Article:
Stoian, M-C, Dimitratos, P and Plakoyiannaki, E orcid.org/0000-0002-5411-9491 (2018) SME Internationalization beyond Exporting: A Knowledge-based Perspective across Managers and Advisers. Journal of World Business, 53 (5). pp. 768-779. ISSN 1090-9516

https://doi.org/10.1016/j.jwb.2018.06.001

SME Internationalization beyond Exporting: A Knowledge-based Perspective across Managers and Advisers

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ABSTRACT

Micromultinationals are small and medium-sized enterprises that engage in foreign market entry modes beyond exporting. The purpose of this study is to unveil the knowledge types required by micromultinationals. To this end, we conducted an interpretive interview study involving managers and advisers. We extend the SME internationalization literature by distilling the knowledge types that this unique body of small multinationals requires. Furthermore, we generate a framework that enhances the knowledge-based perspective by showing that micromultinational expansion is led by tacitly dominated knowledge of internal actors related to products, industries, and markets and facilitated by functional knowledge provided by external actors.

Keywords: Micromultinationals, Knowledge, Interpretive research, Managers, Advisers, SMEs

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1. Introduction

Studies increasingly report that many small and medium-sized enterprises (SMEs) have alleviated the liabilities of smallness and foreignness, since they are now able to pursue complex internationalization strategies similar to those of their large counterparts. Modern SMEs, which are able to engage in market entry modes beyond exporting, such as foreign subsidiaries, international joint ventures, and international strategic alliances, are typically referred to as micromultinationals (Dimitratos, Johnson, Slow, & Young, 2003; Prashantham, 2011). Although overlaps exist between the features of micromultinationals and those of other internationalized SMEs, such as international new ventures or born-globals, the uniqueness and specificity of micromultinationals resides in entry modes as opposed to internationalization speed. While the terminology used varies, this phenomenon is recognized as having emerged in both high- and low-technology sectors across the world (e.g., Lu & Beamish, 2006; Ripollés & Blesa, 2012; Schwens, Eiche, & Kabst, 2011; Shin, Mendoza, Hawkins, & Choi, 2017). These studies testify to SMEs' ability to initiate and manage foreign market entry modes beyond exporting. Thus, micromultinationals benefit from increased flexibility in their international operations, which allows them closeness to foreign customers, access to networks, sophisticated competitive strategies, and enhanced learning synergies (Dimitratos, Amorós, Etchebarne, & Felzensztein, 2014; Simon, 2009; Stoian, Rialp, & Dimitratos, 2017; Vanninen, Kuivalainen, & Ciravegna, 2017).

Although micromultinationals represent a real-world phenomenon (Doh, 2015), we are yet to fully understand what enables their occurrence and subsequent proliferation. The review conducted on SME foreign market entry mode selection by Laufs and Schwens (2014) reveals that the state of the theories in this field is under-developed and further studies are required to explain this phenomenon. Enhancing our understanding of micromultinational activities allows us to derive meaningful implications for research and practice in SME internationalization. To this end, we know that knowledge is expected to help lessen SMEs' intrinsic liabilities and act as a catalyst for international involvement. Prior studies recognize that knowledge is important for SME internationalization in general (Filatotchev, Liu, Buck, & Wright, 2009; Gassmann & Keupp, 2007; Rovira-Nordman & Melén, 2008) and is likely to be vital for micromultinational activities (Dimitratos, Lioukas, Ibeh, & Wheeler, 2010). So far, most research focuses on knowledge that enables export-based internationalization (e.g., Filatotchev et al., 2009; Haahti, Modupu, Yavas, & Babakus, 2005; Villar, Alegre, & Pla-Barber, 2014). Comparatively, limited evidence exists regarding the knowledge types that allow an SME to operate as a micromultinational.

Knowledge is encapsulated by multiple agents and in part stems from outside the firm (Casillas, Moreno, Acedo, Gallego, & Ramos, 2009; Tsoukas, 1996) as, for example, knowledge provided by advisers (Bennett & Robson, 1999, 2005; Friesl, 2012; Lambrecht & Pirnay, 2005). Yet, the SME internationalization literature largely focuses on internal actors, such as knowledge generated by a firm's managers and key employees, whereas to date, the voice of the advisers remains almost silent. Advisers are recognized as relevant sources of knowledge for internationalizing SMEs (Fletcher & Harris, 2012; Fletcher, Harris, & Richey, 2013). They can provide micromultinationals with crucial knowledge for their international operations. It hence becomes imperative to investigate not only the perspective of managers but also the viewpoint of relevant advisers for internationalization beyond exporting in order to decipher the existence and growth of micromultinationals.

The aim of this study is therefore to elucidate the knowledge types required by SMEs for engaging in internationalization beyond exporting as understood by managers and advisers. To this purpose, we embrace a perspective on knowledge inspired by interpretivism (Acedo, Barroso, & Galan, 2004; Spender, 1996; Tsoukas, 1996). To attain a comprehensive understanding, we consider multiple voices (Cheney, 2000) at the individual level of SME managers and internationalization advisers so as to reveal a shared meaning of knowledge. We conduct a qualitative interview study aimed at answering the following research question: *according to the understanding of (a) managers and (b) advisers, what are the types of knowledge necessary for the SME to engage in internationalization beyond exporting?* The interpretive approach we opt for is embedded in the social constructionist philosophy, "which sees social reality as a constructed world built in and through meaningful interpretations" (Prasad & Prasad, 2002, p. 6-7). This approach is particularly appropriate for understanding the perceptions of knowledge types of the decision-makers who drive micromultinational activities.

The contribution of this study is twofold. First, we advance the SME internationalization literature by identifying the knowledge types specific to micromultinationals: (a) *in-depth worldwide network knowledge*, (b) *hands-on foreign market knowledge*, and (c) *international set-up knowledge*. These go beyond the knowledge types previously developed for export-based internationalization, thus enabling SMEs to alleviate their innate liabilities and hence orchestrate complex internationalization strategies. Micromultinational knowledge types allow managers to ingeniously deploy the limited resources available in order to initiate and coordinate distinct international activities across multiple geographies. This is the first study to distinguish between the types of knowledge required to operate as a micromultinational and those necessary for exporting. Thus, we address calls for research to gain further insight into the knowledge instrumental for SME internationalization via different foreign market entry modes (Laufs & Schwens, 2014; Musteen, Datta, & Butts, 2014). Second, our proposed framework of *Shared Knowledge Interpretation across Managers and Advisers (SKIMA)* contributes to the advancement of the knowledge-based perspective

within the SME internationalization literature. Our evidence suggests that sustainable market expansion is driven by the dynamic and iterative accumulation of tacitly dominated knowledge of internal actors (managers) related to products, industries, and markets and facilitated by functional knowledge, commonly provided by external actors (advisers) to the firm. In doing so, we respond to calls for research to enhance our understanding of knowledge development for SME growth through internationalization by studying micromultinational managers and external knowledge sources (Deligianni, Voudouris, & Lioukas, 2015; Fernhaber, McDougall-Covin, & Shepherd, 2009; Jones, Coviello, & Tang, 2011).

The remainder of this study is organized as follows. The next section presents the research background. The interpretive method adopted for data collection and analysis is described in the third section. The findings derived from the UK context are discussed in section four. The final section presents concluding remarks and elaborates on implications for practitioners, limitations, and future research agendas.

