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SALIENT INTERNATIONAL BUSINESS COMPETENCES AND EXPORTING OPERATIONS IN SMES – A DYNAMIC CAPABILITY PERSPECTIVE

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This study explores how is the relationship between the level of SMEs international business competences and their level on exporting operations.

To complete the purpose, a two-folded process is followed. The first phase performs a comprehensive literature review to provide a tailored conceptual framework aimed at testing the phenomenon empirically. The second phase capitalizes on that conceptual framework, and employs a quantitative research method by using correlational analysis in order to explore the relationship between the relevant variables that emerged from the review. This phase involved real data from 25 Finnish SMEs with international operations.

Accordingly, building on the extant literature of International Business and driven by dynamic capabilities perspective, this study employs a hypothesis model to tackle the research question. Statistically significant relationships between the selected competences are identified, highlighting their importance given the strong interconnection from most of them towards exporting operations level, and providing an initial understanding of the competences that can hold a key role for a successful internationalization process. Furthermore, the empirical evidence of the large amount of competences interconnected supports the notion that enterprises are bundle of resources, competences and processes required to be strategically managed. Thus, the findings enhance the essential role of management on building and orchestrating firms’ assets towards competitive advantage development operating in shifting and highly competitive global environments.

This research has theoretical and managerial implications. First, on theoretical level, by undertaken internationalization of SMEs through dynamic capabilities approach, allows drawing new insights given the few studies that have used this merge of theories as foundation for understanding export strategy. Additionally, the conceptual framework suggested can be taken as basis for future research to explore more deeply the relationships found. Second, on managerial level, the approach taken in this study capitalizes on the two-phase process to offer decision-makers in one hand, a conceptual framework for theoretical understanding of what is important to posses, build and manage for salient internationalization performance; and on the other hand, suggest predictions for developing competences that might facilitate and enhance exporting operations.

Keywords
SMEs, internationalization, exporting, dynamic capabilities, international business competences
## CONTENTS

1. **Introduction** .............................................................................................................................................. 6
   1.1 Research phenomenon and context ............................................................................................................. 6
   1.2 Research gap and purpose of the study ........................................................................................................ 11
   1.3 Research methodology and key concepts .................................................................................................... 13
   1.4 Research structure ....................................................................................................................................... 16

2. **SMEs Internationalization and dynamic capabilities** .................................................................................. 18
   2.1 Internationalization of SMEs ...................................................................................................................... 19
      2.1.1 The process theory model .................................................................................................................... 20
      2.1.2 Network theory of internationalization ............................................................................................... 23
      2.1.3 The Resource Base View .................................................................................................................. 25
   2.2 Exporting ..................................................................................................................................................... 27
   2.3 Dynamic capabilities approach .................................................................................................................. 31
      2.3.1 Organizational capabilities .................................................................................................................. 31
      2.3.2 Dynamic capabilities approach .......................................................................................................... 33
   2.4 Dynamic capabilities in internationalization context .................................................................................. 42
      2.4.1 Dynamic capabilities for internationalization ..................................................................................... 42
      2.4.2 Dynamic capabilities for exporting .................................................................................................... 50

3. **Methodology** ................................................................................................................................................. 63
   3.1 Research strategy ......................................................................................................................................... 63
   3.2 Sample and data collection ........................................................................................................................ 64
   3.3 Variables ....................................................................................................................................................... 65
   3.4 Reliability and validity .............................................................................................................................. 70

4. **Results and discussion** ............................................................................................................................ 72
   4.1 Results ......................................................................................................................................................... 72
4.2 Discussion ........................................................................................................... 80
  4.2.1 Market orientation ......................................................................................... 82
  4.2.2 Customer orientation ................................................................................... 84
  4.2.3 Business competences .................................................................................. 86

5. Conclusions and implications of the study............................................................ 90
  5.1 Main findings .................................................................................................... 90
  5.2 Theoretical and managerial implications ............................................................ 94
  5.3 Limitations and implications for future research ................................................. 95

6. References .............................................................................................................. 97
FIGURES

Figure 1. Theoretical positioning of the Thesis ................................................................. 18
Figure 2. Network approach .............................................................................................. 24
Figure 3. Exporting barriers .............................................................................................. 30
Figure 4. Conceptual hierarchy capabilities ........................................................................ 33
Figure 5. Dynamic capabilities frame ................................................................................ 41
Figure 6. Dynamic capabilities in international expansion .................................................. 45
Figure 7. Dynamic capabilities, Internationalization and performance .............................. 53
Figure 8. Dynamic capabilities model for SME exporting .................................................... 55
Figure 9. Hypothesis model ............................................................................................... 58
Figure 10 IBAM model ....................................................................................................... 67
Figure 11. Conceptual framework ....................................................................................... 69
Figure 12. Hypothesis model - supported ......................................................................... 81
Figure 13. Structure of the discussion ................................................................................. 82

TABLES

Table 1. Dynamic capabilities and market dynamism ........................................................... 39
Table 2. Journal articles of SMEs Internationalization ......................................................... 57
Table 3. Hypotheses correlations ....................................................................................... 73
Table 4. Market orientation correlations .......................................................................... 76
Table 5. Customer orientation correlations ...................................................................... 77
Table 6. Business competences correlations ................................................................... 78
INTRODUCTION

1.1 Research phenomenon and context

Global trade has grown remarkably fast during the past few decades, nearly twice as fast as world production since 1980, as consequence of globalization which is neither inevitable nor irreversible. The constant technological innovations in communication and transport have brought the world closer allowing faster economical relations, while reducing cost and risk involved (OECD 2008). In this context, internationalization has become an essential strategy that all corporations may have to face (Fernández & Nieto 2005) and a valuable tool for expansion and growth in organizations (Graves & Thomas 2008). All business sizes are immersed and participate into this dynamic market that is rapidly turning more globally competitive; nevertheless, large corporations and SMEs have different ways of achieving global success due to their own characteristics and limitations.

While is well-known that firms’ success emerges from building and maintaining a competitive advantage, being immerse in this hypercompetitive global environment makes it specially challenging for SMEs, which should creatively shape their competitive sources of differentiation to beat their inherent disadvantages and be able to stand out (Teece 2011). But, despite of having fewer tangible and financial resources than large multinational corporations, the trend of increasing internationalization in SMEs is noteworthy (Knight & Kim 2008) estimating that over thirty percent of manufacturing SMEs in industrialized countries are now active in international trade (OECD 2008). However, what has left behind the trend is the academic literature exploring it, even though there has been extensive research in internationalization for decades and from different approaches, has been mainly focused on large corporations giving less attention to SMEs (Eriksson 2012).
SMES in EU context

Since SMEs are at the core of this study, it’s essential to understand its valuable role in the economies and the fact that its inherent characteristics make them different from larger organizations and therefore, a worth topic for individual study. To begin with, small and medium enterprises are not defined in the same way all over the world, differences can be found between countries and regions. As the present study is carried out with European SMEs, the definition considered it is the one given by European commission that states: “The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro” (EC 2003:5). In this way, EU adopted a uniform definition in 2003 replacing the previous variety from its member states in pursuit of more efficient policies development.

The economic and social value of SMEs in European Union is enormous; they are considered as engine of the economy given that in 2012 accounted as more than 98% of all enterprises, generated 67% of total employment and 58% of gross value added (Wymenga et al. 2012). This data validates why SMEs are definitely the backbone of EU economy and crucial for fostering the competitiveness and employment (Entrepreneur Media 2012). And one more remarkable fact says that the mainstay of Europe's economy are micro firms, because enterprises with less than 10 employees account for nine out of ten SMEs. Each one generates work for two persons in average (Wymenga et al. 2012)Likewise is happening in European Union, in Finland SMEs have a crucial position for the national economy, in this country they also represent 98% of the total companies and generate 63% of Finnish employment. Finnish micro enterprises with less than 10 employees account for 93.4% (Yrittäjät 2011). And similar is the situation all over the world, evidently there are differences within countries and regions but broadly speaking it can be extrapolated as global context; with different percentages and circumstances, but similar role for nurturing national economies development.
Having less bureaucratic working relationships and structures makes SMEs more flexible for environmental changes, which in some extend can be considered as advantage when unstable environments demand high level of flexibility and innovation to adapt to new situations (Ghobadian & Gallear 1996). Thus, given that small and medium firms represent an essential part in the economic structure of many countries, it is fundamental the existence of their own processes which differ from the well-resourced larger organizations (Knight & Kim 2008) since by acknowledging their particular characteristics, turns over simplistic to consider SMEs as scaled-down form of large firms (Williams 2003).

**Internationalization of SMEs**

Thus, in a globalizing economy and among the dominating changing business environment, all kind of firms are exposed to the threat of international competition, it’s not longer a choice to remain away from the consequences of this phenomenon. As a result, SMEs are increasingly forced to take active part of the international markets. This internationalization can mean import, export, foreign direct investment or international collaboration to mention some. In this context, new opportunities come with global trade since provides firms with the chance to increase productivity and lifetime, but also means to face a global competitive environment implying multiple challenges for corporations (Onkelinx & Sleuwaegen 2008a).

The drivers for internationalization are different for each firm, since they might be thought under specific strategic goals. One approach to classify these drivers is making a distinction between pull and push drivers. Pull drivers come from inside the firm, when there is interest to exploit firms’ ideas and competences, as well as the opportunities offered by foreign markets. On the other hand, push drivers are those when the stimuli for international operations come as reaction of external circumstances, and it was a passive attitude responding to external pressure, also known as reactive factors (Onkelinx & Sleuwaegen 2008b). The most relevant drivers within European SMEs are gaining access to foreign markets, knowledge and technology (Entrepreneur Media
In addition to globalization that has pushed the internationalization of some firms, there are other particular characteristics of industries and markets that likewise encourage firms to start international trading. A small open economy with limited domestic market for example, is other case for the pursuit of internationalization since quite often in this kind of markets the execution of global-trade becomes a crucial activity for companies’ growth; such is the case of Finland providing a particular scenario in which to examine the small and medium firm’s internationalization due to its small open economy (Jantunen et al. 2005). In the case of Finland, as small and lightly populated country, its market becomes limited by its natural circumstances; therefore it cannot continuously provide enough profit for some particular businesses. Hence, in order to reach growth and constant positive turnover, foreign operations are a requirement for most of Finnish companies (Sutinen 1996 via Carroll 2012). Likewise, statistics reinforce this notion, Finland performs above EU average level in foreign trading and shows higher turnover from export (5,5% vs 4,6%). However is still in line with the EU average regarding share of SMEs exporting outside EU-27, so still continues operating mainly in a “single market” (EC 2013).

