

School of Economics and Management
Department of Business Administration

Master's Corporate Entrepreneurship and Innovation
Internship and degree project (Master's thesis 15 ECTS)

Spring 2017

The Entrepreneurial Value of International Knowledge

A Qualitative Study of Internationalized Swedish SMEs

Authors: Robert Bolton and Finn Wentzler

Supervisor: Joakim Winborg

Examiner: Ass. Professor Sotaro Shibayama

Abstract

Title: The Entrepreneurial Value of International Knowledge: A Qualitative Study of Internationalized Swedish SMEs

Date of Seminar: 24th of May 2017

Course: ENTN39 Master's Corporate Entrepreneurship and Innovation Internship and degree project (Master's thesis 15 ECTS)

Authors: Robert Bolton and Finn Wentzler

Supervisor: Joakim Winborg

Examiner: Ass. Professor Sotaro Shibayama

Keywords: International Entrepreneurship, Corporate Entrepreneurship, International Corporate Entrepreneurship, Strategic Entrepreneurship, International Entrepreneurial Orientation, Small and medium enterprises.

Research Question: How does international knowledge and its sources impact the strategic entrepreneurship of internationalized Swedish SMEs?

Methodology: A qualitative research of Swedish SMEs, where the research was predominantly cross-sectional in nature. 17 firms were investigated and semi-structured interviews were the primary source of data. The data was analyzed in an inductive matter.

Theoretical Perspective: Literature on international corporate entrepreneurship and strategic entrepreneurship are at the heart of this thesis. However, different models of internationalization, international entrepreneurial orientation, and organizational learning, namely absorptive capacity, were also relied upon as supportive literature.

Conclusions: The case companies revealed how knowledge from international sources can impact the strategic entrepreneurship of the firm. Through examination of the findings and consultation of the literature, it has been found that the sources of international knowledge were primarily external sources in the form of customers and competition. Further, five key relationships have been highlighted. That is, international knowledge's relationship to changes around the business model, the products/services, the strategy, the capabilities, and lastly, the structure and culture of the firm.

Acknowledgments

We would like to acknowledge and thank the academic supervisor, Joakim Winborg, for his exceptional guidance and help throughout the process of this thesis, and for not only supervising but also reminding us of the joy that is research. Thank you.

We also express our greatest appreciation to the case companies and, in particular, the management interviewed for their time, openness and sincerity. This research could not have happened without such remarkable open doors, and we remain forever thankful for the welcoming we received.

Finally, we thank our families, our fellow students of the program, and our friends for their great support throughout this thesis.

Sincerely,

Robert and Finn

Table of Content

Chapter 1: Introduction	1
1.1 Background	1
1.2 Problem Discussion.....	3
1.3 Research Question.....	4
1.4 Purpose	5
Chapter 2: Literature Review	6
2.1 Internationalization and SMEs	6
2.1.1 Stage Theory Approach to Internationalization	7
2.1.2 Network Approach to Internationalization.....	8
2.1.3 Resource-Based Approach to Internationalization.....	9
2.1.4 Knowledge-Based View	10
2.2 International Knowledge	11
2.2.1 The Different Sources of International Knowledge	14
2.3 International Entrepreneurship	15
2.3.1 Corporate Entrepreneurship	16
2.3.2 International Corporate Entrepreneurship	20
2.3.3 International Entrepreneurial Orientation and New Entry	21
2.4 Organizational Learning and International Knowledge	23
2.4.1 Absorptive Capacity and International Knowledge	24
2.5 Merging the theoretical Concepts.....	26
Chapter 3: Method	27
3.1 Qualitative Research Strategy	27
3.2 Cross-sectional research design.....	28
3.3 Design of Interviews	29
3.4 Selection of Cases/Interviewees	30
3.4.1 Explorative Interviews	31
3.4.2 Official Interviews.....	31
3.5 Design of Interview Guide	33
3.6 Method of Data Analysis.....	35
3.7 Reliability and Validity	36
Chapter 4: Presentation of Results	38
4.1 Sources of International Knowledge	38
4.1.1 Internal Sources of Knowledge	38

4.1.2 External Sources of Knowledge	39
4.1.3 The Challenges of Secondary Sources of Knowledge	40
4.2 Type of International Knowledge.....	41
4.2.1 Foreign Business Knowledge.....	41
4.2.2 Foreign institutional knowledge.....	41
4.2.3 Foreign internal development knowledge	42
4.3 Moderators of International Knowledge	43
4.4 Entrepreneurial Impact of International Knowledge.....	45
4.4.1 Impact on the Business Model	45
4.4.2 Impact on Products/Services	47
4.4.3 Impact on Organizational Capabilities	49
4.4.4 Impact on Strategy.....	51
4.4.5 Impact on Organizational Structure/Culture	53
4.4.6 Empirical Evidence to Impacts of International Knowledge	55
4.5 Summary of the Findings	60
Chapter 5: Analysis and Discussion.....	61
5.1 The Dynamic Relationship Between International Knowledge and Strategic Entrepreneurship	61
5.1.1 Key Relationship: International Knowledge and the Business Model.....	62
5.1.2 Key Relationship: International Knowledge and the Product/Service.....	64
5.1.3 Key Relationship: International Knowledge and Capabilities	66
5.1.4 Key Relationship: International Knowledge and Strategy	68
5.1.5 Key Relationship: International Knowledge and Structure & Culture.....	71
Chapter 6: Conclusion and Implications.....	74
6.1 Conclusion.....	74
6.2 Managerial Implications.....	75
6.3 Limitations.....	75
6.4 Implications for further research	76
7. References	78
8. Appendix	87
8.1 Thesis Interview Guide	87

List of Tables

Table 1: List of Case Companies for Explorative Interviews	31
Table 2: List of Case Companies for Formal Interviews	32
Table 3: Empirical Evidence for Impact on Business Model	55
Table 4: Empirical Evidence for Impact on Products and Services	56
Table 5: Empirical Evidence for Impact on Organizational Capabilities	58
Table 6: Empirical Evidence for Impact on Strategy	58
Table 7: Empirical Evidence for Impact on Organizational Structure and Culture	59

List of Figures

Figure 1: The Different Forms that Corporate Entrepreneurship Can Take (Kuratko et al., 2011)	19
Figure 2: A model of absorptive capacity (Zahra & George, 2002)	25
Figure 3: Visualization of data structure, adapted from Gioia et al. (2013)	36
Figure 4: Visualization of Common Impacts	45
Figure 5: Data Structure for Impact on Business Model	46
Figure 6: Data Structure for Impact on Products and Services	48
Figure 7: Data Structure for Impact on Organizational Capabilities	50
Figure 8: Data Structure for Impact on Strategy	52
Figure 9: Data Structure for Impact on Organizational Structure and Culture	54
Figure 10: Summary of the Findings	60
Figure 11: How International Knowledge Impacts the Business Model	64
Figure 12: How International Knowledge Impacts the Product	66
Figure 13: How International Knowledge Impacts Organizational Capabilities	68
Figure 14: How International Knowledge Impacts Strategy	70
Figure 15: How International Knowledge Impacts the Structure and Culture	73

Abbreviations

CE: Corporate Entrepreneurship
EO: Entrepreneurial Orientation
ICE: International Corporate Entrepreneurship
IEO: International Entrepreneurial Orientation
IE: International Entrepreneurship
MNE: Multinational enterprise
SE: Strategic Entrepreneurship
SME: Small and medium enterprise

1 Introduction

This chapter aims to provide an overall background for the topic of this research, a problem discussion which makes the case for a research question, and finally, a formulation of the purpose of this thesis is presented.

1.1 Background

Small and medium sized enterprises (SMEs) are turning to growth through international expansion as an approach to remaining competitive with larger companies. This is especially prevalent for SMEs originating in small home markets such as the Swedish one, where national growth is limited (Naldi et al., 2015). Many SMEs further recognize the importance of opportunities and threats from foreign markets and global competition (Ruzzier et al., 2006a). Research on the matter has suggested that SMEs often internationalize in unpredictable ways, frequently determined by serendipity and unexpected events (Agndal and Chetty, 2007), and, therefore, traditional models of SME internationalization often fail to match the reality many SMEs are faced with. Thus, new approaches are being researched in an effort to capture this reality, one of which is international entrepreneurship (IE) (Ruzzier et al., 2006a).

The research field of IE is multifaceted, but the overall concept is that there are entrepreneurial possibilities throughout the process of internationalizing (Oviatt and McDougall, 2005). Some researchers have even discussed that entering international markets is entrepreneurial in itself (e.g. Covin and Miller, 2014; Schweizer et al., 2010). Currently, however, the bulk of IE literature revolves around firms that internationalize from their conception (e.g. Covin and Miller, 2014; Knight and Cavusgil, 2004) or large multinational enterprises (MNEs) (e.g. Zahra et al., 2000; Bartlett and Ghoshal, 2002). And though there is a growing interest in applying the concept of IE to established SMEs (Naldi et al., 2015), there is still an underlying lack of research on the matter (Ruzzier et al., 2006a).

When applied in an established firm context, IE is often referred to as international corporate entrepreneurship (ICE). Essentially, ICE is the intersection of research on internationalization and corporate entrepreneurship (CE). CE can be considered “entrepreneurial behavior inside

established [...] organizations” (Kuratko et al., 2011: 11). ICE then applies CE into an international context, whereby it has been argued that firms can use the experience of operating in foreign market to absorb knowledge and apply it to entrepreneurial ends (Zahra et al., 2004). Though CE is multidimensional, strategic entrepreneurship (SE) is highlighted here as it is concerned with a wide range of entrepreneurial activities which “represent fundamental changes from the firm’s past strategies, products, markets, organization structures, processes, capabilities, or business models” (Kuratko and Audretsch, 2013: 331–332).

Key to research on ICE and is that of the potential learnings firms can gain through internationalization (Zahra et al., 2004). This is because International knowledge can be considered of particular value as it can differ significantly from domestic knowledge due to differences in, for example, the culture of foreign countries (Zahra et al., 2004). The implementation of international knowledge can potentially feed process and product innovation, as Belderbos et al. (2015) confirm in their study of firm’s foreign R&D departments. Further, international knowledge has been suggested to spur the refinement of processes and help establish new capabilities (Eisenhardt and Santos, 2002). However, international knowledge does not provide value simply in and of itself, but first must be processed by the firm through learning mechanisms, such as absorptive capacity (Zahra et al., 2004).

Overall, three primary starting points are being highlighted. First, internationalization has many potential entrepreneurial merits and can itself be considered entrepreneurial. This is of particular importance for SMEs to secure long-term success. Secondly, knowledge plays a significant role in deriving strategic and entrepreneurial value from internationalization. Third, there is a good theoretical base that when international knowledge is properly absorbed, it can have significant impact on a firm’s SE efforts.

1.2 Problem Discussion

Knowledge can be seen as the most critical resource for a firm's strategy, as it is unique and hard to imitate for competitors due to its intangible nature (Fernhaber et al., 2009a). Based on this, literature on ICE has emphasizes the central importance of international knowledge (Zahra et al., 2004), yet few studies have tested what this knowledge-based view entails for firms, especially for SMEs. Additionally, through observations and informal interviews with internationalized Swedish SMEs (see chapter 3.3 for list of companies and definition), it appears that international knowledge plays an important role in the entrepreneurial benefits that derive from internationalizing. And yet, the frameworks applicable to MNEs and startups seem to prove insufficient to investigate the role of international knowledge in SMEs. Thus, there is a need for studies on the matter to further explore this field of research and to discover relationships between SMEs that operate internationally and their entrepreneurial activities.

The arguments for the value of international knowledge are clear, but question arises when asking where such knowledge can be sourced from. Research on this topic is lacking and further studies are necessary to elaborate on this (Fernhaber et al., 2009b). Most current literature on international entrepreneurship is concerned with internal knowledge flows, for example from international subsidiaries (Sofka, 2008). Research has generally emphasized collaborations with customers and suppliers as key sources of external knowledge (Svetina and Prodan, 2008), and this external knowledge is thought have strategic implications for entrepreneurial activities (Fernhaber et al., 2009a; Sofka, 2008). Further, many high-tech firms tend to locate their R&D departments in the globally leading countries or areas in regard to their field (Berry, 2006). By locating their R&D departments in close proximity to areas where other firms concentrate to produce the same goods, firms might benefit from knowledge spillovers (Capello and Faggian, 2005) or network expansion (Zahra et al., 2004). However, this has mostly been researched under the lens of MNE's R&D efforts (Fernhaber et al., 2009b). The question is, how do SMEs go about that process? Due to limited bases of resources, SMEs may not be able to build R&D departments in other countries. How do they go about receiving such knowledge and what do they make out of it?

Research on CE has begun to elaborate on the relationship between CE and internationalization. However, most of this research has looked at how CE impacts internationalization performance, and not the other way around. Zahra et al. (2004) did take

another perspective on the relationship by pointing out how knowledge gained abroad can impact the firm at home, in ways such as providing the requisite variety need to keep competencies up to date. Further, Zahra and Garvis (2000/9) argued that internationalization also provides the opportunity to use existing knowledge in new markets. That is, literature has hinted theoretically at an interesting and seemingly dynamic relationship as for how international knowledge affects CE. We further know through explorative interviews with Swedish SMEs that certain aspects of CE, namely within SE, seem to be significantly impacted by international knowledge, however studies that examine this relationship, especially for SMEs, could not be found in existing literature. Thus, questions remain as to what the true entrepreneurial value of international knowledge is in the specific context of internationalized SMEs.

Overall, three primary problems are being highlighted. First, there is a lack understanding in current literature about the internationalization of SMEs from an entrepreneurial and knowledge-based perspective. Secondly, it is unclear how international knowledge can and should be sourced by SMEs. Thirdly, there is a lack of understanding on how international knowledge affects the SE of a firm in reality. As it seems, there is no model that sufficiently explains the role of international knowledge from an entrepreneurial perspective for SMEs.

1.3 Research Question

This leads to the research question, which guides the research on developing theory that sufficiently explains what impact international knowledge and its sources have on SMEs through an entrepreneurial lens.

Thus, the research question is the following:

How does international knowledge and its sources impact the strategic entrepreneurship of internationalized Swedish SMEs?

1.4 Purpose

The purpose of this study is to contribute to literature by examining international knowledge and its different sources and how it impacts a firm's SE. This study builds on established models and literature around the unique context of ICE and aims to identify the sources and types of international knowledge and not only to list them, but bring them into relation with impacts on firm's SE. By taking this perspective, managerial implications can be provided for Swedish SMEs that seek for greater effectiveness in their international activities. Further, the aim is to develop new theory around the internationalization of SMEs from an entrepreneurship perspective.

2 Literature Review

In this chapter the literature, theories and concepts pertinent for this study are addressed. First, the internationalization of SMEs and the relevant approaches are discussed. This is followed by a more in-depth view on the role of knowledge and entrepreneurship in the international context, as well as the importance of organizational learning mechanisms. Finally, a merging of the theoretical concepts is presented.

2.1 Internationalization and SMEs

The internationalization of firms has been subject to an extensive body of research and the definitions of this phenomenon are manifold. Generally, internationalization refers to the “process of increasing involvement in international operations” (Welch and Luostarinen, 1988: 36). Ruzzier et al. (2006a: 477) describe internationalization as “a synonym for the geographical expansion of economic activities over a national country’s border”. It is apparent that both definitions are very similar as they both state that internationalization is concerned with activities outside the home market. The most prominent international economic activity is selling abroad, however, internationalization research has also mentioned licensing, franchising, joint ventures, strategic alliances, mergers and acquisitions and foreign direct investment as international economic activities (Malhotra et al., 2003).

Historically, internationalization research has largely focused on large multi-national enterprises (MNEs) (Peng, 2001), and most of the research has been done on US firms (Johanson and Wiedersheim-Paul, 1975). Apart from their number of employees, resource base (Chen and Ching-Fang, 2005) and smaller network ties, Sirén et al. (2017) point out other differences of SMEs compared to large enterprises. Such as, due to their smaller size, SMEs can rely on simpler structures and decision-making styles, and their decreased need for formalization and bureaucracy counters the inertia, that large MNEs tend to face. Thus, they tend to be able to implement changes in strategy more rapidly than large organizations. Further, the transaction of knowledge must surpass fewer levels of the hierarchy in SMEs and “it is more likely that the whole organization engages in knowledge creation through day-to-

day interactions with customers, suppliers, and other business associates” (Sirén et al., 2017: 149).

However, there has been an increasing amount of attention given to SMEs internationalization practices, as there is building evidence that SMEs are turning to internationalization for growth (Ruzzier et al., 2006a). This is particularly true for SMEs with relatively small home markets, such as the Swedish one (Johanson and Wiedersheim-Paul, 1975; Naldi et al., 2015).

That said, most internationalization theories and models have either limited applicability on SMEs or do not describe the different internationalization approaches used by firms accurately (Ruzzier et al., 2006a). Nonetheless, many of the theories and models for SMEs are useful to an extent, and thus, it is important to understand the impact these models and theories have had. In Ruzzier et al.’s (2006a) well-cited review of SME internationalization literature, the authors highlight four core approaches that are especially applicable to SMEs; namely, the stage theories of internationalization, network approaches to internationalization, the resource-based view of internationalization, and finally international entrepreneurship. For the purpose of this paper, these approaches are expanded to include the knowledge-based perspective as a subset to the resource-based view, and international entrepreneurship is discussed by bringing in other related fields of research. This includes, international corporate entrepreneurship, international entrepreneurial orientation and absorptive capacity, as they are applicable in understanding what impact internationalization and international knowledge have on a firm’s entrepreneurial behavior.

2.1.1 Stage Theory Approach to Internationalization

Stage models of internationalization suggest that firms will incrementally increase their international activity as they gain knowledge, experience, and relationships across national borders (Westhead et al., 2001: 337). Most noted are the Nordic or learning models, such as the Uppsala model of internationalization. Under this dynamic model, firms will take small, incremental steps towards internationalizing, starting with those nations most similar in respect to language, culture, business practices, and so on. Johanson and Vahlne (1990) describe this as the psychic distance, which restricts the flow of information between a market and a firm. As firms gain different types of learnings through the international experience, they will increase their international expansion into markets with greater psychic distance

(Johanson and Vahlne, 1977). This is because, firms initially lack knowledge about foreign markets, which they need to acquire stepwise through learning processes (Forsgren, 2002/6).

Many studies have tested, refined and expanded on the Uppsala model to investigate how SMEs increase their involvement in international markets (e.g. Chetty, 1999; Knight and Liesch, 2002; Peng, 2001; Ruzzier et al., 2006a; Vida and Fairhurst, 1998) Hence, it is clear that the Uppsala model and derivatives have had significant impact on internationalization literature. However, the Uppsala model takes a traditional cross-border firm perspective and ignores the entrepreneurship and accelerated internationalization perspective (Ruzzier et al., 2006a; Oviatt and McDougall, 2005). There is increasing empirical evidence that SMEs are successfully able to internationalize quicker and not as incrementally, as the models suggest (Knight, 2000; Lu and Beamish, 2001). Primarily, the Uppsala model emphasized experiential learning to acquire foreign market knowledge, that is, learning by doing so that the firm itself gains experience. However, there are many other ways for a firm to acquire the needed knowledge without going through the steps itself. For example, through their business relationships with other firms or through imitation (Forsgren, 2002/6).

Autio et al. (2000) also challenged the stage theory by arguing that following the stage model can put firms into a position where they must overcome significant inertia in order to internationalize, whereas firms that internationalize early on may have learning advantages of being new and have less barriers related to inertia. Thus, “SMEs without established domestic routines may outperform their competitors who wait longer to internationalize” (Peng, 2001: 815). This is in contrast to the stage models, which often suggest that there are inherent hindrances for SMEs internationalization efforts (Peng, 2001).

2.1.2 Network Approach to Internationalization

The network relationships of firms and individuals have been recognized as an important determinant to internationalizing, whereby knowledge-intensive SMEs seem to benefit most from their network relationships (Coviello, 2006; Zain & Ng, 2006; Ojala, 2009). In fact, based on an empirical study of New Zealander and Swedish internationalizing SMEs, Agndal and Chetty (2007) propose that the business network is the most important factor concerning changes in internationalization strategy for firms that act in small but mature domestic markets.

Rooted in the Uppsala model, the network approach essentially suggests that many firms achieve competitive advantage by building networks with mutually supportive firms (Westhead et al., 2001; Ruzzier et al., 2006a). Anderson et al. (1994: 2) define business networks as “a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors”. These actors can be “competitors, suppliers, customers, distributors and government” (Chetty and Blankenburg Holm, 2000: 79).

However, the network approach also poses a challenge to the stage models presented above as it suggests that firms follow their networks into foreign markets rather than sticking to the incremental steps suggested by stage models (Ojala, 2009; Ruzzier et al., 2006a). In many cases, firms have been found to enter physically distant markets earlier, due primarily to their network relationships (Ojala, 2009).

The strength in the network approach is that it attempts to address the process of internationalization, rather than simply explaining the existence of multinational firms. However, this approach further proposes, that firms initially engage their networks in their home country and later expand their relationships, and researchers argue that firms internationalize because their networks internationalize (Ojala, 2009). What seems to be missing in the process-oriented approaches, like the stage approach and the network approach, is the influence of the individual in strategic decision-making. (Ruzzier et al., 2006a).

2.1.3 Resource-Based Approach to Internationalization

Much of internationalization research has moved from understanding and analyzing international activities to understanding the resources needed to internationalize (Ruzzier et al., 2006a). For example, Ahokangas (1998) suggested a new definition to internationalization of SMEs which focused on the mobilization, accumulation and development of resources for international activity. This implies that firms may go about internationalizing with an approach based on their resources (i.e. market knowledge), rather than the incremental steps proposed by the stage models.

The resource-based view (RBV) of internationalization derives from the field of strategic management, where it was Penrose (1959) that set forth a theory of firm growth, whereby firm-specific and heterogeneous resources were key. The RBV sees firms as “a unique bundle

of idiosyncratic resources and capabilities” (Grant, 1996: 110). Barney (1991) argued that sustained competitive advantage can originate from such capabilities and resources that are rare, valuable, imperfectly imitable, and not substitutable. These capabilities and resources can be tangible or intangible assets (Barney et al., 2001), and can be divided into property-based and knowledge-based resources (Miller and Shamsie, 1996). However, the resources that create the greatest competitive advantage are typically associated with firm-specific knowledge deriving from, for example, market knowledge, human capital, and managerial experience (Barney, 1991; Daphne W. Yiu et al., 2007). The next chapter (2.5) expands on this.

