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Globalization and International Entrepreneurship

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Abstract

Despite its specific destabilizing effects, the real dimensions of globalization do not justify a general alarm. Although technology revolution, "knowledge society", and deregulation trend bring uncertainty and risks, there is not a real global market yet, abolishing the national policy field and exposing firms, social groups and states to the threat of the global speculative capital. Objective difficulties restrict the irrepressible development of globalization while, concerning firms, the dangers hanging over the big multinational firms weaned from their national base, explain the absence of a generalized trend for their conversion to supranational firms. However, the ineluctable character of globalization and the ensuing competitive landscape, force firms to permanently adjust their strategy, structure and processes and often to internationalize in order to survive and sustain their competitive advantage. Lastly, prerequisites for successful internationalization are examined, especially for mall and middle sized enterprises which, far from being in rivalry with the multinational firms, they do well to develop complementary relationships and mutually profitable synergistic links with them.

1. Introduction

The globalization constitutes a neologism attempting to grasp the dynamic and fluent reality arisen from the big changes of the last 30 years period, and their impact on countries, social groups and firms. It concerns:

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- the recent technology revolution which leads to the "knowledge society" and, by its impact on the economic and social function, generates strains and uncertainty on the individual, collective and entrepreneurial level.

- the market liberalization-integration which, while unleashing huge productive forces and widening individual and corporate choices, it also brings tensions by acerbating competition and speculation and deepens the world uncertainty and interdependence.

- the qualitative change arisen in the content of the competition in the more dynamic sectors and firms, through the mutation of the traditional economic competition in *technological competition*.

- lastly, the diffused feelings of embarrassment of those (people, firms, countries) who are asked to play a fascinating and dangerous game with unknown rules, but also the willingness of firms to take up the struggle for the international success. Starting by the analysis of the reasons for the deep transformation of the world economic system, in the first and second sections, this paper examines, in the third section, the economic and technological developments which have lead to the phenomenon of globalization and its impact on the functioning of the firms. The fourth section addresses the relations between globalization and multinational enterprises (MNE) while, the fifth, the conditions for the proper accession of firms, especially the small and middle sized (SMEs) enterprises into the new competitive landscape.

2. From the prosperity to the crisis

The side effects of the special role of the $ in the world monetary system of Bretton Woods and the structural changes ensued from the durable western prosperity assured by the keynsian-fordist model, will undermine the profitability of the firms and bring structural changes on their functioning and in the world economy. In fact, the second half of the sixties is namely marked by:

- an increasing saturation of the consumer and durable goods markets which deepens the competition among firms and among countries,

- a long-standing growth of nominal and real wages which, while increasing the workers prosperity and supporting the effective demand, it also coincides with the exhaustion of traditional technologies. Under these circumstances, the quicker growth of the labor cost in relation to the productivity growth and the relative rigidity of the wages with respect to the unfavorable conjuncture, increases cost, decreases profits and firms viability and feed a spiral growth of prices and wages,

- an expanding rejection of the taylorist organization of work which brings about problems on the functioning of firms and economies,

- the further aggravation of cost and firms effectiveness, due to the establishment of the first anti-pollution rules -following the prevalence of mass production- and the need for firms to improve product quality standards. This series of changes steer firms to foreign markets, which further sharpens national and international firm competition. Physical presence abroad, the establishment of assembly units and even local production is, however, a prerequisite for the conquest of new foreign markets. Thus, what was until then the exception became a current practice: the systematic capital internationalization in the form of mass western investments mainly in western countries and, secondary, in developing countries. The wave of investments at the time took the form of building up subsidiaries abroad, buy outs, mergers, taking control of competitors or complementary firms etc, all developments that lead to the emergence of powerful commercial, industrial and financial groups which, together with the evolutions of the eighties and nineties, will play a crucial role in the emergence and expansion of globalization (Beaud 2000, p.298).

2.1. The instability of the world financial system

The onset of the main feature of globalization, the uncertainty, has coincided with the USA government decision of August 1971 to suspend the gold/dollar convertibility. The persistent increase of the USA balance-of-payments deficit in the sixties will shake the reliability of the dollar convertibility and trigger off virulent speculative attacks against dollar that will fling gold price and bring to the depletion of American gold stocks. The huge quantity of dollars outside USA induces European commercial banks to give credits in dollars, which leads to the emergence of the well known Eurodollar market. Being the latter only a part of the short termed feverish capitals ("hot money") but equally traveling from one money market to another in recruit of high returns, they too come into the picture and all together: constitute a potential threat for countries macroeconomic stability, bring inflation and accommodate the economic, credit and monetary policy. When, according to Bank of International Settlements, the Eurodollars come to reach 40 billions in 1970, the USA inflation jumps to 6 %[2] (against only 12 billions and 2 % respectively in 1965) and the 1971 USA balance of trade deficit to 2 billions, the American government is forced to suspend the gold/dollar convertibility and devaluate the dollar. The disengagement of yen and the other western currencies in 1973 will set off the collapse of currency fixed parities and the onset of the floating parities, the latter being the most important factor of global economic instability.

