INTERNATIONALISATION AND INNOVATION - THE CASE OF VICTORIAN SME FIRST EXPORTERS

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Abstract

This study reviewed internationalisation theory using an innovation lens. It looked at internationalisation approaches such as: stages, learning, born-global, network, and contingency and compared innovation theory to these approaches to demonstrate that all export initiation is innovative, not just the stages approach.

Research questions were tested using a typology of internationalisation approaches, a sample of five SME manufacturers were selected. Qualitative depth interviews were conducted to see if innovation activities were undertaken by these SMEs as part of their early internationalisation.

It was found that in every different approach to internationalisation, innovation appears to exist with new to export SMEs.

Keywords: Export, Innovation, Internationalisation, SME, learning, contingency, born global, network, stages

1 INNOVATION AND INTERNATIONALISATION

This paper begins with a discussion on innovation and its relationship with internationalisation.

There are many definitions of innovation. However some definitions appear to suggest the link to the development of new markets such as internationalisation are facets of innovation. Schumpeter (1934) suggested the opening of new markets as part of his classification of innovation. However new markets are only part of a total process as noted by Myers and Marquis (1969) where they note that innovation is a process of a number of interrelated sub processes. These sub processes of a new idea, invention of a new device or the development of a new market (Myers and Marquis, 1969). Thus the process of innovation in relation to the first export would include in its sub processes the development of a new international market otherwise it would not be an export. The other sub processes such as the idea development of an export process as distinct from a domestic process or a new product for an international market, may or may not be present as would the development of a new product or service specifically for the new market.

Kanter (1985) provides a wide ranging definition of innovation including several components expanding on the above, “Innovation is the generation, acceptance, and implementation of new ideas, processes, products, or services. It can thus occur in any part of a corporation and it can involve creative use as well as original invention. ..It involves the capacity to change and adapt.” (p20-1). Hurmerinta-Peltomaki (2003) also supports this notion of innovations being new and amounting to some change as a result. Although it has been suggested that export initiation is more likely to be incremental rather than radical innovation, thus the newness is less than in other innovation
applications, but it still exists (Jones and Coviello, 2005). An innovation can be new to an individual (Rogers and Shoemaker, 1971) or an organisation (Gopalakrishnan and Damanpour, 1997). Newness in terms of export initiation is to the organisation but not necessarily to the individual. For instance an export would not be considered new to staff experienced in export (Tuppura, et al., 2008) and who were new to an organisation (Czinkota, 1982). Thus, innovation in relation to export initiation is seen as new to the organisation because of the development of a new international market for the organisation.

2.0 LITERATURE REVIEW

There are various approaches to internationalisation (Fletcher, 2001). Five main theory groups sum up these alternatives approaches. These main theory groups include stages, learning, born-global, network and contingency approaches. In the next section each internationalisation approach is reviewed using the innovation lens. Research questions are derived as a result of this review.

2.1 Innovation in stages approach

Innovation has been linked to internationalisation through the stages approach. The stages approach or innovation-related internationalisation models are based on the process similar to that of Rogers (1962) diffusion of innovation model. Rogers (1962; 2003) model looked at the stages in innovation decision process which included knowledge, persuasion, decision, implementation and confirmation. The basic premise for these stages models is that internationalisation is seen as an organisation innovation adoption (Rogers, 2003). Some models noted in the stages approach include: Simmonds and Smith (1968), Bilkey and Tesar (1977), Lee and Brasch (1978), Cavusgil (1980), Reid (1981), Lim, Sharkey and Kim (1991), and Wickramasekera and Oczkowski (2006).

In a study of SME firms in the UK, Simmonds and Smith (1968) noted that exporting to an international market is as innovative as other innovations such as production improvements (Simmonds and Smith, 1968). If the firm were to adopt the first export it would be “considered an innovation within the closed environment of the firm” (Simmonds and Smith, 1968 p. 94).

Export as an innovative strategy was noted by Lee and Brasch (1978) in their study of decision makers in 35 small US exporting manufacturers. The innovation is initiated from knowledge of a product or brand opportunity in an international market or acquisition of exporting skills. However they determined for this study that export derived through an organisation or internal problem identification process was not an innovation. These internal problems included: “mature product, increased competition within the domestic market, decreased sales or profit” (Lee and Brasch, 1978 p. 88). Thus their approach to export as an innovation is contrary to the definition of innovation noted above.