The RBV has played a significant role in the development of internationalization literature. For example, research has found that internationalization can influence the amount of resources a firm has, as Ruzzier et al. (2006b) found through a study of 247 Slovenian SMEs that internationalized firms could be found to have significantly more resource bundles, including organizational resources, financial resources, and human and social resources, than non-internationalized SMEs. On the other hand, scholars argued that organizations with inimitable bundles and mixtures of resources may have a greater tendency to internationalize (Bloodgood et al., 1996; Westhead et al., 2001).

Further, the RBV is key to understanding the emergence of international entrepreneurship. This is largely due to idea that knowledge, primarily tacit knowledge about international opportunities, is a key aspect to SMEs that successfully bypass the stage models (Peng et al., 2000). Because it is inherently difficult for firms to obtain this international tacit knowledge and the capability to leverage this knowledge, these resources can be considered to give a firm the competitive advantage in international markets under the RBV (Peng, 2001; Liesch and Knight, 1999; Ruzzier, et al., 2006b).

2.1.4 Knowledge-Based View

Interestingly, although the internationalization models described above differ from one another, most of them set emphasis on organizational learning as the key component in understanding what benefits firms get through internationalization (Zahra et al., 2004). The majority of scholars see organizational learning as “a change in the organization’s knowledge that occurs as a function of experience” (Argote and Miron-Spektor, 2011: 1124), for example

through internationalization. This change in knowledge then manifests itself in cognition and behavior (Argote and Miron-Spektor, 2011). The early origins of literature on knowledge describes firms as information-processing machines, stating that only codified knowledge can be processed therein (Eisenhardt and Santos, 2002). Codified knowledge is knowledge that can be articulated or is written down, and can be easily shared with others (Panahi et al., 2013). However, knowledge can also exist in a tacit state. That is, knowledge that is “more dependent on its holder, attached to a person’s mind, difficult to communicate [...], and deeply grounded in an individual’s action and experience” (Panahi et al., 2013: 4). Thus, it can mainly be acquired through observation and interaction in the environment and represents a resource that is valuable due to the difficulty of imitating it (Eisenhardt and Santos, 2002).

While the RBV recognizes the value of knowledge as an intangible resource (Eisenhardt and Santos, 2002; Ruzzier et al., 2006a), it is the knowledge-based perspective that puts knowledge in a central position (Eisenhardt and Santos, 2002). Thus, deriving from the RBV, this thesis follows a knowledge-based perspective, in which knowledge is seen as the most critical resource for a firm’s strategy (Fernhaber et al., 2009a). That is, because knowledge-based resources can be considered inherently difficult for competitors to imitate, they help to enable a sustained differentiation (McEvily and Chakravarthy, 2002). This holds true for tacit knowledge in particular (Eisenhardt and Santos, 2002). Further, new knowledge helps to refine existing capabilities and to establish new competencies (Inkpen, 1998). As the importance of knowledge for organizational performance has widely been accepted, the acquisition of knowledge is increasingly becoming a managerial task (Inkpen, 1998). Put in the internationalization context, multiple scholars confirm that international knowledge is a key intangible resource that also encourages internationalization (e.g. Bloodgood et al., 1996; Carpenter et al., 2003; Reuber and Fischer, 1997; Fernhaber et al., 2009a).

2.2 International Knowledge

The transfer of knowledge over a physical distance is challenging, which is why domestic knowledge “may be easier and less costly for firms to access” (Sofka, 2008: 773). That is, as mentioned above, because knowledge in the tacit stage is difficult to transfer as it is bound to the individual and can be learned only through observation and interaction. Thus, international knowledge can only be brought back home if it exists in the codified state or if the key

individuals are physically available for the firm at home.

Regarding prior international knowledge, Eriksson et al. (1997) propose that international knowledge consists out of two parts. Firstly described is foreign business knowledge, which includes knowledge about the foreign market, its clients, and competitors therein. Secondly, foreign institutional knowledge, which refers to knowledge of “government, institutional framework, rules, norms and values” (Eriksson et al., 1997: 9). Therefore, not only market knowledge is considered international knowledge, but also knowledge about the foreign country itself and its culture. Research has shown that a lack of such international knowledge can prohibit a firm from expanding their operations and entering a foreign market (Johanson and Vahlne, 1977). This could be, for example, a lack of knowledge about how a foreign company operates, how it approaches decision-making or what particular needs in terms of products and services it has (Eriksson et al., 1997). Especially when the strategy incorporates international activities, specific international knowledge is a resource that helps greatly with the internationalization process (Fernhaber et al., 2009a).

Because knowledge of foreign markets and operations is unique, sometimes radically unique, compared to domestic knowledge, there is particular value to the knowledge gained while internationalizing (Zahra et al., 2004). Several researchers have revealed the value of this unique local knowledge (Almeida, 1996; Anand and Kogut, 1997), but two primary ways international knowledge can have exceptional value need to be highlighted.

Firstly, while the implementation of foreign knowledge increases the existing knowledge base at home, it furthermore feeds new input for process and product innovation, and enhances a firm’s ability to create value (Belderbos et al., 2015). Through an empirical study of Japanese manufacturing firms, Berry (2006) revealed that firms that invest in foreign R&D activities tend to be the technologically leading firms, despite not being the dominant domestic market leader. This is due to the fact that lagging firms tend to catch up by investing in foreign R&D, which gives them a unique technological advantage in comparison to their competitors, suggesting that knowledge gained from international R&D activities is of particular value (Berry, 2006).

Secondly, the integration of international knowledge can help to overcome rigidities. This notion derives from Leonard-Barton’s (1992) discussion on when established competencies become too dominant, core competencies can develop into core rigidities. That is, the

recurring shortfalls in processes that can be traced back to a gap between market requirements and a firm's capabilities (Leonard-Barton, 1992) and the failure to identify and integrate new emerging customer demands (Hacklin et al., 2009). To prevent this, organizational competencies require requisite variety, and exploratory learning can help provide this variety (Zahra et al., 2004).

Ahuja and Lampert (2001) suggest, that there are three major barriers that prevent firms from keeping their competencies current. Firstly, there is the familiarity trap that relates to the active search of knowledge in areas where a firm already possesses a significant stock of experience. This prevents the firm to explore new directions and stems from path dependencies (Ahuja and Morris Lampert, 2001; Zahra et al., 2004). Secondly, there is the maturity trap that derives from a firm's tendency to seek only for ideas that have been proven elsewhere already (Ahuja and Morris Lampert, 2001). Lastly, there is the propinquity or nearness trap, that prohibits a firm to become a pioneer of a certain technology or field (Ahuja and Morris Lampert, 2001). Firms that encounter this trap will look for "new solutions in the neighborhood of old solutions", thus will not be able to discover breakthrough inventions that derive from unexplored domains (Ahuja and Morris Lampert, 2001: 529).

Hence, domestic knowledge is not always different enough to break out of the traps mentioned. International knowledge, however, can contribute significantly to overcome those barriers and loosen up rigidities in a firm's operations, due to the potentially radical different nature of international knowledge (Ahuja & Lampert, 2001; Levinthal & March, 1993; Zahra et al., 2004).

This difference in the nature of international knowledge is because nations themselves vary greatly in their values and practices. Zahra et al. (2004) claim, that these varying factors of international knowledge are national cultures, resource endowments, systems of innovation, and innovation clusters and networks, which are addressed below.

Resource endowments: Nations vary in their naturally given base of resources, which is why they adapt to their environment and develop industries that benefit the most from a country's resource base (Krugman, 1991 cited in Zahra et al., 2004). Bound to that is the development of specific skills, to make the best use of the resources available. The development of such skills has often stretched over several generations, making it particularly developed and unique.

National cultures: Cultures vary greatly between different nations and they provide “a frame of reference within which to identify relevant phenomena, how to approach them and make sense of what has been attempted and learned” (Zahra et al., 2004: 157). Furthermore, culture defines the rules of a nation that determine how business transactions are being done and how willing to cooperate firms are that act within the frame of a nation’s culture. This way, a nation’s culture can determine to an extent if a firm generally is open to share its knowledge.

Systems of innovation: The dimension on systems of innovation is concerned with the type of innovation and how innovation is generally carried out. There are national differences in how firms perform innovation activities. For example, firms in some countries prefer informal ways to approach innovation, whereas firms in other countries use a heavily structured and formalized approach to innovate. Furthermore, certain countries hold certain technological leaderships, and these country-specific technological advantages are persistent over time (Zahra et al., 2004).

Innovation Clusters and Networks: “Clusters refer to the presence of agglomeration effects that arise from the growing concentration of companies that produce particular goods” (Zahra et al., 2004: 158). Such clusters make it easier to share information or transfer goods. Interestingly, and independent from the reasons for their emergence, such clusters also persist over time, which then increases the specialization of a region or country. Further, these clusters develop their own culture, with common language, norms and values over time. An example would be the Silicon Valley, where a large proportion of IT and software firms sit.

2.2.1 The Different Sources of International Knowledge

The arguments for the value of international knowledge are clear, but the question arises where such knowledge can be sourced from. Research on this topic is lacking and further studies are necessary to elaborate on this (Fernhaber et al., 2009b). However, through an intensive exploration of internationalization and knowledge literature, multiple potential sources for international knowledge have been identified.

As explained before, knowledge in its tacit state is bound to the individual. Therefore, one internal source of international knowledge is the individuals themselves within the organization, particularly in the top management team, as Fernhaber et al. (2009b) discuss that prior international experience of a firm’s top management team can contribute significantly to

a firm's base of international knowledge. Most prominently, that would be international business experience. However, individuals can also learn about institutional international knowledge by just living abroad. Furthermore, large companies increasingly organize in-house training and development practices, to generate knowledge (Fernhaber et al., 2009b).

While internal sources of knowledge have typically been connected to large firms, literature describes that SMEs rely more on external sources of knowledge due to limited resource availability (Capello, 1999). Such sources of knowledge are customers or end users, suppliers, competitors, partnerships with private or public research facilities, strategic alliances, venture capital firms, and geographical proximity (Fernhaber et al., 2009b; Sofka, 2008; Svetina and Prodan, 2008). Research has mainly emphasized collaborations with customers and suppliers, as they not only give insights to technological knowledge, but also to very specific information about market requirements (Svetina and Prodan, 2008). Another source that needs to be highlighted is close geographical proximity to other firms that operate internationally. Research in the field of large enterprises and their R&D practices has shown, that they often locate their R&D departments in those geographical areas, that potentially provide the best knowledge spillover effects (Fernhaber et al., 2009b). This works as much for technical as it does for international knowledge. In areas where many firms operate internationally, for example in office buildings that house a large amount of export firms, specific international knowledge from a competitor might spill over (Capello and Faggian, 2005; Fernhaber et al., 2009b; Svetina and Prodan, 2008).

2.3 International Entrepreneurship

International entrepreneurship (IE) as a subfield of entrepreneurship theory is “a combination of innovative, proactive and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (McDougall and Oviatt, 2000: 903). It challenges traditional internationalization theory by emphasizing rapid internationalization and by showing how firms do not necessarily internationalize incrementally (Schweizer et al., 2010). Generally, IE can be divided into two research streams (Covin and Miller, 2014).

The main stream and bulk of research is concerned with international new ventures or born globals (e.g. Covin and Miller, 2014; McDougall and Oviatt, 2000; Knight and Tamar

Cavusgil, 2004). These are international ventures from their birth and are being created to compete on a global scale from the beginning (Phillips McDougall et al., 1994). Their informal and flexible internal structures allow them to “assimilate knowledge rapidly from foreign markets”, which is true for all industries but even more prominent in knowledge-intensive markets (Zahra et al., 2004: 154).

The other stream of research is concerned with established companies (Covin and Miller, 2014). There has been growing momentum on the topic, as scholars have started to research the CE activities in MNEs (Zahra et al., 2000; Birkinshaw, 1999). However, there is a lack of internationalization literature on SMEs based from the entrepreneurship perspective (Ruzzier et al., 2006a; Naldi et al., 2015). Nonetheless, scholars refer to this sub-stream as International Corporate Entrepreneurship (ICE) (Naldi et al., 2015; Zahra et al., 2004), which is discussed below.

2.3.1 Corporate Entrepreneurship

While entrepreneurship itself can manifest in various contexts, corporate entrepreneurship (CE) describes “entrepreneurial behavior inside established [...] organizations” (Kuratko et al., 2011: 11) and “seeks to renew established organizations, thereby facilitating their viability and competitiveness through the utilization of various innovation-based initiatives”(Corbett et al., 2013: 812). Due to the uprising understanding that competitive advantage must be renewed and is not invariably sustainable, scholars gained interest in “how entrepreneurial processes might be enacted within established organizations for the purposes of achieving and perpetuating competitive superiority.” (Corbett et al., 2013: 812). CE itself has been subject to a vast body of research and various definitions have been used to address this topic throughout the years (Sharma and Chrisman, 1999). For this paper, CE is defined as “the process whereby an individual or group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization” (Sharma and Chrisman, 1999: 18).

In line with the definition of corporate entrepreneurship, Kuratko et al. (2011) describe the manifestation of corporate entrepreneurship either through corporate venturing or strategic entrepreneurship.

Corporate venturing (CV) is concerned with “creating, adding to, or investing in new businesses” (Kuratko and Audretsch, 2013: 330). It is being recognized as a category of CE and contributes to it by “building new capabilities and businesses that enable renewal, foster strategic change and enhance a company’s profits and growth in domestic as well as international markets” (Narayanan et al., 2009/2: 58).

The motivation for a firm to engage in CV activities is manifold. Mostly, firms use CV to exploit current competencies in new products or markets, or they use it to acquire new knowledge and skills (Tidd and Taurins, 1999). However, firms might also engage in CV to build a new innovative capability as an effort to make the firm more entrepreneurial and accepting of change (Miles and Covin, 2002). Further, new businesses as the result of venturing “may follow from or lead to innovations that exploit new markets, or new product offerings” (Sharma and Chrisman, 1999: 19). While CV can be categorized in internal, external and cooperative or joint corporate venturing, they all have in common that they add new businesses (Kuratko and Audretsch, 2013) or portions of new businesses via equity investments to the firm (Kuratko, 2007). However, internal ventures are often used to create new products or establish new markets for the parent firm (Garrett and Covin, 2015), whereby external corporate venturing are generally either young or fast-growing ventures (Kuratko et al., 2011).

Whereas corporate venturing is mostly concerned with the creation of new businesses, strategic entrepreneurship (SE) addresses “a broader array of entrepreneurial initiatives which do not necessarily involve new businesses being added to the firm” (Kuratko and Audretsch, 2013: 332). SE “is the integration of entrepreneurial (i.e., opportunity-seeking actions) and strategic (i.e., advantage-seeking actions) perspectives to design and implement entrepreneurial strategies that create wealth” (Hitt et al., 2001: 2) In other words SE “is a term used to capture firms’ efforts to simultaneously exploit today’s competitive advantages while exploring for the innovations that will be the foundation for tomorrow’s competitive advantages” (Duane Ireland and Webb, 2007/1: 50). At the heart of SE is this sustainable competitive advantage, and researchers have found that effective SE practices can help firms to better prepare and respond to radical environmental change, thus maintaining competitive advantage (Duane Ireland and Webb, 2007/1). In fact, (Kuratko et al., 2011: 99) point out that “all forms of strategic entrepreneurship have one thing in common: They all involve organizationally consequential innovations that are adopted in the pursuit of competitive advantage”.

It is these innovations that are at the center of SE, and they can be revealed in many forms, all of which “represent fundamental changes from the firm’s past strategies, products, markets, organization structures, processes, capabilities, or business models. Or, these innovations can represent fundamental bases on which the firm is fundamentally differentiated from its industry rivals” (Kuratko and Audretsch, 2013: 331–332). Covin and Miles (1999: 50) label the different forms as sustained regeneration, organizational rejuvenation, strategic renewal, and domain redefinition, and (Kuratko et al., 2011) add business model reconstruction to this list.

Sustained regeneration refers to the continuous introduction of new services, products or the entering of new markets (Covin and Miles, 1999). Thus, sustained regeneration is often associated with incremental and continuous innovation (Kuratko et al., 2011). Being the most widely recognized form of CE (Dess et al., 2003), firms that engage in sustained regeneration build cultures, internal structures, and processes or systems that support innovation (Covin and Miles, 1999) as well as new entry in the form of new products and new markets (Dess et al., 2003). Further, these firms “tend to be learning organizations that embrace change and willingly challenge competitors in battles for market share” (Covin and Miles, 1999: 51).

Organizational rejuvenation is concerned with changes in the firm's internal structure, processes, or capabilities. In order to improve or sustain a firm’s competitive standing, organizational rejuvenation generally aims to improve a firm’s ability to execute its strategy, by creating “a superior organizational vehicle through which the firm’s strategy can be implemented” (Covin and Miles, 1999; Dess et al., 2003; Kuratko et al., 2011: 101). Thus, by implementing supportive “process and administrative innovations”, organizational rejuvenation shows that firms, apart from introducing new products or entering new markets, can become more entrepreneurial through their updated processes and structures (Dess et al., 2003: 358). While organizational rejuvenation can include a redesign of the whole organization, it can also be seen in smaller ways, such as through multiple smaller administrative innovations that, for example, facilitate knowledge sharing and internal communication (Kuratko et al., 2011). Further, innovations in organizational rejuvenations do not imitate industry standards. Rather, the initiatives should be unique and set it apart from the competition (Kuratko et al., 2011).

Strategic renewal refers to when a firm “seeks to redefine its relationship with its markets or industry competitors by fundamentally altering how it competes” (Covin and Miles, 1999: 52). Thus, the focus of strategic renewal is on aligning the strategy of the firm with the external environment (Dess et al., 2003). Essentially, this implies the implementation of new strategy, whereby the renewed strategies “represent fundamental repositioning efforts by the firm within its competitive space” (Kuratko et al., 2011: 100). Successfully implemented, strategic renewal opens the opportunity to exploit products and market more profitably (Dess et al., 2003).

Domain redefinition refers to the proactive creation of a “new product-market arena that others have not recognized or actively sought to exploit” (Covin and Miles, 1999: 54). In other words, when a firm engages in domain redefinition, it is taking the first move into a new or underserved and uncontested market, whereby the goal is to achieve competitive advantage (Covin and Miles, 1999; Dess et al., 2003). Key here is gaining the first mover advantage and exploring what is possible rather, than simply seeing what is available (Dess et al., 2003).

Business model reconstruction refers to “applying entrepreneurial thinking to the design or redesign of its core business model(s) in order to improve operational efficiencies or otherwise differentiate itself from industry competitors in ways more valued by the market” (Kuratko et al., 2011: 103). That is to, for example, challenge the way the firm sells or relates to the customer or altering the key activities performed in-house. This is commonly seen, when a firm outsources previously internal activities (Kuratko et al., 2011).

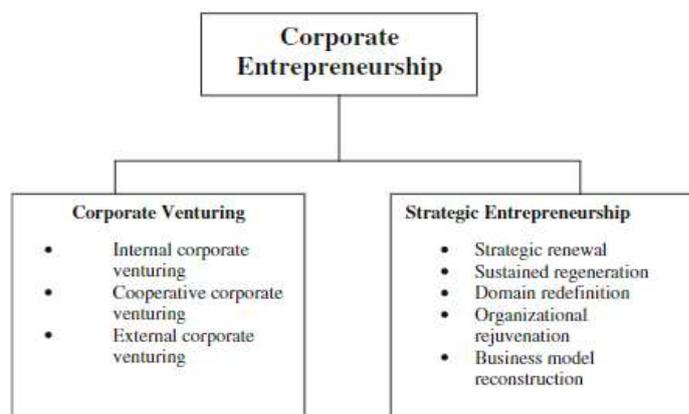


Figure 1: The Different Forms that Corporate Entrepreneurship Can Take (Kuratko et al., 2011)

2.3.2 International Corporate Entrepreneurship

In recent years, research on CE has begun to collide with that of internationalization, as research has sought to understand relationship between the two fields (Zahra and Garvis, 2000/9). Due to the complexity of internationalization efforts, CE can be seen as moderator to a firm's international firm performance. That is, firms need to be entrepreneurial in determining how, when, and where to internationalize in order to find success abroad (Dess et al., 2003). On the one hand, the competencies gained from CE can empower a firm to successfully compete in new foreign markets. Further, internationalization can also be seen as an arena in which CE can unfold (Zahra et al., 2004). Thus, this thesis now turns its attention to understanding CE in the international setting.

International Corporate Entrepreneurship (ICE) “refers to those activities a firm undertakes to identify, evaluate, select and pursue opportunities outside its home markets” (Zahra et al., 2004: 147). Essentially, ICE is the intersection of research on internationalization and CE. ICE then, applies CE into an international context, whereby, firms use the experience of operating in foreign market to absorb knowledge and apply it to entrepreneurial ends (Zahra et al., 2004).

ICE can be revealed throughout the stages of internationalizing, from when a firm is beginning to explore internationalizing their operations, to when a firm reconfigures their existing international operations to capture greater efficiency or growth (Zahra et al. 2004). Further, for some firms, ICE unfolds when they adapt or create new products to meet the needs of local markets (Wang et al., 2015). Overall, a key attribute of ICE is the focus on capitalizing on differences in resources found in a variety of locations (Zahra and Garvis, 2000/9). These resources differences vary, but some authors have highlighted international knowledge as the primary strategic benefit to ICE (Zahra et al., 2004; Zahra and Garvis, 2000/9). As mentioned, internationalization can increase firm's knowledge base which in turn can increase a firm's entrepreneurial activities at home (Stopford and Baden-Fuller, 1994).

Although ICE has caught some traction amongst researchers, the field is still young, presents many gaps in the literature, and scholars have suggested that international entrepreneurial activities of established firms have been largely neglected (Keupp and Gassmann, 2009). Further, Zahra et al. (2004) argue that previous literature has ignored how learning occurs through ICE and how firms can transform that knowledge learned into entrepreneurial

activity. The authors then presented a theoretical base as to how absorptive capacity could be used to integrate international knowledge into strategic competitive advantages (Zahra et al., 2004). However, there still is a need for empirical testing of this concept. The idea of absorptive capacity as it relates to international knowledge is expanded upon in chapter 2.7.

Naldi et al. (2015) point out three gaps in current literature on ICE. First, little emphasis is placed on the entrepreneurial behavior firms conduct after initially entering a foreign market. The authors argue that not all firms are acting entrepreneurial when expanding internationally and that as firms continue to expand internationally, this often implies greater signs of entrepreneurship. Secondly, there is an imbalance between entrepreneurship research and international business research. That is, most studies have relied on an international business frameworks, and thus, ignored entrepreneurship frameworks as a base for the study. Thirdly, “little empirical attention has been devoted to the ‘opportunity dimension’ of international entrepreneurship” (Naldi et al., 2015: 783). It can be argued, that by taking an entrepreneurial approach to internationalization for established firms, this thesis recognizes the opportunity dimension of internationalization, which has been overlooked (Johanson and Vahlne, 2009).