2. Research background

2. 1 Knowledge as a catalyst of SME internationalization

Few studies in the SME internationalization area directly base their theoretical arguments on a knowledge-based perspective. Although notable exceptions exist (e.g., Filatotchev et al., 2009; Fletcher & Harris, 2012; Gassmann & Keupp, 2007; Villar et al., 2014), numerous studies, while recognizing the crucial importance of knowledge for the international behavior of the SME, do not anchor their reasoning on the tenets of the knowledge-based perspective. Comparatively, other theoretical underpinnings are more frequently employed, leaving a gap that requires further investigation.

A fine-grained analysis of the SME internationalization literature shows that we presently have an insufficient understanding of the knowledge required for internationalization beyond exporting. Most research so far has focused on knowledge instrumental for export-based internationalization (e.g., Filatotchev et al., 2009; Haahti et al., 2005; Villar et al., 2014; Zhou, 2007). Such studies identified managerial international and/or business knowledge as vital for successfully conducting exporting activities (Filatotchev et al., 2009; Haahti et al., 2005; Zhou, 2007). The role of knowledge derived from networks is also clearly highlighted in the export-based literature (e.g., Filatotchev et al., 2009; Haahti et al., 2005; Hilmersson & Jansson, 2012; Zhou, Wu, & Luo, 2007). As to micromultinationals, although knowledge is at the heart of their proliferation (Dimitratos et al., 2003, 2010), we presently know very little about the knowledge types that steer this phenomenon.

Insights into the knowledge types essential for internationalization should be derived by collating the views of multiple actors, since knowledge is encapsulated by several agents and it partially originates outside the firm (Casillas et al., 2009; Fernhaber et al., 2009; Villar et al., 2014).

As outlined, to date, studies that investigate knowledge required for SME internationalization primarily choose a single type of actor as their unit of analysis. This actor is commonly internal to the firm (frequently the SME itself), while external actors remain under-researched. Specifically, advisers, although reported to have relevant internationalization knowledge, even more than could be obtained from network relationships (Fletcher & Harris, 2012; Fletcher et al., 2013), have been neglected by the SME internationalization literature.

Turning our attention toward the level of analysis, the emergence and growth of the SME internationalization literature has highlighted the importance of situating the analysis at the individual level. This focus has had implications for the way in which knowledge that is instrumental for internationalization is understood and portrayed by the literature. This is particularly relevant, since in order to understand the international entrepreneurial behavior of SMEs, we must first understand the individual who drives the firm (Coviello, 2015; Coviello, Kano, & Liesch, 2017). Specifically, international new ventures (Oviatt & McDougall, 1994, 2005) and born-globals (Knight & Cavusgil, 2004; Madsen & Servais, 1997; Rennie, 1993; Rialp, Rialp, & Knight, 2005) draw attention to the core role of the individual for the internationalization strategy of the firm. Individual cognition and vision drive international involvement. Also, individual-level knowledge, pre-acquired know-how, and international experience are key for international opportunity identification and the subsequent deployment of resources for opportunity exploitation. Unique knowledge is essential for creating value for the firm in diverse foreign markets. This knowledge, which is tacit and difficult to imitate, includes an excellent understanding of supply chain partners, foreign markets, and coordination of multiple value chain activities. As the SME internationalization literature has continued to grow during recent years, so has the acknowledgement of the importance of the individual's cognition, interpretations, and perceptions for the international behavior of the SME (Hsu, Chen, & Cheng, 2013; Jones et al., 2011; Zander, McDougall-Covin, & Rose, 2015). Nevertheless, in line with Covin and Miller (2014), we observe that while numerous contributions recognize the crucial importance of the entrepreneur and suggest that the analysis should be situated at the individual level, they often identify the firm as the entrepreneurial actor. Individual understanding and interpretation of the global environment are vital for micromultinational managers who are in direct contact with their international partners and markets (Dimitratos, Johnson, Plakoyiannaki, & Young, 2016). Therefore, adopting an individual-level analysis is expected to illuminate the micromultinational phenomenon.

2.2 Shifting lenses in understanding the role of knowledge in micromultinational internationalization: Toward an interpretive perspective

This study adopts a view of knowledge inspired by interpretivism (Acedo et al., 2004; Spender, 1996; Tsoukas, 1996), which is particularly appropriate for illuminating individual understanding. Following Nonaka, Toyama, and Konno (2000), we argue that knowledge is dynamic because it is

created as a result of the interplay among individuals and organizations and thus is beyond the reach of positivist approaches (Nonaka & Peltokorpi, 2006; Nonaka, Toyama, & Nagata, 2000). Furthermore, drawing on Nonaka, Toyama, and Konno (2000), our stance is that knowledge is humanistic, as it is driven by human action. This suggests that information is transformed into knowledge when it is interpreted by individuals based on their own beliefs and commitments. According to these schools of thought, knowledge is context-specific, since it is merely information when out of context. As opposed to information, knowledge includes beliefs, perspectives, intentions, commitments, and values and is closely linked to action (Nonaka, 1994; Tsoukas & Vladimirou, 2001). In alignment with Spender (1996), we highlight that increased flexibility exists between the way in which individuals perceive achievements of the firm and its processes. Consequently, this leads to potential variation in terms of strategic decision-making and firm management. In a similar vein, Tsoukas (1996) suggests that individual interpretations and actions will vary according to their past experiences and interactions with other actors, embedded in socio-temporal, industry, and local specific conditions. As a result of gaining experience in specific industries, as Spender (1989) explains, managers learn a particular 'industry recipe' that allows them to make sense of their specific environment. Managers operating in the same industry develop a shared judgment on key issues regarding product-market, human, technological, and financial structures. Individual interpretations of the environment, shaped by the specific industry and organizational context, are reflected in actions at the firm level, such as the choice of firm strategy (Sharma, 2000). Given that knowledge is created by multiple agents and is partially developed outside the firm (Regnér & Zander, 2014; Tsoukas, 1996), individuals can draw upon the knowledge and accumulated experiences of other actors external to the firm with whom they interact.

The acknowledgement and pursuit of individual-level analysis aims to disclose real-life interpretations of multiple actors relevant for the firm's strategic choices, leading to meaningful implications of this research for practitioners (Doh, 2015). Consequently, we (a) clearly acknowledge the relevance of developing common meanings in order to mitigate the differences emerging from individual interpretations (Carlile, 2004) and (b) give prominence to tacit knowledge, as meaning derives from subjective experiences (Nonaka & Peltokorpi, 2006; Polanyi, 1966). Specifically, while explicit knowledge can be expressed and formulated in sentences, presented in figures, drawings, data, scientific formulae, or manuals and therefore can generally be transferred at a low cost, tacit knowledge is linked to individuals, to their experiences, senses, intuitions, and emotions and thus is hardly possible to articulate and transfer (Nonaka, Toyama, and Konno, 2000; Polanyi, 1966). Tacit knowledge is comprised of both cognitive and technical elements: the former refers to the ability of individuals to "form working models of the world", which include "schemata, paradigms, beliefs, and viewpoints" and shape "an individual's images of reality and visions for the future"; the latter is related to context-specific concrete know-how and skills (Nonaka, 1994, p. 16). Yet, tacit and explicit knowledge are not mutually exclusive but rather complementary in nature (Nonaka, 1994; Nonaka &

Takeuchi, 1995). The boundaries between tacit and explicit knowledge are "both porous and flexible" and their interaction over time may lead to enhanced firm performance (Spender, 1996, p. 50). For example, managers' international experiential knowledge, which is acknowledged as a crucial factor for SME internationalization, is fundamentally tacit in nature (Athanassiou & Nigh, 1999, 2000). However, explicit knowledge, such as data from market research reports conducted on foreign markets or company brochures collected at international trade fairs, is likely to contribute to its development.

