional producers. The strategy was initiated by the firm and particularly the founder and designer of the furniture, but the ideas came from a Danish marketing agency. For many years, this agency looked out for ideas and contacts, especially in the German market. The agency initiated events and other marketing activities but had contacts with shops and distributors as well. In this way, both marketing and sales activities were planned by an agent outside the firm while the firm, of course, had to approve it in general terms. The focus of the firm is to develop new products and optimize production, while marketing and sales activities are initiated by an outside firm operating on behalf of the focal firm. This outside firm is not a classical agent or middleman that operates on behalf of the producer. Instead, they generate ideas for new ways of marketing the products that lead to new places to sell the products. They are

thus not paid a percentage of the sales, but through a yearly contract that stipulates the activities, they have to take care of.

The strategy has made it possible for the firm to expand its sales in Germany and other German-speaking markets in a very successful way with a high brand value attached to its product in the right segments. In the segments targeted in Germany, the firm and the brand have recognition of almost 100%. However, at the same time, it has been complicated to expand to new geographical markets because the strategy calls for high initial investment in marketing activities. Instead, the firm has tried to diversify into new products such as office furniture in general but not with success.

Case D

The company, which produces furniture for bathrooms, started in 1983 with a small production in Denmark and a focus on the German market. In 1997, the company, which at that time had almost 200 employees, fundamentally changed its strategy. All production is outsourced, and the sales activities primarily go through retailers or wholesalers for the professional market. Design, testing product quality, and contracts with sub-suppliers take place in Denmark, but sales are made through large fairs in Europe. At these fairs, the new products are presented to, e.g., buyers from Bauhaus in Germany. If the products are satisfactory to the buyers, contact is made, and then a negotiation about the detailed contract takes place. In the contract, the price, delivery conditions, service, etc., are stipulated, but it is up to each shop in, e.g., the Bauhaus group, whether they want to present the products.

Sales for the professional market are typically made through large wholesalers that have room for the exhibition of the products and have the staff to advise the customers, who are typically small and large plumbing firms. In a few cases, the firm sells directly to the contract market, typically for new buildings on a large scale. When end-users order products in a shop, all orders from around Europe are collected in Denmark and sent to the sub-suppliers, they will typically package the products in

one or two parcels that are delivered directly to the end-user. In this way, the firm, the retailer, or the sub-supplier do not need to have any inventory. However, the IT systems of the firm and the logistics have to be extremely well-functioning, mainly because delivery typically takes place within a week or two.

As the products are sold through hundreds of outlets, it would be costly to have sales personnel visit all of these. To keep costs low, it has thus been necessary to find another way of being in contact with the market, and the solution has been to use trade fairs. It is costly to present products at these fairs, mainly because the firm needs much space to present all of its new lines of products each year, but it gives the firm access to all essential buyers at the same time. Using this strategy, the firm started expanding to the Netherlands in 2012 and before that to Sweden, but the primary markets are still Denmark and Germany. The structure of the organization has changed over the years, and sales subsidiaries have been established in the main markets to be able to be closer to the customers.

CASE FINDINGS

The focal question in this research setting is: how is the initial opportunity recognized, are firms and founders reactive or proactive? Interestingly, although Bell, McNaughton, Young, and Crick (2003) argue that paths of internationalization are predictable and path-dependent, Jones and Coviello (2005) suggest they may be stochastic and idiosyncratic. Also, Crick and Spence (2005) find them to be influenced by serendipitous events and both planned and unplanned strategies. These types of seemingly contradictory patterns are also seen in firms that pursue innovative and proactive marketing strategies but take a traditional approach to internationalization (McDonald, Krause, Schmengler, & Tüselmann, 2003). The nucleus of this internationalization process has been described regarding the cumulative decisions made in terms of foreign markets and entry modes. Reid (1981) stresses that market entry decisions are among the most critical made by a firm about international markets as the

choice of which country to enter commits a firm to operate on a given terrain and lays the foundation for its future international expansion.

Alvarez and Busenitz (2001) argue that entrepreneurial opportunities exist primarily because different agents have different beliefs about the relative value of resources when they are converted from inputs into outputs. As seen in the four cases, different beliefs exist in the firms and also different ways to identify international entrepreneurial opportunities. Alvarez and Busenitz (2001) further underline that the emergence of cognitive approaches to understanding how entrepreneurs think and make strategic decisions has shown much promise (Busenitz & Barney, 1997). If entrepreneurs do indeed have a unique mindset or orientation (Lumpkin & Dess, 1996), then it follows that their cognitive approaches are likely to have strengths and weaknesses in various international environments and are a potential source of their uniqueness and heterogeneity. The challenge is to group these different ways of identifying opportunities into different categories.