Traditionally, exporting has been considered as initial step to start operations within international markets because provides an initial platform for international expansion. Furthermore, it becomes a more valid strategy for SMEs that inherently lack from financial resources to make higher investments; yet, still allows gaining international experience when accessing foreign markets by investing little capital (Lu & Beamish 2001).

As seen, internationalization might represent an excellent opportunity or might be even a necessary strategy to survive in the long run, although is still not the majority of European SMEs that have or pursue international trade. They find hard to overcome the challenges caused by their limited resources and often are triggered by the limited international experience in the management team (Onkelinx & Sleuwaegen 2008b). As mentioned, (OECD 2008) estimates that 30% of the manufacturing firms in industrialized countries have international operations, which indicates the existence of
large potential for growth. And when focusing on exports, the statistics show that was 25 percent of European SMEs that had direct exports in 2006-2008 (Entrepreneur Media 2012).

Hence, on the one hand internationalization creates new opportunities for growth. On the other hand, it implies complexity and uncertainty (OECD 2008) because to be in the international arena is not enough to guarantee firms survival (Onkelinx & Sleuwaegen 2008b) it requires constant ability of firms to develop particular capabilities that can provide sustainable growth (Knight & Kim 2008). These capability-related issues have been underexplored in the literature of internationalizing SMEs since the focus has been mainly in internationalization paths and patterns, letting as an open question how do the firms maintain the competitiveness when they have already international operations (Eriksson 2012). Thus, in the need of understanding how contemporary business operates, a multidisciplinary perspective for strategic decision-making, which is developing gradually into modern corporation theory (Teece 2011) has emerged to shed light in these issues. Known as dynamic capabilities approach, it has its bases in the resource-base view (RBV), which proposes that internationalization is possible by the ability of organizations to combine resources from different national markets. Building from this theory, Teece & Pisano (1994: 541) proposed dynamic capabilities as the “subset of the competences/capabilities which allow the firm to create new products and processes and respond to changing market circumstances”. Then, immerse in a fast changing world, organizations should be able to learn quickly, build essential assets and when needed, reconfigure business strategies in order to meet the continues new challenges (Teece & Pisano 1994).

Regarding export strategy, traditional research has focused on the co-alignment of external organizations’ environment and corporations’ strategy, given internal conditions. That is to say, without taking into account decision-making and modifications made in internal structures, routines, processes as critical influencers of export performance (Knudsen & Madsen 2002). Thus, little research has been done regarding the intangible resources employed by SMEs to expand and beat limited
tangible resources (Knight & Kim 2008) as well as the distinctive capabilities needed to make better use of those resources for achieving international business success (Prange & Verdier 2011). It has been until recent times that the ability to identify, formulate and implement the response for overcoming the limitations has been explored through the dynamic capabilities approach (Eriksson 2012).

All in all, there is strong evidence how quickly the business environment has changed in the last decades and continues happening in a faster pace; technology has been a key factor to speed this transformation (WTO 2013) mainly by making extensive the access to global transportation and information flows (Teece 2011). This global economy places all firms in international competition, where SMEs are also forced to confront it and have a role in international markets; and given that internationalization of SMEs is a complex topic to analyze due to the many variables involved, there is no one-size-fits-to-all scheme for international success. Nevertheless, there are some best practices and findings that can help firms in their journey for cross-border operations.

1.2 Research gap and purpose of the study

Interestingly, despite the essential role of SMEs for wealth and economic growth and their key position in R&D and innovation, the focus of research has been primarily in large organizations (Wymenga et al. 2012). One reason is the easier access to structured information and reports existing from large companies compared with the limited and disperse figures concerning SMEs. So, even though there are significant number of articles studying SMEs in theoretical and empirical ways, within SMEs internationalization area there are still topics where research just beginning to emerge. I.e. the role of intangible resources and their linkage to the rising SMEs internationalization (Knight & Kim 2008), the research of exporting as strategic issue and how firms’ capabilities effectively interact with their environments (Knudsen & Madsen 2002), to mention some. In this way, several topics still continue with few studies to provide guidance for firms and their managers in order to cope with the
contemporary challenges. Such is the case of the scarce literature of capabilities that allow companies to deal with opportunities and redesign or transform organization assets in order to achieve superior international performance (Eriksson 2012). It is still unknown which capabilities should be developed in order to influence and contribute internationalization performance (Prange & Verdier 2011) and likewise that knowledge gap is found in export strategy research (Knudsen & Madsen 2002).

Thus, there is a call for more empirical studies that can shed light to this area (Eriksson 2012) and moreover, support the traditional export research that has been challenged by today’s dynamic market place and could be enriched through dynamic capabilities approach by considering internal firms’ dynamic and its interaction with the external environment (Knudsen & Madsen 2002). Hence, following this call, an explorative and descriptive quantitative research has been designed to contribute filling the gap; the study has been conducted as a part of YKO project where IBAM model (see section 3.3) was employed. Thereby, the purpose of the present Master’s Thesis is exploring through empirical evidence the relationship between SMEs international business competences and their exporting operations. Accordingly, two objectives were defined; first, identify and classify a set of international business competences that enable to devise a model through which the phenomenon can be explored. And second objective is to collect and classify the necessary data for testing the phenomenon and provide empirical evidence. Based on that, the research question of this Master Thesis has been set as:

How is the relationship between the level of SMEs international business competences and their level in export operations?

In line with this, the findings of the study pursue to contribute within international business field by providing better understanding of the business competences that are relevantly linked with export operations. On theoretical level, by drawing new insights through exploring SMEs export operations from dynamic capability perspective,
considered as emerging area of research (Eriksson 2012, Knudsen & Madsen 2002, Luo 2000, Prange & Verdier 2011) and as managerial contribution, by understanding and reflecting insights from in-practice competences connected with exporting that can provide frame of reference to guide in strategic firms planning. All in pursuit of developing a holistic description with more significant insight of the contemporary SMEs phenomenon.

Based on the aim of the research and the concepts involved, the study involves two academic areas, International Business and Strategic Management. Certainly, the research question can be approached through different perspectives using the theories of both areas; for this study, the focus in International Business is in SME internationalization for export strategy and, in Strategic Management field the discussion goes under dynamic capabilities area. Thus, the study is positioned within these two areas and by merging the most suitable literature from both attempts to tackle the research question.

1.3 Research methodology and key concepts

The study follows a two-fold process. First, a comprehensive review and analysis from academic literature and formal studies is conducted in order to identify and classify a set of relevant international business competences for setting up the hypothesis model; therefore, this part is considered as explorative given that the model hasn’t been tested before. The articles and studies reviewed were collected from scientific journals; the literature includes different authors from different countries, which references can be found along this document. Additionally, a specific list of scientific journal articles compiled under IBAM model (see section 3.3) has been consulted as additional support. And the second part of the study consists on a descriptive quantitative research aimed to prepare, classify and test statistical hypotheses to find out the relationships of firms’ international business competences level with respect their exporting operations level.
Thus, the empirical part is based on the data collected through 95 individual questionnaires from 25 Finnish small and medium enterprises with international operations; such sample was achieved using snowball-sampling technique. The Finnish SMEs taken under the study belong to various industries, have different set of characteristics and operate in diverse levels of the internationalization process; no further criteria was required to specify industry or internationalization experience level. The questionnaire belongs to the International Business Assessment Model (IBAM) developed by OBS (Oulu Business School) and carried out through YKO project (Yritysten kansainvai linen osaaminen/Expertise in International Business) in cooperation with Savonia UAS (University of Applied Sciences) and UEF (University of Eastern Finland). The figures from IBAM database were analyzed and complemented with additional information acquired from Internet sources in order to reach deeper analysis.

In order to get empirical evidence, statistical hypothesis model is posited and tested by using Pearson’s correlation analysis to determine the relationship between the variables generated, which entail multidimensional concepts representing the capabilities selected through literature review as relevant international business competences. The variables are, independent: Total business competences (a global value of the following three), market orientation, customer orientation and business competences; and depended: exporting. The labels represent as close as possible the concept entitle; however, it is recognized that might be some overlapping notions due to the complexity involved. Besides, its important to point out that study employs the concept “international business competences”, and it is acknowledged that the concepts included are not exclusive for “international” operations; yet, is adopted as concept that reflects competences needed by organizations before going international and keep being salient afterwards.

Being an explorative and descriptive quantitative study, it is necessary to guarantee reliability and certain types of validity, such as: content, construct, internal and external validity in order to ensure appropriate measures, content, causality and generalization.
The trustworthiness of this study is embedded in the data and methods employed all along the research, where all of them have been taken into account by trying to follow the practices; nevertheless, limitations are recognized and the descriptions in each section pretend to give a good grasp of the scope and restraints to be considered. In section 3.4 a detailed description of these concepts is presented.

Turning now briefly to the literature examined along this study, there are key concepts extendedly used, which corresponding definitions are presented next:

**Internationalization**

It has been defined a long the time by academics and scholars using different approaches. For instance, (Welch & Luostarinen 1988) have defined it as "the process of increasing involvement in international operations". For this study a broader description of internationalization is considered: "the process of adapting firms' operations (strategy, structure, resource, etc.) to international environments" (Calof & Beamish 1995).

**Small and medium enterprise**

Definition taken from European commission: “The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro” (EC 2003).

**Entry mode**

Sharma and Erramilli (2004:2) provide the following definition: “a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)”.
Exporting
Defined as: “the selling of goods and services produced in one country in another country” (Entrepreneur Media 2012). It represents one of the three main entry mode groups and it is considered the most used by companies to go abroad and penetrate foreign markets (Welch et al. 2007).

Resources
Definition stated by Wernerfelt (1984,172) saying that resources are “those (tangible and intangible) assets which are tied semipermanently to the firm”.

Business competence
The definition of Teece et al. (1997:38) describes it as “well-defined routines that are combined with firm-specific assets to enable distinctive functions to be carried out.”

Dynamic capabilities
Teece’s concept of dynamic capabilities essentially says that is a higher order competence that deals with: “the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible asset” (Teece 2007:1319).

1.4 Research structure
This Master’s thesis has been divided in five parts; introduction, literature review, research strategy methodology, analysis of the empirical results and lastly, conclusions and discussion where limitations and implications for future research are also included.