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(2) Economic Report of The President, 1985

2.2. The interdependence of the global economy

The second major feature of globalization, the *interdependence*, comes from a series of developments but, first, the integration of the USA -with their powerful economy and the special role of their currency- into the world economy. Actually, between 1973 and 1990, the direct investments abroad of USA firms quadruple, while the foreign direct investments in the USA increased 20 times. Furthermore, between 1980 and 1985 the American assets abroad increased for 58 % ($ 950 billions) while the foreign assets in the USA increased for 100 % ($ 1.000 billions) (Harvey 1983, p.3). It is obvious then that the size of external economic transactions, the degree of penetration of MNEs (which invest or not) and the foreign debt exert any more a crucial influence on the march of any national economy and express the high degree of the world interdependence. Thus, the race of the USA interests between 1982 and 1987 leads to a spectacular dollar revaluation which: a) worsens the USA Balance of Trade and increases the foreign debt, b) aggravates the economic conjuncture in western countries, c) impose "structural adjustment policies" to developing countries, which amounts to drastic curtailments of real wages and the tripling of unemployment and, d) the result of the G5 ("Plaza agreement") and G7 ("Louvre agreement") effort to smoothly land the dollar was -due to the virulent speculative attacks- that western Central Banks lost much of their reserves whereas, on a medium term basis, the entering of these huge capitals into the world financial system, brought big inflationary pressing that increased interests and lead to the 1987 Stock Exchange crash.

3. The route towards globalization and its impact on firms

Beyond these changes that brought uncertainty and interdependence, lots of parallel developments during the last 25 years period gradually shaped a new technological, economic and entrepreneurial landscape signaling the emergence of globalization. The most important of these developments which, among others, affect business running and strategy were, first, the fast evolution of the means of transport which, thanks to their functional specialization, safety, rapidity and low cost: a) accelerate the circulation on a world level of people, goods and raw materials, which makes it feasible for any -even middle sized- firm to satisfy the demand of the most remote market of the world, b) promote the relocation of firms seeking abroad additional elements of cost decrease, which aggravates environment and public health but also creates employment and income in developing countries, c) encourage the transport of semi-finished products which creates new field of action for the management -on a subcontracting basis- of material and immaterial flows in space and time (logistics) and brings technology in developing countries. Second, the emergence -because of the world competition- of a totally new approach on firm organization and management ("lean production", "just in time" etc) which resulted in jumps in productivity, decrease of entrepreneurial risks and product diversification.

Third, the overall technological revolution and especially the rapid progress of the telecommunication and information technology accelerate the process of the "constructive creation" (according to the famous Schumpeterian expression) which goes together with globalization. In fact, the market liberalisation and increasing integration accelerates capital redistribution - from sinking, to peak technologies and sectors- and increases the world productivity and wealth and the prospects for developing countries. But, it also widens the income gap and banishes less competitive firms, social groups and countries. Equally important is however their indirect impact on the firm functioning and the productivity increase of the economy. Actually, the lighting -via internet- circulation of information on the demand structure and volume, the market prospects, the competitor’s reaction etc and -thanks to informatics- its equally lighting elaboration, allow firms to immediately react to the ever changing market conditions. This way, the decrease in entrepreneurial uncertainty discharges firms from an important costs element: the storing up of emergency reserves in terms of products and staff to cope with wrong or obsolete in time appraisals. The utilization of these resources -those kind of compensatory market reserves- until then constituting a costly premium against entrepreneurial uncertainty, partly explains the today’s spectacular world productivity (Greenspan 2000).

A fourth factor is connected with the change intervened in the content of the competition. The emergence of the New Economy -ensuing from the interaction between globalization and "knowledge society"- more and more transforms traditional economic competition in technological competition. Multinational enterprises (MNEs) disposing of global strategy support, to a increasing extent, their market penetration ability and the competitor’s elimination on the exploitation of *indivisible* knowledge factors that produce themselves or to which they have access via their participation to international sectional networks. This way they take advantage of the ability of the latter to secure the off-market circulation of these indivisible factors, which leads to the technological knowledge oligopoly and therefore to the "self-existent competitive advantages". Those changes not only upset the fordian model -and shifted the pivot of the production system, from the secondary, to the tertiary sector- but also induced deep changes in the organization of the production and the strategy of firms (Ohmae 1990 and Giannitsis 1999). A fifth factor was the emergence of the financial globalization, i.e. the accelerating integration of national capital markets into a single -in terms of space and time- planet capital supermarket that, thanks to the disintermediation, deregulation and opening up of capital markets, shifted world financial system, from indirect, to direct finance (Plihon 2000, p.69). On a theoretical level, the creation of a fully competitive world capital market increases the effectiveness of the financial system, decreases the financing cost and promotes the optimum allocation of capital among countries, sectors and branches and accelerates global economic development. As however the world capital market arose without being accompanied by the necessary international supervisory mechanisms, it became a synonym of macroeconomic instability and chained crises due to the unrestrained speculation itself favoured by the multiplication of the "new financial tools" and the "derivatives".