Although there are many caveats in ICE literature, some researchers have explicitly defined ICE “as the sum of a company’s efforts aimed at innovation, proactiveness, and risk taking” (Zahra and Garvis, 2000/9: 470). Taking this definition blurs the line between ICE and entrepreneurial orientation (EO). On a basic level, EO represents the “frame of mind and a perspective about entrepreneurship that are reflected in a firm’s ongoing processes and corporate culture” and can be categorized in innovative, proactive and risk-taking behavior (Dess and Lumpkin, 2005: 147). It has been shown outside of the international perspective that the success of a company's CE is dependent on the EO that firm possesses (Dess and Lumpkin, 2005). Questions remain, however, if this concept is translatable in an international context.

2.3.3 International Entrepreneurial Orientation and New Entry

Originally, “the concept of EO was advanced as an answer to the question of what it means, in a practical or behavioral sense, for a firm to ‘be entrepreneurial’” (Covin and Miller, 2014: 13). Deriving from strategic management literature, EO is concerned with entrepreneurial processes, that is, “the methods, practices and decision-making styles managers use to act

entrepreneurially” (Lumpkin and Dess, 1996: 136). However, due to the increasing globalization of firms and the rise of born global companies, researchers have begun to look at EO through an international lens. Scholars still argue as to whether the international aspect of EO is just a specific context in which EO is being investigated, or if it is a separate construct (Covin and Miller, 2014). In light of this, two related perspectives of EO are highlighted; new entry and international EO.

New entry is the very substantial act of entrepreneurship (Lumpkin and Dess, 1996) and the relation between new entry and the phenomenon of EO might even be the most important consideration in EO literature (Covin and Miller, 2014). New entry can be achieved through “entering new or established markets with new or established goods and services” (Lumpkin and Dess, 1996: 136). In other words, new entry can be achieved through new product development, new business development or diversification, or by entering new markets (Covin and Miller, 2014). The latter is of particular importance in this paper. Since entering new markets is considered entrepreneurial, it is implied that entering an international market is likewise entrepreneurial. Hence, the very act of internationalizing is entrepreneurial (Schweizer et al., 2010).

Scholars argue, that firms who entered new international markets, must have had distinctive EO prior to international expansion (Covin and Miller, 2014). However, one should not equal EO exclusively to new entry. Rather, “the exhibition of new entry as a sustained pattern of behavior demonstrates that entrepreneurship is a trait or attribute of the organization and not an aberration” (Covin and Miller, 2014). Also, the processes that lead to new entry, that is, antecedents of new entry such as preparations and networking approaches, should be part of the EO construct (Covin and Miller, 2014).

Similar to the concept of EO as a whole, international entrepreneurial orientation (IEO) incorporates either the three or five-dimensional construct of EO. Freeman and Cavusgil (2007: 3) adapt the three-dimensional concept and state that IEO “refers to the behavioral elements of a global orientation and captures top management's propensity for risk taking, innovativeness, and proactiveness”. Sundqvist et al. (2012: 205), however, describe IEO as “a set of behaviors associated with the potential creation of value, which manifests themselves as proactive and innovative methods, risk-taking activity, autonomous actions, and an emphasis on outperforming rivals, all variously aimed at discovering, enacting, evaluating, and exploiting opportunities across national borders”. In either case, the discussion amongst

researchers on IEO is largely about how EO moderates international efforts. For example, Kuivalainen et al. (2007) show through a study of 185 Finnish born global firms how the different dimensions of EO compare in importance, depending on the degree of born-globalness of the firms.

Nonetheless, as mentioned, many scholars link possessing an entrepreneurial orientation to firm performance. However, this relationship is often dependent on different moderators such as market turbulence (Kraus et al., 2012) or the firm's age (Anderson and Eshima, 2013). In scope of this thesis, Wiklund and Shepherd (2003: 1312) found that “EO moderates the relationship between a bundle of knowledge based-resources [...] and firm performance. That is, the willingness to be innovative, proactive, and take risks enhances the positive impact that a firm’s bundle of knowledge-based resources has on performance”. This finding suggests that EO is connected to knowledge, but it is unclear as to how this knowledge is processed and exploited in order to have the positive impact on performance. Thus, considering the knowledge-based perspective this paper maintains, it is important to consider learning mechanisms as a moderator to explain how international knowledge can impact a firm.

2.4 Organizational Learning and International Knowledge

The notion that unique knowledge is a key value firms can get out of the internationalization process is clear in the literature and as mentioned before, internationalization models greatly emphasize organizational learning. In the context of CE, organizational learning “centers on a firm’s external environment, industry, markets, competitors and internal operations”, but also the “acquisition of new technical, social, and organizational skills” are considered a part of organizational learning (Zahra et al., 1999: 172). Further, CE fosters organizational learning, which in return can be used to develop other organizational capabilities, and, most importantly, can help a firm with their processes of renewal and adaption to secure sustainable competitive advantage (Dess et al., 2003). That is, because firms that engage in CE generally possess distinctive levels of entrepreneurial orientation (Kuratko et al., 2011) and such proactive and innovative behavior enables new knowledge creation and fosters organizational learning (Real et al., 2014).

Dess et al. (2003) divide organizational learning mechanisms into two categories, namely experiential learning (learning by doing) and acquisitive learning (knowledge that comes from the external environment). Absorptive capacity is an essential organizational capability for acquisitive learning, as firms cannot efficiently learn without it (Real et al., 2014).

2.4.1 Absorptive Capacity and International Knowledge

The most widely used definition of absorptive capacity is Cohen and Levinthal's (1990: 128): "ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends". Zahra and George (2002: 186) expand on this definition by placing absorptive capacity within the framework of dynamic capabilities and define absorptive capacity as "a set of organizational routines and processes by which firms acquire, assimilate, transform and exploit knowledge". Thus, Zahra and George (2002) place more emphasis on the process of absorptive capacity beyond a static capability. In this light, Teece et al. (1997) argue that a firm will be more successful than its competitors, if it can adapt its competencies to market changes faster. In this light, absorptive capacity is fundamental and ultimately enables the firm to gain competitive advantage (Zahra and George, 2002).

Zahra and George (2002) propose that absorptive capacity consists out of two subsets. Firstly, the potential absorptive capacity is the firm's ability to "value and acquire external knowledge" (Zahra and George, 2002). Secondly, realized absorptive capacity reflects the capacity to leverage and make use of the acquired and assimilated knowledge and thus gives an implication of how well a company uses knowledge to gain a competitive advantage (Zahra and George, 2002). Thus, it represents the transformation and exploitation of knowledge. Whereby transformation capacity seeks to internalize and combine new knowledge with the existing knowledge base, it is the final exploitation of knowledge that generates results and impacts (Jiménez-Barrionuevo et al., 2011/5). This is because it is in the step of exploitation that firms "apply the knowledge, using it to create new goods, systems and processes (i.e. new organizational forms) and improving existing competences, or even completely new competences" (Jiménez-Barrionuevo et al., 2011/5: 192).

However, just the mere fact that a firm acquires and assimilates knowledge does not ensure that it creates an impact in the firm. Such knowledge has to be properly integrated, thus taking the step from potential to realized absorptive capacity (Jiménez-Barrionuevo et al., 2011/5).

The mediating factor between potential absorptive capacity and realized absorptive capacity is a firm's set of social integration mechanisms. That is, mechanisms that facilitate knowledge sharing with the members of a firm with the aim of integrating it (Zahra and George, 2002).

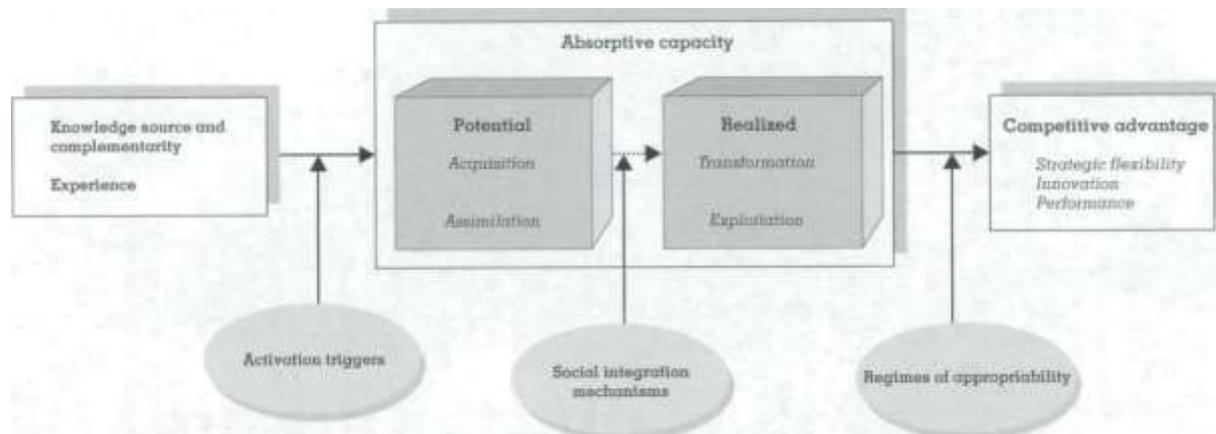


Figure 2: A model of absorptive capacity (Zahra & George, 2002)

Firms develop absorptive capacity through experience (Zahra and George, 2002). They do so by exposing themselves to relevant new knowledge, that adds to their existing knowledge bases (Fernhaber et al., 2009a). That is, prior knowledge is widely accepted as the most important antecedent of absorptive capacity (Volberda et al., 2010). Zahra et al. (2004) propose, that established companies, in contrast to new ventures, possess more diversified knowledge, which is unrelated to its core competencies. This contributes to the ability to recognize and absorb relevant knowledge from international markets (Zahra et al., 2004). This concept has been challenged, however, as the acquisition and assimilation of foreign knowledge is a complicated process, due to the context-specific nature of international knowledge and cultural differences (Sofka, 2008).

In the light of internationalization, the “capabilities for identifying and absorbing foreign knowledge may also stem from internationalization experience” (Sofka, 2008: 773). However, exposure to international knowledge alone does not automatically equal organizational learning, nor the ability to benefit from it. New and different knowledge from foreign markets might be fought by existing forces within a firm, if it “has the potential to disrupt the status quo or challenges their worldview” (Zahra et al., 2004: 161). Fernhaber et al. (2009a) even state, that ventures with less previous international experience benefit more from external sources of international knowledge than firms with higher previous international experience. Firms that internationalize need to simultaneously overcome rigidities and incorporate new knowledge (Autio et al. 2000). Zahra and George (2002) further argue, that structural,

cognitive and behavioral barriers limit a firm's success of sharing and integrating knowledge, to refine and renew their operations and competencies.

2.5 Merging the theoretical Concepts

Above, different theoretical concepts have been highlighted and it has been shown how they support one and another. Overall, this thesis relies on a knowledge-based perspective of international SMEs through the lens of international entrepreneurship. We choose to take an entrepreneurial view as it captures the unique and sometimes serendipitous internationalization practices of SMEs best, while providing implications of how international knowledge impacts a firm's home operations. Within the domain of international entrepreneurship of established SMEs, ICE and IEO have been identified as supportive fields of research. In both fields, the organizational learnings firms can achieve through internationalization are highlighted. The knowledge SMEs are exposed to might vary depending on its source as different sources might provide different perspectives on the same topics (phenomena). That is, for example, that a foreign customer's knowledge might differ significantly from the knowledge a foreign research institute possesses. Therefore, various sources of knowledge might impact home operations in different ways. Hence the knowledge-based perspective is important in understand why this international knowledge is of particular value. Indeed, this thesis perceives knowledge as the most strategic resource for a firm, yet it is apparent that if this knowledge is not properly explored and exploited, the value of the knowledge cannot be capitalized upon in its fullness. Thus, this thesis draws on organizational learning and absorptive capacity literature to understand how international knowledge can and should be acquired, assimilated, transformed, and finally, exploited. It appears that absorptive capacity's role in the knowledge-based view to internationalization should not be ignored. That is: without the ability to use international knowledge, what value does it have at all?

3. Method

This chapter firstly outlines the research strategy, in which a qualitative approach has been followed. Next, the study design is addressed and the criteria, on which the case firms have been selected, are explained. Following, the interview guide for the semi-structured interviews is discussed and finally this chapter closes by discussing reliability and validity of the research.

3.1 Qualitative Research Strategy

A qualitative research strategy was chosen as we seek to gain an in-depth understanding of what impact international knowledge has on SME's entrepreneurship. Similarly, we chose a qualitative research strategy, as this is generally the preferred approach to generate new theory (Bryman and Bell, 2015). At this point, it is beneficial to reflect on the epistemological and ontological paradigms connected to qualitative research and consequentially to the positions this thesis takes. Whereby epistemology is concerned with what is considered knowledge that is acceptable in a discipline, ontology addresses whether "social entities can and should be considered objective entities" or if their reality is subjective and constructed by individuals (Bryman and Bell, 2015: 32). This thesis takes the ontological position of constructivism, whereby social phenomena are given meaning by interacting social actors and underlie constant revision (Bryman and Bell, 2015). Further, qualitative research is more concerned with words than numbers and tends to take an epistemological position of interpretivism, that is concerned with how individuals interpret and comprehend their social worlds for an "empathic understanding of human action" (Bryman and Bell, 2015: 28). Put in relation to this thesis, this means that the collected data stems from the individual reality constructed by the interviewees as human actors and it hereby requires the authors of this thesis as social scientists "to grasp the subjective meaning of social action" (Bryman and Bell, 2015: 29). Thus, this thesis aims to understand the concept of entrepreneurial impacts through researching the interpretation of the meaning from the actors within the organization.

“At an axiological level, the interpretivist paradigm is more concerned with relevance than rigor” (Ponelis, 2015: 538). To support this, the methodology in this thesis is leaned on the proposals of Gioia et al. (2013: 15), who “summarize a systematic approach to new concept development and grounded theory articulation that is designed to bring ‘qualitative rigor’ to the conduct and presentation of inductive research”.

3.2 Cross-sectional research design

The research design of this study is predominantly of cross-sectional nature, as the focus of this thesis is on producing general findings more than on the unique context of the case firms (Bryman and Bell, 2015). While historically placed mainly in quantitative research, Bryman and Bell (2015: 66) argue, that “qualitative research often entails a form of cross-sectional design”, which is when “the researcher employs unstructured interviewing or semi-structured interviewing with a number of people”. In fact, when applied to qualitative research, the use of semi-structured interviews is predominate (Bryman, 2006). That said, we chose to have semi-structured interviews as the main source of data.

Although the research design is mostly cross-sectional, we aim to draw out differences in the cases wherever our data allows us to. This way, comparative elements have been added to the research design (Bryman and Bell, 2015). However, due to a limited amount of time available in the sample companies, we did not obtain enough data to explain the rich context of each case company. Thus, we do not attempt to compare the multiple cases in-depth but rather focus on the similarities that can be observed.

Furthermore, there are longitudinal elements in the research design, as we seek to gain a retrospective account of the process of internationalizing (Bryman and Bell, 2015). As with most qualitative research, the aim is to develop new theory around the relationship of international knowledge and its impact on strategic entrepreneurship. Thus, implying an inductive approach, where we hope to generate new theory from the research rather than simply testing existing theory (Bryman and Bell, 2015). However, elements of deduction are also used by incorporating existing theory and observations that guide the focus of this research.

3.3 Design of Interviews

A combination of observations, informal interviews and company documents were used, especially for the defining the scope of the thesis. However, semi-structured interviews were the main source of data that this thesis builds upon. Although the interview guide was semi-structured in nature, it leaned more towards the structured side. This was to be able to draw general patterns out of the data and to ensure comparability between cases, hence, the interview guide has been followed to the greatest extent in terms of its structure and phrasing. However, we also left room for follow-up questions to capture all angles and obtain richer data to analyze (Bryman and Bell, 2015; Gioia et al., 2013). That said, a well-prepared interview guide was necessary due to time limitations. It is important to note that we chose a private environment for the interviews so that the interviewees could talk to us openly (Bryman and Bell, 2015). Full anonymity was ensured to warrant openness due to the potentially sensitive information the interviewees shared with us.

In the first round, the data collection started with observations and initial unstructured interviews in a rather informal setting to discover and explore the topic of this thesis. This was necessary due to the little empirical testing on the matter and to capture the essences and the scope of possible impacts international knowledge could have. After gaining better insights the formal interview guide could be developed and we then conducted formal semi-structured interviews in a second round to effectively collect data. The interviews were conducted as a team, whereby we chose one interviewer as the main communicator and one supportive interviewer who kept track of follow up questions and took notes on, for example, the body language of the interviewee (Bryman and Bell, 2015).

In an effort to ensure that the data from the interviews used to its fullness, each of the interviews were recorded. The data was then transcribed, to balance the natural limitations of our cognition and to allow a more thorough analysis of the data (Bryman and Bell, 2015). Permission to record was always affirmed by the case companies.

3.4 Selection of Cases/Interviewees

Due to the cross-sectional research design, we aimed to ensure representativeness of the sample in relation to the overall population of Swedish SMEs (Bryman and Bell, 2015). Thus, we did not restrict the sample with a heavy number of criteria, but attempted to allow for a wide variety of firms to participate in this research. With the help of literature and explorative interviews, the following criteria have been determined for case company selection:

1. *Swedish SMEs*. For this, we used the European definition of SMEs which incorporates up to 249 employees, and the headquarter of the firm must be located in Sweden.
2. *Members of the top management team* were chosen as interviewees. We found in our explorative interviews that they could communicate impacts most effectively and had appropriate overview of all parts of the organization. Further, all of them had to be personally involved in the process of internationalization, to ensure accuracy in the answers.
3. *Internationalized*, meaning that they operate in at least two foreign countries. By this, we refer to the firm having sales, subsidiaries, or collaborations in at least two countries outside of Sweden. This criterion ensured that the firms possess adequate international experience to which we could separate between the different impacts better. Further, it allows to examine if the overall process of internationalization has been the same, or if it has been altered due to the impact of previous international learnings.
4. Finally, a criterion of *knowledge-intensity* has been chosen because learning is considered key for firm survival and competitive advantages in knowledge-intensive industries and because these firms are less restricted by location (Autio et al., 2000; Zahra et al., 2004). However, we set the threshold of this criterion rather low and allowed firms to participate, when their decision-making is heavily data-driven, despite their industry not being knowledge-intensive per se.

3.4.1 Explorative Interviews

The explorative interviews have mainly been used to determine the scope of the thesis, appropriate interviewee criteria, and to get a first direction as for what specific entrepreneurial impacts international knowledge tends to have. Having these interviews was essential, due to the lack of empirical testing on the scope of this thesis, especially regarding the details of how international knowledge could impact the firm.

Interviewee	Position	Industry	Employee Count
Explorative I	CEO	Food, Beverage	3
Explorative II	CEO	Retail	20
Explorative III	CEO	Mobile Software	19
Explorative IV	CEO	Software	21
Explorative V	CEO	Software, Robotics	5
Explorative VI	CEO	Member Organization	14

Table 1: List of Case Companies for Explorative Interviews

3.4.2 Official Interviews

After engaging with the above firms in explorative observation and interviews, the interviewees below represent the case companies for the formal semi-structured interviews. It is important to note that after interviewee X, a point of theoretical saturation had been reached. That is, “new data no longer suggest new insights into an emerging theory or no longer suggest new dimensions of theoretical categories” (Bryman and Bell, 2015: 432). This was tested again through the last interview (XI), which confirmed the findings but did not add more categories to the data, reassuring theoretical saturation. At this point, it must be reflected on the employee count of the firms in the sample. Although they meet the criterion of being a SME, it is apparent that the average employee count in this sample leans more towards the lower side than to the highest limit of 249 employees. This is due to the limited access

warranted by larger firms and could have implications on the generalizability of this thesis.

Interviewee	Position	Industry	Employee Count
Interviewee I	Sales Director	Consulting, Training	67
Interviewee II	Global Development Manager	Water Technology	85
Interviewee III	COO	Mobile Sensors	70
Interviewee IV	CEO	Food, Beverage Production	10
Interviewee V	CEO	Safety Technology	25
Interviewee VI	CEO	Marketing Consulting	36
Interviewee VII	Vice President	Pest Control Technology	9
Interviewee VIII	CEO	Tax Software	16
Interviewee IX	CEO	Biotechnology	32
Interviewee X	CEO	UX Product Design Consulting	24
Interviewee XI	CMO	Fashion Ecommerce	156

Table 2: List of Case Companies for Formal Interviews

3.5 Design of Interview Guide

The interview guide for the semi-structured interviews has been designed in an iterative process, where the first unstructured and explorative interviews were conducted using only themes and broad questions. Based on general notations from these unstructured interviews, a formal interview guide was constructed, as is suggested by Bryman & Bell (2015). Deriving from research literature on the topics and concepts investigated, we created a first draft of the interview guide, which has then been tested and improved numerous times during the explorative interviews until the questions were clear and led to proper answers.

The interview guide consists out of several sections that all aim at obtaining relevant data to answer the research question of this thesis. Firstly, we give a quick introduction and ask for general information about the interviewee and the company to open the interviewee up for our questions and to gather relevant data about previous internationalization experiences and status quo of the firm in terms of its international activities. These more basic questions help contextualize the interviewee's answers (Bryman and Bell, 2015). We further had the interviewees draw a timeline of their international operations so that we could refer to specific international events to find out more about the sources, the type of knowledge, and the impact it had at home.

Secondly, we ask about international knowledge and learnings. Since the sources of the knowledge might have an impact on the information a firm receives, we aimed to understand who the interviewee's firm is communicating and collaborating with outside of their domestic market. We then aimed to understand what the information that they receive from their operations abroad looks like, that is, the type of knowledge. Further, we sought to understand how that translates into learning. To do this, we relied mostly on absorptive capacity literature to develop questions of this aspect. Thus, in this section, we use the absorptive capacity model suggested by Zahra and George (2002) and the interview items developed by Chauvet (2014). It was found to be necessary to discuss learning mechanisms to keep the conversation focused on international learnings. However, we aimed to keep this section short during the interviews and did not expect in-depth insights on the matter.

Thirdly, we aimed to understand how international knowledge impacts a firm's strategic entrepreneurship. This is the main part of the interview guide, as this section aims to gather

data that answers the research question directly. Strategic entrepreneurship (SE) is concerned with innovations that “represent fundamental changes from the firm’s past strategies, products, markets, organization structures, processes, capabilities, or business models. Or, these innovations can represent fundamental bases on which the firm is fundamentally differentiated from its industry rivals” (Kuratko and Audretsch, 2013: 331–332). At this point a distinction must be made between knowledge and capabilities. As mentioned in chapter 2, sustainable competitive advantage can originate from rare capabilities and resources (Barney, 1991). While knowledge is seen as a resource (Barney, 1991), capabilities are “the firm’s processes that use resources” (Eisenhardt and Martin, 2000: 1107). Thereby, knowledge is being separated from capabilities as a resource, that can potentially lead to new or updated capabilities when properly integrated and made use of.