The introductory chapter illustrates the phenomenon under study and gives a general idea about the context, explains the purpose of the study, objectives and research question, presents the organization of the study and, includes definitions of the key concepts used through the document. In the second chapter the theories supporting the analysis are explained covering the most relevant research in SMEs internationalization,
dynamic capabilities approach and its perspective for export operations. It ends with the
development of hypothesis model, which is structured in line with IBAM competences’
classification. Subsequently, in the third chapter the methodology of the study is
described. Analysis and interpretation of the results is conducted in chapter four. Finally,
in the last chapter conclusions and discussion are presented by reflecting empirical
results towards the theoretical framework built, at the end of the chapter limitations and
future research suggestions are offered.
2 SMEs INTERNATIONALIZATION AND DYNAMIC CAPABILITIES

The aim of this chapter is to introduce the theoretical background that will support the subsequent empirical analysis, as stated in the first objective of this study. It has been structured by following the suggestion of Teece (2011) who proposed that a useful theoretical framework should be general enough to offer guidance in various situations and under variety of circumstances but shouldn’t be so general to become useless for managerial problems. Bearing this in mind, the most suitable literature has been reviewed and described in the following pages in order to guide the subsequent analysis.

Starting from a broad perspective, it can be seen how nowadays the growing interest for internationalization has attracted the attention not only from entrepreneurs and investors; also academics and policy makers are more concern with the topic (Amal & Freitag Filho 2010). From academic perspective, different fields have done studies related to it: strategic management, international business and entrepreneurship (Lu & Beamish 2001). Given that this study is focused on exploring the most relevant international competences within firms executing international operations, and dynamic capabilities perspective is driving the analysis, the theoretical framework falls in two fields: international business and strategic management. More specifically, within international business field the focus is in SME internationalization and, in strategic management field the discussion goes under dynamic capabilities area. The positioning is illustrated in the following figure.

![Figure 1. Theoretical positioning of the Thesis](image-url)
2.1 Internationalization of SMEs

Firms’ internationalization has been addressed through various models and theories, mainly identifying patterns but not meaning rigid pathways that would exclude each other (Amal & Freitag Filho 2010). These models and theories have been classified by (Vahvaselkä 2009: 21 via Carroll 2012) as:

– Theories based on economical direct placement
– Internationalization process models of behavioral science
– Models based on resources and networking
– Growth models

However, it has been argued that some of these theories don’t fit in SME internationalization processes because they have been mainly developed to explain large enterprises cases and cannot adequately suit to SMEs circumstances and limitations (Onkelinx & Sleuwaegen 2008b). As it can be observed in SMEs internationalization, paths are in practice very unique, situation-specific and mainly individualistic (Bell et al. 2003). Those paths vary in pace, stages, level of cooperation and networks, they can be classified as organic growth path, cooperation-based path and born global path (Vahvaselkä 2009: 31 via Carroll 2012). The first one, organic path refers to slow expansion implemented in stages, from local strong position to international expansion with small risks taken. Cooperation-based path is focused on expansion through the networks and the ability to reach internationalization by cooperating with business partners, suppliers and costumers. Finally, born global path describes the case of firms with immediate entry to international market, at the same time as they enter to the local market or might not even have domestic trade. Born global companies are normally eager entities to take risk and have earlier experience trading internationally (Vahvaselkä 2009:35 via Carroll 2012).

In order to establish the theoretical framework, the next section will first review three of the internationalization approaches: the process theory model, the network theory model
and the resource based view (RBV); considered as the most suitable theories from International Business area that can support the analysis in this thesis.

2.1.1 The process theory model

From all the literature dealing with SMEs internationalization, the approach with longest tradition is the one that conceptualizes as process of increasing involvement. This approach started with Johanson and Vahlne (1977) and Luostarinen (1979) seminal ideas (Eriksson 2012) and two theories are the most influential: Uppsala Model (Johanson & Vahlne 1977) and innovation stages model (e.g. Andersen 1993). This theory suggests that firms initially grow in their local market and internationalization comes as result of incremental decisions; then, the process evolves with the knowledge acquired about foreign markets and operations, along with rising commitment of resources to those foreign markets (Johanson & Jan-Erik Vahlne 1993).

The Uppsala Model of Internationalization (U- Model) comes from the Nordic School, the incremental school; with job initiated by Johansson and Wiedersheim-Paul (1975) and based in the behavioral and growth theory of firms. It assumes that initially, firms’ growth is accomplished inside their local market and internationalization emerges as result of incremental decisions (Johanson & Vahlne 1977). In this way, the process will improve in one hand with the increasing knowledge acquired about foreign markets and operations, and on the other hand with the increasing resources commitment done in those markets (Johanson & Jan-Erik Vahlne 1993).

According to this model, market knowledge is primarily acquired by current activities and the experience created through them. This knowledge includes the perceptions and problems of the markets and subsequently leads to business opportunities. In addition, is also considered major source for decreasing uncertainty. In this way, firms will make higher commitment with resources as they gain more experience from current activities (Johanson & Jan-Erik Vahlne 1993).
Nevertheless, the experience acquired in one particular market cannot be generalized to the rest of the countries, some knowledge can be universal and can be applicable for most of the cases but every market has specific characteristics that require individual approach.

Uppsala model states that companies have a tendency to start doing foreign activities with countries located geographically close while avoiding considerable physical distance. The concept of physical distance has been defined as: “factors preventing or disturbing the flows of information between firm and market” (Johanson & Vahlne 1977). It presumes that business conditions can be similar or easier to understand in countries that are psychically close. In this way, it becomes easier to do business and implement operations (Kontinen 2011). This model proposes that further commitment develops in little stages or steps; it also points out as the major barriers for firms internationalization: the lack of resources and knowledge, but such barriers can be beaten with the learning that firms gain through decision-making; and the perceived risk for investment will decrease by gaining control over sells and by extending operations within foreign markets (Johanson & Vahlne 1977).

Bearing in mind all the previous elements, the model illustrates the path followed by firms while avoiding uncertainty and seeking for equal business practices in countries nearby. The evolution of entry modes is defined by Johanson & Vahlne (1975:307) in four stages:

1. No regular export activities,
2. export via independent representatives (agent),
3. sales subsidiary and
4. production/manufacturing.

All along the steps more resources will be required, but at the same time reward will come by gaining experience and information about the markets (Johanson & Jan-Erik Vahlne 1993). According to this theory, operations in foreign countries are expected to
start with indirect entry modes, stages 1 and 2, that don’t demand any firms’ unit at the final market. Afterwards, knowledge improvement in the firm will lead to commit more resources and consequently establish direct operations in the target market, stages 3 and 4 of the model.

However, the model has received multiple critics (Johanson & Jan-Erik Vahlne 1993) the model has been evaluated by researchers from different approaches, some researchers have argued invalidity or discrepancies and others authors have done some modifications (Andersen 1993). Missing discussion about the factors that influence the process is one of the critics to the model. Anderson (1993) pointed out some missing elements: there is not explanation about starting point in the process and no reasons explaining why commitment is affected by knowledge. In addition, there are not precise reasons of the process or any prediction of movements between phases. Furthermore, time dimension is little considered and perhaps related with the vague limits between stages. Other elements uncovered are the important events and the factors influencing the development of firms; same as vague links between theoretical and operational levels.

Andersen (1993) and (Nordström 1991) pointed out that the world has become more homogeneous and therefore physic distance has considerably decrease. Nowadays new environmental elements influence the process, likewise information since is transmitted in much more efficient ways that has highly impacted the processes (Johanson & Jan-Erik Vahlne 1993). Moreover, a remarkable challenge presented to this theory came from studies that have probed the opportunity to skip stages and achieve internationalization in faster way replacing the proposed gradual path (Oviatt & McDougall 2004) This is the case of International new ventures (INVs) defined by (Oviatt & McDougall 2004) as “business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”, a proactive global strategy characterizes these ventures that internationalize from inception.
Concluding with the description of this model, Johanson and Vahlne (1988) updated the model and new findings were added. The updated model considers two more elements in the process: networks and opportunity recognition (Kontinen 2011), those elements will be reviewed in the following sections.

2.1.2 Network Theory of internationalization

Introduced in the 80’s for Johanson & Mattsson (1988) when it turned clear that firms use their networks in order to assist internationalization activities (Kontinen 2011). The model says networks develop due to the interaction of corporations; firms are involved in networks of business relationships, those involve agents, costumers, suppliers, distributors, competitors, and other partners. Different links will tie those actors; for instance economic, social, cognitive, administrative or legal links. Nevertheless, full understanding of networks only takes place by interacting inside them because outsiders can just have partial comprehension of the network’s complexity (Johanson & Jan-Erik Vahlne 1993).

At the beginning, firms are mainly involve in domestic networks (Johanson & Jan-Erik Vahlne 1993) and it is by increasing its role in the active networks and by developing new ones that they can compensate the lack or scarcity of resources (Johanson & Mattsson 1988). This approach describes the process of how firm expands its business relationships within networks inside other markets, countries or regions. First, starting relationships in a new country’s networks, known as international extension. Next, by rising commitment and trust in the networks, so firms gain penetration; and lastly, international integration comes from the connection of networks from the different markets (Johanson & Mattsson 1988).
Figure 2: Network approach to internationalization based on Johanson & Mattsson (1988).

Therefore, firms can make use of its networks as bridge to reach others (Johanson & Jan-Erik Vahlne 1993). The ties in networks can be identified as formal, informal and intermediary relations. Formal ties are partners from business environment, informal relations are those existing with friends or family as social links. And the intermediary relation is a third element that connects seller and buyer (Ojala 2009).

The network model draws attention to firm’s position in the network and its relationships; considering it influential for changing firms’ internationalization conditions. It’s by recognizing the key players and their influence how firms can get the opportunity to improve operation and expand while taking advantage of networks. Furthermore, participating in networks leads to create more links with variety of actors (Johanson & Mattsson 1988). Additionally, findings suggest that the degree of internationalization of the network influences the firm and it can increase firms’ level of experiential knowledge (Hadley & Wilson 2003).

Moreover, networks can influence the decision-making process of firms, and this becomes more visible within SMEs because the trust in collective knowledge experience of their networks is higher. SMEs without direct experience in some markets might feel comfortable imitating the decision taken by a member of its network, and in that way get personal experience in new markets (Bonaccorsi 1992 via Hadley & Wilson 2003). So, firms with low experiential knowledge are positively influenced by their network’s high experiential knowledge and certainly benefited from their peers’ knowledge (Hadley &
Wilson 2003). Hence, under this approach is considered that the internationalization process of firm’s is driven, supported or hidden by its relationships, considering their networks as influencing factors. Furthermore, they are key elements in the starting point of the internationalization process for SMEs (Laine & Kock 2000).