The four cases represent four quite different strategies for establishing relations with customers and distributors in foreign markets. In all cases, it has been necessary for the firms to develop a strategy that fits with the overall strategy of the firm and can be cost-efficient and practical at the same time. All the case firms are in some way proactive in finding new markets and customers, but in many ways, it can be more productive and save costs if somebody outside the firm takes care of the tasks. It can be discussed how valuable the proactiveness concept is in understanding the development of INVs and how much the degree of proactiveness contributes to the distinction of INV versus non-INVs. This discussion is consistent with the findings of Jantunen, Nummela, Puumalainen, and Saarenketo (2008), who showed that a Learning Orientation (and not EO) has the most substantial effect on subjective measures of global performance. Hence, EO might be most useful in identifying imitation-based entrepreneurs (Alvarez & Busenitz, 2001) and less useful in identifying entrepreneurs in industrial markets (Peiris, Akoorie, & Sinha, 2012) since many of these new ventures depend on

co-creation and close relationships with suppliers and customers. Opportunity creation is typically seen as the activity of one firm/founder and not of activities that are done in cooperation between several actors (Whalen & Akaka, 2016). Instead, it could be beneficial to change the analytical unit of entrepreneurial marketing and internationalization from the firm and founder to networks and relations between several firms and founders.

CONCLUSION

Following the International Entrepreneurship research, the purpose of the paper has been to discuss whether the distinction between reactive and proactive strategies is meaningful from both a conceptual and empirical point of view. The method has been to apply two typologies from previous research to four INV cases.

The Ellis typology (Ellis, 2000, Ellis & Pecotich, 2001, Ellis, 2011) presented in the paper distinguishes between the proactive seller and reactive strategies initiated by the buyer of the firm's products or services. Furthermore, the initial sale and internationalization could be initiated by an agent, a broker, or another type of middleman, or it could come from a meeting at trade fair between the firm and potential buyers. As the four cases were deliberately chosen to illustrate each of the four strategies in the typology, they cannot be taken as a validation of the model. However, it is clear that the cases have very different strategies and that they can be placed far from each other on a reactive-proactive continuum. Furthermore, the cases illustrate that firms must find their strategy of reactive-proactive in a balance between the context of the market and the internal culture of the firm.

As shown in the analysis section, the four cases in this article display quite distinct profiles, and to some extent, they resemble the four profiles from (Merz & Sauber, 1995), see Figure 1. Case A can be placed somewhere between Profile I and II. The firm has a low innovative level and is operating in an environment that is not exceptionally dynamic, but the firm shows some proactiveness. Case B is an almost typical Profile I firm. The level of proactiveness is low, and finding new customers is

almost solely done through existing relations. Case C is mostly a Profile IV firm with a high level of proactiveness and innovation, especially in its sales activities. The founder (who is also the CEO) has been at the head of the firm for many years and is responsible for the significant, strategic decisions, but middle managers make more operational decisions. Case D fits the Profile III firm with a high emphasis on analyzing markets that can be difficult to predict. The focus is on developing IT systems that can manage the very complicated tasks of production, logistics, and sales all over Europe. Changes at the end-user level are fast and unpredictable, and the company has to be able to move fast in the design and production processes. As can be seen from Table 1, Case A and Case B are the smallest firms, while C and D are much larger. Case D has primarily grown to be a large firm; even it does not have any in-house production at all. This observation fits with the analysis in (Merz & Sauber, 1995), where Profile III and IV are the largest firms. Being in a dynamic and sometimes hostile environment leads the firm to be more proactive and innovative, which again leads to the growth of the firm. This development is documented in Merz and Sauber (1995) but can also be seen in the four cases. Being proactive can thus be seen as a strategy for dealing with a turbulent and hostile environment instead of a personality trait.