4. The globalization and the role of multinational and supranational enterprises

The concept of multinational enterprises (MNEs) was identified with globalization after their supposed conversion to supranational enterprises (SNE), under the influence of the factors that set off globalization (Teulon 1998, p.417). Unlike traditional MNEs which: a) came about trough the internationalization of the western big firms, b) enlarge the scope of their activities trough direct investments abroad, c) act in many countries via their subsidiaries which own only a limited autonomy and, d) operate upon business plans and funds coming from parent company -which has definite headquarters, the SNEs (which in the terms of Akio Morita “think globally and act locally”): a) came about from the establishment of global production and information networks, b) own global business strategy, which implies that they have to be installed in all countries of the "triad", c) own peripheral operational headquarters and, d) set up their business plan and administrate their assets on a global basis (Dunning 1993). In according with the "eclectic theory" which summarizes the reasons pushing big MNEs to a world expansion, the fundamental criteria are the "ownership advantages", the "localization advantages" and the "internalization advantages", the latter aiming to decrease uncertainty and to more efficient control of the distribution channels etc. According to Ohmae, in the emergence of the SNEs has been instrumental that combination of developments in the world economy which leads to the invalidation of the Vernon theory on the "product cycle": higher and higher R-D costs create barriers of entry for new players, which forces MNEs to pursue economies of scale by concluding business alliances, as well as by increasing their market share through their subsidiaries which: possess full autonomy of decision, apply to the world market for the conduct of R-D, for drawing funds and staff, and for product sale. So, the MNE which attained a world range, an integrated management and full peripheral autonomy can under certain conditions to convert into SNE.

The capability of SNEs to induce worldwide re-arrangements on production, employment and income emerges from Ohmae`s description (in "Triad Power", 1985) of the way in which those firms undermine the basis of assessment of nation-states through the intra-firm trade (which cuts up the value chain). The great issue, however, is whether the permanent pursuit of profitability might leads SNEs to replace the political function in its task of domestic and international economic and social regulation and, perhaps, to increase the world growth, income, and social gap. The question whether the latter represents or not a real danger amounts to wonder whether already exists a world market offering the necessary framework and, whether that activity already is or is going to become a mass phenomenon due to a strong trend of common MNEs to convert into SNEs. The first sub-question was already answered by the well known studies of Mc Callum on the intra- and interstate trade, according which the interpenetration of national markets still remains very particularly low even among markets which fulfill all conditions for integration (USA-Canada). At the same conclusion came Feldstein's (1995) and Bosworth's (1996) research on the international capital mobility, based on the correlation between saving and investment. Referring to the second sub-question, contrary to the established opinion, there are only very few real SNEs and, more important, there is not any trend for the conversion of MNEs in SNEs. With respect to this matter, most illustrative are: a) the experimental survey of Thompson & Allen (2000, p.153)) on the distribution of the MNE`s activities between the region/country of origin and the rest of the world, b) the survey of Casson et al. on the distribution of the R & D laboratories of 500 big MNEs and, c) the studies of most scientists (Cantwell, Patel and Pavitt) on the number of patents submitted to the USA Patent Office in the 1969-1986 period (Hirst & Thompson 2000, p.188). The findings of all of these researches are that, in spite of all appearances, MNEs keep being tightly connected with their country of origin, and they merely have multinational and not supranational nature. Besides, this conclusion is endorsed by numerous examples in the area the production, financing and top executive structure reported by Boyer (2000, p.21).

Having established in the light of all fore mentioned criteria that almost all MNEs, although having a multinational nature, they do maintain their national affiliation, it is interesting to consider the reasons of their reluctance to convert into SNEs. It is quite clear that the weak propensity for this kind of conversion is due both to concrete barriers to the emergence of new SNEs, and to specific advantages the plain MNEs benefit due to their national affiliation. The most important barriers to globalization which restrain the scope of the SNEs are: the limited global standardization of the consumer preferences, the socio-economic barriers and the underlying commercial nationalism, the diseconomies often accompanying the MNEs global expansion process: the corner-stone of the recent revolution in the production process ("lean production", "just in time" etc), the production diversification, the limitation of the entrepreneurial risk and the spectacular increase in productivity, is the endogenous technological change which, departing from Japan and propelled by the continuous improvement firm (CIF), was gradually adopted by many western countries. While, however, the implementation of the continuous improvement technologies (CIT) is not contested as source of strong competitive advantages and it would therefore be obvious that CIFs would transfer them into their foreign subsidiaries, many studies (Boss & Cole, Wilson, Takayashi) establish an increasing reluctance in most important CIFs to do so, due to many systemic problems connected to that transfer (Mogab &Cole 2000, p.4, 16). According to the latter, “Japanese CIFs that globally parcel out factories with the primary motive of taking advantage of low wages or reduced transportation costs do so at some considerable risk. They might be trading their long-run competitive advantage in customer value creation for a one-shot reduction in cost” (p.10).