2.1.3 The Resource Base View

This theory looks inward the firm for its availability of tangible (organizational process, physical assets, etc) and intangible (such as managerial skills, firm knowledge and information) resources that can bring sustainable competitive advantage to the firm; it analyses the firm from a resource perspective instead of do it from product side (Wernerfelt 1984). Thus, resources have been defined by Wernerfelt (1984:172) as “those (tangible and intangible) assets which are tied semi permanently to the firm”. Yet, resource advantage is not enough to have outstanding performance or being distinctive, the firm still needs to enhance through utilizing those resources (Penrose 1995). In this way, RBV attempts to explain how knowledge and organizational competences develop and empower firms (Knight & Kim 2008); moreover, it has helped to specify the resources that can leverage SMEs. Given the evident difference in tangible resources between SMEs and their larger competitors, they are only able to compete with intangible resources (Peng 2001). Lack of financial and human resources is an inherent characteristic of SME, therefore they may leverage a set of intangible resources that will facilitate the international success usually consisting in know-how, skills and management team competences (Knight & Kim 2008).

It’s by identifying this specific knowledge as well as the unique, valuable and inimitable resources that differentiate successful firms how RBV contributes within international business field (Peng 2001). The relatively unique intangible resources possessed by firms engender competitive advantages when producing value-added offers for their markets and costumers; moreover, when they are cleverly leveraged bring effectiveness and efficiency to the organization (Knight & Kim 2008).
Capabilities can be considered embedded in the culture and routines of the firms, and consequently they develop the core competences that provide substantial competitive advantage to firms (Collis 1991). However, in order to attain competitive advantages, the resources should be relatively unique and distinctive (Barney 1991), like idiosyncratic knowledge processes that are inimitable from competitors (Knight & Kim 2008). Given that in general the resources between SMEs are not better, the core competences will be generated from superior usage (Penrose 1995), for example through better use, assignment or allocation of those resources (Knight & Kim 2008). The RBV to internationalization discusses allocation of resources (Ruzzier et al. 2006) and proposes that it’s the ability to combine them from different national markets what allows firms internationalization (McDougall et al. 1994).

In sum, is seen from the theories described that SMEs internationalization literature is basically constituted by three kinds of approaches or theories: the stages model, the network theory and the resource-based view (Eriksson 2012). However, no single model can justify or explain a successful internationalization process, companies should combine different elements from the theories and adequate their own in the required way. Hence, internationalization of SMEs consists in a holistic process that should take insights from different theoretical models and like this, explain how enterprises are able to develop particular advantages abroad by following logical sequence over the time while building relationships with foreign associates (Onkelinx & Sleuwaegen 2008b).

The three internationalization theories aforementioned are supporting the analysis of this thesis from international business field. The learning and the network approaches focus more their attention describing behavioral processes for internationalization, while RBV generally focus on influencing factors concerned with understating of how firms generate and keep competitive advantage through firms’ resources and capabilities (Barney 1991). However, RBV was challenged to its original proposition when considered static and ignoring market dynamism influence (Eisenhardt & Martin 2000). In this line, dynamic capabilities approach attempt to enhance resource base view (Teece 2007) because is seen as extension of it but adds the understanding of subsequent
challenges due to market dynamism (Hou 2008). As a result, resource base view is the base for dynamic capabilities approach since dynamic capabilities focuses its understating on how firms can persistently modify their valuable resources along the time within shifting environments (Eisenhardt & Martin 2000). Thus, the resource-base view (RBV) theory can be considered as connector between international business and strategic management (Peng 2001) linking with dynamic capabilities approach, which in turn is the driver of the study given that the analysis focuses on the capability of developing international competences while managing exporting operations; that is to say, the process of internationalization as such is not the focal point of the study.

Before proceeding to examine dynamic capabilities approach, it is necessary to briefly review some literature about exporting, since it is the entry mode at the core of this analysis.

2.2 Exporting

Is the most popular and largely used strategy by which organizations engage with international markets, it constitutes the initial preferred way of internationalization (Johanson & Vahlne 1977) especially during early stages of the process (Dimitratos et al. 2013). Additionally, police-makers consider it as way of gathering foreign exchange reserves, raising level of employment, increasing productivity and therefore boosting prosperity (Dimitratos et al. 2013) since has been found that export-oriented entrepreneurship is stronger contributor to macro-economic growth than the regular entrepreneurial activity (Onkelinx & Sleuwaegen 2008b). Besides the financial benefits that can be obtained from exporting, firms can also benefit from the process of learning and improving knowledge and technology. Given that the experience gathered from exporting can be used as support for firms to explore new markets and get involved in other entry forms such as foreign direct investment, join ventures, licensing and so on (Dimitratos et al. 2013).
Three exporting types can be identified: domestic indirect export, foreign indirect export and direct export (Welch et al. 2007). Indirect exports refer to foreign trade activities that are executed by middleman; that is to say, either a foreign importer or national intermediaries will acquire the goods from the producers and trade them abroad (Dimitratos et al. 2013). In this way, buyers and manufacturers will only have indirect relationship (Welch et al. 2007). Indirect method has pros and cons; in one hand producers are taking smaller risk because it doesn’t demand organizational effort or exclusive staff devoted to the activity but on the other hand, producer don’t get the most of knowledge and experience from foreign markets. If firms hold indirect relationship with foreign markets, most likely is limited information of consumer needs, competitors’ behavior and general trends what can be acquired. Likewise, the use of indirect methods might not maximize the potential of the products and can even affect their performance abroad if intermediaries allow mistakes in marketing, communication or by underestimating other factors (Welch et al. 2007). Lastly, direct export concept refers to the case when is the exporter who undertakes the operation by itself and directly deals with foreign distributor or with own subsidiary based on the foreign country (Dimitratos et al. 2013). In fact, this method increases the complexity of the operation because implies higher risks, additional costs and demands superior cultural adaptation; however, it may bring as well higher benefits regarding sells control, in-house knowledge and access to more accurate information for better support in decision-making processes (Welch et al. 2007).

Many benefits have been acknowledged as result of having exports; for instance, improvements in technology, quality, production efficiency and service standards; raised revenues and funds; shareholders attraction and spreading business risk, to mention some. Notwithstanding these benefits, still large amount of companies don’t have foreign operations given that it is clearly not an easy and problem-free task, instead is hindered by several obstacles to overcome when crossing national boundaries (Leonidou 2004). Those barriers, which refer to the constraints obstructing firm’s operations in overseas markets have been studied by various researchers and finally compiled and classified by Leonidon (2004) in internal and external barriers, while internal are
associated with firms’ resources and external are linked with the environment conditions (Neupert et al. 2006). Thus, Leonidou (2004) conducted an extensive analysis of 32 empirical studies published during 1960-2000, he concluded that the nature of the obstacles differ depending on certain firm’s characteristics such as management, export development stage and its environmental background. Thereby, his analysis recapitulated the most common challenges associated to SME exporting development, which are shown in the next Figure 3.
Figure 3. Export barriers classification (Leonidou 2004:283).
As described on the previous figure, it can be seen how export barriers for SMEs have considerable scope to trigger export starting and restraint steady behavior along the process (Morgan 1997). So far this chapter has reviewed the theories in relation to international business field, the next part of the chapter will explain literature of dynamic capabilities approach that belongs to strategic management field; lastly, a section connecting them is presented.

2.3 Dynamic capabilities approach

Gradually developing into modern corporation theory, it has emerged to shed light in the need of understanding how contemporary business operates (Teece 2011). In order to understand dynamic capabilities approach, organizational capability concept will be described first.

2.3.1 Organizational capabilities

It has been already couple of decades that organizational capabilities concept has prevailed within researches who are more linked to the concept rather than just focused on pure resources. According to the research done, capability has been described as the faculty to use resources for achieving different productive purposes (Eriksson 2012), they are often specific to the firm and develop along the time by complex interactions with firm resources (Wang & Ahmed 2007). So, firms make use of the resources to derive services, and one specific resource can be exploited in various ways to fulfill different organization needs (Penrose 1995).

In order to be strategic, a capability should be adequate to costumers’ needs, unique and hard to imitate. Those are mainly the organizational structures and the management processes that support production activities of the firms, rather than the items that can be value within balance sheets; because what can be distinctive is not sold or assembled as commodity in the market (Teece & Pisano 1994).
Capabilities can be also explained as higher-order principles that will transform social and individual knowledge in products and services (Kogut & Zander 1993). In this line, resources and capabilities can be hierarchized in reference to organization competitive advantage; whether resources are V.R.I.N. (valuable, rare, inimitable and non-substitutable), they can be source of competitive advantage; yet, under shifting environments they cannot be sustainable sources over time (Wang & Ahmed 2007). In this hierarchy, resources are then at the bottom considered as “zero-order” elements; above them we can find capabilities as “first-order”, those ordinary skills needed for utilizing resources (Eriksson 2012) and when are well implemented usually cause enhanced performance (Wang & Ahmed 2007).

Following the description of this hierarchy, it can be found the core capabilities as “second-order” elements representing the bundle of resources and capabilities which are critical important at certain point of time for firms operations (Eriksson 2012) and its significance is on the integration of resources for strategically direction of the firm (Wang & Ahmed 2007).

Accordingly, distinctive competences are the particular assets built by firms and they cannot be bought in the market (Teece & Pisano 1994). But even core capabilities can turn unimportant elements in a turbulent environment, so there is a higher capability in the “third-order” (Wang & Ahmed 2007) those that induce operational and core capabilities development (Teece 2007), the dynamic capabilities. They are the final organizational capabilities that will conduct to long-term performance as they give emphasis to the pursuit of renewal, redesign and regeneration of the elements under its hierarchy in order to tackle environmental changes (Wang & Ahmed 2007). The hierarchy description aforementioned is illustrated in the next figure:
Hence, capabilities are set of complex skills and knowledge that are executed by organizational processes. They demonstrate the effectiveness of firm processes in relation with its competition (Hou 2008). Given the previous distinction of concepts, the next section describes the “third-order” elements; a review of dynamic capabilities approach is presented.

2.3.2 Dynamic capabilities approach

This approach has been discussed in different areas of the literature, but its roots have been mainly attributed to the resource base view (RBV) and the knowledge base view (KBV) (Wang & Ahmed 2007). As presented before, resource base view describes the firm as a set of resources and capabilities, those abilities allowing the skillful use of resources to develop services (Penrose 1995). And knowledge base view points out the knowledge as the most relevant resource, focus attention on the outward environment and stresses the importance of organizational knowledge and capabilities as path dependency (Kogut & Zander 1993).