Implications

The purpose of the article has been to discuss from both a conceptual and empirical point of view whether the dichotomy of reactive-proactive is useful when analyzing new, international firms such as INVs. Some implications can be drawn from this discussion:

1. It is possible clearly to identify reactive and proactive strategies empirically
2. These two types of strategies can be seen both on a firm-level and a personal level
3. The choice of strategy is a way of finding a balance between the external environment and the internal structure and culture of the firm

It is thus meaningful to use reactive and proactive, particularly in the analysis of the founding of INVs, but some questions and issues must be raised:

4. Firms operate with different products/services on different markets and must thus be able to align reactive-proactive strategies to these differences
5. Firms develop over time, and a firm with a reactive strategy at its foundation can develop into a more proactive one over a long period

Suggestions for further research

Following the implications above, we suggest that further research on reactive and proactive INVs should go deeper into how the strategies can be seen as the firms' and founders' way of dealing with the balance between external market demands and the internal culture and structure of the firm (Lynn, 2005). Furthermore, it is necessary to be aware of the fact that firms have different strategies in different markets and for different types of products/services.

According to Acs and Terjesen (2013), INVs can be described from an individual-opportunity nexus. An international entrepreneur who recognizes an opportunity must decide how to exploit this opportunity. Seen from a value chain perspective, the entrepreneur must find a place for the new firm in the global networks of alliances and upstream and downstream activities. In short, this has consequences for the INV in that it must find its place in this interdependent system of resources. Finding the right place in a complicated network of global value chain activities is exceptionally context-dependent. Models that imply that an INV or a Born Global firm ought to act in a certain way as part of their international expansion miss the importance of the context. In line with this, we will suggest that further research looks more in-depth into how an INV finds its place in the global value chains, including relations with both large and small firms.

We also suggest that further research on the different types of international new ventures develop typologies that take different cognitive styles into account to a greater extent and incorporate reactive-

proactive strategies into the typology. Baum, Schwens, and Kabst (2011) indicate that it would be fruitful to further investigate the initial involvement of the founder in the process. The interaction between the founder (or founders) and the firm that has been founded has not been examined thoroughly and calls for both a conceptual and empirical elaboration. Going back to the initial discussion of International Entrepreneurship between International Business research and Entrepreneurship research, Coviello (2015 p.21) states “We must distinguish between: (1) firms that are indeed “born” with the intent to serve multiple foreign markets quickly (Push), and (2) firms that simply happen to export early (Pull).” Given that these firms are differentiated by their purpose at their founding, one might expect resultant internationalization patterns such as reactive-proactive strategies to differ.

REFERENCES

- Acedo, F. J. & Florin, J. 2006. An entrepreneurial cognition perspective on the internationalization of SMEs. *Journal of International Entrepreneurship*, 4(1): 49-67.
- Acedo, F. J. & Galan, J. L. 2011. Export stimuli revisited: The influence of the characteristics of managerial decision makers on international behaviour. *International Small Business Journal*, 29(6): 648-70.
- Acedo, F. J. & Jones, M. V. 2007. Speed of internationalization and entrepreneurial cognition: Insights and a comparison between international new ventures, exporters and domestic firms. *Journal of World Business*, 42(3): 236-52.
- Acs, Z. J. & Terjesen, S. 2013. Born local: toward a theory of new venture's choice of internationalization. *Small Business Economics*, 41(3): 521-35.
- Agndal, H. & Chetty, S. 2007. The impact of relationships on changes in internationalisation strategies of SMEs. *European Journal of Marketing*, 41(11/12): 1449-74.
- Alvarez, S. A. & Busenitz, L. W. 2001. The entrepreneurship of resource-based theory. *Journal of Management*, 27(6): 755-75.
- Ardichvili, A., Cardozo, R., & Ray, S. 2003. A theory of entrepreneurial opportunity identification and development. *Journal of Business Venturing*, 18(1): 105-23.
- Baum, M., Schwens, C., & Kabst, R. 2011. A Typology of International New Ventures: Empirical Evidence from High-Technology Industries. *Journal of Small Business Management*, 49(3): 305-30.
- Bell, J., McNaughton, R., Young, S., & Crick, D. 2003. Towards an Integrative Model of Small Firm Internationalisation. *Journal of International Entrepreneurship*, 1(4): 339-62.
- Burgelman, R. A. 1983. CORPORATE ENTREPRENEURSHIP AND STRATEGIC MANAGEMENT: INSIGHTS FROM A PROCESS STUDY. *Management Science*, 29(12): 1349-64.
- Busenitz, L. W. & Barney, J. B. 1997. Differences between entrepreneurs and managers in large organizations: Biases and heuristics in strategic decision-making. *Journal of Business Venturing*, 12(1): 9-30.
- Cavusgil, S. T. & Knight, G. 2015. The born global firm: an entrepreneurial and capabilities perspective on early and rapid internationalization. *Journal of International Business Studies*, 46(1): 3-16.
- Coviello, N. 2015. Re-thinking research on born globals. *Journal of International Business Studies*, 46(1): 17-26.
- Covin, J. G. & Slevin, D. P. 1990. New venture strategic posture, structure, and performance: An industry life cycle analysis. *Journal of Business Venturing*, 5(2): 123-35.

