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**Rapid Internationalization of Traditional SMEs:  
Entrepreneurial Decision-Making and Organizational Changes**

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*To my parents and to Boris...*



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## **ABSTRACT (English version)**

*In the last 15 years, several traditional Small-Medium Enterprises (SMEs) internationalized rapidly operations in psychic distant countries with limited market knowledge, limited use of networks, and limited entrepreneur's international experience. This thesis draws research attention to this internationalization phenomenon here named Production-Oriented Internationalization (POI) of traditional SMEs. The investigation is focused on three issues: internationalization pathway of traditional SMEs, entrepreneurial decision-making process during the internationalization, and consequences of the internationalization on the firm's organizational elements.*

*Firstly, by analyzing five case firms from Italy, I describe the peculiar path followed by SMEs during POI and show that the leading literature does not contemplate it. I argue that traditional SMEs are able to shift their internationalization process (from gradual to rapid) becoming actual international players. Given the high relevance of the traditional SMEs in many national economies (e.g. Italy, Spain, Portugal, Denmark) it is interesting to study how these firms can catch up rapidly with the increasing global competition.*

*Secondly, I investigated the entrepreneurial cognitive process during the SMEs' internationalization of operations. Using the same sample of the first part, I show that the decision-making process can be explained through Effectuation theory. I argue that in the situation of high uncertainty, goal ambiguity and environmental isotropy (typical situation in case of internationalization of SME) even experienced entrepreneurs of already existing organizations tend to adopt effectuation logic during the decision-making process, rather than causal one.*

*Thirdly, I focused on the the impacts of the internationalization of operations on internal organizational elements in traditional SMEs. From the same dataset emerges that traditional SMEs were forced to perform a relevant number of adaptations spread in time that affected different organizational elements. I argue that these adaptations accumulated into a continuous radical change for the company; it is a complicated process; nevertheless, traditional SMEs through this process are potentially able to develop resources/capabilities that improve their international competitiveness.*



## **ABSTRACT (Italian version)**

*Negli ultimi 15 anni un rilevante numero di Piccole-Medie Imprese (PMI) ha internazionalizzato rapidamente le proprie operazioni in paesi distanti (culturalmente, linguisticamente, geograficamente, ecc). nonostante avendo una limitata conoscenza del mercato, ricorrendo limitatamente all'utilizzo dei propri network e avendo una limitata esperienza internazionale da parte dell'imprenditore. Questa tesi pone l'attenzione a tale fenomeno di internazionalizzazione che è stato chiamato: Production.Oriented Internationalization (POI) delle PMI tradizionali. La ricerca si è focalizzata su tre questioni: il percorso di internazionalizzazione seguito dalle PMI tradizionali, il processo decisionale dell'imprenditore durante l'internazionalizzazione e le conseguenze dell'internazionalizzazione sugli elementi organizzativi dell'impresa.*

*In primo luogo, attraverso l'analisi di cinque imprese-caso italiane, è stato descritto il particolare percorso seguito dalle PMI durante POI e si dimostra che la principale letteratura di riferimento non ha contemplato il fenomeno. Si sostiene, altresì, che le PMI tradizionali sono in grado di cambiare la loro velocità di internazionalizzazione (da graduale a rapida) diventando effettivi protagonisti internazionali. Data l'elevata importanza delle PMI tradizionali in molte economie nazionali (per esempio: Italia, Spagna, Portogallo, Danimarca) è interessante studiare come queste imprese possano riuscire ad agganciarsi rapidamente alla crescente competizione globale.*

*In secondo luogo, è stato investigato il processo cognitivo dell'imprenditore durante l'internazionalizzazione delle operations da parte delle PMI. Usando lo stesso campione della prima parte, sono state fornite prove che il processo decisionale può essere spiegato ricorrendo alla teoria dell'Effectuation. Si sostiene che in casi di elevata incertezza, ambiguità degli obiettivi e isotropia ambientale (situazione tipica nel caso di PMI che si internazionalizzano) anche gli imprenditori esperti di organizzazioni già esistenti tendono ad utilizzare la logica effettuale durante il processo decisionale, piuttosto che quella causale.*

*In terzo luogo, l'attenzione si è focalizzata sugli impatti dell'internazionalizzazione sugli elementi organizzativi interni alle PMI tradizionali. Dallo stesso set di dati emerge che le PMI tradizionali sono state costrette ad effettuare un non trascurabile numero di adattamenti diffusi nel tempo che hanno investito diversi elementi organizzativi. Si sostiene che tali adattamenti si sono accumulati in un cambiamento continuo e radicale per l'impresa. Il risultato ne è un processo complicato, ma, nonostante ciò, le PMI tradizionali attraverso di esso sono potenzialmente in grado di sviluppare risorse/capacità che migliorano la loro competitività internazionale.*





# 1. INTRODUCTION

In this chapter, I present firstly what is investigated. I focus on rapid internationalization of traditional SMEs, entrepreneurial decision-making during rapid internationalization, and organizational changes due to rapid internationalization. Secondly, I explain the structure of the thesis.

## ***1.1. WHAT IS INVESTIGATED***

Thanks to the rapid changes that have occurred during last decades, quite every company or enterprise is affected by, at least, some kind of international challenge. International sales and marketing, international sourcing, joint ventures, international cooperation, Foreign Direct Investments (FDI) are only some examples of the possibilities and the challenges that a company is facing. Year after year, increasing percentage of foreign direct investments and international trade confirm this.

It is generally agreed that the increasing international involvement and the globalization trends are due to three forces (Ruzzier, Hisrich & Antoncic, 2006). First, the technological improvement let both the transport cheaper, quicker and safer and the communication better and worldwide. Second, the reduction of trade barriers allowed to commercialize worldwide and to establish new factories in different countries. Third, the reduction of political barriers allowed the companies to access and/or to operate easier in new markets.

Initially, almost only big Multinational Companies (MNCs) were trading and investing internationally. Later, it became possible also for the Small to Medium Enterprises (SMEs) so that more than a quarter of the world's SMEs derive greater than 10% of their revenues from foreign sources (Shrader, Oviatt & McDougall, 2000; OECD, 1997). As outlined by OECD (1997), even in the international trade and investments their participation is relevant and growing year after year. Currently, SMEs account for about 25% of exports in most industrialized nations. For some of them it seems that internationalizing the activities is not just an opportunity but a must in order to grow or even just to survive.

This SMEs' internationalization process merits great attention given the high and increasing relevance of SMEs in the worldwide economic systems. SMEs account for over 95% of businesses, create roughly 50% of total value added worldwide and, depending on the country, generate between 60% and 90% of all new jobs (Knight, 2001; OECD, 1997).<sup>1</sup> The understanding of this phenomenon requires specific investigation since it is not possible to transfer what was learned on the big multinational companies (MNC) to the SMEs straightforwardly, given the differences between big companies and SMEs (Brouthers & Nakos, 2003; Knight, 2001; McDougall, Shane & Oviatt, 1994; Trautmann, Turkulainen & Hartmann, 2007; Vachani, 2005).

In the last 15 years several traditional Small-Medium Enterprises (SMEs) have rapidly internationalized operations in psychic distant countries with limited market knowledge, limited use

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<sup>1</sup> These data are to be updated before submitting to the journal.

of networks, and limited international experience of the entrepreneurs. This internationalization process transformed a number of SMEs in such a way that can now survive in the increasing global competition. Given the high relevance of the traditional SMEs in many national economies (e.g. Italy, Spain, Portugal, Denmark), it is interesting to study this internationalization path. It is possible to find anecdotal evidence of it in newspapers, business journals, and TV interviews. Preliminary data gathering, which we performed in different European countries interviewing key informants, provided further evidence on the existence of this phenomenon which, on the best of our knowledge, has not been specifically investigated.

The present work draws research attention to this internationalization phenomenon that I call Production-Oriented Internationalization (POI) of traditional SMEs. Firstly, I describe the specific internationalization pathway followed by traditional SMEs. Secondly, I characterize the entrepreneurial decision-making process during the internationalization. Thirdly, I identify the consequences of the internationalization on the firm's organizational elements.

### **1.1.1. Rapid internationalization of traditional SMEs: the pathway**

The research on SMEs internationalization started in the early '70s in the Nordic countries and produced stage models (e.g. Johanson & Vahlne, 1977; Cavusgil, 1980). Stage models assume that internationalization process starts with sporadic overseas sales and continues with bigger and bigger commitments in the foreign markets through sales. The start-up of overseas production unit is eventually seen as the last stage.

Stage models started being increasingly challenged at the beginning of the '90s. "*Researchers at the intersection of entrepreneurship and internationalization*" (Autio, Sapienza, & Almeida, 2000: 909) found that some SMEs are able to internationalize more rapidly than the stage models predict (Oviatt and McDougall 1994, 2005). As a result, a new subfield in International Business emerged: "International entrepreneurship" (McDougall & Oviatt, 2000; Peng, 2001). It outlines that some firms are likely to have an accelerated (rapid) internationalization jumping over some stages. In particular, the research focused upon International New Ventures (INV), 'Born global' or 'Born-again global' firms (Bell, McNaughton, Young, & Crick, 2003).

Although previous research brought considerable contribution to understand the SMEs' internationalization phenomena; there is a mismatch between what can be observed and what the literature tells. Knowledge intensity is seen as a major source of international competitive advantage (Bell, McNaughton, Young, & Crick, 2003). Therefore knowledge-based or -intensive firms are

able to perform rapid internationalization. In this context, traditional SMEs<sup>2</sup> are supposed to internationalize slowly, following stage models. Moreover, the International Entrepreneurship (IE) literature stressed the importance of networks for international market development and of the entrepreneur's background and his crucial role in the internationalization process.

The above mentioned gap is particularly relevant when the attention is posed on the North-east Italian traditional SMEs that internationalized their operations rapidly during '90s and 2000s (mainly to Central and Eastern Europe, but also to North Africa, South America and Far East). They directly established production units in markets about which their knowledge was extremely limited, with limited use of networks, and with limited entrepreneur's international experience. I called this specific internationalization pathway Production-Oriented Internationalization (POI).

Therefore, this part aims at (i) describing the specific path followed by Italian traditional SMEs, (ii) comparing it to the already existing models, and (iii) analyzing the implications for traditional SMEs' global competitiveness.

### **1.1.2. Entrepreneurial decision-making process during rapid internationalization**

Recently, a number of efforts have been done to achieve a deeper understanding of the internationalization processes of Small-Medium Enterprises (SMEs). The studies faced a number of different research objectives, especially for what concerns International New Ventures (Rialp, Rialp and Knight, 2005).

But, as noticed by Zahra and George (2002) and recently underlined by Zahra, Korri and Yu (2005), the prior International Entrepreneurship (IE) research focused more on the content of new venture internationalization strategies neglecting somehow to analyze the development and implementation process of these strategies. Zahra, Korri and Yu (2005, p.129) proposed "*that a significant shift can occur in IE research by applying a cognitive perspective and examining how entrepreneurs recognize and exploit opportunities in international markets*". The type of managerial decision-making and the connection between entry modes and the organizational behavior remain under-investigated issues (Rialp, Rialp and Knight, 2005).

I decided to examine the decision-making process adopting Effectuation logic (theory). According to it, in situations characterized by a high uncertainty the entrepreneur tends to make decisions following effectual logic rather than causal one. Internationalization for a SME is a process characterized by many uncertainties; therefore, Effectuation Theory (Sarasvathy 2001)

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<sup>2</sup> Here for traditional SMEs I intend manufacturing firms with neither processes nor products particularly advanced (Bell, McNaughton, Young, and Crick, 2003). The knowledge intensity is low. The number of employees is fewer than 250.

potentially is able to explain the entrepreneurial decision-making during the internationalization of the activities. Effectuation is a type of human problem solving that takes the future as fundamentally unpredictable, yet controllable through human action; the environment as constructible through choice; and goals as negotiated residuals of stakeholder commitments rather than as pre-existent preference orderings (Sarasvathy, 2008).

The present research consists in examining the SMEs' internationalization process by using a theoretical lens that describes and explains a logic used by entrepreneurs in taking their decisions.

Therefore, this part aims at (i) analyzing the entrepreneurial decision-making during the SMEs' internationalization and (ii) comparing it to the Dynamic model of Effectuation (Sarasvathy & Dew, 2005).

### **1.1.3. Organizational changes due to rapid internationalization**

The internationalization is an evolutionary process and the firms adapt to the international environment (Calof & Beamish, 1995). Therefore, it is reasonable to suppose that the process of internationalization induces a number of changes inside the SME. Besides, from the preliminary research I received some input suggesting that the amount of the changes is considerable and has an important impact on the traditional SME. The research on the internationalization investigated mostly the peculiarities (at the firm, entrepreneur or management level) that moderate the internationalization of a firm. Christensen (2003) highlighted that *“up-stream studies and studies of reproductive entrepreneurs as well as studies of entrepreneurial process embedded in the internationalization process itself”* have been somehow neglected by the research community. The influence of the internationalization process on the firm's internal characteristics is an under-investigated issue (Schuh, 2001). Nummela, Loane, and Bell (2006) report that *“it remains unclear how the key business operations change during internationalisation, and what kind of resources and skills – on both the organisational and the individual level – are needed to manage the internationalisation process successfully”*.

The immediate goal of this part consists of (i) identifying what changes in a traditional SME from the viewpoint of organizational elements (Structure, Strategy, Systems, Style, Staff, Skills, and Shared values) when it establishes a production unit abroad. After analyzing what changes, I want to understand (ii) how it changes. From the literature emerges that two dimensions describe different patterns of organizational changes: pace and scope (Street & Gallupe, 2009; Plowman et al., 2007; Greenwood & Hinings, 1996).

Pace has a temporal implication. It measures the rate of change, i.e. whether the phenomenon is more likely to occur once, or few times, versus occurring often in an enough long period. Pace is important in order to understand whether the consequences are concentrated immediately after or during the internationalization of production (episodic change) (Nadler & Tushman, 1989; Ford & Ford, 1994), or their impacts on the firm are spread in a longer period (continuous change) (Weick & Quinn, 1999). On the other hand, scope has a spatial implication. It measures the extent to which the change ranges over the organization, i.e. whether the phenomenon is local or system-wide. Scope allows to understand whether the internationalization of production affects only single inputs, isolated processes or single outputs without affecting the existing frames (Street & Gallupe, 2009) (convergent change), or it forces the firm to adapt in a number of dimensions by replacing thus the existing frames (radical change) (Greenwood & Hinings, 1996; Tushman & Romanelli, 1985).

By understanding the type of change, it will be possible to identify what kind of situation the company will face and what kind of action the entrepreneur/management have to undertake in order to face POI. E.g. in case of radical change, probably, the firm will suffer a period characterized by a high level of instability although concentrated in time; at the contrary, the presence of changes spread in time (continuous change) implies that the adaptation of the SME to the new situation is more gradual. Therefore, the entrepreneur and/or management have to keep adapting constantly the organization.

## ***1.2. STRUCTURE OF THE THESIS***

I structured the thesis in such a way that can be read both as a unique body and as a set of three distinct works, since I have investigated three different issues all related to traditional SMEs that internationalize rapidly.

In chapter 2, I present literature background, research aims, and research frameworks for the three issues.

In chapter 3, I explain the method adopted and justify its choice.

In chapter 4, I present the within- and cross-case analysis regarding the specific internationalization pathway followed by case-firms.

In chapter 5, I present the cross-case analysis regarding the entrepreneurial decision-making process during the internationalization. In order to make the reading more smoothly, I put the within-case analysis in the appendix 8.3.

In chapter 6, I present the cross-case analysis regarding the consequences of the internationalization on the firm's organizational elements. In order to make the reading more smoothly, I put the within-case analysis in the appendix 8.4.

In chapter 7, I draw the conclusions of the research and its limitations.

Finally, I enclosed in the appendix the questionnaires used during preliminary and main phase interviews, and parts of within-case analysis.

The parts regarding the rapid internationalization of traditional SMEs are: 1.1.1, 2.1, 3, 4, and 7. The parts regarding the entrepreneurial decision-making are: 1.1.2, 2.2, 3, 5, 7, and 8.3. The parts regarding the entrepreneurial decision-making are: 1.1.3, 2.3, 3, 6, 7, and 8.4.

Where possible I used the same structures and layouts in different sections in order to easier reader's comprehension; when necessary I took up some parts to refresh reader's memory.





## **2. RESEARCH SETTINGS**

In this chapter, I present literature background, research aims, and research frameworks. I followed mostly a selective literature review approach focusing on the gaps in the literature. The illustrated frameworks are used to interpret the results of the analysis. The chapter is divided into three parts following the three principal research questions.

## **2.1. INTERNATIONALIZATION PATHWAYS OF SMEs**

### **2.1.1. Process theories of internationalization**

The research on SMEs internationalization started in the early '70s in the Nordic countries and produced stage models. The main output is the Uppsala model (U-model) (Johanson & Vahlne, 1977; 1990; 2003). U-model describes the SMEs internationalization process as *“a gradual acquisition, integration and use of knowledge about foreign markets and operations and a ... successively increasing commitment to foreign markets”* (Gankema, Snuiff, & Zwart, 2000: p.16). In this dynamic model, internationalization of the firm is seen as a process of increasing a company's international involvement as a result of different types of learning. (Ruzzier, Hisrich, & Anonicic, 2006). Another stage model developed in those years is Innovation-related Internationalization Model (I-model) (Cavusgil, 1980; Gankema, Snuiff, & Zwart, 2000). The term “Innovation-related” indicates that each subsequent stage of internationalization is considered as an innovation for the firm. The focus is on the export development process of SMEs. Both U-model and I-model assume that internationalization process starts with sporadic overseas sales and continues with bigger and bigger, but gradual commitments in the foreign markets through sales. The start-up of overseas production unit is eventually seen as the last stage.

Stage models started being increasingly challenged at the beginning of the '90s. *“Researchers at the intersection of entrepreneurship and internationalization”* (Autio, Sapienza, & Almeida, 2000: p.909) found that some SMEs are able to internationalize more rapidly than the stage models predict (Oviatt & McDougall 1994; 2005). As a result, a new subfield in International Business (IB) emerged: “International entrepreneurship” (IE) (McDougall & Oviatt, 2000; Peng, 2001). It outlines that some firms, with a special attention on knowledge-intensive and knowledge-based SMEs, are likely to have an accelerated internationalization jumping over some stages. In particular, the research focused upon International New Ventures (INV), ‘Born global’ or ‘Born-again global’ firms (Bell, McNaughton, Young, & Crick, 2003). The first two types of firms are internationally oriented since their inception, or soon after it, and they manage to reach a certain degree of internationalization within a relatively small number of years (e.g. three, five or six). On the other hand, Born-again global firms operated for a number of years only on a national base, and due to a critical event (e.g. change in ownership) changed the strategy and internationalized rapidly.

### 2.1.2. Different approaches in studying SMEs' internationalization

Some researchers applied typical MNC theories on SMEs, like Dunning's eclectic framework (Nakos & Brouters, 2002) or Foreign Direct Investment Theory (Vachani, 2005). Nevertheless, due to the specificity of SMEs and in order to achieve a deeper knowledge of the phenomenon of SMEs' internationalization, most researchers applied more general approaches and theories. The mostly adopted are (Rialp, Rialp & Knight, 2005): Network approach (Oviatt & McDougall, 2005), Organizational learning theory (De Clercq, Sapienza & Crijns, 2005; Oviatt & McDougall, 2005), Resource-Based View (RBV) (Peng, 2001; Westhead, Wright, & Ucbasaran, 2001), and/or Dynamic Capabilities prospective (Sapienza, Autio, George, & Zahra, 2005; Zahra, Sapienza, & Davidsson, 2006).

The Network approach improves the understanding in that it explains mechanisms to pass barriers in getting knowledge about new markets. *"Networks help entrepreneurs identify international opportunities, establish credibility, and often lead to strategic alliances and other cooperative strategies. After an entrepreneurial actor discovers or enacts an opportunity and perceives the technologies that enable internationalization and the competitors that motivate it, the entrepreneur uses established network links that cross national borders to explore where and how quickly the opportunity can be exploited in foreign locations"* (Oviatt & McDougall, 2005: p.544).

The Organizational learning approach improves the understanding in that it explains mechanisms to absorb and exploit knowledge about new markets. *"Organizational learning is defined by Autio et al. as 'the process of assimilating new knowledge into the organization's knowledge base' (2000: p.911), and Huber notes 'an organization learns if any of its units acquires knowledge that it recognizes as potentially useful to the organization' (1991: 89)." The "greater absorptive capacity makes these firms able to readily accumulate additional foreign knowledge, which reduces the uncertainty of operating abroad and increases their likelihood of entering additional countries and increasing their commitment to internationalization (Autio et al., 2000)"* (Oviatt & McDougall, 2005: 547).

Based on existing models, also a Resource-based perspective on internationalization is emerging (Peng, 2001; Westhead, Wright, & Ucbasaran, 2001; Ruzzier, Hisrich, & Antoncic, 2006). The resource-based view is a theoretical perspective that attempts to describe, explain, and predict how firms can achieve a sustainable competitive advantage through acquisition of and control over resources (Wernerfelt, 1984; Barney, 1991; Grant, 1991; Peteraf, 1993). Therefore the use of the RBV in investigating SMEs internationalization adds the possibility of deeper understanding of the competitive implications.

A complementary lens to other resource-based explanations for studying internationalization is Dynamic Capabilities prospective (Sapienza, Autio, George, & Zahra, 2005). *“Dynamic capabilities are the organizational and strategic routines by which managers alter their firms’ resource base by acquiring, shedding, integrating, and recombining resources to generate new value-creating strategies (Eisenhardt & Martin, 2000).”* (Sapienza, Autio, George, & Zahra, 2005: p.3). By extending the scope of the activities abroad, the firms are forced to re-set the mix of their resources in order to support cross-border activities (Hitt, Hoskisson, & Kim, 1997). By a higher commitment in the international activities the firms increase the knowledge of the foreign market and develop routines and processes necessary to manage the internationalization. (Barkema, Shenkar, Vermeulen, & Bell, 1997; Chang, 1995). The new mix of resources combined with routinization of the processes forms new firm’s capabilities useful for further market entry. (Helfat & Lieberman, 2002)

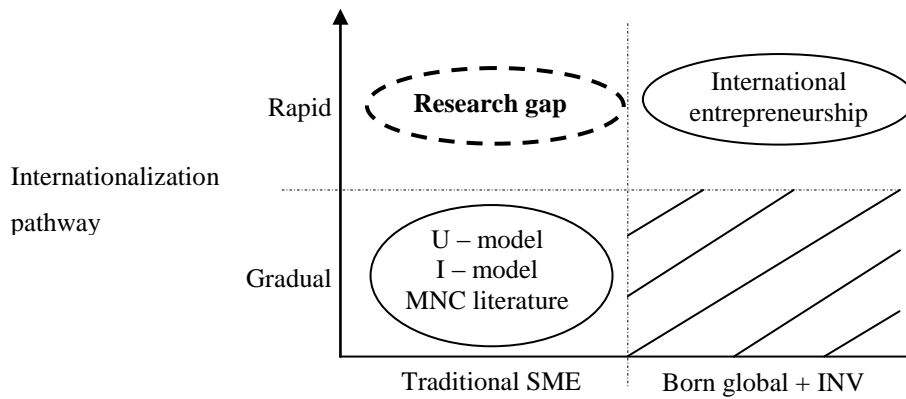
### **2.1.3. Research gap and aims**

Although previous research brought considerable contribution to understand the SMEs’ internationalization phenomena; there is a mismatch between what can be observed and what the literature tells. Knowledge intensity is seen as a major source of international competitive advantage (Bell, McNaughton, Young, & Crick, 2003). Therefore, knowledge-based or –intensive firms<sup>3</sup> are able to perform rapid internationalizations. If a firm goes international since its inception or soon after it, then it is called Born-Global or International New Venture (INV). In this context, traditional firms (manufacturing firms with neither processes nor products particularly advanced) are supposed to internationalize slowly, following stage models (see Figure 1). They can speed up the internationalization process, becoming Born-Again global, if there is a “critical incident” that increases their knowledge intensity (e.g.: *“adaption of product and/or market innovation, or the adaption of new information technology”* (Bell, McNaughton, Young, & Crick, 2003: p.351)). A critical incident can be a change in leadership or the acquisition from/of another company with international network. Moreover, the International Entrepreneurship (IE) literature stressed the importance of networks for international market development and of the entrepreneur’s background and his crucial role in the internationalization process.

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<sup>3</sup> Knowledge-based or –intensive firms have *“a high added value of scientific knowledge in both product and processes ...Often, this knowledge is also required in sales and market function (Coviello, 1994) ”* (Bell, McNaughton, Young, & Crick, 2003: 349).

**Figure 1: SMEs internationalization literature: the research gap**



The above mentioned gap is particularly relevant when the attention is posed on the North-east Italian traditional SMEs that rapidly internationalized their operations during ‘90s and 2000s (mainly to Central and Eastern Europe but also to North Africa, South America and Far East). They directly established production units in markets about which their knowledge was extremely limited, with limited use of networks, and with limited entrepreneur’s international experience. I named this specific internationalization pathway: Production-Oriented Internationalization (POI). Therefore, this part aims at (i) describing the specific path followed by Italian traditional SMEs, (ii) comparing it to the already existing models, and (iii) analyzing the implications for traditional SMEs’ global competitiveness.

#### **2.1.4. Research framework**

Many researchers identified a number of dimensions through which different pathways are characterized. Rialp, Rialp, Urbano, and Vaillant (2005) identified three key dimensions: founder’s (and/or founding team’s) characteristics, organizational capabilities and strategic focus (see Table 1), subsequently divided into ten attributes that differentiate born global/INV entrepreneurial behavior from traditional stage models (here they refer to export based models). The list of characteristics used to characterize the two paths present in literature constitutes a necessary reference point to describe any new path; by using the same variables it is possible to understand how a new proposed path is different or similar to previous one. Therefore, this list is the minimum set of characteristics that should be used in describing paths. Other characteristics may be added to incorporate peculiar aspects not considered in previous characterizations.

**Table 1: Expected patterns associated with INV/born-global and traditional, behavioural models of export-based models**

<i>Key dimensions</i>	<i>Attribute</i>	<i>Born-global/INV theory</i>	<i>Stage models</i>
<i>Founder's (and/or founding team's) characteristics</i>	Managerial vision	Global from inception	International markets to be developed gradually after a significant domestic market base
	Prior international experience	High degree of previous international experience on behalf of founding entrepreneurs and/or managers	Irrelevant or low degree of previous experience in international issues
	Managerial commitment	High and dedicated commitment with early internationalisation efforts and challenges	General commitment with objectives and tasks but not directly related to internationalisation
	Networking	Stronger use of both personal and business networks at the local and international level Crucial to firm early, rapid, and successful global market reach	Loose network of personal and business partners Only foreign distributors seem to be relevant to the firm's gradual path and pace of internationalisation
<i>Organisational capabilities</i>	Market knowledge and market commitment	High from the very beginning due to superior internationalisation knowledge at inception	Slowly growing with previously accumulated domestic and foreign market knowledge
	Intangible assets	Unique intangible assets (based usually on knowledge management processes) are critical for early internationalisation purposes	Availability and role of intangible assets are less important for successful gradual internationalisation
	Value creation sources	High value creation through product differentiation, leading-edge technology products, technological innovativeness, and quality leadership	Less innovative and leading edge nature of its products resulting in a more limited value creation capability
<i>Strategic focus</i>	Extent and scope of international strategy	A niche-focused, highly proactive international strategy developed in geographically spread lead markets around the world from inception	A more reactive and less niche-focused international strategy International markets will, at best, be developed serially and in order of psychic distance
	Selection, orientation, and relationships with foreign customers	Narrowly-defined customer groups with strong customer orientation and close or direct customer/client relationships	In the hands of intermediaries at the earliest stages of internationalisation
	Strategic flexibility	Extreme flexibility to adapt to rapidly changing external conditions and circumstances	Limited flexibility to adapt to rapidly changing external conditions and circumstances

Source: Rialp, Rialp, Urbano, and Vaillant (2005)

## **2.2. ENTREPRENEURIAL DECISION-MAKING DURING RAPID INTERNATIONALIZATION**

### **2.2.1. Research gap and aim**

Defining the characteristics of Production-Oriented Internationalization (POI) is necessary but not sufficient for a deeper understanding of the internationalization process. Although internationalization research faced a considerable number of topics, understanding the relationship between entrepreneurial behavior and development of competitive advantages in international environment may necessitate a new way of looking on the phenomenon (Jones & Coviello, 2005). As noticed by several scholars in the International Entrepreneurship research, greater attention should be given to how entrepreneurs think and make decisions to identify and exploit opportunities in foreign markets (Rialp, Rialp & Knight, 2005; Zahra & George, 2002; Shane & Venkataraman, 2000). At the moment, *“we know little about what goes through entrepreneurs’ minds as they explore their firm’s competitive global landscape”* (Zahra, Korri, & Yu, 2005: p.143). Understanding how international firms achieve competitive advantage through entrepreneurial behavior may add to International Entrepreneurship *“an element of paradigmatic shift and a fresh research lens”* (Zahra, 2005: p.24) and we can get a more comprehensive view of the phenomenon.

Given these premises, I decided to describe and explain entrepreneurial decision-making during the SMEs’ POI. In analyzing data, I adopted the lens of Effectuation Theory, an emerging theory in the field of Entrepreneurship (Sarasvathy, 2001). According to it, in situations characterized by high uncertainty the entrepreneur tends to make decisions following effectual logic rather than causal one. Internationalization for a SME is a process characterized by many uncertainties due to the limited knowledge of the foreign country and limited resources typical for a SME. Therefore, Effectuation Theory (Sarasvathy, 2001) potentially is able to explain the entrepreneurial decision-making during the internationalization of the activities.

### **2.2.2. Effectuation: deciding under uncertainty**

Effectuation articulates a dynamic and interactive process of creating new artifacts in the world (Sarasvathy, 2008) and this matches perfectly with the Oviatt and McDougall (2005)’s definition of International Entrepreneurship since *“discovery, enactment, evaluation, and exploitation of opportunities”* can be seen as *“the process of creating”* and *“future good and*

*services*” as “*the artifacts*”.<sup>4</sup> The development of the concept of “Effectuation” as a tool for analyzing entrepreneurial behavior started with Sarasvathy’s work (2001). Previous studies of entrepreneurship tended to pose the attention primarily on the performance of the entrepreneurial venture. The element of newness in Sarasvathy’s study consists of focusing on the concept of expertise. “*Expertise*”, as suggested by Sarasvathy (2008: 12) “*consists in tacit as well as learnable and teachable aspects of experience that are related to high performance in specific domain*”. It is important to note that studying the phenomena from the viewpoint of entrepreneurial expertise what really matters is the performance of the entrepreneur that can, or not, coincide with the performance of the enterprise. In other words, in the new approach, from being instruments in developing firms entrepreneurs become the subjects that use the firm.

By analyzing the research on decision-making under uncertainty, Sarasvathy (2008) reports that the first and the second type of Knightian uncertainty (Knight, 1921) are faced respectively by analytic and estimation techniques. The effectual logic is a “*catch-all third category*” (Sarasvathy, 2008: p.26) and can be considered a technique to face the third type of Knightian uncertainty which consists of a “*future that was not only unknown, but unknowable even in principle*” (Sarasvathy, 2008: p.26). In other words, she argues that in low predictable phenomena where the influence of the human action is primarily (e.g. internationalization in an unknown market of a firm) the behavior of decision makers is not necessarily irrational but can follow a specific logic that leads to “*very effective decisions*” (p. 26). Besides Knightian uncertainty, the effectual problem space is constituted of goal ambiguity and environmental isotropy.

Goal ambiguity indicates that the performances are not well-ordered or given. It is more likely that the decisions maker (i.e. entrepreneur) has a vague general, final ambition that can be refined and, even completely changed through the interaction with other people and the environment.

Environmental isotropy indicates that it is not clear *ex ante* which pieces of the environment can be useful. In other words, the process of collecting information is difficult and cannot be set up in a traditional way as we do not know to which information to pay attention and which to ignore.

The effectuation – “*indicating human agency, or a casual intervention by human beings in the real world*” (Sarasvathy, 2008: p.27) – is used as a cognitive inverse of the causation. Casual logic models starts with defining a clear goal to achieve and, consequently, they select the

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<sup>4</sup> “*International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities — across national borders — to create future goods and services.*” (Oviatt & McDougall, 2005)



appropriate means or look to create new ones – it is goal-driven and resource-dependent process. The opportunities are given and the challenge consists in finding them. Effectual logic models start with the means in the possession of the entrepreneur, in our case, and try to create new goals by interacting with the environment – it is a path- and stakeholders-dependent process.

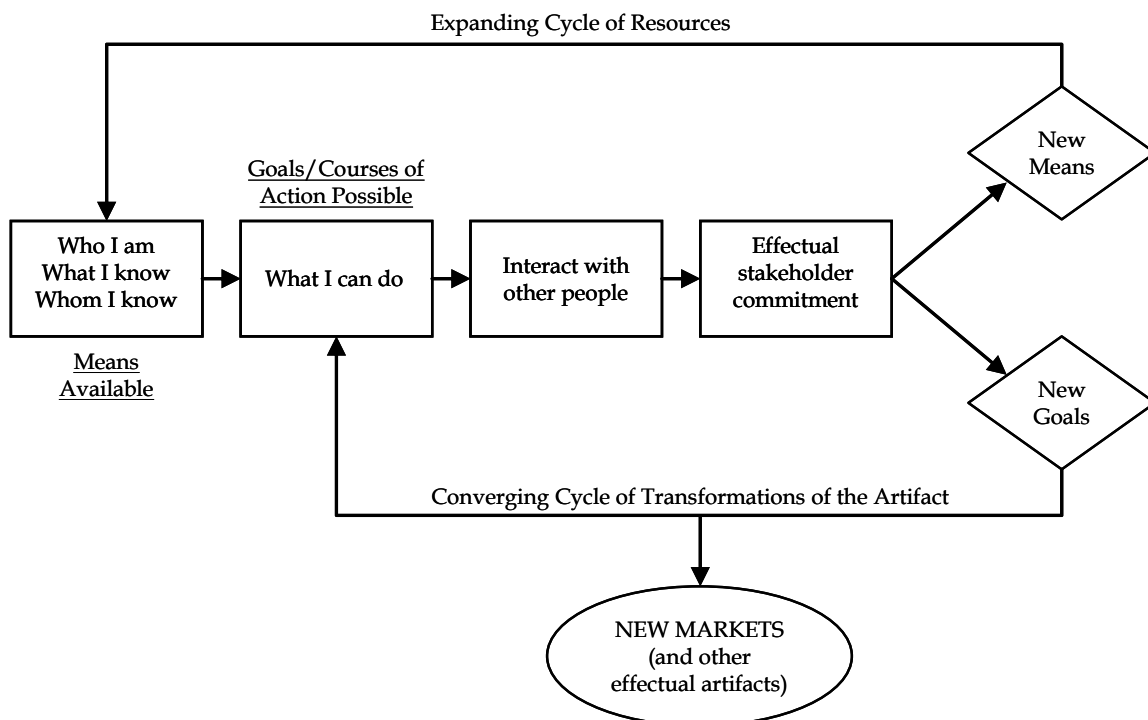
The world is seen as open to human intervention; firms and markets are human-made artifacts. Thus, the effectual entrepreneurship is not considered as a social science but a science of the artificial (Simon, 1996). The effectual entrepreneur fabricates opportunities upon the means and connections known to him.

*“A causal logic is based on the premise: ‘To the extent we can predict the future, we can control it’ An effectual logic is based on the premise: ‘To the extent we can control the future, we do not need to predict it.’”* (Saravathy, 2008: p. 17)

### 2.2.3. Research framework

Hereinafter, I present the dynamic model of effectuation as described by Sarasvathy and Dew (2005) (see Figure 2). The model illustrates the decision-making process of an entrepreneur from effectuation point of view.