Dynamic capabilities approach started with the need of understanding how to develop and maintain competitive advantages in those firms that are immerse in a continuous shifting environments (Teece & Pisano 1994). It was at early of 90’s when became evident for firms that maintaining actual operations was not enough to achieve success;
in addition to that, firms needed to consider resources and capabilities and orient them to the future (Eriksson 2012). High technology industries were the first to witness the continuous global battles that pushed companies to this need of understanding how to gain sustainable competitive advantage and maintain it into these changing environments (Teece & Pisano 1994). Big corporations were following strategies under the resource-base perspective by accumulating assets, but that kind of strategies became obsolete in a shifting global market place; successful firms where those responding fast and flexible with innovation products and moreover, effectively managing internal and external competences to deploy them in more efficient ways (Teece & Pisano 1994). So in this sense, it’s possible that a firm has accumulated large and useful stock of assets but that doesn’t necessarily imply that has the same large and useful stock of capabilities (Teece & Pisano 1994).

RBV researchers previously considered the idea that competitive advantage needs to exploit the current internal and external capabilities and keep developing more, but has been until recent times that researchers have focused on investigate how firms first develop specific capabilities and then reconfigure their competences in order to react to the changing environment. As a result of the fast growth of dynamic capability literature and justified by its youth, the topic has still disconnected body of research. There is a rich but complex knowledge, therefore some consensus on the concept is required in order to allow stronger assumptions in future research (Dimitratos et al. 2013). Nowadays some progress on the topic might be hind due to the complexity and ambivalence surrounding its conceptualization (Wang & Ahmed 2007) Yet, the approach has enhanced the resource base view by addressing and filling the space of the transformational mechanisms (Hou 2008). All in all, the key proposition of dynamic capabilities concept lies on the notion that organizations are competing on their ability to exploit and renew their already existing resources and organizational capabilities; but furthermore, competing as well with the effective ability of renewing and developing these upgraded abilities (Hou 2008).
According to Teece & Pisano (1994: 6), dynamic capabilities “are the subset of the competences/capabilities which allow the firm to create new products and processes, and respond to changing market circumstances”. By conceptualizing the competitive advantage as “dynamic capabilities” they describe two main characteristics not deeply considered in previous approaches. First, “dynamic” talks about the changing environment where timing becomes crucial; quick and flexible response are necessary, competition and market conditions are uncertain, and innovation keeps accelerating its pace. Secondly, “capabilities” refers to the essential role of management to adjust, integrate and redesign those internal and external firm resources, human skills, organizations assets and the competences oriented to the shifting scenarios (Teece & Pisano 1994).

Considering a firm as a group of resources and capabilities, dynamic capabilities emphasize the transformation of organization’s resources and capabilities in products or services for its customers while delivering higher value; the transforming process is implemented in accurate, fast and innovative way in accordance with industry environment changes (Wang & Ahmed 2007) . So, in today’s dynamic markets the competitive advantage lies on the capacity to continuously develop and renew the organizational capabilities that constitute the base of the products and services generated (Hou 2008).

Seeking to explain competitive advantage, the dynamic capabilities approach highlights the importance of the strategic dimensions of the firm. They are considered as factors that will help to determine dynamic capabilities, and are organized in three categories according to Teece & Pisano (1994), such categories are: the managerial and organizational processes, meaning patterns or routines for learning; its current position within the market, referring to intellectual property and technology inheritance, as well as customer base and suppliers networks; and lastly, the accessible paths which are the strategic alternatives ahead for the firm. Positions and paths are internal and external, which denote forces allowing and limiting dynamic capabilities (Ambrosini et al. 2009).
In the pursuit of improving conceptual consistency on the topic, Zahra et al. (2006) proposes to distinguish the division of dynamic capabilities, separate them from its antecedents and outcomes. In this line, antecedents are considered as inputs and outcomes as outputs, this division provides an initial point to analyze the existing literature on the topic (Eriksson 2012). Like this, one way to see the current research on dynamic capabilities is under this proposition, structured in three parts: the substantive capabilities, its antecedents and outcomes/consequences (Zahra et al. 2006). Antecedents and process have been the focus of more studies along the time, while outcomes have caught major attention in recent times (Zahra et al. 2006). By studying the topic under the division proposed by Zahra et al. (2006), it can be seen the contribution done from Teece (2007) to the antecedents of dynamic capabilities, as he proposed three central dimensions in dynamic capabilities: sensing capacity, seizing capacity and transformational or reconfiguring capacity. Additionally, he recognizes the nature of the capacity and microfundations of each dimension (Zahra et al. 2006).

Such dimensions allow the disaggregation of the topic for analytical purposes (Teece 2007). The following paragraph briefly explains the dimensions aforementioned in order to understand the differences. 1) Sensing capacity is linked with opportunity discovery as individuals’ capacity and as organizational processes, it refers to the capacity to sense and shape opportunities, the need to adjust strategies; 2) seizing capacity refers to product architecture and business model selection, decision-making procedures, organizational frames and the construction of employees’ loyalty, is the opportunity that creates balance between internal resources and external environment. Finally, 3) reconfiguring capacity concerns with decentralization, governance and management of knowledge, it refers to the strategy of organizational change and learning, by keeping competitiveness when enhancing, mixing, protecting, and, if needed, reconfiguring firms assets (Wang & Ahmed 2007). Extending further this idea, Ambrosini et al. (2009) added to the literature some other concepts when suggesting three levels of dynamic capabilities, which are associated with the perception of managers about environment dynamism.
At the first level there is the “incremental” dynamic capabilities implying firms resource base improvements; in the second level they found the “renewing” dynamic capabilities referring to those that renovate and increase firms resource set; and lastly, at the third level comes the “regenerative” dynamic capabilities which might have an impact in the resource base and likewise in the existing assortment of firms’ dynamic capabilities. Finally they state that regenerative dynamic capabilities can either emerge from its leadership inside or get in from external source (Ambrosini et al. 2009). Surely, those are significant elements in dynamic capabilities; yet, those factors are not dynamic capabilities by themselves, they rather represent organizational and managerial processes stressing and facilitating dynamic capabilities deployment (Ambrosini et al. 2009) identified by Teece (2007) as microfundations of dynamic capabilities.

One existing discussion on this topic argues about the antecedents mentioned saying that they just represent internal factors; therefore external factors are not considered in this proposal when they are also important as enablers or inhibitors of dynamic capabilities development (Eriksson 2012).

Turning to the second section under Zahra et al. (2006) division of dynamic capabilities, can be seen that since dynamic capabilities operate and develop over the time, they are implicitly dynamic and the discussion regarding its processes assumes that include organizational as well as managerial mechanisms meant to identify and accomplish opportunities for change. Accordingly, processes are constituent elements of the dynamic capabilities; nevertheless, in the current empirical literature there is an ongoing conceptual debate within this area bringing two different approaches of understating (Eriksson 2012).

One discussion proposes three generic learning processes: experience accumulation, knowledge articulation and knowledge codification (Zollo & Winter 2002) and the other stream focuses on individual and identifiable processes that might incorporate resources or acquire them, this second approach acknowledges commonalities among the organizations but indicating that the resources and capability configuration resulting
from dynamic capabilities can be seen as unique (Eisenhardt & Martin 2000). In this discussion, scholars who suggest the first stream state that dynamic capabilities consist on generic processes; four focal elements within these knowledge processes can be identified within the literature: accumulation and acquisition, integration, utilization, reconfiguration and transformation; due to the complexity of the knowledge, the abovementioned process cannot be accurately clear and therefore they are overlapping (Eriksson 2012). The second conceptualization of the processes suggest them as specific procedures which are firm-related, considering dynamic capabilities as idiosyncratic factors, stated by Eisenhardt & Martin (2000:1108) “commonalities in key features, idiosyncratic in details”, can be justified by the notion of what works for one firm not necessarily works for other organization. Nevertheless, it is expected that routines taking the dynamic capability in practice will, even slightly, but show important differences between the firms (Ambrosini et al. 2009). Most of the studies underlying this approach focus on technology or product development, same as business model adjustment (Eriksson 2012). All in all, the existent empirical research is rarely based just on one extreme of the proposals, regularly the studies are found along the range going from generic to specific processes (Eriksson 2012).

The need of dynamic capabilities might differ according each scenery, in some settings ad hoc solution can be appropriate, while in other more shifting situations dynamic capabilities can be absolutely required (Eriksson 2012). Yet, the existing differences between settings, there are common characteristics in key features among dynamic capabilities (Eisenhardt & Martin 2000) like this, they present patterns and entail learning (Eriksson 2012). In addition, it has been seen that they are costly to develop because require several resources and might not be imperative in all settings. But as mentioned, they are recognized as imperative valuable source of competitive advantage in highly shifting environments (Eriksson 2012). Given that the path for rising dynamic capabilities is not universal across firms, organizations don’t develop them similarly over time; they are driven by firms’ strategy, which in turn is adapted to its particular environment (Wang & Ahmed 2007).
Continuing on dynamic capabilities processes literature review, Wang & Ahmed (2007) propose three main component factors of dynamic capabilities; those are adaptive capability, absorptive capability and innovative capability. Although organizations start from individual paths and at different points the development of dynamic capabilities, these three components are considered as common across variety of industries. Adaptive capability emphasizes the capacity of firms to adapt opportunely by aligning its resources in a flexible way to the environmental changes. Absorptive capability demonstrates the ability to learn from outside knowledge, incorporate it and finally apply for commercial use. The third component is innovative capability, which explains the connection of firms’ innovation with market place advantage in relation with their products or services (Wang & Ahmed 2007).

The structural patterns of dynamic capabilities vary according to the dynamism of the market; they go from tough, complex and detailed routines in markets with moderate dynamism, to more simple and semi-structured routines in high-velocity markets. And they evolve guided by well-known learning methods (Eisenhardt & Martin 2000). It is necessary to recognize thus, that uncertainty and complexity of the environment will have important influence on dynamic capability deployment (Ambrosini et al. 2009) Eisenhardt & Martin (2000) present the effects of moderately and high-velocity markets on dynamic capabilities, the next table.1 presents some key findings.

| Table 1. Dynamic capabilities and markets dynamism (Eisenhardt & Martin 2000:1115) |
|----------------------------------------|---------------------------------------------|---------------------------------------------|
| **Market definition**                  | **Moderately dynamic markets**              | **High –velocity markets**                  |
| Stable                                 | Stable, industry structure, defined         | Ambiguous industry structure,               |
|                                        | boundaries, clear business models,         | blurred boundaries, fluid business          |
|                                        | identifiable players, linear and           | models, ambiguous and shifting               |
|                                        | predictable change                         | players, nonlinear and unpredictable change  |
| Pattern                                | Detailed, analytic routines that rely      | Simple, experiential routines that          |
|                                        | extensively on existing knowledge          | rely on newly created knowledge              |
| Execution                              | Linear                                      | specific to the situation                   |
| Stable                                 | Yes                                         | Iterative                                   |
| Outcomes                               | Predictable                                 | No                                          |
| Key to effective evolution             | Frequent, nearby variation                 | Unpredictable                               |
|                                        | Carefully managed selection                 |                                             |
As described by the definitions, there are different types of dynamic capabilities, some will integrate, reconfigure, create or shed resources. Based on the research done by Bowman and Ambrosini (2003), which in turn is inspired in Teece (2007), is acknowledged that dynamic capabilities include four core processes: “reconfiguration, leveraging, learning and creative integration” (Ambrosini et al. 2009).