In our efforts to understand how international knowledge impacted the SE of the case companies, we asked questions that address both the “entrepreneurial (i.e., opportunity-seeking actions) and strategic (i.e., advantage-seeking actions) perspectives” (Hitt et al., 2001: 2). In doing so, we took inspiration from the five subdimensions of SE: sustained regeneration, organizational rejuvenation, strategic renewal, domain redefinition, and business model reconstruction (Kuratko et al., 2011). However, because these dimensions are often closely related to each other and there are some overlaps, we concluded that it was more applicable to seek more general understanding of how international knowledge has impacted strategies, markets, products, organizational structures, processes, capabilities, business models, or differentiation from its competition (Kuratko and Audretsch, 2013: 331–332).

The interviews concluded with a catch-all question to give the interviewee the chance to discuss anything they feel was missing in the interview (Bryman and Bell, 2015). Please refer to appendix 8.1 for the full interview guide.

3.6 Method of Data Analysis

The method of data analysis was based on the methodology proposed by Gioia et al. (2013). This methodology aims to build data structures through multiple steps, that shape inductive and generalizable models rooted in data (Gioia et al., 2013).

The first step laid out by Gioia et al. (2013) is to code the data from the transcripts into first order concepts. Based on the transcripts of the semi-structured interviews, we identified a vast number of first order concepts needed to capture the interviewee's experiences. These are terms and categories used by the interviewees that relate to the research question. It is common at this stage be confronted with a great number of categories after a few interviews, which is why these categories need to be distilled by finding differences and similarities between them. Gioia et al. (2013: 20) suggest that given the knowledge about the topic researchers have, they act as "knowledgeable agents" that are able to put the informant terms on a more abstract level.

After all the first order concepts are listed using the interviewee's terminology, we then sought to find similarities in the data and group them into second order themes, as suggest by Gioia et al. (2013). This way, we reduced the number of categories significantly and identified the emerging themes that "suggest concepts that might help [...] describe and explain the phenomena we are observing" (Gioia et al., 2013: 20).

Finally, we sorted the emerging second order themes into "aggregate dimensions", that are overarching to the whole of collected data (Gioia et al., 2013: 20). After distilling and abstracting all emerging codes, we had the basis for the data structure that was being used as a visual aid to put the findings into a dynamic relationship (Gioia et al., 2013). This is visualized by figure 2 below. The data structure also helps with validity as it provides greater transparency of the findings (Bryman and Bell, 2015).

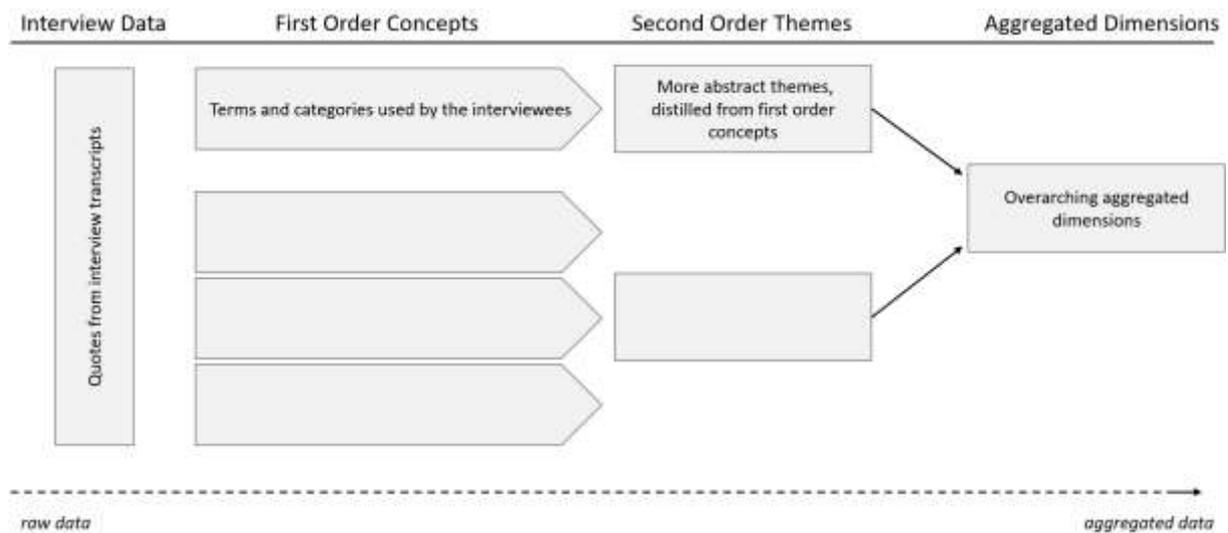


Figure 3: Visualization of data structure, adapted from Gioia et al. (2013)

3.7 Reliability and Validity

Reliability and validity are of central importance when considering the quality of a qualitative research (Bryman and Bell, 2015). Thus, to ensure the integrity of the outcomes and to increase the likelihood of replication for the findings in this research, we have taken careful considerations. For example, we, as the researchers, have continuously discussed the observations in the data to ensure we agree on what is being interpreted and affirming reliability (Bryman and Bell, 2015). In its nature, the method of this study is iterative. Literature was continuously drawn upon to ensure the research is supported by and contributes to existing research. This has in turn given the data collection and analysis context by which to ground itself, thus, assisting in the internal validity of the research (Bryman and Bell, 2015).

Although qualitative research is often considered difficult to generalize since replication is not straightforward in business research (Bryman and Bell, 2015), the multi-case nature of the research helps antagonize this. However, a purposive sampling strategy was applied for this study, which allows the selection of interviewees that have relevant knowledge to the scope of this thesis (Bryman and Bell, 2015).

By strictly following the structure of the interview guide in the formal interviews, we attempt to achieve a higher level of standardization and little variance in our questions to ensure appropriate reliability and external validity of the findings (Bryman and Bell, 2015). However, we acknowledge that due to follow-up questions, which aimed to achieve a richer understanding of

the context, there was deviance in the interviews to an extent. Further, we limited the representativeness of the population within each firm by setting the criteria of being in the top management team for the interviewees, as it might be that employees in other levels of the hierarchy have different perceptions on the matter.

Nonetheless, we take the perspective of Gioia et al. (2012: 24) that research can be generalized “if the case generates concepts or principles with obvious relevance to some other domain”. We argue that due the sample of various industries and transparency in the methodology (selection, collection, and analyses of the data) the outcomes of this research are generalizable to an extent. Still, it is important to recognize the limitation most qualitative research has with external validity due to small sample size and locality (Bryman and Bell, 2015).

4. Presentation of Results

This chapter reveals the key findings of this research. First, the sources of knowledge and what international knowledge entails is displayed. This is followed by a presentation of the moderators of this impact, as well as by an overview of the actual impacts international knowledge had on the firms from an entrepreneurial perspective.

4.1 Sources of International Knowledge

4.1.1 Internal Sources of Knowledge

Internal sources of knowledge are sources that lie within the frame of the organization or come from the firm's own resources and members in its headquarter. The data allowed us to further categorize internal sources of knowledge into two subcategories, namely primary and secondary internal sources of international knowledge.

Primary internal sources provide knowledge directly within the boundaries of the firm. They are the original source of information and can provide international knowledge first-hand and unfiltered. Employees and management are the most obvious source of international knowledge in this category. Interestingly, all the interviewees in the sample had significant working or living experience abroad and used their previous knowledge to form decisions. Further, most of the firms highlighted the importance of going to fairs and summits in person. They gained significant tacit international knowledge through traveling to another country and the diversity of attendees at such events. This implies that members of the organization are the main source of tacit international knowledge.

Further, the firm's own data was a primary internal source. This entails data from testing prototypes and new products in international markets, own evaluations of self-gathered data, and learnings from critical mistakes. Interestingly, it was only the larger firms within the sample that specifically mentioned own data as an internal source of knowledge.

Secondary internal sources are located within the boundaries of the organization but lie outside of the headquarter. They are referred to as secondary because they provide international knowledge in its codified state to the headquarter, for example through written or verbal reports. The data shows that international shareholders, employees abroad and subsidiaries are such secondary internal sources of international knowledge. Further, the case firms highlighted the need to visit subsidiaries themselves to understand the given information better, as illustrated by the following quote: *“We’re having these regular weekly or bi-weekly [video]calls where we get information from them [...] and then have a close dialogue with them and then rather frequently also go over yourself.” (Interviewee III).*

4.1.2 External Sources of Knowledge

In contrast to internal sources of international knowledge, external sources are located outside the boundaries of the organization. These external sources were much more prominent in the SMEs researched in this thesis, and the data is categorized into primary and secondary external source of international knowledge.

Primary external sources of international knowledge is the largest category in the data. These are sources that lie outside the frame of the organization but interact with the firm directly without intermediaries. Customers were the most highlighted source as they are the segment that the case firms were the most concerned about. All firms equally relied on this type of source for international knowledge. Next, foreign collaboration partners were also accentuated throughout the sample. This implies that the case companies heavily relied on collaboration with other firms for sourcing international knowledge. Further, a variety of other primary external sources were identified in the form of potential customers, competitors, inspirational firms in other industries, government bodies, manufacturers, service firms such as tax advisors and law firms, research bodies such as universities, or simply internet search engines.

The case companies further used events as a relatively cost-effective way to both find primary external sources of knowledge in the form of competitors, researchers, and potential customers, but also to build up the tacit knowledge in employees as a primary internal source. For example, interviewee V said: *“[...] then finding those hot spots in which you can find the highest density of people that has input without spending too much resources. It could be fairs, could be gatherings of different sorts and then you talk to people.”*

Secondary external sources are sources that both lie outside the boundaries of the organization and provide only indirect and secondhand knowledge, thus knowledge has to travel first from the subject entity to an intermediary entity that lastly provides the information to the headquarter. For example, international knowledge provided by a customer that in turn entails information about their own customers. The data identified distributors, intermediaries, and trade middlemen as such sources. It is important to highlight that these were only classified as secondary sources if the knowledge originated from their own customers, representing a second step in the transfer of international knowledge.

4.1.3 The Challenges of Secondary Sources of Knowledge

The case companies also mentioned the challenges that come with secondary sources. Due to the indirect nature, codified knowledge can only be communicated through an intermediary agent, which could entail a loss of tacit knowledge through the transfer. To solve this challenge, the case firms tried to get in direct contact with the end customers, if the secondary source were middlemen or distributors, as exemplified by this quote: *“They are not our direct customers, but we need to interact with them as well to understand their needs and requirements and where they're heading and so on” (Interviewee III)*. Further, when the secondary source of knowledge was internal in the form of a subsidiary, the case firms tried to improve the tacit aspect of communication, for example by investing in video meeting technology: *“Just putting someone locally that will operate back on an island without a connection, it doesn't make sense, so even though they're local, you need to be close to them. We have video equipment so we run all our meetings with videos, so we can see and interact in a good way” (Interviewee III)*.

Overall, both primary and secondary sources of international knowledge are important, yet primary sources of international knowledge were perceived as more valuable, due to the direct nature of the transfer.

4.2 Type of International Knowledge

4.2.1 Foreign Business Knowledge

Foreign business knowledge is related to foreign business activities, markets, and competition. This entails differences in the business culture, meaning that in other countries the ways of doing business vary significantly. For example, the data suggests that trust is much more important in the Swedish business culture than in the American business culture, where it is much more common to use non-disclosure agreements and lengthy contracts.

The data also suggests market demographics as part of foreign business knowledge. That is, knowledge about customer characteristics and their preferences as well as market size, minor local trends, and players in the market. Further, the data shows market systems as part of this category, entailing knowledge about the mechanics and special characteristics about international markets. This is, for example, include other nations have different distribution channels where distributors play a different or more important role, or, the perception that without having an American customer already, it is difficult to get more customers in the US.

Lastly, also the knowledge about how other international firms perceive Swedish firms has been included here. This is, for example, the reputation that Swedish firms have abroad in terms of providing good quality.

4.2.2 Foreign institutional knowledge

Foreign institutional knowledge describes knowledge about the foreign country itself and the general culture, norms and values. It constitutes the generally accepted frame that firms are supposed to operate in.

Most obviously, laws and regulations of foreign countries made up a large proportion of the data. This includes, for example, differences in taxes, standards, and requirements, certifications, work permits, laws and contracts. The data shows, that firms operating in more regulated industries such as food and beverages pay more attention to laws and regulations than firms in other industries.

However, the data also shows that the general culture of a nation determines the frame and limitations a firm is supposed to operate in and provides an understanding of what is accepted not necessarily only from a customer's point of view, but from a nation in general. That is that certain countries tend to be less concerned with safety, the tendency to show one's wealth more openly, or differences in the perception of communication such as the level of openness and forwardness in communication.

4.2.3 Foreign internal development knowledge

In addition to business and institutional knowledge, the data suggests internal development knowledge as a third type of international knowledge. Internal development knowledge is specific knowledge gathered abroad that is fed directly into processes, products, structure or is used for the improvement or establishment of capabilities.

Most prominent in this category is the inspiration taken from abroad in the form of best practices to improve products or internal processes. However, also major trends and global transformations were used to improve certain aspects of the firm, for example, the global trend of digitalization and cloud computing. Further, trends that are rooted in political events and affect a large proportion of international firms, for instance through changes in exchange rates, were included. Examples of such are the American presidential elections or Britain's exit from the European Union. The data shows that some firms were more affected by major global trends than others, depending on the number of countries they operate in. This implies that the more countries a firm operates in, the more it will be affected by global trends.

4.3 Moderators of International Knowledge

The data revealed two primary ways that the above impact can be moderated. That is, the firm's reputation and the learning mechanisms.

4.3.4 Reputation as a Door Opener

The data shows a clear impact on the firm's reputation as a result of being international. This is well exemplified by the following quote: *“I mean, it's immediately a sign of validation in the eyes of the different clients that you can operate internationally. It's a reputation, it's a virtuous cycle”* (Interviewee X). However, this new found reputational gain also had another interesting connection.

The data shows that a better international reputation, in turn, impacted the establishment of and communication with international sources of knowledge. Take for instance interviewee II who stated: *“We're starting to create a lot of attention out there and the more attention we get obviously the more potential clients contact us”*. This demonstrates that through increased international reputation, the case firms received more inquiries from primary external sources in the form of potential customers. Thus, they established new sources of international knowledge because of an increased reputation. Furthermore, the communication or marketing with such sources was eased through better reputation, as exemplified in the following quote: *“If you have a good brand in one country, that will transition more easily to another country. If we can build a reputation, in [a hard market like] Belgium for instance, that will help us immensely in our communication to other countries.”* (Interviewee IV).

It has also been found that the smaller companies in the sample recognized the value of reputation and in turn sought for ways to use their partner's reputation to gain international attention: *“When we were in France, we didn't have a booth of our own but we were in the booth of [larger international firm], and [they] have such a great reputation in France. They have been in France for very long time so when our customers came, they didn't question who we were, they didn't question the product.”* (Interviewee VII). This shows, that the smaller firms were able to gain the reputational benefits of their larger counterparts simply by close collaboration with them. This, in turn, resulted in more interaction with new sources of knowledge, feeding the stream of new international knowledge. Further, the data shows that

the increased inquiries, as well as the ease of communication are mostly related to increased trust due to the better reputation.

Thus concluding, reputation moderated the impact on strategic entrepreneurship indirectly by both increasing the amount of and easing the communication with new sources of knowledge, which results in the flow of more international knowledge that can be integrated into operations.

4.3.4 Learning Mechanisms as a Moderator

Learning mechanisms played a significant role in moderating the entrepreneurial impact international knowledge can have on the case companies. Specifically, the social integration mechanisms that the case firms relied upon to integrate knowledge could be drawn out. Most notably, employee participation and communication, as well as discussing in cross-functional teams have been highlighted by the case companies. For example, interviewee VIII noted: *“now we really involve the market people, the tax people, the IT people and interpret what are the customers, what are the non-customers saying?”*. Thus, learning through social interaction via cross-functional teams is exemplified here. Interviewee VI also pointed out how *“People are talking very much about sharing because I give you an idea and talk to you about the idea and then we end up with a totally different idea, created by people sharing something with each other”*. These social integrations mechanisms revealed themselves as the primary way firms integrated international knowledge back into the firm. Apart from participation and discussion, the firms also relied on integration mechanisms in the form of reports to share codified knowledge within the firm, typically when inspiration or best practices were the subjects of implementation.

To conclude, the way how firms spread and integrated knowledge in the firm moderated the impact such knowledge could eventually have.

4.4 Entrepreneurial Impact of International Knowledge

Understanding the sources and what international knowledge entailed for the case companies further enabled us to discover the impact of said knowledge. Thus, the following findings reveal the similarities the case companies had in regard to fundamental changes the business models, products/services, organizational capabilities, strategies, and structures/cultures as a direct result of learnings from international knowledge. To illustrate the generality of the findings, consider the following diagram, in which the case companies which did not express the impact are shown in red:

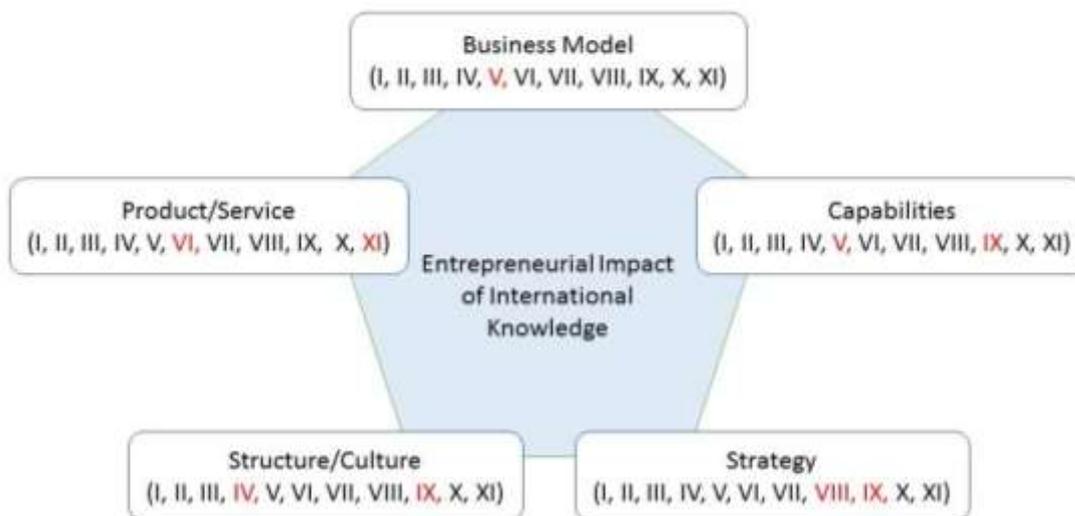


Figure 4: Visualization of Common Impacts

4.4.1 Impact on the Business Model

This aggregate dimension demonstrates how knowledge from international sources can have a direct impact on aspects of the business model, especially in regard to how the business relates to its customer. Thus, implying that international knowledge can expose firms to previously unrecognized opportunities and create new revenue streams through the capture of new customers and/or new ways of selling a current products/services.

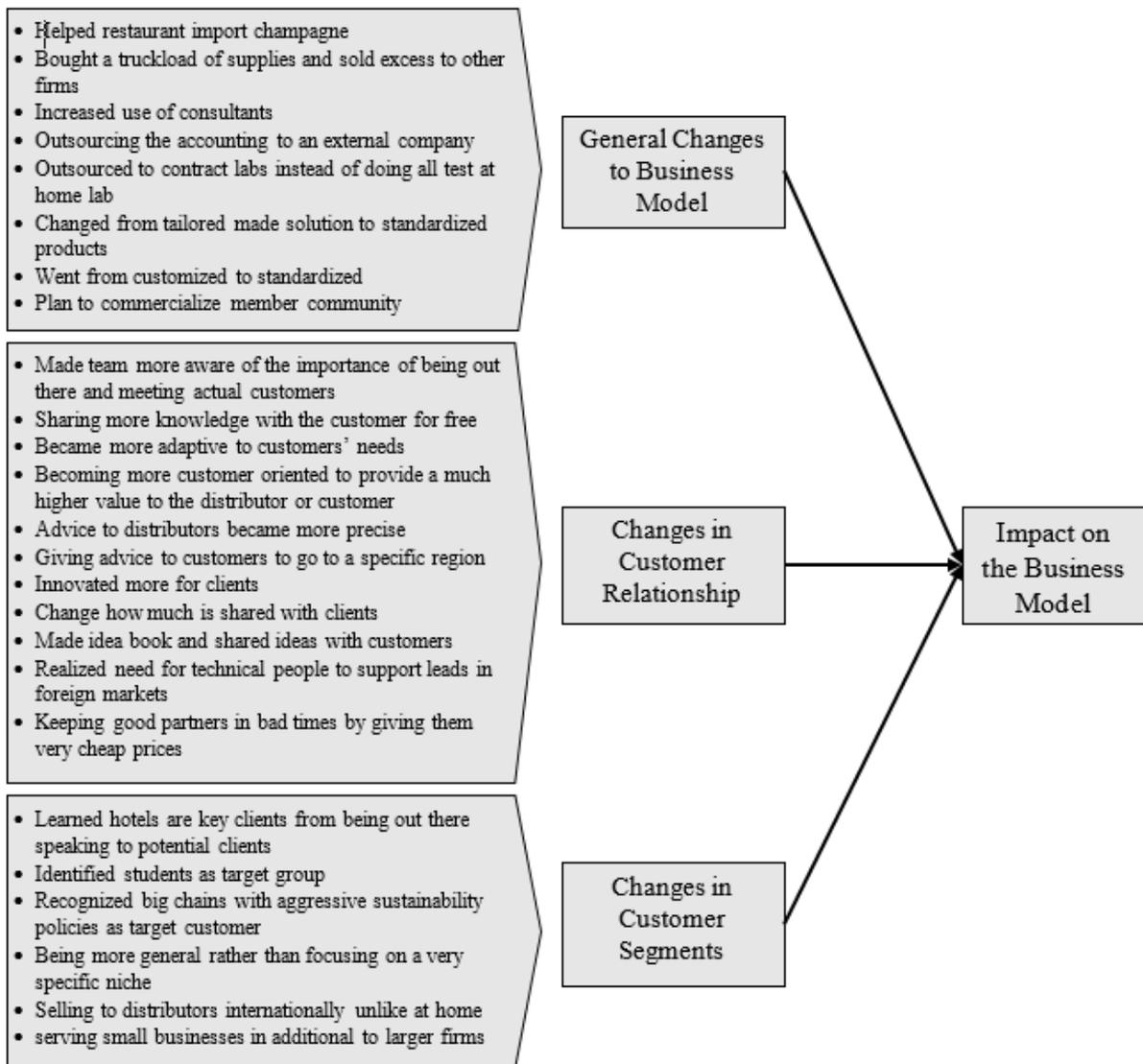


Figure 5: Data Structure for Impact on Business Model

General Changes to the Business Model: This second order theme shows the general changes and developments in the business model. This involves switching from customized to standardized product or services, commercializing a previously free service, changes in how much the firm outsources (e.g. relying on external consultants more or outsourcing departments) and/or performing completely new tasks for customers. For example, one interviewee bought a surplus of supplies and sold the excess to other firms for the first time after gaining knowledge in the Netherlands of the potential cost savings (Interviewee IV).

