Entrepreneurship in International Business: International Entrepreneurship as the Intersection of Two Fields

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Summary
The paper explores international entrepreneurship as the intersection of two research fields: entrepreneurship and international business. The objective of the chapter is to discuss and elaborate on the basics of international entrepreneurship, its inception and emergence, fundamentals and principles, as well as its branches or bifurcations. The chapter is divided into three main sections. The first section reveals various approaches and theoretical concepts and models of the firm-level internationalisation process. The second section discusses specific features of international entrepreneurship as one of the approaches towards internationalisation process. The third section is dedicated to the internationalisation of SMEs, which are one of the main interests of international entrepreneurship. It seems that creating a solid and unique methodology for international entrepreneurship is essential to recognise international entrepreneurship as a separate research discipline, as is true currently in the case of international business. Taking into account the interdisciplinary character of entrepreneurship, it is possible that international entrepreneurship will fully become ‘a hub and a spoke’ (Mtigwe, 2006, p. 19) and a binder for all internationalisation theories and approaches constituting the base for the integrative models.

Keywords: international entrepreneurship, international business, internationalisation
JEL classifications: F23, M00
1.1. INTRODUCTION

International entrepreneurship (IE) has become a very popular research field since its emergence in the late 1980s (Kohn, 1988; Morrow, 1988; and one year later: McDougall, 1989) as well as its intensive and influential bloom in the mid-1990s (Oviatt & McDougall, 1994). Still a new research field, there is a lot of controversy over the delimitation of IE as well as serious disputes on whether IE is a separate discipline or not. International entrepreneurship “has become an important research domain at the intersection of entrepreneurship and international business” (Oviatt & McDougall, 2000 cited in; McDougall-Covin et al. 2014, p. 2); however, it is influenced not only by business disciplines (economics, management), but also from non-business disciplines “as diverse as sociology, economic geography, political science, development economics, and psychology” (McDougall-Covin et al. 2014, p. 2).

This chapter focuses on entrepreneurship in international business, while internationalisation generally refers to any type of cross-border activities of firms (Dülfer & Jöstingmeier, 2008; Wach, 2014a) and entrepreneurship is about “identification and exploitation of entrepreneurial opportunities” focusing on innovation, novelty and value creation (Volkmann et al., 2010, p. 4).

The main goal of the article is to discuss and elaborate on the basics of international entrepreneurship, its origins and emergence, fundamentals and principles, as well as its branches or bifurcations. The article is of descriptive character, thus it is based on a literature review and its constructive critics.

1.2. DEVELOPMENT AND DIVERSITY IN FIRM-LEVEL INTERNATIONALISATION CONCEPTS

The history of ideas of the internationalisation discourse in the context of economics and management theory can be summarised as a progression from schematic to more sophisticated models, including new concepts, ideas and approaches, especially these developed in business studies. Sorensen (1997, pp. 4-5) proposes a comprehensive classification of four groups of models, namely progressive models, contingency models, business network models as well social construction models, where the last two can be termed interactive models (Danciu, 2012). Wach (2012) distinguishes six main research strands and their development from models of stages to holistic approaches (Figure 1.1.).

The development of stages models and their core referencing in the so-called Uppsala model by Johanson & Vahlne (1977) in the mid-1970s marked the beginning of the discourse. Their model still serves as a frame of reference for internationalisation theory today (Mtigwe, 2006; Wach, 2014d), and, despite being criticised by others and modified four times by its authors, is still the most frequently used in different research around the globe. The Uppsala model identifies temporal and spatial patterns of internationalisation. In the temporal dimension firms first gain
experience in the home market and then begin exporting. If this step is completed successfully, the establishment of new firms in the target markets and possibly the relocation of production abroad will follow. In the local dimension firms first launch into the markets closest to them in terms of culture, before expanding into culturally or geographically distant markets (Johanson & Vahlne, 1977).

![Development and Diversity in the Modern Theories of the Internationalisation of the Firm](image)

**Figure 1.1.** Main approaches to firm-level internationalisation according to Wach


The resource-based view (RBV) is still very important, however it has undergone some changes. Due to the growing macroeconomic instability in 1970s (energy crises, intensifying of globalisation), shorter product life cycles due to accelerated technological change, and increasing market saturation in various industries, the business environment changed radically. Strategic planning was no longer understood as a process of resources and sales planning (the traditional resource-based view), but as the interaction of the firm with competitive forces (a market-based view) and what is more, with the implementation of strategic management elements such as managerial and entrepreneurial skills, capabilities and competences (Wach, 2014c). The firms which have a unique set of resources (including competencies, knowledge, capabilities, attitudes, relationships and reputation) or combination of reserved resources have more proclivities to go international (Bloodgood et al., 1996).