The more dissuasive factor, however, seems to be the benefits the MNEs derive from their national affiliation and, by extension, from the smooth running of the world economic system (Hirst & Thompson 2000, p.358), especially: a) the benefit of a smaller international entrepreneurial uncertainty, which is a crucial factor for the investment planning and the market penetration strategy of any international firm, b) the immaterial advantages the international firms derive from the maintaining of their national basis such as the internal cohesion (which rely on the common entrepreneurial language inside the firm), the homogeneity of the administrative elite (which stems from the common national affiliation), the identification of the staff which the firm (which has national bedrock and national references) etc. These huge benefits which are free for all MNEs having national affiliation, are lost for the SNEs which have to create them with high cost and uncertain results, c) the tangible benefits the MNEs derive from their incorporation into the national relation networks which: i) foster firm’s competitiveness, ii) secure the stability of the economic environment and the removal of conflicts between business interests and society, iii) the incentives policy and the vocational training, iv) the organization of the dialogue among social partners, vi) the national-oriented financial organisations and the protection of firms from the adverse -national and international- economic conjuncture and, d) the specific advantages firms obtain from their incorporation into the regional and local forms of management.

The internationalization of production and the centralized business administration of the firms of intermediate goods -for the sake of economies of scale- constrain final product firms to disconnect from their hinterland and to be integrated into -international- horizontal networks. While, however, the globalization dynamics undermine the vertical and -until then- locally oriented networks in favor of the horizontal networks, they foster simultaneously the role of the new local advantages to which, according to Veltz (1996, p.61 & 66) firms have access by the "externalization" of their activities and staff. Actually, externalization takes advantage of: a) the feedback phenomena between the firm and its socio-economic environment, b) the easier administration of an even partially deregulated labour market, c) the effortless incorporation into convenient inter-firm cooperation networks and the exploitation of the local links, which accommodate both firms (in facing the production shocks by a production reorientation) and working people (in their effort to disengage from the firm at e lesser cost and to smoothly reintegrate the labor market) and, d) the exploitation of the "local synergies" -among firms, universities, scientific research Institutes, investor circles, Chambers, Unions, local authorities, etc- which seem to be instrumental in firm's competitiveness.

5. Globalization and international strategy

In the previous sections the main causes leading to the emergence of globalization and directly influencing firm's functioning were examined. It seems however that the most important effects on firms are the indirect ones .That is to say the changes which, stemming from the more and more competitive framework of the globalized economy, force firms willing to survive to participate in a process of permanent culture, structure and function readjustment. In this process of mandatory incorporation of the permanent change in the life of firms, their internationalization seems to be a natural -if not ineluctable- evolution since the accelerating economic interpenetration breaks the unity of individual markets and shrinks the scope of the firms persisting in conventional, national or local rationales. Together with the continuing abatement of the economic frontiers, the world diffusion of information, the torrential evolution of technology, the uncontrollable capital mobility and the increasing mobility of the skilled labour -the main features of the today's competitive landscape- upset the established entrepreneurial ways of thinking and acting and set off flexibility, adaptability and innovation as the fundamental survival factors. This section, therefore, after addressing the new entrepreneurial mentalities and ways of administrating firms to be adopted in a globalising framework, will examine the conditions, problems and ways for successful internationalisation of the SMEs.