Reconfiguration describes when transforming and recombining resources and assets; leveraging implies that a system or process which is functioning in one unit will be replicate in other or deploying a resource to a new domain; learning let the task to be efficiently executed as a result of experimentation; lastly, creative integration means that the firm is able to integrate resources and assets creating in consequence a new configuration of resources (Ambrosini et al. 2009).

Finally, the third set of the dynamic capabilities frame under Zahra et al. (2006) division refers to outcomes. In this section, literature agrees an existent relation between dynamic capabilities and firms’ competitive advantage or performance (Eisenhardt & Martin 2000, Eriksson 2012). But then again, it is still remaining discussion as regard the relationship connecting them, whether is direct or indirect link and until what extend can be attributed to dynamic capabilities influence (Eriksson 2012). Some current studies exploring the outcomes presume a dynamic capabilities indirect relationship with long-term firm performance mediated by capability development, which in turn, have been developed in line with firms’ strategy and aiming to stand out the competition (Wang & Ahmed 2007).

In a nutshell, dynamic capabilities are expected to impact the value creation of the organizations through initial impact on its resource base. Such impact is meant to derive in competitive advantages for the firm, which can be either temporary or sustained, according to the dynamism on the market. Dynamic capabilities are influenced by internal variables called “paths o positions” that will include the perception and behavior of managers, as well as additional resources; in addition to the external influence that is mainly seen in relation to the deployment of dynamic capabilities with the competitive advantage generated (Ambrosini et al. 2009).
Thus, we have reviewed that dynamic capabilities consist of various processes influenced by factors (internal and external) known as antecedents. Such processes can be positioned in a range from generic to more specific, whether is possible to identify commonalities within organizations. And the last division points out the outcomes, presumably directly or indirectly linked to dynamic capabilities and which not necessarily need to be positive (Eisenhardt & Martin 2000, Eriksson 2012, Wang & Ahmed 2007). The Figure 5 illustrates Zahra et al. (2006) dynamic capabilities division that has been described above.

Fig 5. Dynamic capabilities frame (Zahra et al. 2006).
Having described the main ideas of dynamic capabilities approach, the final section of this chapter aims to bring together internationalization literature through the dynamic capability perspective addressing particularly export entry mode.

2.4 Dynamic capabilities in internationalization context

Taken together the previous concepts, it can be certainly asserted that internationalization of firms is a dynamic process where several internal and external factors influence its development. However, even when internationalization has been a well-explored area through different views, still little is known about the specific dynamic capabilities that support the process (Dimitratos et al. 2013). Research on how dynamic capabilities affect firms’ international performance is still far from being mature (Eriksson 2012, Knight & Kim 2008). In this section internationalization is explain through the lens of dynamic capabilities; first for international operations in general and is followed by a section addressing export strategy.

2.4.1 Dynamic capabilities for internationalization

The existing research on internationalization has been enhanced from different models over the time, as examined with the theories described in this chapter. But typically, this research has looked at the firm in relation with its environment; as if would be interacting and reacting in a static setting, instead of considering other factors like entrepreneurial attitude, managerial expertise or opportunity recognition that also influence internationalization strategies and their performance (Prange & Verdier 2011). Is here when the concern of studying the process from resource and capabilities perspective emerged. Assuming that when firms go to international markets they accumulate new capabilities linked to those diverse markets, for instance learning and cultural adaptability. But international success doesn’t depend just from the possession of those capabilities and resources; it goes beyond, to the constant capability of reconfigure and adjusts them to global eventualities (Prange & Verdier 2011). Starting from this context, it can be seen how dynamic capabilities approach suits as theoretical
support given that its scope entails learning, integrating, reconfiguring, renewing and recreating competences (Teece 2007), which in turn should be suited for firms’ specific processes (Prange & Verdier 2011).

Based on the research done by Teece (1997), dynamic capabilities for internationalization can be considered as the constant adjustment to the shifting circumstances and the dynamic environment experienced by firms operating internationally (Dimitratos et al. 2013). Firms compete with each other further than just based on their resources; they need distinctive capabilities to make efficient use of such resources as well as the ability to learn and employ the knowledge in foreign markets, where there is fierce competition and rapid technological variation (Prange & Verdier 2011). Those capabilities are meant to take the resources beyond of their static role of pure sources, while obtaining the economic benefits but furthermore, turning them as evolving advantage through developing new capabilities (Luo 2000).

Thus, firms which are actively implementing new strategies, processes and methods in the pursuit of matching internal requirements with international environment are more likely to succeed in the international arena in relation to their passive counterparts. Nevertheless, being active doesn’t guarantee an essential difference; it’s also about being capable of orchestrating the required change and implement it efficiently. And when is done in creative and innovative way, it can generate benefits beyond the usual financial growth (Jantunen et al. 2005).

Since there are still few studies exploring under this notion and the findings from previous research remain disconnected (Eriksson 2012), it is still hard to draw a punctual and clear line that would follow the contributions made from different authors in regards of international operations through dynamic capabilities lens. The next section attempts to bring the most relevant findings that will allow setting a research outline for this study.
To begin with, Fletcher, Harris and Mahnke (2012) used the framework suggested by Teece (2007) applied as sensing and seizing opportunities and knowledge for entering to markets; sensing and seizing networks as support for internationalization; and implementing international strategic reconfiguration (Dimitratos et al. 2013). It has been said that even when entrepreneurial firms seem to improvise by selecting market opportunities abroad, it’s a fact that seizing opportunity is a dynamic process, which entails recognition and action (Dimitratos et al. 2013).

According to Luo (2000), dynamic capabilities have three critical components in international expansion, which are: capability possession, capability deployment and capability upgrading. The concepts described by the author have been explained under MNE’s perspective; however, due to the existing close relation within the topics, it has been considered valid and worthy to contemplate them for this study. Thus, the first component refers of owning distinctive resources and firms’ success will depend on how firms allocate and exploit them among the locations globally dispersed yet coordinated (Luo 2000). Deployment dimension involves entrepreneurial and strategic aspects where dynamic capabilities will be particularly important (Teece & Pisano 1994), since is by aligning exclusive assets how managers look for new combinations (Teece 2007). That entails complex decision-making and implementation processes for effective resources allocation, while matching local demands and obtaining the maximum net return by undertaking continuous risk decisions (Luo 2000). That is to say, firms’ adjustments require the strategic management capability to effectively reconfigure them for internationalization purposes (Dimitratos et al. 2013) for instance adapting products for new foreign markets and costumer needs require superior managerial capabilities (Teece 2011).

Nevertheless, even with capability possession and capability deployment, a sustainable competitive position into the global market cannot yet be achievable. Commitment on building and creating new capabilities along with distinctive assets is still required; organizations need to encode the acquired experience into behavior routines in order to gain organizational learning, which is key factor for capability building (Luo 2000).
International expansion offers opportunities for learning, which in turn are the potential of new capabilities development. Those can be applied in both, old and new settings; in this way, the configuration of firms’ strategy evolves (Teece & Pisano 1994). The next figure by Luo (2000) describes the critical components of dynamic capabilities aforementioned. It can be seen that capability possession is at the starting point, after comes capability deployment in cross-boarder operations and finally, is capability upgrading the one that will cope with vicissitudes in foreign markets.

Figure 6. Dynamic Capabilities in International Expansion (2000:359).
Starting from firms’ distinctive resources that should be potential of competitive advantage. These resources include strategic and organizational capabilities, which should be present in the firms before going international (Kogut & Zander 1993). Due to the natural disadvantage that will need to face against local competitors, firms should be ready to cope with them and firms capabilities can then beat such disadvantages; strategic capabilities might include technological elements like: patents, trade secrets, innovation processes; and operational elements such as: marketing skills, local business practices, distribution processes, to mention some (Luo 2000).

Within the distinctive resources suggested in the model, managerial skills are considered essential elements of organizational capabilities, which are reflected not only in the fundamental human resources, they also entail coordination systems, flow of information and organizational structure (Luo 2000). This notion builds on previous literature that has already recognized and validated the importance of managerial characteristics influencing internationalization (Nummela et al. 2004). While managing human resources in firms operating internationally demand skills that allow effective interaction with various cultures and management styles, it certainly requires particular abilities to overcome cultural barriers. Cultural awareness as understanding of other cultures and global mindset as the faculty for managing spread and complex operations, have been recognized as requirement for success in global activities (Eriksson et al. 2013, Nummela et al. 2004). In addition, developing a global culture within the company can foster coordination and integration turning into a culture of shared values (Luo 2000).

Bearing this in mind, can be seen why firms’ competitive advantage can’t be generated only from the possession of distinctive resources; it entails also managerial decisions where they are deployed (Teece 2007). In today’s shifting environment uncertainty and risk are constant elements in the context; however, this volatility can offer also opportunities and not only complex challenges if managerial decisions are able to balance opportunities and risks; therefore, commit the necessary resources and gain the
benefits. In this way, the deployment of resources should strategically suit to organizational needs (Luo 2000).

Moving forward in the model, *organizational learning* in internationalization process is crucial for the third component: capability upgrading. Organizational learning involves those processes enhancing corporations’ performance and consequently, also the efficient set of core capabilities that can support the development of new products or services (Luo 2000). Learning entails a complex process; according to (Lei et al. 1996) learning is an integrated process which elements have a systematic sequence resulting in “metalearning”. Explaining this, first comes the high-level learning implying transfer and retrieval of information that should turn into tacit knowledge, such information can be obtained from internal R&D or from partnerships with external entities; it also includes experimentation, which supports continuous improvements and is source of new product development; and lastly, entails dynamic routines that will conduct the resources through specific actions like training, and collective practices in order to generate new skills (Lei et al. 1996). And just as the rest of capabilities, organization learning requires to be transformed in essential competence, according to the Luo (2000) model, such process includes three stages: knowledge acquisition, sharing and utilization.

As it has been shown, dynamic capabilities are the result of *experience* and *learning*, they don’t emerge from the beginning as full capability (Ambrosini & Bowman 2009). And in the same way, in international expansion the effective integration of the elements that support knowledge development is needed, in the pursuit of acquiring a sustainable set of dynamic capabilities intended for international salient performance. Plus, bearing in mind that in internationalized firms, the learning process needs to be coordinated assuming that each person, group and regional unit might have particular knowledge base and learning competences (Luo 2000).