Changes in Customer Relationship: The data suggests that the firms can become more adaptive with the customer by innovating and catering to the customer's needs. It has also been found that the firms were able to advise customers with more confidence and often shared more knowledge with them as a result of international knowledge. This implies that

knowledge from international sources can better the relationship firms have to their customers as they learn the value of openness and become more confident in their knowledge, reputation, and capabilities.

Changes in Customer Segments: The customer segment(s) that the firms served often expanded or changed as a direct result of something they learned abroad. This implies the discovery of a new target group or the fundamental shift from one segment to another within the same industry. For example, Interviewee IX shifted from targeting pharmaceutical companies to targeting test labs after learning the international pharmaceutical companies prefer going through preferred partners (test labs). Further, the change in customers often transferred to the headquarter in Sweden, where the firm was able to grow their sales at home as well as abroad, due to the new customer segment insights. This demonstrates the value international knowledge can have on the growth of the firm.

4.4.2 Impact on Products/Services

This aggregate dimension demonstrates how valuable international knowledge is in regard to product/service development. When the case companies were exposed to new knowledge in international markets, the product was impacted in many ways, which is being highlighted in the following second order themes:

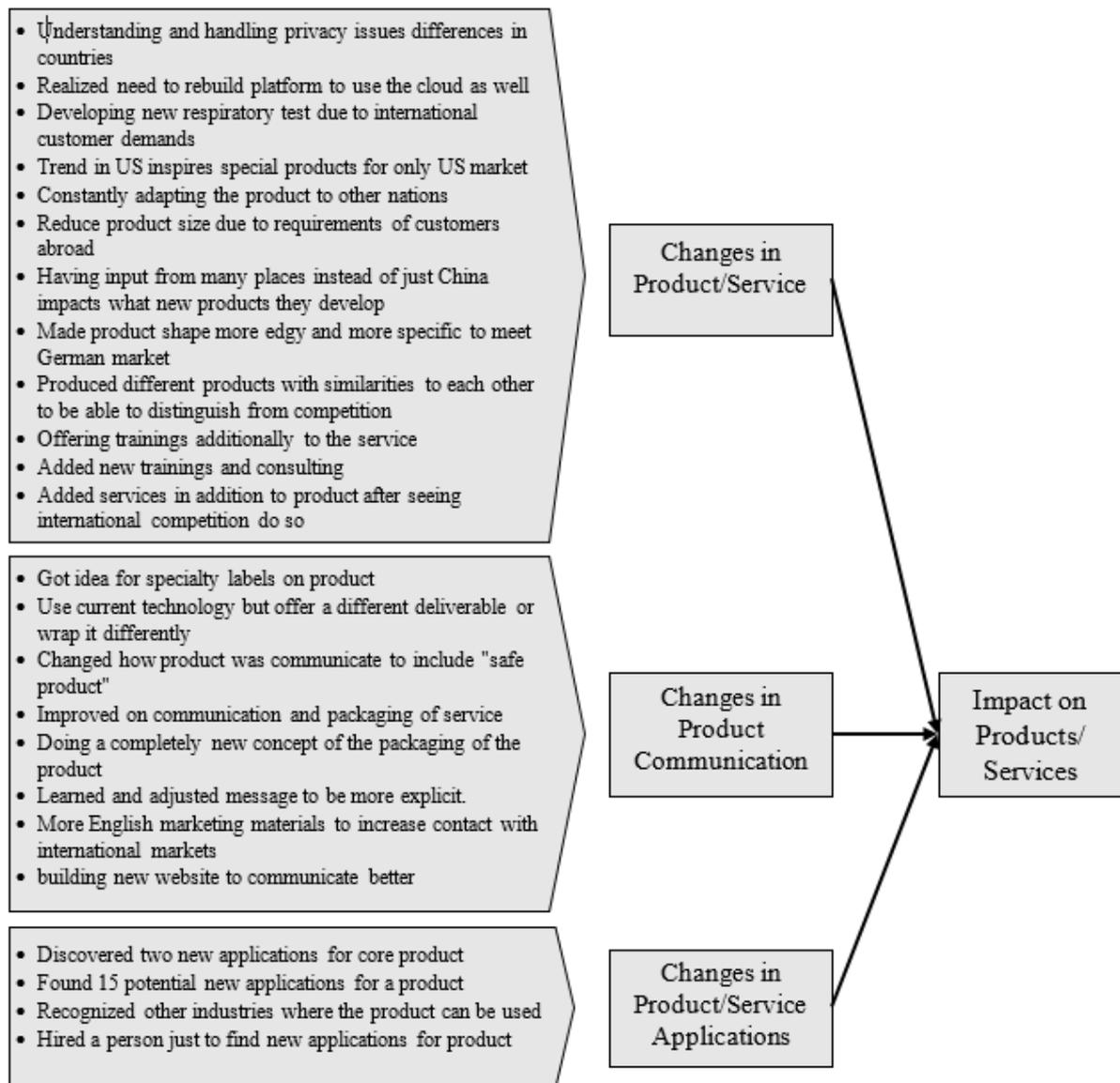


Figure 6: Data Structure for Impact on Products and Services

Changes in Product/Service: This includes ideas for new or improved products or services from international sources, that can either change the main product or adapt it for a local market. This also involves adding services in support to products. However, this impact revealed itself primarily as continuous and incremental innovations to existing products. This implies that although international knowledge does impact the product's development significantly, there is no direct evidence to suggest that the knowledge behind radical innovations is being sources abroad.

Changes in Product Communication: Product communication refers to changes in how the product is packaged, labeled, and in the way the firm markets the product. This applies primarily to adapting the packaging or marketing to better fit a foreign market, but these

changes often transferred to the home market as well. For instance, interviewee IX changed the message of the product at home and abroad, to include a focus on product safety after learning this matches the international customer's interest better than their previous message. Overall, this demonstrates how international knowledge can help refine the message put forth about a product or service.

Changes in Product/Service Applications: This refers to the discovery of a new industry where the product/service can be applied with adjustments to the product. Although related to discovering new customer segments discussed in chapter 4.4.1, this second order theme specifically refers to where the product can be applied in a new industry, not to a specific customer in the same industry. For example, Interviewee IX discovered that their technology could be used in several different industries beyond cosmetics, such as the tobacco industry, after being exposed to more industries through their international network and conferences. From this, it can be seen that international knowledge opens the perspective the firms have on the applicability of their product/service. Of course, this can lead to new customer segments, but the data only shows the recognition of new application, not the actual introduction.

4.4.3 Impact on Organizational Capabilities

The data shows that being exposed to international knowledge inspired changes in the firm's systems, processes, and capabilities in order to improve or sustain a firm's competitive standing. That is, knowledge from international sources fueled the firm's ability to compete and enter markets quicker, while also improving capabilities around the firm's processes, as discussed in the following second order themes:

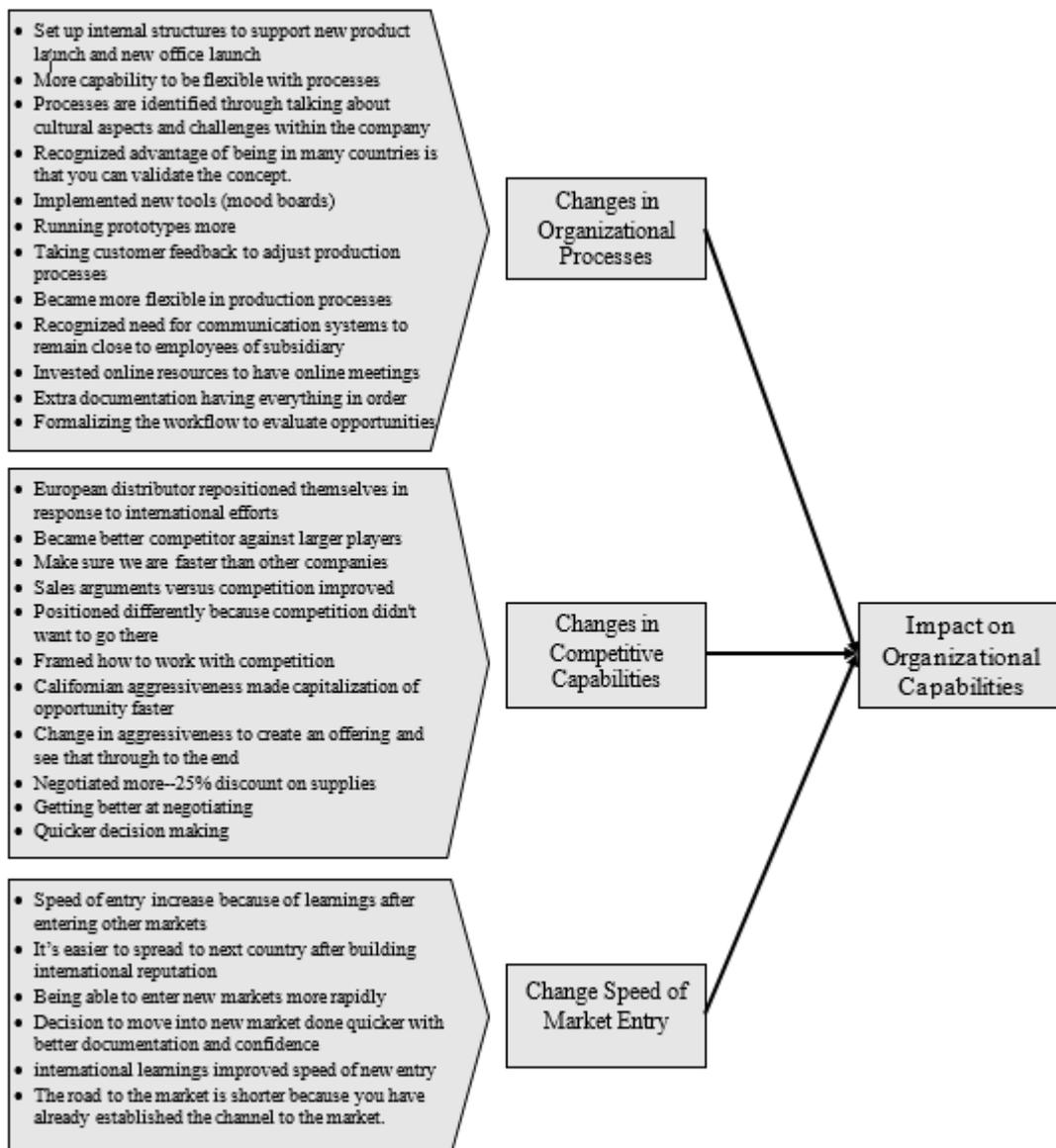


Figure 7: Data Structure for Impact on Organizational Capabilities

Changes in Organizational Processes: The data shows that the firms became more flexible in their processes due to international knowledge. This was made manifest in everything from large organizational changes to smaller administrative innovations and includes the refining or introduction of new sales processes, production processes, work processes, and innovation processes (in particular prototyping and customer validation processes). For example, interviewee I found that a “big advantage of being in many countries is that, you can validate the concept”.

Changes in Competitive Capabilities: This refers to changes in the firm’s aggressiveness or how firms positioned themselves next to their competition. The data suggests that firms found themselves better able to compete and/or they realized an over-served market to avoid after

being around international competition. Further, the data suggests that firms gained and improved their capabilities, such as getting better at negotiating and quicker decision making. Essentially, this second order reveals how international knowledge can increase a firm's ability to compete aggressively in changing competitive environments and at home.

Change Speed of Market Entry: The capability to enter a market quickly increased as firms learned from their international efforts. The data shows that the know-how, confidence, and reputational gains from previous international efforts helped to increase the speed of new market entry.

4.4.4 Impact on Strategy

This aggregate dimension involves changes in a firm's strategy that were caused by international knowledge. Three primary ways could be identified that impacted the strategy, as discussed in the following second order themes:

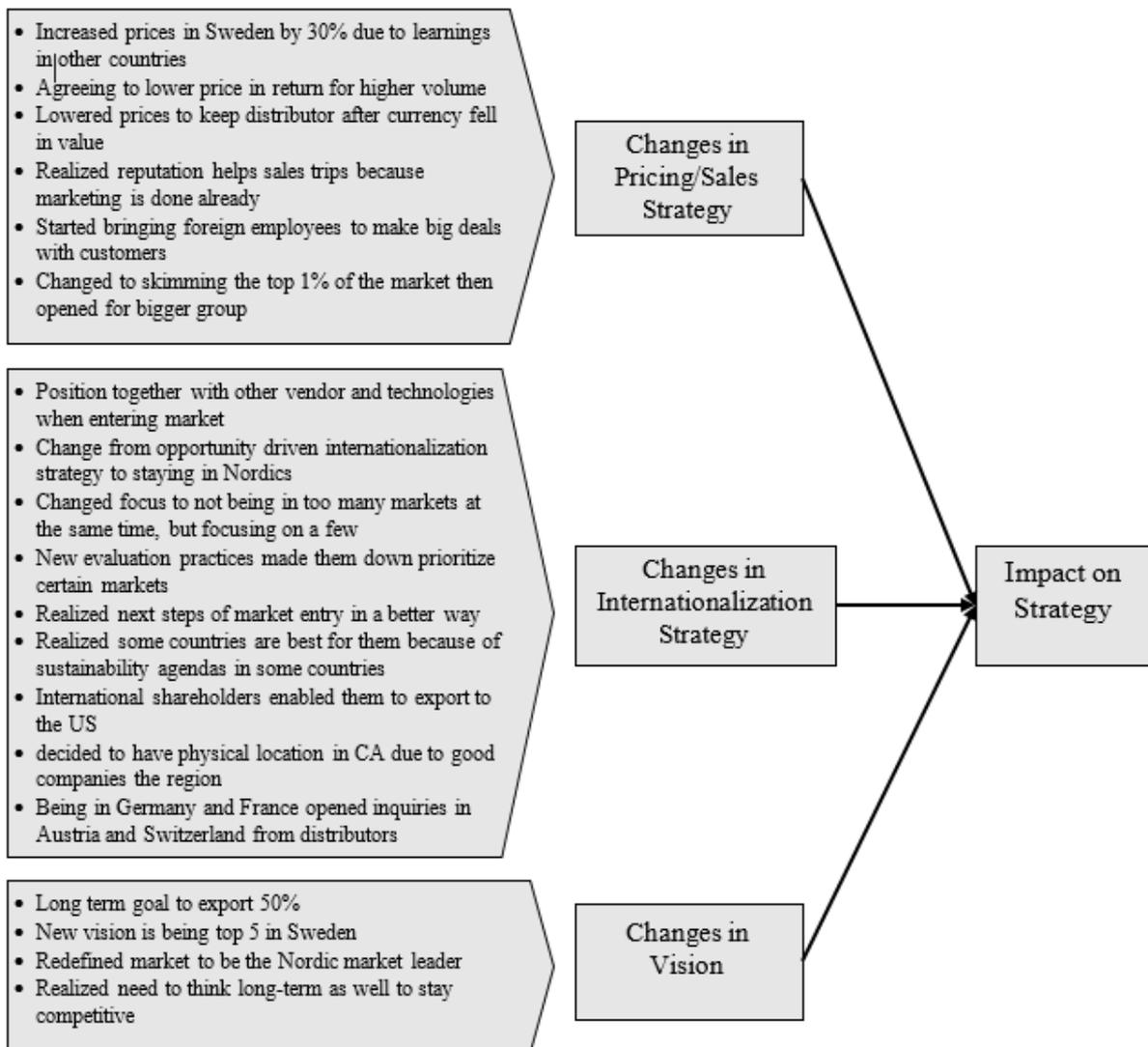


Figure 8: Data Structure for Impact on Strategy

Changes in Pricing/Sales Strategy: This refers to changes in pricing and sales strategies after learning from international knowledge. This can manifest in many ways such as by offering lower prices as a result of higher quantity or increasing prices after learning from foreign customers that the product was undervalued. In addition, some firms changed their sales strategy, such as by bringing foreign employees to show international reputation, which in turn, made the sale easier. This demonstrates how international knowledge can inspire the firm to question things like their pricing and test it with new strategic approaches.

Changes in Internationalization Strategy: Interestingly, internal knowledge tended to push the firms to slow down or decrease the number of countries they were operating in. This often looked like a refocusing on the Nordic countries, rather than being spread around the world. The data also shows a shift to an approach where the firms relied much more on local partners

instead of establishing local offices themselves. Further, firms learned of new market entry opportunities from international sources of knowledge. Take for example interviewee IV, who's international shareholders opened the door for them to start selling in the US, or interviewee VII who was approached by Swiss customers after starting in Germany. Hence, which markets the firm chooses to enter is influenced by the sources and knowledge firms gain abroad.

Changes in Vision: This refers to changes in the long-term goals of the company due to international knowledge. It entails, for example, developing the long-term goal to export 50% of all products (Interviewee IV) or a change to seeking to become the market leader (Interviewee VI).

4.4.5 Impact on Organizational Structure/Culture

The last aggregate dimension found was that of how international knowledge impacts the organizational structure and culture of the firms. As displayed in the following figure, culture was found to be a multi-dimensional impact.



Figure 9: Data Structure for Impact on Organizational Structure and Culture

Changes in Structure: This can refer to everything from the reorganization of the business to a decrease in the hierarchy level in the firm, where the data shows that firms overall became flatter in hierarchy and had more relaxed atmospheres. This second order demonstrates how international knowledge can have long-term entrepreneurial impacts on a firm, as the data shows that a shift in organizational structure can also be connected to products development, for example.

Changes in Company Culture: It is found that culture was impacted in four primary ways: First, employee autonomy, whereby some firms allowed for more freedom for teams and employees. This is closely related to a decrease in hierarchy discussed above in ‘changes in structure’. Second, flexibility, as the data suggests that the work culture became much more

flexible as to when and where people work. Third, involvement, which includes making more effort to evolve people in projects, and the increase in employee engagement and motivation. And Finally, openness where the data suggest an increase in how much and with whom information is shared.

4.4.6 Empirical Evidence to Impacts of International Knowledge

Impact on the Business Model	
Second Order Theme	Exemplary quote
General Changes to Business Model	<p><i>“By that, if the customer makes a big commitment, they're not that likely to shift to another customers-- to another supplier either. That's one example that I think that our business model has developed due to competition and local influence in the Chinese market” (Interviewee III)</i></p> <p><i>“I mean if this really gets rolling the way it does it will be very hard for us to run thousands of chemicals in this little lab here in this building and so then it's easier for us if we can use contract labs” (Interviewee IX)</i></p>
Changes in Customer Relationship	<p><i>“[...] it made us even more aware of the importance of being out there and meeting, for everyone get a chance to meet actual customers” (Interviewee VII)</i></p> <p><i>“When I started to do business, I knew more than the clients and I didn't tell them everything because that was my secret. Now, it's more or less everything I know, they know as well and they can check it out” (Interviewee VI)</i></p>
Changes in Customer Segments	<p><i>“[...] when we were out and about speaking to different potential clients for the old product we learned that well the hotels are very interested because they are especially the bigger chains that are international” (Interviewee II)</i></p> <p><i>“{...} we realized that a pharmaceutical company, for example, they do a lot of their testing by outsourcing and they have their preferred partners that they have always worked with and they want to continue working with them” (Interviewee IX).</i></p>

Table 3: Empirical Evidence for Impact on Business Model

Impact on the Product/Service	
Second Order Theme	Exemplary quote
Changes in Product/Service	<p><i>“But what we have realized and what the competition has made us to do is actually to, I would say, to have people that are fully allocated and to some extent, not available for the customer activities because we need to invest in the core product and always keep ahead of competition” (Interviewee III)</i></p> <p><i>“We probably make like 25000 changes a year in our system and that is for 131 countries. Then you have the rest of the world as well. So yes, you can imagine that is quite a bit” (Interviewee VIII)</i></p> <p><i>“Well, if our offering was more like this, like a general shape, the more you learn, the more you can build and make it sharper, you can make it more edgy, more specific because I know about Germany more than I know-- In Germany” (Interviewee VII)</i></p>
Changes in Product Communication	<p><i>“And now, we're actually starting to think about should we do a completely new concept of how we package the product” (Interviewee VII)</i></p> <p><i>“{...} it was like this is the new alternative animal-free method, we don't say that anymore we say we create safe products because we learned that is the right way of communicating for example” (Interviewee IX)</i></p> <p><i>“We try to look at how they communicate those strategies to people. For instance, at the moment we're building a new website and things like that, in order to better communicate” (Interviewee IV)</i></p>
Changes in Product/Service Applications	<p><i>“What surprised me really because we started working in Europe in the cosmetic industry we've learned now that it's not any cosmetics its chemical produces, it's pharmaceutical company, it's tobacco industry, medical device there is so many uses of our test and we're still learning what industries to direct to” (Interviewee IX)</i></p> <p><i>“ [...] cannot be mentioned out of this room because it's still under development stage but we're working on [new application] as well and on [new application]” (Interviewee II)</i></p>

Table 4: Empirical Evidence for Impact on Products and Services

Impact on Organizational Capabilities	
Second Order Theme	Exemplary quote
Changes in Organizational Processes	<p><i>“We have set up a lot of internal structures that we need to build on when we launch a new product series” (Interviewee II)</i></p> <p><i>“It's less of that developing specific process based on those insights as it is the capability to be flexible with them” (Interviewee X)</i></p> <p><i>“The big advantage of being in many countries is that, you can validate the concept” (Interviewee I).</i></p> <p><i>“For instance, as part of our sort of characterization of our customers, we did some mood boards and also we sort of tried to look at various brands” (Interviewee IV)</i></p>
Changes in Competitive Capabilities	<p><i>“Generally, I think if there's an aggressiveness [in California], but in the sense of capitalizing on the opportunity faster and putting focus on certain areas and to develop communication. Then Generally yes, you can say it necessarily change your core practice” (Interviewee X)</i></p> <p><i>“If you have a lot of [international] knowledge, it distinguishes you in a way from the competition [...] And you can already see that if I look at the big European distributors within this area, many now start to try to position themselves as very knowledgeable about the bed bugs and-- But there we are in an advantage” (Interviewee VII)</i></p> <p><i>“When you doing business with other countries, you need to be aware of how they do business. We've gotten better at negotiating because we've had to negotiate with tougher partners. Swedish companies and Swedish people in general, they don't really like to push things too hard. If you're given a price, most people will accept that price. However, I've done a lot of pushing and asking people for lower prices and making count drop first months. We probably wouldn't have if we hadn't had the international focus” (Interviewee IV)</i></p> <p><i>Well, the thing we do now is that we will validate it, we don't just run on everything. (Interviewee I)</i></p>
Change Speed of Market Entry	<p><i>“Yeah definitely I mean all the learnings we get from entering even the different European markets and there are different types of legislations” (Interviewee II)</i></p> <p><i>“If you look from when I started here, you would probably have an ongoing discussion about the agreements and so forth for a year before you can even start working, even if that's a local representative or you have a partnership. The last time that we had, took probably three or four weeks now, everything was settled” (Interviewee VIII)</i></p>