5.1. The adjustment strategy in the new competitive landscape

In the today's competitive conditions in which firms act in a fluid and unforeseeable environment, the preservation of their competitive advantage requires increased vigilance in determining the necessary changes and their quick incorporation into firm. The great difficulty in this undertaking lies in the reactions induced by the continuing incorporation of changes into firm and the perplexity arisen with regard to the compatibility of these changes with the organization culture, the proper modes to apply them, the best way to secure the engagement of the top executives etc. Among other studies on the determination of rules for a successful accession of both, big and smaller firms into the new competitive landscape, particularly interesting is the integrated approach of Prastacos et al.(2002). Within the principles of the "E" theory and the "O" theory of Beer & Nohria, on the basis of Dutta and Manzoni`s view that organisational change (OC) represents "a massive all-encompassing undertaking that involves the organisation as a whole" and with point of departure the Scott-Morton model[3], Prastacos et al. propose an integrative model -particularly emphasizing the role of technology- for managers guidance when planning and implementing OC. Assuming that the combination of globalization and the bursting technology evolution have resulted in the enthroning of the customer as the "king" of the competitive game, this model adopts flexibility and innovation as the key imperatives which, applied to the five Scott-Morton parameters, generate a set of managerial objectives to be achieved through a set of levers. In implementing these levers and for an effective assimilation of the OC leading to firm's sustainable competitive advantage, the organisation's dynamic capabilities and enabling role of Information and Communication Technology (ICT) are crucial. The key objectives and the levers for their implementation are as follows (Prastacos et al. 2002, p.8 &20):

Objective 1: Change the Strategy, from duplicated mediocrity, to virtual world class": the volatile character of the modern markets contests one of the most important principles of the strategic management, the "product life-cycle": since many products cannot reach any more the maturity stage because their technology is quickly replaced by a newer one, there is only room for real world class innovators, each of them pioneering niche products and keeping up with technology through virtual links to different expert players. Levers to achieve these objectives: i) use strategy as an incubator for change,

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(3) Similar to the "7S" model, the Scott-Morton model assumes that the firm's modus operandi leading to the accomplishment of its strategic objectives comes from a dynamic equilibrium between five *forces* shaping the firm (strategy, structure, processes, people, technology) and the specific *external environment* in which the firm acts.

ii) develop a customer focused orientation in the entire business, enabling a move from market segmentation to customer *individualization*, iii) develop core capabilities while relying on mechanisms of connectivity–especially through project-specific VPNs (virtual private networks)- in order to remain in the frontline of innovation and flexibility. In this context, while stressing the increasing importance of the outsourcing, especially in the software management -through application service providers (ASPs) - in the human resources management and in the accounting & control, the authors (p.11) draw attention on the fact that, to secure the necessary competitive uniqueness, firms need to find the right balance between core capabilities and outsourcing.

Objective 2: Change the Structure, "from formal rigour, to ad hoc support": within the current context of repeated and quick changes which increasingly bring unforeseeable situations, the structure -dropping the traditional hierarchy of power- has to continuously transform and redefine in order to foster its innovating character and flexibility so as to secure ad hoc support to its human resources engaged in the implementation of its strategic objectives. Levers: i) transfer the power from vertical hierarchies to organic webs of collaboration empowered by ICT and supported by appropriate and structuring work methodologies, ii) bring all employees out of the hierarchies and confront them with customers *in the frontline of value creation*, iii) beware of downsizing that leads to capability drain and only allows for the most urgent crises to be dealt with, and focus on an *agile right-sizing* enabling flexibility and sustainable competitive advantage.

Objective 3: Change the Processes, "from sequenced steps to produce, to systemic flows for value": arising from the merger of tasks and activities, the processes: are intrinsic to structure, are constructed based on "goal-directed rules" (inherent to strategy), become "alive" through the people (that execute the tasks and activities within them) and embrace all value-creating flows of tangible and intangible. Levers: i) focus on processes as the main contributors to value creation and as vehicles for materialising unique capabilities, ii) the notion of *value stream* focuses the organisation on linking and integrating processes in a synchronised whole, iii) develop *integrated sourcing* with focus on the contribution of capabilities of each player in the supply chain and, iv) bring knowledge out of archives and so that it is activated in action and processes that pay off and maximise the occasions for employees to learn, to create and apply knowledge.

Objective 4: Change the HR policies, "from people as workforce, to people as competitive force": in the today’s information society, in parallel to the attenuation of the perpetually crucial role of capital in creating wealth, the role of human capital which creates competitive advantages -through knowledge creation- is in constant increase. And knowledge is built through the establishment of a learning organizational culture and the management of the information value chain. For an effective management of human resources, apart from treating them as source of competitive advantages and as experts who -having a sense of community- they take pride in their personal contribution to the common task, it is needed a modern incentive policy combined with the creation of a common cognitive ground and the transmission of tacit knowledge (through the alternating of work tasks within a broadly defined spectrum of activities). Levers: i) develop conscious coaching of employees by taking into account individual behaviour, wants and needs, and the multiple dimensions of the human character, ii) move beyond coordination to true integration based on shared cognition and common understanding of multiple perspectives and viewpoints and, iii) instill a culture for innovation by all employees in all functions and areas of the business (Prastacos et al.2002, p.20).