**Figure 2: Dynamic model of Effectuation**



Source: Sarasvathy and Dew (2005)

The entrepreneur can or not recognize an opportunity, but he starts the venture basing on who he is, what he knows and whom he knows. He does not analyze all bunches of opportunities but he considers the means in his possession (means available) and analyze what he can do (goals/courses of action possible). The decision is not based on the calculation of the opportunity cost but on the principle of affordable loss, i.e. on how much one is willing to lose. Affordable loss principle minimizes (or can even avoid) dependence on predictive information (one of the best exemplification is the ‘zero-resources-to-market principle’).

The interaction with other people is crucial. The potential stakeholders are not pre-determined but they emerge from the interaction process (potential customers can become partners, potential suppliers – customers, etc.). This is possible as the goals are not clearly defined and, actually, their shape is a result of the interaction. New stakeholders bring into the venture visions, goals and means. Thus, the commitment of the effectual stakeholders produces new goals as well as new means that belong to two concurrent cycles.

Adding new means to the pre-existing ones expands the resources on disposal. Actual means are transformed from ‘who I am, what I know, whom I know’ into ‘who we are, what we know, whom we know’.

On the other hand, creating new goals modifies ‘what I can do’ in ‘what we can do’. Converging goals/courses of action possible creates new markets and other effectual artifacts. Thus, new artifact (market in the Sarasvathy and Dew’s work) “*is fabricated not through the design of any on persons*” (Sarasvathy, 2008: p. 107), but through the interaction of the members of the network and not-yet-members of the network.

## **2.3. ORGANIZATIONAL CHANGES DUE TO RAPID INTERNATIONALIZATION**

### **2.3.1. Research gap and aims**

The internationalization is an evolutionary process and the firms adapt to the international environment (Calof & Beamish, 1995). Therefore, it is reasonable to suppose that the process of internationalization induces a number of changes inside the SME. Besides, from the preliminary research I received some inputs suggesting that the amount of the changes is considerable and have an important impact on the traditional SME. This is particularly emphasized if there is an establishment of a production unit abroad. Some key informants told:

*“When a SME internationalize its production, everything changes! ... It’s completely different compared with selling abroad!”*

The research on the internationalization investigated mostly the peculiarities (at the firm, entrepreneur or management level) that moderate the internationalization of a firm. Christensen (2003) highlighted that *“up-stream studies and studies of reproductive entrepreneurs as well as studies of entrepreneurial process embedded in the internationalization process itself”* have been somehow neglected by the research community. The influence of the internationalization process on the firm’s internal characteristics is an under-investigated issue (Schuh, 2001). As reported by Nummela, Loane and Bell (2006: p. 563), *“it remains unclear how the key business operations change during internationalisation, and what kind of resources and skills – on both the organisational and the individual level – are needed to manage the internationalisation process successfully”*. The change is defined as *“the difference in form, quality or state in an organisation over a selected time period (see Van de Ven and Poole, 1995, p. 512)”*.

The immediate goal of this research line consists of identifying what changes in the traditional SME when it establishes a production unit abroad from the point of view of organizational elements (structure, strategy, systems, style, staff, skills and shared values). After analyzing what changes, I want to understand how it changes. From the literature emerges that two dimensions describe different patterns of organizational changes: pace and scope (Street & Gallupe, 2009; Plowman et al., 2007; Greenwood & Hinings, 1996).

### **2.3.2. Pace and scope: two dimensions of organizational change**

Pace has a temporal implication. It measures the rate of change, i.e. whether the phenomenon is more likely to occur once, or few times, versus occurring often in an enough long period. The pace in organizational change varies from continuous (Weick & Quinn, 1999) to episodic (Nadler & Tushman, 1989; Ford & Ford, 1994).<sup>5</sup> Continuous changes are often seen as a sequence of small, emergent adaptations to a situation of instability (Plowman et al., 2007). The change process is frequent, cumulative and incremental (Street & Gallupe, 2009). Although small their impact on the organizational processes and practice can be notable. On the other hand, episodic changes are seen as a structured, intended response to the organizational inertia or institutionalism. They are performed in order to change or remove a previous condition that has typically remained unchanged for a long period (Plowman et al., 2007; Street & Gallupe, 2009).

Scope has a spatial implication. It measures the extent to which the change ranges over the organization, i.e. whether the phenomenon is local or system-wide. The scope in organizational change can be convergent or radical (Greenwood & Hinings, 1996; Tushman & Romanelli, 1985). Convergent changes are seen as adaptations, deviations or minor replacement within existing frame (Plowman et al., 2007). Convergent changes affect locally, preserving organization's principle resources and capabilities; it is like adding bricks to a wall without building a new or destroying the previous wall (Street & Gallupe, 2009). On the other hand, radical changes are considered frame-bending, not preserving the existing order. They are seen as major replacements whose impact is system-wide (Plowman et al., 2007).

Pace is important in order to understand whether the consequences are concentrated immediately after or during the internationalization of production (episodic change) or their impacts on the firm are spread in a longer period (continuous change). In the first case, it means that the entrepreneur and/or the management have to face contemporary challenges due to the starting of a production unit abroad and to the changes that happens internally to the firm. Thus, probably the firm will suffer a period characterized by a high level of instability although concentrated in time. Different possible scenarios have to be analyzed before starting the internationalization, as a number of decisions need to be taken rapidly and contemporary. On the contrary, the presence of changes spread in time implies that the adaptation of the SME to the new situation is more gradual. In this case, it is more likely to suppose that the level of instability is lower although present for a longer period. The entrepreneur and/or management have to keep adapting constantly the organization. On the other side, scope allows to understand whether the internationalization of

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<sup>5</sup> Some other works used similar dichotomies such as: evolutionary/revolutionary (Weick & Quinn, 1999) and first order/second order (Meyer, Brooks, & Goes, 1993; Watzlawick, Weakland, & Fisch, 1974).

production affects only single inputs, isolated processes or single outputs without affecting the existing frames (Street & Gallupe, 2009) (convergent change) or it forces the firm to adapt in a number of dimensions by replacing thus the existing frames (radical change). In the first case, the internationalization process affects locally. The entrepreneur and/or management have to re-align single inputs, isolated processes or single outputs to a new situation in order to make them efficient and effective within the existing frame or the existing organizational template. On the contrary, radical change implies adaptations to the new situation throughout the entire SME. It means that the existing frame or the existing organizational template is not effective and/or efficient. Therefore, the entrepreneur and/or management have to re-frame the organization entirely.

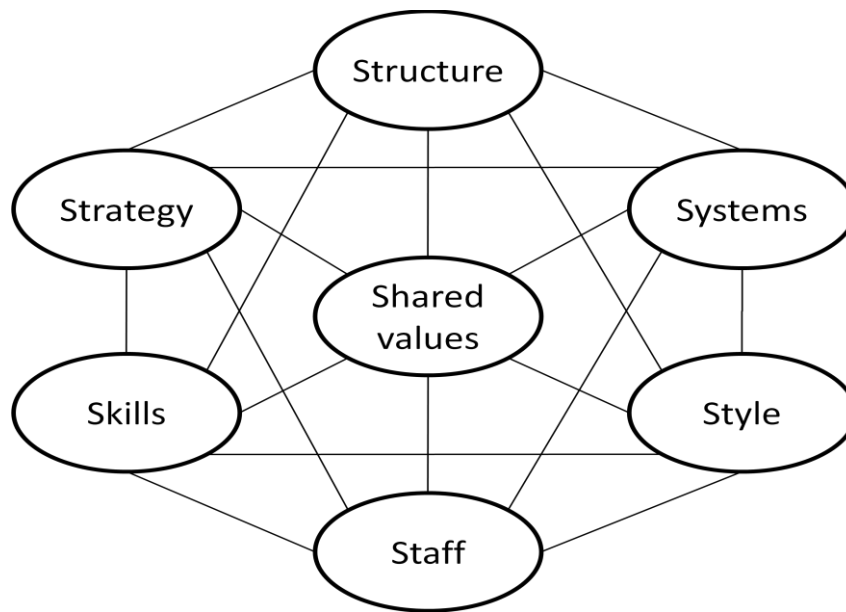
### **2.3.3. Research frameworks**

The literature presents a number of organizational models (e.g. Weisbord, 1976; Nadler & Tushman, 1977; Waterman, Peters, & Philips, 1980; Burke & Litwin, 1992). Aiming at identifying what changes in a traditional SME consequently to the internationalization of production, I needed a model that identifies different organizational elements and recognizes the interrelationships among them; therefore, I adopted the 7-S framework (Burke & Litwin, 1992). It is a model (Waterman, Peters, & Philips, 1980) that describes seven factors to organize a company in a holistic and effective way. The authors consider that the effective organizational change is the relationship between structure, strategy, systems (called hard elements), style, staff, skills (called soft elements) and shared values<sup>6</sup> (see Figure 3). In the research, I intend to categorize the changes using these seven categories. Strategy is the long term course and scope of the company. Structure is the fundamental organization of the firm, its units, reporting lines, areas of expertise, and responsibility. Systems are formal and informal procedures that are used to manage everyday activities, including control, planning, database and customer-related (retail systems, call centre systems, online systems, etc.) systems. Skills are the capabilities, abilities, and competences that owned within the company. Shared values in the ultimate analysis refer to the firm's culture; they lead employees' behavior. Staff is the human resources; people that work within the firm and how they are trained and motivated. Style is approach of top management and entrepreneur in leading the company and the general operating approach. Finally, the model recognizes the significance of the interconnection among different elements.

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<sup>6</sup> In their paper, Waterman, Peters and Philips (1980) used the term 'superordinate goals'. As a number of other authors (e.g. Bernardi, 1989), I prefer the term 'shared values' as I consider that it is more suitable to the definition as it was given by the authors: "*guiding concepts – a set of values and aspirations, often unwritten, that goes beyond the conventional formal statement of corporate objective.*".

Figure 3: 7-S model



On the other hand, in order to answer to how is the change from the point of view of pace and scope, I take into consideration Table 2 developed by Plowman et al. (2007). It integrates a unique table the two dimensions regarding pace (continuous/episodic) and the two dimensions regarding scope (convergent/radical).

According to the Table 2 there are four types of changes: convergent-continuous (quadrant 1), convergent-episodic (quadrant 2), radical-episodic (quadrant 3), and radical-continuous (quadrant 4). Every quadrant is characterized by following dimensions: driver of the change (either inertia or instability), form of the change (either adaptation or replacement), nature of the change (either emergent or intended), types of feedback (either positive or negative), and type of connections (either loose or tight).

**Table 2: Conceptualization of four types of change**

		<i>Scope</i>	
		<b>Convergent</b>	<b>Radical</b>
<i>Pace</i>	<b>Continuous</b>	<p align="center"><b><u>Quadrant 1</u></b></p> <p>Driver of change: Minor system instability</p> <p>Form of change: Small adaptations that occur with existing frame</p> <p>Nature of change: Emergent and local as members improvise and/or learn</p> <p>System uses positive feedback, which encourages deviations and adaptations</p> <p>Type of connections: Loose coupling which keeps local adaptations from amplifying</p>	<p align="center"><b><u>Quadrant 4</u></b></p> <p>Driver of change: Major system instability</p> <p>Form of change: Pattern of adaptations that is frame-bending</p> <p>Nature of change: Emergent and systemwide as adaptations accumulate into patterns</p> <p>System uses positive and negative feedback, which pull system in two directions – toward bounded instability</p> <p>Type of connection: Tight coupling, which enables amplification of local adaptations into radical change</p>
	<b>Episodic</b>	<p align="center"><b><u>Quadrant 2</u></b></p> <p>Driver of change: Minor inertia</p> <p>Form of change: A minor replacement that occurs within existing frame</p> <p>Nature of change: Intended and local</p> <p>System uses negative feedback, which highlights need for minor replacement</p> <p>Type of connection: Loose coupling requires local minor replacements</p>	<p align="center"><b><u>Quadrant 3</u></b></p> <p>Driver of change: Major inertia</p> <p>Form of change: A dramatic replacement that is frame-bending</p> <p>Nature of change: Intended and system wide</p> <p>System uses negative feedback, which highlights need for major replacement</p> <p>Type of connection: Tight coupling requires systemwide radical replacement</p>

**Source: Plowman et al. (2007)**

Street & Gallupe (2009) labeled the quadrants respectively persistent, tectonic, punctuated, and turbulent and adapted the table as illustrated in Table 3.

**Table 3: Definitions of Organizational Change (Modified From Plowman et al., 2007)**

		<i>Scope</i>	
		<b>Convergent</b>	<b>Radical</b>
<i>Pace</i>	<b>Continuous</b>	<p><b><u>Persistent, Continuous-Convergent</u></b></p> <p>Adaptations that occur constantly may or may not accumulate, and that occur simultaneously across units (Weick &amp; Quinn, 1999)</p> <p>Adaptations to work processes and social practices (Weick &amp; Quinn, 1999) that are consistent with or support an existing frame, or existing organizational template (Greenwood &amp; Hinings, 1996).</p> <p><u>Examples:</u> Amis, Slack, and Hinings (2004); Siggelkow (2002)</p>	<p><b><u>Turbulent, Continuous-Radical</u></b></p> <p>Adaptations that occur constantly, may or may not accumulate, and that occur simultaneously across units (Weick &amp; Quinn, 1999).</p> <p>Adaptations to processes, practices or orientations that become new reference points for the organization (Masuch, 1985), and are reinforced by emergent rules that replace existing frames and organizational templates (Romanelli &amp; Tushman, 1994).</p> <p><u>Examples:</u> Chiles, Meyer and Hench (2004); Plowman, Bajer, Beck, Kulkarni, Solansjy and Travis (2007); Rindova and Kotha (2001)</p>
	<b>Episodic</b>	<p><b><u>Tectonic, Episodic-Convergent</u></b></p> <p>Adaptations that occur suddenly and dramatically, interspersed with long periods of continuous change (Nadler &amp; Tushman, 1989; Romanelli &amp; Tushman, 1994).</p> <p>Adaptations to work processes and social practices (Weick &amp; Quinn, 1999) that are consistent with or support an existing frame, or existing organizational template (Greenwood &amp; Hinings, 1996).</p> <p><u>Examples:</u> Amis, Slack, and Hinings (2004)</p>	<p><b><u>Punctuated, Episodic-Radical</u></b></p> <p>Adaptations that occur suddenly and dramatically, interspersed with long periods of continuous change (Nadler &amp; Tushman, 1989; Romanelli &amp; Tushman, 1994).</p> <p>Adaptations to processes, practices or orientations that become new reference points for the organization (Masuch, 1985), and are reinforced by emergent rules that replace existing frames and organizational templates (Romanelli &amp; Tushman, 1994).</p> <p><u>Examples:</u> Cardinal, Sitkin, and Long (2004); Romanelli and Tushman (1994); Sabherwal, Hirshheim and Goles (2001)</p>

**Source: Street & Gallupe (2009)**

Quadrant 1 contains convergent and continuous (persistent) change. This type of change is usually characterized by small, slow, and spread in time adaptations caused by minor system instability. The impact is local and not dramatic for the organization. Positive feedbacks help to adapt to the new situation (reestablish the equilibrium) and, at the same time, loose connections



avoid amplifying effects on the rest of the organization. Episodic and convergent (tectonic) change is in the quadrant 2. The minor organization's inertia induces to introduce intentionally some replacements without affecting dramatically the organization. They can be considered as infrequent targeted surgical interventions that occur consequently to a specific episode or minicrisis highlighted by negative feedbacks. The damaged or inadequate parts are replaced quickly. Afterwards, both negative feedbacks and loose connections work on keeping the impact local and re-stabilizing the system. Quadrant 3 illustrates episodic and radical (punctuated) changes. Usually, following a long period of inactivity (inertia) the organization performs a dramatic replacement that has huge impacts on the entire system. Negative feedbacks caused by a major specific episode or crisis highlight the necessity for a frame-bending (e.g. new strategy, structure, top management). It can be seen as a cancer surgery that changes completely the patient's life style. In this quadrant, tight connections are responsible of the need of a system-wide intervention. Continuous and radical (turbulent) change is in the quadrant 4. Although unintended, a number of small adaptations occur continuously, spread in time. The combination of the accumulated adaptations and major system instability causes a frame-bending pattern affecting, thus, widely the system. The organization changes radically, even if it is not easy to identify precisely the moment when it happened. On one side, positive feedbacks combined with tight connections amplify the effects of the initial and local changes into radical change. On the other side, negative feedbacks (e.g. the introduction of new rules) help to stabilize the mechanism by pulling the system toward what Plowman et al. (2007) call bounded instability. Turbulent change can be seen as a number of small lifting interventions caused by lack of self-confidence, which at the end change radically the patient's face. In this case, a positive feedback is a better look, while a cause of stopping (negative feedback) can be surgery complications.



### 3. METHOD

The present research might be best described as theory development/expansion (Lee, Mitchell, & Sabylnski, 1999; Eisenhardt & Graebner, 2007). The number of newness, the inadequacy of the previous research (Ghauri, 2004), the complexity of the phenomena (decision-making process during a crucial phase for an organization) (Eisenhardt & Graebner, 2007) and the need to *unravel the underlying dynamics of phenomena that play out over time* (Siggelkow, 2007: 22) suggested to adopt an approach aiming in gathering rich in-depth longitudinal data. More specifically, I investigate in the first part a poorly studied phenomenon (rapid internationalization of traditional SMEs). Other contribution in the field adopted the same method when they sought to investigate poorly understood issues (e.g. Bell et al. 2003; Oviatt & McDougall, 1995). In the second part, I apply the basis of a still emerging theory (effectuation) to a new field (international entrepreneurship) and to already existing organizations (versus creation of new ventures and new markets). Finally, in the third part I investigate the consequences of the internationalization on the firm's organizational elements, an under investigated issue. Case study research method has a high exploratory power and allows dynamic processes to be more deeply investigated (Eisenhardt 1989a; Yin 1984). The case-based methodology is particularly useful in those research contexts where previous theory seems inadequate or incomplete and thus deeper theoretical development is required. Therefore, I identified five SMEs that internationalized their operations.

As mentioned by Siggelkow (2001; 2007) there are different uses of cases for research. In this work we employ the cases as illustration, i.e. I try to get closer to constructs and to illustrate the decision-making process of the sample SMEs from the effectuation point of view in order to understand whether this particular theory is suitable to explain the phenomenon. The phenomenon under investigation is decision-making process during the internationalization of a production unit in a SME.

### **3.1. RESEARCH SETTING**

I employed a multi-case design that allows “replication logic” where the series of cases are considered analogous to multiple experiments. Each case is used to confirm or disconfirm the emergent relationships inferred from the other cases (Yin, 1984; Eisenhardt, 1989b). A summary of the case-firms is presented in Table 4. The sampling of the cases was theoretical, and not statistical, such as suggested by a number of researchers (e.g. Eisenhardt & Graebner, 2007; Eisenhardt, 1989a; Glaser & Strauss, 1967). Patton (1990) identified 15 “*purposeful sampling strategies*” (p. 181) and a 16<sup>th</sup> combination or mixed approach that is the case of this study. The main strategies adopted were: maximum variation sampling, snowball or chain sampling, criterion sampling and opportunistic sampling.

I identified five traditional SMEs from North-east Italy. They belong to different industrial sectors as the aim consisted in maximizing the differences among the observations. The choice of North-east Italy is due to the fact that in this region there is a high concentration of SMEs and a relevant number of them internationalized their operations. The selected firms had to satisfy some more criteria. They all internationalized the production but continued some production activity both at home and abroad. The previous international experience, the knowledge of the investing market, and the use of networks (district logics) were limited. Concerning the part of the work about the entrepreneurial decision-making, the choice of studying SMEs, and not directly the entrepreneur, is justified as in SMEs the power of making decisions is habitually concentrated in one (the entrepreneur) or a few persons (Anderson & Floren, 2008). Besides, the choice of the sample was guided by the following question: “Where is it possible to observe better the logic used by the entrepreneurs during the internationalization process?”. Firstly, I chose SMEs that internationalized production activities as the Production-oriented internationalization involves more in depth the company than Market-oriented internationalization. Secondly, I chose SMEs that started some kind of production activity in a previously unknown market, i.e. in a country where the knowledge of the market was extremely limited as the problem of limited rationality highlights the role of the entrepreneur in making decisions.

**Table 4: Description of case data**

<i>Company*</i>	<i>Industry sector</i>	<i>Year of establishing</i>	<i>Year of intl. of the production</i>	<i>Turnover in mil € before POI</i>	<i>Employees before POI</i>	<i>Reasons for the Intl (in order of importance)</i>	<i>Export before POI</i>
<i>AirComp</i>	MECHANICAL compressors	1992	2001	9	45	Market (produce locally to deal locally) After-sale service Low labour cost	40%
<i>Electro Mek</i>	MECHANICAL electro-mechanical devices	1985	2002	6	55	Low labour cost	25%
<i>Plast</i>	PLASTICS lightning & large scale retail items	1977	2004	9	60	Low electricity power cost Tax dodges Proximity to the customer Low labour cost	30%
<i>Sports wear</i>	TEXTILE sportswear	1986	2002	5	135	Shortage of subcontractors in Italy Low labour cost	83%
<i>Mek Machine</i>	MECHANICAL metal profile forming machines	1948	2000	9	180	Low cost subcontractor Low labour cost	45%

\* =The names of the organizations are disguised.

The sample is composed by traditional manufacturing SMEs (see Table 4). They were established between 1948 and 1992. During the first years all the companies were locally or, at most, nationally oriented, performing mainly as subcontractors for the large north Italian companies. The role of the entrepreneur was extremely important and even small decisions were under direct control of the entrepreneur. Four SMEs (all except ElectroMek) were family owned and for all five of them the ownership has not changed. All the companies produce (manufacture and/or assemble) and sell own products. Before undertaking the establishment of a production unit abroad, the companies were differently involved in the foreign activities, exporting mainly or exclusively to the west Europe or to the most developed countries.

At the beginning of 2000s, these companies established a production unit abroad. The reasons for which they decided to internationalize the production were, usually, more than one, but for every one the low labor cost played an important role. Besides, AirComp was interested in the local market and in providing after-sale service; for Plast played an important role low electricity power cost, the financial advantages offered by Serbian government and the proximity to the customers that just moved parts of their operations in the eastern Europe; SportsWear was constrained because of shortage of subcontractors in Italy and MekMachine looked for low cost subcontractors. Each company entrepreneur identified a country in the Eastern Europe; before, the firms' commitment in the incoming region was negligible and the knowledge of the market extremely limited. All the companies adapted well-understood technologies to newly established

production-oriented subsidiaries. In all the companies the production abroad and the connections among plants started functioning regularly within 3 years. All the companies continued producing in Italy.

After the first three cases, the other two cases confirmed the previous findings and the additional findings were increasingly less relevant, although these companies belong to different industry. As I was reaching the theoretical saturation (Eisenhardt, 1989a), I decided that a number of five cases would be sufficient.

### 3.2. DATA COLLECTION

I collected the data from three different sources: interviews, archival data and observations. The sources of data are summarized in the Table 5.

**Table 5: Source of data**

Company	Interviews			Archival data		Observations	
	Informants	Hrs of interview	Total	N°	Examples	N° of visits	Sites visited
<i>AirComp</i>	Entrepreneur Production manager	4 2	6	3	Balance sheets Web-site	2	Assembling unit Product & process design unit
<i>Electro Mek</i>	Entrepreneur Production manager Sales manager	2 2 5	9	7	Business plan Balance sheets Web-site Internal documents	5	All
<i>Plast</i>	Entrepreneur Production manager	2 0.5	2,5	3	Balance sheets Internal documents	1	Production unit
<i>Sports wear</i>	Entrepreneur Logistics manager	3,5 2	5,5	3	Balance sheets Internal documents	1	Cutting, sawing unit Designing unit
<i>Mek Machine</i>	Entrepreneur General manager Commercial and logistics manager	1 3 2	6	1	Web-site Balance sheets	-	-

#### 3.2.1. Preliminary interviews

Before starting selecting the case studies, I conducted preliminary interviews with 20 key-informants expert on the internationalization processes of SMEs (see Appendix, paragraph 8.1). They are consultants of SMEs, members of different industrial associations, members of chamber of commerce or professionals (lawyers and accountants) whose clients are SMEs with international issues. I used the findings for two purposes. Firstly, I developed the interview protocol (see Appendix, paragraph 8.2) to use in the main phase. The interview protocol consisted of a series of open-ended questions and a questionnaire. The questions developed were ‘courtroom-style’, “concentrated on facts and events rather than on respondents’ interpretations” (Eisenhardt, 1989b: p.547; Graebner, 2004). I used the questions to probe the internationalization pathways. The questionnaire contained a number of questions (firm size, age, export experience, export ratio, first export market/s, current market/s, etc.) designed to triangulate the information obtained by informants with the archival data. It was a sort of double check on informants’ memory. The second purpose consisted of compiling a list of companies suitable for the main phase of investigation.

### 3.2.2. Interviews

In each enterprise, we interviewed the entrepreneur. In all the cases he was directly and mostly involved in the internationalization process, not only because this was a strategically important decision but also, because it required a considerable investment effort. As suggested by the preliminary informants, we decided to interview not only the entrepreneur but at least one other manager who was highly involved in the internationalization process. We used different and “*highly knowledgeable informants who view the focal phenomena from diverse perspectives*” (Eisenhardt & Graebner, 2007: p.28) in order to minimize the biases by the interviewees’ impressions and memory.

The interview began by explaining the research, guaranteeing the anonymity, and asking the permission to tape-record the interview. This study takes a retrospective perspective; i.e. it has not been observed in various point of time that the internationalization process comes back to the company from time to time; on the contrary, we asked the company informants to tell what happened starting from a time precedent to the start of internationalization until three years later. In this period of time it is reasonable to expect that the internationalization has been completed and the flow of information and goods among different facilities has been normalized. At the beginning, the informants were asked to describe freely the company and the internationalization of the production. Then, we focused the interview on the decision of the internationalization and the subsequent ones by focusing on how they were adopted, which were most influential factors and people in decision-making. Finally, the interviewees were asked to describe the expected and unexpected outcomes of the internationalization. We posed particular attention on the timing of different events.

The total number of hours of interview is 28. The length of the single interview varied considerable, from half-an-hour to more than five hours accordingly to the interviewee’s capability to summarize the concepts and to remember the events, the interviewee’s availability, and the number of information in his possess. All the interviews were type-recorded and subsequently verbatim transcribed. All the interviews were conducted by two investigators in order to reduce observer bias (Voss, Tsikriktsis, & Frohlich, 2002), to increase the “*creative potential of the study*” and to “*enhance the confidence in the findings*” (Eisenhardt, 1989a). Within half-an-hour after the interviews, the interviewees compared impressions and made a note of them which was, subsequently, attached to the transcription. All the information collected entered into a case study database. At least one informant from each company was contacted for a follow-up interview (typically 10 to 20 minutes phone call) after within-case analysis in order to complete the missing data and to clarify conflicting outcomes.



### **3.2.3. Archival data**

I collected balance sheets in all the companies starting from the year before the decision to internationalize the production until the year before the interview. Where available, I collected internal documents such as internal memos, business plans, strategy proposals and historical data on sales. In three firms, I consulted the web-site. All the 17 documents were attached to the case study database. The documents were analyzed and the relevant information summarized, when possible through the use of tables. The information thus obtained was used to check the retrospective bias.

### **3.2.4. Observations**

In four cases, I visited the companies' headquarters in Italy. The visits didn't aim at observing the phenomenon as it had already happened. The aim consisted of understanding better the environment by getting in touch with the employees, visiting different units, and comprehending better the products. In this way, the researchers were able to understand better some of the examples used by the interviewees. Besides, nine interviews were conducted at informants' company in order to make them feel comfortable speaking in their own environment. After each visit the researchers' impressions were annotated and attached to the case study database.

### **3.3. DATA ANALYSIS**

I agglomerated the data from all the sources, analyzed them by building single case studies, and then compared them in order to construct a conceptual framework. (Eisenhardt, 1989a). The information obtained through interviews was compared and integrated with the balance sheet, the company's internal documents and the company's web-sites. I designed the triangulation of different data aiming at improving measure reliability and validity (McCutcheon & Meredith, 1993). Subsequently, I wrote the single case histories aiming at indentifying missing or contradictory information. At least one informant form each company was contacted for a follow-up interview (typically 10 to 20 minutes phone call) in order to complete the missing data and clarify conflicting outcomes.

After collecting data from each company I performed a within-case analysis adopting the coding techniques as suggested by Strauss (1987). For each research lines the interviews of each company were clustered in macro-categories (open coding). Afterwards, each category was divided in sub-categories (axial coding) (see Table 6).

Consequently, I conducted the cross-case analysis by adopting the techniques suggested by Eisenhardt (1989a) and Miles and Huberman (1994). I looked at the similarities and differences among the cases, analyzing them in pairs. The similarities were grouped together and, then, tested again in each case (Eisenhardt, 1989a; Yin, 1984). The analysis used extensively tabular displays (Miles & Huberman, 1984). The iteration among data, theory, and conclusions was constant (Eisenhardt, 1989a). While obtaining the outcomes I compared them to the theory underlying similarities and differences.

The coding was then reviewed by a second researcher involved in the interviewing process. What emerged after the review was than reviewed by another researcher not involved in the interviewing process. The first researcher is from the Operations Management field, whereas the second one is from the Entrepreneurship field. There were no substantial differences in the analysis conducted by three researchers.

**Table 6: Coding categories**

<i>Research part</i>	<i>Macro categories</i>	<i>Sub-categories</i>	
<i>Rapid Internationalization</i>	Story of the company	Birth Expansion Customers Competitors	Products Markets Ownership
	First internationalization pathway	Threats and opportunities Investment analysis Foreign direct investment	Coordination Eventual problems
	Subsequent international activity	Threats and opportunities Investment analysis	Foreign direct investment
<i>Entrepreneurial decision-making</i>	Story of internationalization	Threats and opportunities Internationalization path	Consequences of the internationalization
	Decision-making process	Means available Goals/courses of action possible Networking Effectual commitment	Cycle of resources Cycle of transformation of artifacts Affordable lost
<i>Organizational change</i>	Story of the company	Birth Expansion Customers Competitors	Products Markets Ownership
	Internationalization	Threats and opportunities Internationalization path	Consequences of the internationalization
	Organizational changes	Structure Strategy Systems Shared values Style Staff Skills	Driver of change Form of change Nature of change Types of feedbacks and connections



## **4. RAPID INTERNATIONALIZATION OF TRADITIONAL SMEs**

In this chapter, I present firstly the within-case analysis of the specific internationalization pathways followed by each case-firm. Secondly, I present the cross-case analysis by describing the Production-oriented internationalization of traditional SMEs and by comparing it to the models already existing in the literature. Finally, I discuss the findings.

## ***4.1. CASE FIRMS: EVIDENCES OF RAPID INTERNATIONALIZATION***

In this section, I present the five case-firms and describe the internationalization process. The information is presented as a short story of the company, focusing on the product portfolio, ownership, international expansion, and objective data. Each story is the result of the within-case analysis in which I integrated the relevant information I gathered.

### **4.1.1. Firm A (AirComp)**

AirComp designs, manufactures, and sells worldwide a wide range of devices that produce pressure (compressors). The company was founded in 1992 by four experts in the field: they are still active in the company and act as CEO. The company started selling abroad in 1995 in the Western Europe. The expansion on the European market was quite rapid and in 1998 established a 50% owned trading company in Romania. After, they began selling worldwide in Australia, South Korea, and Venezuela through a network of dealers who were able to provide an after-sale service. In 2001, AirComp started the POI process; the turnover was about 9 millions euro, they had 45 employees and the share of the national market was about 60 percent. Today (April 2008) the turnover is about 14 millions euro, they have 55 employees in Italy and 20 abroad and the share of the national market is about 40 percent (see Table 7).

The internationalization of production took place quite late in comparison with other small-medium mechanical companies. In 2001 the company went in Serbia to identify an opportunity to distribute its products in the former Yugoslav area. Before 2001, AirComp's presence in the former Yugoslav Republics was negligible and the knowledge about the market was extremely limited. During 2001, the firm met a small local trading company that was already selling the compressors in Bosnia and Serbia. AirComp perceived this company very trustable and considered the idea of producing locally to distribute locally. AirComp decided to set up in Bosnia mainly because they wanted to expand their presence in the local markets. A second reason was the low labor cost. Together, they founded in 2002 in Bosnia a new company, owned at 50% by Italian firm. They started with three employees and at the moment of the interviews (April 2008) there were five employees. The scopes of the new company consisted of assembling pre-arranged kits by AirComp, selling compressors in local and neighbor markets (Serbia and Croatia), and providing after-sales service. At the beginning, AirComp trained Bosnian employees to assemble the simplest compressors, after three to four years they transferred their know-how in assembling more complex compressors. Everything produced in Bosnia is distributed locally. The Italian factory continued

producing items for Italian market and all the other markets not covered by Bosnian subsidiary. The training of the Bosnian workers was performed both in Italy through a short two-week visit and in Bosnia through two-day visits of Italian managers and workers.

After this first POI step, the AirComp's internationalization process continued. During 2006, they established a 50% owned company in Brazil with five employees which assembles air compressors for the Brazilian market; today there are more than 10 employees. At the moment of the data collection (April 2008), they were establishing another company in Poland following similar strategies.

#### **4.1.2. Firm B (ElectroMek)**

ElectroMek designs, manufactures, assembles machine tools (electro-mechanical devices), and sells worldwide. The company was founded in 1985 and has constantly grown extending its product range (currently more than 15.000 articles and 3.000 customers). ElectroMek started selling abroad in 1992 in Germany, but did not establish trading companies abroad until 2006. Before starting the POI, the company exported 25% of its production mostly to the Western Europe; the turnover was six million euro and total number of employees was 55. Today (May 2008), the first market is still the national one with a share of about 70 percent. The turnover is 10 million euro and there are 60 employees in Italy and 50 abroad (see Table 7).

The Production-Oriented Internationalization process started in 2002 when the entrepreneur identified an opportunity to start a business in Slovak Republic. ElectroMek did not have any trade agreement in Slovak Republic and the knowledge of the Central-Eastern Europe market was negligible. The main reasons to set up a production unit in Slovakia were the cheap workforce and the future entry of Slovakia in European Union (Slovakia joined EU on May 1, 2004). The entry in EU eliminated nearly all the problems related to the customs barriers. By the beginning of 2004, they established a green field subsidiary. At the beginning the employees were five but their number grew constantly and today (May 2008) there are about 25 employees, whereas the number of employees in Italy increased by five. Initially, ElektroMek trained a Slovakian engineer in the Italian factory on how to perform the operations. Afterwards, he trained Slovakian workers and became the general manager of the Slovakian subsidiary. Simultaneously, two production experts from Italian headquarters spend alternatively one week in Slovakia assisting the general manager. The role of the subsidiary is comparable to a production unit; the only supplier and customer is the Italian headquarters. In Slovakia, they began with assembling the simplest semi-finished products; today they assemble, also, low technological finished products.

After this first POI step, the ElectroMek's internationalization process continued. During 2004, they met a Chinese partner and established a joint venture in China with about 25 employees. The strategic importance of Chinese factory lies in the fact that the biggest world competitors (e.g. Siemens) were already producing in China. Therefore, the technological innovations in the sector were firstly available on the market in China and only after six months in Europe. In 2006, they established a trading company in the USA with five employees.

During 2005, a financial group controlled by a private equity firm acquired ElectroMek. Subsequently, in 2007, ElectroMek was sold to a large multinational company operating in the field of electro-mechanical devices.