Embracing this view of knowledge is particularly appropriate for understanding the decision-makers who steer the micromultinational phenomenon. Individuals who orchestrate sophisticated internationalization strategies of SMEs must be ingenious to optimally deploy the scarce resources available in order to initiate and coordinate operations in support of distinct international activities across multiple geographies. The internationalization pathway of micromultinationals may not follow well-beaten tracks that exporting SMEs frequently do. Conversely, micromultinational internationalization could be seen as a discovery journey guided by the individual's perceptions, experiences, know-how, and view of the future.

3. Methodology

3.1 Sample and data collection

In this study, we collected data from two groups of actors relevant to micromultinationals (managers and advisers) to obtain a comprehensive understanding of SME internationalization beyond exporting. The main information source comprised of in-depth interviews with top managers in eighteen micromultinationals and ten advisers relevant for internationalization beyond exporting. We opted to gather our data through semi-structured interviews. A purposeful sampling technique was selected for collecting the empirical data from specific participants to ensure that they represented relevant informants for our study (Patton, 2015; Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). For the managers' group, two main criteria were followed to ensure appropriate sampling and enhance the informational richness of the interviews. First, in alignment with prior qualitative studies on SME internationalization (e.g., Gassmann & Keupp, 2007; Muzychenko & Liesch, 2015), we only considered top managers, directly involved in the internationalization strategy of UK-founded micromultinationals (engaged in at least one foreign subsidiary, international joint venture, or international strategic alliance). Second, to gain further insights into SME internationalization through interpretive research (Lamb, Sandberg, & Liesch 2011), we opted for industry diversity in our sample by ensuring that the managers interviewed ran SMEs in distinct high- and low-technology sectors, hence including accounts from different industry contexts. This is particularly relevant given that knowledge creation is shaped by industrial settings (Su, Peng, & Xie, 2016) and that managerial interpretation of knowledge may vary according to the sector in which they operate (Spender, 1996).

Further, in alignment with recent calls for research on market entry mode selection of SMEs (Laufs & Schwens, 2014), managers of both gradually internationalizing SMEs and rapidly internationalizing SMEs were selected for participation in this study. The SMEs considered complied with the definition of the European Commission (2003). The preliminary list of potential research participants was derived from a directory of UK-founded firms, made available by FAME (which stands for Financial Analysis Made Easy and is a database that contains information on UK and Irish companies), industry associations, and company websites. The consultation of these secondary data sources facilitated purposeful sampling and allowed the interviewers to become familiar with the context and idiosyncrasies of individual decision-makers and corresponding SMEs. An initial list of twenty-eight suitable research candidates was identified. They were contacted initially via email and next by telephone to invite the main decision-maker (manager/owner/entrepreneur/director/CEO), directly involved in the international activity of the firm, to participate in this research project. Following a thorough analysis and careful consideration of the data, we observed that saturation was achieved at eighteen manager interviews. Table 1 presents information on the managerial/SME sample profile.

Insert Table 1 here

In the UK the type of adviser contacted for SME internationalization support varies greatly and depends on the preferences of the manager. Therefore, we collected a second dataset composed of ten semi-structured interviews with advisers from those private advisory categories most frequently identified as contributing to international expansion beyond exporting as revealed by micromultinational managers. These categories were international business consultancies, international law advisers, international accountancy practices, bank advisers, and professional membership bodies for international business. We could therefore confront managers' interpretation of the knowledge requirements for operating a micromultinational with that of advisers. Table 2 presents the sample of advisers interviewed for this study.

Insert Table 2 here

The managerial interview scripts were comprised of two main stages. The first stage of the interview process focused on a discussion of the managerial vision and business objectives. Considering that the purpose of the data collection was to unveil individuals' interpretations and perceptions (Isabella, 1990), in the second stage open-ended questions were asked related to their firms' internationalization strategies. We asked the interviewees to describe the reasoning and thoughts behind their answers. Further explanation and examples were encouraged to provide extra clarity on the issues of interest. Questions such as "Could you provide further details on the aforementioned?" or "How exactly do

you understand this issue?" were asked during this stage. A similar interview protocol was designed and followed for the advisers. A few questions were modified to understand how they perceived the knowledge support they provided to SMEs for internationalization beyond exporting.

The interviews were conducted by two researchers. Managerial interviews lasted ninety minutes, whereas the interviews with advisers lasted forty-five minutes on average. Following standard procedure in interpretive research (e.g., Nag, Corley, & Gioia, 2007), interviews were audio recorded. Next, they were transcribed verbatim, yielding 344 single-spaced pages of transcription material. The interviews were supplemented by the field notes and discussions of the research team, held after the interviews to provide an initial understanding of the empirical evidence. Furthermore, observation, archival documents, and information available on firm websites were also utilized. A complete database with the collected data was created before carrying out the data analysis.

3.2 Data analysis

The data analysis process was designed to allow iteration between the empirical evidence and theory (Isabella, 1990). In alignment with prior interpretive studies (Lamb et al., 2011; Shinkle & Spencer, 2012), our data analysis involved distinct steps to understand what knowledge types micromultinational managers and advisers perceived to enable internationalization beyond exporting. Following Nag et al. (2007), and in line with the interpretive research tradition, each of the three steps involved rereading the transcripts and reinterpreting the data. Similar to Corley and Gioia (2004) and Gioia, Corley, and Hamilton (2013), we started by identifying 1st-order codes directly from the interviews. We then merged these codes into 2nd-order theoretical level themes. Finally, further integration led to the aggregation into knowledge dimensions. Data management was conducted in NVivo 10, which was helpful for shifting between different sources of evidence from the two samples, finding relevant phrases and paragraphs from the interview transcripts, and carrying out the data coding. We initially analyzed the managerial interviews and next the interviews with advisers. Following that, we compared their collective understanding and searched for a shared interpretation. Below, we present the data analysis steps for the managerial sample.

First, an initial familiarization with the interview transcripts was conducted. This involved reading each individual transcript several times to grasp the managers' interpretations of the knowledge requirements for internationalization beyond exporting. Short summaries were elaborated, reflecting our initial understanding of interviewees' interpretations of knowledge. As we intended to unveil managerial interpretations and perceptions, as opposed to probing existing theories (Gioia et al., 2013), we opted for an a posteriori coding strategy. This enabled us to account for emerging 1st-order codes from our empirical dataset, thus providing fresh insights adding to the existing literature. Consequently, nine 1st-order codes emerged based on these collective interpretations. At this point we identified which of the 1st-order codes represented the knowledge types specific solely to

micromultinationals. These were *in-depth worldwide network knowledge*, *hands-on foreign market knowledge*, and *international set-up knowledge*. The other six 1st-order codes corresponded to knowledge types necessary for both exporting and micromulatinational activities, given that the investigated firms were also exporting. Specifically, these codes were: *general product knowledge*, *expert product knowledge*, *foreign opportunity knowledge*, *foreign collaborator knowledge*, *foreign customer knowledge*, and *international trade knowledge*.