In the stages approach the generic stages of pre-export and initial export were common in these models (Ruzzier, et al., 2006). For example early internationalisation stages were described as ‘export trial stage’ by Reid (1981), ‘experimental involvement’ (Cavusgil, 1980), or ‘export experimentation’ (Bilkey and Tesar, 1977). These pre-export and initial export stages indicate that through experimentation, internationalisation was seen as some sort of innovation adoption to the firm. This adoption of innovation in the export process comprises elements of attitudes and knowledge of the way opportunities are recognised in markets, market choice and entry mode (Reid, 1981).

In the Bilkey and Tesar (1977) study, internationalisation was instigated in 60% of the 423 SME manufacturers when they received unsolicited export orders. It could be queried that this unsolicited order is hardly an innovation, however if the opportunity is recognised and acted upon then it could be considered an innovation (Bilkey and Tesar, 1977).

Another stages approach model was empirically tested on 438 US machine manufacturers (Lim, et al., 1991). This model has four levels including: export awareness; export interest; export intention and export adoption. The first stage awareness relies on the decision maker recognising an opportunity that export presents. The interest stage indicates that exporting is seen as viable. The intention stage is centred on positive behaviour that motivates the decision maker to trial and adopt exporting and finally the adoption is the trialling of export. Unfortunately the firm size was dictated by a maximum size limitation of 500 employees which is more than the SME definition used in Australia by the Australian Bureau of Statistics (2000) of 199.
An Australian study of wineries by Wickramasekera and Oczkowski (2006) followed a similar path to that of Lim, Sharkey and Kim (1991) with a four level model including: awareness, interest, trial and adoption. A draw back of this study was that firm size was not controlled with the sample drawing from a population of wineries in Australia.

**RQ1 SMEs using the Stages approach to early internationalisation include an innovation**

2.2 Learning approach

Central to this group of models details incremental, sequential decision-making and subsequent organisational learning through interaction with foreign markets which lead to greater levels of commitment (Fletcher, 2001). This approach is often referred to as the Uppsala School (Petersen and Pedersen, 1997).

One of the earliest models to be developed in this area was the examination of gradual internationalisation by Swedish multinationals in and the four steps to internationalisation including: no regular export activities; export activities via independent representatives or agents; overseas sales subsidiary; and overseas production/manufacturing units (Johanson and Wiedersheim-Paul, 1975). Initial export or early internationalisation addressed by some authors for instance, Johanson and Wiedersheim-Paul (1975) who noted export activities as one of the early steps that Swedish multinationals undertake.

A significant characteristic of the Uppsala school learning approach is the concept of psychic distance. Psychic distance is defined as “factors preventing or disturbing the flows of information between firm and market. Examples of such factors can include language, culture, political systems, level of education and level of industrial development” (Johanson and Wiedersheim-Paul, 1975 p. 308). In essence the initial selection of host markets would be based on markets that were psychically close to that of the home market. For instance New Zealand would be chosen as a host market if Australia was the home market.

Other characteristics of the learning approach include the internalisation of information resulting from organisation learning from internationalisation (Tan, et al., 2007). This explains further resource commitment to internationalisation (Fletcher, 2001). Commitment in this approach may be the result of a combination of deliberate and emergent strategies over time that are both irregular and ad hoc (Morgan and Katsikeas, 1997). Innovation similar to the stages approach, apart from the introduction of a new market, would be expected with products and processes adapted with organisation learning from foreign markets.

**RQ2 SMEs using the Learning approach to early internationalisation include an innovation**

2.3 Born-global approach

The Born-global approach has been variously described by scholars as “accelerated versions of the learning approach” (Coviello and Munro, 1997). Sometimes they are referred to as “international new ventures” (McDougall, et al., 1994) or rapid internationalisers (Hurmerinta-Peltomaki, 2004). SMEs described by this approach explore and implement internationalisation from inception (Coviello and Munro, 1997). It is expected “within 2 years of establishment usually achieve 25% of turnover from overseas activities” (Fletcher, 2001 p. 45).

These firms chose specific markets early on in the firm’s life as these internationally focused/non domestic markets are more attractive than the home market (Bell, et al., 2004). The born-global approach find dynamic niches internationally (Andersson, et al., 2004). This is done when “they recognise the potential for a niche product in international markets” (Nummela, et al., 2006 p. 579).