5.2. The international strategy of the SMEs

In discussing about globalization, the emphasis on the role and strategy of MNEs -its pioneers and leading actors- tends to outshine the importance of SMEs that recently emerged as a substantial actor. Under the stimulus of a worldwide exploitable innovation, MNEs traditionally created subsidiaries abroad, an expensive but not the worse solution. According to Acs et al (2001, p.4), once established, MNEs have a threefold advantage in creating and marketing further innovations: i) they can easily develop new innovations thanks to their abundant resources -coming in part from their past successes, ii) they can easily detect new innovations around the world and the profit opportunities of each in specific foreign markets, iii) they already have partly eroded the local firms` home-court advantage in the foreign markets they are established. According to the authors, “these advantages enable a multinational to implement viable innovations quickly, on a global scale, at relatively low risk and cost.” (p.5). While, however, in the current stage of globalization the basic condition for the international growth of a firm is its capability to produce, promote and exploit innovations in targeted foreign markets -the essential features of MNEs- the most flexible SMEs not only are not excluded from the world entrepreneurial game but, contrary, due to their aptitude to create *radical* innovations, they often are favoured by the expanding globalization. This particular aptitude comes from: i) they are free from the stiff hierarchy, the bureaucracy, and the conservative policy of MNEs, ii) they secure the property rights protection better than the MNEs, iii) they represent a propitious environment for radical innovations, for the latter not jeopardizing the ongoing profits from past innovations, as in the MNEs and, iv) having fewer resources than large firms, they rely more on local networks for important inputs to their innovation processes and, according to Almeida

& Kogut (1997), they innovate in "less crowded areas" and cite neighboring firm’s patents more. Although most holders of an innovation that set up a firm fail before reaching the stage of its commercial exploitation, those who will survive will be able to maximize the innovation’s profits by exploiting the economies of scale offered by the its simultaneous development in many countries.

In their effort to do it and contrary to the view of traditional theories, SMEs are not necessarily in rivalry with MNEs. In the opinion of Etemad (2001) and Acs (1999), SMEs and established MNEs often have symbiotic relationships. An SME`s valuable innovation and a multinational’s market access often complement each other; “that is, each can add value to what the other already has. The small firm can sell its products to the multinational and let that firm worry about dealing with foreign laws, customs and customers. Indeed, the SME can expand its operations dramatically, producing for the entire global market without doing any export business directly, and without establishing any subsidiaries of its own in foreign markets. The SME gets the profits from globalizing its innovation without the cost of building its own market operations in foreign countries. Instead, the SME pays the multinational for the use of its existing conduits into foreign markets. By working together, they can exploit real synergies in developing global markets for the innovation, enhancing the profits of both” (Acs et al 2001) p.7).

As a consequence of the new theories on the SME`s place in the globalisation context, i.e. that they are the incubator of new technologies, innovations and economic growth, opinions about their internationalisation’s conditions, process and dynamics changed to. Thus, aiming to determine the components of a successful internationalisation of small firms, Knight (2001, p.6) inquired 268 modern SMEs in the context of the "resource-based theory" (Collis; Porter and Wernerfelt) and the "strategic behavior theory" (Hofer and Porter). The main findings of this research are that, thanks to its specific organizational culture, the firm acquires a posture of entrepreneurship (or entrepreneurial orientation) which seems to be fundamental for its international development. Giving priority to innovating products and processes, risk taking and proactive approach to business, the *international entrepreneurial orientation* leads to 3 strategic parameters for the firm’s international competitiveness. The "internationalisation preparation", which is a critical ingredient in foreign market entry (especially for the resource-poor SMEs), mainly include the conducting of market research, the development and commitment of substantial human and financial resources to the needs of the foreign market entry, and the adaptation of products to suit conditions overseas. The "strategic competence" -often used to create market imperfections with the intent of maximizing strategic and financial performance- allow firms to efficiently interact with their external environment. The "technology acquisition" aims to augment the firm's ability to compete in international markets by the creation of superior products and processes and allowing firms to innovate and respond to changing conditions in their external environment. Lastly, the *international entrepreneurial orientation*, which resides on the firm's culture, is crucial for the small firm's international performance as it drives, among other basic parameters, "strategic competence" itself driven by international preparation and technology acquisition (Knight 2001, p.9-11)

According to the traditional theories (Johanson & Wiedersheim, Bilkey & Tesar, Cavusgil, Czinkota) the internationalization of firms -especially the ones already well established in the domestic market- is an evolutionary process of gradual and increasing engagement in international transactions. The main criticisms addressed to the "incremental stage models" concern the number of stages and their sequence, the models` unidirectional and deterministic character, the weakness of their theoretical underpinning, the lack of congruence between theory and practice etc. The 1990`s new theories (Erramili) also accused these models to ignore the substantial differences on the internationalization pace, patterns and strategies between manufacturing and service firms (especially the on-line ones) and on the increasingly blurring boundaries between "products" and "services" (Bell et al 2001, p.3). Although repeatedly come under criticisms, the "incremental stage models" seem to describe satisfactorily the march towards internationalization of most traditional firms (Leonidou & Katsikeas 1996). However, the globalization race, the rapid technological progress and the appearance of new forms of trade brought new actors and, consequently, new theories that revive criticisms and describe the new players and relative internationalisation strategies. The main target of the new theories was however to spotlight the "born global firms", a new type of enterprises emerged, according to Knight & Cavusgil (1996), from: i) the increasing role of niche markets and greater demand for specialized or customized products, ii) the recent spectacular advances in communications technologies that make international operations accessible even to small firms, iii) the greater flexibility and responsiveness to change of small firms, iv) the quick international technology transfer and financing, v) the easier access to global networks which facilitate contacts with international partners etc.