	<i>“If you work hard and getting a good reputation it's of course easier that it spread too to the next country so yes” (Interviewee IX)</i>
--	--

Table 5: Empirical Evidence for Impact on Organizational Capabilities

Impact on Strategy	
Second Order Theme	Exemplary quote
Changes in Pricing/Sales Strategy	<p><i>“Well, it has come back to Sweden and changed the way with we approach, Sweden. We realize that we have learned from some countries that we can charge more than we thought. We have actually increased the prices of the line last year by about 30%.” (Interviewee I)</i></p> <p><i>“Then we basically say to [the international customer], “Okay, we hear what you saying and understand your needs, but if we're going to give you a lower price, then you need to do something in return to us.” What we require them to do then is to commit to higher volumes” (Interviewee III)</i></p>
Changes in Internationalization Strategy	<p><i>“Our main goal is to formalize more of our procedures and have a clear goal of where we are going. Our own goal for the coming year is basically to work the Nordic markets” (Interviewee IV)</i></p> <p><i>“Because we are in Germany, now we've also got inquiries from Austria and now because we are in France and in Germany, now we are also getting inquiries from Switzerland so we will have to apply in Switzerland because we have two distributors that want to bring our product to market in Switzerland” (Interviewee VII)</i></p>
Changes in Vision	<p><i>“We want to reach about 50% of our turnover on exports. We're very far from that at the moment but that is a long-term goal basically - what we're striving for” (Interviewee IV)</i></p> <p><i>“We realized that we need to be long term as well because, otherwise, again, society-- if we don't have the best performance, then there will come a Chinese guy and beat us up” (Interviewee III)</i></p>

Table 6: Empirical Evidence for Impact on Strategy

Impact on Organizational Structure and Culture	
Second Order Theme	Exemplary quote
Changes in Structure	<p><i>“If you sum it down, I would say that if you are just simply looking at our customer base, we have approximately 90% of our customers outside Sweden which makes us very prone to the international aspect of what that entails. Then in terms of the company, starting last year we have been doing our reorganization, so we have more of a diverse background as well to be able to get an understanding and meet expectations of international markets better. We have tax experts sent from a variety of countries. Then we have our local representatives as well in terms of sales” (Interviewee VIII)</i></p> <p><i>“Something to we also did to meet the international [customer] demands is that we did [...] a much more flatter organization with a more open landscape” (Interviewee VIII)</i></p>
Changes in Culture	<p><i>[Employee autonomy] “But I think being flexible also goes internally towards our employees. If you have private stuff you need to do, you can leave it for your clock. No problem, but we expect you to solve that at another time” (Interviewee III)</i></p> <p><i>[Flexibility] “Again, going back to this [international customer’s] product and that launch has meant that we basically have had people working every weekend-- maybe not every weekend but most weekends for several months” (Interviewee III)</i></p> <p><i>[Involvement] “[...] we encourage people to take a proper project with potential clients and I think that's happening more often where the team itself is becoming more internationalized through this process” (Interviewee X)</i></p> <p><i>[Openness] “Then all of a sudden you are more open” (Interviewee VI)</i></p>

Table 7: Empirical Evidence for Impact on Organizational Structure and Culture

4.5 Summary of the Findings

Overall, the findings have provided a comprehensive overview of where international knowledge can be sourced from, what this knowledge looks like and why it can be considered uniquely valuable. It has then been shown how learning mechanisms moderate the impact of said knowledge, and how reputational gains from international knowledge can, in turn, open doors to new sources of knowledge. And finally, the similarities amongst the case companies have been revealed in regard to the entrepreneurial impact international knowledge had, be that new or updated business models, products/services, capabilities, strategies, and/or structures/cultures of the firms. In many cases, these entrepreneurial impacts, in turn, lead to being exposed to new sources of knowledge. This overview is illustrated in the following visualization:

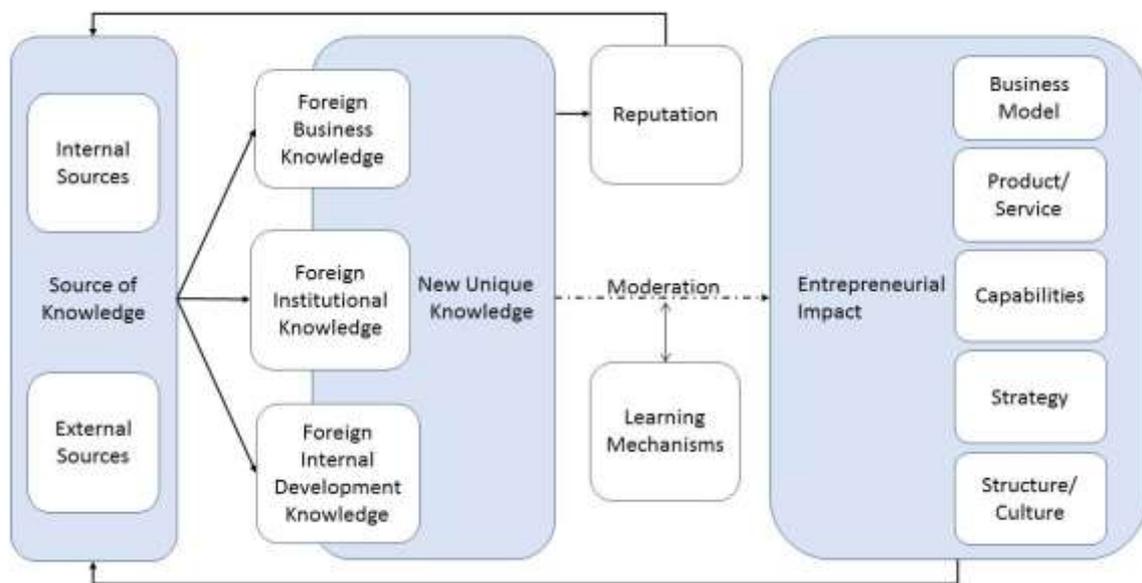


Figure 10: Summary of the Findings

Although this thesis only investigates the relationship between international knowledge and entrepreneurial impacts, it has to be mentioned that new unique knowledge does not necessarily solely come from foreign information. Domestic knowledge can potentially also constitute as new unique knowledge. This has been addressed in the visualization, by placing foreign knowledge half outside of new unique knowledge.

5. Analysis and Discussion

In this chapter, the findings of the empirical research are discussed in relation to literature and the research question. That is to answer: “How does international knowledge and its sources impact the strategic entrepreneurship of internationalized Swedish SMEs?”. This will be done through an in-depth discussion of the key relationships between international knowledge and its entrepreneurial impacts.

5.1 The Dynamic Relationship Between International Knowledge and Strategic Entrepreneurship

Literature has highlighted the importance for firms to gain unique knowledge. For example, Fernhaber et al. (2009a) discuss how knowledge can be seen as the most critical resource for a firm’s strategy, as it is unique and hard to imitate for competitors due to its intangible nature. This is especially true with tacit knowledge as it is embodied in the person itself and cannot easily be communicated (Panahi et al., 2013: 4), making it particularly valuable because it is unique and virtually impossible to copy for competitors (Eisenhardt and Santos, 2002). Further, it is new knowledge that can help to refine existing capabilities and establish new competencies (Inkpen, 1998). It is also known through literature that international knowledge constitutes such new and unique knowledge, as it differs significantly from national knowledge, and, if absorbed, it can be applied to entrepreneurial ends (Zahra et al., 2004). As written in chapter 2, the absorption of knowledge, that is, the step from potential to realized absorptive capacity happens through mechanisms that facilitate knowledge sharing within the organization (Zahra and George, 2002). The data shows that most firms encouraged inter-departmental interaction of their employees to share and integrate international knowledge throughout the organization, which is exemplified by the following statement of interviewee VIII: “Now we really involve the marketing people, the tax people, the IT people and discuss and interpret what are the international customers, what are the non-customers saying”. Such “informal mechanisms are useful in exchanging ideas, but formal mechanisms have the advantage of being more systematic” (Zahra and George, 2002: 194). The data confirms this,

by also showing more formal integration mechanisms. Thereby, typically informal discussions were put into a report format and then spread through the organization, exemplified by a statement from interviewee VI about integrating knowledge from an industry fair:

“Everybody's gathered in a room and present their best products and impressions that they have found during the fair and we discuss it. [...] Then one will make a conclusion of everything [...] a PDF with all the ideas that came up from the meetings, prices, suppliers. Then I will take that and I will send out to everyone. Then they can take this and can take ideas that they think ‘Okay. This should be perfect for us’”. Thus, firstly international knowledge has been informally shared with other employees that attended the fair. Secondly, a report was made to capture all relevant information and to spread it through the firm. Such “formal social integration facilitates distributing information within the firm as well as gathering interpretations and identifying trends” (Zahra and George, 2002: 194), as can be seen in the exemplary quote.

At this point, the combination of findings and literature allows to reveal the dynamic relationship between international knowledge, its sources and the entrepreneurial impact it has in reality, which is discussed below.

5.1.1 Key Relationship: International Knowledge and the Business Model

Firstly, the dynamic relationship between international knowledge and the business model is highlighted. However, this section focuses on the customer relationship and segments, as these were the two primary ways the business model changed. That is to explain how international knowledge can change the dynamics a firm has with its customers. Johnson et al. (2008) suggest that a successful business model involves a customer value proposition, which includes a match between the target customer, the fundamental problem or ‘job’ the customers need to get done, and the offering. Per literature on SE, it is known that entrepreneurial changes in the business model often challenge the way the firm sells or relates to the customer (Kuratko et al., 2011). We argue that international knowledge spurs the refinement of such a value proposition as it places pressure on the firm to find a match between the offering and new customer’s needs. This, in turn, challenges the rigidities the firm may have around its business model, which is well in line with the literature suggesting firms that internationalize need to simultaneously overcome rigidities (Autio et al. 2000), and that international knowledge can help overcome such rigidities (Zahra et al., 2004).

To further explain how this impact occurs, this section highlights the relationship of foreign business knowledge received through potential customers or competitors as a primary external source, and the impact on the customer aspect of the business model. Take for instance the following quote, where knowledge about market demographics and market systems from the potential foreign customers impacts a change in the customer segment the firm pursued:

“[...] when we were out and about [internationally] speaking to different potential clients for the old product, we learned that well the hotels are very interested because they are especially the bigger chains that are international and all around the place they have sustainability agendas, also have a marketing stand of course to differentiate themselves and they want to invest in this type of product” (Interviewee II)

Without being with the potential foreign customers, the identified new segment of hotels and, therefore new revenue streams could have been overlooked. As demonstrated here, we posit that it is predominately through primary external sources that international knowledge impacts the business model

Overall, the dynamic relationship between international knowledge and the business model impacts the dimensions of SE in the following ways. The clearest impact is on the dimension of business model reconstruction, as there are changes in customer relationship and segments. As established in theory, the case firms used their business model as an opportunity facilitator (George and Bock, 2011). They identified the opportunity to capture value from a new customer segment and used adaptations in their business model as a mechanism to exploit said opportunity (Amit and Zott, 2001).

Although a radical shift in the firm's business model would have significant reverberations into the domain that operate in and the strategy of the firm (Kuratko et al., 2011), the data can only suggest more subtle changes in the value proposition aspect of the business model. Thus, we argue that the impact international knowledge has on the firm's business model remains in the SE dimension of business model reconstruction.

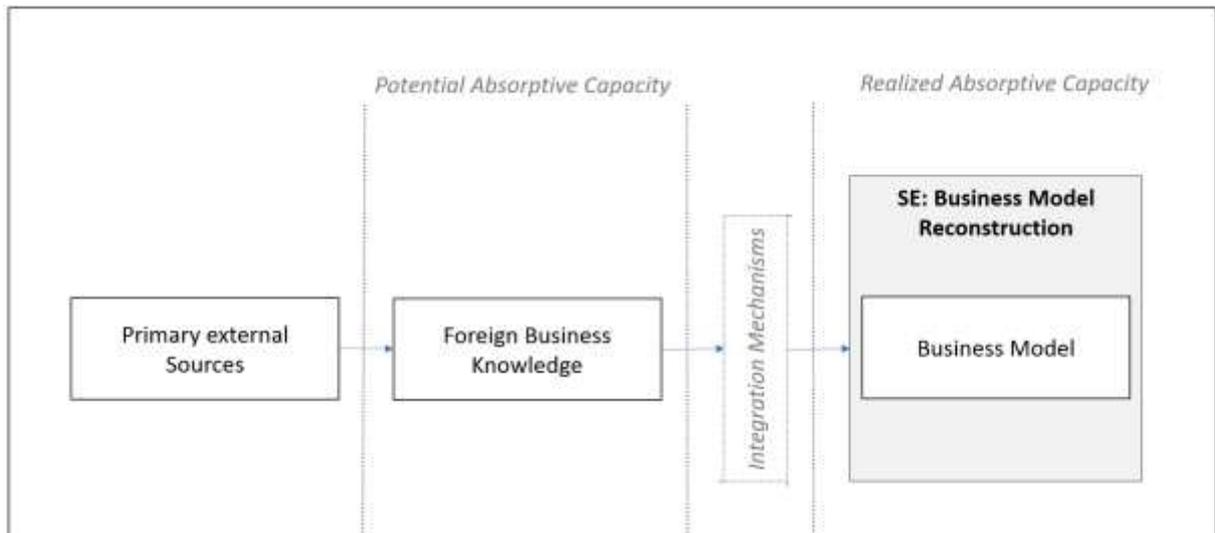


Figure 11: How International Knowledge Impacts the Business Model

5.1.2 Key Relationship: International Knowledge and the Product/Service

The second key relationship highlighted is between international knowledge and the product or service. In chapter 4, it has been shown how international knowledge can impact the product, its communication, and its applications. However, the relationship is strongest to actual changes in the product and its development, thus, this section focuses on this aspect here. It is known from literature that ICE can unfold when firms adapt or create new products to meet the needs of local markets (Wang et al., 2015). Further, theory suggests that firms who consistently engage in SE tend to improve their processes incrementally, to “help the firm derive maximum value from the firm’s capabilities” (Ireland et al., 2003: 982). This, in turn, results in incremental product or service innovations that serve as an entry point for more disruptive innovations (Ireland et al., 2003).

The data has enabled us to show how this occurs as well as to reveal other ways the product can be impacted by international knowledge. Take the following exemplary quote for instance:

“What we have realized and what the [international] competition has made us to do is actually to, I would say, to have people that are fully allocated and to some extent, not available for the customer activities [customer service] because we need to invest in the core product and always keep ahead of competition.” (Interviewee III)

Here it can be seen that the international competition made the firm realize the importance of investing time as a resource into product development, not only for adaptation to customer needs, but also for general improvement and innovation. The firm took inspiration in the form of best practices from their competitors, representing foreign internal development knowledge, to update internal routines. We argue that by doing so and taking away resources from special product adaptations for the customer, to shift them towards the development of the core product, the firm improved their SE. This is, because it represents a shift from exploiting current advantages towards developing and innovating the core product “to help the firm extend existing competitive advantages that promote its growth as a path to wealth creation” (Ireland et al., 2003: 982).

This gets even more exemplified by the following quote of the same interviewee (III): *“our customers, sensor vendors, they will get requests and questions from their own new potential customers and we take that and try to develop new markets. [...] I now have a guy here in Lund who is working entirely to develop the non [core] markets, let's say. [...] It's very much driven by where we see use cases that are relevant and when there's an interest”*. This shows that they received input about new application fields for their product in new markets, as well as end customer preferences through an intermediary agent in the form of their own customer. They then not only increased their commitment to incremental improvements but also increased their commitment to exploration, which is connected to disruptive innovation (Ireland et al., 2003). Because finding the balance and transitioning between exploitation and exploration is a performance criterion of effective SE (Ireland and Webb, 2009), we see this as an important aspect of this key relationship.

As exemplified above, it can be observed that knowledge inspiring product innovations and adaptations comes mostly from primary external sources. However, secondary external sources have also been used here which is why it is important to point out that the knowledge for product innovations does not necessarily originate from one source alone, but rather from an accumulation of sources. Hence, we argue the way in which a product and/or service is primarily influenced, is by knowledge about the differences in market needs based on foreign business knowledge and internal development knowledge that updated internal routines, which can come from the customers, the competition, fairs, and so on. It is then the foreign institutional knowledge that sets the limitations to what changes in the product are allowed in

the foreign market. This is visualized in figure 12.

As for how this relationship impacts the dimensions of SE, it connects to the dimension of sustained regeneration, as it refers to the continuous introduction of new services or products (Covin and Miles, 1999) as well as new entry in the form of taking the product to a new market (Dess et al., 2003). Although sustained regeneration is normally associated with incremental and continuous innovation (Kuratko et al., 2011), it has been pointed out how international knowledge can encourage explorative behavior as well.

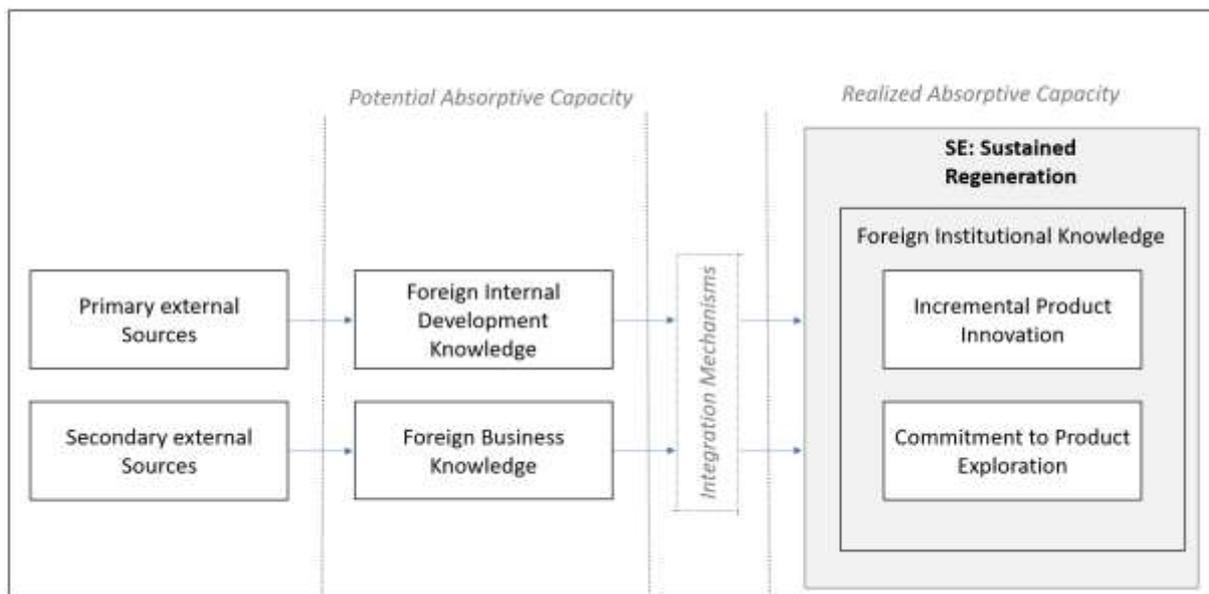


Figure 12: How International Knowledge Impacts the Product

5.1.3 Key Relationship: International Knowledge and Capabilities

Next, the relationship between international knowledge and the firms' capabilities is highlighted. Literature has pointed out how domestic knowledge is not always different enough to break out of rigidities, yet international knowledge can help to overcome those barriers and loosen up rigidities in a firm's operations (Ahuja & Lampert, 2001; Levinthal & March, 1993). This is due to the potentially radical different nature of international knowledge, as it provides the requisite variety necessary to prevent core rigidities from forming (Zahra et al., 2004). This is also well in line with SE literature, which suggests that operating in different environments "allows individuals and firms to appropriate knowledge that can be used to create firm capabilities" (Hitt et al., 2011: 61). The data further confirms this as there are many areas where the case companies did, in fact, update their capabilities due to learnings abroad.

To exemplify this relationship, the following statement of interviewee II is being used:

“So we have definitely refined that process and now with our third generation product we have eighty-seven people working there and we have a crew of fifteen verification engineers running tests on the product before we even launch the prototypes and just a year and a half ago we just threw it out there without even testing that in the laboratory [...] [Now], we're putting out different pilots all over the world to see ok what is the feedback that comes back from the client but also from the product to see how performs in different kinds of environments in the world” (Interviewee II)

The quote above shows how international knowledge increased the awareness of the importance of customer feedback and made the firm update their processes around product development, hence, updating their capability to integrate feedback as well as the capability to validate prototype products before launching them. The firm did so by hiring new employees that brought in the appropriate internal development knowledge to create these capabilities. It was then through their own validation, that they received feedback from the customer in the form of foreign business knowledge. Thus, as exemplified here, we argue that the predominant way in which international knowledge impacts capabilities is through primary internal sources such as both employees and the firm's own data generation, and it is internal development knowledge that enabled the firm to update their capabilities to gain better foreign business knowledge in the form of customer feedback.

It can further also be seen how foreign business knowledge about business culture and markets can influence a firm's capabilities. This is illustrated by Interviewee IV who stated: *“then you're doing business with other countries, you need to be aware of how they do business. [For example], we've gotten better at negotiating because we've had to negotiate with tougher partners”*. Therefore, we argue that it is also through foreign customers and their business culture that the firm's capabilities are impacted.

By understanding the relationship between international knowledge and the firm's capabilities, we argue that the SE dimension of organizational rejuvenation is the clearest connection, because it is concerned with creating “a superior organizational vehicle through which the firm's strategy can be implemented” (Covin and Miles, 1999; Dess et al., 2003; Kuratko et al., 2011: 101). This is where firms engage in effective SE and become more entrepreneurial through updating their processes and capabilities (Dess et al., 2003: 358)

and thus, set themselves apart from the competition (Kuratko et al., 2011).