Is important to emphasize that knowledge acquisition in a particular context doesn’t give as substantial meaning as it gives the capacity to analyze it and be able to efficiently
exploit it in different contexts (Armario et al. 2008). Moreover, the same capability will contribute to the competitive advantage in different degree according to the settings since its not equally important across all markets; considering as well that the transfer of one capability to one location, don’t substitute the need of developing new capabilities for the new locations (Luo 2000).

As regards of international expansion, it has been shown that SMEs attempting to extent activities in foreign markets may have strong global attitude due to their limitation in tangible resources, and international orientation has demonstrated to support particular processes and decision-making actions that can contribute to improve corporations’ performance (Knight & Kim 2008). Firms with faster internationalization process are more global oriented than others, and alike to the rest of dynamic capabilities, global mindset is the outcome of learning and collective experience in interaction with external environment, so it is necessary to have skilled management in order to sustain it (Nummela et al. 2004). More to this point, it is also acknowledge that networks can be key resources for developing and supporting internationalization since they provide particular access to local market knowledge. And given that building and maintaining networks is costly, they are considered capability because to do it effectively requires time and experience (Fletcher & Harris 2012).

As was pointed out, is through learning capabilities that firms employ strategies, as is the case of market orientation (Dimitratos et al. 2013). From RBV perspective, market orientation can be considered as intangible firms’ property that allows conducting the market information in the pursuit of delivering value to its costumers (Hunt & Lambe 2000) from the same perspective is also considered as corporate capability that fosters activities in local and foreign markets (Armario et al. 2008). Companies oriented to market generate “inside-out” capabilities; that is to say, those capabilities linking firms’ processes to the external context. These firms recognize the value of developing their strategies employing information of costumers and competition; market orientation is thus considered source of competitive advantage for being a distinctive resource (Armario et al. 2008). While might be some differences within the models that
conceptualize market orientation, four are the consistent elements which represent the foundation of the concept: emphasis on meeting expectations and creating value for customers, the essential role of information within the corporation, spreading that information and interconnecting firms units and departments, as well as taking a responsive action towards market oriented strategies (Lafferty & Hult 2001).

It is largely acknowledge that organizations with superior market understanding are more capable to create added value for customers, therefore it is considered an essential element for organizational efficiency. Given that most of the organizations have access to the same information, the root of competitive advantage in essence resides on how information is analyzed, implemented (Williams 2003) and how is shared and coordinated across the areas in the organization (Knight & Kim 2008). Likewise, having successful internationalization process implies being able to acquire market knowledge, and having the ability of exploring and using opportunities (Dimitratos et al. 2013) given that market knowledge is a key for entering to markets, particularly when seeking rapid internationalization (Barney 1991).

Another contribution to the field is the research carried out by Knight and Kim (2008) who identified international business competences (IBC), considered as collection of intangible capabilities that supports improvement in international performance. Through case studies they assessed a model to confirm the particular significance of four international business competences (IBC) dimensions that include: international orientation, international marketing skills, international innovativeness and international market orientation. The results showed that international market orientation and international orientation were the highest indicators of international business competences, while international marketing skills followed in the results. In addition, authors underline that IBC embraces a set of firm-specific capabilities, which cannot be exactly imitate by their competitors.

Thus, Knight & Kim (2008) affirm particular influence of international marketing skills on internationalization performance; as regard of value creation for customers by
segmenting and targeting them effectively, and through global marketing activities that differentiate its products, by offering goods with higher perceived value for customers in relation to competitors alternatives. In line with this, Sapienza et al. (2006) support the notion that dynamic capabilities that might have influence on firms’ internationalization are marketing, market-orientation and networking competences.

And lastly, there is evidence from previous research that characteristics like market understanding, ability to take risk, commitment and global vision are essential in managers’ proactive behavior within successful internationalized firms. While high costumer orientation, marketing capabilities, active response and the employment of ICT have also probed to support internationalization process (Knight & Kim 2008, Nummela et al. 2004).

Having reviewed internationalization literature through dynamic capabilities approach, the section that follows attempts to focus the knowledge gathered in export strategy.

2.4.2 Dynamic capabilities for exporting

He et al. (2013) state that exporting research has been mainly focused on three areas: antecedents to export performance, export channel selection and export performance evaluation. Though, it is argued that such research presents weakness in theoretical foundation whenever is considered over simplistic by ignoring firms’ internal changes, decision-making processes and dynamism in external conditions. Thus, dynamic capabilities approach attempts to enrich its literature by considering the internal dynamics of organizations and its interaction with external environment (Knudsen & Madsen 2002).

Reiterating, the role of dynamic capabilities is to influence firms’ set of resources and transform it in a new collection of competences, which in turn are potential source of sustainable competitive advantage for the firm. In this way, any competence with
outcomes that are not capable to enhance firms’ sustainable competitive advantage is not really salient (Ambrosini & Bowman 2009) Accordingly, entry mode selection becomes a crucial decision in order to achieve successful international performance (Onkelinx & Sleuwaegen 2008b) such decision is as well constituted and influenced by decisions, processes, routines and so on. Furthermore, besides the entry mode, also channel selection is crucial since has been probed that channel distribution for exports and SME performance are linked, therefore becomes essential to make the right choice (Lu & Beamish 2006).

In this study, exporting mode is considered through dynamic capabilities perspective as strategic firms’ issue where decision-making and internal changes are important determinants for knowledge creation, routines and processes of internationalization (Knudsen & Madsen 2002). To begin with, incremental theory is taken as starting point given that firms’ knowledge has cumulative development, which is the base of new processes and technologies; subsequently dynamic capabilities approach take this notion as groundwork by considering that knowledge is developed in a path-dependence process where steps towards future are hindered by firms’ past (Knudsen & Madsen 2002, Teece 2007).

Hence, internationalization represents a path chosen by organizations aiming to seize opportunities worldwide, and this typically occurs in exploratory way (Johanson & Vahlne 1977) through exploiting advantages at home and taking them abroad by testing and probing (Prange & Verdier 2011). Originally introduced by March (1991), the concepts of “exploitation” which refers to certainty and control risk, and “exploration” referring to risk-taking, innovation, flexibility and discovery, they can be used as one guideline to approach internationalization process from dynamic capabilities perspective. It allows in this way to identify different types of capabilities as support of exploitative or explorative entry to global markets (Prange & Verdier 2011). Exploitative concept is compared with the incremental model of entry (Johanson & Vahlne 1977), which is supported by the existing knowledge aiming to reduce
uncertainty. Thus, understood as gathering and enhancing knowledge via local consolidation and subsequent extension to foreign markets (Prange & Verdier 2011). Two types of capabilities have been identified by Prange & Verdier (2011) under this notion, “threshold” and “consolidation” capabilities. The first capability steps on the idea of building strong competitive advantage at home and exploit the current capabilities in a foreign market once an adequate threshold has been achieved and can support cross boundaries operations, which in turn will permit the inclusion of new assets and capabilities gotten on the new market. That is to say, “threshold” capabilities express firms’ ability to organize and competitively perform in different settings (Prange & Verdier 2011).

Typically firms will embark on a learning process and accumulation of knowledge along their gradual development of international activities which is based on previous experience entries (Sapienza et al. 2006); and is at this point when companies consolidate their current capabilities by unifying them with the regional acquirements, therefore the generation of this new resource collection will drive firms expansion. These capabilities have been called “consolidation” (Prange & Verdier 2011). Which in turn, are meant to support the creation of routines and processes that concentrate on opportunity detection and exploitation (March 1991). Capability building is thus, more aligned with exploitative path, by being mainly focused on developing skills required for local function (Luo 2000).

Moving to the second concept mentioned, “exploration” refers to develop new capabilities; it is based on the notion of getting learning by processes of variation, experimentation, innovation and discovery (Prange & Verdier 2011). For instance, this is the case of born globals firms, which explore unknown markets and must develop new capabilities that did not previously possess. For this type of companies that usually start from zero in terms of capability building, is actually managers’ knowledge that will partially substitute the lack of organizations’ experience (Sapienza et al. 2006). International experience includes that one generated across borders and into specific fields and markets; experience thus, embodies knowledge that can become capability
(Luo 2000). To this point Prange & Verdier (2011) added the belief of an existing challenge for creating *value-adding capabilities* by accessing assets of other entities among the relationships hold in diversity of settings (Prange & Verdier 2011).

And finally, companies aiming faster internationalization and getting into more distant markets posses particular capabilities that allow strategic change, such capabilities have been defined as *disruption capabilities* referring to those competences that lead to strategic changes specially by questioning and reconfiguring existing operations or routines that could lock-in firms with rigid processes hampering rapid learn and grow (Prange & Verdier 2011). The use of such innovative strategies is associated with firms’ international growth if they allow better performance than the competition, for instance with advances in design or technologies (Weerawardena et al. 2007a). This capability in addition can be seen that examines until what extent the organization generates dynamism in the market derived of its persistence and aggressiveness for innovation (McKelvie & Davidsson 2009). The model aforementioned, proposed by Prange & Verdier (2011) is presented in the next figure, which illustrates the four types of dynamic capabilities expected to impact internationalization performance.

![Figure 7. Dynamic capabilities, internationalization and performance (Prange & Verdier 2011:127)](image)

Broadly speaking, export firms in initial steps are driven by exploration as regards knowledge and connections development, but then comes one of the main concerns in relation to success, whether organizations will tend to phased out exploration by
progressively attach to exploitation; here is the accumulated knowledge that will shed light for balancing allocation of resources in exploration or exploitation (Knudsen & Madsen 2002). If firms in the long run focus only on the same routines, they tend to dismiss new exploratory learning, which becomes a risk because competition might not be driven by the same passivity; therefore, learning capability is crucial because entails organizational tacit knowledge (Luo 2000). As seen before, the learning process guiding SME internationalization from local market to foreign markets is fundamental in the incremental approach of internationalization (Armario et al. 2008). Thus, this idea is based on the incremental approach although suggesting that improvements come from the absorptive capacity of the firm which will lead the pace and direction of internationalization delimited by firms resources and managerial decisions (Knudsen & Madsen 2002).

Other punctual contribution to our core subject comes from Knudsen & Madsen (2002) who focused their research on export strategy differentiating between knowledge stocks and informational architecture, where the second concept refers to organizing firms’ knowledge through stable connections and any change in this architecture will produce modifications in information flow, which in turn will progressively impact information stocks. Taking this scheme as pillar, some of the issues related to exporting can be seen through dynamic capabilities approach. Thus, implications as balancing between the unknown long-run effects and short-run gains/losses when determining new partners, new markets, product development for external markets and so on will be supported and impact organization knowledge (Knudsen & Madsen 2002).