Regarding their identity, according to Bell et al (2001, p.2 & 4) and Bell (1995), born global firms are smaller dynamic firms usually created by active entrepreneurs -often due to a significant breakthrough in process or technology- which tend to adopt a global focus from the outset (or shortly after there) and embark on rapid and dedicated internationalisation. Their race towards international markets is motivated by the wish to gain the "first mover advantage" and to "lock-in" new customers. The knowledge-based competitive advantage they often possess -"knowledge intensive" firms- enables them to offer value-added goods and they mainly activate in the areas of services or products accompanied from pre- and after-sales services. Most of the born global and the "knowledge intensive" firms, coming from small open or emerging economies, enter domestic and international markets concurrently or actually ignore the home market altogether and target “lead” markets while, if they have presence in the home market, they tend to follow domestic clients abroad regardless of the "psychic proximity" of the market However, beyond the reasons of the emergence, the accelerated internationalisation, the relative mechanisms and the increasing role of born global firms, there is also evidence in the literature that firm internationalization may be precipitated by particular “episodes” that can lead to rapid international expansion (e.g. new opportunities in international markets, favourable exchange rates or adverse conditions in the domestic market) or deinternationalization (e.g. difficult trading conditions abroad or strength of the exporters currency). Furthermore, such “episodes” have a crucial role in the internationalization behavior of "born-again global" firms, i.e. the firms which –already well established and exclusively oriented in the domestic market suddenly adopt a global orientation -due to such an “episode”- and convert into "born-again global" firms.

Following the studies conducted by these authors in several UK, Australia and New Zealand regions on the internationalisation processes of SMEs -on the basis of an exploratory case study approach involving 50 firms- there are significant differences in the patterns and pace of internationalisation. "Knowledge intensive" firms (38 % of the sample) adopted much more proactive and structured approaches to internationalisation were more flexible in relation to their choice of entry modes and, generally, presented all born global firms` features already mentioned. In contrast, “traditional” firms (30 %) tended to adopt a more ad hoc, reactive and opportunistic approach to internationalisation and focused on “lag” markets -less technologically advanced or not as sophisticated. This was likely to occur in an incremental manner over a longer period of time, with firms often focusing on “psychically” and/or geographically “close” markets. The remainder 16 firms (32 %) that suddenly internationalised rapidly, having previously shown little or no enthusiasm for the task but did not conform to either the incremental “stage” models or the born global conceptualisations, the authors classified as “born-again” globals. They were predominantly, but not exclusively, “traditional” firms that had internationalised very rapidly (2-5 years of their first international involvement), the two-thirds had export ratios of over 50 % of total sales (the one-third, between 20 and 49 %) and in virtually every case, their sudden internationalisation occurred due to a critical incident -“episode”-or, rather, to a combination of episodes[4]. The general conclusions of this research are that: a) the "born global" phenomenon need not only apply to start-up ventures because, "born global", far to being an organizational form per se, it may be seen as a strategy to improve firm value via internationalisation, b) internationalisation is not a linear, incremental, unidirectional path; depending on the intervening "episodes", international firms can deinternationalise and firms having for many years a domestic focus can internationalise very quickly, c) in the latter perspective, the importance of top management's orientation, commitment and experience is pivotal, d) there are synergistic links between corporate finance and internationalisation since, in order to internationalise, firms need additional resources (which can take the form of an infusion of new equity by the acquirer or via listing, but it might equally involve the acquisition of resources -new products and/or new market knowledge, overseas contact networks and international channels of distribution). On the other hand, for publicly listed and/or highly geared companies, internationalization may also be the only or the most expedient way to show returns to investors with high expectations, or meet increased debt repayments, e) current enthusiasm to support internationalising SMEs and knowledge-based "born global" firms in particular should not obscure the potential opportunities presented by "born-again" global firms and, f) as the authors posit, "more holistic approaches to policy support are required in terms of brokering and supporting mergers, acquisitions and takeovers within the SME sector, or to provide stimuli for internationalisation and not just exporting" (Bell et al 2001, p.11).