The network theory of internationalisation and hidden champions research specifically emphasises the role of the firm’s network of suppliers, customers and business contacts in internationalisation (Mtigwe, 2006). Sometimes, network opportunities are of more essential importance than strategy building and planning. Therefore, we could rather speak of a process of evolution, in which entrepreneurs
take advantage of existing networks and arising business opportunities (Madsen & Servais, 1997) and the use of the bridge function of their networks (Burt, 1997). Entry to the foreign markets is the process of creating opportunity in the foreign markets network (Daszkiewicz & Wach, 2012; Mort & Weerawardena, 2006; Najda & Wach, 2005). In markets in which a firm or its products are not known (due to no entry being made), a successful market entry depends on the management’s ability to build networks and promote market development (Carsrud & Brännback, 2007; Merz & Stute, 2010), in particular due to the shortage in resources, information and skills that is typical of SMEs (Meyer, 2006).

Studies rooted in the business strategy approach are very diverse and rich. Root (1994) focused on the decision making process within internationalisation. Other various models deals with the organisational structure of international strategy. One of the few explicit definitions of the term ‘internationalisation strategy’ in the discourse of internationalisation is given by Perlitz (2000), who defines internationalisation strategy as the development of a fundamental, transnational concept of action, based on competitive advantages that are important for a firm’s international activities (Perlitz, 2000). This definition also determines internationalisation as a structured planning process and as an instrument of strategic management for targeted business development. This idea of strategy is consistent with international entrepreneurship research (strategic entrepreneurship), which does not describe internationalisation as a planned, strategic process, but rather as patterns of action driven by the seeking and making use of business opportunities and situational actions by entrepreneurs (Jones & Dimitratos, 2004). Planned strategic actions cannot be found in the reality of successful firms. This is confirmed by the fact that SMEs usually first internationalise to a neighbouring country or countries with which there is a certain cultural proximity and in which the business already has contacts, mostly with suppliers. SMEs, which are renowned for their export success, typically internationalise without using a planned strategy. Furthermore, no methodical approach in the selection of target countries is detectable (Stehr, 2012). However, this is not to be regarded in a negative way. On the contrary, research results and analyses show that an optimal and unique approach in the context of entrepreneurial internationalisation is not applicable to all companies alike (Stehr, 2012). Some studies determine that successful SMEs focus on their actual strengths in the home market and seek, on this basis, gradual growth with key partners and customers abroad (Ahler et al., 2007). Thus, it seems that successful internationalisation is not a question of a rational and planned approach, but a pragmatic approach in terms of seeking and taking entrepreneurial business opportunities. Empirical SME research shows that, especially at the beginning of internationalisation activities, there is no plan or internationalisation strategy. These are, if any, generated ex post strategies (Garret & Covin, 2007; Wiesner, 2005).
1.3. SPECIFIC FEATURES AND FACES OF INTERNATIONAL ENTREPRENEURSHIP

International entrepreneurship (IE) specifically examines and prioritises the role of the entrepreneur as a key factor in the internationalisation process of the firm, especially SMEs (Daszkiewicz, 2014; Duliniec, 2013; Kraśnicka et al., 2008). Research in international entrepreneurship (Table 1.1) thus stresses the ‘human factor’ and not the ‘planning factor’. Strategy is considered as an evolutionary process in which formalised strategy at best delivers ‘guidelines’ for entrepreneurial initiatives (Garret & Covin, 2007) and is not the beginning nor the core of internationalisation activities. According to the scholars conducting research on this topic and involved in the IE Scholars Network:

“International entrepreneurship sits at the intersection of two areas (international business and entrepreneurship) and labeling itself as its own field of research is still relatively new and still evolving. (…) International entrepreneurship is the creation of economic value through cross-border entrepreneurial activity.”

(ie-scholars.net/about/what-is-ie)

Table 1.1. A chronicle development of selected definitions of international entrepreneurship