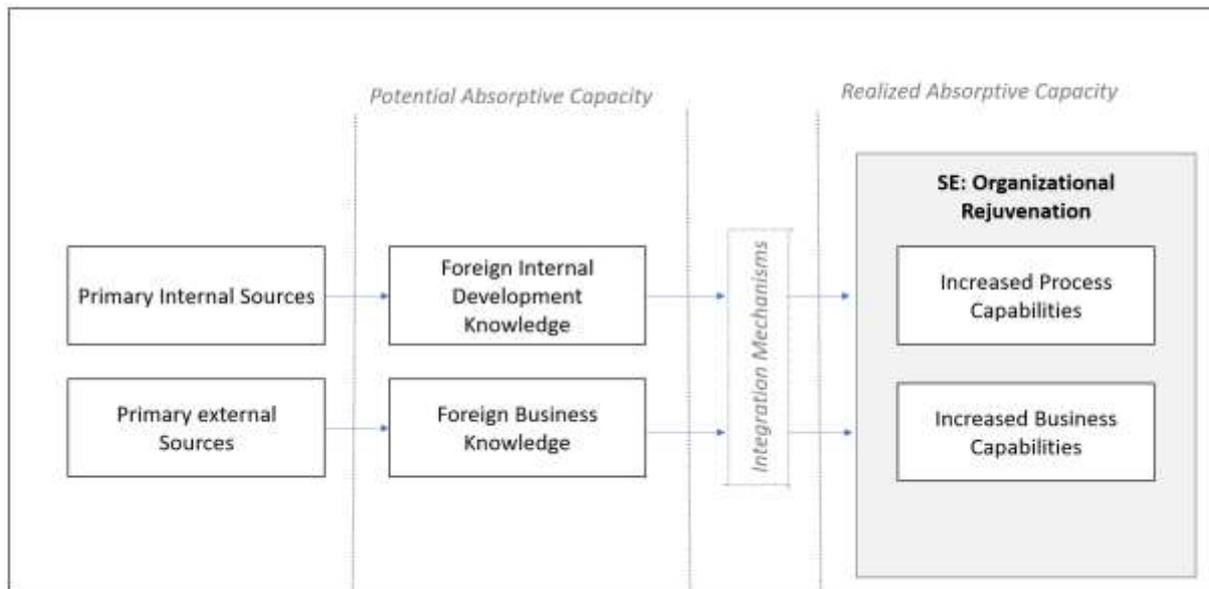


Figure 13: How International Knowledge Impacts Organizational Capabilities

5.1.4 Key Relationship: International Knowledge and Strategy

Fourthly, the dynamic relationship between international knowledge and the firm's strategy is being addressed. Per literature, knowledge is often seen as the strategically most critical resource under the knowledge-based perspective of the firm (Fernhaber et al., 2009a). Thus, one could expect that unique international knowledge would have strong impacts on the strategy of the firm. Research on the matter has shown that a lack of such international knowledge can prohibit a firm from expanding their operations into a foreign market (Johanson and Vahlne, 1977). Accordingly, specific international knowledge is a resource that helps greatly with the internationalization process, especially when the strategy incorporates international activities (Fernhaber et al., 2009a). Further, “a firm’s ability to learn about a new host country moderates the speed at which the venture internationalizes to exploit an entrepreneurial opportunity” (Oviatt & McDougall, 2005: 548). Thus, literature has described how international knowledge relates to a firm's internationalization strategy, which the data in chapter 4 also confirms and adds to.

Take for instance the following example, where it can be seen how foreign business and institutional knowledge impacted the market entry strategy:

“I guess I was not too surprised because of my previous job. I worked a lot with the Emirates as well but the general case would be that they do business very differently from what we do. If you look at who are the worst countries to do business with and who are the most bureaucratic and annoying and all that, the Emirates definitely scored very high.” (Interviewee II).

Thus, due to the previous work experience in the Emirates, the interviewee gained foreign business and institutional knowledge through which the foreign market with all its features was understood and tacitly saved in memory. This way, the interviewee used the knowledge to adapt the market entry strategy of the firm, as revealed next: *“So, that's one thing you need to go in. You need to find the right type of family to work with, so we're working with local, very wealthy Emirati families, because some native families in there have a lot of influence”* (Interviewee II).

Although previous literature hinted at how internationalization strategy could be affected, existing theory did not clearly show other strategic implications of international knowledge. The data displayed in chapter 4 therefore adds to this by showing a connection from international knowledge to an array of strategic changes, for instance in the pricing strategy and the vision of the firm. Take the following quote for instance:

“There are really, really, big surprises. For example, in some countries, the demand curve which is supposed to go down with a higher price actually, goes up with a higher price. [...] Yes, definitely in China. Definitely in Russia. [...] Well, it has come back to Sweden and changed the way with we approach Sweden. We realize that we have learned from these countries that we can charge more than we thought. We have actually increased the prices of the line last year by about 30%.” (Interviewee I)

Here, it can be observed that the firm's pricing strategy at home was influenced by their learning abroad about price sensitivity, or rather, lack thereof. More importantly though, is that this learning came from knowledge about the firm's customers in Russia and China and how they react to changes in pricing. This way, the firm learned how the relationship between demand curve and price was different for them in these markets, representing foreign business knowledge about market systems, and adapted their pricing strategy at home accordingly.

Further, the data shows that due to foreign business knowledge, the vision of the firms can change. Take for instance the following quote: *“We now want to reach about 50% of our*

turnover on exports. *We're very far from that at the moment but that is a long-term goal basically - what we're striving for*" (Interviewee IV). Ireland et al. (2009: 26) suggest vision as a component of a corporate entrepreneurship strategy, through which top level managers "paint the picture of the type of organization they hope to lead in the future". The data shows that due to learnings from abroad, the firms updated their vision, which then affected the firm's strategy to close the gap to said vision. Thus, although closely related to strategy, the data shows vision as an antecedent and not as a direct component of strategy contrasting the suggestions by Ireland et al. (2009). This is further visualized by figure 14.

Thus, it can be concluded that it is primarily foreign business knowledge that affects strategic changes, whereby updates in the vision of a firm were an antecedent to strategic renewal. Foreign institutional knowledge plays a minor role in strategic changes, as it was only used to identify bureaucracy and the need to get around it.

Relating to the dimensions of SE, international knowledge's impact on the firm's strategy is primarily related to the dimension of strategic renewal, which refers to the implementation of a new strategy, whereby the renewed strategy "seeks to redefine its relationship with its markets" (Covin and Miles, 1999: 52). By the firms changing their internationalization strategy, pricing strategy, or vision they repositioned themselves against the external environment (Kuratko et al., 2011: 100), and opened opportunities to exploit products and markets more profitably, such as by increasing the price at home (Dess et al., 2003).

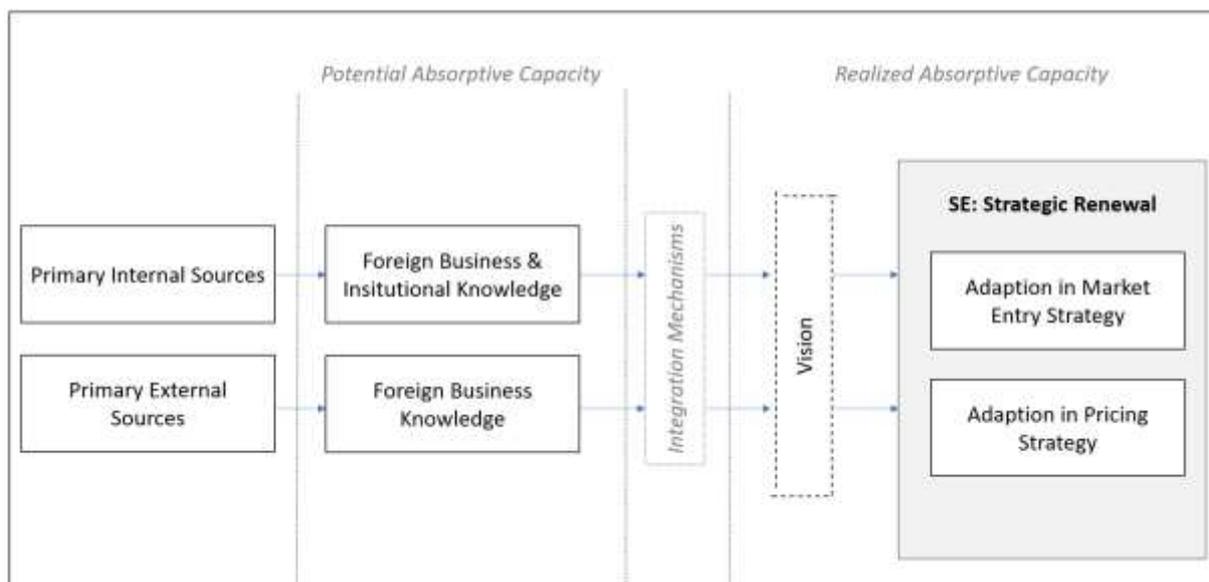


Figure 14: How International Knowledge Impacts Strategy

5.1.5 Key Relationship: International Knowledge and Structure & Culture

Finally, the dynamic relationship between international knowledge and the firm's structure and culture is emphasized. Literature has elaborated on what constitutes as an entrepreneurial structure and culture, that is, entrepreneurial structures generally tend to be less hierarchical and have a broader span of control, which implies employees have more freedom and less formalized roles (Kuratko et al., 2011). Similarly, entrepreneurial cultures tend to focus on employee empowerment, commitment, autonomy, as well as other features, like learning from failure (Kuratko et al., 2011). Additionally, effective SE “involves corresponding shifts in the firm’s structure, culture, and operations” (Ireland and Webb, 2009: 471), and Ireland et al. (2003) even suggest, that an entrepreneurial culture is a vital aspect of SE. We argue that international knowledge can help achieve this culture and structure by providing the firm with unique inputs as has been showed in chapter 4. International knowledge made firms less hierarchical, gave employees more autonomy and made them more involved. Further, the working style became more flexible and the firms open towards their employees.

The key international knowledge that created this impact originated with the customers and other firms. This is exemplified in the following quote:

“It will be quite coherent to what other companies are doing, other countries are doing, but then if you look abroad, of course, there will be large differences how things are treated. It's really important to be aware of those aspects. [...] Something to meet then the international [customer] demands is that we did restructure the organization, we did it much more flat and first thing an open landscape. People need to see each other, people need to talk to each other. [...] Largely, because I think that it has a great impact because people are talking to each other, they getting know each other better and then you hear laughs and people have fun. In general, it's to just really create a great atmosphere. We have a beer fridge and things like that were here as well which is quite uncommon for working with tax”. (Interviewee VIII)

It can be observed here how internal development knowledge from other firms, as well as foreign business knowledge from customers, inspired a change in the general culture and in the office atmosphere, that encourages employee interaction. Further, it can be seen that the same sources pushed the firm into a flatter structure, which makes employees more empowered and autonomous, thus creating a more entrepreneurial culture (Kuratko et al.,

2011). Such structural changes and changes in the work-site layout improve knowledge integration, as they increase employee interaction, encourage knowledge sharing, and promote problem solving and creative action (Zahra and George, 2002). That is, because “social distance (power and status differentials) between organizational levels” as well as “work-site layouts that introduce distance and physical obstacles” decrease the flow of rich information (Sheremata, 2000: 397), thus limiting the absorption of knowledge.

Moreover, a change in employee empowerment and commitment can be seen in the following exemplary quote of interviewee VII, that exemplifies the learnings from going on an industry-specific fair:

“I think it was a really good idea to go with the whole company. We learned that it’s really important for all employees to get this opportunity to go out and meet customers, so crucial, really important. It strengthened the company culture, it made us even more aware of the importance of being out there and meeting, for everyone [to] get a chance to meet actual customers.” (Interviewee VII)

Firstly, this exemplary quote shows increased employee participation, because the firm went to the fair with all its employees. Secondly, due to the interaction with customers, the firm learned the importance of letting all employees meet the customers, not only the ones that typically interact with customers anyway. Thirdly, by involving all their employees, the firm strengthened its company culture, implying that employee participation is an antecedent of changes in the company culture. It has to be mentioned though, that only the very small companies in the sample were able to let all employees participate in the business travel to events. However, the larger firms tended to try and involve as many employees as possible, implying that all firms showed increased commitment to employee participation due to international learnings.

Additionally, the data emphasized another source relating to international knowledge to the company culture, exemplified in the following statement by the same interviewee (VII): *“One of my colleagues is Danish [...]. The company culture will come by humans. When we have a German speaking person, they will bring in more of their culture”*. This illustrates that employees brought in their nation’s culture, which then shaped the firm’s culture to a certain degree. Thus, primary internal sources in the form of employees brought in their nation’s culture, representing foreign institutional knowledge, which finally shaped the firm’s culture

and atmosphere. Again, a difference between the smaller and larger firms within the sample has to be mentioned. The smaller firms did emphasize cultural changes due to their foreign employees more than their larger counterparts.

To conclude, it can be said that the way in which international knowledge influences the structure and culture of the firm originates from primary external sources and primary internal sources. While foreign business and foreign internal development knowledge originate from primary external sources, it was foreign institutional knowledge that came from primary internal sources to shape the company culture and structure.

Through understanding the dynamic relationship between international knowledge and a firm's structure and culture, an impact on two SE dimensions can be observed. First, sustained regeneration is impacted, as firms that engage in sustained regeneration build cultures and internal structures which support innovation (Covin and Miles, 1999). Second, organizational rejuvenation is affected, as this includes that firms can become more entrepreneurial through their updated structures (Dess et al., 2003: 358). This is further confirmed by Ireland and Webb (2009: 471), who discuss how “corporate entrepreneurship may find firms restructuring their operations as a foundation for organizational renewal. Such restructuring, which is the province of corporate entrepreneurship, becomes manifest within organizations as they engage in strategic entrepreneurship”.

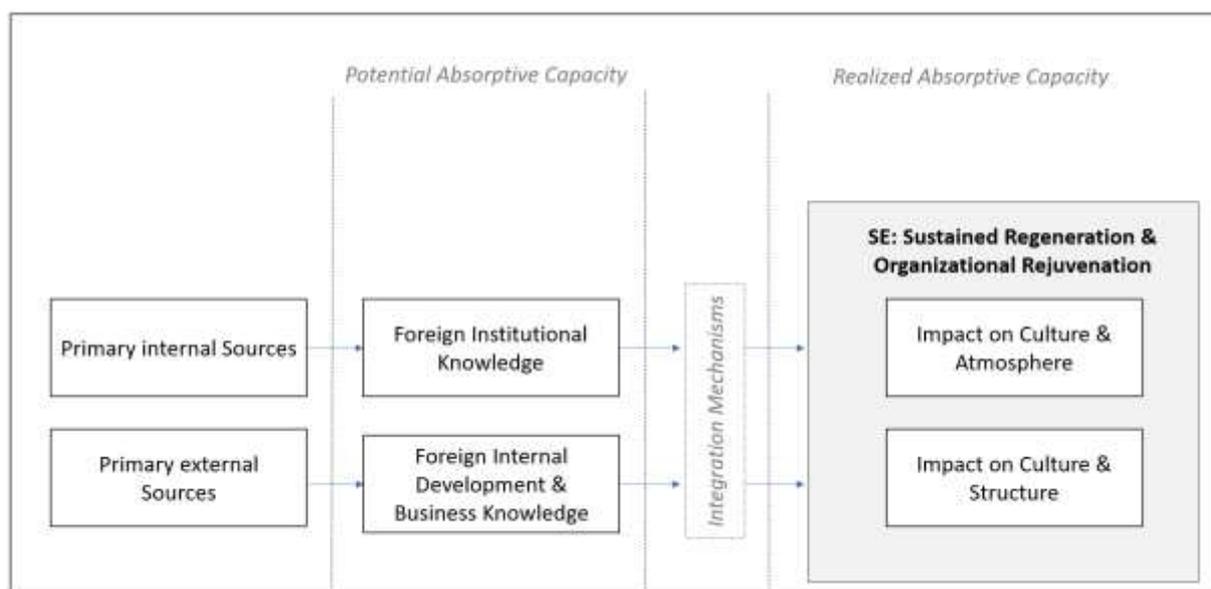


Figure 15: How International Knowledge Impacts the Structure and Culture

6. Conclusion and Implications

This chapter firstly concludes the overall contribution made to literature. This is followed by a discussion of the managerial implications, the limitations to this research, and the implications the findings of this thesis have for future research.

6.1 Conclusion

This thesis had the purpose of contributing to the research field of international corporate entrepreneurship by revealing the dynamic relationship between international knowledge, its sources, and the impact it can have on SME's strategic entrepreneurship. Building on existing literature qualitative study of Swedish SMEs has been performed, in which significant changes in firms' SE could be observed because of international knowledge.

As outlined in the purpose of this thesis, it further contributes to literature by identifying where SMEs source their international knowledge from, what role the sources play in the knowledge provided and in effects in firm's strategic entrepreneurship. The most highlighted sources of international knowledge were primary external sources in the form of customers and competition, which is confirmed in the findings and literature alike. However, all interviewees had significant prior international work experience, which was the most prominent internal source of international knowledge.

This thesis further classified the types of international knowledge and drew out connections as for how these types of knowledge are being used by the firms. Foreign business knowledge was the most common factor to affect changes in the customer segment, industry, strategy or business model, to identify customer needs, and to find the right partner for collaboration. Internal development knowledge triggered changes in the (core) product, improved internal innovation efforts and helped to specifically assist customers by providing them with unique knowledge. Finally, foreign institutional knowledge set the frame in which it is accepted for the company to operate in abroad, due to differences in national culture or legislation in other countries.

Finally, five key relationships have been highlighted, in which international knowledge impacts firms from an entrepreneurial perspective. That is, international knowledge's relationship to changes around the business model, the products/services, the strategy, the capabilities, and lastly, the structure and culture.

6.2 Managerial Implications

The findings in this thesis have confirmed the statements in literature, that the internationalization experience of firms can provide significant opportunity to improve organizational performance. Thus, managers should approach internationalization with an awareness of the value that can come from the unique knowledge discovered abroad. This awareness may provide increased motivation for SMEs to internationalize, as more effective strategic entrepreneurship could be seen as having significant long-term value beyond simple growth and expansion. By first identifying what specific knowledge is needed to sustain competitive advantage, managers can then look for specific types of international knowledge to improve specific parts of their business efforts. However, as literature and the findings suggest, without having organizational learning mechanisms in place, little can come from new knowledge. Thus, managers need to produce supportive elements which encourage knowledge flow from the international sources into and within the firm. Furthermore, managers need to recognize the role of reputation as a moderator alongside learning mechanisms. Reputation plays a complex role in the journey of international knowledge and can open doors for a firm to new sources of knowledge. Therefore, managers should work to improve their international reputation along with learning mechanisms to be able to absorb as much value as from international knowledge as possible.

6.3 Limitations

Firstly, a lack of lengthy observations and insights due to the relatively short amount of times spent in each case company needs to be recognized. This is because this thesis is rather explorative in nature, thus the focus was to explore general patterns with multiple firms first, as there is not much supporting literature to the specific purpose of this thesis. Hence, there is a trade-off between deep insights and bigger sample due to limitations in time.

Secondly, due to the research approach chosen and the fact that only Swedish SMEs were considered in this research, there is need for replication before the findings of this thesis can be generalized on a large scale across national borders. Similarly, because the sample mostly included SMEs of the smaller size (from 9 to 156), it must also be recognized that the sample may not represent SMEs as a whole. There could be differences with the larger end of the SME scale, and thus, the findings presented in this thesis may not be generalizable for all SMEs.

Finally, because this research mostly considered the retrospective accounts top management had of their international experience, the findings could be subject to bias, such as social desirability (Bryman and Bell, 2015). Moreover, this research only captures the perception of the top level of hierarchy and there might be differences in the middle and lower levels.

6.4 Implications for further research

More in-depth studies are recommended in order to expose even more details to the dynamic relationships discussed, as this thesis can be seen as an entry to a relatively new field of research. As one feature of single case studies is building high-quality theory (Bryman and Bell, 2015), ICE literature would greatly benefit from a single case study investigating international knowledge and entrepreneurial impacts in one company, including opinions from all levels of hierarchy. This as well as replicating the findings in another context, such as outside of Sweden, with SMEs would help to concrete the generalizability of the findings and further studies can assist to investigate the relationships discovered in more detail. For example, a study comparative in its design would help to further clarify differences in the entrepreneurial impact of international knowledge between national borders.

Although one could expect dynamic relationships between the different dimensions of strategic entrepreneurship, the interview guide was not designed to collect data thereof, thus the data did not reveal these relationships to a sufficient extent. Therefore, it is recommended to investigate and reveal the specific relationships between the several impacts on strategic entrepreneurship for future research.

Beyond this, there is significant need in the literature to explore how learning mechanisms such as absorptive capacity should be specifically designed to handle international knowledge.

This thesis was able to confirm on a basic level the importance of such learning mechanisms, but questions remain as to if traditional models are sufficient for absorbing international knowledge specifically. Thus, it is suggested that future research looks into this specific dynamic and questions if there is a need for new models to optimize the impact international knowledge can have on SE and organizational performance in general.

Lastly, the discovery of reputation as a moderator deserves a closer look and discussion. A more detailed account of the role of reputation in the context of international knowledge could prove to be an important aspect of the experience firms have when internationalizing.

7. References:

- Agndal, H. and Chetty, S. (2007). 'The impact of relationships on changes in internationalization strategies of SMEs.', *European journal of marketing* 41(11/12): 1449–1474.
- Ahokangas, P. (1998). *Internationalization and resources: an analysis of processes in Nordic SMEs*. Vaasa: Universitas Wasaensis.
- Ahuja, G. and Morris Lampert, C. (2001). 'Entrepreneurship in the large corporation: a longitudinal study of how established firms create breakthrough inventions.', *Strategic Management Journal* 22(6-7): 521–543.
- Almeida, P. (1996). 'Knowledge sourcing by foreign multinationals: Patent citation analysis in the US semiconductor industry.' *Strategic Management Journal* 17(S2): 155–165.
- Amit, R. and Zott, C. (2001). 'Value creation in e-business.' *Strategic Management Journal* (22): 493-520.
- Anand, J. and Kogut, B. (1997). 'Technological Capabilities of Countries, Firm Rivalry and Foreign Direct Investment.' *Journal of International Business Studies* 28(3): 445–465.
- Anderson, B.S. and Eshima, Y. (2013). 'The influence of firm age and intangible resources on the relationship between entrepreneurial orientation and firm growth among Japanese SMEs.' *Journal of Business Venturing* 28(3): 413–429.
- Anderson, J.C., Håkansson, H. and Johanson, J. (1994). 'Dyadic Business Relationships within a Business Network Context.' *Journal of marketing* 58(4): 1–15.
- Argote, L. and Miron-Spektor, E. (2011). 'Organizational Learning: From Experience to Knowledge.' *Organization Science* 22(5): 1123–1137.
- Autio, E., Sapienza, H.J. and Almeida, J.G. (2000). Effects of Age at Entry, Knowledge Intensity, and Imitability on International Growth. *Academy of Management journal* 43(5): 909–924.
- Barney, J. (1991). 'Firm resources and sustained competitive advantage.' *Journal of management* 17(1): 99-120.
- Barney, J., Wright, M. and Ketchen, D.J. Jr. (2001). 'The resource-based view of the firm: Ten years after 1991.' *Journal of management* 27(6): 625–641.
- Bartlett, C.A. and Ghoshal, S. (2002). *Managing Across Borders: The Transnational Solution*. Boston: Harvard Business Press.