Following Gioia et al. (2013), in the second step of the analysis, we reread the transcripts and consequently grouped the nine 1st-order codes that emerged from the previous step into four broader 2nd-order concepts, which corresponded to the following theoretical themes: *product distinctiveness knowledge*, *worldwide industry idiosyncratic knowledge*, *foreign locality knowledge*, and *functional knowledge*.

The third step undertaken involved a further reading of the transcripts. This time, the main focus was on understanding how the interviewees delimited and organized knowledge, particularly considering whether this knowledge was internal and/or external to the firm and tacit and/or explicit in nature. Thus, we could further merge the 2nd-order themes into higher-order aggregate dimensions (Gioia et al., 2013) that expressed the common interpretation of the managers interviewed (Isabella, 1990). These two qualitatively distinct knowledge dimensions were *core internationalization knowledge* and *situational practical knowledge.* We cross-checked our interpretation until we could observe that each of these aggregate dimensions remained stable and their formulation improved.

Next, we proceeded to compare managers' and advisers' understanding of knowledge necessary for internationalization beyond exporting. Further to conducting a similar data analysis process on the interviews with advisers, we noted that fine differences in interpretive nuances existed between the two groups. For instance, advisers identified an extra 1st-order code, namely *international liaising knowledge*, applicable for both exporting and micromultinational activities. Furthermore, some differences were identified between the two groups regarding the internal/external and tacit/explicit nature of knowledge types. Nevertheless, advisers' collective perceptions of the 2nd-order themes and final aggregate knowledge dimensions generally confirmed those of the managers.

Figure 1 presents a synopsis of the data structure.

Insert Figure 1 here

4. Presentation and discussion of findings

This research seeks to uncover the shared understanding of knowledge across managers and advisers. As shown by our data analysis (Figure 1), two overarching knowledge dimensions emerged, namely *core internationalization knowledge* and *situational practical knowledge.*

4.1 Core internationalization knowledge

Consensus exists between the two groups of interviewees in terms of acknowledging that most components of core internationalization knowledge are tacit and internal to the firm. We also observe a tension between the understandings of the two groups on which we elaborate in the following section.

Core internationalization knowledge is construed as knowledge that allows the manager to be the architect of the SME's future. It is indispensable for identifying opportunities and is responsible for the decision-making process that enables SMEs to engage in and manage internationalization beyond exporting, frequently in a leadership position in their industry. Core internationalization knowledge is largely encapsulated by major actors in the firm (knowledge stocks of either managers or key employees) and can be developed jointly with their foreign business networks and international partners. This finding aligns well with a recent study by Stoian et al. (2017), which reports that micromultinationals actively use their interorganizational networks to enhance their innovative behavior on international markets. Core internationalization knowledge may trace its roots to managers' prior (international) experiences and knowledge stocks, yet it is continuously recombined and developed (Casillas et al., 2009; Jones & Casulli, 2014; Nonaka & Takeuchi, 1995; Tsoukas, 1996).

Our findings show that core internationalization knowledge is tightly linked to individuals and is embedded in their subjective experiences, senses, and intuitions and therefore is hardly possible to articulate and transfer (Nonaka & Peltokorpi, 2006; Nonaka, Toyama, and Konno, 2000; Polanyi, 1966):

> "In the Middle East, face-to-face activities are much more important, so a local presence there is very important. In the areas of Asia Pacific, there are certain ways of working that require different skills and experience than those in European markets, so it is about experience, it's about understanding what works and what doesn't; unfortunately a lot of that is difficult to teach." (M6)

The meaning of core internationalization knowledge is directly linked to a combination of three perceived interwoven knowledge types, related to *product distinctiveness*, *worldwide industry idiosyncratic*, and *foreign locality knowledge*. These three knowledge types are provided in part by the (international) experience of the main manager but are continuously enriched and updated (Casillas et al., 2009; Tsoukas, 1996). The following quote is illustrative of the aforementioned:

> "My knowledge was gained mainly […] in my earlier days. I've learned a lot working for other people: learning how they deal abroad, how they develop good products, and all the rest of it is very good experience. And then, of course, you add your own idea." (M3)

The advisers interviewed for this study generally shared the managerial understanding of core internationalization knowledge in that the fundamental decision to engage in internationalization

beyond exporting originates in knowledge encapsulated by the managers and occasionally by key employees. They consider micromultinational managers to be knowledgeable about the foreign markets targeted, their objectives, and ways to approach these markets:

> "The micromultinational [managers] are more structured in their approach, in that they've got a reasonable idea of what they want to achieve, whereas SME [managers], who, for example, would have an enquiry for an agent/distributor, tend to be slightly less structured. This tends to be more a one-off reactive opportunity. [Micromultinational managers] didn't really have too much experience of the tax, financial, and legal matters, [they] have a very good understanding of what they do, what their product is, how it works." (A10)

A few constituents of the three core internationalization knowledge components precede involvement in internationalization beyond exporting, as they are required for exporting and therefore were developed before the SME became a micromultinational (Figure 1). Given that in our sample all SMEs started their international activity by exporting and became micromultinationals at a later date, we are able to distil the knowledge types required for operating as a micromultinational as compared to export-based internationalization. Our evidence therefore shows that core internationalization knowledge, and in particular some of its components as detailed below, enables the SME to overcome its innate liabilities and hence successfully engage in entry modes beyond exporting.

Product distinctiveness knowledge represents an indispensable starting point for involvement in any international activity. Both its constituents, *general product knowledge* and *expert product knowledge*, have been developed prior to involvement in internationalization beyond exporting:

> "A good knowledge of our products and their applications […] everything from the price to the technology and the machinery […] that's the starting point." [for international activity] (M4)

Based on our evidence, *worldwide industry idiosyncratic knowledge* is a combination of knowledge developed for export-based internationalization and knowledge specific to micromultinationals. A certain level of *knowledge of foreign opportunities* in the industry and of *knowledge of foreign collaborators* in their sector is developed before the SME starts operating as a micromultinational when engaged solely in exporting. However, industry idiosyncratic *in-depth worldwide network knowledge* is developed gradually and is essential for internationalization beyond exporting to take place. It builds on knowledge derived from prior foreign opportunities and collaboration experiences (Chandra, Styles, & Wilkinson, 2012; Reuber, Dimitratos, & Kuivalainen, 2017). Specifically, our evidence shows that micromultinational managers have an intimate knowledge of the business actors in their industry across the world. Frequently, they are in direct and ongoing contact with many of these actors. Such close embeddedness in their industry network ecosystem allows micromultinational managers to have a holistic understanding of their sector at present and to predict future changes. They have an excellent grasp of the current demand as well as a visionary outlook. This enables micromultinational managers to identify or create prospective opportunities in the most promising

locations in their industry and address them with the most suitable entry modes, such as subsidiaries, joint ventures, or strategic alliances.