Whilst Born-global SMEs tend to involve innovation in terms of the niche product or service offering, they are often identified in high technology. Studies of Born-globals for instance have included Swedish manufacturing SMEs (Andersson, et al., 2004) and UK knowledge intensive firms (Bell, et al., 2004). They are mainly small or medium enterprises (Knight & Cavusgil 1996, Moen 2000).
Process innovation on the other hand would be expected to be a function of the innovative culture of born-globals found previously by Knight and Cavusgil (2004).

**RQ3 SMEs using the Born-global approach to early internationalisation include an innovation**

**2.4 Network approach**

The network approach follows the concept of firms and their markets as networks of relationships (Johanson and Mattsson, 1988). This “approach attributes internationalisation to the development of networks of relationships over time as international buyers and sellers build up knowledge about each other” (Fletcher, 2001 p. 27).

The characteristics of network approach to internationalisation s that these industrial relationships are long term. Firms hold positions in these networks that imply that some lead, whereas others follow. Networks have a degree in interdependency in terms of resources and change is often cummulative (Johanson and Mattsson, 1986; 1988).

However an innovation “ initiative can be taken both by the seller and by the buyer” (Johanson and Mattsson, 1988 p. 306). It is not necessarily a given that innovation will be equally adopted by all parties and is a function of the quality of the relationships in the network (Rivera and Rogers, 2006). Commercialising innovations such as new products can be in existing or existing products in new markets via a network (Tolstoy and Agndal, 2010).

**RQ4 SMEs using the Network approach to early internationalisation include an innovation**

**2.5 Contingency approach**

This holistic non sequential approach explains that market and/or firm specific characteristics influence a firm’s internationalisation and its subsequent evolution (Fletcher, 2001). For example Reid (1983) noted that export market characteristics provide a climate for export decisions. These are balanced with the resources of the firm. A firm’s response, in terms of organisational resource commitment, is provided to the market opportunity. This is achieved by reviewing opportunity differences in markets and taking into account the transaction costs associated with these opportunities with a strategic viewpoint in mind.

In contrast to the learning approach the contingency approach emphasises that market-specific characteristics “may cause firms to leapfrog stages or to enter markets that are psychically distant from the home country” (Fletcher, 2001 p. 27). In a study of British firms exporting to markets in Europe (Turnbull, 1987) it was noted that knowledge of the market environment and its nature are required to develop an understanding a firm’s internationalisation.

Innovation would be expected to be a function of strategic development. Internal factors such as products that are unique to the firm and these would be more suited to a non incremental contingency approach (Okoroafo, 1990). Innovation with products and markets appears to be linked to this approach through proactive exporting behaviour (Ibeh, 2003).

**RQ5 SMEs using the Contingency approach to early internationalisation include an innovation**

Therefore, in terms of internationalisation, innovation extends beyond the stages approach. As the “development of a market” is acknowledged as an aspect of innovation (Myers and Marquis, 1969) and central to the function of internationalisation, then it appears that all internationalisation rather than the stages approach alone, are all potentially innovations. Other innovative activities such as product innovation or process innovation may also exist in all internationalisation approaches.

**3.0 METHOD**

**3.1 Sample and collection**

Finding SMEs new to export was done by telephoning firms as listed on the Australian Exporters database, available to the public via the internet. Victorian SMEs were asked if they had begun
exporting in the last year or two. After contacting over 1000 exporting firms, some 31 SMEs were identified fitting this criteria and 25 were interviewed as part of a larger study not reported here.

A theoretical sample of 5 SMEs was collected to satisfy the theoretical categories (Eisenhardt, 1989) in a typology of internationalisation approaches. This typology was established using the characteristics noted in each internationalisation approach above. Table 1 below summarises the internationalisation approaches, defining internationalisation characteristics and the relevant case number noted in each. A manufacturing SME was attributed to each approach for analysis purposes.

Table 1 - Typology of internationalisation approaches

<table>
<thead>
<tr>
<th>Approach</th>
<th>Defining internationalisation characteristics</th>
<th>Case number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stages</td>
<td>Awareness, interest, trial &amp; adoption</td>
<td>228</td>
</tr>
<tr>
<td>Learning</td>
<td>Incremental, sequential &amp; psychic distance</td>
<td>188</td>
</tr>
<tr>
<td>Born-global</td>
<td>Soon after firm inception, technology based</td>
<td>231</td>
</tr>
<tr>
<td>Network</td>
<td>Part of a network, supply chain</td>
<td>430</td>
</tr>
<tr>
<td>Contingency</td>
<td>Strategic planning considering the resources of the firm</td>
<td>406</td>
</tr>
</tbody>
</table>

In each firm the data regarding the first export order was collected using semi structured interviews (Edvardsson, 1992). A short semi structured interview guide was used with informants in each firm to do with the first export to determine what took place in the export initiation and subsequent exports.