- Berry, H. (2006). 'Leaders, laggards, and the pursuit of foreign knowledge.' *Strategic Management Journal* 27(2): 151–168.
- Belderbos, R., Lokshin, B. and Sadowski, B. (2015). 'The returns to foreign R&D.' *Journal of International Business Studies* 46(4): 491–504.
- Birkinshaw, J. (1999). 'The determinants and consequences of subsidiary initiative in multinational corporations.' *Entrepreneurship: Theory and Practice* 24(1): 9–36.
- Bloodgood, J.M., Sapienza, H.J. and Almeida, J.G. (1996). 'The internationalization of new high-potential US ventures: Antecedents and outcomes.' *Entrepreneurship: Theory and Practice* 20(4): 61–77.
- Bryman, A. (2006). 'Integrating quantitative and qualitative research: how is it done?' *Qualitative research* 6(1): 97–113.
- Bryman, A. and Bell, E. (2015). *Business Research Methods*. Oxford: Oxford University Press.
- Capello, R. (1999). 'Spatial Transfer of Knowledge in High Technology Milieux: Learning Versus Collective Learning Processes.', *Regional studies* 33(4): 353–365.
- Capello, R. and Faggian, A. (2005). 'Collective Learning and Relational Capital in Local Innovation Processes.' *Regional studies* 39(1): 75–87.
- Carpenter, M.A., Pollock, T.G. and Leary, M.M. (2003). 'Testing a model of reasoned risk-taking: governance, the experience of principals and agents, and global strategy in high-technology IPO firms.' *Strategic Management Journal* 24(9): 803–820.
- Chauvet, V. (2014). 'Absorptive Capacity: Scale Development and Implications for Future Research.', *Management International* 19(1): 113.
- Chen, H. and Ching-Fang, W. (2005). 'A comparative analysis between SMEs and large companies in relation to integration technologies adoption.', *Proceedings of the Fifth International Conference on Electronic Business*, pp. 5–9.
- Chetty, S. and Blankenburg Holm, D. (2000). 'Internationalisation of small to medium-sized manufacturing firms: a network approach.' *International Business Review* 9(1): 77–93.
- Chetty, S. (1999). 'Dimensions of internationalization of manufacturing firms in the apparel industry.' *European journal of marketing* 33(1/2): 121–142.
- Cohen, W.M. and Levinthal, D.A. (1990). 'Absorptive Capacity: A New Perspective on Learning and Innovation.' *Administrative science quarterly* 35(1): 128–152.
- Corbett, A., Covin, J.G., O'Connor, G.C., et al. (2013). 'Corporate Entrepreneurship: State-of-the-Art Research and a Future Research Agenda.' *Journal of Product Innovation Management* 30(5): 812–820.

- Coviello, N.E. (2006). 'The network dynamics of international new ventures.' *Journal of International Business Studies* 37(5): 713–731.
- Covin, J.G. and Miles, M.P. (1999). 'Corporate entrepreneurship and the pursuit of competitive advantage.' *Entrepreneurship: Theory and Practice* 23(3): 47-63.
- Covin, J.G. and Miller, D. (2014). 'International Entrepreneurial Orientation: Conceptual Considerations, Research Themes, Measurement Issues, and Future Research Directions.' *Entrepreneurship: Theory and Practice* 38(1): 11–44.
- Daphne, W., Yiu, C. L. and Bruton, G.D. (2007). 'International Venturing by Emerging Economy Firms: The Effects of Firm Capabilities, Home Country Networks, and Corporate Entrepreneurship.' *Journal of International Business Studies* 38(4): 519–540.
- Dess, G.G., Ireland, R.D., Zahra, S.A., et al. (2003). 'Emerging Issues in Corporate Entrepreneurship.', *Journal of management* 29(3): 351–378.
- Dess, G.G. and Lumpkin, G.T. (2005). 'The role of entrepreneurial orientation in stimulating effective corporate entrepreneurship.', *The Academy of Management Executive* 19(1): 147-156.
- Ireland, D. R. and Webb, J.W. (2007). 'Strategic entrepreneurship: Creating competitive advantage through streams of innovation.' *Business horizons* 50(1): 49–59.
- Eisenhardt, K.M. and Martin, J.A. (2000). 'Dynamic Capabilities: What Are They?' *Strategic Management Journal* 21(10/11): 1105–1121.
- Eisenhardt, K.M. and Santos, F.M. (2002). 'Knowledge-based view: A new theory of strategy.', *Handbook of Strategy and Management* (1):139-164.
- Eriksson, K., Johanson, J. and Majkgård, A. (1997). 'Experiential knowledge and costs in the internationalization process.' *Journal of International Business Studies* 28(2): 337-360.
- Fernhaber, S.A., Mcdougall-Covin, P.P. and Shepherd, D.A. (2009a). 'International entrepreneurship: leveraging internal and external knowledge sources.' *Strategic Entrepreneurship Journal* 3(4): 297–320.
- Fernhaber, S.A. and McDougall-Covin, P.P. (2009b). 'Venture Capitalists as Catalysts to New Venture Internationalization: The Impact of Their Knowledge and Reputation Resources.', *Entrepreneurship: Theory and Practice* 33(1): 277–295.
- Forsgren, M. (2002). 'The concept of learning in the Uppsala internationalization process model: a critical review.', *International Business Review* 11(3): 257–277.
- Freeman, S. and Cavusgil, S.T. (2007). 'Toward a Typology of Commitment States Among Managers of Born-Global Firms: A Study of Accelerated Internationalization.' *Journal of International Marketing* 15(4): 1–40.

- Garrett, R.P. and Covin, J.G. (2015). 'Internal corporate venture operations independence and performance: a knowledge-based perspective.', *Entrepreneurship: Theory and Practice* (39): 763-790.
- George, G. and Bock, A.J. (2011). 'The Business Model in Practice and its Implications for Entrepreneurship Research.' *Entrepreneurship Theory and Practice* 35(1): 83–111.
- Gioia, D.A., Corley, K.G. and Hamilton, A.L. (2013). 'Seeking qualitative rigor in inductive research: Notes on the Gioia methodology.' *Organizational Research Methods* 16(1): 15–31.
- Grant, R.M. (1996). 'Toward a knowledge-based theory of the firm.', *Strategic Management Journal* 17(S2): 109–122.
- Hacklin F., Inganas, M., Marxt, C., et al. (2009). 'Core rigidities in the innovation process: a structured benchmark on knowledge management challenges.' *International journal of technology management* 45(3-4): 244–266.
- Hitt, M.A., Ireland, R.D., Camp, S.M., et al. (2001). 'Strategic entrepreneurship: Integrating entrepreneurial and strategic management perspectives.', *Strategic Management Journal* 22 (special issue): 479-491.
- Hitt, M.A., Ireland, R.D., Sirmon, D.G., et al. (2011). 'Strategic Entrepreneurship: Creating Value for Individuals, Organizations, and Society.' *The Academy of Management Perspectives* 25(2): 57–75.
- Inkpen, A.C. (1998). 'Learning and knowledge acquisition through international strategic alliances.' *The Academy of Management Executive* 12(4): 69–80.
- Ireland, R.D. and Webb, J.W. (2009). 'Crossing the great divide of strategic entrepreneurship: Transitioning between exploration and exploitation.' *Business horizons* 52(5): 469–479.
- Ireland, R.D., Hitt, M.A. and Sirmon, D.G. (2003). 'A model of strategic entrepreneurship: The construct and its dimensions.', *Journal of Management* 29(6):963-989.
- Ireland, R.D., Covin, J.G. and Kuratko, D.F. (2009). 'Conceptualizing Corporate Entrepreneurship Strategy.', *Entrepreneurship: Theory and Practice* 33(1): 19–46.
- Jiménez-Barrionuevo, M.M., García-Morales, V.J. and Molina, L.M. (2011). 'Validation of an instrument to measure absorptive capacity.', *Technovation* 31(5–6): 190–202.
- Johanson, J. and 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(1): 23–32.
- Johanson, J. and Vahlne, J.E. (1990). 'The Mechanism of Internationalisation.', *International Marketing Review* 7(4): 11-23.

- Johanson, J. and Vahlne, J.E. (2009). 'The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership.' *Journal of International Business Studies* 40(9): 1411–1431.
- Johanson, J. and Wiedersheim-Paul, F. (1975). 'The internationalization of the firm – four Swedish cases.', *Journal of Management Studies* 12: 305-323.
- Johnson, M.W., Christensen, C.M. and Kagermann, H. (2008). 'Reinventing your business model.' *Harvard business review* 86(12): 57–68.
- Keupp, M.M. and Gassmann, O. (2009). 'The Past and the Future of International Entrepreneurship: A Review and Suggestions for Developing the Field.' *Journal of Management* 35(3): 600-633.
- Knight, G.A. (2000). 'Entrepreneurship and Marketing Strategy: The SME under Globalization.', *Journal of International Marketing* 8(2): 12–32.
- Knight, G.A. and Liesch, P.W. (2002). 'Information internalisation in internationalising the firm.', *Journal of business research* 55(12): 981–995.
- Knight, G.A. and Tamar Cavusgil, S. (2004). 'Innovation, organizational capabilities, and the born-global firm.', *Journal of International Business Studies* 35(2): 124–141.
- Kraus, S., Coen Rigtering, J.P., Hughes, M. and Hosman, V. (2012). 'Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands.' *Review of Managerial Science* 6(2): 161–182.
- Kuivalainen, O., Sundqvist, S. and Servais, P. (2007). 'Firms' degree of born-globalness, international entrepreneurial orientation and export performance.' *Journal of World Business* 42(3): 253–267.
- Kuratko, D.F. (2007). 'Entrepreneurial leadership in the 21st century: Guest editor's perspective.' *Journal of Leadership & Organizational Studies* 13(4): 1–11.
- Kuratko, D.F., Morris, M.H. and Covin, J.G. (2011). *Corporate Innovation & Entrepreneurship*. Third edition. United States: South Western Cengage Learning.
- Leonard-Barton, D. (1992). 'Core capabilities and core rigidities: A paradox in managing new product development.' *Strategic Management Journal* 13(S1): 111–125.
- Levinthal, D.A. and March, J.G. (1993). 'The myopia of learning.' *Strategic Management Journal* 14(S2): 95–112.
- Liesch, P.W. and Knight, G.A. (1999). 'Information Internalization and Hurdle Rates in Small and Medium Enterprise Internationalization.' *Journal of International Business Studies* 30(2): 383–394.
- Lu, J.W. and Beamish, P.W. (2001). 'The internationalization and performance of SMEs.' *Strategic Management Journal* 22(6-7): 565–586.

- Lumpkin, G.T. and Dess, G.G. (1996). 'Clarifying the Entrepreneurial Orientation Construct and Linking It To Performance.' *Academy of management review* 21(1): 135–172.
- Malhotra, N.K., Agarwal, J. and Ulgado, F.M. (2003). 'Internationalization and Entry Modes: A Multitheoretical Framework and Research Propositions.' *Journal of International Marketing* 11(4): 1–31.
- McDougall, P.P. and Oviatt, B.M. (2000). 'International Entrepreneurship: The Intersection of Two Research Paths.' *Academy of Management journal* 43(5): 902–906.
- McEvily, S.K. and Chakravarthy, B. (2002). 'The persistence of knowledge-based advantage: an empirical test for product performance and technological knowledge.' *Strategic Management Journal* 23(4): 285–305.
- Miles, M.P. and Covin, J.G. (2002). 'Exploring the practice of corporate venturing: Some common forms and their organizational implications.' *Entrepreneurship: Theory and Practice* 26(3): 21–41.
- Miller, D. and Shamsie, J. (1996). 'The Resource-Based View of the Firm in Two Environments: The Hollywood Film Studios From 1936 to 1965.' *Academy of Management journal* 39(3): 519–543.
- Naldi, L., Achtenhagen, L. and Davidsson, P. (2015). 'International Corporate Entrepreneurship among SMEs: A Test of Stevenson's Notion of Entrepreneurial Management.' *Journal of Small Business Management* 53(3): 780–800.
- Narayanan, V.K., Yang, Y. and Zahra, S.A. (2009/2). 'Corporate venturing and value creation: A review and proposed framework.' *Research policy* 38(1): 58–76.
- Ojala, A. (2009). 'Internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market.' *International Business Review* 18(1): 50–59.
- Oviatt, B.M. and McDougall, P.P. (2005). 'Defining International Entrepreneurship and Modeling the Speed of Internationalization.' *Entrepreneurship Theory and Practice* 29(5): 537–554.
- Panahi, S., Watson, J. and Partridge, H. (2013). 'Towards tacit knowledge sharing over social web tools.' *Journal of Knowledge Management* 17(3): 379–397.
- Peng, M.W. (2001). 'The resource-based view and international business.' *Journal of management* 27(6): 803–829.
- Peng, M.W., Hill, C.W.L. and Wang, D.Y.L. (2000). 'Schumpeterian Dynamics Versus Williamsonian Considerations: A Test of Export Intermediary Performance.' *Journal of Management Studies* 37(2): 167–184.
- Penrose, E.T. (1959). *The theory of the growth of the firm*. New York: Wiley.

- Phillips McDougall, P., Shane, S. and Oviatt, B.M. (1994). 'Explaining the formation of international new ventures: The limits of theories from international business research.' *Journal of Business Venturing* 9(6): 469–487.
- Ponelis, S.R. (2015). 'Using Interpretive Qualitative Case Studies for Exploratory Research in Doctoral Studies: A Case of Information Systems Research in Small and Medium Enterprises.' *International Journal of Doctoral Studies*, 10: 535-550.
- Real, J.C., Roldán, J.L. and Leal, A. (2014). 'From Entrepreneurial Orientation and Learning Orientation to Business Performance: Analysing the Mediating Role of Organizational Learning and the Moderating Effects of Organizational Size.' *British Journal of Management* 25(2): 186–208.
- Reuber, A. and Fischer, E. (1997). 'The Influence of the Management Team's International Experience on the Internationalization Behaviors of SMES.' *Journal of International Business Studies* 28(4): 807–825.
- Ruzzier, M., Hisrich, R.D. and Antoncic, B. (2006a). 'SME internationalization research: past, present, and future.' *Journal of Small Business and Enterprise Development* 13(4): 476–497.
- Ruzzier, M., Antončič, B. and Konečnik, M. (2006b). 'The resource-based approach to the internationalization of SMEs: Differences in resource bundles between internationalised and non-internationalised companies.' *Zagreb International Review of Economics and Business* 9(2): 95–116.
- Schweizer, R., Vahlne, J.E. and Johanson, J. (2010). Internationalization as an entrepreneurial process.' *Journal of International Entrepreneurship* 8(4): 343–370.
- Sharma, P. and Chrisman, S. (1999). 'Toward a Reconciliation of the Definitional Issues in the Field of Corporate Entrepreneurship.' *Entrepreneurship: Theory and Practice*, 23(3): 11–27.
- Sheremata, W.A. (2000). 'Centrifugal and Centripetal Forces in Radical New Product Development under Time Pressure.' *Academy of management review*. 25(2): 389–408.
- Sirén, C., Hakala, H., Wincent, J. and Grichnik, D. (2017), 'Breaking the routines: Entrepreneurial orientation, strategic learning, firm size, and age.' *Long range planning* 50(2): 145-167.
- Sofka, W. (2008). 'Globalizing Domestic Absorptive Capacities.' *Management International Review* 48(6): 769–792.
- Stopford, J.M. and Baden-Fuller, C.W.F. (1994). 'Creating corporate entrepreneurship.' *Strategic Management Journal* 15(7): 521–536.

- Sundqvist, S., Kyläheiko, K., Kuivalainen, O. and Cadogan, J.W (2012). 'Kirznerian and Schumpeterian entrepreneurial-oriented behavior in turbulent export markets.' *International Marketing Review* 29(2): 203–219.
- Svetina, A.C. and Prodan, I. (2008). 'How internal and external sources of knowledge contribute to firms' innovation performance.' *Managing Global Transitions* 6(3): 277-299.
- Tidd, J. and Taurins, S. (1999). 'Learn or Leverage? Strategic Diversification and Organizational Learning Through Corporate Ventures.' *Creativity and Innovation Management* 8(2): 122–129.
- Teece, D.J., Pisano, G. and Shuen, A. (1997). 'Dynamic Capabilities and Strategic Management.' *Strategic Management Journal* 18(7): 509–533.
- Vida, I. and Fairhurst, A. (1998). 'International expansion of retail firms: A theoretical approach for future investigations.' *Journal of Retailing and Consumer Services* 5(3): 143-151.
- Volberda, H.W., Foss, N.J. and Lyles, M.A. (2010). 'Perspective—Absorbing the concept of absorptive capacity: How to realize its potential in the organization field.' *Organization science* 21(4): 931-951.
- Wang, Y.K.M., Chung, C.C. and Lim, D.S. (2015). 'The drivers of international corporate entrepreneurship: CEO incentive and CEO monitoring mechanisms.' *Journal of World Business* 50(4): 742-753.
- Welch, L.S. and Luostarinen, R. (1988). 'Internationalization: Evolution of a concept.' *The Internationalization of the firm* 14: 83–98.
- Westhead, P., Wright, M. and Ucbasaran, D. (2001). 'The internationalization of new and small firms: A resource-based view.' *Journal of Business Venturing* 16(4): 333–358.
- Wiklund, J. and Shepherd, D. (2003). 'Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses.' *Strategic Management Journal* 24(13): 1307–1314.
- Zahra, S.A. and Garvis, D.M. (2000/9). 'International corporate entrepreneurship and firm performance: The moderating effect of international environmental hostility.' *Journal of Business Venturing* 15(5–6): 469–492.
- Zahra, S.A., Ireland, R.D. and Hitt, M.A. (2000). 'International Expansion by New Venture Firms: International Diversity, Mode of Market Entry, Technological Learning, and Performance.' *Academy of Management journal* 43(5): 925–950.
- Zahra, S.A. and George, G. (2002). 'Absorptive Capacity: A Review, Reconceptualization, and Extension.' *Academy of Management Review* 27(2): 185–203.

- Zahra, S.A., Nielsen, A.P. and Bogner, W.C. (1999). 'Corporate entrepreneurship, knowledge, and competence development.' *Entrepreneurship: Theory and Practice* 23(3): 169–169.
- Zahra, S.A., Neck, H.M. and Kelley, D.J. (2004). 'International Corporate Entrepreneurship and the Evolution of Organizational Competence: A Knowledge-Based Perspective.' *Advances in Entrepreneurship, Firm Emergence and Growth* 7: 145–171.
- Zain, M. and Ng, S.I. (2006). 'The impacts of network relationships on SMEs internationalization process.' *Thunderbird international business review* 48(2): 183–205.

8. Appendix

8.1 Thesis Interview Guide

Introduction

- Brief introduction about ourselves and the purpose of the study
- Permission to record

Information about interviewee and company

Personal Information

- Name and Position of interviewee
- How long have you worked in [company name]?
- Previous international experience (work, living)

Company information

Let interviewee draw the timeline of the firm's key international activities on paper to identify where they operate and for how long, as reference for questions below. (operations means they have: Suppliers, customers, trade, export, collaborations, offices, establishments, etc).

Understanding International Knowledge

Let's talk about your company's experience abroad, and what you learned through that experience.

- With which persons is your business interacting with in [specific country]? (*in terms of business position, ex. export managers, distributors etc.*)
 - a. *What input/insights where you getting through that?*
 - b. *if not covered:*
 - i. *Do you communicate with firms in markets that you operate in or would like to enter (e.g. competition)?*
 - ii. *Do you and the other people of [Company name] regularly go to customers, suppliers, fairs or other institutes abroad?*
- In regard to [*specific country*], was there anything that surprised you about the experience of operating there?
 - a. *How was what you learned there different from the information at home?*

Learning from International Knowledge

- Do you get new insights on trends from your operations in [countries] and how so? *Trends: e.g. major technical transformation, product trends, new strategies etc.*
- How do you choose what information you learn from abroad is relevant to your firm? *e.g. management methods, processes, suppliers, distributors, technologies, products etc.*
- How do the operations in [countries] have an impact on the reputation of [company name] in terms of its excellence? (*technological, process, customer care, ...*)

- Can you think of a specific event, where you gained knowledge abroad and integrated it in your business, for example by proposing new tools or solutions?

Entrepreneurial Impact of International Knowledge

New Markets

- How do you think [international learning you gained abroad, event] has influenced how you enter new markets?
 - *How has the speed of new entry been influenced by this?*
 - *Are you more or less likely to be the first mover do to this?*
 - *Has there been a change in the customers segments your company serves? How so?*

Strategic implications

- Did new insights from [countries] have an impact on your strategy? *If yes, how?*
- Have you made an effort to reposition the firm compared to you competition since learning new information in [countries]? *how so?*
- To what extent does your firm initiate actions to which other organizations respond? [proactiveness] *Has this changed as a result of internationalising?*
- Due to your international operations in [countries], do you think the amount of risk you take has changed and if so, why?

Structure and Processes

- Have you noticed a change in the structures, processes or systems as a result to the things you learned while in [country]? *How so?*
 - *Has the information you gained in [countries] played a role in how your firm invests in new technologies or continuous improvement? How so?*
 - *Did you learn something in that triggered a redesign of the structure within your organization?*
 - *Have your learnings from [countries of operation] influenced smaller administrative changes to support innovation?*
 - *Have you changed the way you sell your offerings? If so, Has something you learned abroad influenced this?*
 - *Have you changed how much your firm does in-house instead of using external help, due to insight from abroad? How so?*

The Product

- What about product/service development. Has information from your operations in [countries] impacted how your firm develops new product/services? *In what way?*
- How about the way you serve your customer. Have you reconsidered the value you offer your customers as a result of something you learned abroad? *Please elaborate on that.*

Employees and culture

- What about the culture. Did you notice a shift in culture at the headquarters due to your international learnings? *In what way?*
- Do your international operations in [countries] change how much autonomy your employees have?

Closing

- From you experience internationalising, what advice would you give other managers facing similar challenges?

- Is there anyone in your firm you would recommend us to contact to get more insight in the topic?
- Anything else you would like to add to our conversation?