Foreign locality knowledge, the third core internationalization knowledge component, includes *foreign customer knowledge* and *hands-on foreign market knowledge*. The empirical evidence suggests that the former is needed for initial engagement in international activities through exporting and is further augmented when internationalization beyond exporting is pursued. Yet, knowledge of international customers is necessary but not sufficient for engagement in internationalization beyond exporting. In turn, the latter enables SMEs to conduct business in foreign locations via subsidiaries, joint ventures, or strategic alliances. For example, consensus exists across the managers interviewed that hands-on knowledge of local culture and institutions, gained through lived experiences, is necessary for being able to operate foreign subsidiaries.

The following quote is illustrative of *worldwide industry idiosyncratic knowledge* and *foreign locality knowledge* in the micromultinational context. Moreover, this quote also exemplifies how *in-depth worldwide network knowledge* and *hands-on foreign market knowledge* are particularly relevant for overcoming the innate liabilities of SMEs:

> "We take a lot of due diligence before we expand into an area to look into what we know about the market, how it's structured, who are the players, and the different modes of entry. It is all based on local intelligence, based on knowledge from the people involved in setting the business up, plus key partners we already have in place in those countries. […] These people typically have an intimate knowledge of the industry that we're involved in, excellent language skills, and a knowledge of the target country that we were setting up in." (M17)

Core internationalization knowledge is perceived as unique and very difficult to imitate, as it is specific to the manager and is firmly embedded in the human and relational capital of the firm, thus aligning with the international new ventures perspective (Gassmann & Keupp, 2007; Hennart, 2014; Madsen & Servais, 1997; Oviatt & McDougall, 1994; Rialp et al., 2005). However, our empirical evidence brings novel insights by distinguishing between the types of knowledge required in the early internationalization stages (export-based) and subsequent micromultinational internationalization stages. *Product distinctiveness knowledge* is a prerequisite, indispensable but not necessarily sufficient for engaging in internationalization beyond exporting. It is typically developed before or at an early export-based internationalization stage. If well-communicated, product encapsulated knowledge may act as a springboard for internationalization in niche markets worldwide (Hennart, 2014; Madsen & Servais, 1997; Oviatt & McDougall, 2005). As suggested by our empirical evidence, some constituents of *worldwide industry idiosyncratic knowledge* and *foreign locality knowledge* are also developed for export-based internationalization. Yet, an intimate knowledge of the industry and foreign markets is required for operating as a micromultinational. Irrespective of the technology intensity of the industry, the investigated managers share a collective belief of their sector as being a close-knit community wherein actors have specific industry knowledge that is constantly enriched

over time (Spender, 1989, 1996). Micromultinational managers have developed an interorganizational network-based industry cognition (Stoian et al., 2017), which allows them to make sense of their environments and engage in complex internationalization strategies. Industry knowledge is closely related to an in-depth knowledge of specific foreign markets where business opportunities exist in their particular niche sectors. Our empirical evidence shows that while a good understanding of customers is generally sufficient for direct exporting, substantially more hands-on knowledge of the market is essential for operating international subsidiaries or involvement in international joint ventures. As revealed by the managerial interviews, in-depth, experiential knowledge of the culture, regulatory frameworks, and unwritten rules of conducting business in the foreign markets targeted is crucial for daily operations. Micromultinational managers explained that they often count on their key employees and international network partners who have insider industry knowledge and impeccable understanding of the foreign markets of interest.

The interpretation of managers (and advisers) clearly highlights the importance of allowing and nurturing these diverse knowledge types to develop in their firms, thus enhancing and sustaining their ability to manage several value chain activities simultaneously in multiple markets (Jones & Casulli, 2014). Interestingly, we observe that irrespective of how rapidly the SME internationalized from start-up, involvement in internationalization beyond exporting follows after a period of time, ranging from two to over thirty years, from the commencement of the international activities via exporting (Table 1). The time elapsed before initial involvement in internationalization beyond exporting depends on managerial judgment based on the managers' perceptions of the knowledge accumulated (Nonaka, 1994), which may enable new opportunity identification and subsequent exploitation in specific contexts (Reuber et al., 2017; Sharma, 2000; Tsoukas, 1996). This is in alignment with the assumption of the process theory of internationalization, namely that firms aspire to engage in higher commitment foreign market entry modes all along. However, they refrain from doing so, given the high risk perceived, which can be mitigated in time by accumulated experiential knowledge. Micromultinational managers construe that time is needed to develop *worldwide industry idiosyncratic knowledge* and *foreign locality knowledge* as well as to allow the three components of core internationalization knowledge to engage in a co-evolutionary interaction that enables sustainable internationalization beyond exporting. This is indispensable for creating unique synergies between the product, industry, and foreign markets, thus propelling further knowledge development required for micromultinational internationalization. For example, micromultinational managers may capitalize on their experiential knowledge of manufacturing their product/s domestically (or in certain foreign markets) to be able to open subsidiaries in other markets. In turn, this will enhance their understanding of their industries across geographies and may lead to product innovation and further foreign market penetration via foreign market entry modes specific to micromultinationals. This knowledge development can result from interaction with business networks (Johanson & Vahlne, 2009; Stoian et al., 2017; Vahlne & Johanson, 2017), hence providing support for the

conceptualization of knowledge as humanistic and dynamic (Nonaka, Toyama, and Konno, 2000). Moreover, managerial interpretation aligns with the view of Tsoukas (1996) in that knowledge is continuously created by multiple agents, leading to new interpretations manifested in the internationalization speed of the SME.

In sum, the evolutionary interplay between the three components of core internationalization knowledge, namely *product distinctiveness*, *worldwide industry idiosyncratic*, and *foreign locality knowledge* is essential for the micromultinational phenomenon to occur.

4.2 Situational practical knowledge

Both groups of interviewees concur that situational practical knowledge originates from outside the firm (Tsoukas, 1996) and is typically provided by advisers. Our findings are somewhat different from previous research on export-based internationalization (e.g., Chaudhry & Crick, 1998; Westhead, Wright, & Ucbasaran, 2001), which suggests that external professional advisers may help in identifying opportunities abroad that are vital for internationalization but otherwise not necessarily accessible to SMEs. Conversely, our data reveals that opportunity identification is part of core internationalization knowledge and therefore internal to the firm. Both groups of interviewees perceive situational practical knowledge to be related to *functional knowledge*, including tasks of an accounting/legal and financial/banking nature:

> "Expanding abroad is a decision that they've already made when they come to me. I would advise them on some of the tax implications of what they're doing." (A6)

> "There's no way we could set a business up in China without that practical advice at the set-up level, it just wouldn't happen. Advisers can't tell us anything about the Chinese pest control market." (M17)

We can infer that for the micromultinationals included in this study, the knowledge required for opportunity identification and access to resources has been developed through the previous experience of the manager (or firm) or by interaction with their business network and/or international partners (Buckley, Glaister, Klijn, & Tan, 2009; Collinson & Houlden, 2005; Dimitratos et al., 2010, 2014; Stoian et al., 2017; Vahlne & Johanson, 2017). The external knowledge requirements from advisers occur more frequently after the decision to engage in internationalization beyond exporting has been taken internally by the manager. Our findings show that for exporting, advisers are required to assist only with support for tasks such as drafting contracts, letters of credit, currency exchange, and tariffs: i.e., *international trade knowledge*. Nevertheless, once involved in internationalization beyond exporting, and therefore in ongoing and direct contact with foreign markets, extra advice will be required for the completion of functional tasks such as setting up foreign subsidiaries: i.e., *international set-up knowledge*.