#### **4.1.3. Firm C (Plast)**

Plast started as subcontractor producer of lighting and household plastic items; research, development, and designing activities have always been out-sourced. The marketing strategy consisted of joint-ventures with large multinational companies. In 1999, with the new general director, the company's strategy was attacking market niches where they could be leaders. Thus, firstly, Plast dropped the household items sector and contemporary started expanding the portfolio of products and of customers in new market segments: automotive, garbage and rainwater containers, plastic furniture and building items. These products are sold to the large-scale retail trade. Secondly, they strengthened the links with the major European lighting producers, becoming their first and unique subcontractor. Plastic lighting items cover around 50% of the whole Plast's production. Until 1999, they were selling exclusively in the local and national market with some exceptions for household items that were sold in Germany. Even after the change of strategy, still in 2003, the export represented only 30% of the revenue. The factories of their primary customers are in the Western-Central Europe and North Africa. In 2003, the turnover was about 13 millions euro and the employees were 60; today, the turnover is about 35 millions euro, the employees are 64 (55 workers) in Italy and 44 abroad (see Table 7) and they mould 10.000 tons of plastic per year.

The internationalization of production took place in 2004. Plast established a 100% owned subsidiary in Serbia that is completely controlled by the Italian firm. Previously, they were not present in none of the Eastern-Europe countries. At the beginning, they rent a shed, but soon after they built a green field factory. The reasons for which they decided to go in Serbia were four. Firstly, the electric power for the Plast's production processes is crucial and, in Serbia, it costs 80% less than in Italy. Secondly, establishing a green field factory abroad, they could obtain some fiscal discounts. Thirdly, the majority of the workers in the Italian factory are Serbian immigrants, thus they took advantage of the knowledge of the Serbian culture and language. Fourthly, one of the



major Plast's customers (share: 22%), established a production unit in Hungary, next to the Serbian border; by establishing a factory in Northern Serbia they could remain strategically close to the partner. The production in Serbia is complementary to the Italian one, there they have smaller presses and they produce different (not only low-valuable) products with which they could not be competitive if they were to produce in Italy. The Italian firm supplies machines and sends raw materials. During 2007, the Serbian subsidiary started selling some products in the regional market and sourcing some raw materials independently. The strategic plan is to make the subsidiary more independent. They started with 10 employees; the number constantly increased and reached 44 people, 42 workers, one administration/logistics and one quality control manager. The Serbian employees were trained both in Italy, during two to three months visits, and in Serbia, through the visits of Italian workers (Serbian immigrants) and managers.

During the POI process, Plast increased the turnover and, at the same time, provided more work opportunities for its Italian subcontractors developing, thus, the local network. Simultaneously, one worker of the Serbian subsidiary established in Serbia his own business as subcontractor of Plast. Plast provided him with presses. In this way and trying to get the Serbian subsidiary more independent, the company is re-creating its Italian supply chain system in Serbia. Today (May 2008), they are planning to establish another production unit. Two potential locations are Bulgaria or Middle East. Bulgaria as it will be strategically close to the customers that are transferring their production units to former European Soviet republics. On the other hand, in the Middle East area, the chemical companies (main suppliers of raw materials) are expanding their activities due to the proximity of oil fields.

#### **4.1.4. Firm D (SportsWear)**

SportsWear designs, manufactures and distributes sportswear. The company was founded in 1986 as a sub-contracting firm for fine quality women's clothing. They started as sub-contractors for big Italian and, later, for German companies. In the early '90s (1994), SportsWear took over an international Nordic brand whose collection it was already producing, internalizing for the first time designing and distribution. In the middle '90s (1996), they acquired a German textile company, the production and the machines were transferred to Italy and they used the new branch for commercial and logistic purposes implementing a network of retail-sales shops in Germany. Before starting POI, the company had 95 employees in Italy and 40 abroad, exclusively sales people. Today, they distribute and sell worldwide through selected shops situated across the world and through "old-sale" distribution. They export 85% of the whole production covering 24 countries, the turnover is 9 million euro and it has about 180 employees (see Table 7). The collections are two and half.

Before internationalizing the operations, sewing and a part of weaving were performed internally, where as cutting, dyeing and the rest of weaving were subcontracted. At the end of the '90s, most of the Italian textile sub-contractors closed due to high production cost. This caused Sportswear a shortage of subcontractors or non-price-competitive subcontractors. At the same time, the company's market was growing; they did not want to lose new opportunities but in Italy it was problematic to find skilled workforce. Thus, in 2001, they decided to look for subcontractors abroad. They started considering Romania as it was suggested by some Italian enterprises (mainly from textile and shoe sectors) that were already operating in Romania. The knowledge of the Eastern European markets was extremely limited. The experience with the subcontractors was short due to the difficulties in controlling the production. Thus, the entrepreneur decided to establish his own production unit through acquiring and readapting a farm. After six months from first contact in Romania, they had already moved abroad 40% of the entire production and employed 70 people. Immediately and simultaneously, they started co-operating with local subcontractors, recreating, thus, a copy of the Italian production network. They hired an Italian that had a seven years experience in the sector in Romania as general manager of the subsidiary. They moved two Italian production experts (managers) to Romanian subsidiary to train and, consequently, to control the local workers. Today (June 2008), there are 70 employees in Romania. The role of the Romanian company is comparable to a production unit; Italian headquarters supplies raw materials and acquires all the production. Abroad they perform the most standardized operations as sewing, where as in Italian factory they internalized the operations of cutting and they perform the weaving, checking the external and abroad production and entire prototyping.

After this first POI step, the SportsWear's internationalization process continued. As in Romania the work-force cost was raising and the unemployment was lowering, they decided to act anticipating the events. During 2007, they established a subsidiary in Albania. Currently, in Albania there are 10 employees. The Albanian subsidiary has the identical function to the Romanian one, but it is also in the real estate sector.

#### **4.1.5. Firm E (MekMachine)**

MekMachine is a family-owned SME that designs, produces and sales machine tools and plants for cutting, bending and end-forming tubes and metal profiles. The company was founded after the Second World War and since then it has remained under the ownership of the same family. In the following decades, MekMachine started selling abroad, firstly in the Western European market, and, afterwards created branch offices in France, Sweden, Brazil and Czech Republic as well as increasing its sales and after-sales network. During the late '80s, they performed an out-

sourcing attempt, licensing the production of a machine to a Yugoslavian company, but the experience ended after few months (the Yugoslavian company started selling the same machine with their own brand). By the end of the '90s, due to some bad performance the company started a process of internal re-organization that allowed reducing the number of employees that at the beginning of 2001 were only 60. During the '90s, the control of the firms passed from the founder to one of his sons and the management (including the general manager) changed. Thus, the historical memory of the previous internationalization disappeared. Before starting the first POI, the turnover was 9 million euro and the number of employees 180. Today (June 2008), the turnover is about 13 million Euros and number of employees is around 230, which is 80 in Italy (see Table 7).

At the end of the '90s, the company could not sustain marketing, commercial, branding and other structural costs with the subcontractor's increasing costs. The subcontractors did not support at all those costs. They considered two options. Firstly, to internalize the operations performed by subcontractors such as painting; secondly, to find low-cost subcontractors abroad. Thus, they took a rapid look to the East-European countries and found a suitable partner that could substitute the major part of the Italian subcontractors in Slovakia. The decision to exclude other countries did not include deep strategic analysis; e.g., Lithuania was not chosen because too distant; Hungary because the language is too complicated; Romania because the production quality was too low. The Slovakian company was part of a big company with more than 1000 employees in the late '80s. They were in mechanics industry, producing lathes for the civil sector and mortars and guns for the military sector. After the fall of the Berlin wall, the company was divided in smaller companies and sold to a German multinational group that reduced the number of employees to 200 units. When, in 1999, MekMachine contacted the Slovakian company in order to license them a part of the production, it was going towards bankrupt. Therefore, MekMachine decided to overtake the factory at the end of the financial year. They hired workers and managers (some of them were the old ones). And they restarted the production with 30 employees. They arrived to 200 employees, but due to the subcontracting of some operations today there are around 150 employees in Slovakia. Initially, in Slovakia they started manufacturing and assembling. The quality of manufacturing was even higher than in Italy, where as they had to train the Slovakian employees in assembling the machines. At the beginning the training was performed in Italy, later in Slovakia. All Italian employees visited the Slovakian company at least once. Subsequently, in Slovakia they internalized different operations (teams of electricians, welders and painters) that had never been performed internally. Nowadays, in Italy, they control, develop new products, purchase, sell, provide after-sell service, assemble the tools on the machines personalizing them, perform the final testing, and assemble some special machines. In Slovakia, they industrialize the process, manufacture, assemble machines and some

tools, purchase, and sell locally. The structure is doubled but the responsible manager is the one working for the Italian company.

After this first POI step, the Plast's internationalization process continued. During 2007, they acquired a designing company in UK. The machines designed by them are produced in Slovakia. Today (June 2008), they are considering the options of establishing new production facilities in Turkey and in Brazil and of acquiring a steel plant in order to be organized in a more vertical system.

**Table 7: Firm's expansions**

<i>Company</i>	<i>Employees</i>		<i>Turnover<sup>^</sup></i>		<i>Export</i>	
	<i>before first POI</i>	<i>2008</i>	<i>before first POI</i>	<i>2008</i>	<i>before first POI</i>	<i>2008</i>
<i>AirComp</i>	45	55 home + 20 abroad	9	14	40%	60%
<i>ElectroMek</i>	55	60 home + 50 abroad	6	10	25%	30%
<i>Plast</i>	60	64 home + 44 abroad	13	35	30%	40%
<i>SportsWear</i>	95 home + 40 abroad	100 home + 80 abroad	5	9	83%	85%
<i>MekMachine</i>	180	80 home + 150 abroad	9	13	30%	45%

<sup>^</sup> in million euro

## 4.2 PRODUCTION-ORIENTED INTERNATIONALIZATION OF TRADITIONAL SMEs

In this paragraph, we present the results of the cross-case analysis by underlining the common traits among the case-firms in the internationalization process. The sample is composed by five traditional manufacturing SMEs (see Table 8). They were established between 1948 and 1992. During the first years all the companies were locally or, at most, nationally oriented, performing mainly as subcontractors for the large north Italian companies. The role of the entrepreneur was extremely important and even small decisions were under direct control of the entrepreneur. Four SMEs (all except ElectroMek) were family-owned and for all five of them the ownership has not changed at least until after completing the POI process. The companies are from different industrial sectors, three from mechanical, one from plastics and one from apparel; all of them produce (manufacture and/or assemble) and sell own products. There is no evidence of belonging to a particular industrial district. No one is knowledge-based or -intensive firm. Before starting the POI, all the companies were exporting mainly or exclusively to the west Europe or to the most developed countries. The export started a number of years after establishing and the international experience remained limited.

**Table 8: Description of case firms /1**

<i>Company</i>	<i>Country of first POI</i>	<i>Increment of turnover</i>	<i>Increment of export</i>	<i>Increment of employees in Italy</i>	<i>Next POI (year of establishing)</i>
<i>AirComp</i>	Bosnia	+55%	+50%	+22%	Brazil (2006) Poland (2008)
<i>ElectroMek</i>	Slovakia	+65%	+20%	+9%	China (2004)
<i>Plast</i>	Serbia	+290%	+33%	+7%	planning in Bulgaria or Middle East
<i>SportsWear</i>	Romania	+80%	+2%	+5%	Albania (2007)
<i>MekMachine</i>	Slovakia	+45%	+50%	-65% <sup>°</sup>	England (2007) planning in Turkey or Brazil

<sup>°</sup> The company reduced the overall structure due to internal restructuring and the number of employees was reduced to 60. Therefore, actually there was an increment of +33%.

At the beginning of 2000s, these companies performed POI. Each company entrepreneur identified a country in the Eastern Europe. Before POI, the firms' commitment to the region was

negligible and the knowledge of the market extremely limited. The choice of the country never followed a systematic approach; the choice was lead by the entrepreneur’s personal connections (in Italy) or intuitions and their taking advantage of a favorable situation. The reasons for which they decided to internationalize the production were, usually, more than one (see Table 9); nevertheless, for everyone the low labor cost played an important role. Besides, AirComp was interested in the local market and in providing after-sale service; for Plast low electricity power cost, the financial advantages offered by Serbian government, and the proximity to the customers that just moved parts of their operations in the Eastern Europe played an important role; SportsWear was constrained because of shortage of subcontractors in Italy and MekMachine looked for low cost subcontractors. All the companies transferred well-understood technologies to newly established production-oriented subsidiaries. In all of the companies the production abroad and the connections among plants started functioning regularly within three years.

**Table 9: Description of case firms /2**

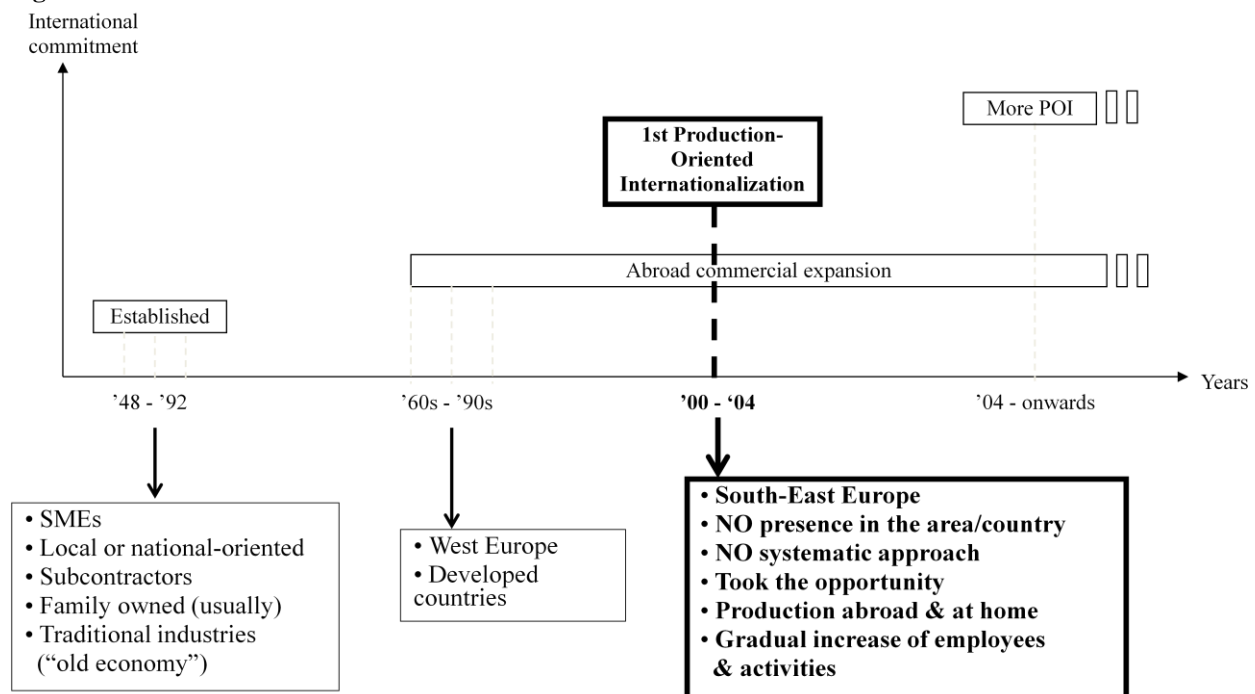
<i>Company</i>	<i>Reasons for the POI (in order of importance)</i>	<i>Type of FDI</i>	<i>Type of activity abroad (not planned before POI)</i>	<i>Systematic analysis in choosing the country</i>	<i>Business plan</i>	<i>Local impact</i>
<i>AirComp</i>	Market (produce locally to deal locally) After-sale service Low labour cost	Joint venture (50%)	Assembling Selling (After-sales service Sourcing)	NO	Partially	Creating an independent company
<i>Electro Mek</i>	Low labour cost	Green field (100%)	Manufacturing Assembling (Sourcing)	NO	YES but flexible	Creating a local district
<i>Plast</i>	Low electricity power cost Tax dodges Proximity to the customer Low labour cost	Green field (100%)	Production (Selling Sourcing)	Partially	Partially	Re-creating supply chain
<i>Sports Wear</i>	Shortage of subcontractors in Italy Low labour cost	Green field (100%)	Manufacturing Assembling (Sourcing)	NO	NO	Re-creating production network
<i>Mek Machine</i>	Low cost subcontractor Low labour cost	Acquisition (100%)	All (Sourcing)	Partially	Partially	Creating an independent company

The involvement in the foreign subsidiaries was gradual and constant, but rapid. They started with a minimum number of employees and with performing only the basic operations. The planning of the internationalization process was rather limited and the companies undertook only affordable risks. As time passed, they incremented both the number and the difficulty of the operations performed abroad gradually and constantly. The number of employees and the turnover

increased both at home and abroad. All the companies maintained a part of production in Italy. The percentage of the Italian employees in contact with foreign subsidiary varies considerably: from 5% of SportsWear to 99% of MekMachine. For AirComp and Plast this percentage is about 50%, whereas for ElectroMek it is about 15%. Type of FDI varies: joint venture, green field, and acquisition; anyway, the entrepreneurs tend to own the control over the subsidiary. It is interesting to stress that at the beginning the foreign subsidiary was considered only as an external production unit. As the time passed, the independence of the subsidiary grew, they transferred an increasing number of responsibilities in terms of production planning and control and purchase on the local market. Some of them (Plast and SportsWear) re-created a copy of the supply chain that the headquarters has in Italy.

After this first POI, the firms' internationalization process continued. AirComp started producing in Brazil (2006) and in Poland (2008); ElectroMek established a production-oriented joint venture in China (2004) and a sales office in the USA (2005); SportsWear established a production unit in Albania (2007). Whereas, MekMachine acquired a designing firm in England and is planning to establish a production unit in Turkey or Brazil; Plast is planning to establish it in Bulgaria or Middle East. The Figure 4 presents the internationalization timeline.

**Figure 4: Internationalization timeline**



From analysis it emerges that POI has some patterns associated with INV and some others with stage models' firms. Entrepreneurs and management characteristics of case-firms tend to overlap the founder's (and/or founding teams) characteristics of firms involved in gradual

internationalization (see Table 10). Entrepreneurs did not have from inception a global vision; but, they usually focused on few major national costumers. Prior to POI, international experience was limited to export activities to the most developed countries with relatively low psychic distance. Only SportsWear had invested abroad (Germany) for commercial purposes; and only MekMachine had performed an attempt of FDI, but the historic memory about it became negligible. The managerial commitment, especially during the earlier phases, was only in small part dedicated to the internationalization. The management dedicated only time and resources, which would not obstacle the regular functioning of the company, to the internationalization. When the entrepreneur decided to look for the opportunities abroad, he obtained the initial information from his own connections, but the size of network was local and not cross-national-border. The type of ties was weak and the density of the networks low. In fact, the initial trust and reciprocity with the foreign partners was a huge problem for each company. All of them started with limited investments and by pass of time and by increment of trust, the FDI increased.

**Table 10: Internationalization patterns associated with case-firms**

<i>Differentiating factors</i>		<i>Companies</i>				
<i>Key dimensions</i>	<i>Attribute</i>	<i>AirComp</i>	<i>ElectroMek</i>	<i>Plast</i>	<i>SportsWear</i>	<i>MekMachine</i>
<i>Founder's (and/or founding team's) characteristics</i>	<b>Managerial vision</b>	Intl	Local	National	Local	National
	<b>Prior international experience</b>	Partial	Partial	Irrelevant	Irrelevant	Partial
	<b>Managerial commitment</b>	Limited	Limited	Limited	Limited	Limited
	<b>Networking</b>	Local	Strong local	None	Local	Partial
<i>Organisational capabilities</i>	<b>Market knowledge and market commitment</b>	None	None	None	None	Partial
	<b>Intangible assets</b>	Not important	Not important	Not important	Not important	Not important
	<b>Value creation sources</b>	Customer relationship	Customer relationship	Customer relationship	Customer relationship	Customer relationship
<i>Strategic focus</i>	<b>Extent and scope of international strategy</b>	Niche-focused, proactive	Niche-focused, reactive	Niche-focused, proactive	Niche-focused, reactive	Niche-focused, proactive
	<b>Selection, orientation, and relationships with foreign customers</b>	Close partnership	Direct relationship	Partnership + intermediaries	Partnership + intermediaries	Close partnership
	<b>Strategic flexibility</b>	Very high	Very high	High	Initially low, than high	Very high



Also organizational capabilities dimension in the case-firms tend to be like the one in the step-based internationalizing firms. The market knowledge of the country to invest in is limited or absolutely absent; and the sales in that market are usually an unimportant element. Only AirMek performed POI because of commercial reasons although the importance of the Serbian and Bosnian markets is marginal; the other companies started considering local markets only in a second moment. The case-firms do not own particular unique intangible assets knowledge-intensive or – based; the success of the internationalization relies more on the capability to adapt the firm to new situation. Finally, products and processes of the case-firms do not contain a high level of technology or knowledge. The value is mainly created through the personalization of the product, rapidity in delivering, after-sales service, and through niche-oriented strategy.

On the other hand, strategic focus dimension tend to be similar to born-global or INV. Even if the entrepreneurs reacted to a threat (e.g. high cost of work force in Italy) initially and for this reason went abroad, they did it proactively, looking for opportunities in countries even completely unknown to them. Soon after establishing the first small production unit abroad they started seeking for more opportunities in the invested country and elsewhere. The consequences are the growth of the foreign subsidiary and establishing subsidiaries in other countries. We can say that in the moment of necessity, the extent and scope of international strategy changed smoothly. The very first information about the country and the initial contact were made through entrepreneur's personal Italian connections. But, the selection of the partner<sup>7</sup> in the foreign country, with whom they developed close and direct relationships, was preferred to intermediaries. When trust and reliability play a crucial role, the entrepreneurs prefer to follow their own instinct rather than external advises. Finally, the case-firms, even if old and mature, proved to be surprisingly flexible in adapting to the new situation and in reacting to feedbacks coming from external environment and circumstances.

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<sup>7</sup> Rialp, Rialp, Urbano, and Vaillant. (2005) refer to customers (not partners) as most studies face the internationalization of SMEs from a market point of view.

### 4.3. *DISCUSSION*

We provided an evidence of a type of internationalization that has not been analyzed by the literature: traditional SMEs that rapidly internationalize operations in a psychic distant country with limited market knowledge, limited use of networks, and limited entrepreneur's international experience. The research drew attention to a new model of internationalization (POI) in addition to already existing models (stage model, born global or re-born global).

Figure 4 shows the time line of case-firms internationalization experience, where we consider that "International commitment" increases by number of activities (e.g. sales, production, sourcing) performed internationally. Although it may look like a stage model (initially focused on national market, sporadic international sales, increasing of international sales, and establishing a production unit abroad), there are two fundamental differences. Firstly, the case-firms expanded their international commitment by establishing directly a production-oriented subsidiary in a country which market was totally unknown to them. Secondly, the previous international experience was mainly in psychic-close markets (e.g. Western Europe or more developed countries). POI differs also from the path followed by born globals for two reasons. Firstly, the firms did not have any international/global vision since their inception or soon after it. Secondly, the first international activities started with some sporadic sales some years after establishing. The case-firms internationalization differs also from born-again globals' pathway as there was no a "critical incident" that pushed the firms towards international activities.

Considering the differentiating factors proposed by Rialp, Rialp, Urbano, and Vaillant (2005) between born global internationalization and stage models (gradualist approach), the research shows that the behavior of the case-firms has a hybrid mix of patterns (see Table 11). Entrepreneur's and management's characteristics (Managerial vision, Prior international experience, Managerial commitment, and Networking) and Organizational capabilities (Market knowledge and market commitment, Intangible assets, and Value creation sources) tend to overlap with the gradualist approach; whereas Strategic focus (Extant and scope of international strategy, Selection, orientation, and relationships with foreign customers, and Strategic flexibility) tend to be in common with the born-global firms.

**Table 11: POI pattern contrasted with INV/born-global and traditional behavioural models**

<i>Key dimensions</i>	<i>Attribute</i>	<i>Born-global/INV theory</i>	<i>Stage models</i>
<i>Founder's (and/or founding team's) characteristics</i>	<b>Managerial vision</b>		POI
	<b>Prior international experience</b>		POI
	<b>Managerial commitment</b>		POI
	<b>Networking</b>		POI
<i>Organisational capabilities</i>	<b>Market knowledge and market commitment</b>		POI
	<b>Intangible assets</b>		POI
	<b>Value creation sources</b>		POI
<i>Strategic focus</i>	<b>Extent and scope of international strategy</b>	POI	
	<b>Selection, orientation, and relationships with foreign customers</b>	POI	
	<b>Strategic flexibility</b>	POI	

The model proposed, as every model, is a way to represent the reality by simplifying some aspects. Even the paths followed by case-firms do not overlap completely. Nevertheless, it seems that the inferred POI model has some potential to improve the competitive position of traditional SMEs providing them with resources/capabilities that allow catching up with the global competition. We think that adding the POI model to the mainstream theories on SMEs internationalization developed through the 80's and 90's can bring under the academic community scrutiny a proposal of a specific advancement of this theoretical body, stimulating, thus, the debate on this research topic. In fact, considering the Oviatt and McDougall (2005)'s model of forces influencing internationalization speed, it seems that the moderating effects of Knowledge and International Network relationships are less influential. These traditional SMEs without a sophisticated technological or process knowledge, with limited international experience, and limited international network internationalized rapidly.

The implications for entrepreneurs and management consist of showing that even if the company is a traditional SME with limited international experience it can go internationally and compete globally. The fact that case SMEs increased their dimension (the number of employees and turnover) suggests that internationalization of production can develop resources which are able to provide competitive advantages; nevertheless, this research line needs more in-depth analysis. Simultaneously, the research warns that establishing a production unit abroad has consequences that last in time for traditional SMEs. It took up to three years of continuous adaptations to stabilize the

new situation causing a period of stress for the company. Therefore, it is necessary to research the consequences of the specific internationalization pathway on organizational elements. Moreover, it suggests policy makers, especially in those countries where the importance of traditional SMEs is high, to develop tools that facilitate not only market-oriented internationalization but also POI.

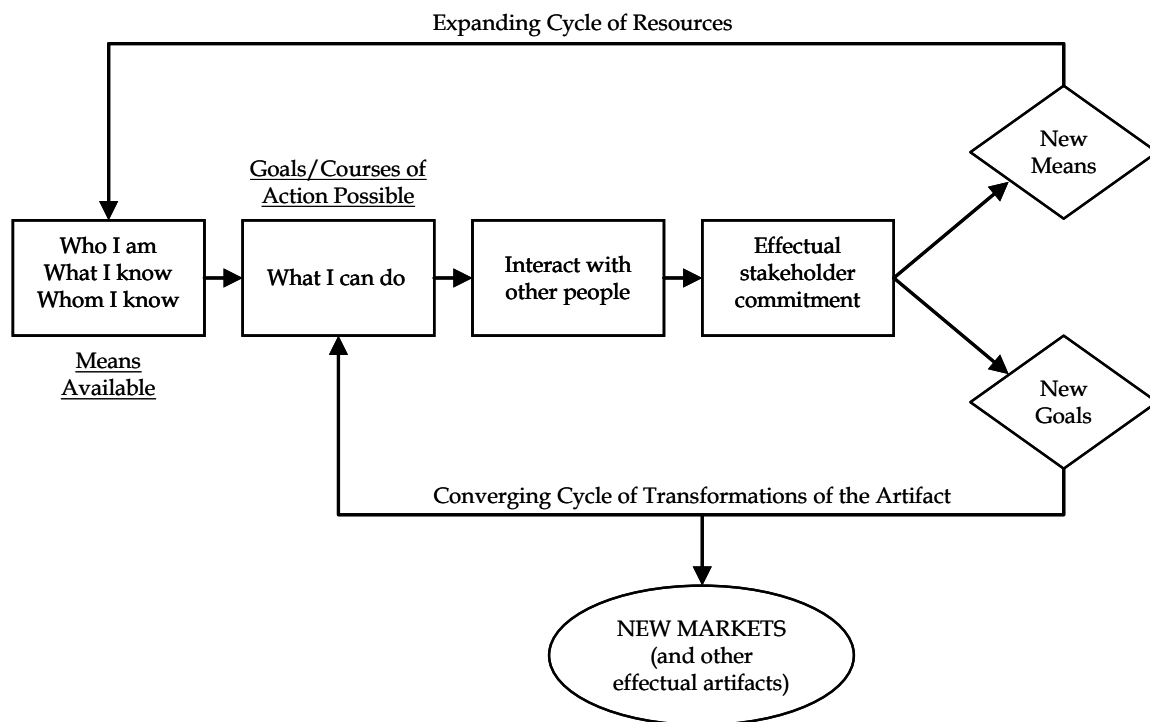
## **5. ENTREPRENEURIAL DECISION-MAKING**

In this chapter, I present firstly the cross-case analysis of the entrepreneurial decision-making process during rapid internationalization of traditional SMEs using the lens of Effectuation; subsequently, I discuss it. In order to make the reading more smoothly I put the within-case analysis and its evidence for each enterprise in the appendix (see 8.3).

## 5.1. EFFECTUAL REASONING IN THE INTERNATIONALIZATION PROCESS

I begin this section by illustrating how the entrepreneurs reacted in front of the threats and how they spot the opportunity to go international. Thereafter, I discuss the steps taken to implement the internationalization and the actual commitment (what it turned actually out to be). Finally, I present how the specific path extended the companies' resources and provided them with new objectives. The presentation of the arguments follows the Dynamic model's structure re-presented hereinafter (see Figure 2).

**Figure 2: Dynamic model of Effectuation**



Source: Sarasvathy and Dew (2005)

### 5.1.1. 'Who I am, What I know, Whom I know' and 'What I can do'

The case firms are manufacturing companies from different industrial sectors. All the firms before internationalizing the production had exported; therefore the management has already acquired some international experience. The entrepreneurs were aware and convinced that they had capabilities and resources to make their products. But the entrepreneurs and their managements did not have any previous experience in FDI and the knowledge (political, legislative, cultural, and

linguistic) of the incoming countries was extremely limited. In other words, the environment was unknown and the level of uncertainty was high.

The companies in the late '90s were threatened by the increasing production costs in Italy and the consequent shortage of sub-contractors and/or were considering the opportunities offered by a commercial expansion in new markets (see Table 4). The entrepreneurs identified clearly that in order to survive under threats or to be able to expand they had to take in consideration the possibilities coming from outside national borders. The ElektroMek's sales engineer, speaking about the entrepreneur, said:

*"I mean, [the entrepreneur] understood only one thing: 'If he [enterprise] wanted to exist in the future, he [enterprise] 'd have to make his products [...] cost less.'."*

Although they started with a "given goal to be achieved or a decision to be made" (Sarasvathy, 2001: p.249), the objective was flexible and the path how to obtain it was not pre-determined. After identifying what they had to do, they analyzed the firm's resources that had provided them sustainable and competitive advantages up to that critical moment. The entrepreneurs asked themselves: "What can I do? How can I react to this critical moment?". AirComp being still competitive by producing in Italy decided to explore new markets in the emergent Eastern Europe. ElectroMek, Plast and Sportswear, aware of being able to make products and of the market potentials of their products, decided to transfer a part of the production in the production low-cost countries. MekMachine, pushed by the increasing cost of Italian subcontractors, decided to find substitutes abroad. The MekMachine's General Manager outlines:

*"The company got to a point that we [management] didn't want to support alone promoting and marketing costs,... costs that involved the development of the brand without any subcontractors' support. Meanwhile the subcontractors were increasing their prices"*

At this point the question consisted in where to internationalize. In order to answer to this question the entrepreneurs addressed people that they knew, connections' network. They did not consult costly consulting companies and they did not performed in-depth market researches. The decision-making process followed two steps.

In the first step, they identified through the domestic (at home, in Italy) network connections a country that was satisfying the main goal (e.g. lower production costs). The information was considered reliable as they obtained it from people that they knew personally. AirComp and ElectroMek obtained the information from institutions such as the Chamber of Commerce. The entrepreneurs had an easy access to the data as they were board's members. Plast obtained information about Serbia from own workers that are 70% Serbian immigrants; Sportswear gathered information thanks to friends (Italian entrepreneurs from the same area) that were already

operating in Romania; and MekMachine used the personal connections in Slovakia of one of its managers.

The second step consisted in considering other factors such as: local laws, logistics, and fiscal discounts. The entrepreneurs chose the first country that satisfied the main goal (e.g. lower production costs) and where the other factors were not disturbing ones. The comparison with the other areas was limited. MekMachine compared the alternatives more systematically than the other companies and it is very well summarized in its General Manager's words:

*“How we arrived to Slovakia is very simple.... considering the facts: Lithuania is too far, simply too far; Romania is too underdeveloped, they are too underdeveloped, it's about the mentality; the Hungarians... The entrepreneur didn't want to consider them because the language is too distant! [...] The entrepreneur experienced Hungary more likely as a place for holidays, where he goes to thermal baths rather than an industrial place. Czechoslovakia... Slovakia appeared to be a good mix. A good mix of experienced companies, availability of personnel, availability of technicians and occasions.... it's unavoidable to say that what we did consisted in sizing an occasion.”*

### **5.1.2. How the ‘Interaction with other people’ took to the ‘Effectual stakeholder commitment’**

Once the country was chosen, the next decisions to be done were: “Where in the country and how?”. In order to answer the entrepreneur and the management started interacting with the contacts in the incoming country. They did not have a previous experience in internationalizing the production, the network in the incoming country was limited, and they did not know which were actually the possibilities and consequently the steps to follow. In fact, these interactions defined the effectual commitment that shifted from the initial entrepreneur's objective through the integration of new and unexpected stakeholders in the project (see Table 12).

Originally, AirComp visited Serbia with a business mission organized by the Chamber of Commerce and guided by AirComp's entrepreneur. The goal was to see the lie of the land for a potential distributor in that country. The entrepreneur met a Bosnian that was selling a competitor's compressors in Serbia and in Bosnia. They decided to start a commercial collaboration that soon was transformed in a joint venture in Bosnia. In fact, AirComp's management realized rapidly the potentials of the new distributor, the lower labor cost in Bosnia and, above all, the necessity of the distributor to know better the product in order to be able to provide after-sales service (key factor in the sector). Consequently, they offered to the distributor the possibility to start assembling the



compressors he was selling. The distributor considered the chances to increment the turnover and to become distributor of own products and accepted the offer. Therefore, AirComp having aimed at selling in Serbia started a joint venture in Bosnia where they assemble and sale in Bosnia and Serbia.

SportsWear produced entirely in Italy until 2002, although most of the Italian enterprises in the textile sector had moved in the low cost countries the production or externalized it abroad. Due to the increasing production costs and to the shortage of the subcontractors, in 2001 the entrepreneur pushed by friends (Italian entrepreneurs in the same sector already present in Romania) decided to look for subcontractors in Romania. Nevertheless, the Romanian subcontractors were not able to satisfy constantly the quality standards. During this experience that lasted two-three months, the entrepreneur met an Italian manager that had been working for many years in Romania in the textile sector. Soon after, SportsWear decided to interrupt the collaboration with the Romanian subcontractors and to establish a 100% owned company in Romania with the Italian manager as director. The Italian manager supported the company in the acquisition of a farm to be transformed in the factory shed (building plots in the industrial zones were much more expensive), in the hiring process and in managing everyday problems with the locals. Therefore, SportsWear having aimed at finding some cheaper subcontractors to externalize a part of the production process established a green field company in Romania keeping internally the operations.

MekMachine, thanks to an own manager, contacted a bigger Slovakian company. It was a decades old company with more than 250 employees. Pushed by the low cost of the semi-manufactured products and by the chance to substitute a relevant number of small subcontractors with a sole partner, MekMachine decided to initiate a long-term relationship with the Slovakian company. Soon after, the Slovakian company was about going bankrupt for former reasons unknown to the Italian machine producer. Thus, the entrepreneur and the general manager decided to take over the Slovakian company and its top management. The entrepreneur told about the main reason undergoing the decision: “...*the first thing we considered was that finally we'd manufacture the machines alone!*”. Therefore, MekMachine having aimed at finding some cheaper subcontractors took over a company in Slovakia and internalized a number of operations.