<table>
<thead>
<tr>
<th>Definition</th>
<th>Source</th>
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<tr>
<td>International Entrepreneurship is defined (…) as the development of international new ventures or start-ups that, from their inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm’s operation.</td>
<td>(McDougall, 1989)</td>
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<tr>
<td>The study of the nature and consequences of a firm’s risk-taking behaviour as it ventures into international markets.</td>
<td>(Zahra, 1993)</td>
</tr>
<tr>
<td>…. a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries.</td>
<td>(Oviatt and McDougall, 1994)</td>
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<tr>
<td>New and innovative activities that have the goal of value creation and growth in business organization across national borders.</td>
<td>(McDougall and Oviatt, 1996)</td>
</tr>
<tr>
<td>A combination of innovative, proactive, and risk-seeking behavior that crosses or is compared across national borders and is intended to create value in business organizations.</td>
<td>(Oviatt and McDougall, 2000)</td>
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<tr>
<td>It is associated with opportunity seeking, risk taking, and decision action catalysed by a strong leader or an organisation.</td>
<td>(Knight, 2000)</td>
</tr>
<tr>
<td>International entrepreneurial orientation reflects the firm’s overall proactiveness and aggressiveness in its pursuit of international markets.</td>
<td>(Knight, 2001)</td>
</tr>
<tr>
<td>International Entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services.</td>
<td>(McDougall, Oviatt and Shrader, 2003)</td>
</tr>
<tr>
<td>… [an] evolutionary and potentially discontinuous process determined by innovation, and influenced by environmental change and human volition, action or decision.</td>
<td>(Jones and Coviello, 2005)</td>
</tr>
<tr>
<td>… the discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create future goods and services.</td>
<td>(Oviatt and McDougall, 2005)</td>
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Source: adapted and extended from Zucchella & Sciabini (2007, p. 8, Table 1.1).
According to these basic characteristics, IE describes internationalisation as a “combination of innovative, pro-active, and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (Oviatt & McDougall, 2000, p. 903).

As was mentioned, international entrepreneurship is reported to be a research domain at the intersection of two fields, which are entrepreneurship and international business (McDougall-Covin et al., 2014). Zucchella & Sciabini add one more very important fundamental pillar, which is strategic management (Figure 1.2.), however strategic management is included also in entrepreneurship (strategic entrepreneurship) as well as in international business (business strategy approach). Nevertheless, its rich productivity and influence can also be analysed separately.

Figure 1.2. International entrepreneurship as the amalgamation of three fields

International entrepreneurship can be treated dichotomously: firstly, as a research area within the theory of entrepreneurship or the theory of internationalisation. Secondly, it can be considered an autonomous area of research. The latter trend is becoming more and more popular and quite widely accepted by international scholars, as is noticeable in top scientific journals publishing articles on IE, especially after 2010 (e.g. Journal of International Entrepreneurship, Journal of International Business Studies, Journal of Business Venturing, Entrepreneurship Theory and Practice, Small Business Economics, Academy of Management Journal, Journal of International
Taking into account the overall theory of economics in general, but especially the narrow understanding of international business, international entrepreneurship can be regarded only as one of the research approaches to the issues of internationalisation of a firm (Andersson & Florén, 2008; Ruzzier et al., 2006). IE has made an important contribution to international business and to the theory of internationalisation of the firm. The rich heritage of this school fully justifies its distinction as a separate stream within the framework of the theory of internationalisation, firstly because of its important contribution and, secondly, by its nature, which puts the spotlight on SMEs.

In a broad understanding, international entrepreneurship includes at least two different research areas (Wach, 2014b, p.434):

- creative process of recognition and exploitation of opportunities in foreign markets; in this sense, this research area is the same as the traditional approach of the theory and practice of entrepreneurship, using the same analytical tools as in the case of establishment of domestic ventures; what is crucial, it is characterised by a high degree of creativity, innovation and entrepreneurship, and a special role in the internationalisation process is attributed to the entrepreneur (Figure 1.3.),
- international studies and comparative research in the field of entrepreneurship; in this sense, this research area is the same as with traditional international comparative studies, placing entrepreneurship as the main subject of these comparative studies (e.g. GEM).

*Figure 1.3. The internationalisation process in the international entrepreneurship*

Source: adapted and extended from Oyson & Whittaker (2010, p. 9).

It can be noticed that international entrepreneurship theory focuses on three main research issues, which are the entrepreneur, the external business environment and the entrepreneurial process (Coviello et al., 2011; Wach, 2012, p. 113). Zucchella & Sciabini (2007) emphasize that IE develops the typical internationalisation process sequence starting from opportunities recognition and ending with corporate
performance, in which resource mobilisation and dynamic capabilities play a major role (Figure 1.4). Internationalisation is a learning process of key employees based on opportunity recognition, opportunity seeking and opportunity taking (Zucchella & Scabini, 2007).

Jones et al. (2011) point out three parallel streams (types) of research within international entrepreneurship, namely:
– entrepreneurial internationalisation (A)
– international comparisons of entrepreneurship (B),
– international comparisons of entrepreneurial internationalisation (C).