Subtle discrepancies exist, however, between the voices of managers and advisers. While recognizing the practical importance of advisers' knowledge, micromultinational managers perceive

situational practical knowledge to be rather explicit and standardized. Following managerial interpretation, although situational practical knowledge comprises specialized (accounting/legal or financial/banking) knowledge, it can be substituted with knowledge provided by another similar adviser, unless a trustworthy relationship has already been developed (Lee, Tüselmann, Jayawarna, & Rouse, 2011). While the advisers' interpretation is similar to that of the managers, advisers emphasize that they devote increased efforts to clearly understanding each client's knowledge requirements and customize their services accordingly (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Sirmon, Hitt, & Ireland, 2007). Strong elements of tacitness are encapsulated in situational practical knowledge from the advisers' standpoint (Polanyi, 1975).

Another notable difference is that unlike managers, advisers construe that they also provide *international liaising knowledge* to micromultinationals, aimed at facilitating contact with potential international business partners (Figure 1). This is compatible with prior findings by Friesl (2012). Advisers thus perceive that they contribute to the enhancement of *functional knowledge* as well as *foreign locality knowledge* by occasionally galvanizing a co-creation process, acting as a bridge to relevant foreign actors.

The underlying reason for these subtle tensions between the interpretations of the two groups of interviewees derives from the advisers' expectation that the knowledge transfer is more long-term oriented than the expectation of the managers. These differences in interpretations may stem from managerial understanding of their sector as a highly specialized niche industry held within close-knit communities. The micromultinational managers investigated perceive that the most knowledgeable actors should be part of these communities rather than outsiders. This corroborates prior interpretive approaches to knowledge (Spender, 1996) that substantial experiential sector-specific knowledge is required to be able to make sense of a particular business milieu. Thus, these managers consider themselves and their key employees to be highly knowledgeable about their specific industries and therefore best equipped to navigate within those industries. Managerial interpretation may be subject to their judgment regarding deploying their limited resources in areas that are directly linked to core internationalization knowledge and fundamental for internationalization beyond exporting. Naturally, this would reduce their capacity to contract the services of advisers on a continuous basis.

4.3 The SKIMA framework

Further to analyzing our empirical evidence, we put forward the SKIMA framework, presented in Figure 2, which enables SMEs to engage in internationalization beyond exporting.

Insert Figure 2 here

SKIMA transcends industry-specific idiosyncrasies and unveils a framework that permits SMEs to adopt internationalization strategies similar to those practiced by large multinationals.

Drawing on the evidence from this study, SKIMA graphically presents all knowledge types both groups perceived as necessary for internationalization beyond exporting to occur and highlights the three micromultinational-specific knowledge types, namely (a) *in-depth worldwide network knowledge*, (b) *hands-on foreign market knowledge*, and (c) *international set-up knowledge.* These knowledge types jointly contribute to alleviate the liabilities of smallness that SMEs are intrinsically subject to. Explicitly, resource scarcity and environmental vulnerability, which adversely affect SMEs and their subsidiaries (Lu & Beamish, 2006), are mitigated by the intimate foreign market and network knowledge of managers and their key employees. Such knowledge is occasionally complemented by international set-up knowledge provided by advisers. Thorough foreign market and network knowledge permits micromultinational managers to develop a very good understanding of their customers, the target market characteristics, and the entire industry worldwide. Hence, managers can make competent judgments on current demand as well as anticipate changes and opportunities that can be addressed with micromultinational-specific foreign market entry modes. Furthermore, the liabilities of foreignness are overcome primarily through an excellent local knowledge of managers and key employees. This foreign market knowledge may frequently originate from international networks. As a result, the SME (and its subsidiaries) can successfully compete against local firms in the target markets. Embeddedness in worldwide network ecosystems in their industries allows micromultinational managers to benefit from ongoing connectiveness with relevant business actors, thus overcoming the liabilities of outsidership.

5. Conclusions

The purpose of this study was to elucidate the knowledge types required by SMEs for engaging in internationalization beyond exporting as understood by managers and advisers. Our contribution is as follows.

First, we contribute to the SME internationalization literature by distilling the specific knowledge types of micromultinationals: (a) *in-depth worldwide network knowledge*, which reflects industry knowledge required to identify and work closely with collaborators abroad, equipping managers with a holistic understanding of their sector at present and a visionary outlook toward the future; (b) *hands-on foreign market knowledge*, which is knowledge needed to conduct daily business operations overseas; and (c) *international set-up knowledge*, which is associated with the practicalities intertwined with setting up abroad via modes beyond exporting. The micromultinational knowledge types build on and complement previous knowledge types required for exporting, hence advancing the literature, which has been silent on the knowledge needed for expanding through internationalization beyond exporting. This knowledge is linked to identifying and working in close interaction with the

most appropriate actors worldwide who have insider knowledge of the industry and the foreign location targeted. Micromultinational knowledge types allow the SME to overcome its liabilities of smallness, foreignness, and outsidership and consequently enable the dispersion of value-added activities internationally. In this way, a foothold is gained in the foreign markets of interest, ensuring increased familiarity and communication with customers, suppliers, and other stakeholders of relevance. This lays the foundation for the development of new knowledge useful for sustainable international expansion. Our findings corroborate previous research on micromultinationals by Stoian et al. (2017), which reports that top managers' knowledge of foreign markets and interorganizational network management enhances international results. Adopting a qualitative research method, we are able to provide a fine-grained approach by unveiling the additional knowledge types required to operate a micromultinational as perceived not only by managers but also by relevant advisers. Hence, we respond to calls for conducting research which looks into knowledge types instrumental for SME internationalization via distinct entry modes (Laufs & Schwens, 2014; Musteen et al., 2014).

Second, our study enhances the knowledge-based perspective within the SME internationalization literature by showing that market expansion is driven by tacitly dominated knowledge encapsulated by internal firm actors related to products, industries, and markets and facilitated by functional knowledge provided by external actors. Moreover, it draws attention to the complementarity of different views of stakeholders regarding the knowledge needed for the growth of the multinational SME. By adopting the knowledge-based perspective in the study of micromultinationals, we provide new insights into micromultinational behavior. In doing so, we address calls for conducting research into the development of knowledge for SME growth via internationalization (Deligianni et al., 2015; Jones et al., 2011) by investigating micromultinational managers as well as alternative external knowledge sources to those considered by Fernhaber et al. (2009). Furthermore, our work has mitigated the paucity of research regarding studies situated at the individual level (Andersson, Dasí, Mudambi, & Pedersen, 2016; Coviello et al., 2017) by adopting an interpretive approach in SME internationalization.