Five case studies on those firms involved in the first export were developed from the qualitative data collected for this study. Multiple case studies “create more robust theory because the propositions are more deeply grounded in varied empirical evidence” (Eisenhardt and Graebner, 2007 p. 27). The aim of this case study collection will be to document the first export process in its real-life context (Yin, 1994).

3.2 Analysis

From the transcribed audio recordings of the semi structured interviews, themes were identified with the use of NVivo computer software from within case data. The analysis will reflect the multiple perspectives from the interviews (Creswell and Piano Clark, 2007). Apart from determining each SME’s fit with the typology each transcript was scanned to look for commentary about innovation connected with the first and subsequent export. In addition a cross-case analysis comparing cases was also conducted to ensure that patterns are identified as well as false conclusions avoided (Eisenhardt, 1989).

4.0 FINDINGS

In this section each research question is compared to the data collected with within case analysis. Then a section is devoted to cross case analysis.

4.1 RQ1 SMEs using the Stages approach to early internationalisation include an innovation

Case 228 is a SME lock manufacturer founded over 20 years previously who recently began exporting with one customer in Bangkok, Thailand. Beginning export was, “driven internally … and we’re sort of shaping the company to grow our export, you know that part of the strategy to sort of make the export market a big part of our sales. From a subsequent trip to Bangkok, “earlier this year, we’ve got another three or four big customers in Thailand and also two distributors in Thailand and we’ve also lined up a distributor for Malaysia, Vietnam, Singapore, Laos and India, and we’ve got some leads we’re following up in Europe, just from that show”. Prior to getting the first export in Thailand, the firm, “looked at China, we looked at India, we looked at South East Asia, and we looked at Africa, Europe and also America and I just said, forget America. I could see where America was going. Africa was too small; it was just one little area that there wasn’t the potential. Europe is too hard, it’s just too big and too hard at this point in time”.

The firm has as a result of export innovating its production processes,” we’ve developed a lock for just that market now so that will be released probably in the next six weeks which is fantastic”. “If this lock
takes off like I expect it will, in twelve months time we’ll have to build a new factory just to make that lock, nothing else but that lock. That’s the size of the market”. As well as, “people changes in that we’ll have to employ more people. Not necessarily – it will be mainly people in Asia but we’ll have to employ a lot more people for the factory obviously, to run the factory but we will need more sales people throughout Asia. Even though we sell predominantly through distributors, we very seldom go direct, we supply through distributors and we need people over there who can give technical support, technical backup to the distributors, go out to do training courses, show how to fit locks. So yes, I can see if we continue down this we’re going to need that over there so we’ll be needing people in most of the countries as well as back here we’ll be needing more people. So we will need people who will oversee that”.

There are also product innovations with branding; “this lock that I’m about to release into Asia which I’ve nicknamed the Asian lock because we haven’t finalized the name.”

4.2 RQ2 SMEs using the Learning approach to early internationalisation include an innovation

Case 188 is a SME manufacturer in dust extraction equipment founded nearly 10 years ago. They began exporting recently with an order to New Zealand made at a trade show in Australia, “we’ve done little small amounts of exports of so the occasional machine will go out and to be the honest, the majority of that has really just been to New Zealand.” “Most of that came from a trade show”. “It was more accidental to start with. It wasn’t really a deliberate move to export. So we weren’t deliberately attacking the export markets. So either website enquiry or from that show, it was also marketing to anyone in Australia really”. When considering New Zealand, the thinking was; “what’s the difference between here and WA? It is still a long way away and the freight cost is probably not much different so you could almost treat it like its another state to do that, so yes, having done it but that was it.” Having learned from their New Zealand experience they are now “about to do one to Papua New Guinea”.

The firm is looking towards process innovation in terms of; “related to the freighting aspect and installation… the physical size of what we were selling and how we were going to get it there. It’s over container height and some issues like that but nothing too major. The installation side of things we’ve been able to basically get the customer to do most of it so that hasn’t been an issue either”. The firm has an innovative culture too; “we have to continually improve it and then change it and then if you stand still someone else is going to run over the top of you anyway. So we’ve basically I guess got this mentality of we’re finding this as a bit of an issue, we could improve this right and put that in the system and that’s your job to get that done and redesigned. So that’s sort of always an ongoing thing and I guess we’re never really one hundred percent happy with that because there’s always something and you think oh, we should change this, we should do this, but they’re a lot smaller problems that what they used to be and its always knocking them on the head as they come up.”