**Table 12: From the initial decision to effectual commitment**

Company	Initial state			Subsequent development	
	Reasons for the Intl (in order of importance)	Initial objective	Initial information's network	Stakeholders integrated on board	Effectual commitment
<i>AirComp</i>	Market (produce locally to deal locally) After-sale service Low labor cost	Extend market - Selling in Serbia	Chamber of commerce (entrepreneur member of the board)	Bosnian distributor	Joint venture in Bosnia - assembling, selling and after-sales service in Bosnia and Serbia
<i>Electro Mek</i>	Low labor cost	Assembling abroad (subcontractor)	Political institution (entrepreneur member of the board)	-	Green field factory in Slovakia
<i>Plast</i>	Low electricity power cost Tax dodges Proximity to the customer Low labor cost	Produce abroad	Own employees (70% Serbian immigrants)	Own Serbian employees  Italian manager operating in Serbia	Green field factory in Serbia
<i>Sports wear</i>	Shortage of subcontractors in Italy Low labor cost	Find subcontractors that disappeared in Italy - Outsource in Romania (externalize the operations)	Friends entrepreneurs operating abroad (in Romania)	Italian manager operating since many years in Romania	Green field company in Romania - kept the operations internally
<i>Mek Machine</i>	Low cost subcontractor Low labour cost	Substitute Italian subcontractors with low cost ones - Outsource in low-cost country	Own manager's personal connections (with a Slovakian factory)	Slovakian company's management	Acquisition of a big company in Slovakia - internalized some operations

After starting the production unit abroad, the entrepreneurs and the management realized two facts. Firstly, they can extend the objectives of the commitment; secondly, they have new means on disposal. In the following two sections, I describe how the companies changed consequently to the specific path followed.

### 5.1.3. From the conception of 'New ends' to the creation of new artifact

The companies established a subsidiary abroad with the goal to make it work as a production branch of the Italian factory independently from the local territory. The entrepreneurs' idea consisted in executing abroad the simplest operations and the operations with a high incidence of the workforce, exploiting thus lower production costs. The specific path followed during the internationalization, the interaction with other people, and the establishment of a company in collaboration with (unforeseen) stakeholders (e.g. local managers, own employees) caused in most cases an unexpected (see Table 13) change extending, thus, the original objective.

**Table 13: New operations, new activities and unexpected local impact of the foreign subsidiary**

<i>Company</i>	<i>New operations</i>	<i>New activities</i>	<i>Local impact</i>
<i>AirComp</i>	Extended the number of products (more complex) assembled in Bosnia	Sourcing in ex-Yugoslavia After sale service provided directly by Bosnian subsidiary	Creation of independent sister company in Bosnia
<i>Electro Mek</i>	Extended the number of products (more complex) assembled in Slovakia Extended the number of operations (more complex) performed in Slovakia	Accounting for the subsidiary performed in Slovakia (not by Italian unit)	Creation of an industrial zone in a Slovakian town (agreement with the local institutions to provide infrastructures for the ElectroMek's subsidiary and other potential investors)
<i>Plast</i>	Started production of new products through the acquisition of new machines for the subsidiary Differentiated the operations between Italian factory and Serbian subsidiary	Selling in Serbia Outsourcing in Serbia	Local network of subcontractors Creation of independent sister company in Serbia
<i>Sports wear</i>	Extended the number of products through the identification of new subcontractors Internalized new operations (e.g. cutting) in the Italian factory	Outsourcing in Romania (extended portfolio of products) Differentiating the core business	Local network of subcontractors
<i>Mek Machine</i>	Extended the number of products (more complex) assembled in Slovakia Internalized new operations (e.g. painting) in the subsidiary	Projecting, sourcing and selling units in Slovakian subsidiary After sale service provided directly by Slovakian subsidiary	Creation of independent sister company in Slovakia

When Plast started operating in Serbia, they rented a small shed and transferred some presses from Italian factory (the ones with the highest incidence of workforce). By the end of the first year, the management decided to increase the number of operations by transferring other presses. Afterwards they acquired some new presses, not previously owned, only for Serbian factory. Thus, nowadays the productions in Serbia and in Italy are distinct. The Italian factory produces products that require big-sized presses and a high level of automation; the Serbian factory owns medium-sized presses. Besides, the know-how of some products is mostly in Serbia as their production started directly in the subsidiary. Some local Serbian companies noticed the presence of the subsidiary and they entered in contact with it. Therefore, the Plast's subsidiary unexpectedly extended the activities by starting selling finished products and acquiring raw materials locally. Plast's general manager states:

*... now [3,5 years after establishing the subsidiary]we are starting taking some jobs in Serbia... now when they [Serbian companies] understood that we mould there.[...] They arrived in the subsidiary and asked us whether we are capable to mould beer cases for them.*

Among first people to work for Serbian subsidiary were Serbs that previously worked for Plast in Italy. The majority of the workers in the Italian factory are Serbian immigrants and few of them accepted to be transferred. One of them, after having worked for 4 years for the subsidiary, decided to establish an own little factory in the same sector. Plast sized the opportunity and supported him during the initial phases by providing him with some small presses. The new company works 100% for Plast. Besides, Plast identified other subcontractors; in this way, they started creating in Serbia a subcontractors' network as they already had in Italy. At the same time, the entrepreneur decided to increase the investments in Serbia by building a new bigger shed inclusive of a warehouse and office space. In the next future, the management intend to set up a more independent subsidiary with own commercial and acquiring units. Plast's General Manager says:

*My idea is: in Serbia I need to create a company still linked to me, but that company has to become progressively more independent. They don't have to send me back the goods. [...] I want to provide the subsidiary with own local clients. [...] There will be an independent sales office...*

SportsWear went to Romania in order to provide for the subcontractors' shortage in Italy. When they established the production unit, they started performing the operations previously outsourced to Italian subcontractors. But, after only two months, SportsWear transferred even some operations they were performing internally to the Italian factory. The transfer was gradual but quick. After six months 40% of the production was performed in Romania. By moving the standard production abroad SporsWear freed a part of the workers. These workers were committed to the more value-added operations as prototyping and quality control. Besides, Plast was able to extend the number of operations performed internally. They internalized the cutting. Thanks to a constant presence in Romania, SportsWear entered in contact with some supply chains precluded them in Italy (due to the overstocked market and oligopoly in those sectors). The entrepreneur recognized the opportunity to extend the products portfolio. Therefore, SportsWear integrated unexpectedly own collections with some products (e.g. coats) produced for SportsWear by Romanian subcontractors. Sportswear's entrepreneur refers:

*I found in Romania the environment much easier to penetrate. Anything I want to make (trousers, T-shirts ...) I can find an answer. Before [in Italy] in this sector, to find a subcontractor I needed 10 times the time I need in Romania. In order not to spend 10 times more, I stopped. [...] To make the coats I didn't know where to go in Italy, there [in Romania] it's been easy.*

*The essential advantage, i.e. from the market's point of view, consists in the possibility to extend completely the range of products. Therefore I became a 360 degrees manufacturer*

Contemporary, the Romanian subsidiary increased the number of employees and started outsourcing locally. Today, there are five to ten subcontractors that are working directly for the Romanian subsidiary. Thus, they recreated in Romania the subcontractors' network as they had in Italy. During last years the cost of the workforce in Romania increased. Therefore, the entrepreneur asked himself: "What should I do with the subsidiary when the production cost becomes too high?". He remembered that originally the factory shed was a farm. So, he developed a plan to readapt it to a farm. He bought more land and collected information. In this way, the company started diversifying its activities. Sportswear's entrepreneur once more:

*... I'm thinking about transforming it in the agricultural zone when it becomes not interesting from the production perspective. The subsidiary can have another aim and proceed with a parallel activity.*

Concluding, in all the cases few months after starting the production abroad, the new objectives included extension of the number of operations in the foreign subsidiary, extension of the number of activities in the foreign subsidiary, and connection of the foreign subsidiary with the local territory.

Therefore, the subsidiaries from a simple and passive production unit abroad became, by the interaction with other people met along the path and by the modification of the objectives through the entrance of new stakeholders, a new artifact. They developed the subsidiaries in effectual sister factories with an own structure able to contribute actively to the newly formed Group.

#### **5.1.4. From the creation of 'New means' to 'Who we are, What we know, Whom we know'**

Establishment of a production unit abroad provided companies and entrepreneurs/management with new means. They expanded the resources and the knowledge through the interaction with other people, 'taking on board' new people (effectual stakeholders), and the direct experience. The specific path followed had three main consequences on the management and the entrepreneurs.

Firstly, it changed them and their perception of themselves (who we are). The entrepreneur and the management, as well as the low level employees, consider their companies as a small international firm. AirComp's entrepreneur says:

*[Employees] changed. Before there was a tendency to say: 'No, no!' to the internationalization. They were afraid about losing their job as the production would be transferred abroad. But, after a year and half they realized that the production increased even thanks to the [Bosnian] subsidiary. They realized: 'Ah, ok! We can repeat the stuff [internationalization].'. Today, they are open to new experiences; they ask us to go even more international!*

Consequently, the management changed the way of presenting (or branding) the company towards both the clients and the employees. For example, Plast presents itself to the clients as a flexible international company, although still medium-sized. They are capable to deliver products at a lower price but longer delivery time (by producing in Serbia) or, vice versa, at a higher price and shorter delivery time (by producing in Italy). Plast's General Manager's words:

*I had to manage different lead times. A client can ask me to transfer a certain production in Serbia because he wants a lower price. Ok! No problems! I can do that, but he has to know that the delivery time now it's not anymore 15 days, but it's 20 days. Besides, transferring the production in Serbia implies longer amortization times, so I want long term contracts.*

AirComp and MekMachine use the new branding to communicate that they are capable to provide high level after-sale assistance locally. On the other hand, when hiring new personnel the companies in the job description underline the possibility to have international experience. Plast's entrepreneur speaking about the workers' attitude towards the internationalization of the activities says:

*At the beginning there's a lot of resistance, it seems that you want to take from them everything! [...] But, by the passing of the time the people understood [...] When they realized that the factories that hadn't internationalized were bankrupting and our company grew and became larger, this was a reason of pride! From being a negative aspect, it passed to be something very positive.*

Secondly, the path extended the knowledge in their possession (what we know). The companies learnt how to establish a subsidiary abroad. They learnt what kind of problems could arise and what kind of professional support (e.g. juridical, accounting) they need. Every entrepreneur took the internationalization as a challenge. They did not know what to expect,

whether they were able to do it. But now, the companies are aware of their potentials: although small, they can go international. AirComp entrepreneur states:

*Definitely [the internationalization experience in Bosnia] from the strategic point of view told us: 'Ok! We can do it!'. In other words, we can go to India, we can go.... i.e. often the difference between thinking and making it happen consists in being convinced that you can do it.*

And MekMachine's General Manager:

*The main advantage from the strategic point of view consisted in forcing technicians and management to understand that they can take the company worldwide. This is fundamental. People [...] that have never slept outside own home... Somehow we convinced, motivated, forced, and commanded them to change the environment where they used to work. [...] Now they know that we can go worldwide.*

Thirdly, the path extended the network of the people they know (Whom we know). On one hand, the entrepreneur, the management and the employees in contact with the foreign subsidiary established professional and personal relationships with foreign employees and other people in the foreign country. On the other hand, the entrepreneurs and the management entered in contact with Italian professionals expert in international business. They supported the companies in bureaucratic, legal and administrative issues; in addition, AirComp, ElectroMek and Plast employed a person, capable to speak the language of the incoming country, to manage administrative issues. In this way, the companies extended the means on their disposal, integrating them among the own resources. This increased the general attitude in understanding foreign specific cultural, mentality, religious, and linguistic aspects. Sportswear's entrepreneur reported:

*[Internationalization] is a great aid because it allows to penetrate and to understand certain dynamics. [...] Now we've made an [international] experience; it allows us to think and to be open to any possible future event.*

I noticed similar comments also in other cases:

*[The international experience] provided them [employees] with the awareness of being able to do something abroad. Now they can go to China even if it is far more complicated. They can go there because they got the mental attitude to think internationally, because they are able to face the problems, and because they know people capable to help them. [ElektroMek's Sales Manager]*

The path followed allowed all the companies to take in consideration further international expansions (see Table 14). The following internationalizations involved fewer efforts thanks to the

experience acquired and means available. In other words, the entrepreneur and the managers knew what to do.

*If I have to make it [internationalize] again I will be very clear about all the things that I need around the factory! Whereas, when we went to Serbia, we thought only about to establish our own factory – we didn't care about the surroundings. We didn't face the external world that was there. It was a mistake... we thought that there [Serbia] it was as it was here [Italy]. That was inexperience, sure. Today, we have that experience and we'd face the internationalization in another way. [Plast's entrepreneur]*

*After the Romanian experience, establishing a factory in Albania was easy! We knew what to do. [SportsWear's entrepreneur]*

It is interesting to notice that in the subsequent expansions abroad AirComp, Plast, MekMachine and partially ElectroMek and Sportswear followed a more systematic approach, adopting causal thinking rather than effectual logic in making decisions. They started from a concrete problem; they identified a number of possible solutions evaluating pros and contras of each. They reduced the choice on two or three solutions with best scenarios; they analyzed more in-depth them and, finally, they implemented the solution with the best scenario.

Plast is considering to establish another production unit. They are taking in consideration two groups of countries. On one hand, the countries, such as Bulgaria, in order to be closer to the big multinational clients that in the next future will move their production to the ex-soviet countries. On the other hand, countries, as Saudi Arabia, for the proximity to the suppliers (plastic compounds producers).

When AirComp decided to attack the South-American market they took in consideration the market potentials of each country and chose Brazil as the most promising one. In order to enter more effectively in the market they looked for a company capable to (in order of importance): market, provide after sell service, manufacture, and design the compressors. Designing capabilities are useful in adapting the EU products to the Brazilian standards. The first research produced a total of about 20 potential partners. Three were chosen for a more in-depth investigation. The three companies had equivalent technical skills; they decided to start a joint venture with the company which entrepreneur had Italian origins and could speak Italian as thus the communication would be less problematic.

Finally, in all cases we can say that the different perception of themselves, the extension of the knowledge, and the extension of the network expanded the resources available to the companies. The original locally oriented SMEs became truly international SMEs, able to operate globally. They



consider opportunities/threats coming from different corners of the world (Asia, South America, North America, Middle East) (see Table 14).

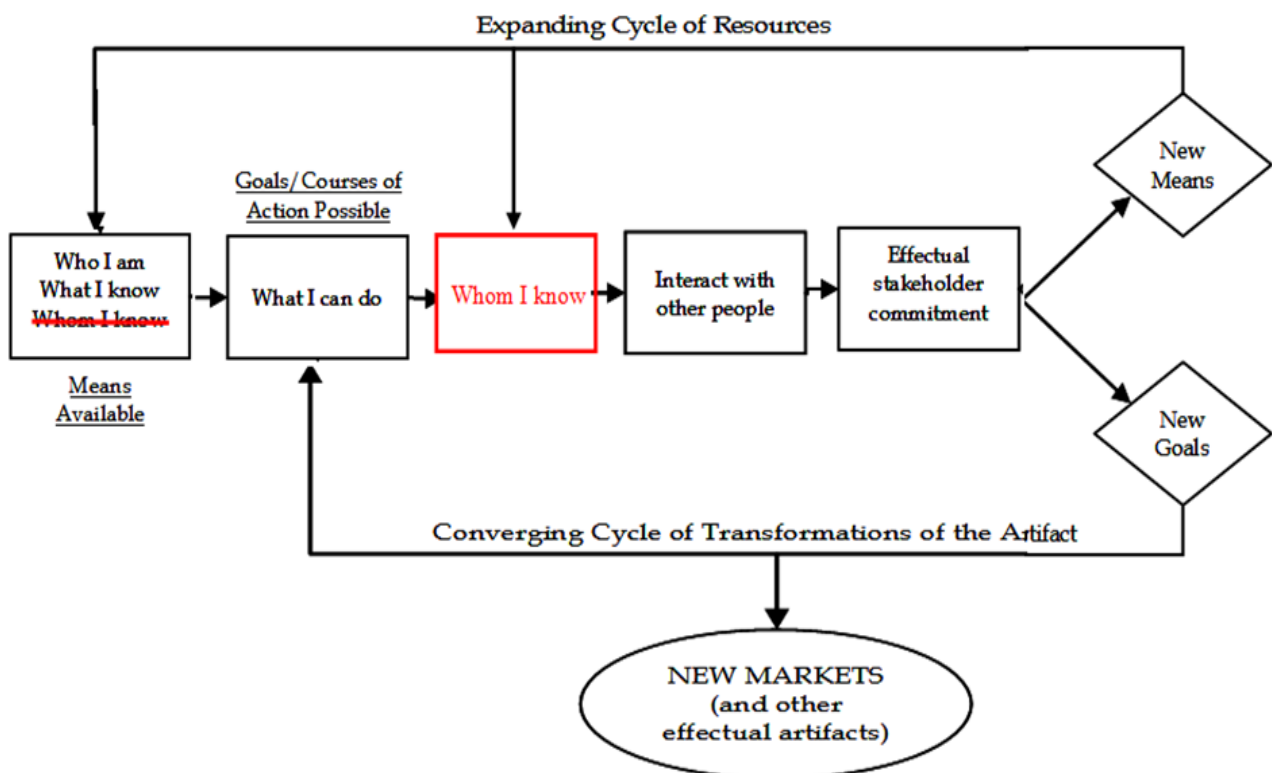
**Table 14: Further internationalizations and the activities of the subsidiaries**

<i>Company</i>	<i>Where</i>	<i>Activities</i>
<i>AirComp</i>	Brazil	Production, sourcing, selling
	Poland	Production, selling
<i>Electro Mek</i>	China	Production, sourcing, selling
	USA	Selling
<i>Plast</i>	planning in Arabia or Bulgaria	Production, selling or sourcing
<i>Sports wear</i>	Albania	Production + differentiation of core business (real estate)
	Japan	Selling
	planning USA	Selling
<i>Mek Machine</i>	England	Projecting
	planning Belgium	Producing (vertical integration)

## 5.2. DISCUSSION

The research explored the entrepreneurial decision-making in SMEs (of experienced entrepreneurs in already existing organizations) during the internationalization process of their activities. The internationalization in an unknown country with limited resources typical of a SME is a phenomenon characterized by low predictability, but the future is primarily influenced by human action rather than nature. It is the human action and interaction with the other stakeholders that shape the future. Such phenomena are particularly challenging because they are characterized by the third type of Knightian uncertainty, goal ambiguity, and environmental isotropy (Sarasvathy, 2008). I found that in such situations also experienced entrepreneurs of already existing organizations (SMEs) tend to adopt effectuation logic rather than casual one. Dynamic model of Effectuation (Figure 2) illustrates well their decision-making process with some exceptions (see Figure 5).

Figure 5: Dynamic model of Effectuation in the Internationalization of SMEs



The entrepreneurs start with clear general goal, i.e. they want their firm to survive or to expand. They are experienced and successful entrepreneurs and they identified some opportunities in the foreign markets. But, how to obtain the advantages from the internationalization and which kind of internationalization to perform are not clear. The general goal has not been translated into

specific “*sub-goals that can be actually acted upon*” (Sarasvathy, 2008: 113). The sub-goals, such as the choice of the foreign country, the partners, the type of internationalization, and the operations to be internationalized, are all products of the interaction with other people that may or not come on board and become the effectual stakeholders.

Before or while investing in the foreign country the companies did not prepare any business plan trying to predict the correlation between the investment and the profit. Probably it was due to the fact that the entrepreneurs and their managers were not able to develop different possible scenarios (because of the lack of information<sup>8</sup> or capabilities), they did not have a fix goal, and did not know which information in the environment were valuable (foreign country). The companies proceeded by small steps investing time and resources that the entrepreneur could take away from Italian company without damaging it. The decision-making process followed the principle called in the effectuation theory ‘affordable loss’. Even once they decided to start producing abroad they proceeded gradually leaving always open the possibility to turn back. The number of employees increased gradually. They started performing abroad the simplest operations increasing gradually their number and complexity as the entrepreneur’s trust was increasing.

The results of the internationalization process are: an effectual stakeholder commitment (an abroad subsidiary), new goals and new means. The effectual stakeholder commitment is the established foreign subsidiary (see Table 12). New goals consist in the extension of the number of operations in the foreign subsidiary, the extension of the number of activities in the foreign subsidiary, and the connection of the foreign subsidiary with the local territory (see Table 13). New means are the resources acquired and the capabilities developed necessary for further internationalizations (see Table 14). Considering the Dynamic model of Effectuation (Figure 2), on one hand new goals contributed in the creation of a new artifact; an effectual sister factory with an own structure able to contribute actively to the newly formed international group. On the other hand, new means expanded the resources in the possession of SMEs; the original locally oriented SMEs became truly international SMEs, able to operate globally.

In the study, I noticed a difference between the Dynamic model of Effectuation (Figure 2) presented by Sarasvathy & Dew (2005) and what we found (see Figure 5). The entrepreneur starts the decision-making process by analyzing ‘Who I am’ and ‘What I know’; but the analysis of ‘Whom I know’ comes after investigating ‘What I can do’. I suppose that the difference consist in the fact that the entrepreneurs in our sample are experienced as in the Sarasvathy & Dew’s work but they are part of already existing organizations (SMEs). When facing a problem, being part of an organization, they at first glance try to understand the possible solutions basing their evaluation on

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<sup>8</sup> due to the lack of resources, typical for a SME.

the capabilities and resources already owned. In small organizations the entrepreneurs are usually the only ones that have an overall view of it, and only if the solutions can not be implemented turning to internal connections, they address the network.

I noticed as well that during the development of the subsidiary the entrepreneurs tend to use still effectuation logic, where as in the subsequent expansions abroad the entrepreneurs used a more systematic approach adopting casual logic in decision-making. This is probably due to the fact that from the first production-oriented internationalization they learnt how to do it, which information are crucial, and which variables are important to be taken in the consideration. On the other side, the development of the subsidiary presented still the characteristics of the effectual problem space. Therefore, we concluded that entrepreneurs are not *a priori* more oriented towards a specific type of logic, but the logic used depends on the characteristics of the phenomena.

Moreover, the research confirms the main findings of the principal approaches and theories used in studying the internationalization of SMEs. The network (Oviatt & McDougall, 2005) is important in establishing first contacts abroad and exploiting opportunities although the importance of the international network relationships seems less evident. We could notice that facing the threats/opportunities, one of the very first entrepreneurial actions consists in analyzing the own company from Resource-based view (Peng, 2001). The entrepreneurs decide to face threats/opportunities on those resources that had brought and still bring competitive advantages. As in Organizational learning approach, we observed that a greater absorptive capacity of internationalized firms (in terms of the information they need) (Autio, Sapienza & Almeida, 2000) helps to enter easier additional countries. Finally, the study confirms that the internationalization builds capability for additional market entry as confirmed by studies that used Dynamic capabilities approach (Sapienza, Autio, George & Zahra, 2005).

More and more studies are contemporary adopting different approaches to explain better the phenomenon (e.g. Oviatt & McDougall, 2005; Johanson & Vahlne, 2003). The combination of different approaches has been acknowledged “by Autio and Sapienza (2000), Autio et al. (2000), Sharma and Blomstermo (2003) and Zahra et al. (2000, 2003)” (Rialp, Rialp & Knight, 2005: 162), Hadjikhani and Johanson, (2002) and Dimitros and Jones (2005) among the others. Thus, during last years several studies (e.g. Dimitros & Jones, 2005; Chandra, Styles & Wilkinson, 2009) identified the necessity, in order to achieve a deeper knowledge about the phenomenon, for a “*new approach that embraces a more holistic view of internationalisation*” (Fletcher, 2001: 29) or for combining different established theories and modern frameworks (Rialp, Rialp & Knight, 2005). I believe that Effectuation is able to fill this gap. Effectuation considers the relationships with the

stakeholders, the increasing of the knowledge and some aspects of the resource-based view integrating, thus, different approaches.

On the other hand an increasing number of researchers underline that International Entrepreneurship (IE) has been limited by scarce use of entrepreneurship theories. (Chandra, Styles & Wilkinson, 2009; Zahra, 2007; Zahra, Korri & Yu, 2005; Dimitros & Jones, 2005; Jones & Coviello, 2005). Effectuation is a theory of the entrepreneurship based on the methods from cognitive science and behavioral economics. The entrepreneurs' opportunity "recognition" has a crucial role. I believe that applying Effectuation in the IE field allows considering the uniqueness of the field, avoiding the transportation of the traditional International Business theories.



## **6. ORGANIZATIONAL CHANGES**

In this chapter, I present firstly the cross-case analysis of the impacts of organizational changes on the organizational elements due to the rapid internationalization in the traditional SMEs. Secondly, I analyze the pace and scope of the organizational change. Finally, I discuss the findings. In order to make the reading more smoothly I put the within-case analysis and its evidence for each enterprise in the appendix (see 8.4).

## 6.1. CHANGES IN THE ORGANIZATIONAL ELEMENTS

This section describes what changed in the case firms' organizational elements consequently to the internationalization of production. Firstly, I identified adaptations or replacements (what I called micro-level changes) in each company as the interviewees identified them. A list of micro-level changes and their description per each company is in the Appendix (see 8.4). The micro-level changes were distinguished in two categories: adaptations and replacements (Table 15). Adaptations are those micro-level changes that emerge from local improvisation and learning. They can be seen as updates to current processes or practices. Whereas, the replacement is when a process or procedure replace another. It emerges that the adaptations were consistently more frequent than replacements.

The analysis has been done independently by other two researchers as described in the Method section. Finally, I presented the results to the entrepreneurs. No major disagreements emerged nor among researchers nor from the firm's point of view. Subsequently, I linked every micro-level change to the organizational elements that it had affected (see 8.4). A single micro-level change affected up to four organizational elements.

**Table 15: Adaptations and replacement**

		<i>number of adaptations</i>	<i>number of replacements</i>	<i>total number of micro-level changes</i>
<b>Firms</b>	<i>AirComp</i>	12	6	18
	<i>ElectroMek</i>	9	6	15
	<i>Plast</i>	8	3	11
	<i>SportsWear</i>	13	6	19
	<i>MekMachine</i>	4	11	15

Each firm faced at least one change in all the seven organizational elements (Structure, Strategy, Systems, Shared values, Style, Staff, and Skills). The total number of changes is considerable for all the companies. In the Table 16, I reported for each organizational element the causes of instability, the problems that consequently emerged and the changes adopted by the firm.



**Table 16: From the instability to changes in organizational elements**

<i>Causes of instability</i>	<i>Problem</i>	<i>Change</i>	<i>Consequences on the org. element</i>	<i>Org. element</i>
<p>Psychic distance (Johanson and Vahlne, 1977)</p> <p>Possibility to produce at a lower cost abroad</p>	<p>Communication between Italian headquarter and foreign subsidiary</p> <p>Overmanning of the work force in the Italian factory</p> <p>Increased administration work</p>	<p>More precise and explicit definition of roles, key positions and, relations among different units</p> <p>Workforce re-directed to other units (e.g. after-sale service, designing)</p> <p>Employment of new administrative staff</p>	<p>Structure more precise and less flexible</p> <p>Major impact of the techno-structure</p>	Structure
<p>Higher number of everyday problems</p> <p>Higher costs of wrong decisions</p> <p>New market opportunities</p>	<p>Tackling the problems reactively</p> <p>Not possible to relate on the entrepreneur's intuition</p> <p>-</p>	<p>Organization of meetings to forecast potential problems and anticipate them</p> <p>Adoption of a more systematic approach in adopting strategic decisions</p> <p>Outsourcing in incoming countries</p>	<p>More proactive strategy</p> <p>Strategic planning more prudent and accurate</p> <p>More international-oriented decision-making process</p>	Strategy
<p>Lost of the control on production processes</p> <p>The same product is produced in different plants</p>	<p>Extension of lead times</p> <p>Lower quality of the final products</p> <p>More complexity in the flows of raw materials, semi-finished products, and finished products</p>	<p>More quality control and adoption of new time and quality control systems</p> <p>Implementation or improvement of material and production planning systems</p>	<p>Time and quality control systems became more complex but more reliable</p> <p>Material and production planning systems more precise and reliable</p>	Systems
<p>Different costs of the workforce</p> <p>International (low cost) competitors</p>	<p>Fear of the workforce to lose the job</p> <p>Mistrust of management</p> <p>Need to be competitive in different international markets</p>	<p>The company expanded and, consequently, hired new personnel</p> <p>Management and workers spending more time together</p> <p>Internationalization</p>	<p>Reduced resistance to change</p> <p>Major cohesion between management and workers</p> <p>Entire company (including workers, management, and entrepreneur) became more international oriented (Internationalization seen as a positive element)</p>	Shared values
<p>Increment of the firm's complexity</p>	<p>Impossibility for the entrepreneur to control everything personally</p>	<p>Delegation of duties and responsibilities</p> <p>Involvement of managers in the decision-making</p>	<p>The style became less centralized and more participative</p>	Style
<p>Possibility to produce at a lower cost abroad</p>	<p>Overmanning of the work force in the Italian factory</p>	<p>Internalizing of new activities or improving the existing ones</p> <p>Workers rotated across</p>	<p>Increased workers' multi-functionality</p> <p>Less specialized but</p>	Staff

Need for more internationally-oriented and flexible employees	Firms used to motivate employees and managers pointing on stable and fixed work place	different units to learn different activities Italian workers used as tutors to train workers in the foreign subsidiary Motivation is based on the possibility of learning new knowledge/capabilities and having international experience	more flexible workers  Change in the staff's motivation process	
Lost of control on production processes  Psychic distance	Extension of lead times Lower quality of the final products  Communication between Italian headquarter and foreign subsidiary	Implementation or improvement of planning and control systems Increased formalization of procedures and technical schemes	Planning and control capabilities improved  Formalization skills improved throughout the entire company	<b>Skills</b>

Following part describes what changed across all five case-firms in each organizational element.

### 6.1.1. Structure

The psychic distance from the Italy and the differences in language and mentality caused a number of communication problems. Before the internationalization of the production, the firms' structure was extremely flexible; often the definition of managers' roles/key positions and of the relations among different units were implicit, imprecise or missing. In order to provide clear references for the foreign employees/managers to improve and speed up the communication process, the definition of managers' roles/key positions and of the relations among different units were made more explicit and precise.

The possibility to produce abroad at a lower cost, mainly due to the low labor cost, allowed the companies to transfer a higher number of the operative activities abroad. In this way, the number of employees abroad raised and had a double impact on the structure of the company in Italy. Firstly, a number of workers were trained and moved to other positions, such as after-sale service or designing; secondly, it was necessary to employ new administrative staff able to manage international documents. Thus, it has been observed a higher impact of the techno-structure.

### 6.1.2. Strategy

While performing the internationalization of the production, the entrepreneurs and the management faced a higher number of everyday problems than usual. As reported by the

respondents it was not anymore possible to tackle them reactively but it was necessary to foresee at least a part of them and to anticipate the potential problem. This changed the strategy in facing everyday problems, passing from reactive to proactive mindset.

Often the strategic choices in SMEs are strongly influenced by the entrepreneur's intuition. This was the case of the firms in the sample, too. Due to the fact that the mistakes committed during the process of the internationalization of the production are significantly more costly than the same mistakes committed at home the entrepreneurs became more prudent and accurate in planning. Now, they follow a more systematic process in adopting strategic decisions.

Operating in different countries with different costs and market opportunities provided firms with more strategic options. Thus all of them started outsourcing in the incoming countries, an activity that was not forecasted before the internationalization of the production in those countries. The firms consider more strategic options.

### **6.1.3. Systems**

When the firms brought outside home factory some production phases they lost the control on a part of the production process. The shipment of the raw materials from Italy to foreign subsidiary and of the final products or semi-finished products back is performed a limited number of times per month. Delays and quality issues have a deep impact on the final cost of the products and on the customer satisfaction. In order to remain competitive, it was absolutely necessary to improve and, eventually, implement new time and quality control systems.

After the internationalization of the production the firms started having two plants. The flows of raw materials, semi-finished products and finished products became both ways and more complex. Often raw materials are purchased in Italy, a production phase is performed abroad and the personalization of the product is carried out again in Italy. Thus, they improved or implemented material and production planning systems.

### **6.1.4. Shared values**

When the entrepreneurs decided to internationalize the production, the employees were afraid that they would lose their job as the whole production would be transferred abroad. But this did not happen. Four companies even increased the number of employees in Italy (see Table 7). MekMachine after decreasing in a first moment the number of employees due to the previous structural problems, later started hiring new personnel and, at the same time, the people that remained were trained and qualified. Besides, after establishing the company abroad, it was

necessary for the Italian workers and managers to visit the subsidiary to train and assist local workers. During business trips the internal barriers between managers and workers were broken and the mutual knowledge improved. The effects are that the workers increased the trust towards the entrepreneur and the managers, now the change is seen as a positive element and not suspiciously.

Furthermore, whole the company is more international oriented. The entrepreneurs expanded their business horizons from locally or nationally oriented to the entire world; if they have to establish a new company today, they would plan it as Born Global, organizing it immediately ready for the production and sales internationalization. And the employees themselves see a further internationalization as a positive element.

### **6.1.5. Style**

The enterprises in the North-eastern Italy are characterized by a huge influence of the entrepreneur. This was certainly the case of our sample. Nearly, all the decisions had to be approved by the entrepreneurs, all the important decisions were made exclusively by the entrepreneur and the managers, if existed, were considered a little bit more than experienced workers. The establishing of a production unit abroad involved physic impossibility for the entrepreneurs to control everything personally and an increment of the firm's complexity. Thus, they changed the style in governing the firm, delegated more duties and responsibilities to the managers and in the decision making process are involved more people. The style became less centralized and more participative.

### **6.1.6. Staff**

Transferring a number of production activities abroad allowed freeing some workforce in Italy. This let the companies to act in three directions. Firstly, Plast, SportsWear, and MekMachine internalize new activities that previously were carried out by subcontractors; AirComp, ElectroMek and MekMachine strengthened the after-sale service. Secondly, in all the companies the workers were rotated, becoming less specialized but more flexible. Thirdly, in all the companies the workers from Italian factories were used to teach and train the workers abroad. In this way the workers' job description changed and their multi-functionality was increased.

Before internationalizing the production, the firms motivated the employees and managers pointing on a stable and fixed work place. Afterwards, the motivation is based on the possibility of learning new knowledge/capabilities and on the possibility to have an international experience. Thus, the employees' and managers' motivation process was changed.

### **6.1.7. Skills**

The loss of the direct control on the activities carried abroad and a higher complexity of material flows caused extension of delivery times and loss in the quality of products. In order to regain the control the firms implemented or improved the planning and the control systems. As consequence, they increased the capabilities in planning and control.

While having all the company in a unique site, an important number of information was orally transmitted including that regarding production instructions and technical schemes. By the internationalization of the production, new problems emerged related to the cultural distance (the employees in Eastern Europe are used to receive more precise instructions than Italian ones), the language diversity (the terms used had to be precisely defined and unequivocal), and the physical distance (often it was impossible to explain some activities by showing them or to intervene in case of difficulties). Therefore, the firms increased the formalization of procedures and technical schemes.

In the new subsidiaries it was necessary to train the workers and still necessary to do it whenever a new operation is transferred abroad. Besides, everyday activities imply communication between Italian managers and the corresponding ones in the foreign subsidiary. Thus, the firms developed their communication skills, improving particularly the knowledge transmission.

## **6.2. PACE AND SCOPE OF THE ORGANIZATIONAL CHANGES**

In this section, I analyze the organizational change from point of view of pace and scope. Considering Plowman et al. (2009)'s four types of change (Table 2, paragraph 2.3.2), case firms faced continuous and radical organizational change.

The driver of the change was the internationalization of production. The case firms were locally-, or, at maximum, nationally-oriented. The overseas contacts were limited to entrepreneurs and sales managers. The establishment of a production unit abroad exposed the organization to a different environment. At the beginning, the foreign investment was limited and affected a limited number of people (entrepreneur, some managers, and few skilled workers) and processes (limited number of operations on few products). Nevertheless, as fast as the subsidiary's involvement grew, due to its small dimension, the exposure became permeable throughout the entire company. The newness of managing two different plants and the psychic distance generated substantial system instability.