5.1 Managerial relevance

The findings from this study have relevant implications for practice. SME managers who aim to engage in foreign market entry modes beyond exporting may find it useful to develop knowledge that allows them to produce distinctive products. This knowledge must be organically and constantly recombined with industry worldwide and hands-on knowledge of foreign markets to ensure growth via internationalization beyond exporting. These managers can consider relying on their tacit knowledge (along with that of their key employees) when taking strategic decisions, such as selecting the most appropriate foreign market entry modes suitable for their products and aligned with the idiosyncrasies of the foreign markets targeted. It is recommendable, however, that they consistently

aim at enhancing their industry and foreign market knowledge to ensure the sustainability and development of their internationalization strategies. As these SME managers lead firms which operate in niche industries, it is advisable to cultivate a firm culture that promotes continued and efficient communication with relevant network actors in their sector (and related sectors). To this purpose, both offline events and state-of-the-art internet-enabled technologies must be appropriately utilized. Multiple international stakeholders (such as international partners, customers, and pertinent institutional actors for their sectors) may be engaged in an ongoing dialog, including face-to-face visits in the foreign markets of interest, for the SME managers to be able to enrich and update their knowledge. Thus, the perceived risk associated with internationalization can be alleviated and the SME manager is likely to take informed decisions related to market entry mode selection. Conversely, in relation to functional requirements (e.g., preparing international partnership agreements and setting up subsidiaries abroad), it is advisable to contract the services of professional advisers specialized in dealing with international accounting/legal and financial/banking issues. If satisfied with the advice received, it would be beneficial to remain in contact with that specific adviser for developing a trustworthy relationship. Advisers, on the other hand, may find it useful to gain in-depth knowledge of specialized niche sectors wherein micromultinationals operate so as to increase the frequency with which they provide knowledge services to these SMEs.

5.2 Limitations and future research

The present study has limitations that may guide further research. First, the understanding of the managers and advisers who participated in this study reveals that knowledge for successfully engaging in internationalization beyond exporting iteratively, continuously, and inexorably propels new knowledge development. The scope of this study should be extended to incorporate managerial cognition of other major issues for sustainably operating internationalization beyond exporting, which were not explicitly investigated in this study. A relevant example would be the investigation of perceptions regarding international opportunity exploration and exploitation through a temporal lens, highlighting the learning curve that underpins the potential changes in an individual's understanding of the world and vision of the future. Second, this study incorporated two groups of interviewees, namely micromultinational managers and internationalization advisers. Further studies may also investigate cases where managers (and advisers) as well as other groups of stakeholders relevant to internationalized SMEs, such as main international partners or representatives of local chambers of commerce and national trade organizations, engage in joint knowledge co-creation beneficial for micromultinationals. Third, this study investigated the knowledge types responsible for involvement in internationalization beyond exporting as compared to export-based internationalization. Future research could examine the knowledge types SMEs require for engaging in distinct equity modes in foreign markets, for example, by comparing international subsidiary set-up with involvement in

international joint ventures. Fourth, future studies may find it fruitful to embrace multiple levels of analysis, such as the individual level and the organizational level. This would allow juxtaposing findings obtained at the individual level with those relevant at the organizational level, such as developing the organizational capabilities and resources required by micromultinationals.

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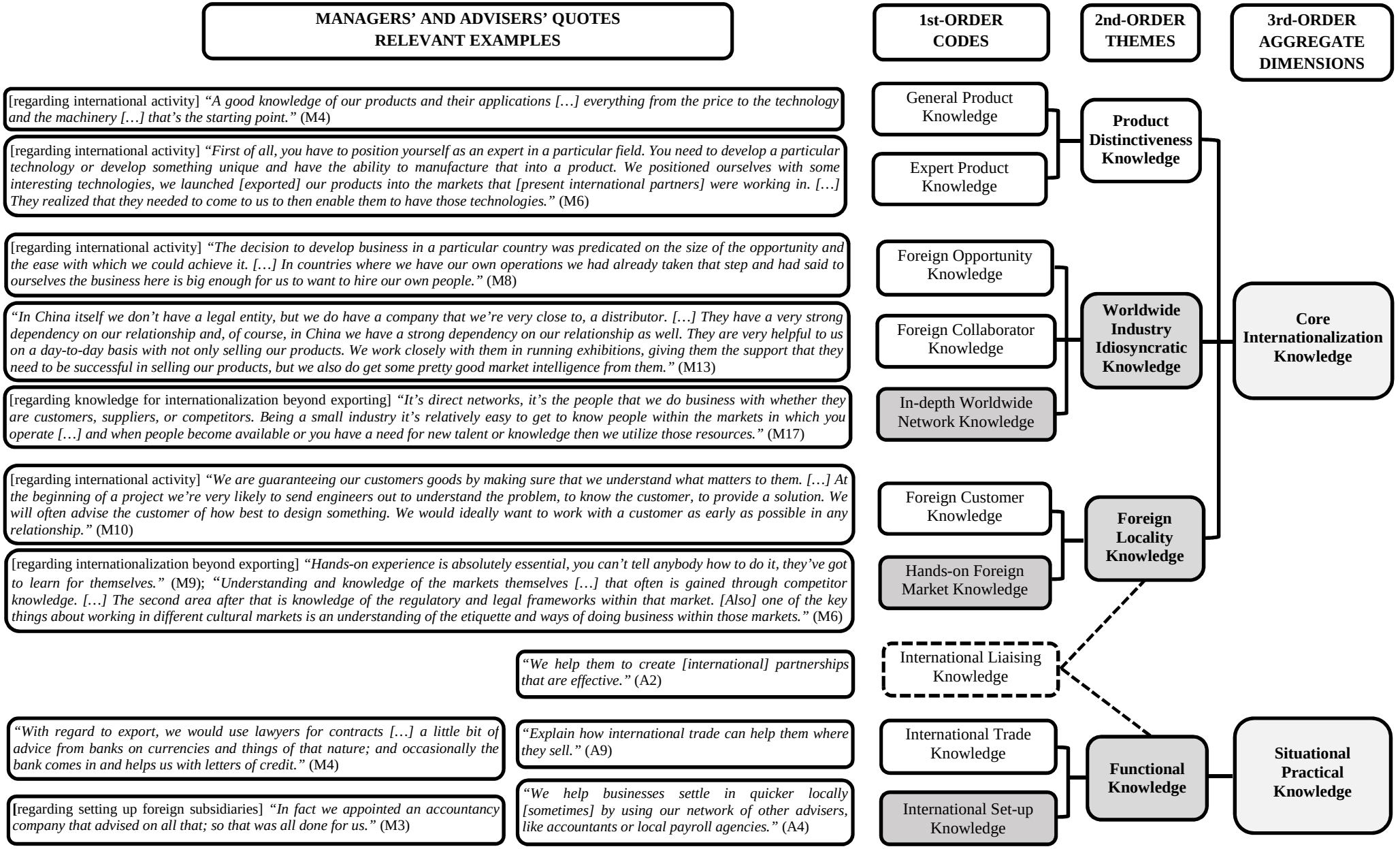
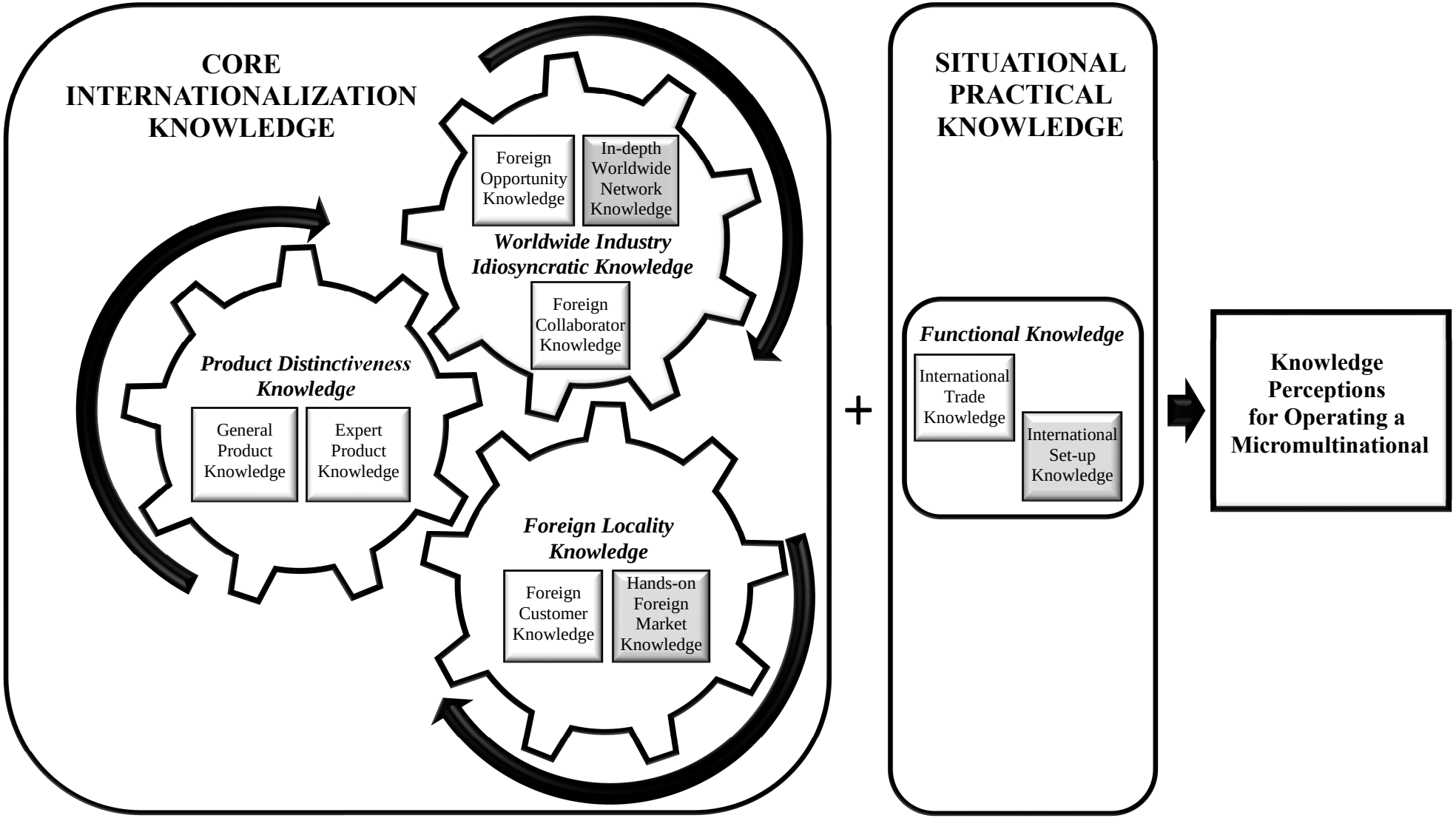
Figure 1. Synopsis of the data structure: Knowledge types required for internationalization beyond exporting and for exporting as reported by managers and advisers