- Covin, J. G. & Wales, W. J. 2012. The measurement of entrepreneurial orientation. *Entrepreneurship Theory and Practice*, 36(4): 677-702.
- Crick, D. & Spence, M. 2005. The internationalisation of 'high performing' UK high-tech SMEs: a study of planned and unplanned strategies. *International Business Review*, 14(2): 167-85.
- Di Gregorio, D., Musteen, M., & Thomas, D. E. 2008. International new ventures: The cross-border nexus of individuals and opportunities. *Journal of World Business*, 43(2): 186-96.
- Eckhardt, J. T. & Shane, S. A. 2003. Opportunities and Entrepreneurship. *Journal of Management*, 29(3): 333-49.
- Efrat, K., Gilboa, S., & Yonatany, M. 2016. When marketing and innovation interact: The case of born-global firms. *International Business Review*.
- Efrat, K. & Shoham, A. 2013. The interaction between environment and strategic orientation in born globals' choice of entry mode. *International Marketing Review*, 30(6): 536-58.
- Eisenhardt, K. M. 1989. Building Theories from Case Study Research. *The Academy of Management Review*, 14(4): 532-50.
- Ellis, P. 2000. Social Ties and Foreign Market Entry. *Journal of International Business Studies*, 31(3): 443-69.
- Ellis, P. & Pecotich, A. 2001. Social Factors Influencing Export Initiation in Small and Medium-Sized Enterprises. *Journal of Marketing Research*, 38(1): 119-30.
- Ellis, P. D. 2008. Does psychic distance moderate the market size - entry sequence relationship? *Journal of International Business Studies*, 39(3): 351-69.
- Ellis, P. D. 2011. Social ties and international entrepreneurship: Opportunities and constraints affecting firm internationalization. *Journal of International Business Studies*, 42(1): 99-127.
- Evers, N. & O'Gorman, C. 2011. Improvised internationalization in new ventures: The role of prior knowledge and networks. *Entrepreneurship & Regional Development*, 23(7-8): 549-74.
- Jantunen, A., Nummela, N., Puumalainen, K., & Saarenketo, S. 2008. Strategic orientations of born globals - Do they really matter? *Journal of World Business*, 43(2): 158-70.
- Jantunen, A., Puumalainen, K., Saarenketo, S., & Kyläheiko, K. 2005. Entrepreneurial orientation, dynamic capabilities and international performance. *Journal of International Entrepreneurship*, 3(3): 223-43.
- Johanson, J. & Vahlne, J.-E. 2003. Building a Model of Firm Internationalisation. In Blomstermo, Anders & D. Deo Sharma, (Eds.), *Learning in the Internationalisation Process of Firms*. Cheltenham: Edward Elgar Publishing.
- Johanson, J. & Vahlne, J.-E. 1977. The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8: 23-32.

- Johanson, J. & Vahlne, J.-E. 1990. The mechanism of internationalization. *International Marketing Review*, 7(4): 11-24.
- Jones, M. V., Coviello, N., & Tang, Y. K. 2011. International Entrepreneurship research (1989-2009): A domain ontology and thematic analysis. *Journal of Business Venturing*, 26(6): 632-59.
- Jones, M. V. & Coviello, N. E. 2005. Internationalisation: conceptualising an entrepreneurial process of behaviour in time. *Journal of International Business Studies*, 36(3): 284-303.
- Kalinic, I. & Forza, C. 2012. Rapid internationalization of traditional SMEs: Between gradualist models and born globals. *International Business Review*, 21(4): 694-707.
- Kalinic, I., Sarasvathy, S. D., & Forza, C. 2014. 'Expect the unexpected': Implications of effectual logic on the internationalization process. *International Business Review*, 23(3): 635-47.
- Kirzner, I. 2009. The alert and creative entrepreneur: a clarification. *Small Business Economics*, 32(2): 145-52.
- Kirzner, I. M. 1973. *Competition and Entrepreneurship*. Chicago, IL.: University of Chicago Press.
- Kirzner, I. M. 1997. Entrepreneurial discovery and the competitive market process: an Austrian approach. *Journal of Economic Literature*, 35(1): 60-85.
- Kirzner, I. M. 1997. *How Markets Work: Disequilibrium, entrepreneurship and discovery*. London: Institute of Economic Affairs.
- Knight, G. A. & Cavusgil, S. T. 1996. The Born Global firm: A challenge to traditional internationalization theory. *Advances in International Marketing*, 8: 11-26.
- Knight, G. A. & Cavusgil, S. T. 2004. Innovation, organizational capabilities and the born-global firm. *Journal of International Business Studies*, 35(2): 124-41.
- Knight, G. A. & Liesch, P. W. 2016. Internationalization: From incremental to born global. *Journal of World Business*, 51(1): 93-102.
- Kuivalainen, O., Sundqvist, S., & Servais, P. 2007. Firms' degree of born-globalness, international entrepreneurial orientation and export performance. *Journal of World Business*, 42(3): 253-67.
- Lamb, P. W. & Liesch, P. W. 2002. The Internationalization Process of the Smaller Firm: Re-framing the Relationships between Market Commitment, Knowledge and Involvement. *MIR: Management International Review*, 42(1): 7-26.
- Liesch, P. W., Welch, L. S., Welch, D., McGaughey, S. L., Petersen, B., & Lamb, P. 2002. Evolving Strands of Research on Firm Internationalization: An Australian-Nordic Perspective. *International Studies of Management & Organization*, 32(1): 16-35.
- Lumpkin, G. T. & Dess, G. G. 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1): 135-72.