Considering the Table 15, it emerges that the form of the (micro-level) changes was largely adaption rather than replacement. Previously to the internationalization of production, the firms were successful SMEs. The entrepreneurs were reasonably resistant to replace well-trained and established processes, practices or orientations. They preferred to adapt them to the new situation; although, often small adaptations accumulated, gathered momentum and transformed radically original processes, practices or orientations. Thus, new rules emerged and replaced the existing frames.

Considering the analyzes in the previous section (6.1), it is clear that the changes were system-wide. Although they affected all seven organizational elements and different units, the changes were unintended, emergent. SportsWear's entrepreneur told that almost every day he had to tackle a new, emergent problem that had not been foreseen. Continuously, they had to adapt themselves (the Italian headquarters) to the new situation and sometimes there was no time to think about potential future problems.

The production cost savings were the main positive feedbacks that encouraged the entrepreneurs to continue investing in the foreign subsidiary. Tightened connections are a characteristic of case SMEs: small organizations with a high number of interconnections, with managers often responsible of more than one unit (e.g. marketing and sales, production and IT) and with employees that receive orders by more than one manager. Because of these types of connections and favored by positive feedbacks, small local adaptations accumulated and became a

radical change. The expansion of the foreign subsidiary caused an increasing system's instability and revealed the correspondent problems (negative feedbacks) (Table 16). The solution provided in form of adaptations or replacements (micro-changes) helped the entrepreneur to keep manageable the instability. According to what referred by interviewees, it took between two and three years to normalize the new system. The firms were in a state of bounded instability far from equilibrium (Plowman et al., 2007), driven alternatively by positive and negative feedbacks. Only when the situation was stabilized, the firms started thinking about following internationalizations.

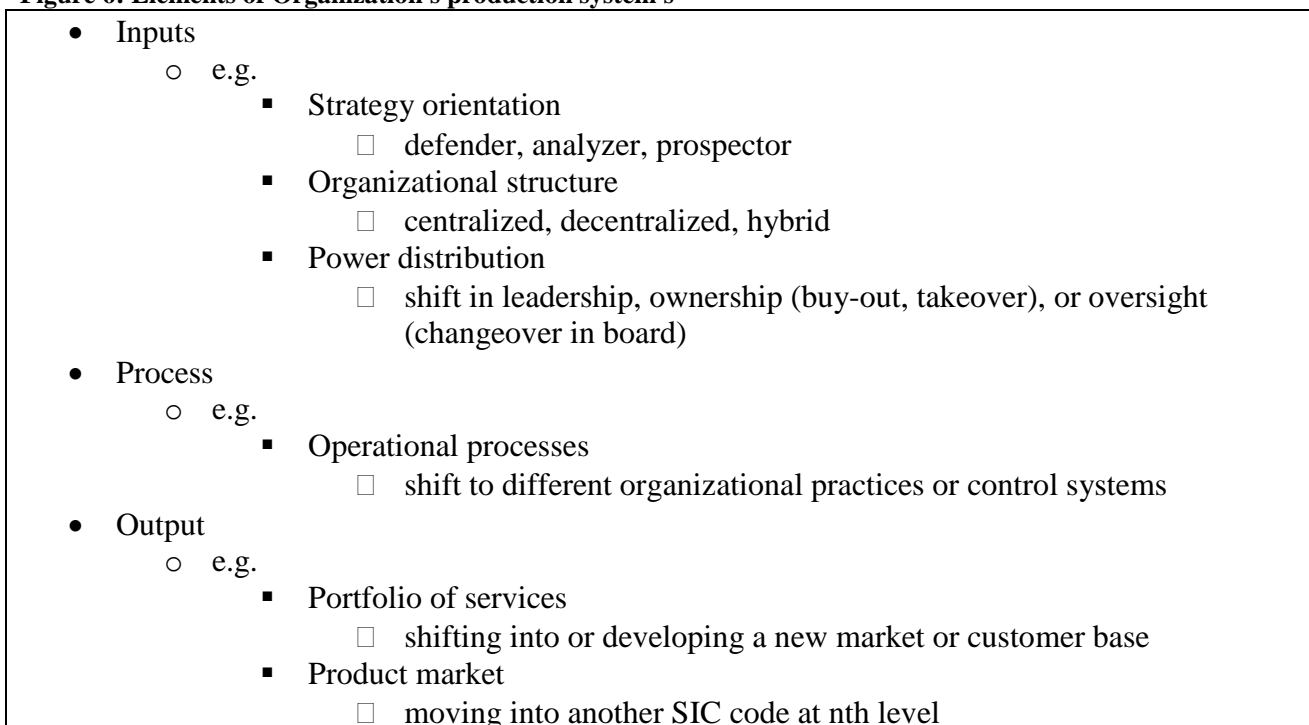
Following the theoretical framework proposed by Plowman et al. (2007) (Table 2), Street and Gallupe (2009) operationalized the pace and scope of organizational change in order to be able to compare different studies and integrate the results. Hereinafter, I present the operationalization of the constructs and, consequently, I categorized the changes observed.

Regarding pace, Street and Gallupe (2009) started from the premises that "*the definition of episodic change recognize that organizations still experience regular smaller-order changes between episodes*" (p. 6). They state "*if the temporal length of a prior continuous change period is at least more than double the length of a subsequent episodic change period, then the change could be considered as being episodic*" (p. 7). They decided to consider the double of the length as "*in many branches of scientific research a qualitative change between two observations is unmistakably regarded to have occurred when a base measure has doubled or halved in value relative to some starting point*" (p. 6). From analyzes emerges clearly that the changes consequent to the POI were spread in a period of two to three years. It took more than two years to normalize and stabilize the situation now that the firm was producing in Italy and abroad. The firms had to fix a series of emergent problems that was not possible to tackle at once. After adapting a specific unit to new situation, soon after that the firm had to adapt some other unit or process. It can be described as a long, uninterrupted period of transformation. Only when the situation with new foreign subsidiary stabilized, the entrepreneurs started thinking about new bigger challenges; such as other internationalizations.

Regarding scope, Street and Gallupe (2009) proposed that we are in presence of convergent type of change when changes occur in only one element of organization's production system at time. Organization's production system comprises inputs, processes and outputs (Figure 6). "*Inputs refer to the characteristics that influence how the organization operates [...] Processes refer to how things are done or goals are accomplished [...] Outputs refer to the end result of an organization's production process.*" (Street & Gallupe, 2009; p. 8). The researchers provided a categorization example of the elements of organization's production system. Thus, inputs are divided into strategy orientation, organizational structure and power distribution; processes can be

seen as operational processes; and outputs can be distinguished in portfolio of services and product market. Analysis reveals that changes occurred in parallel to more elements, indicating that the change was radical. For example, inputs changed as organizational structure became less centralized with delegation of power to the management and the strategy passed from being nationally-oriented to internationally-oriented. Contemporary, some processes changed since the firms adopted new time and quality control systems and implemented or improved material and production planning systems.

**Figure 6: Elements of Organization's production system's**



Source: Street and Gallupe, 2009



### **6.3. DISCUSSION**

This section explored what changes in the traditional Italian SMEs when they internationalize the production from point of view of organizational elements and how the change occurs from point of view of pace (continuous) and scope (radical). Previously, Nummela, Loane and Bell (2006) investigated the change related to commercial internationalization on the company, focusing the inquiry on knowledge-based or knowledge-intensive born global and born again global firms. This study supports the findings of Nummela, Loane and Bell (2006) by confirming that a SME when performing the internationalization faces a number of changes in different areas. It confirms also that different types of changes are linked and intertwined. The case studies companies, effectively operating since many years in Italy, started the internationalization process in the Eastern Europe in the early 2000s aiming mainly in reducing production costs. Due to the short geographic distance and the entrepreneurs experience in conducting a SME, it was logic to expect a limited number of changes in the organizational elements (Structure, Strategy, Systems, Shared values, Style, Staff and Skills); at the contrary, internationalization of production affected consistently each organizational element. In fact, the entrepreneurs during the respondents stressed that 90% of the problems had not been forecasted.

Thanks to the huge number of changes, positive feedbacks, and tight coupling the scope of the change can be considered radical (Plowman et al. 2009). This work confirms Plowman et al. (2007)'s findings that small adaptations can accumulate and transform radically the company, contrary to punctuated equilibrium theory (Gersick, 1991; Romanelli & Tushman, 1994). I identified three main transformations common to all enterprises.

Firstly, the SMEs became more international-oriented. At the beginning, the SMEs were locally- or, at maximum, nationally-oriented. Local dialect was often the language used in the company and only few persons could speak some English or some other foreign language. They considered international markets exclusively and eventually as places where to sell own products and the markets taken in consideration were those of more developed countries, mainly Western Europe. After the first POI, they started considering more systematically international markets looking for opportunities not only to sell or produce, but also to purchase, externalize and design. Moreover, in the further internationalizations (both commercial- and production-oriented) the firms considered the entire world (e.g. China, Brazil, see Table 14) and not only geographically close countries.

Secondly, the enterprises became less entrepreneur-dependent and more well-structured companies. While there was a unique plant, the structure was extremely centralized; the entrepreneurs used to have a huge control and to take part even in smaller decision-making processes. Moreover, the formalization of procedures, processes and knowledge was missing or superficial; thus, the transmission of knowledge was very difficult. The internationalization of production induced a decentralization of the power (due to a bigger complexity, the entrepreneur had more difficulties to control everything) with delegation of responsibilities, major involvement of managers in strategically important decision-making processes and a clearer specification of employees' duties and responsibilities. Due to the necessity to transfer the knowledge in the foreign subsidiary, the companies started systematically formalize procedures, processes and knowledge.

Thirdly, they reduced the resistance to change at every level in the company. Initially, workers and part of management were suspicious towards the entrepreneur's decision to start a production unit in a low cost country. They were afraid of being compared to workers in other plants and, mostly, of losing own job. However, the Italian headquarters' growth in terms of both number of employees and turnover, subsequently to the POI, and the bankruptcy of several local competitors that had not internationalized changed their mind. Moreover, at the beginning the employees did not welcome the introduction of job rotation and new activities (e.g. training of foreign workers). They were used to a stable and fix work place. However, in a short period most employees realized that multi-functionality was an added value to their curriculum and changed their mind. Consequently, the trust in management and entrepreneur increased and the organization became more dynamic.

The change did not occur instantly but it was spread in time, suggesting the idea of emergent continuous adaptations (Plowman et al. 2009). It took two to three years to the firms to stabilize the new situation with two separate plants in different countries. Only after this period, the companies started thinking about following internationalizations. However, the findings imply that traditional SMEs, often described as old, resistant to change and slow at adapting to the newness, have the possibility to catch up with the globalization of the world in a relatively small period, although the number of changes to face is not negligible.

I analyzed pace and scope of the organizational change following the Plowman et al. (2007)'s description. Since recently Street and Gallupe (2009) operationalized pace and scope I re-did the analysis using these brand new measures. In both cases, it resulted that the scope of change was radical and the pace of change was continuous. A contribution of this research consists in the providing support for the freshly developed operationalization of pace and scope of organizational change (Street & Gallupe, 2009).

Recently, more often organizational change literature used complexity theory constructs to explain why and how it happens (Plowman et al., 2009). For example, Plowman et al. (2007) suggest that far-from-equilibrium state (Nicolis & Prigogine, 1989; Prigogine & Stengers, 1984) helped small changes to emerge and become radical; they used the “butterfly effect” (Lorenz, 1963) metaphor to explain how a small local action can produce unpredictable and vast consequences; and, fractal patterns and scalability (Mandelbrot, 1977) suggested them that “*similar patterns appear at various levels*” (p. 521) in an organization. Further research should examine why continuous radical type of change emerged in traditional SMEs when internationalizing production activities and test the applicability of complexity theory concepts. Further research should also examine whether it is possible for traditional SMEs to manage the internationalization of production differently, less dramatically.



## 7. LIMITATIONS AND CONCLUSIONS

I provided an evidence of a type of internationalization that has not been analyzed by the literature: traditional SMEs that internationalize rapidly operations in a psychic distant country with limited market knowledge, limited use of networks, and limited entrepreneur's international experience. I described the pathway, entrepreneurial decision-making process and the organizational implications of the Production-Oriented Internationalization (POI) of traditional SMEs.

The analysis shows that even if traditional, the firms managed to change the speed of the internationalization process and to catch up rapidly with the increasing global competition. POI leads traditional SMEs to become pocket multinationals – active players in the global market; after first POI, the firms established production and commercial units on other continents. The results suggest that the moderating effects of knowledge and international networks, from many considered crucial for the rapid internationalization of INV (Oviatt & MacDougall, 2005), are less influential for the traditional SMEs. Given the high relevance of this firms in many national economies (e.g. Italy, Spain, Portugal, Denmark) it is important to study how these firms achieve to survive. The process implies a considerable number of changes in the organizational elements spread over time and transforms radically the firms, it seems that the case-firms acquired resources/capabilities (international strategy, well-defined structure and reduced resistance to change) able to bring competitive advantages. During POI of Traditional SMEs (problem space characterized by: high uncertainty, environmental isotropy, and goal ambiguity), the entrepreneurial decision-making process tends to follow effectual rather than causal logic; and, it seems that the entrepreneurs are able to switch from one logic to the other accordingly to the characteristics of the problem space.

This is a qualitative study based on five North Eastern Italian traditional SMEs that performed the first POI in Eastern Europe. The research presents a number of limitations typical for

a qualitative approach based on a limited number of case studies. Therefore, it is necessary to test the results, for example through survey, proving their generalizability. The sample is only composed of companies coming from the same Italian region and performing the internationalization in the same geographical area, though in different countries. The findings could be country-dependent; thus it is desirable to repeat the research in other countries and areas. Besides, all the presented firms performed a successful internationalization. Carrying out the same research with some negative cases would allow having a control group. For example, it would be very useful to investigate cases of failure in order to understand whether that can be explained by the decision-making process adopted, or whether the strategic focus differs between successful and unsuccessful POI.

Another limitation of the research consists of the identification of changes and decisions. A retrospective research design is always problematic as the respondents answers can be biased by time perspective and the memory. Besides, it is difficult to separate changes related to POI process from other change occurred in the company. Therefore, I suggest performing longitudinal research, i.e. observing the internationalization process in various points of time by coming back to the company from time to time and by pointing out the differences personally.

Future research should analyze POI model with different approaches (e.g. network, organizational learning, RBV, dynamic capabilities) already widely used in International Entrepreneurship to achieve a deeper knowledge of the phenomenon. Moreover, the research questions the moderating effects of knowledge, and international network relationships for what concerns the internationalization speed; therefore, the future research should identify the moderating effects for the traditional SMEs that shift the internationalization path from gradual to rapid. Besides, the current study suggests that after first production-oriented internationalizations the decision-making logic adopted in further internationalizations followed a more causal logic rather than effectual one. How does vary the importance of the entrepreneur in the decision-making process? It would be interesting to analyze the interaction between the increment of complexity and the decision-making process.

Finally, the study presents some implications for practice. It suggests entrepreneurs and managers that traditional SMEs can internationalize the production worldwide but the number of adaptations to face throughout the organization is considerable and implies a radical change for the organization. The SMEs become more international-oriented, more well-structured, and reduce the resistance to change. This, together with the fact that case SMEs increased their dimension (number of employees and turnover) suggests that internationalization of production can develop resources able to provide competitive advantages; nevertheless, this research line needs more in-depth

analysis. Simultaneously, the research warns that establishing a production unit abroad has consequences that last in time for a traditional SME. It took up to three years of continuous adaptations to stabilize the new situation causing a period of stress for the company. Moreover, it suggests policy makers to promote SMEs' POI with initiatives aiming at the improvement of organizational elements of the SMEs.





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## **8. APPENDIX**

## 8.1. PRELIMINARY INTERVIEW PROTOCOL

I used this protocol in order to gather information from 20 key informants expert on SMEs' internationalization during the interviews. A copy of the interview protocol was sent in advance to interviewees so that they could prepare precise data. Hereinafter, I present a copy of the questions I submitted to the Portuguese informants. Similar questions were submitted also to the other informants changing the reference from Portuguese SMEs to national (e.g. Italian) SMEs. The questionnaire starts by introducing the problem and defining some terms. Then it is divided into three main parts. The first part focuses on the general information about the internationalization of SMEs. The second part is divided in other five parts with focuses on: competences, services, organizational structure required by SMEs when internationalizing, differences between big companies and SMEs' internationalization, and main problems faced by SMEs when internationalizing. In the last part I ask for some contact information.

### 8.1.1. Introduction

This study is about the internationalization of the operations of SME.

**Internationalization** means owning, controlling or being in joint venture of production units outside the original country; it is not enough to sell abroad or owning shops abroad or representative foreign branch.

**SME** means Small – Medium Enterprises with less than 250 employees.

### 8.1.2. First part

General information about the internationalization of the local enterprises (number of enterprises, type of enterprises, industrial sector, type of internationalization, foreign countries involved, number of employees, outcome inland and outland, ...).

Can you tell me if there is a web site where I can find these information? or, better, do you have a publication with these data (CD, book, etc.)?

*Before starting the core part of the interview I need to get a general idea and a historical perspective of:*

1. <b><u>How many</u></b> Portuguese SMEs have internationalized their operations?      % of total?
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2. How is this phenomenon distributed accordingly to the company size?
3. <b>When</b> did they start? and how these phenomenon was evolving through the years?
4. In <b>which countries</b> did they internationalized? (% per country)
5. <b>Which sectors</b> have been involved?
6. What do you think will be the <b>trend</b> in the next future (countries, sectors, company size, number of companies)?

### 8.1.3. Second part

The questions are about the Portuguese SME that internationalized their operations.

A) We are interested in identifying the critical competences in the internationalization processes from managerial, entrepreneurial, and enterprise's points of view. Which are the job position mostly required and which ones are the most critical for the SMEs that internationalize?

7. Which are <b>managerial critical competences</b> during the internationalization processes?
8. Which are <b>critical competences</b> and characteristics of an <b>entrepreneur</b> in order to achieve a successful internationalization?
9. Does the <b>type of ownership</b> affect the success (1 vs. multiple owners)?
10. Which <b>systems</b> are <b>critical</b> in order to be able to start the internationalization process? How should the company be organized in the different functions and processes in order to be able to start the internationalization process? (Quality management system, Cost accounting system, Information system, Bar code, Budgeting, Production, planning & ctrl system, Project management system, Formalization of procedures of activities, Evaluation of suppliers system, etc.)
11. Which <b>Roles &amp; Positions</b> relevant for the internationalization of operations are most wanted because <b>not present</b> in the company?
12. And which ones of those are the most <b>difficult to find</b> with adequate competences?

B) When internationalizing, which are the services that a SME ask to the other companies? Which are the services offered by public administrations appreciated by SMEs? Are there services that SMEs look for but they cannot find?

13. During the process of internationalization for which **services** a Portuguese SME ask an external help (to other companies: public or private)?
14. Which are the **services offered** by public institutions that are particularly appreciated by Portuguese SME during the process of internationalization?
15. Which are the **services offered** by public institutions that are **not** particularly appreciated by Portuguese SME during the process of internationalization?  
Why?
16. Is there any **service requested** by the Portuguese SME while internationalizing their operations that is **not covered** by public institutions or other companies? (market analysis, information about the foreign country, juridical assistance, trading assistance, operations consulting, risk evaluation consulting, language assistance, etc.)  
Which are these services? Which are these companies or institutions?
17. Do they **differ** from **country** to country?

C) Is it important to have a specific organizational structure in the multi-plant situation in different countries? Which are the structures usually adopted in the multi-plant in different countries situation? Does the structure varies according to country, industrial sector, or company's size?

18. Is it there any **specific requirement for the organizational structure** (organization chart) when there is a multi-plant situation with plants in different country in order to be more efficient and successful?
19. Is it important to make it explicit?
20. Which are the **typical organizational structures** adopted by Portuguese SME in an international multi-plant situation? How do they organize themselves?(different business units, strong central control, independent or not some functions as buying or commercial, diversification of the production, etc.)
21. Do the organizational structures suitable for the internationalization of the operations depend on the number of employees? on the industry? on the foreign country? (**contextual factors**)
22. In your opinion, which should be the **best** characteristics of organizational **structure**?
23. Is there a **production diversification** between different plants in different countries? Which kind of products do they produce abroad? and which ones do they continue to produce in homeland?
24. Does it depend on the country? on the industry?

25. Do the **different reasons** (*cost reduction, availability of resources/competences, market potentials*) for which a SME internationalize its operations **influence the way of internationalizing**?

D) Is there a substantial difference between SMEs and big companies when internationalizing (e.g. capabilities already present in the company, organizational complexity, financial power, flexibility)?

26. During the process of internationalization of Portuguese enterprises is there any **difference between SMEs and big companies**?

- competences present in the enterprise
- roles & skills
- organizational complexity (easier or harder)
- financial power
- flexibility (weight of the choice)
- explicit procedures

Does it depend on the industry? on the different country?

27. Are there differences within SMEs in the process of internationalization? Do we have a “cut-off point” (50-70-100 employees)?

E) Which are the main problems faced by SMEs during the internationalization of operations? How are these problems faced and solved?

28. Which are the **most frequent problems** that a Portuguese SME faces during the process of internationalization? (*From the first thought about the internationalization to when the production starts abroad*)

29. Do they depend on the number of employees? on the industry? on the foreign country?

Which are the **most critical problems** that a Portuguese SME faces during the process of internationalization? (*From the first thought about the internationalization to when the production starts abroad*)

30. Do they depend on the number of employees? on the industry? on the foreign country?

31. Which are the **most frequent problems** that a Portuguese SME faces in an international multi-plant system? (*When it is already producing abroad*)

32. Do they depend on the number of employees? on the industry? on the foreign country?

33. Which are the **most critical problems** that a Portuguese SME faces in an international multi-plant system? (*When it is already producing abroad*)
34. Do they depend on the number of employees? on the industry? on the foreign country?

#### **8.1.4. Third part**

At the end, I ask you kindly if it is possible to have the following data:

- Some contacts of Portuguese SME that have successfully internationalized their operations.
- Some contacts of foreign SME that have successfully internationalized their operations in Portugal.
- Some contacts of the local experts in the internationalization processes.

## 8.2. *INTERVIEW PROTOCOLS*

### 8.2.1. Interview outline

When interviewing, the interviewees were asked to freely describe the internationalization of their enterprises focusing on the pathway, decision-making process, and changes occurred internally to the company. I used the following list only to check the completeness of the interview.

1. Some basic information about the company (e.g. establishing year, entrepreneur, products, markets) and their evolution (e.g. number of employees, turnover, export).
2. The Market-oriented internationalization pathway and the Production-oriented internationalization pathway (start, expansion, countries, activities, threats and opportunities, difficulties and problems).
3. Changes occurred (forced and not) internally to the company consequently to the internationalization of operations.
4. The competitive advantages consequently to the internationalization of the production and the subsequent changes (considering specially the competitors that did not internationalized).
5. Who made decisions? in which moment? following which goals?

### 8.2.2. Interview questionnaire

Hereinafter, I present the questionnaire submitted to the interviewees before the interview. I used the answers to double check the interviewees' answers and memory biases.

1. Year of establishing: .....
2. Industry sector: .....
3. Year of the internationalization of production: .....
4. Turnover before the internationalization of production: .....
5. Turnover today: .....
6. Number of employees before internationalization of production: .....
7. Number of employees today: .....
8. Export (in %) before the internationalization of production: .....
9. Export today: .....

10. Reasons for the internationalization of production: .....
11. Countries considered for the internationalization of production: .....
12. Country of first the internationalization of production: .....
13. Countries of subsequent the internationalization of production: .....
14. Previously present in the internationalization of production country: YES or NO
15. Number of employees in the foreign subsidiary when started the internationalization of production: .....
16. Number of employees in the foreign subsidiary today: .....
17. Type of foreign direct investment: .....
18. Business plan developed before for the first internationalization of production: YES or NO



### 8.3. *ENTREPRENEURIAL DECISION-MAKING: WITHIN-CASE ANALYSIS*

Hereinafter, I describe briefly for each company the internationalization process focusing on initial objective, initial information’s network, stakeholders integrated on board, and effectual commitment. For each company, I provide quotes<sup>9</sup> from the interviews that support the Dynamic model of Effectuation for each block (Who I am, whom I know, what I know; What I can do; Interaction with other people; Effectual stakeholder commitment; New means – Who we are, Whom we know, what we know; New goals – What we can do). I provide also the quotes supporting the Affordable lost principle as it was the main principle used when investing during first POI. I decided to include the quotes as the decision-making process is very difficult to be explained and often the best way to show it is through protagonist’s words.

#### 8.3.1. Firm A (AirComp)

Originally, AirComp visited Serbia with a business mission organized by the Chamber of Commerce and guided by AirComp’s entrepreneur. The goal was to see the lie of the land for a potential distributor in that country. The entrepreneur met a Bosnian that was selling a competitor’s compressors in Serbia and in Bosnia. They decided to start a commercial collaboration that soon was transformed in a joint venture in Bosnia. In fact, AirComp’s management realized rapidly potentials of the new distributor, lower labor cost in Bosnia and, above all, necessity of the distributor to know better the product in order to be able to provide after-sales service (key factor in the sector). Consequently, they offered to the distributor the possibility to start assembling the compressors he was selling. The distributor considered the chances to increment the turnover and to become distributor of own products; thus, he accepted the offer. Therefore, AirComp having aimed at selling in Serbia started a joint venture in Bosnia where they assemble and sale in Bosnia and Serbia.

**Table 17: AirComp - evidences of effectual decision-making**

<i>Coding sub-category</i>	<i>Quotes<sup>10</sup></i>
Means available (Who I am, whom I know,	ENT: “Noi ti offriamo il know-how della produzione. Tu hai la possibilità e sei presente nel territorio. Mettiamoci insieme e vediamo di assemblare il prodotto in Bosnia.”

<sup>9</sup> Quotes are in the original language (Italian).

<sup>10</sup> ENT: entrepreneur; I1: first interviewer; I2: second interviewer

what I know)	
Goals/courses of action possible (What I can do)	ENT: Potevamo dire: “Ok, soffriamo per un po’ ma vogliamo entrare in quel mercato... e producendo direttamente da qua le macchine.” Direi che ha prevalso, in questo senso, il fatto di produrli nel territorio
Networking (Interact with other people)	<p>ENT: Allora il costo dell’assemblaggio era ed è tutt’oggi minore, ma non solo! Il cliente finale si sente produttore. Questa, in quel caso, è stata la molla che ha fatto scattare l’interesse dal punto di vista... Cioè, per un distributore, sentirsi anche produttore, e poi per i clienti del paese stesso acquistare un prodotto che è nazionale e non estero, diventa un motivo di orgoglio e quindi di maggior rendita per noi. E in effetti abbiamo visto che la clientela in Bosnia e Serbia acquista più volentieri un prodotto che... [...] ...è prodotto lì. Sanno che se c’è un problema, ce l’hanno vicino perché è il costruttore.</p> <p>ENT: “Noi ti offriamo il know-how della produzione. Tu hai la possibilità e sei presente nel territorio. Mettiamoci insieme e vediamo di assemblare il prodotto in Bosnia.”</p> <p>ENT: Allora, quando ho visto la persona che già come struttura era impostato in un certo modo, ho ... mi è venuto in mente questa possibilità per poterlo... sì! Per poter dire a questo cliente: “Invece di continuare ad acquistare a concorrente, vieni con me e diventi, in piccolo, un produttore, per quello che vendi!”</p>
Effectual stakeholder commitment	ENT: Perché abbiamo scelto la Bosnia? Beh, perché innanzitutto il nostro socio aveva dei possedimenti lì, ma soprattutto perché c’era una legislazione che permetteva la proprietà privata nuova. Appena affrontata la Comunità Europea, subito dopo la guerra... mentre in Serbia c’era ancora la proprietà dei 99 anni che non era ben definita, no lo è ancora oggi. Quindi ci veniva più conveniente affrontare il problema dalla Bosnia. E poi, anche perché geograficamente, se uno lo vede dall’alto, è più centrale rispetto al territorio che noi volevamo coprire da un punto di vista commerciale.
Cycle of resources (New means – Who we are, whom we know, what we know)	<p>ENT: Per esempio, sono cambiati, parlo per [l’azienda X], che tendevano, visto alcune situazioni locali, a dire: “No, no!”. Cioè: ”Tratteniamo il lavoro qui all’interno!”, perché avevano paura che noi trasferissimo parte del lavoro dall’altra parte. Invece, dopo 1,5 anni che hanno visto aumentato il lavoro qui perché di là c’è chi doveva avere della produzione. Cioè, ha detto: “Ah, la cosa va bene, può essere ripetuta.”. Erano loro stessi che ci ... oggi sono aperti anche per altre esperienze.</p> <p>ENT: Miglioramento nei rapporti con l’imprenditore, sicuramente.</p> <p>ENT: Prendiamo questa prima esperienza come, proprio, scuola, anche per noi stessi, perché poi ci potrebbe servire per altre esperienze di questo tipo. E, neanche farlo apposto, nel 2006, siamo venuti in contatto con uno dei più grandi distributori di utensili pneumatici in Brasile. Quindi aria.... sempre settore aria compressa, ma non, ma non aveva nulla a che fare con i compressori, però</p> <p>ENT: Una motivazione in più! E nel 2006 abbiamo pensato... il Brasile, nel frattempo, stava partendo in modo determinante. Questo, tra l’altro, ha circa 3000 punti vendita di distribuzione, che non significa di proprietà, ma posti dove lui riesce a vendere utensili pneumatici e abbiamo pensato assieme di costituire un’azienda di produzione di compressori a vite. Allora, anche lì avevamo l’esperienza precedente in Bosnia, però era molto</p>

	<p>ENT: Oggi, avendo avuto una, due, tre esperienze, siamo molto più attenti a questo! [...] Prima, se era andar solo in Bosnia, il rischio calcolato ... può andarmi bene, può andarmi male... beh in somma... ok! Ma quando inizio a muovermi con un capitale di 1.400.000 euro, come là, non è più un giochetto: che va o non va! Cioè, deve andare! Allora, se deve andare, prima devo capire come, quando deve funzionare il tutto.</p> <p>I1: Eeh, Poi, il fatto di essere fuori con la produzione anche, a livello di cliente anche, è un qualcosa i più o un qualcosa in meno?</p> <p>ENT: Sicuramente, quando io, oggi, vado fuori e dico: “Siamo presenti in Italia industrialmente, siamo presenti in Bosnia, di qua e di là...”... Ah, cioè, è sicur... ti dà...</p> <p>I2: Non sei più piccolo?</p> <p>ENT: No! Veramente, è! Poi, non ti dicono: “Quanti siete? In 2000?”, ma questa, l’aver maturato esperienze in più posti... aver la presenza di produzione... ti dà un...</p> <p>I2: Brand?</p> <p>ENT: Sì! Sicuramente! Questo lo noto ovunque.</p> <p>I2: E come una volta la certificazione, in somma?</p> <p>ENT: Sì.. sì! Beh, questo è importante anche per il distributore perché significa avere un’azienda che è pronta ad affrontare problemi in situazioni diverse.</p> <p>I1: Ma anche in Italia? quando si va da un cliente nuovo?</p> <p>I2: Allora: andare in Bosnia, vi ha permesso di cambiare la vostra strategia? L’esperienza bosniaca, se non aveste fatto l’esperienza bosniaca, avreste fatto certi altri passi dopo?</p> <p>ENT: Probabilmente, no, li avremmo fatti, ma questo ci ha migliorato, perché ogni esperienza aiuta a migliorare la successiva. Sicuramente come strategia ci ha detto: “Ok!, Possiamo farcela!”. Cioè, possiamo andare anche in India, possiamo andare... cioè la differenza spesso che sta tra pensare e farle le cose è di essere convinti che si riesce a farle. E’ un qualche cosa, è molto di più!</p> <p>ENT: Sì! Cioè, io domani mattina se un indiano mi viene qua e mi dice: “Abbiamo la possibilità, Io metto il capannone”; io metto il know-how, gli dico :”Ok!”. Cioè, ci mettiamo a un tavolino ma so che sono capace di poterlo affrontare il discorso.</p>
<p>Cycle of transformation of artifacts (New goals – What we can do)</p>	<p>ENT: Beh, una cosa: noi, qui, abbiamo assunto, per avere una continua comunicazione, una ragazza serba che era venuta ad abitare qua, visto che ce ne sono... nella maggior presenza a Vicenza di extracomunitari. E quindi avevamo bisogno di una centralinista. A quel punto avevamo detto: meglio prendere una che sappia l’italiano e anche il serbo. Quindi riusciamo a comunicare entrambi. E poi, una preparazione di tutta quella parte tecnica, che sempre un’azienda vicentina, ancora in... poi negli anni abbiamo consolidata, ma subito non avevamo tutto pronto. Tutte tabelle disperate ricambi erano ancora disegni tradizionali 2D. Siamo passati ad utilizzare disegni in 3D perché ci veniva tutto più semplice per poter trasferire dopo la cosa. Anche perché abbiamo iniziato ad immaginare che questo potesse essere un esercizio utile anche per altri paesi.</p> <p>ENT: In Bosnia e nel mercato balcanico andava, ancora, di più il pistone per un problema dio prezzo. Allora, siamo partiti inizialmente a pensare come inizio di produzione, macchina a pistone. E siamo andati avanti per 3 anni - l’anno scorso abbiamo introdotto e siamo riusciti a trasferire lì anche</p>

	<p>l'assemblaggio delle piccole macchine a vite. Proprio perché per noi è fondamentale prima capire il mercato, sapere che cosa si può vendere realmente, se no diventa assurdo, in somma più contenuta. [...] Qui, invece, siamo partiti con un capannone grande quasi come questo. Con una struttura che c'era già... lui è andato ancora di più – ha aperto una nuova sede.</p> <p>ENT: Sì, perché io i componenti che oggi acquisto solo in Europa o comunque, in somma, in giro, li posso util... posso spedire di là solo i 2-3 fondamentali, e acquistare sul posto a valore, a valore del posto. E quindi scontando le differenze monetarie. [...]In Brasile acquistiamo motori, componenti, tutto in loco... carpenterie... tutto quanto... mandando i disegni perché le macchine devono essere uguali. Cioè, noi dobbiamo uscire come immagine con la stessa. Uno mi vede in Brasile come mi vede in Italia, però la carpenteria, i motori, tutto quello che si può acquistare sul territorio a un prezzo più basso, si acquista</p> <p>ENT: E comunque, questo ha implementato, sicuramente, uno sviluppo tecnico, [...] ...cioè, conoscenze di normative globale...</p> <p>ENT: Se io non avessi la produzione là, invece di vendere 600 macchine, ne avrei vendute 15. ... Ah, siccome ne vendo 600, ho tante più richieste ... Mi obbligo ad avere 600 contatti, sono 600 informazioni in più, non 20. avere la produzione là, ti aumenta il volume... [...] Non solo il volume ma contatti! ... e questo contatti, questo conoscenza. [...] Ritorno di informazioni dal mercato.</p>
Affordable loss principle	<p>ENT: Le macchine a vite che fino a un certo punto erano richieste, ma erano poche...[...] si spedivano complete da qua. Nel momento in cui hanno iniziato a vendere in numero maggiore. Abbiamo detto: "Ok, visto che avete fatto un percorso...", anche perché la formazione, cioè si tratta di andare in paesi dove non c'era molta capacità nell'assemblaggio. Allora dovevamo sfruttare la formazione, anche, partendo da cose più semplici ed andando su cose più complicate. Per esempio, andare in un paese come la Bosnia e parlare di macchine inverter dove c'è parecchia componenti elettronici, era estremamente difficile subito, mentre assemblare un compressore a pistoncini, dove è tutta meccanica era molto più semplice per loro; perché nella meccanica erano ... avevano fatto un percorso anche precedentemente. Si segue... cioè si va a verificare anche questo perché se no diventa molto più complicato. Teniamo presente che parliamo delle aziende dove noi qui siamo in 55 persone, no la multinazionale che parte e dice: "Investo x!", non solo in soldi ma anche in persone sul territorio. Si va, si esce all'esterno, cercando di contenere al massimo anche i costi... chiaramente quantificandoli ma ...</p> <p>ENT: [...] la storia vicentina dice che spesso le aziende sono mosse verso alcuni paesi dell'est più per amicizia con l'altro imprenditore... [...]Più perché: "Ah, – magari – in Slovacchia mi sono trovato benissimo, vieni anche tu!". Vado a vedere una volta, vedo se magari...ma non c'era un'analisi preventiva del mercato, no? Oggi, avendo avuto una, due, tre esperienze, siamo molto più attenti a questo! [...] Prima, se era andar solo in Bosnia, il rischio calcolato ... può andarmi bene, può andarmi male... beh in somma... ok! Ma quando inizio a muovermi con un capitale di 1.400.000 euro, come là, non è più un giochetto: che va o non va! Cioè, deve andare! Allora, se deve andare, prima devo capire come, quando deve funzionare il tutto.</p>

### 8.3.2. Firm B (ElectroMek)

At the beginning of 2000s, ElektroMek, pushed by the increasing production costs, considered the idea to find subcontractors in low cost countries where to externalize part of the assembling process. Nevertheless, the entrepreneur thanks to his local Italian connections heard about the incentives offered in Slovakia for FDI that aims at establishing production-oriented companies. After exchanging the ideas with the management, the entrepreneur decided to take advantage of the incentives opportunities and built a green field shed in Slovakia. In 2002, they established a production unit in Slovakia and transferred the basic assembling operations. Soon after, they started producing entire products in Slovakia, differentiating thus the production between Italy and Slovakia. Therefore, ElektroMek having aimed at finding some cheaper subcontractors established a green field factory in Slovakia.