In terms of product innovation the firm is considering for export; “flat packing our machines is a big issue and that’s not easily done and it makes sense to be going to export in container loads not sort of having it fully assembled”. They also recognise that innovation will be required for further international development, “for us to push further into export apart from maybe New Zealand, but to go further I think we would have to go a bit more into the redesign which we’re doing but I think we’d have to get that a bit better to have a shot at that...we’d have to get certification and things, CE or whatever and things like that to get into them but that’s a massive market really.

4.3 RQ3 SMEs using the Born-global approach to early internationalisation include an innovation

Case 231 is a SME manufacturer of fruit juice using a new pressurisation technique value adding fruit seconds (too small or damaged). The firm began its exporting soon after founding the firm in 2007. They determined that North Asia was a market for their products at inception. Their first international market was Singapore to a premium supermarket chain. Subsequent markets to follow from the Singapore order were to Hong Kong. Exports represent 10-15% of turnover and are growing.

The initial technological development of the pressurisation process with fruit was conducted with the CSIRO in 2002. The planning by management was done prior to the inception of the firm with “A mini market review of … fruit growers”. Then “in 2005 we did a fully blown business plan…incorporated a production facility, incorporated the financials…we did a much much broader market study looking at the individual countries”.
The food manufacturing process is unique and the firm has been quick to exploit its competitive advantage internationally as “in the US high pressure food processes are still locked up in universities” and they do not do fruit at present. “We were the first to pioneer”, fruit production using this process. Whilst the product/s are for sale in Australia the firm sees huge growth opportunities in international markets such as East Asia.

The product innovation was that the juice was near clear (not brown), singular varieties chosen, not blends and not a concentrate added to water. The packaging is unique to the company and is a signature innovation to the brand/product as well. “We have had a few hiccups with labelling, that is why we have not gone to Japan”. Labelling in the future in Hong Kong will be an issue with different information required to that of Singapore.

An export process innovation was in piggybacking air freight with other products sourced in Australia by distributors bound for the supermarket chain customer. Another process innovation was the sell-in, in-store sampling and category detailing by the distributors with the supermarket chain customer. This is not done in the Australian market.

4.4 RQ4 SMEs using the Network approach to early internationalisation include an innovation

Case 430 was an SME manufacturer was an OEM supplier to the motor industry of high performance equipment for over 50 years. Their first export began recently “into the US market and I guess then it grew by having our own representation there and selling our locally developed products for local cars that are exported to the US.” In addition they have other network relationships that they have developed into other markets : “We do have a couple of customers that we sell to locally that export on our behalf to the UK and the Middle East”. They are now exploring an export cluster put together by Austrade where they are; “trying to save some costs and you know, piggy back off each others relationships and that sort of thing.”

The international markets were seen as innovation: “it’s us driving us to the US if you like and it is a market that we do want to aggressively expand”. “The Commodore being exported or the GTA/Pontiac being exported we’d seen that there was an opportunity for us to sell our kits into the US with little competition.” “We’ve got one customer locally that is a local customer in that they buy product and sells it locally. He is also very well known in the UK for performance car parts distribution and now he buys a lot of product off us and supplies into the UK to his distribution network rather than us setting up our own”. “We also have another customer, they’ve got a very big or quite a good business in the UK also so that’s another arm that’s going into the UK and now with the Middle East”.

The innovation of products was also seen as important by this firm, they saw; “easy synergies for us to develop products specifically for the US”. They are; “now picking up business, OEM suppliers for the low volume stuff that we can fill that niche and we’ve got our own casting facility here so we can pretty much do the whole kit from scratch”.

The future appears to hinge on product development for the US market: “now the focus is very much in developing new products”. “What we need to now do is look at developing US based products”. “Our growth opportunity over there is massive and we’ve just got to find the right vehicle for us to go away and do the research and development and build the kit”.