- Luostarinen, R. 1979. *The internationalisation of the firm*. 2.revised ed. ed. Helsinki: The Helsinki School of Economics.
- Luostarinen, R. & Welch, L. S. 1990. *International Business Operations*. Helsinki: Kyriiri Oy.
- Lynn, M. L. 2005. Organizational Buffering: Managing Boundaries and Cores. *Organization Studies*, 26(1): 37-61.
- Madsen, T. K., Rasmussen, E. S., & Servais, P. 2000. Differences and similarities between Born Globals and other types of exporters. *Globalization, the Multinational Firm, and Emerging Economies*, 10: 247-65.
- Mainela, T., Puhakka, V., & Servais, P. 2014. The Concept of International Opportunity in International Entrepreneurship: A Review and a Research Agenda. *International Journal of Management Reviews*, 16(1): 105-29.
- McDonald, F., Krause, J., Schmengler, H., & Tüselmann, H.-J. 2003. Cautious International Entrepreneurs: The Case of the Mittelstand. *Journal of International Entrepreneurship*, 1(4): 363-81.
- McDougall, P. P. & Oviatt, B. M. 2000. International entrepreneurship: The intersection of two research paths. *Academy of Management Journal*, 43(5): 902-06.
- McDougall, P. P. & Oviatt, B. M. 2003. Some Fundamental Issues in International Entrepreneurship.
- McDougall, P. P., Oviatt, B. M., & Shrader, R. C. 2003. A Comparison of International and Domestic New Ventures. *Journal of International Entrepreneurship*, 1(1): 59-82.
- Melin, L. & Hellgren, M. 1994. Patterns of strategic processes: two change typologies. In Thomas, H., D. O'Neal, R. White, & D. Hurst, (Eds.), *Building the Strategically-responsive Organization*,. Chichester: Wiley.
- Merz, G. R. & Sauber, M. H. 1995. Profiles of Managerial Activities in Small Firms. *Strategic Management Journal*, 16(7): 551-64.
- Miles, R. E. & Snow, C. C. 1978. *Organizational strategy, structure, and process*. New York: McGraw-Hill.
- Miller, D. 1983. The Correlates of Entrepreneurship in Three Types of Firms. *Management Science*, 29(7): 770-91.
- Miller, D. & Friesen, P. H. 1978. Archetypes of Strategy Formulation. *Management Science*, 24(9): 921-33.
- Miller, D. & Friesen, P. H. 1984. A Longitudinal Study of the Corporate Life Cycle. *Management Science*, 30(10): 1161-83.
- Mintzberg, H. 1973. Strategy-Making in Three Modes. *California Management Review*, 16(2): 44-53.