**Table 18: ElectroMek - evidences of effectual decision-making<sup>11</sup>**

<i>Coding sub-category</i>	<i>Quotes</i>
Means available (Who I am, whom I know, what I know)	SM: Cioè, [l'imprenditore] ha capito solo una cosa: Che se voleva stare in piedi per il futuro, doveva far costare meno il prodotto che andava in Italia
Goals/courses of action possible (What I can do)	<i>No specific quotes available</i>
Networking (Interact with other people)	<i>No specific quotes available</i>
Effectual stakeholder commitment	ENT: Diciamo che questi cambiamenti [cambiamenti di personale] non è che sono stati decisi tric e trac. Ci sono anche... sono avvenuti nel durante, quasi per necessità.
Cycle of resources (New means – Who we are, whom we know, what we know)	ENT: E invece, comunque, anche lì [ndr. Cina] è stato utile, per esempio, quello che è stato fatto in Slovacchia per creare un sistema premiante per la quantità media giornaliera. I2: E tu ritieni che questa esperienza fatta lì, li permetta di andare dall'altra parte del mondo? SM: Siii! I1: ...però, nel momento in cui si stava cominciando andare ... Lui aveva già avuto la visione che doveva andare fuori... ma, dopo, il fatto che è andato fuori, questo gli ha fatto cambiare ulteriormente le strategie? SM: Alla grande. Perché intanto gli ha dato la consapevolezza di essere capace di far qualcosa fuori. Tant'è vero che gli ha fatto aprire la filiale in Stati Uniti. Gli ha fatto aprire ovviamente la Cina, che è SM: Le fa, come detto prima, più semplicemente, perchè [è andato] in Cina anche se era più complicato. Poi perché ormai c'è un abitudine mentale.

<sup>11</sup> ENT: entrepreneur; SM: sales manager; I1: first interviewer; I2: second interviewer

	Sai che ci sono dei problemi da affrontare e li porti avanti.
Cycle of transformation of artifacts (New goals – What we can do)	<p>ENT: Dopo 6 mesi. Sono andato lì, ho impiantato tutto il sistema, dopo di che avevamo cominciato... ho portato qui il capo che c'era e quindi abbiamo cominciato ad aiutarli in questo. E poi sono tornato dopo altri 6 mesi per vedere che tutto funzionasse. E quindi passo 1 qualità, passo 2 controllo... definizione obiettivi, ovviamente e controllo. Ecco, passo 3, invece, è stato poi la parte contabile-finanziaria e così via. Perché poi è l'alta parte che devi comunque sistemare. E questa è venuta subito dopo. Poi è stato collegato [...], il sistema gestionale, con la Slovacchia, in maniera tale che ci fosse lo stesso sistema gestionale.</p> <p>ENT: Allora: più indipendenti nel reperimento dei materiali in loco sicuramente sì, ma anche qui altro risvolto: quello dell'ufficio acquisti di qua che va lì a dire cosa devono fare</p>
Affordable loss principle	<p>ENT: Dopo 6 mesi. Sono andato lì, ho impiantato tutto il sistema, dopo di che avevamo cominciato... ho portato qui il capo che c'era e quindi abbiamo cominciato ad aiutarli in questo. E poi sono tornato dopo altri 6 mesi per vedere che tutto funzionasse. E quindi passo 1 qualità, passo 2 controllo... definizione obiettivi, ovviamente e controllo. Ecco, passo 3, invece, è stato poi la parte contabile-finanziaria e così via. Perché poi è l'alta parte che devi comunque sistemare. E questa è venuta subito dopo. Poi è stato collegato [...], il sistema gestionale, con la Slovacchia, in maniera tale che ci fosse lo stesso sistema gestionale.</p> <p>ENT: Nel momento in cui abbiamo fatto un piano triennale, perché ce l'ho ancora da qualche parte, piano triennale di quante persone dovevamo diventare. Io mi ricordo che avevamo fatto un piano: abbiamo cominciato con 6, poi sono diventate 12, oggi sono 35 persone. Un piano triennale di aumento di persone, però dovevamo dire anche cosa portavamo di là. E quindi un piano di addestramento sui nuovi prodotti, partendo da quelli più ripetitivi e a basso costo che dovevamo ovviamente poter per far costare di meno e quindi si è partiti pian pian piano. All'inizio facevano... di là tagliavano i cavi e mettevano i capicorda.</p> <p>I2: E' acquisizione della conoscenza per quanto riguarda i metodi e l'importanza e la posizione. Quindi questo ti dice come sei. Essere andato a produrre all'estero... ti costringe... Tu pensavi, magari, di essere il migliore del mondo e scopri, invece, che quello che è del Burundi di turno, magari, si sta attrezzando e fra qualche anno è più avanti di te!</p> <p>SM: Ti faccio un esempio...</p> <p>I2: Quindi c'hai un benchmarking...</p> <p>SM: incredibile</p> <p>I2: ... naturale per cui tu hai visione strategica delle capabilities che altrimenti non avresti avuto</p>

### 8.3.3. Firm C (Plast)

The internationalization of production took place in 2004. Although Plast was still price competitive, the entrepreneur was looking to start some production abroad in a low cost country in order to remain competitive in the next future. Several times Plast's workers (the majority of the workers in the Italian factory are Serbian immigrants) suggested the idea of investing in Serbia;

thus, the entrepreneur took in consideration it. Northern Serbia was not only price competitive (low cost of electricity power and labor), but, accidentally, was close to one of the major Plast's customers that had established a production unit in Hungary, next to the Serbian border. By taking advantage of the incentives for FDI offered by local administration, Plast established a 100% owned subsidiary in Serbia that is completely controlled by the Italian firm. At the beginning, they rent a shed, but soon after they built a green field factory. They integrated on board in this new venture own Serbian employees that moved back to Serbia and an Italian manger already operating in Serbia that became the responsible of the subsidiary. The production in Serbia is complementary to the Italian one, there they have smaller presses and they produce different (not only low-valuable) products with which they could not be competitive if they were to produce in Italy. The Italian firm supplies machines and sends raw materials. During 2007, the Serbian subsidiary started selling some products in the regional market and sourcing some raw materials independently. Therefore, Plast having aimed at finding production low cost opportunities established a green field factory in Serbia that is becoming an independent sister company.

**Table 19: Plast - evidences of effectual decision-making**

<i>Coding sub-category</i>	<i>Quotes<sup>12</sup></i>
Means available (Who I am, whom I know, what I know)	<p>ENT: Poi, ai piccoli apparecchi di illuminazione è stato aggiunto una parte di casalinghi, e con i casalinghi, negli anni '90, inizio anni '90...fino al '95 l'Italia era molto competitiva nel mercato tedesco, molto competitiva, perché i tedeschi avevano abbandonato lo stampaggio delle materie plastiche principalmente. Quindi tutti i prodotti casalinghi venivano prodotti in questa zona qua, che, oltre a noi, c'è [l'azienda Y]... ci sono altre ditte, che producono i casalinghi per il mercato tedesco. Ai casalinghi è stato abbinato la raccolta dell'acqua, perché in Germania la raccolta dell'acqua è molto importante, perché l'acqua costa cara. E quindi loro la raccolgono, e quindi usano l'acqua piovana per irrigare il giardino, ecc. Quindi sostanzialmente, il business era questo..</p> <p>ENT: Dopo, dal '99, è iniziato un processo un po' di internazionalizzazione diversa dell'azienda. Ci siamo andati a proporre, avendo l'esperienza nel settore illuminazione, a tutti quegli che... [telefono]. Siamo andati a proporci come partner di chi fa illuminazione in Europa. Perché in Italia, chi fa illuminazione, a parte questa ditta di Vicenza, se li produce anche la parte in plastica, cioè hanno la divisione interna dove stampano la parte in plastica. Allora, l'idea è stata quella di andarci a proporre alle ditte che sono fuori dall'Italia e che non producevano la parte in plastica, tra cui un nome principale è Philips. Per dire un nome un po' eclatante. Oppure c'era Osram Sylvania e certe ditte di questo tipo qua. E abbiamo iniziato a collaborare con questi. Collaborazione fatta come? Dove c'erano già gli stampi, chiaramente, hai preso il lavoro solo per un discorso di</p>

<sup>12</sup> ENT: entrepreneur; I1: first interviewer; I2: second interviewer

	<p>competitività...</p> <p>ENT: Prezzi, ma mostrando anche di avere una tecnologia adeguata. Perché se tu non hai le presse adeguate per stampare materiali tipo policarbonato o [...] o il sam, è difficile fare quei particolari lì. Poi c'è tutto un discorso di estetica e delle dimensioni di stampi per cui devi avere delle presse anche grosse, non puoi avere presse piccole, e anche adeguate per quei materiali lì. E abbiamo iniziato a collaborare a livello europeo con queste grosse ditte. Prendendo dei lavori o anche proponendoci per sviluppare dei prodotti insieme. E a volte, facendo noi l'investimento dello stampo, che poi il cliente mi ripaga sull'attività sul contratto che sono andato a fare, a sviluppare. Oltre all'illuminazione, abbiamo affiancato una parte legata all'automotive perché facciamo, abbiamo [...] tutti quei bagagliere che vanno sopra le macchine per mettere dentro le valigie: i box auto cosiddetti, di cui abbiamo 15 versioni diverse. E siamo gli unici a produrre iniezione perché tutti gli altri in termoformatura quel tipo di prodotto. Quindi una tecnologia totalmente diversa.</p> <p>ENT: In tempi successivi perché un progetto – diciamo che dal '99 al 2003 l'obiettivo primario è stato quello di aggredire il mercato dell'illuminazione, portandomi a casa clienti che mi mancavano.</p> <p>ENT: A livello europeo perché in Italia non c'erano possibilità. Dal 2003 al 2004 è stato fatto il progetto dei box auto, chiamiamolo... poi dal 2004, a 2006 ... poi è chiaro che tutte queste cose sono entrate, perché quando tu hai Philips, nasce un prodotto, per esempio ho fatto l'anno scorso 15 stampi, tipo quelli lì – che è illuminazione dell'arredo urbano, quindi roba totalmente diversa da quella che facevo prima. In questo ultimo periodo, ci siamo invece lanciati un po' nel settore dei rifiuti. Quindi raccolta, tramite contenitori, grossi però: 240, 360, 660, cioè contenitori molto grossi – che infatti abbiamo un 4000 tonnellate per stampare quel tipo di prodotti.</p> <p>ENT: Dal 2006 a oggi, nessuna novità... no, scherzo. Si continua sempre a lavorare con quei clienti lì, e abbiamo sviluppato anche altri prodotti, ma sono più per il mercato italiano, che sono io nostri mobili in plastica. Dal 2006 – ha fatto bene a farmi questa domanda – perché non mi ricordo, è stata fatta una cosa importante: siamo entrati, invece, con una ditta slovena, che commercializza in tutto il mondo nei pannelli edili per gettare il cemento, che sono quelli lì, per esempio.</p>
<p>Goals/courses of action possible (What I can do)</p>	<p>ENT: E quindi da quel momento in poi abbiamo cercato di aprire in un sito che sia abbastanza comodo per quel ... per unità produttiva. Perché l'obiettivo, che inizialmente si era posto era quello che oltre a fare le parti in plastica, fare anche l'assemblaggio di apparecchi di illuminazione per conto della GE Lightning. Dopo questo fatto...</p> <p>ENT: Quindi la scelta era stata per essere vicini a questo sito produttivo della GE e dopo perché qua ho 70% di dipendenti serbi! Perché io qua, se non trovavo dipendenti serbi, chiudevo! Perché gli italiani non ne trovo mica che mi lavorino ventiquattr... i turni di notte, che magari vengono qua il sabato e la domenica! E quindi quello è stato, anche, il grosso stimolo di andare lì. Perché avevo delle persone che sanno l'italiano e fanno anche il serbo, perché sono serbi...</p> <p>ENT: noi, quando siamo andati, abbiamo pensato solo a fare la nostra bella fabbrica ma non ci siamo confrontati con il mondo esterno che c'era lì. E' stato un errore quello lì... siamo partiti dal presupposto che fosse come qua, ma non lo era. Quello è stato inesperienza, sicuramente. Oggi, quella</p>



	esperienza là ce l'ho e affronterei il discorso in maniera diversa
Networking (Interact with other people)	<p>ENT: Quindi la scelta era stata per essere vicini a questo sito produttivo della GE e dopo perché qua ho 70% di dipendenti serbi! Perché io qua, se non trovavo dipendenti serbi, chiudevo! Perché gli italiani non ne trovo mica che mi lavorino ventiquattr... i turni di notte, che magari vengono qua il sabato e la domenica! E quindi quello è stato, anche, il grosso stimolo di andare lì. Perché avevo delle persone che sanno l'italiano e sanno anche il serbo, perché sono serbi...</p> <p>I1: quali sono stati gli impatti maggiori di aver avviato la produzione all'estero? Non soltanto all'interno dell'azienda, proprio in .... qual'è stato l'impatto maggiore?</p> <p>ENT: L'impatto maggiore è stato quello di aver dovuto rapidamente accrescere una conoscenza di un sistema burocratico e strutturato come quello serbo, molto complicato rispetto a quello che abbiamo noi.</p>
Effectual stakeholder commitment	<p>ENT: Problemi grossi che ho avuto è stato quando ho deciso di costruire il capannone, allora là è arrivata una marea di persone strane che si sono agganciate al carro, no?! E dopo i tempi, abbiamo iniziato nel 2005, ho finito nel 2008, eh! Che io mi sono sempre chiesto: siccome là pagavo 5000 euro al mese di affitto per quel capannone del cavolo che avevo... secondo me l'allungamento è stato perché volevano prendersi .... hahaha [risata generale]. Più a lungo andavo, meglio era.</p> <p>ENT: all'inizio qualcuno ci ha consigliato di vendere tutto là e noi abbiamo iniziato vendendo. Infatti, le prime macchine le ho vendute. E poi mi sono trovato che ho dovuto pagare parecchi soldi di dogana che non ho più recuperato. Perché mi avevano detto: "No, ma li recuperi.". Invece non è vero. E poi, allora, mi sono interessato direttamente lì per capire qual'era il sistema ottimale per lavorare con un paese che ha un peso doganale così importante.</p>
Cycle of resources (New means – Who we are, whom we know, what we know)	<p>ENT: Beh, torna utile a me perché mi ha fatto salvare tanti soldi perché all'inizio qualcuno ci ha consigliato di vendere tutto là e noi abbiamo iniziato vendendo. Infatti, le prime macchine le ho vendute. E poi mi sono trovato che ho dovuto pagare parecchi soldi di dogana che non ho più recuperato. Perché mi avevano detto: "No, ma li recuperi.". Invece non è vero. E poi, allora, mi sono interessato direttamente lì per capire qual'era il sistema ottimale per lavorare con un paese che ha un peso doganale così importante.</p> <p>I2: Ma questo vi servirà per un futuro? non solo per....</p> <p>ENT: Spero di sì! Perché se dovessi affrontare, adesso supponiamo in futuro, dire: "Ah, adesso, vado fare una fabbrica in ...". La plastica dov'è che? La fanno tutto in Arabia Saudita, ormai, tra un po', perché fanno il più grande impianto di policarbonato lo faranno tra l'Arabia Saudita e il Kuwait... là. Probabilmente la produzione della plastica si sposterà vicino a dove c'è la materia prima... sicuramente sarà così. E anche perché in quei mercati lì non c'è produzione e avranno bisogno anche loro là di plastica. Sarà un'evoluzione, no?! Se dovessi farlo là, la prima roba che affronto essere molto chiaro su tutto quello che mi sta attorno alla fabbrica, invece, noi, quando siamo andati, abbiamo pensato solo a fare la nostra bella fabbrica ma non ci siamo confrontati con il mondo esterno che c'era lì. E' stato un errore quello lì... siamo partiti dal presupposto che fosse come qua, ma non lo era. Quello è stato inesperienza, sicuramente. Oggi, quella esperienza là ce l'ho e affronterei il discorso in maniera diversa</p>

<p>Cycle of transformation of artifacts (New goals – What we can do)</p>	<p>ENT: Allora, io ho fatto così: ho preso 3 persone da qua e le ho mandato là, quando abbiamo deciso di portare lì le prime macchine.</p> <p>ENT: E sono stati lì... uno è poi rimasto lì 4 anni poi, perché l'hanno scorso ha deciso di uscire e gli ho ceduto delle macchine, si è fatto una fabbrichetta in quella zona lì, che tu conosci, là ... al sud. E lavora anche lui per noi. Lavora per questa ditta qua. Noi gli diamo gli stampi torna qua [Sombor], torna qua [Orgiano].</p> <p>ENT: Poi, qua [Sombor] mi mancano le macchinette piccole, da 80 a 220 e le ho date a quello lì che si è aperto la fabbrica là [Pozarevac]. Ho fatto un altro gruppo da 80 tonnellate fino a 220.</p> <p>I2: Quindi si è repli... in qualche modo si è replicata la catena</p> <p>ENT: che ho qua, c'è anche là...</p> <p>I2: che è qua, c'è anche là.[...] fornitura?</p> <p>ENT: Sì, sì.</p> <p>I1: E lì, questo qua [Pozarevac] è completamente dipendente da voi?</p> <p>ENT: Sì, lui lavora 100%, adesso lavora 100% per la ditta [nostra in Serbia] [Sombor], però stiamo iniziando adesso a prendere lavori per [la ditta in Serbia] nel territorio serbo che adesso hanno capito che lì noi stampiamo plastica local impact e non so.... quelle lì sono le cassette di birra che fanno lì vicino a ... come si chiama...</p> <p>ENT: No, no – vicino lì a Sombor c'è proprio una ditta grossa che fa birra e cassette.... allora, adesso stiamo cominciando a collaborare.... si chiama Apatin, mi pare</p> <p>I2: E il mercato..... a questo punto sarebbero aziende serbe, giusto?</p> <p>I2: 5 anni dopo si è cominciato a vendere...</p> <p>ENT: Non è facile, e adesso posso farlo, perché ho una fabbrica, perché ho uno spazio, prima non potevo tanto allargare, perché ero già al limite...</p> <p>I2: che si era in affitto.</p> <p>ENT: Ma ero, proprio, al limite come dimensione dello stabile, non è che potevo farlo più di tanto.</p> <p>I2: Quindi c'era la capacità produttiva...</p> <p>ENT: Ero al limite.</p> <p>I2: Mentre adesso...</p> <p>ENT: Adesso, invece, è tutto diverso.</p> <p>I2: ... si può anche andare.</p> <p>ENT: Adesso ho fatto... lì c'è una fabbrica da 4000 metri, quindi una fabbrica grande, [...] un capannone così, classico, come ho anche qua, diviso a metà. Poi ho un carro ponte che porta 50 tonnellate, un carro ponte che posso muovere stampi anche grandi. Ho una linea di triangoli qua [indicando lo schema del capannone in Serbia] che fa assemblaggio. Ho 7 macchine a iniezione qua, la macchina grande per fare le plafoniere stagne e altri prodotti in SMC e la macchina che fa i WC, mi fa insieme la ciambella e il coperchio... insieme e dopo raggiunge lo sbava...</p> <p>I2: Ma questo vuol dire che si è occupata al 40% la capacità a cui potrebbe essere...</p> <p>ENT: Adesso posso aumentargli, posso mettere presse anche da questa parte. E qui ho il magazzino. Quindi ho tutto uno spazio grande di magazzino anche che prima non avevo. Prima bisognava che per forza il camion portasse subito qua in Italia perché non c'era spazio di tenere la merce.</p> <p>I2: Ok, domanda: questa [allargamento del capannone?] qua vi dà una nuova possibilità, cioè, di servire mercato direttamente da là, invece che da qua?</p>
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	<p>ENT: Sì. Posso fare... posso evitare di far tornare della merce. Infatti ho merce lì. Tengo anche un po' di roba, perchè in Serbia, con... avendo fatto questa fabbrica, abbiamo cominciato a vendere qualcosa che facciamo qua, non che produciamo là, però. Perché i mobili in plastica, i contenitori grossi per l'acqua anche lì hanno un certo mercato. mercato locale</p> <p>ENT: Sì, io posso... adesso, questi signori che 10-11 di giugno verranno qua, li porto di là e potremo magari iniziare a collaborare... Quello che vorrei fare io, non è.... vorrei dare un esempio di un'azienda che ha una sede in un'altr... in un posto, diciamo, a basso costo energetico e del personale perché costa meno che qua, ma non per portare via da qua e riportare là. Per prendere altre opportunità dove io qua non sono competitivo.</p> <p>II: Cioè espandere l'attività, non trasferirla local impact VS "fare anche l'assemblaggio di apparecchi di illuminazione per conto della GE Lightning"</p> <p>ENT: Non è mica vero che sono di fascia bassa, perché un pezzo in SMC costa caro... io un pannello lo vendo a 60 euro... cioè costa caro, però è un processo che qui in Italia, per problemi anche proprio del tipo di lavorazione... ma non è che sia una lavorazione sporca... perchè c'è un poco di polvere... di fibra vetro... qui non viene fatta.</p> <p>ENT: L'idea mia è: qui, io, qui mi devo creare un'azienda che adesso è ancora agganciata alla mia, ma poi questa deve andare per conto suo. Non deve portarmi più indietro la roba.</p>
Affordable loss principle	<p>ENT : E sono stati lì... uno è poi rimasto lì 4 anni poi, perché l'hanno scorso ha deciso di uscire e gli ho ceduto delle macchine, si è fatto una fabbrichetta in quella zona lì, che tu conosci, là ... al sud. E lavora anche lui per noi. Lavora per questa ditta qua. Noi gli diamo gli stampi torna qua [Sombor], torna qua [Orgiano]. Per capirci. E altri due sono stati là per iniziare, per far partire la fabbrica, sostanzialmente, perché noi ci siamo fatti tutti... abbiamo, praticamente, fatto tutti gli impianti elettrici noi, perchè all'inizio abbiamo preso un capannone in renting... in affitto e lì siamo stati praticamente fino a marzo di quest'anno, che abbiamo fatto trasferimento nella fabbrica nuova che abbiamo fatto, invece, nostra di proprietà.</p> <p>ENT: Allora questi ragazzi sono stati qua, e sono stati qua 2-3 mesi, a lavorare qua, come esterni, mandati da quella ditta lì per imparare il processo. Poi, una volta tornati, ecco, allora hanno aiutato, anche, a far crescere gli altri che erano lì.</p> <p>ENT: Lì? Sono partiti in 10.</p> <p>ENT: L'evoluzione è andata che ho portato altri processi, perché ho deciso di portare lì i processi dove c'è manualità, perché lo stampaggio a iniezione, manualità è pochissima. Perché il robot tira fuori il pezzo, lo mette là, via! Successivamente, ho deciso di portare tutta la produzione fatta in SMC, che è una specie di termo-seta – cioè, tu hai una stoffa, sostanzialmente, che metti in uno stampo bollente, la pressa chiude, la stoffa si deposita – è un poliestere, fibra vetro. Però il pezzo non esce finito, devi tutto ri-lavorarlo, sbavarlo, eccetera. E quindi, questo è un lavoro manuale dove .... E questo l'ho portato nel 2005, mi pare 2005. Poi, ho iniziato a fare i triangoli per la Toyota del mercato italiano, che è un triangolo particolare che ha la scatola in plastica che fa anche da basamento. Ecco. E anche questo... ci sono i pezzi che stampi, che allora tutto in automatico, sostanzialmente, perché l'operatore deve solo guardarlo se va bene e mettere là e basta. Poi c-[ una</p>

	<p>linea dove monti il triangolo. Quindi mettono i rivetti, montano con gli ultrasuoni il..... come si chiama... il catatadiotaro sulla base, montano le scatole, montano i piedini... e ho una linea con 7 persone che fa, lavora in 2 turni e fanno circa 4/5000 triangoli al girone.</p> <p>ENT: In 4 anni siamo passati da 10, 20, 30, 40</p>
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### 8.3.4. Firm D (SportsWear)

SportsWear produced entirely in Italy until 2002, although most of the Italian enterprises in the textile sector had moved in the low cost countries the production or externalized it abroad. Due to the increasing production costs and to the shortage of the subcontractors, in 2001 the entrepreneur pushed by friends (Italian entrepreneurs in the same sector already present in Romania) decided to look for subcontractors in Romania. Nevertheless, the Romanian subcontractors were not able to satisfy constantly the quality standards. During this experience that lasted two-three months, the entrepreneur met an Italian manager that had been working for many years in Romania in the textile sector. Soon after, SportsWear decided to interrupt the collaboration with the Romanian subcontractors and to establish a 100% owned company in Romania with the Italian manager as director. The Italian manager supported the company in acquisition of a farm to be transformed in the factory shed (building plots in the industrial zones were much more expensive), in hiring process and in managing everyday problems with the locals. Therefore, SportsWear having aimed at finding some cheaper subcontractors to externalize a part of the production process established a green field company in Romania keeping internally the operations.

**Table 20: SportsWear - evidences of effectual decision-making**

<i>Coding sub-category</i>	<i>Quotes<sup>13</sup></i>
Means available (Who I am, whom I know, what I know)	<p>ENT: E lei quando si trova ad essere l'unico pilastro... e io di estrazione sono tecnico... per cui...</p> <p>I2: Ci mette becco anche sulla roba tecnica?</p> <p>ENT: No ci metto becco! Impero! No ci metto becco! Impero!</p> <p>E lavorando sui materiali greggi, non è tutto materia.. tutto finito, tu tagli, lì è tagliato, lì rimane... quella è l'impronta. Per cui, condurre una produzione estera è facile. Io taglio il materiale greggio che dopo vado ad assemblare. E la nostra abilità è tagliare più materiali di caratteristiche diverse, assemblarli con cali molto diversi. Questa è la nostra peculiarità.</p>
Goals/courses of action possible (What I can do)	<p>ENT: Non la facevamo tutta dentro. Io ho sempre tenuto all'interno il grosso del nome, cioè lo stile, la tessitura, cioè tutto quello che è la parte più fondamentale. La tessitura perché qui ho un gruppo di tecnici ... [...], il taglio dove c'è bisogno di tutta modellistica, stile e modello. Tessitura, la maglieria ... tutto quello che è la parte portante. L'assemblaggio ... la cucitura, il mettere</p>

<sup>13</sup> ENT: entrepreneur; LM: logistics manager; I1: first interviewer; I2: second interviewer

	<p>insieme due pezzi, che tu lo facci a qua o da un'altra parte, cambia di poco. Abbiamo tenuto in Italia, la parte che ci serve per il Made in, ma abbiamo portato all'estero la parte che invece...</p>
Networking (Interact with other people)	<p>ENT: Il fare questo implica il terrore solo di pensare ad andare all'estero. Poi scatta... Poi la corda ti si stringe attorno al collo e quando tu non riesci più a .. sei fortemente condizionato... ho cominciato il primo esperimento... Trovo una persona che...: "Ma perché non provi in Romania? Perché non provi...?" "No, perché io voglio farlo qua." Ho provato, dal momento che ho provato sono partito e sono andato in Romania a vedere la situazione. Da lì, in giro di 6 mesi ho spostato il 40% della produzione.</p> <p>ENT: Per cui tu devi cominciare a collocare che non hai più un rapporto con un italiano, hai un rapporto con una struttura estera, con persone estere, di mentalità diversa dalla tua. Devi collocare persone, tecnici tuoi che devono inserirsi, che devono fare e che devono dare l'imprinting dell'azienda italiana</p> <p>ENT: Subito, perché avendo una persona sulla mia. Allora questo riusciva a controllare sia la persona ...che quell'italiano lì aveva già 7 anni di esperienza in Romania!</p> <p>II: Quindi ha preso un manager che sapeva già come muoversi?</p> <p>ENT: Un personaggio che sapeva già come muoversi. Era uno già radicato. Sapeva benissimo parlare con i rumeni, sapeva trattare con loro, era del settore per cui sapeva dove muoversi. Che è persona che c'è tutt'ora. Cioè, io questa persona è uomo che mi controlla sia la parte esterna sia la parte...</p> <p>II: Cioè, ha avuto, tra virgolette, un colpo di fortuna per cui è riuscito a trovare una persona...?</p> <p>ENT: Ah, primo non è stato proprio un colpo... il secondo è stato....</p>
Effectual stakeholder commitment	<p>ENT: Noi, per la tipologia del prodotto, gioco forza, abbiamo dovuto creare la struttura. Subito ho provato l'esperienza di darlo conto terzi. E' stato uno sfacelo</p> <p>ENT: Perché conto terzi era un qualcosa che tu non ne hai il controllo.</p> <p>LM: Il conto terzi qua è un italiano che prende la macchina e, anche se è a 3 ore, viene qua!</p> <p>ENT: Problema qualsiasi lo risolvi.</p> <p>LM: Da Romania non parti tutti i giorni. Lo vedi quando è fatto o è negli step di costruzione.</p> <p>ENT: Prima ho ceduto in conto e un colpo andava bene, un colpo disastro. Al che ho fermato la storia, sono andato di persona. Ho trovato una di queste ... in Romania le chiamano Ferme. Le Ferme erano la proprietà... il ranch americano dove dentro ci sono le stalle. E "Cavolo!" ho detto. Mi conviene comprare una Ferma piuttosto che andare in affitto perché con gli affitti ti derubavano. E lì comincia tutta la storia dell'internaz.... della difficoltà a imparare, ragionare e produrre in un posto. Farti la mentalità</p> <p>ENT: Per cui tu devi cominciare a collocare che non hai più un rapporto con un italiano, hai un rapporto con una struttura estera, con persone estere, di mentalità diversa dalla tua. Devi collocare persone, tecnici tuoi che devono inserirsi, che devono fare e che devono dare l'imprinting dell'azienda italiana</p> <p>ENT: Allora, comincio nel 2002 e comincio andare ... ho trovato da uno, ne ho trovato 2, 3, 4 ... fino a che una cantonata, due cantonate... stop! A questo punto comincio a prendermi un locale in affitto... Vado su in macchina, trovo un posto, un locale dove mettere in affitto e costituisco la mia azienda rumena. Comincia problemi di trasporti, non trasporti... legge rumene, di contabilità perché lì ti scatta tutto! Impari a vederlo in un altro modo. Vedi in quel modo,</p>

	<p>cominci a conoscerlo e i rumeni che sono un popolo non stupido come capiscono che c'è stato il flusso di italiani, l'affitto costava tanto qua che là, eh?! Come ti vedevano in faccia, sapevano già...eheh. Per cui il fatto poi di dire: "Adesso faccio un investimento!" Ho solo detto: "Quello che spendo in affitto, in giro di 5 anni me lo ripago in investimento!" Per cui tanto vale che prendo l'investimento anche se erano capannoni sfasciati ma erano 7000 m2 di stalle ... Sono partito a sistemarle, ho ri-recintato tutto, ho sistemato e abbiamo fatto la nostra sede a Basa. E lì, dopo assumi tutte le persone, porti dentro, Abbiamo portato dentro una 70ina di persone e cominciato a fare una sede di produzione più cominciato operare con altri laboratori rumeni!</p>
<p>Cycle of resources (New means – Who we are, whom we know, what we know)</p>	<p>I1: E adesso c'è una minor resistenza al cambiamento?  ENT: Ah.. è molto più facile! Molto più facile perché intanto le persone sanno fare più lavori. Questo, alla lunga, è un vantaggio enorme! E la famosa flessibilità mentale, innanzitutto, è legata a questo tipo di passaggi. E io l'ho fatto forzatamente per questo e ho riassetato l'azienda. Ma poi, diciamo, il capirlo è stato anche fase indotta perché quando hanno visto un sacco di aziende crollavano e tu continuavi, anzi l'azienda si sviluppava e si ingrandiva, loro rimanendo, cioè non perdendo personale, questo è stato un punto di orgoglio! E' passato da una scocciatura ad un accettare in molto positiva... [...spiega come è andato in Albania... attraverso un'autista albanese che lavorava per lui...positivamente sorpreso... positivamente sorpreso dalla sicurezza che c'è a Tirana...]</p> <p>ENT:L'azienda può avere un'altra finalità e procedere con un'attività parallela. L'azienda albanese, in Albania, abbiamo fatto una doppia operazione. Abbiamo fatto un'azienda immobiliare per costruire, per fare...e stiamo facendo un'attività proprio di costruire e vendere capannoni industriali e produttiva nello stesso tempo.</p> <p>ENT:Io dico sempre: "Ci sono paesi dove c'è una difficoltà, dove c'è un problema di costi!" L'America, poi arriva l'America... dazi di importazione sono spaventosi, perché i dazi sono.. l'abbigliamento è intorno al 25% di dazi! Perché noi usiamo molte viscose e cose... per cui i dazi sono spaventosi... le fibre sintetiche in America te le paghi lira di Dio! Eh... [-] interessante il mercato americano, potrebbe voler dire un domani, in una strategia diversa, produrre, cioè avere la possibilità di produrre, di far penetrare i prodotti a un livello di costo esen-dazi... Entrare nel mercato con un rapporto diverso! Questo potrebbe essere uno degli argomenti.</p> <p>I2: Ecco, ma questa consapevolezza c'era anche prima di andare in Romania?  ENT: Ma neanche la cominciavo a prendere in considerazione! Cioè, prima non prendevo in considerazione, perché non sai come andava.... Cioè, adesso tu hai fatto un'esperienza che ti permette di pensare e di essere aperto a qualsiasi evento possibile futuro Cioè, dalla Romania esser passati in Albania è stato un gioco! Che in giro di 1 mese, ho fatto, ho deciso, le macchine... faccio così, così! Trac! Prendo, partito... operativo in un mese! Un mese!</p> <p>ENT: E' un aiuto notevole perché ti fa penetrare e ti fa capire determinate dinamiche. Oggi, in Albania... [...considerazioni su investimenti in immobili a Tirana...sia per ri-vendere, sia per fare nuovi negozi in centro...come hanno fatto le banche a Berlino dopo la caduta del muro...]</p>
<p>Cycle of transformation of artifacts (New goals –</p>	<p>ENT: più cominciato operare con altri laboratori rumeni!  ENT: la struttura organizzativa si è semplificata! Perché? Se io produco, diciamo 2000 capi al giorno, 1000 capi al giorno lì faccio in Italia, i laboratori italiani, lì distribuisco a 10 laboratori italiani.. io avrò 10 persone che ogni giorno</p>