Process innovation is also being driven by the US market now with overcoming an; “obstacle is getting our head around the development side of how to develop products for the US setup. Do we ship a car over here and do it or do we get a sub contract engineer to do the CAD work over there and then bring it over. To me that’s been a little bit of a blocker with getting that next step for the business, it’s not quite knowing how we can go about it and that’s all I guess change as I said in the next few months. So we’ll either bite the bullet and buy the car or we’ll have someone do the CAD drawing over there for us”.

4.5 RQ5 SMEs using the Contingency approach to early internationalisation include an innovation

Case 406 was an SME manufactures specialist footwear who were founded in the last 5 years. The firm internationalisation approach was characterised as a predetermined strategic decision, “I decided as a
marketing director to take it offshore because we’re in a situation in Australia where we hold seventy-five, maybe eighty-five percent of the market share. If we’re going to grow any bigger let’s get a bit of offshore business”. “Identifying the opportunity over there where we could see our products would work well.” “All our efforts have got to go into an overseas environment.” “We sat down and did a program, like we need to go here and go there”. “The seasonal side which is say come winter, come early spring, that will be in America and we’ll see their summer”.

The market was predominantly the innovation with a number of comments about the markets being new to the organisation: “Identifying the opportunity over there where we could see our products would work well”. “We went into America, then we did a big one into Jakarta”. “Just recently we had a contact from Greece”.

A couple of comments were noted in the case around innovation to do with product: “I’m going to talk to these people and trying to convince them to buy Australian products because we have the number one fire boot in the world. There’s no one else who can make a fire boot like Australia can”. The other area of innovation was that of brand adaptation to suit the American market. The Australian brand did not work so the brand was altered and sales increased.

4.6 Cross case analysis

The cross case analysis of the five cases was confined to product and process innovation.

In terms of product innovation the stages case noted the development of a market specific product. The learning case firm also was looking to specific product development changes partly to enable better shipping and meeting specific certification standards for different markets. The born-global case indicated that the product was innovative before being exported, although a couple of innovations such as the labelling have been driven by exporting. The network case showed that the innovative nature of the products caught the attention of the market and other requests from within the network with other international customers. The contingency case noted that the product was innovative before being exported with the main innovation as a result of exporting to do with brand adaptation.

In terms of process innovation, the stages case noted the development of a fast new product development process as well as the hiring of additional staff particularly in technical support roles. The learning case indicates that their processes are continually improving and incrementally innovating. The born-global case does suggest that an export process innovation was in piggybacking air freight and distributors sell-in, in-store sampling and category detailing was purely done for the export market. The new product development process also needs to be developed to be “quicker to market” with the demands of new customers. There was no process innovation for the contingency case noted.

5 DISCUSSION

5.1 All internationalisation is innovative

When considering Rogers and Shoemaker (1971) assertion that the adoption of an innovation is where a new idea, practice, or object replaces the previously held idea, practice or object then these other internationalisation approaches could be innovative too (Knight and Cavusgil, 2004). For instance joining a network in the networking approach (Johanson and Mattsson, 1986), following a strategic initiative in contingency approach (Reid, 1983) or internationalising soon after inception as in born global (Oviatt and McDougall, 1994) approaches appear to fit the Rogers and Shoemaker (1971) perspective. Although the born-global firm did not differentiate the innovation of a new market for the domestic market and that of the international market. In this case it appears that the domestic market was developed at the same time as international markets.

Learning models by their description suggest incremental change through learning would occur especially in the early steps between say pre-export and export steps (Wiedersheim-Paul, et al., 1978). When comparing the initial steps or stages of these innovation-related models to incremental or learning models there “seem to reflect semantical differences rather than real differences about the nature of the internationalisation process” (Andersen, 1993 p. 211). Therefore innovation in internationalisation appears to be more universal than the approach theories suggest.
An alternative view of innovation to the internationalisation approaches has been offered by Samiee, Walters and DuBois (1993). In their study of 123 manufacturing exporting firms in a US state, they determined that export was an innovative behaviour only if it was an internally induced through an initiative of the firm. They dismissed firms taking up opportunities that were externally developed initiatives such as unsolicited orders or government agency leads. This approach seemingly ignores the innovation of the export process that would still eventuate with an unsolicited order such as Simmonds and Smith (1968) or Bilkey and Tesar (1977). Interestingly all firms in this study were internally driven or proactive in their export development.