It should be noted that in the framework of international entrepreneurship, there are many concepts and models (Coviello et al., 2014). On the basis of an ontological analysis of the articles in this area for the years 1989-2009, Jones et al. (2011) have developed a taxonomy containing 69 different themes within 14 thematic areas and three main types (Figure 1.5.).

### 1.4. INTERNATIONALISATION OF SMES AND INTERNATIONAL ENTREPRENEURSHIP

SMEs are an important part of international entrepreneurship. The so far existing classic ideal-typical stages models of internationalisation refer primarily to large firms. SME studies conclude that smaller businesses successfully operate internationally without going through the particular phases of decision-making and action sequences of widespread complex models of the theoretical literature (Ahler et al., 2008). In contrast to the ideal-typical construction of a strategy process, the entrepreneurial activity is observed in practice as the decisive success factor (Ahler et al., 2008). However, IE has not generated many outcomes due to its relatively recent development into an independent approach. Many studies only support the basic assumptions of this process model through case studies. Nevertheless, this process model of internationalisation delivers a matrix for further empirical studies that stands in contrast to the planning theory of internationalisation.
Figure 1.5. Thematic map of international entrepreneurship
Source: Jones et al. (2011, p. 636).
The Uppsala model in its simplicity has proven to be an empirically observable internationalisation model. Rational decision-making or planned strategic action is not the reality of SMEs (Huber, 2008). In contrast to the complex strategy and planning theories of classic international management theory, the Uppsala model explains internationalisation as an incremental process of recursive learning and gradual build-up of market knowledge and networks.

Medium-sized and smaller companies expand to neighbouring countries geographically or culturally, irrespective of which surrounding target markets are interesting strategically and financially (Wolf, 2011). The normal case of internationalisation in medium-sized and smaller businesses is the use of business opportunities and existing contacts. Beginning from this, most firms slowly proceed from the "known" to the "unknown" (Blunck & Martin, 2011). This correlates with the findings of organisation theories. Organisations slowly gain experience and subsequently develop them further into a methodical approach based on organisational learning. Internationalisation is a learning process characterised by a chain of improvisation, trial, and error and strongly depends on the initiatives of key employees (Simon, 2007).

Medium-sized and smaller firms use less risky, smaller scale and less aggressive market entry strategies particularly for cost reasons. In addition, they do not practice the typical options of internationalisation models and theory such as licensing, franchising and strategic alliances, joint ventures or mergers and acquisitions (Hollenstein, 2005; Wolf, 2011). At the beginning, the focus is often put on export, which is mostly due to customer demand from abroad (pull factor) or supplier contacts. On this basis, an average medium-sized business establishes a sales subsidiary abroad, with continuous sales and the achievement of a specific level of sales volume. Then it expands, depending on sales volume, transportation and wage costs, and sets up a permanent establishment with a department for research and development and/or a production facility (Kutschker & Schmid, 2008; Müller-Stewens & Lechner, 2005; Wolf, 2011).

1.5. CONCLUSIONS

In summary, it can be stated that ideal-typical classifications and models are developed for an ideal-typical firm with no restrictions in terms of size, industry or other firm characteristics. Thus, it is not surprising that points of criticism to the linear deterministic view are highlighted in the literature. Internationalisation models and theories follow a quasi-predictable sequence of stages that do not exist in reality; what is more, although they are considered proven in the literature, it is hard to call them universal and specifically applicable to SMEs (Chetty & Campbell, 2003; Wolff & Pett, 2000). Based on a literature review the following conclusions are drawn:

– international entrepreneurship can be considered a research domain at the intersection of two fields, namely entrepreneurship and international business,
with a noticeable admixture of strategic management (perceived as strategic entrepreneurship),

- international entrepreneurship can be also considered one of the strands in firm-level internationalisation (taking the whole productivity of economics and management) explaining this process from the perspective of the entrepreneur and the entrepreneurial process,

- international entrepreneurship has become an important research domain, which is gaining in quantity (the number of published articles as well as the number of journals publishing special issues on IEs) and quality (of the level of the published articles),

- international entrepreneurship focuses on the entrepreneur as well as on innovation and entrepreneurial processes concerning recognition and exploitation of international opportunities.

It seems that creating a solid and unique methodology of international entrepreneurship (Coviello & Jones, 2004) is essential to recognize international entrepreneurship as a separate research discipline, similarly as in the case of international business. Taking into account the interdisciplinary character of entrepreneurship, it is possible that international entrepreneurship will fully become ‘a hub and a spoke’ (Mtigwe, 2006, p. 19) and a binder for all internationalisation theories and approaches constituting the base for integrative models.

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