Note for 1st-order codes: = Knowledge specific only to micromultinationals; = Knowledge necessary for both exporting and micromultinational activities.
= Shows agreement across managers and advisers; = Shows code identified only by advisers.

Figure 2. Shared knowledge interpretation across managers and advisers (SKIMA)



Note: ▭ = Knowledge specific only to micromultinationals ▭ = Knowledge necessary for both exporting and micromultinational activities.

Mana-gers	Profiles							
	Position of Interviewee	**Industrial Sector**	**Technology Intensity**	**Total Number of Employees**	**Years before International Start-up**	**Years before Internationalization beyond Exporting**	**Total Number of Continents Serviced***	**Internationalization beyond Exporting**
M1.	Managing director	Security	High-tech	30	4	8	6(1)	Subsidiaries (2) Strategic alliances
M2.	Managing director	Information technology	High-tech	40	0	2	5(0)	Strategic alliances
M3.	CEO	Electronics	High-tech	110	17	36	5(1)	Subsidiaries (1) Strategic alliances
M4.	Managing director	Adhesives	Low-tech	85	11	27	7(2)	Subsidiaries (5)
M5.	Managing director	Sport equipment	Medium low-tech	240	≈15	≈30	6(2)	Subsidiaries (2) Joint venture
M6.	Managing director	Hygiene workwear	Low-tech	80	5	20	4(2)	Subsidiaries (2) Joint venture Strategic alliances
M7.	CEO	Broadcast audio	High-tech	170	2	9	7(1)	Subsidiaries (1) Strategic alliances
M8.	Managing director	Broadcast audio	High-tech	150	2	8	7(2)	Subsidiaries (4) Joint venture
M9.	International business director	Office furniture	Low-tech	200	10	17	3(3)	Subsidiaries (3)
M10.	CEO	Precision instrumentation	High-tech	230	≈15	≈45	5(1)	Subsidiaries (3)
M11.	Director	Office electrics	Medium high-tech	105	15	20	4(2)	Subsidiaries (3)
M12.	CEO	Electronics	High-tech	110	1	19	5(1)	Subsidiaries (2)
M13.	Business development manager	Electronics	Medium high-tech	72	≈15	≈17	7(2)	Subsidiaries (2) Joint venture
M14.	Financial director	Electronics	High-tech	40	≈10	≈17	3(1)	Subsidiaries (2)
M15.	Managing director	Machinery and equipment	High-tech	220	3	≈35	7(3)	Subsidiaries (3) Joint venture
M16.	Executive chairman	Communication equipment	High-tech	210	0	≈17	5(1)	Subsidiaries (1)
M17.	Managing director	Pest management	Low-tech	170	5	11	7(2)	Subsidiaries (6)
M18.	Managing director	Electronics	High-tech	64	0	≈5	7(2)	Subsidiaries (2) Joint venture

Note: The total number of employees refers to the entire micromultinational.

* The first figure refers to the total number of continents serviced by the firm via any type of international activity; the second figure refers to the total number of continents where foreign subsidiaries are located.

Table 1. Profile of micromultinational managers (and corresponding micromultinationals)

Advisers	Profiles	
	Position of Interviewee	**Type of Advisory Firms Run by the Advisers Interviewed**
A1.	Managing director	International business consultancy 1
A2.	Director	International business consultancy 2
A3.	Senior consultant	International business consultancy 3
A4.	Partner	International law adviser 1
A5.	Partner	International law adviser 2
A6.	International tax partner	Accountancy and business adviser
A7.	Partner	International accountancy adviser 1
A8.	Partner	International accountancy adviser 2
A9.	Manager for trade and international transactions	Bank adviser
A10.	Director	Professional membership body for international business

Table 2. Profile of advisers