<p>What we can do)</p>	<p>vengono qua a chiedere informazioni e a fare! Gli altri 1000 li do da fare all'estero, perché, poi, è la persona che è là che si gestisce la problematica di 1000. Cioè, se io sono un Rumeno e voi siete italiani, e io ho 10 persone perché ho 10 laboratori per fare quei 1000 capi, io devo in azienda comunicare con tutti 10! [...] ...delego perché ho una base di distribuzione là! Io non ho altro che semplificato perché la persona che io metto là che è alla sua volta ha i contatti. Però è lui che mi fa da filtro! Ed io comunico, azienda, con un unico interlocutore. Quindi, qui paradossalmente io ho semplificato autisti, che avevo qua bisogno di 3 autisti... ne ho portato a uno. Trac. Subito. Perché i trasporti... si sono ridotti nel trasporto principale. Non ho avuto più il viavai di continuo .... oltre ad avere ridotto il numero di persone che in azienda confluivano per avere costantemente informazioni e che erano tutte condizionate, vincolate qua! Praticamente la persona che dava l'informazione qua è come se l'avessi decentrata là e ho semplificato la vita in azienda!</p> <p>ENT: Allora, sia l'aumento della tipologia di prodotti, sia la possibilità di fare qualsiasi tipo di cosa mi ha permesso di fare qualsiasi tipo di prodotto e sono andato a fare capotti, nonché questo, nonché quello... trovando le strade produttive, trovando... anche là sezionando le aziende specializzate per A, B, C... impostando le linee... Per cui io ho ampliato completamente la gamma di prodotti</p> <p>ENT: Perché tu trovi un ambiente che è molto più preparato a fare... E' già strutturato e ahi più facilità a penetrare... [...] Qualsiasi cosa io voglio fare [pantaloni, T-shirt...], posso trovare una risposta! E prima invece, in questo segmento, io per trovarla dovevo spendere 10 volte il tempo. Tu per non spendere 10 volte, ti fermi! [...] [...io i capotti non sapevo neanche dove andare a sbattere la testa per farli in Italia, là è stato un gioco...]</p> <p>Allora, io sto pensando che [... di trasformare in zona agricola quando non più interessante dal pdv produttivo...]. L'azienda può avere un'altra finalità e procedere con un'attività parallela. L'azienda albanese, in Albania, abbiamo fatto una doppia operazione. Abbiamo fatto un'azienda immobiliare per costruire, per fare...e stiamo facendo un'attività proprio di costruire e vendere capannoni industriali e produttiva nello stesso tempo.</p> <p>I2: E questa è stata una cosa nuova?</p> <p>ENT: Completamente nuova! Questo non l'avrei mai fatto viceversa!</p> <p>ENT: I cinesi stanno già andando a produrre in nord Vietnam perché costa meno che in Cina... i cinesi! Il mondo, domani andrà in Africa! [...] Perché è un equilibrio! Poi i mercati che sono solo produttivi, diventeranno di consumo e viceversa....</p> <p>I2: Ed esser là?</p> <p>ENT: Ed esser là, tu sei già nella mentalità, nel paese.</p> <p>ENT: Vantaggio fondamentale, cioè quello che va tradotto al mercato è che noi abbiamo avuto la possibilità di ampliare completamente la gamma di prodotti per cui io sono diventato un produttore a 360 gradi.</p>
<p>Affordable loss principle</p>	<p>ENT: Aumento di costi da una parte per cui crollo... automatico crollo dei laboratori e inevitabile dove trovare uno sbocco. Io per anni non ho mai lavorato all'estero. Ci sono aziende che hanno cominciato molto, molto prima. Cioè, le aziende di primo livello erano già all'estero da 5-6 anni, 10 anni. Io, all'estero... la [SportsWear] Deutschland, per capirci, il titolare qua era fatta all'80%, era fatta già a Hong Kong. Per cui, questi erano molto, molto più avanti. Perché i tedeschi, quando noi avevamo in rapporto 10 aziende che facevano produzione all'estero, i tedeschi ne avevano 90. Ma perché il tedesco</p>

	<p>era già molto più avanti nel...</p> <p>ENT: Un problema che scatta fuori, diventa un disastro quando lo porti in Italia e lo vai a tingere! E lavorando sui materiali greggi, non è tutto materia.. tutto finito, tu tagli, lì è tagliato, lì rimane... quella è l'impronta. Per cui, condurre una produzione estera è facile. Io taglio il materiale greggio che dopo vado ad assemblare. E la nostra abilità è tagliare più materiali di caratteristiche diverse, assemblarli con cali molto diversi. Questa è la nostra peculiarità. Il fare questo implica il terrore solo di pensare ad andare all'estero.</p>
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### 8.3.5. Firm E (MekMachine)

MekMachine, thanks to an own manager, contacted a bigger Slovakian company. It was a decades old company with more than 250 employees. Pushed by the low cost of the semi-manufactured products and by the chance to substitute a relevant number of small subcontractors with a sole partner, MekMachine decided to initiate a long-term relationship with the Slovakian company. Soon after, the Slovakian company was about going bankrupt for former reasons unknown to the Italian machine producer. Thus, the entrepreneur and the general manager decided to take over the Slovakian company and its top management. The entrepreneur told about the main reason undergoing the decision: “...the first thing we considered was that finally we’d manufacture the machines alone!”. Therefore, MekMachine having aimed at finding some cheaper subcontractors took over a company in Slovakia and internalized a number of operations.

**Table 21: MekMachine - evidences of effectual decision-making**

<i>Coding sub-category</i>	<i>Quotes<sup>14</sup></i>
Means available (Who I am, whom I know, what I know)	<p>ENT: L’azienda, poi, è arrivata in un punto in cui non si è più accettato di sostenere costi di marketing, costi di commercializzazione, costi di qualche modo, di supporto di brand per alimentare un’economia terzista locale a costi crescenti</p> <p>ENT: Dieci anni fa avevamo anche pensato di tornare a Osijek ma la reazione dello staff fu unanime: “ E no! Ci hanno fregato una volta, basta!”</p>
Goals/courses of action possible (What I can do)	<p>GM: A quel punto, uno dei primissimi atti che [l’imprenditore] ricordo, essendo io il suo interlocutore, valutò di vedere, no?, di trovare fornitori esteri</p> <p>ENT: Dieci anni fa avevamo anche pensato di tornare a Osijek ma la reazione dello staff fu unanime: “ E no! Ci hanno fregato una volta, basta!”</p> <p>GM: Rivolgendosi a luoghi dove si potesse immaginare che il fornitore non avrebbe fatturato 30.000 lire l’ora, un’ora lavorata su una macchina utensile, ma molto meno! Quindi quella fu la motivazione, una</p>

<sup>14</sup> ENT: entrepreneur; GM: general manager; CLM: commercial and logistics manager; I1: first interviewer; I2: second interviewer



	<p>motivazione di attesa di un minor costo di acquisto di componenti. Sulla base di questo noi abbiamo fatto una ampia valutazione. La valutazione ha compreso aziende lituane, bielorusse, polacche, romene, slovacche. Non ha compreso aziende ungheresi, non ha compreso, se non proprio così a livello parliamone ma lasciamoli stare, le aziende ceche. Non ha compreso fornitori da altre parti, perché, viva Dio, in quei anni cominciavano ad affacciarsi i turchi, i tunisini, cioè c'è una meccanica che sta andando crescendo da molti anni ormai, mica solo da ieri mattina.</p> <p>GM: Come siamo arrivati in Slovacchia è molto semplice... fatte le valutazioni: Lituania, troppo lontana, banale, troppo lontana; Romania è troppo arretrata, sono troppo indietro loro, proprio la testa non c'è; gli ungheresi, [l'imprenditore] non li ha voluti considerare perché hanno una lingua troppo lontana, no?! Per quanto io la parli, no. [l'imprenditore] ha vissuto più l'Ungheria dove lui va a in vacanza, a farsi i bagni che non come luogo dove far industria. La Cecoslovacchia, la Slovacchia è persa come un buon mix. Un buon mix di aziende equipaggiate, di disponibilità di personale, di disponibilità di tecnici e di occasioni, perché è inevitabile dire che quella che noi abbiamo fatto è stato cogliere un'occasione.</p>
Networking (Interact with other people)	<p>ENT: [...]è inevitabile dire che quella che noi abbiamo fatto è stato cogliere un'occasione.</p> <p>GM: Noi, io conoscevo quella azienda molto prima di lavorare con la ditta [MekMachine] e quando il governo slovacco che a quel tempo organizzava le visite per gli imprenditori stranieri per proporgli delle aziende da rilevare, ci portò in Slovacchia, ci portò in un'altra zona per motivazioni politiche... [...]Noi ci siamo inseriti in un'azienda che era già stata rilevata da un gruppo industriale tedesco e, però, nel novanta... quando io l'avevo incontrata... L'avevo incontrata perché ero andato a visitare la fabbrica di questo gruppo tedesco in Slovacchia</p> <p>GM: Infatti, il punto vero di giunzione di nostri ragionamenti fu l'aver trovato lì il vicepresidente, quello che aveva lì le carte da vicepresidente che, parlando italiano, riuscì ad esprimere le cose nella maniera più .... [...] chiara!. [...] Quindi [l'imprenditore] ha una capacità di relazionarsi importante, anche profonda. E questo è stato un elemento importantissimo. Nei momenti, nei passaggi chiave perché senza quella, senza questa capacità di relazionarsi e però anche di... di... e anche dei nostri interlocutori di relazionarsi con noi, le cose non sarebbero andate avanti.</p>
Effectual stakeholder commitment	<p>ENT: Inizialmente siamo partiti con un loro sistema gestionale e con un nostro sistema gestionale... poi non essendo le cose compatibili, cioè non riuscendo a gestire per diversità di lingua, abbiamo unificato tutto, acquistato un sistema gestionale, un ERP multilingua internazionale...</p> <p>ENT: Si era iniziato ormai ad ordinargli del materiale</p> <p>GM: E in un ambito di un avvio di collaborazione, no?!, i dirigenti di questa azienda vennero a trovarci a Bassano del Grappa. In quella sede, io li avevo chiesto di portare i bilanci perché era buona regola capire che prospettiva, anche guardando un po' i conti, ci poteva dare questa azienda. Avendo io studiato l'economia molti anni fa, [...] mi sono accorto che quella azienda era tecnicamente fallita che li avevo detto: "Ma scusate, ma voi venite a parlare di questo e di quello, ma voi altri, quest'anno, il bilancio come lo chiudete?" – "Non lo chiudiamo, noi chiudiamo l'azienda!" A quel punto, io e [l'imprenditore] ci siamo guardati e</p>

	<p>abbiamo detto: “Signori dateci 10 minuti, perché questo è un fatto inatteso, noi non lo sapevamo di tutta questa vostra vicenda... Eravamo qui a capire se eravate in grado di leggere i disegni”. E lì è scattato in qualche modo il vantaggio della relazione, cioè il fatto di essere già noi andati, il fatto che io conoscessi la lingua, il fatto che cmq [l’imprenditore] avesse avuto un’impressione molto positiva della struttura... Questi sono stati i fatti che hanno mosso l’imprenditore, diciamo tra virgolette, a dire: “Facciamo una proposta!” che fu poi dettagliata... [...]. Ma quello fu il punto di snodo!</p> <p>GM: Quando noi abbiamo preso, costituito la società [MekMachine] Slovacchia e abbiamo in qualche modo come società per azioni in Slovacchia preso in affitto dal curatore fallimentare la struttura e i macchinari, noi abbiamo cominciato in maniera molto tradizionale: con la fila di operai fuori</p>
<p>Cycle of resources (New means – Who we are, whom we know, what we know)</p>	<p>I1: Per l’azienda italiana qua! Quali sono stati i principali vantaggi dal pdv strategico?</p> <p>GM: Il principale vantaggio dal pdv strategico è stato far capire ai tecnici e ai quadri aziendali, lo possono portare in giro per il mondo. Questa è la cosa fondamentale. Gente, che a differenza mia, aveva passato tutta la sua vita, in breve, senza mai dormir fuori di casa è stata in qualche modo convinta, motivata, spinta, buttata, comandata a cambiare il contesto nel quale dà il proprio contributo lavorativo. E questa è la scuola che questa internazionalizzazione ci ha consentito. Se oggi io sono qua a pensare al Brasile, a pensare alla Turchia, se 2 anni fa pensavamo di aprire la fabbrica in Russia, ....</p> <p>GM: Quindi in qualche modo l’internazionalizzazione è certamente servita e ci servirà in futuro. Oggi, lì possiamo fare delle cose che 10 anni fa nemmeno ci sognavamo di fare. 10 anni fa si aveva bisogno del network degli artigiani, eccetera, eccetera...</p> <p>GM: Mi scuso se non l’ho messo abbastanza in evidenza, ma quello è proprio fondamentale! Quindi oggi noi siamo una vera fabbrica.</p> <p>I2: Quindi dal pdv strategico, con questo chiudo le mie domande, abbiamo la possibilità di andare a creare altri stabilimenti produttivi perché lo sappiamo che lo possiamo fare, siamo in grado di fare...</p> <p>GM: Exactly!</p>
<p>Cycle of transformation of artifacts (New goals – What we can do)</p>	<p>CLM: No! Inizialmente era tutto in Italia. Gli step sono stati... sono iniziate le lavorazioni meccaniche su, quindi l’approvvigionamento si è decentralizzato.</p> <p>CLM: Perché il ciclo... perché io ritengo che il ciclo slovacco abbia avuto il suo corso... Cioè...</p> <p>I2: Ma fabbrica con le ruote e spostarsi?</p> <p>CLM: Può anche rimanere però assumere magari... subire una certa trasformazione per rimanere. Cioè loro hanno avuto un’accelerazione, una dinamica del lavoro e anche di [-] costi di qualsiasi cosa...cioè. Non è stata... non ha avuto tempo a sufficienza per essere assorbita per cui c’è un assestamento...</p> <p>I2: Del paese?</p> <p>CLM: Sicuro! Questo è pienamente sicuro. La possibilità potrebbe essere quella di fare quel passo di evoluzione anche loro! Glielo stiamo trasferendo anche a loro nel senso che abbiamo cominciato a dare mobilità anche a loro. Nel senso impiegarli non solo più nelle mansioni operative</p>

	<p>ma anche in mansioni di assistenza post-vendita,...</p> <p>---</p> <p>CLM: perché poi abbiamo cominciato a inserire gli elettricisti per fare montaggi elettrici. E lì abbiamo anche lì... la nostra era un'azienda che aveva un fortissimo esborso a dei terzisti che ci fornivano i quadri elettrici già pronti. Lì abbiamo messo su delle squadre di elettricisti e ancora oggi...</p> <p>I1: Avete allargato quello che producevate all'interno?</p> <p>GM: Ma, dottore... ma, dottore.... Ma è in effetti questo il punto dove io voglio mettere un po' la vostra attenzione. Quello che questa azienda ha fatto, chiaramente si è fatta la valutazione se andiamo là, non andiamo in un luogo nel quale spenderemo...</p> <p>GM: ...Ben altre sono state cose valutate, cioè, la prima valutazione è stata finalmente ci faremo le macchine da noi!</p> <p>I2: E' una integrazione verticale. Avete portato dentro attività...</p> <p>GM: Avevamo cominciato a far dentro cose che non avevamo mai fatto.</p> <p>I2: ok, chiaro!</p> <p>GM: Quindi l'azienda ha in qualche modo scoperto l'industrializzazione di sé stessa. Abbiamo cominciato a fare delle cose che non avevamo mai fatto perché al massimo la funzione di fabbricazione era, in qualche modo, deputata al perito meccanico dell'ufficio acquisti che contrattava col fornitore la fornitura sulla base di una sua esperienza e di un suo contabilizzare il costo del componente da acquisire.</p> <p>GM: Mentre così siamo entrati in un'azienda, che essendo essa storicamente verticalmente integrata perché apparteneva a un paese che se sera per loro si facevano anche le viti! La viti si facevano quelli nella fabbrica, no! Hanno portato fundamentalmente quel know-how, il know-how di come si fa l'intero processo. Quindi abbiamo acquisito squadre di saldatori, che mai prima erano state... Una squadra di verniciatori... sì, noi avevamo una verniciatura ma limitata a un addetto o a un impianto minimo. Oggi abbiamo 3 cabine, abbiamo avuto anche 5 addetti, cioè tutta una serie di funzioni tecniche, legate alla realizzazione del prodotto, alla realizzazione del prodotto! .. sono state per la prima volta portate in azienda.</p> <p>GM: In parte qua, in parte là, fatto salvo che, invece, che quella che è l'industrializzazione, cioè quindi la predisposizione dei capitolati di realizzazione delle lavorazioni, no!, quella viene fatta dal personale che è lì! Perché quel personale ha la conoscenza, la storia, e visto che la fabbrica è là, lo fa là. Questo è un po' il punto. Non siamo noi qui in grado di dire loro, con buona pace [del CLM] come devono fare. Sì! Abbiamo i nostri tecnici che supervisionano ma non sono gli autori del ciclo di lavoro.</p> <p>GM: Cioè quello che era il concept iniziale, andiamo lì a fare le macchine solite, no!?, questi modelli, poi questo, poi questo... e qui facciamo le macchine nuove.... negli ultimi due anni sta cambiando. Qui facciamo alcune macchine nuove, ma lì possiamo fare tutte le macchine nuove che vogliamo, perché abbiamo un ufficio tecnico in fabbrica, abbiamo il parco macchinari, macchine utensili, abbiamo tecnici alle macchine utensili e abbiamo tecnici al montaggio. E possiamo montare qualunque cosa!</p>
Affordable loss principle	<p>I1: Mi sono perso: quand'è che è stata avviata proprio la produzione in Slovacchia?</p> <p>CLM: 2000. Inizio... va beh, quello è stato incrementale, ovviamente. Si è partito con le lavorazioni meccaniche nel senso che c'era già un'officina e</p>

si è cominciato a spostare semplicemente dai nostri fornitori o dalla nostra produzione interna a loro. Poi siamo partiti con gli assemblaggi... allora lì con assemblaggi è stato un po' più lungo però anche loro avevano una competenza di assemblaggi. Le macchine le facevano già, forse le nostre sono un po' più complicate dal pdv dell'assemblaggio, un po' più povere dal pdv delle lavorazioni meccaniche rispetto a un tornio qui... Sì, c'è stato un po' un'evoluzione interna.

CLM: Ci sono dei passaggi.. ci sono tanti passaggi in mezzo. Questo è una parte di sicuro... Il secondo passaggio che ho fatto io quando sono diventato responsabile è che tutte le persone che prima erano usate come segreteria ... sono diventati tutti.. hanno avuto tutti un ruolo di responsabilità. Tutte!

I2: Posso provare di... C'è un'ipotesi che... non so se sia un'interpretazione che sia scorretta oppure no! Allora, vado là in Slovacchia. Là devo fare delle cose all'inizio più ripetitive, anche per problemi di qualità se no non ctrl... eccetera...

CLM: Certo.

I2: Dopo darò un po' alla volta un po' di più, no?! Ma allora vuol dire che io prendo le cose, divido tra qua e là e una delle cose che divide... E' una cosa più o meno ripetitiva. Più ripetitiva va di là, meno ripetitiva la tengo di qua.

CLM: Sì.

GM: noi abbiamo cominciato in maniera molto tradizionale: con la fila di operai fuori. A uno a uno sono venuti a parlare con me o con l'allora responsabile di produzione, anche lui veneto, signore di Schio, di lunga esperienza e così via... E abbiamo messo su un nucleo di una trentina di persone. Siamo partiti con un nucleo occupato minimo, no!?. Qualche lavorazione, qualche montaggio perché dovevamo a nostra volta, no, metterli in condizione di essere produttivi. E cosa facevano 'sit qua?

GM: questa è stata una scelta molto intelligente [dell'imprenditore] che ha voluto integrare continuamente questo gruppo a seconda delle varie esigenze che ci sono. Sia guardando le esigenze di Bassano; quindi, facciamoli fare questa esperienza! Cosa farà lì? Beh, non è chiaro, ma fai intanto questa esperienza.

## **8.4. ORGANIZATIONAL CHANGES: WITHIN-CASE ANALYSIS**

Hereinafter, I describe briefly for each company the internationalization process focusing on the establishing process of the new subsidiary. The descriptions are taken up from the paragraph 4.1. Subsequently, I provide for each company the micro-level changes occurred due to the internationalization. I specify the type of change (adaptation versus replacement) and which organizational elements were influenced by the change. Adaptations are those micro-level changes that emerge from local improvisation and learning. They can be seen as updates to current processes or practices. Whereas, the replacement is when a process or procedure replace another. In some occasions there was no a clear distinction between the two types; nevertheless, I associated the change to the prevailing type after an exchange of ideas with the other two researchers.

### **8.4.1. Firm A (AirComp)**

AirComp designs, manufactures, and sells worldwide a wide range of devices that produce pressure (compressors). The company was founded in 1992 by four experts in the field: they are still active in the company and act as CEO. The company started selling abroad in 1995 in the Western Europe. The expansion on the European market was quite rapid and in 1998 established a 50% owned trading company in Romania. After, they began selling worldwide in Australia, South Korea, and Venezuela through a network of dealers who were able to provide an after-sale service. In 2001, AirComp started the POI process; the turnover was about 9 millions euro, they had 45 employees and the share of the national market was about 60 percent. Today (April 2008) the turnover is about 14 millions euro, they have 55 employees in Italy and 20 abroad and the share of the national market is about 40 percent (see Table 7).

The internationalization of production took place quite late in comparison with other small-medium mechanical companies. In 2001 the company went in Serbia to identify an opportunity to distribute its products in the former Yugoslav area. Before 2001, AirComp's presence in the former Yugoslav Republics was negligible and the knowledge about the market was extremely limited. During 2001, the firm met a small local trading company that was already selling the compressors in Bosnia and Serbia. AirComp perceived this company very trustable and considered the idea of producing locally to distribute locally. AirComp decided to set up in Bosnia mainly because they wanted to expand their presence in the local markets. A second reason was the low labor cost. Together, they founded in 2002 in Bosnia a new company, owned at 50% by Italian firm. They started with three employees and at the moment of the interviews (April 2008) there were five

employees. The scopes of the new company consisted of assembling pre-arranged kits by AirComp, selling compressors in local and neighbor markets (Serbia and Croatia), and providing after-sales service. At the beginning, AirComp trained Bosnian employees to assemble the simplest compressors, after three to four years they transferred their know-how in assembling more complex compressors. Everything produced in Bosnia is distributed locally. The Italian factory continued producing items for Italian market and all the other markets not covered by Bosnian subsidiary. The training of the Bosnian workers was performed both in Italy through a short two-week visit and in Bosnia through two-day visits of Italian managers and workers.

The total number of micro-level changes is 18. I identified 12 adaptations and six replacements. Each organizational element has been influenced by the changes.

**Table 22: AirComp - Micro-level changes, type and organizational elements influenced**

<i>Description of micro-level change</i>	<i>Type</i>	<i>Org. elements influenced</i>
<p><u>1. Formalization</u> The assembling of many products is performed in the foreign subsidiaries with the workers that do not speak Italian. Thus, it was necessary to produce more precise, more detailed and simpler schemes of the compressors and assembling instructions. It was, also, necessary to make out a more complete list of spare parts. Furthermore, this formalization had to be anticipated to make available all the mentioned documents before the assembling process could start.</p>	adaptation	Skills Shared values
<p><u>2. Assembling process</u> The preparation of the assembling process was re-designed, preparing in advance the spare parts and the assembling kits to ship to the foreign subsidiaries. This was made in order to ensure more efficiency and a higher quality by assembling with less experienced workers.</p>	adaptation	Shared values
<p><u>3. Personnel</u> When they started working in Bosnia there was a communication problem as the Bosnians could not speak Italian and Italians could not speak Bosnian (or Serbo- Croatian). Thus, AirComp decided to hire a Serbo-Croatian mother tongue person that was already living in Italy as switchboard operator. They hired another worker as the production increased. AirComp hired and changed some people in the Sales and Design units. When changing people they substituted with higher skilled people. Also the manager of the Production unit was substituted by a higher skilled manager. These substitutions are due both to the POI and to the growth of the firm; therefore, I am aware that the distinction is not clear.</p>	adaptation	Staff Skills Structure
<p><u>4. 3D technology</u> The POI process accelerated the shifting from 2D to the 3D</p>	adaptation	Systems Skills

<p>drawing of technical schemes. The management estimated that the internationalization of production pushed them to anticipate of 2-3 years the systematic use of 3D. They started using more systematically the 3D drawing as the assembling instructions and schemes had to be more precise, simpler, and more detailed. They took advantage of the skills improvement and began also to project in 3D. Soon after, the sellers used 3D schemes during the negotiation process.</p>		
<p><u>5. Communication technology</u> Brazilian subsidiary's production unit is not expert as the Italian one. Brazilians need several and constant technical help. In order to improve the communication between the two production units, the workers were supplied with webcams. Thus, they can communicate live both with voice and video, they can solve some problems without involving managers and, in this way, they improve the cooperation between different plants.</p>	adaptation / replacement	Systems Shared values
<p><u>6. Awareness</u> After performing the first POI in Bosnia, AirComp became aware of the fact that they can do it. This increased their self-confidence and opened the possibility to re-do it somewhere else in the world.</p>	replacement	Shared values Strategy
<p><u>7. Entrepreneurs mentality</u> When the entrepreneurs established AirComp, the business horizon was the province, with the aim to grow step by step throughout the region and, consequently, the whole country, basing their expansion on sales. Now, after the internationalization of sales, after the POI and together with the world globalization process, they changed their mind. If they have to establish a new company today, they would plan it as 'born global' one, organizing it immediately ready for the production and sales internationalization.</p>	replacement	Shared values Skills
<p><u>8. Workers mentality</u> When the management decided to internationalize the operations in Bosnia, a part of the workers was afraid that they would lose their job as the whole production would be transferred abroad. But this did not happen; vice versa, the production increased (they had to produce and prepare the spare parts also for the Bosnian subsidiary); consequently, increased the number of people both in the production unit and in the other units. Thus, the workers increased open-mindedness lowering the suspicion towards POI. In general, we can say that there is a lower resistance to change.</p>	replacement	Shared values
<p><u>9. Production unit's job</u> Before starting the POI, the duty of the Production unit consisted in producing the spare parts and assembling the compressors. After establishing a company in Bosnia, the Italian Production unit, the Italian workers have to train from time to time the Bosnian workers. After establishing the Brazilian Company, the Italian workers assist via webcam the Brazilians. Meanwhile assisting the Italian</p>	adaptation	Structure Skills Systems

Production Manager can also control the activity of the Brazilian subsidiary. Today, they produce, assemble, train, assist and control.		
<u>10. Sourcing</u> Nowadays, it is important for a company to find resources worldwide, where the cost is lower. Even SMEs started having international purchasing but for a SME it is difficult to perform a real sourcing in foreign countries as it involves an effective presence in those countries. It can be too costly or it requires human capital (international purchase managers) that a SME do not have. AirComp, having established production and sales units abroad can purchase efficiently and effectively raw material and spare parts in those countries. In this way, also specific spare parts for the country-specific products (due to different regulations) are purchased in the local market simplifying the fluxes of materials.	adaptation	Strategy structure systems
<u>11. Designing</u> Producing in a specific country, the compressors have to follow the local regulations but they have to be adapted also to the local climatic environment (for example, in Brazil there is a relevant humidity and higher average temperature). Having a production and sales subsidiary, in those countries AirComp sales a relevant quantity of compressors. For both reasons it is necessary and/or worthy to re-design slightly the compressors for those markets. If the difference contributes to an improvement of the compressors or if the cost of the change is negligible than this change is brought to all the products. In this way, there is a slowing down of the variety proliferation (standardization of spare parts) and an increasing quality with more global products.	adaptation	Strategy Systems Skills
<u>12. Regulations knowledge</u> Producing in a specific country, the compressors have to follow the local regulations. Being in contact with the local designers and technicians there is an improvement of the knowledge of the local regulations and how to implement them.	adaptation	Skills
<u>13. Market knowledge</u> When producing industrial machines in a country it is easier to sell in that country as the company is closer to the clients, the clients feel products more national; e.g. the possibility of after-sale assistance is greater. By selling more products, AirComp achieves more knowledge of the local and regional market.	adaptation	Skills
<u>14. Market and business analysis</u> Establishing a production and sales units abroad requires financial, time and human resources. Before starting, it is useful to perform market and business analysis. AirComp improved its analysis methods.	replacement	Skills Systems
<u>15. Relationship managers-workers</u> When the entrepreneurs decided to internationalize the operations	adaptation	Style



<p>in Bosnia, a part of the workers was suspicious of the managers, believing that they would transfer the whole production abroad and, thus, the workers would lose their job. Nevertheless, this did not happen; vice versa, the production increased and, consequently, increased the number of people both in the production unit and in the other units. Thus, the relationship between managers and workers improved, the workers began to have more understanding for the managers' decisions. After establishing the company in Bosnia, it was necessary for the Italian workers and managers to visit Bosnian subsidiary to train and assist local workers. During business trips, the internal barriers between managers and workers were broken and the mutual knowledge improved.</p>		
<p><u>16. Production planning</u> By having more production units in different places, the company system becomes wider and more complicated. Geographical distance and the involvement of an increased number of sales, logistics, and production units in the order, acquisition, and fulfillment process tend to extend the operational times. Nevertheless, delivery times in any market of the company cannot be extended in order to maintain the competitiveness. In order to respond to this threat, AirComp changed the purchase planning by extending the covered period and developing the control of work in progress.</p>	adaptation	Systems Shared values
<p><u>17. Branding</u> Having different plants across the world gives the possibility to present the company in a different way. Now, AirComp appears as a company that is capable to face problems in different situations and as a company that can guarantee a continuous service in those countries where it is present with production units.</p>	replacement	Strategy
<p><u>18. Strategic planning</u> Having the production abroad implies more problems and more complexity. Thus, AirComp started reviewing strategies more frequently. They adjust the direction more in advance.</p>	replacement	Strategy Shared values

In the following table, I summarize the micro-level changes that influenced each organizational element.

**Table 23: AirComp - micro-level changes and impacts on organizational elements**

<i>Micro-level changes</i>	<i>Organizational element</i>
1. Formalisation 3. Personnel 4. 3D technology 7. Entrepreneurs mentality 9. Production unit's job	11. Designing 12. Regulations knowledge 13. Market knowledge 14. Market and business analysis  Skills

1. Formalisation 2. Assembling process 5. Communication technology 6. Awareness	7. Entrepreneurs mentality 8. Workers mentality 16. Production planning 18. Strategic planning	Shared values
4. 3D technology 5. Communication technology 9. Production unit's job 10. Sourcing	11. Designing 14. Market and business analysis 16. Production planning	Systems
6. Awareness 10. Sourcing 11. Designing	17. Branding 18. Strategic planning	Strategy
3. Personnel 9. Production unit's job	10. Sourcing	Structure
3. Personnel		Staff
15. Relationship managers-workers		Style

#### 8.4.2. Firm B (ElectroMek)

ElectroMek designs, manufactures, assembles machine tools (electro-mechanical devices), and sells worldwide. The company was founded in 1985 and has constantly grown extending its product range (currently more than 15.000 articles and 3.000 customers). ElectroMek started selling abroad in 1992 in Germany, but did not establish trading companies abroad until 2006. Before starting the POI, the company exported 25% of its production mostly to the Western Europe; the turnover was six million euro and total number of employees was 55. Today (May 2008), the first market is still the national one with a share of about 70 percent. The turnover is 10 million euro and there are 60 employees in Italy and 50 abroad (see Table 7).

The Production-Oriented Internationalization process started in 2002 when the entrepreneur identified an opportunity to start a business in Slovak Republic. ElectroMek did not have any trade agreement in Slovak Republic and the knowledge of the Central-Eastern Europe market was negligible. The main reasons to set up a production unit in Slovakia were the cheap workforce and the future entry of Slovakia in European Union (Slovakia joined EU on May 1, 2004). The entry in EU eliminated nearly all the problems related to the customs barriers. By the beginning of 2004, they established a green field subsidiary. At the beginning the employees were five but their number grew constantly and today (May 2008) there are about 25 employees, whereas the number of

employees in Italy increased by five. Initially, ElektroMek trained a Slovakian engineer in the Italian factory on how to perform the operations. Afterwards, he trained Slovakian workers and became the general manager of the Slovakian subsidiary. Simultaneously, two production experts from Italian headquarters spend alternatively one week in Slovakia assisting the general manager. The role of the subsidiary is comparable to a production unit; the only supplier and customer is the Italian headquarters. In Slovakia, they began with assembling the simplest semi-finished products; today they assemble, also, low technological finished products.

The total number of micro-level changes is 15. I identified nine adaptations and six replacements. Each organizational element has been influenced by the changes.