- Oviatt, B. M. & McDougall, P. P. 2005. Defining International Entrepreneurship and Modeling the Speed of Internationalization. *Entrepreneurship Theory and Practice*, 29(5): 537-54.
- Oviatt, B. M. & McDougall, P. P. 2005. The internationalization of entrepreneurship. *Journal of International Business Studies*, 36(1): 2-8.
- Oviatt, B. M. & McDougall, P. P. 1994. Toward a theory of international new ventures. *Journal of International Business Studies*, 25(1): 45-64.
- Peiris, I., Akoorie, M. M., & Sinha, P. 2012. International entrepreneurship: A critical analysis of studies in the past two decades and future directions for research. *Journal of International Entrepreneurship*, 10(4): 279-324.
- Poole, M. S., Dooley, K., Van de Ven, A. H., & Holmes, M. E. 2000. *Organizational Change and Innovation Processes:: Theory and Methods for Research*: Oxford Univ Press.
- Rasmussen, E. S. & Madsen, T. K. 2002. The Born Global Concept.
- Reid, S. D. 1981. The Decision-Maker and Export Entry and Expansion. *Journal of International Business Studies*, 12(2): 101-12.
- Sarasvathy, D. K., Simon, H. A., & Lave, L. 1998. Perceiving and managing business risks: differences between entrepreneurs and bankers. *Journal of Economic Behavior & Organization*, 33(2): 207-25.
- Schumpeter, J. A. 1934. *The Theory of Economic Development*. Cambridge, Mass.: Harvard University Press.
- Shane, S. 2003. *A general theory of entrepreneurship : the individual-opportunity nexus*. 1 ed: Edward Elgar.
- Shane, S. 2000. Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science*, 11(4): 448-69.
- Shane, S. & Venkataraman, S. 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25(1): 217-26.
- Sullivan, D. 1994. Measuring the degree of internationalization of a firm. *Journal of International Business Studies*, 25(2): 325-42.
- Vahlne, J.-E. & Johanson, J. 2013. The Uppsala model on evolution of the multinational business enterprise—from internalization to coordination of networks. *International Marketing Review*, 30(3): 189-210.
- Welch, C., Plakoyiannaki, E., Piekkari, R., & Paavilainen-Mäntymäki, E. 2013. Legitimizing Diverse Uses for Qualitative Research: A Rhetorical Analysis of Two Management Journals. *International Journal of Management Reviews*, 15(2): 245-64.
- Whalen, P. S. & Akaka, M. A. 2016. A dynamic market conceptualization for entrepreneurial marketing: the co-creation of opportunities. *Journal of Strategic Marketing*, 24(1): 61-75.

Wind, Y., Douglas, S. P., & Perlmutter, H. 1973. Guidelines for Developing International Marketing Strategies. *Journal of Marketing*, 37(2): 14-23.

Yin, R. K. 1994. *Case study research: design and methods*. 2nd ed. Thousand Oaks: Sage Publications.

Zahra, S. A. 2005. A theory of international new ventures: a decade of research. *Journal of International Business Studies*, 36(1): 20-28.

Zander, I., McDougall-Covin, P., & Rose, E. L. 2015. Born globals and international business: evolution of a field of research. *Journal of International Business Studies*, 46(1): 27-35.

<p>Profile I</p> <p>These firms are highly centralized in their decision-making and are the least engaged in the collection of data for decisions. Decision-making has a short time horizon, is impulsive, and is mostly done by the CEO (which often is the owner, too). They have the lowest entrepreneurial orientation of all firms with a low degree of proactiveness.</p>	<p>Profile II</p> <p>The CEO in this type of firm values information for decision-making but has a short-term and impulsive style. Top management makes the decisions, but the formalization of the process is the lowest of all types.</p> <p>They have a higher proactiveness than type II, but see the environment as hostile and lack the resources to innovate and compete.</p>
<p>Profile III</p> <p>This type of firm has a high level of specialization and decentralization. The CEO delegates decisions to managers on a lower level while they take care of analysis. They are more proactive and innovative than the previous types and typically operate in environments that are seen as dynamic and unpredictable.</p>	<p>Profile IV</p> <p>Firms in this profile typically have a long-term planning horizon and have a strong focus on gathering and analyzing information. Decision-making is rational and centralized but with a high emphasis on collaborative decisions. The environment is seen as dynamic, hostile, and complex and they have the highest level of proactiveness.</p>

Figure 1: Typology of firms, adapted from (Merz & Sauber, 1995)

	Case A	Case B	Case C	Case D
Year of establishment	2000, Founding team 25 Employees	1984, owner-founder 10 Employees	1982, owner-founder 100 employees	1983, owner-founder 200 employees
First export	2003 Nordic countries	1986 Sweden	1984, Germany	1987, Norway, Sweden
Product	Restaurant communication system	Sub-supplier for development and production of electronic equipment	High-end design furniture	Bathroom furniture and equipment

Table 1 Case overview