There are other scholars including journal editors (Jones and Nummela, 2008) whilst conforming with innovation definitions note the duality of innovation which could add confusion to internationalisation and its relationship to innovation. A recent comment by Jones and Nummela (2008) stated that, “the concept of internationalisation as a process was mainly explained as a phenomenon of international business and started to be understood as a process of innovation in the early 1990s” (p349). Given the above stages approach citations in this area, the phenomenon goes back to the 1960s. The editorial went on to cite Andersen (1993), Bell (1995) and Jones (1999) as evidence of this process of innovation. On reviewing Anderson (1993), his examination was to do with comparing stages and learning models, where the stages or innovation (I-models) were the only approach to be labelled as innovation based. Jones (1999) on the other hand was discussing the Born Global phenomena as was Bell (1995). These born-global studies can be summed up as examining internationalisation of technology based SME firms, where internationalisation was not only the innovation but the actual technology being marketed. This movement to explain innovation diffusion via internationalisation adds to the complexity of the concept of innovation and its relationship to internationalisation.

To add to this conflict about innovation and its relationship to internationalisation, we should also consider the concept of International Entrepreneurship. McDougall and Oviatt (2000) note that, “International entrepreneurship is a combination of innovative, proactive and risk-taking behaviour that crosses national borders and is intended to create value in organisations” (McDougall and Oviatt, 2000 p. 903) Which reinforces the discussion above by Simmonds and Smith (1968), however McDougall and Oviatt seemingly change their mind in 2003 with another definition of international entrepreneurship. Here they state, “International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities – across national borders-to create future goods and services” (McDougall and Oviatt, 2003 p. 7). This definition appears to be avoiding the inclusion of innovation, although the acts of discovery and enactment could be seen as innovative.

5.2 Product innovation

No product innovation appeared to be significantly radical but were more incremental as noted by Jones and Coviello (2005). With some product innovations such as the triangular packaging for the born-global case which was designed for ease of freight may have been developed with the export market in mind rather than the domestic market, however there is no indication as to which occurred first. Other product innovations were small adaptations of the existing product labelling, specific changes to meet certification and branding. In three cases (born-global, network, contingency) the product was already quite innovative in the home market which enabled advantage in international markets.

5.3 Process innovation

Similar to product innovation process innovation appeared to be incremental rather than significantly radical (Jones and Coviello, 2005). Process innovations such as the hiring of specialist staff for the international market suggests that markets are driving innovation within the SME. Some of the process innovations were as a result of export market success such as the network case looking at ways to increase the speed of the new product development process in order to keep up with customer demands. The stages case had sped up their new product development for the Thai market which was quite innovative for this traditional manufacturing firm. Other innovations such as the born-global case with their piggybacking of air freight means that without this innovation by distributors the export would not exist due to the cost of dedicated refrigerated air freight. However, it is noted that the contingency case did not have any process innovation. Was it too soon or simply the process innovations were not reported or not considered big enough to be mentioned.
6 CONCLUSIONS

6.1 Implications to theory

The implications to theory are that all early internationalisation such as the first export is innovative and not necessarily just the domain of the stages approach. Product and process innovations were also noted as part of these SMEs first and subsequent export.

6.2 Implications for policy and practice

The findings in practice suggest that all first internationalisation such as the first export, is really an innovation. The implications are that adoption of innovation techniques such as diffusion or change techniques may work better with non exporting SMEs to get higher export participation. In addition these techniques could be alternative approaches in terms of support for SMEs in their early internationalisation.

6.3 Limitations

Determining a firm’s internationalisation approach can be difficult as some indicate alternative characteristics. For instance most firms provided some evidence of contingent behaviour ie strategic planning. Also respondents may provide a post hoc rationalisation for non rational activities such as market selection.

Definitionally the born-global had between 10-15% of its turnover in year 2 resulting from export whereas Fletcher (2001) suggested 25%. Was the born-global case truly born-global?

The sample was SME manufacturers which cannot be generalised for non manufacturing firms or service based firms.

Perhaps the element of innovation has to do more with the culture of the organisations as all had an element of “best of class” products and a problem solving approach suggesting an innovative culture in the organisation. This could be an artefact of the case selection and not necessarily of SME firms internationalising. A more robust sample would be necessary here.

6.4 Future research

In terms of future research there is now a need to obtain quantitative support of the revised view of innovation in SME first exporters with a much larger data set. In addition there is a need to find out how long these innovation activities continue after the first export.

In addition there is a need to consider if innovation applies to other market entry mode forms as the firm continues with its internationalisation development.

Also there is a need to look at innovation roles inside SMEs to see how they contribute to the internationalisation process.

References