With regard to the attitude and the first steps in internationalisation, traditional theories generally consider the SMEs *entry modes* (the cross-border business activities that form the building blocks of internationalisation) as static and often alternative choice decisions or, alternatively, as components in a more evolutionary process of international growth and development. In both cases, SMEs commence internationalisation through low-risk, low-involvement modes (indirect exporting) which might evolve into increasing

(4) like: i) a change in the focal firm's ownership and/or management, ii) the focal company taking over another firm that had international operations, which enables it to launch existing products into new markets where it had gained coverage and distribution agreements, iii) the acquisition of new process technology forced sometimes the firms to internationalise in order to recover the high investment costs, iv) the acquisition of rights to distribute a product or service in the domestic or regional market provided the stimulus to internationalise, v) the frequent situation in which an existing domestic customer had suddenly internationalised and the firm had "followed" the client into new markets and, vi) many cases in which a new client already operating internationally had entered the home market (supplying the client in the home market, the focal firm obtained international business from him as well)

risk, cost, commitment, return on investment etc, as the firm's size, experience and knowledge grow. Driven by the multitude of dynamic small firms that internationalise very quickly and using a variety of market entry modes, recent theories challenge not only "stage" models to internationalisation but also the conventional assumptions and measures relating to the way in which entry modes should be categorised. However, according to Jones (2001, p.3), the entrepreneurial firm's internationalisation in today's context is less about foreign market entry modes than it is about increasing the firm's exposure and response to international business influences, opportunities, threats and imperatives. For small firms entering competitive foreign markets, their internationalisation process consists of both inward and outward directed business activities and their international development depends on the establishment and development of relationships with intermediaries (other, already international firms, or foreign firms in their own, or home market).

According to Brown and Bell (2000), exposure to international business activity influences the small firm's internationalisation, the speed and the nature of the process of development. Besides, firms responding in a proactive as well as reactive way to their environment, driving the process, are the entrepreneur or the managerial team with their own agenda for the firm's development. Thus, the types of cross-border activities established will reflect the firms nature of business, their resources, growth needs and goals but, also, the role played by small firms in an industry cluster or international community (and their relationships to other firms in that community). So, first steps in internationalisation will respond to both internal and external factors, in addition to foreign market factors and the types of cross-border activities undertaken will probably reflect the firm's own imperatives and influences from its industry or cluster rather than exclusively from the foreign market. As pointed out by Jones (2001, p.4), small firms` first steps in internationalisation therefore may be characterised by packages of cross-border business links (entry modes) suggesting that internationalisation behaviour is specific to individual firms, or groups of firms sharing similar circumstances, threats and opportunities. As resulted by the author's inquiry on the first steps in internationalisation from a sample of 213 high technology SMEs: a) the internationalisation of small firms may begin with a single type or, usually, a combination of cross-border activities linked to the firms` specific needs, competencies and goals rather to a specific stage of a preordained internationalisation process, b) while trade activities remain the most common entry mode, for many SMEs, production and research activities appear to be an integral part of the internationalisation process, c) initial international expansion may involve specific combinations of inward/outward value chain activities which are not necessarily directly reciprocal; the preponderance of inward cross-border activities in the investigated firms suggest that, beyond market factors, the international expansion process can be resource-driven, d) in opposition to the traditional theories` view, it is not so much the individual entry mode that is important, but the contribution it makes, alone or in conjunction with other entry modes, to the development of the firm as a whole. (Jones 2001, p.11&14).

6. Concluding Remarks

Due to its volatile and unpredictable character, the globalization phenomenon generates reasonable concerns on the level of individuals, social groups, firms and national states. The obsolescence of the fordian model, the technology spectacular developments, the wave of deregulation and the increasing interpenetration of the economies sharpen and mutate competition and, accelerating the process of "destructive creation", bring fundamental changes in all economic and social activities and in the functioning of firms. Although globalization is not an uncontrollable phenomenon yet, its torrential and ineluctable evolution imposes alertness and aptitude of permanent adjustment to all firms willing participate to the new competitive landscape. In this context, and insofar as the weakening of economic and other boundaries brings competition inside national markets, the firm’s internationalization represent a compulsory option. This is true not only for big companies but also for small firms which, in spite of appearances, and precisely thanks to their particular features, have strong potential possibilities for a successful participation to the international entrepreneurial game. The crucial role of the human capital, the inclination to produce innovations, take consensual decisions, develop synergies and the easier access to local and international horizontal networks, increase the SME’s flexibility and adaptability and constitute the competitive advantages which counterbalance their intrinsic weaknesses. In this context, the prerequisites for successful internationalization of SMEs were examined in light of the recent theories. Lastly, as suggested by this work, far from being in rivalry with the MNEs, small firms not only can have complementary relationships with them but they do well to develop mutually profitable synergistic links, which is particularly important for the SMEs willing to have access to foreign markets.

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