**Table 24: ElektroMek - Micro-level changes, type and organizational elements influenced**

<i>Description of micro-level change</i>	<i>Type</i>	<i>Org. elements influenced</i>
<p><u>1. Production planning and control</u> The production activities in Slovakia are coordinated with the Italian ones. From the Italian factory, every two weeks they ship raw materials and spare parts to Slovakia and from Slovakia every two weeks they ship finished products back to Italy. Thus, logistics and production planning became more complex and wider. In order to maintain the competitiveness delivery time cannot be extended, this means that ElektroMek had to change the production planning by extending the covered period. ElektroMek had as well to strengthen the control activities in order to be surer about respecting the production timing through an increased formalization.</p>	adaptation	Systems Shared values
<p><u>2. Reporting</u> In order to manage and control from Italian head office the production activities in Slovakia or China they had to develop and introduce a system of reporting. Moreover, data collected have to be comparable among them and they have to allow summing them. In this way, they learnt how to report, manage and analyze a number of logistics and production indicators.</p>	replacement	Skills Shared values Style
<p><u>3. System of incentives</u> They developed a new and different system of incentives in Slovakia in order to increase the productivity. This new system had to be in accordance with the local culture and laws. They introduced the system of being paid by the job.</p>	adaptation	Skills
<p><u>4. Mentality (Organization culture)</u> When a SME internationalizes the production activities by establishing a production unit abroad quite every unit (function) is involved and exposed. The unit's components had to understand and learn new adapting and changing logics. They changed their decision-making process; now they consider more factors. They keep their mind more trained to perform more sudden changes.</p>	replacement	Shared values Skills Systems Staff

<p>They were forced to become more flexible, increasing the mental agility. Besides, by POI ElektroMek became wholly international.</p>		
<p><u>5. Hiring policy</u> Due to the POI, ElektroMek needed more open-minded, internationally oriented and flexible people. The people needed were mostly managers. In some cases, ElektroMek hired new personnel with mentioned characteristics for the new positions, like China manger, in other cases, the firm changed the existing managers with new ones.</p>	adaptation	Staff Shared values Systems
<p><u>6. Personnel</u> Before starting POI, the graduated employees were mainly present in the projecting unit. Consequently to the POI, they hired 5 new graduated people, where as the total number of employees in Italy remained the same; in the production unit there was the reduction of 5 units. The new employees are managers of different functions. Thus, ElektroMek obtained two effects, firstly, they acquired managerial competencies and, secondly, the organizational structure changed, becoming more technostucture oriented.</p>	adaptation	Structure Staff
<p><u>7. Product life cycle</u> Having production units in different parts of the world (Italy, Slovakia and China) gave the opportunity to ElektroMek to manage the product life cycle from the point of view of the production. It means that when it is not anymore convenient to produce a certain product in Italy because of the high production costs or of the local market disappearance they can decide to transfer the production to Slovakia or China.</p>	adaptation	Strategy Skills
<p><u>8. Awareness</u> After performing the first POI in Slovakia, ElektroMek became aware of the fact that they can do it. This increased their self-confidence and opened the possibility to re-do it somewhere else in the world.</p>	replacement	Shared values Strategy
<p><u>9. Level of foreign subsidiary independency</u> At the beginning, when ElektroMek started working in Slovakia, the Slovakian company was totally dependent on Italian head office. By the time, they realized that a certain level of independency was necessary in order to simplify some activities but this was in contrast with the need of control. The outcome was a trade-off, conceding some freedom but establishing a control system such as reporting or by integrating management software.</p>	adaptation	Skills Strategy structure
<p><u>10. Organizational chart</u> Often a SME is characterized by the fact that roles, tasks and duties are not well defined. This is due to the need of flexibility, to the resource shortage but also to the lacking of competencies able to define them. The result is that organizational chart is mainly a piece of paper that does not fit with the real structure of the enterprise.</p>	adaptation	Structure Systems

<p>After establishing a production unit in Slovakia, ElectroMek reviewed its organizational chart providing a more rigorous definition of roles keeping it as much as possible flexible. The main difference consists in defining the reference figures towards foreign subsidiaries. Thus, for example, for the China there was defined a China Manager, responsible for everything that concerns the Chinese subsidiary.</p>		
<p><u>11. ICT</u> Establishing a production unit in Slovakia increased the environmental complexity. In order to manage easier the new situation and in order not to lose control over parts of processes ElektroMek decided to resort to technology. Firstly, they installed the same management software they were using in Italy in Slovakia, than they integrated the two software systems, so that now the two production units can be managed from one point. Besides, they acquired and installed a new software pack, which allows performing sales statistical analysis.</p>	replacement	Skills Strategy Systems Staff
<p><u>12. Outsourcing</u> After establishing a company in China, EelktroMek realized that they could not only produce and sell in China but also purchase products and acquire knowledge from China. Before, it was difficult as the presence on the local market was weak. They purchase those products that they are not already producing in order to offer a more complete range of products and they purchase some raw materials. They acquire knowledge from the Chinese market as all the biggest world class companies are already manufacturing in China and the new trends and technologies come out firstly in China. They estimated that remaining in Europe, for some products, they would have a six months delay.</p>	adaptation	Strategy Structure
<p><u>13. Formalization</u> Daily there is a continuous communication between different units in Italy and different units in the foreign subsidiaries. Often they have to communicate technical schemes, data, spare parts lists, purchase and sales orders, etc., besides eventual everyday problems. Before POI the communication was made both written and orally, but the rules were not followed rigorously. The employees of this SME preferred oral communication. After POI they faced many difficulties because of the distance, different languages and cultures. The consequence was that they started adopting systematically a more rigorous formalization not only towards foreign subsidiaries but also inside the Italian factory.</p>	adaptation	Skills Systems
<p><u>14. Mentality</u> Establishing successfully a production subsidiary abroad provided ElektroMek with the awareness that they are capable to make business abroad. After a first experience, the people became more open-minded and prone for other similar experiences. In general, we can say that there is a resistance change.</p>	replacement	Shared values

<p><b>15. Branding</b>  By going abroad with the production, ElektroMek became more international. Now, it can present itself differently on the markets. Through POI it appears to the others that is lively, capable, quick, flexible... offering news. It is a small firm but inwardly has an international vocation for the customer care; going abroad it is seen positively as ElektroMek strives to keep the costs low.</p>	replacement	Strategy
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In the following table, I summarize the micro-level changes that influenced each organizational element.

**Table 25: ElectroMek - micro-level changes and impacts on organizational elements**

<i>Micro-level changes</i>		<i>Organizational element</i>
2. Reporting 3. System of incentives 4. Mentality (Organization culture) 7. Product life cycle	9. Level of foreign subsidiary independency 11. ICT 13. Formalization	Skills
1. Production planning and control 2. Reporting 4. Mentality (Organization culture)	5. Hiring policy 8. Awareness 14. Mentality	Shared values
1. Production planning and control 4. Mentality (Organization culture) 5. Hiring policy	10. Organizational chart 11. ICT 13. Formalization	Systems
7. Product life cycle 8. Awareness 9. Level of foreign subsidiary independency	11. ICT 12. Outsourcing 15. Branding	Strategy
6. Personnel 9. Level of foreign subsidiary independency	10. Organizational chart 12. Outsourcing	Structure
4. Mentality (Organization culture) 5. Hiring policy	6. Personnel 11. ICT	Staff
2. Reporting		Style

### 8.4.3. Firm C (Plast)

Plast started as subcontractor producer of lighting and household plastic items; research, development, and designing activities have always been out-sourced. The marketing strategy consisted of joint-ventures with large multinational companies. In 1999, with the new general director, the company's strategy was attacking market niches where they could be leaders. Thus, firstly, Plast dropped the household items sector and contemporary started expanding the portfolio of products and of customers in new market segments: automotive, garbage and rainwater containers, plastic furniture and building items. These products are sold to the large-scale retail trade. Secondly, they strengthened the links with the major European lighting producers, becoming their first and unique subcontractor. Plastic lighting items cover around 50% of the whole Plast's production. Until 1999, they were selling exclusively in the local and national market with some exceptions for household items that were sold in Germany. Even after the change of strategy, still in 2003, the export represented only 30% of the revenue. The factories of their primary customers are in the Western-Central Europe and North Africa. In 2003, the turnover was about 13 millions euro and the employees were 60; today, the turnover is about 35 millions euro, the employees are 64 (55 workers) in Italy and 44 abroad (see Table 7) and they mould 10.000 tons of plastic per year.

The internationalization of production took place in 2004. Plast established a 100% owned subsidiary in Serbia that is completely controlled by the Italian firm. Previously, they were not present in none of the Eastern-Europe countries. At the beginning, they rent a shed, but soon after they built a green field factory. The reasons for which they decided to go in Serbia were four. Firstly, the electric power for the Plast's production processes is crucial and, in Serbia, it costs 80% less than in Italy. Secondly, establishing a green field factory abroad, they could obtain some fiscal discounts. Thirdly, the majority of the workers in the Italian factory are Serbian immigrants, thus they took advantage of the knowledge of the Serbian culture and language. Fourthly, one of the major Plast's customers (share: 22%), established a production unit in Hungary, next to the Serbian border; by establishing a factory in Northern Serbia they could remain strategically close to the partner. The production in Serbia is complementary to the Italian one, there they have smaller presses and they produce different (not only low-valuable) products with which they could not be competitive if they were to produce in Italy. The Italian firm supplies machines and sends raw materials. During 2007, the Serbian subsidiary started selling some products in the regional market and sourcing some raw materials independently. The strategic plan is to make the subsidiary more independent. They started with 10 employees; the number constantly increased and reached 44 people, 42 workers, one administration/logistics and one quality control manager. The Serbian

employees were trained both in Italy, during two to three months visits, and in Serbia, through the visits of Italian workers (Serbian immigrants) and managers.

The total number of micro-level changes is 11. I identified eight adaptations and three replacements. Each organizational element has been influenced by the changes.

**Table 26: Plast - Micro-level changes, type and organizational elements influenced**

<i>Description of micro-level change</i>	<i>Type</i>	<i>Org. elements influenced</i>
<p><u>1. Administration – Bureaucracy</u>  Serbia is not part of the European Union trade area. It means that border checks are stricter and that there are customs duties. As the raw material comes from EU and as the finished products are sold in EU in order not to pay customs duties they decided to give the raw materials in a kind of outsourcing. However they have to prepare many and precise documents for the border checks both for the materials and products and for the machines and tools sent in Serbia. The documents have to be written in Italian and Serbian. This required a bigger involvement of the Italian administration unit in terms of time and rapid understanding of specific Serbian laws.</p>	adaptation	Systems Skills
<p><u>2. Market opportunities</u>  Operating in Serbia allowed Plast to become known in the local market. After some years operating there and after building a green field factory with a warehouse annexed, they started having contacts with local potential customers. Now, they are selling first products to the regional customers (Serbia and Croatia).</p>	adaptation	Strategy structure
<p><u>3. Branding – Flexibility</u>  Plast is still price competitive for some products even producing them in Italy. But, having a plant abroad and in a low cost country it allows them to be presented as a flexible and capable company: flexible as they are able to guarantee the same quality production at a lower cost, capable as they are seen as a dynamic company that tries to anticipate eventual future problems.</p>	replacement	Strategy
<p><u>4. Planning &amp; control activities</u>  Serbian subsidiary depends complementally on Italian headquarters. Thus, all the planning and control activities for what concerns production, logistics and administration (payments) are checked, if not performed, by corresponding Italian managers. This implies an increased job load for the Italian managers and an increased organizational complexity.</p>	adaptation	Skills Systems
<p><u>5. Lack of work force</u>  Some production processes are too expensive to be performed in Italy but for some other processes, even if valuable, is difficult to find available work force. Probably, the reason is that those jobs are considered as dirty or despicable ones. In Serbia, they do not have these problems and found easily available work force. Thus, they</p>	adaptation	Strategy



are not forced now to refuse some proposed jobs.		
<u>6. Production planning – Lead times</u> Producing in Serbia implies transferring raw materials and transporting back to EU finished products. It implies lead times' extension of at least 5 days.	adaptation	Strategy Skills
<u>7. Trading agreements</u> Producing in Serbia means transferring there some presses or buying new ones. In order to make profitable the production in Serbia it implies that the customers have to guarantee to acquire a higher minimum number of pieces than if producing in Italy, or longer production collaboration.	adaptation	Strategy
<u>8. Managers' duties</u> The organizational structure of the subsidiary is very simple: 42 workers, 1 administration/logistics and 1 quality control manager. For any inconvenience or problem, the subsidiary relates to the corresponding managers in Italy. In order to keep it simple and effective, the roles of the managers in Italian factory were more rigorously defined.	adaptation	Skills Shared values Staff Structure
<u>9. Formalization</u> Plast sends raw materials, process instructions, and custom documentation in Serbia. They are in daily contact with the subsidiary to solve eventual problems and to check work-in-progress. In order to provide clear and simple instructions or documentation they passed through a formalization process of the enterprise's language. Thus, they diminished the duration of the daily contacts (few mails instead of long phone calls), diminished the possibility of misunderstandings and improved the communication inside Plast (use of specific names and codes for each article or tool instead of different, equivocal names). The general manager outlined that the formalization process was necessary as they were growing rapidly (turnover: from 9 to 35 million euro in 6 years), but internationalization process anticipated and helped it.	adaptation	Skills Shared values
<u>10. Training</u> In Serbia, Plast started some completely new production and, at the same time, transfers some processes already operating in Italian factory. When transferring the processes, the Serbian workers come to Italy in order to be trained by the workers from Italian company (mainly Serbian immigrants). This allows to the workers in Italy to meditate about the processes, to re-consider them and, thus, to perform in a more effective way their job.	replacement	Skills Systems Shared values
<u>11. Subcontractors' and workers' trust</u> When Plast started establishing the activity in Serbia both workers and local subcontractors were afraid about losing their job or a part of it. Instead Plast confirmed all the workers and increased the	replacement	Style

involvement of the subcontractors and their business. This involved a higher trust to the company's general management and an incremented collaboration with subcontractors.		
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In the following table, I summarize the micro-level changes that influenced each organizational element.

**Table 27: Plast - micro-level changes and impacts on organizational elements**

<i>Micro-level changes</i>		<i>Organizational element</i>
1. Administration – Bureaucracy 4. Planning & control activities 6. Production planning – Lead times	8. Managers' duties 9. Formalization 10. Training	Skills
8. Managers' duties 9. Formalization	10. Training	Shared values
1. Administration – Bureaucracy 4. Planning & control activities	10. Training	Systems
2. Market opportunities 3. Branding – Flexibility	5. Lack of work force 6. Trading agreements	Strategy
2. Market opportunities	8. Managers' duties	Structure
8. Managers' duties		Staff
11. Subcontractors' and workers' trust		Style

#### **8.4.4. Firm D (SportsWear)**

SportsWear designs, manufactures and distributes sportswear. The company was founded in 1986 as a sub-contracting firm for fine quality women's clothing. They started as sub-contractors for big Italian and, later, for German companies. In the early '90s (1994), SportsWear took over an international Nordic brand whose collection it was already producing, internalizing for the first time designing and distribution. In the middle '90s (1996), they acquired a German textile company, the production and the machines were transferred to Italy and they used the new branch for commercial and logistic purposes implementing a network of retail-sales shops in Germany. Before starting POI, the company had 95 employees in Italy and 40 abroad, exclusively sales people. Today, they

distribute and sell worldwide through selected shops situated across the world and through “old-sale” distribution. They export 85% of the whole production covering 24 countries, the turnover is 9 million euro and it has about 180 employees (see Table 7). The collections are two and half.

Before internationalizing the operations, sewing and a part of weaving were performed internally, where as cutting, dyeing and the rest of weaving were subcontracted. At the end of the ‘90s, most of the Italian textile sub-contractors closed due to high production cost. This caused Sportswear a shortage of subcontractors or non-price-competitive subcontractors. At the same time, the company’s market was growing; they did not want to lose new opportunities but in Italy it was problematic to find skilled workforce. Thus, in 2001, they decided to look for subcontractors abroad. They started considering Romania as it was suggested by some Italian enterprises (mainly from textile and shoe sectors) that were already operating in Romania. The knowledge of the Eastern European markets was extremely limited. The experience with the subcontractors was short due to the difficulties in controlling the production. Thus, the entrepreneur decided to establish his own production unit through acquiring and readapting a farm. After six months from first contact in Romania, they had already moved abroad 40% of the entire production and employed 70 people. Immediately and simultaneously, they started co-operating with local subcontractors, recreating, thus, a copy of the Italian production network. They hired an Italian that had a seven years experience in the sector in Romania as general manager of the subsidiary. They moved two Italian production experts (managers) to Romanian subsidiary to train and, consequently, to control the local workers. Today (June 2008), there are 70 employees in Romania. The role of the Romanian company is comparable to a production unit; Italian headquarters supplies raw materials and acquires all the production. Abroad they perform the most standardized operations as sewing, where as in Italian factory they internalized the operations of cutting and they perform the weaving, checking the external and abroad production and entire prototyping.

The total number of micro-level changes is 19. I identified 13 adaptations and six replacements. Each organizational element has been influenced by the changes.

**Table 28: SportsWear - Micro-level changes, type and organizational elements influenced**

<i>Description of micro-level change</i>	<i>Type</i>	<i>Org. elements influenced</i>
<u>1. Management proxy</u> After establishing production unit in Romania, SportsWear was faced with problems of controlling the workers, warehouse planning and control, and supply management. Before, in the Italian factory these activities were under direct control of the entrepreneur, whereas now in Romania the entrepreneur could not be present daily. The solution that entrepreneur adopted consisted in finding a trustable person that could manage the abroad unit.	adaptation	Style Structure

Thus, for the first time the entrepreneur empowered an external manager and some of the crucial activities are not under his direct control.		
<u>2. Analytic control</u> Before establishing a production unit in Romania, the control of the enterprise's activities (productivity, absenteeism, stock-in-trade, etc.) was performed using direct, visual control and with few written information. As it was not possible to perform such kind of control abroad and as it is extremely important to be aware of the situation in an external unit, they started using systematically formal computer reports. They adopted the new control systems even in the Italian factory, improving their controlling skills.	replacement	Systems Skills Shared values
<u>3. Job enrichment</u> They moved the standard production activities from the Italian factory to the Romanian one. Thus, in Italy remained operations with low repetitiveness. They changed the workers' job description. Today, the workers are more qualified and multi-functional. Before each one of them was able to perform only a specific production-oriented activity, now they realize prototypes, supporting the projecting unit and make reparations, performing control activity on incoming articles from Romania.	adaptation	Skills
<u>4. Engineering</u> With the production unit more than 1000 km distant and in a country with different language and cultural background it is extremely important to test with high accuracy the production processes in order to minimize the risks of delay in delivery, production cost increase, and quality control and repairing costs. Consequently, they developed the prototyping and engineering activities making it more accurate through a higher formalization degree, improving the communication (standardizing it) and developing staff's capabilities.	adaptation	System Staff Skills
<u>5. Vertical integration</u> They moved the standard production activities abroad. A part of workers was freed. They started performing other activities such as control of incoming articles, prototyping and repairing but they were not completely filled. Thus, the company could internalize some operations, like cutting, that before were performed by sub-contractors. They expanded vertically the scope of the activities performed under their direct control.	replacement	Structure Strategy
<u>6. Job enlargement</u> Consequently to a higher vertical integration of the operations and to the fact that involvement in a single operation of a worker do not pay back anymore, they changed workers' job profile. Today, their workers are multi-functional.	adaptation	Skills
<u>7. Formalization</u>	adaptation	Style

<p>Before POI, the communication among units (CEO, production, logistics, projecting, etc.) was made mainly orally. After internationalizing, the production activities a number of communication difficulties raised up. This caused problems with operational activities (for example: on-time-delivery, quality, logistics, etc.) and relationships between workers and managers. In order to solve them, they started a formalization process regarding production processes and products' technical documentation. Today, processes are more precisely defined and all the technical schemes are updated and for each product there is one technical scheme. As resulting, the communication inside the Italian factory and between Italian factory and Romanian one has been improved.</p>		Systems Skills
<p><u>8. Logistics</u>  After establishing the production unit in Romania, the situation of the logistics for the SportsWear became notably more complex. Before, after purchasing raw materials they sent them to local sub-contractors for the first operations (for example: cutting). After that the semi-manufactured products came back to the company for the principle activities (sewing) and the coloring was again performed by sub-contractors. Finally, the finished goods were sent to the customers or own shops. Today, after purchasing raw materials they perform the main part of activities (cutting) internally, in Italy but for some specific operations they still use sub-contractors. Then, they send the semi-manufactured products to Romania for sewing. Some operations in Romania are also out-sourced. Afterwards, the goods come back to Italy for coloring, performed by local Italian sub-contractors. Finally they distribute the finished product. Due to the intrinsic higher complexity, language and cultural differences, the management of the logistics has been developed through a more accurate and systematic inventory and goods' flows count.</p>	adaptation	Systems Skills Structure
<p><u>9. Computerization</u>  As above presented, consequently to the POI process, SportsWear incremented the formalization (technical schemes, production processes and reporting) and, contemporary, the complexity of the entire system grew, especially from the logistics point of view. It was absolutely necessary to computerize these activities in order to keep manageable the complexity. Before, the computers were few and randomly used. Today, they are used systematically for several reasons: for compiling and storing documents and technical schemes, for logistics planning and control, for production planning and for communicating with the Romanian unit.</p>	replacement	Systems Skills
<p><u>10. Material requirement Planner</u>  The planning of raw materials and of semi-manufactured goods was not performed with accuracy. The sub-contractors and suppliers were all local and near the Italian factory; thus, the delays could be made up shortly. Having a production unit with its suppliers local network that are distant two days driving and for which the shipments are scheduled weekly forced SportsWear to organize a</p>	replacement	Staff Systems Structure Skills

more accurate and systematic planning and to introduce a specific professional figure: Material requirement Planner.		
<u>11. Administrative techno-structure</u> Romania has different laws comparing to Italy. Besides, the administrative work has a bigger load. Thus, trading and making business in Romania involved the necessity to employ more administrative staff.	adaptation	Staff Skills
<u>12. Production planning</u> Before POI, the production was characterized by: day by day planning, lacking of time analysis and no strategic/medium term vision. But, the geographic distance (shipments scheduled and time phased) and cultural/linguistic differences (standardization of communication: more precise and agreed) forced SportsWear to change the work system by introducing a systematic planning (weekly based), considering lead times and anticipating the decisions. Besides, they not only introduced planning elements but, now, they pay more attention on respecting the planning. This brought two main consequences: simplification of the product advancing process and higher quality. (In fact, now a lot of articles of clothing is colored contemporary and respecting the coupling; before the articles of clothing were colored as they were finished).	replacement	Shared values Style Skills Systems
<u>13. Relationship managers-workers</u> When the entrepreneur decided to internationalize the operations in Romania, a part of the workers was suspicious, believing that the company would transfer the whole production abroad and, thus, the workers would lose their job. But, this did not happen; vice versa POI was, probably, the only way to survive, provided profit contribution essential for re-gaining competitiveness. In fact, the local competitors that did not internalize the operations went bankrupt. Thus, from the suspicious attitude the workers became proud to be part of the SportsWear. Consequently, there has been developed a better understanding between workers and entrepreneur.	replacement	Shared values Style Staff
<u>14. Propensity to learn</u> Before moving the standard production activities abroad, the Italian workers were able to perform only a specific production-oriented activity. The workers were satisfied to perform day by day the same activity. In order not to leave workers under-load and to create workers with the prototyping capabilities they introduced perforce job rotation. At the beginning, the workers subject to job rotation were considered as prosecuted, developing a frustrated feeling, but soon after they realized that their value was increased. In this way, the workers propensity to learn new skills and capabilities increased.	adaptation	Skills Staff Style Shared value
<u>15. Quality control</u> By moving abroad a part of production operations, a relevant	adaptation	Skills Staff

<p>number of workers in the Italian factory was moved to the controlling activities. Today, quality control phases are notably increased becoming more and more crucial. The controlling activity are performed systematically both towards Italian suppliers (to be sure to send in Romania suitable raw materials) and towards Romanian unit (to be sure, before coloring of the quality of job).</p>		Structure
<p><u>16. Quality level</u> A part of production operations is not anymore under direct internal control. Thus, the company was forced to increase the quality control and to use it systematically. Besides, the organization became more precise (higher level of formalization) and more organized (relationships managers-workers more strict). For this reasons the overall quality increased, even if they were producing in a labor low-cost country, and, contemporary, the overall costs decreased.</p>	adaptation	Systems Shared values Style
<p><u>17. Entrepreneur's job load</u> Establishing the production unit in Romania the quantity of relationships with the sub-contractors decreased as this part of the network was moved to Romania. As in many SMEs happens, the relationships with sub-contractors were managed by the entrepreneur himself. After POI, the situation became simpler as the relationship between Romanian unit and its sub-contractors is managed by the general manager of the Romanian unit. Thus, the entrepreneur could dedicated more time and resources to strategic development of the company instead to the day-by-day operational activities.</p>	adaptation	Strategy
<p><u>18. Product range extension</u> While producing in Italy, for SportsWear was difficult to extend the product range as it was difficult to find sub-contractors (from new clothing sectors) willing to supply small quantities to a new client (in that sector) with a competitive price. Now, in Romania this entry barrier does not exist; there is huge sub-contractors availability. Therefore, the SportsWear could expand the product range, combining and completing own commercial offer.</p>	adaptation	Strategy
<p><u>19. Highly specialized workforce</u> Due to the macro-economical processes and the globalization, starting from middle '90s in Italy became difficult to find highly specialized workforce able to perform manual craft in the field of knitwear. SportsWear found in Romania the mentioned workforce and at a lower cost; thus, continuing to guarantee high quality at lower cost.</p>	adaptation	Strategy

In the following table, I summarize the micro-level changes that influenced each organizational element.

**Table 29: SportsWear - micro-level changes and impacts on organizational elements**

<i>Micro-level changes</i>		<i>Organizational element</i>
2. Analytic control 3. Job enrichment 4. Engineering 6. Job enlargement 7. Formalization 8. Logistics	9. Computerization 10. Material requirement Planner 11. Administrative techno-structure 12. Production planning 14. Propensity to learn 15. Quality control	Skills
2. Analytic control 12. Production planning 13. Relationship managers-workers	14. Propensity to learn 16. Quality level	Shared values
2. Analytic control 4. Engineering 7. Formalization 8. Logistics	9. Computerization 10. Material requirement Planner 12. Production planning 16. Quality level	Systems
5. Vertical integration 15. Quality control 17. Entrepreneur's job load	18. Product range extension 19. Highly specialized workforce	Strategy
1. Management proxy 5. Vertical integration	8. Logistics 10. Material requirement Planner	Structure
4. Engineering 10. Material requirement Planner 11. Administrative techno-structure	13. Relationship managers-workers 14. Propensity to learn 15. Quality control	Staff
1. Management proxy 7. Formalization 12. Production planning	13. Relationship managers-workers 14. Propensity to learn 16. Quality level	Style

#### **8.4.5. Firm E (MekMachine)**

MekMachine is a family-owned SME that designs, produces and sales machine tools and plants for cutting, bending and end-forming tubes and metal profiles. The company was founded after the Second World War and since then it has remained under the ownership of the same family. In the following decades, MekMachine started selling abroad, firstly in the Western European



market, and, afterwards created branch offices in France, Sweden, Brazil and Czech Republic as well as increasing its sales and after-sales network. During the late '80s, they performed an outsourcing attempt, licensing the production of a machine to a Yugoslavian company, but the experience ended after few months (the Yugoslavian company started selling the same machine with their own brand). By the end of the '90s, due to some bad performance the company started a process of internal re-organization that allowed reducing the number of employees that at the beginning of 2001 were only 60. During the '90s, the control of the firms passed from the founder to one of his sons and the management (including the general manager) changed. Thus, the historical memory of the previous internationalization disappeared. Before starting the first POI, the turnover was 9 million euro and the number of employees 180. Today (June 2008), the turnover is about 13 million Euros and number of employees is around 230, which is 80 in Italy (see Table 7).

At the end of the '90s, the company could not sustain marketing, commercial, branding and other structural costs with the subcontractor's increasing costs. The subcontractors did not support at all those costs. They considered two options. Firstly, to internalize the operations performed by subcontractors such as painting; secondly, to find low-cost subcontractors abroad. Thus, they took a rapid look to the East-European countries and found a suitable partner that could substitute the major part of the Italian subcontractors in Slovakia. The decision to exclude other countries did not include deep strategic analysis; e.g., Lithuania was not chosen because too distant; Hungary because the language is too complicated; Romania because the production quality was too low. The Slovakian company was part of a big company with more than 1000 employees in the late '80s. They were in mechanics industry, producing lathes for the civil sector and mortars and guns for the military sector. After the fall of the Berlin wall, the company was divided in smaller companies and sold to a German multinational group that reduced the number of employees to 200 units. When, in 1999, MekMachine contacted the Slovakian company in order to license them a part of the production, it was going towards bankrupt. Therefore, MekMachine decided to overtake the factory at the end of the financial year. They hired workers and managers (some of them were the old ones). And they restarted the production with 30 employees. They arrived to 200 employees, but due to the subcontracting of some operations today there are around 150 employees in Slovakia. Initially, in Slovakia they started manufacturing and assembling. The quality of manufacturing was even higher than in Italy, where as they had to train the Slovakian employees in assembling the machines. At the beginning the training was performed in Italy, later in Slovakia. All Italian employees visited the Slovakian company at least once. Subsequently, in Slovakia they internalized different operations (teams of electricians, welders and painters) that had never been performed internally. Nowadays, in Italy, they control, develop new products, purchase, sell, provide after-sell service, assemble the

tools on the machines personalizing them, perform the final testing, and assemble some special machines. In Slovakia, they industrialize the process, manufacture, assemble machines and some tools, purchase, and sell locally. The structure is doubled but the responsible manager is the one working for the Italian company.

The total number of micro-level changes is 15. I identified 11 adaptations and four replacements. Each organizational element has been influenced by the changes.

**Table 30: MekMachine - Micro-level changes, type and organizational elements influenced**

<i>Description of micro-level change</i>	<i>Type</i>	<i>Org. elements influenced</i>
<p><u>1. Integration of Enterprise Resource Planning (ERP)</u>            At the beginning the two factories were operating with two different ERP. As there was a marked necessity to control the operations in Slovakia (materials planning, production planning and productivity) and to communicate in real time (data automatic updating), they decided to integrate the two ERPs. Due to the language diversities and inter-connection problems the Firm E decide to acquire a new ERP and to implement it in both factories. The system acquired was similar to the pre-existing system in Slovakia as it was more advanced.</p>	adaptation	Systems Skills
<p><u>2. Higher complexity of material flows</u>            Before producing in Slovakia, raw materials arrived to Italian factory and then sorted to the subcontractors. The semi-finished products returned for the final assembling and the final testing. Today, the raw materials arrive in Italy or in Slovakia. Once they arrive to Italian factory, they are shipped to Slovakia. From Slovakia the completed machines can be sold locally or sent back to Italy for the personalization and the final testing and from there sold in the entire world. Some highly personalized products are produced entirely in Italy with the support of local subcontractors. The higher complexity of material flows forced MekMachine to focus more attention on the planning and controlling activities in order to minimize the wastes.</p>	adaptation	Systems Skills Shared values
<p><u>3. Higher complexity of purchase unit</u>            Before, all the purchasing was performed from Italy. Now, the materials coming from Italy are purchased in Italy and from Slovakia in Slovakia. From the other countries the purchasing is performed mostly in Italy but sometimes also in Slovakia. All the purchasing is coordinated from Italian purchase manager. This involved a higher job load for the Italian manager that delegated some jobs.</p>	adaptation	Systems Structure
<p><u>4. Structure duplicating – More working load and responsibilities</u>            The Slovakian factory before the acquisition was well structured. Its functional structure was kept. As the consequence, there has been a duplicating process of the functional units between Italy and</p>	adaptation	Structure Skills

<p>Slovakia, but all the managers in charge are from Italian headquarter. This brought to Italian managers a higher number of responsibilities and a higher working load.</p>		
<p><u>5. Vertical integration</u>  MekMachine was subcontracting a number of manufacturing operations by keeping internally basic assembling. Once, when they had found a unique substitute for a number of different subcontractors (the company in Slovakia), by acquiring it they internalized a number of operations. They moved the operations from local subcontractors and from internal production to Slovakia performing vertical integration. Thus, MekMachine lowered the working load of the production and assembling units.</p>	replacement	Structure Skills Strategy
<p><u>6. Job enrichment</u>  After starting the operations in Slovakia, the managers in charge to coordinate the processes between two factories were exposed to the contacts with Slovakia. But, also every employee of the Italian factory faced directly the Slovakian environment, becoming responsible of some part of the processes. The entrepreneur wanted explicitly the Italian employees to visit more or less frequently the Slovakian factory. In this way their job design was changed and there was job enrichment throughout the entire enterprise.</p>	adaptation	Shared values Skills Staff
<p><u>7. Team building</u>  The design to involve the entire enterprise in the coordination of the operations in Slovakia caused frequent trips of the Italian employees to Slovakia. In this way two consequences were achieved. Firstly, Italian workers and managers had the opportunity to meet the corresponding Slovakian colleagues. Secondly, as they travel by car and the managers and the workers travel together and live together while staying in Slovakia, the interpersonal knowledge has been increased.</p>	replacement	Staff Style
<p><u>8. Workers mentality – adaption to the global changes</u>  When the CEO decided to internationalize the operations in Slovakia, he met some resistance of the workers and technicians. This was caused due to the fear that they would lose their job as the whole production would be transferred abroad, even because that moment took place at the same time of a company’s period of crises. Whereas, after some moments of difficulties, the MekMachine re-started increasing the business. The people that stayed in the company and that were able to face the changes in their job description (see change 6. Job enrichment) increased open-mindedness lowering the suspicion towards POI. They understood that the world is changing and that they have to change as well in order to keep competitiveness.</p>	replacement	Shared values Style Strategy
<p><u>9. Multifunctional workforce (job enrichment)</u>  After transferring the manufacturing activities the job description of the Italian worker changed radically. Now, they have also to train</p>	adaptation	Skills Staff

<p>Slovakian workers. As their working time was not fulfilled, now they are rotated on different activities as testing of the products made in Slovakia, manufacturing of special highly personalized machines, testing with the client and after-sale service. As a result the workforce has become multifunctional and, thus, more flexible.</p>		
<p><u>10. Procedures and job descriptions formalization</u>  At the beginning, there were several problems in the communication between Italian headquarters and Slovakian factory due to the differences in language and in the cultural corporate background. The Slovakian employees were used to receive more precise instructions and to do exactly what is foreseen by the command order and not to undertake personal initiatives. Besides, consequently to the business growth it became necessary to introduce certifications and an advanced ERP. For these reasons MekMachine was forced to formalize more accurately the procedures and job descriptions. As the Slovakian factory, thanks to its background of big and well structured company, had internally these competencies and know-how the Italian management adopted many procedures from subsidiary's example, acquiring knowledge in the matter.</p>	<p>adaptation</p>	<p>Structure Systems Skills</p>
<p><u>11. Planning restructuring</u>  Operating with a production unit that is distant (about 900 km) involved lead times extension due to the travelling time (one day travelling) and to the frequency of shipments (one or two per week). Thus the production manager restructured material and processes planning; this involved an accurate analysis of the components aiming at reducing working capital. After a trial stage where the lead times were extended and the working capital increased, they improved the efficacy obtaining shorter lead time even in comparison with the initial situation.</p>	<p>adaptation</p>	<p>Skills</p>
<p><u>12. Standardizing assembly process</u>  A part of the assembling process is performed in Slovakia. Due to the problems concerning distance and the language's differences it was necessary to make this part of manufacturing process easier to be transferred on distance. Thus, they reviewed the assembling instructions and operational sequences and standardized them.</p>	<p>adaptation</p>	<p>Skills</p>
<p><u>13. Higher sensitiveness to the personnel dynamics</u>  The personnel in Slovakia have a different cultural and industrial background. In Italy, workers underline the difficulties in the moment they face them and the management is used to face the problem directly with or together with the workers. Thus, the management developed the capabilities of immediate problem solving and quick reaction. In Slovakia, the personnel tend to accumulate small problems, neglected by Italian management; and they turn out in moments of tough difficulty. Therefore, the Italian management developed a higher sensitiveness to the personnel dynamics and to the "hidden" signals. In this way, they acquired a</p>	<p>adaptation</p>	<p>Style Skills Shared values</p>

higher awareness that in different countries there is different personnel dynamics management.		
<u>14. Employees international mentality</u> Before establishing the Slovakian unit, the majority of employees were close-minded and provincial-oriented even because of the negative experience during the '80s. They were considering internationalization only from a market and reactive points of view. After the positive performances in Slovakia they changed their attitude becoming more open-minded and internationally-oriented, proactive. Some of the managers are proposing to expand the international operations in other countries.	replacement	Strategy Shared values
<u>15. Improved after-sales service</u> At the beginning, the Slovakian factory was used mainly for the production purposes and Slovakian workers gained substantial experience after a year and half in different machines produced by MekMachine. As in the east Europe the clients were expecting to have the eastern European tariffs for the after-sales servicing (2 to 3 times lower than Italian tariffs), the company started offering after-sales service from Slovakia. In this way, MekMachine expanded the capacity.	adaptation	Strategy

In the following table, I summarize the micro-level changes that influenced each organizational element.

**Table 31: MekMachine - micro-level changes and impacts on organizational elements**

<i>Micro-level changes</i>		<i>Organizational element</i>
1. Integration of Enterprise Resource Planning (ERP) 2. Higher complexity of material flows 4. Structure duplicating – More working load and responsibilities 5. Vertical integration 6. Job enrichment 9. Multifunctional workforce (job enrichment)	10. Procedures and job descriptions formalization 11. Planning restructuring 12. Standardizing assembly process 13. Higher sensitiveness to the personnel dynamics	Skills
2. Higher complexity of material flows 6. Job enrichment 8. Workers mentality – adaption to the	13. Higher sensitiveness to the personnel dynamics 14. Employees international	Shared values

global changes	mentality	
1. Integration of Enterprise Resource Planning (ERP) 2. Higher complexity of material flows	3. Higher complexity of purchase unit 10. Procedures and job descriptions formalization	Systems
5. Vertical integration 8. Workers mentality – adaption to the global changes	14. Employees international mentality 15. Improved after-sales service	Strategy
3. Higher complexity of purchase unit 4. Structure duplicating – More working load and responsibilities	5. Vertical integration 10. Procedures and job descriptions formalization	Structure
6. Job enrichment 7. Team building	9. Multifunctional workforce (job enrichment)	Staff
7. Team building 8. Workers mentality – adaption to the global changes	13. Higher sensitiveness to the personnel dynamics	Style