Through dynamic capabilities lens, export success can be seen beyond the traditional financial and market performance measures; in addition to them there can be alternative gains that could contribute to firms knowledge and may even be fundamental for long-term existence of the organization. Hence, managerial decisions should identify the difference between short-run effects on performance due to connections with new export markets, and long-run impact in organizational architecture of information, since gains
can be factor of improvements in dynamic capabilities (Knudsen & Madsen 2002) Thus, there is clear evidence that focusing only in outcomes rather than giving importance also to the processes might hinder decisions; given that outcomes emerge from continues resources’ processes, therefore the processes are those to be directed and controlled, instead of merely being focused on outcomes (Knudsen & Madsen 2002).

So far the last sections of this chapter have explained different concepts concerning dynamic capabilities, in internationalization context and focusing in exporting operations; before proceeding to structure the framework for answering the research question, an integrated model that brings together the more relevant elements previously described, is illustrated in the next figure. The suggested model can be taken as guideline to approach dynamic capabilities for SMEs with export operations. This compound was drawn by adapting the model developed by Wang & Ahmed (2007) and including significant concepts from other authors (see figure 8).

In the model illustrated in Figure 8, the strategy under focus is exporting, which can be developed by exploitation and/or exploration path. The framework incorporates antecedents consisting of various processes influenced by market dynamism and other factors, such processes with generic features to more specific. Besides, the model also shows the consequences/outcomes, presumably directly or indirectly linked with dynamic capabilities and that can go beyond the traditional financial and market performance measures (Ambrosini & Bowman 2009, Eisenhardt & Martin 2000, Luo 2000, Prange & Verdier 2011, Teece 2007, Wang & Ahmed 2007).

All in all there is evidence from the literature suggesting the importance of dynamic capabilities for firms’ internationalization, it’s clear that certain competences are linked to internationalization firms’ processes as has been described through this thesis; however, it remains unclear which dynamic capabilities in particular are crucial, in which stage of the processes, and what makes them so essential for a successful internationalization processes (Dimitratos et al. 2013). In this sense, dynamic capabilities literature hasn’t yet reach maturity that could provide a single classification or defined set of competences (Dimitratos et al. 2013, Eriksson 2012).

Building from here and in order to accomplish the first thesis objective of identifying and classifying a set of international business competences that enable to devise a model through which the phenomenon can be explored; a database of 150 scientific journal articles regarding SMEs internationalization and published from 2000, which have been compiled and classified under IBAM model (see section 3.3), was consulted in order to complement the literature review explained until this point and accordingly select the competences to be tested. Thus, this study comprises nineteen international business competences classified in three areas: market orientation, costumer orientation and business competences, which are in line with IBAM model and their relevance is supported by different authors. The next table displays a list of some journals articles that have highlighted the selected competences.
<table>
<thead>
<tr>
<th>Authors</th>
<th>Title</th>
<th>Competences</th>
<th>Source</th>
</tr>
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<tbody>
<tr>
<td>Descotes, Raluca Mogos; Walliser, Björn</td>
<td>The impact of entry modes on export knowledge resources and the international performance of SMEs</td>
<td>Market, business competences &amp; Int operations</td>
<td>Management International</td>
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<td>Weerawardena, Jay; Mort, Gillian Sullivan; Liesch, Peter W.; Knight, Gary</td>
<td>Conceptualizing accelerated internationalization in the born global firm: A dynamic capabilities perspective</td>
<td>Market, business competences &amp; Int operations</td>
<td>Journal of World Business</td>
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<tr>
<td>Gillian, Sullivan Mort; Weerawardena, Jay; Liesch, Peter</td>
<td>Advancing entrepreneurial marketing: Evidence from born global firms</td>
<td>Market, customer &amp; business competences</td>
<td>European Journal of Marketing</td>
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<tr>
<td>Testa Stefania</td>
<td>Internationalization patterns among speciality food companies some Italian case study evidence</td>
<td>Market, customer &amp; business competences</td>
<td>British Food Journal</td>
</tr>
<tr>
<td>Hilmersson, Mikael; Jansson, Hans</td>
<td>International network extension processes to institutionally different markets: Entry nodes and processes of exporting SMEs</td>
<td>Market &amp; Int operations</td>
<td>International Business Review</td>
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<tr>
<td>Olstein Moen, Tade Kord Mades, Arild Åpeland</td>
<td>The importance of the internet in international business-to-business markets</td>
<td>Market &amp; business competences</td>
<td>International Marketing Review</td>
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<tr>
<td>Babakus, Emin; Yaya, Ugur; Haahit, Antti</td>
<td>Perceived uncertainty, networking and export performance: A study of Nordic SMEs</td>
<td>Market &amp; business competences</td>
<td>European Business Review</td>
</tr>
<tr>
<td>Bradley, Frank; O'Reagain, Sean</td>
<td>Deriving international competitive advantage in SMEs through product-market and business system resource allocation</td>
<td>Market &amp; business competences</td>
<td>Irish Journal of Management,</td>
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<tr>
<td>Jasmine E.M. Williams</td>
<td>Marketing resource use in small and medium-sized industrial companies: An application of Diamantopoulos' and Souchon's scale</td>
<td>Market &amp; business competences</td>
<td>International Marketing Review</td>
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<tr>
<td>Kenny, Breda; Fall, John</td>
<td>Network resources and international performance of high tech SMEs</td>
<td>Market &amp; business competences</td>
<td>Journal of Small Business and Enterprise Development</td>
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<tr>
<td>Knight, G.A.; Kim, D.</td>
<td>International business competence and the contemporary firm</td>
<td>Market &amp; business competences</td>
<td>Journal of International Business Studies</td>
</tr>
<tr>
<td>Poh-Lin Yeoh</td>
<td>The strategic orientations of rapidly internationalizing software companies</td>
<td>Market &amp; business competences</td>
<td>International Marketing Review</td>
</tr>
<tr>
<td>Ruskonen, Miia; Saaremki, Sami</td>
<td>The effects of relationship quality on export performance: A classification of small and medium-sized exporting firms operating in single export-market ventures</td>
<td>Market &amp; business competences</td>
<td>European Business Review</td>
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<tr>
<td>Ural, Tulin</td>
<td>Internationalisation and the internet in UK manufacturing SMEs</td>
<td>Customer &amp; Int operations</td>
<td>European Journal of Marketing,</td>
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<tr>
<td>Ko-Min, Kevin Tseng; Johnsen, Rhona E.</td>
<td>Examining the role of international entrepreneurship, innovation and international market performance in SME internationalisation</td>
<td>Customer &amp; Int operations</td>
<td>Journal of Small Business and Enterprise Development</td>
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<tr>
<td>Aron O’Cass; Weerawardena, Jay</td>
<td>The internationalisation of born global and international new venture SMEs</td>
<td>Customer &amp; Int operations</td>
<td>European Journal of Marketing</td>
</tr>
<tr>
<td>Crick, Dave</td>
<td>Finance strategies of rapidly-growing Finnish SMEs: Born Internationals and Born Globals</td>
<td>Customer &amp; Int operations</td>
<td>International Marketing Review</td>
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<td>Gabrielson, Mika; Sasi, Viveca; Darling, John</td>
<td>Decisive factors in company financial internationalization: an empirical study</td>
<td>Customer &amp; Int operations</td>
<td>European Business Review</td>
</tr>
<tr>
<td>Uniojukarenska, Sara; Arturo Rodriguez Castellanos</td>
<td>The role of the internet in the internationalisation of small and medium sized companies</td>
<td>Customer &amp; Int operations</td>
<td>Managerial Finance</td>
</tr>
<tr>
<td>Andersson, Svante; Henrik Florén</td>
<td>The role of the internet in the internationalisation of small and medium sized companies</td>
<td>Customer &amp; Int operations</td>
<td>Journal of Small Business and Enterprise Development</td>
</tr>
<tr>
<td>Su, Sonia M.; Francisca R. Álamo-Vera</td>
<td>SMEs’ internationalization: firms and managerial factors</td>
<td>Customer &amp; Int operations</td>
<td>Journal of Entrepreneurial Behaviour &amp; Research</td>
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**Table 2. Journal articles of SMEs Internationalization**
Hence, the three areas selected are consistent with international business literature that supports them as essential sources of competitive advantage in international markets (Armario et al. 2008, Eriksson 2012, Knight & Kim 2008). So, the nineteen competences under study have been considered as multidimensional concepts reflecting bundle of organizational attributes to perform international business activities in effective way; they reflect competences in multiple areas and are based on the comprehensive analysis from previous literature and formal studies, which revealed that particular types of competences appear to be essential in international performance of SMEs (Knight & Kim 2008).

Based on the preceding context and following the purpose of the study, the next model has been elaborated to approach the phenomenon and give answer to the research question.

Figure 9. Hypothesis model
Thus, theoretical hypotheses were derive to empirically test the phenomenon, looking for relationship between the level of the competences and the level of exporting operations in the selected sample of SMEs. Along with the aforementioned arguments of knowing that strategic dimensions of the firm are considered as factors that will help to determine dynamic capabilities (Teece & Pisano 1994) which in turn are the potential source for firm’s sustainable competitive advantage (Ambrosini & Bowman 2009) the following postulate is proposed as main hypothesis:

\[ H1. \text{The level of SMEs International business competences is positively related with the level of exporting operations.} \]

Turning now to explore the business competences through the classification selected, first we recall from the previous section that market orientation is source of competitive advantage (Armario et al. 2008) whether could be taken as particular, valuable, and unique firm resource that can develop into a set of dynamic capabilities (Hou 2008), since market-oriented practices generate the sensibility for responding to the market by superior market information and understanding development that will decrease uncertainty and enhance market changes’ response (Hou 2008). In this way, market orientation as distinctive resource supports firms’ activities and fosters firms’ learning process in foreign markets. Moreover, those companies with strong market-orientation are able to develop higher levels of “market sensing”, “customer linking” and “channel bonding”, which are core capabilities that in turn foster foreign knowledge acquisition and support global competitiveness (Armario et al. 2008). Supporting this, there is empirical evidence on the positive connection of export market oriented activities and export performance (Armario et al. 2008, Cadogan et al. 2002).

integrate the market orientation section of this study: *market, segments, competition and network*. Now, taking this as base, the second hypothesis is proposed:

**H2.** SMEs level of knowledge and understanding of international markets is positively related to their level of exporting operations.

Another fundamental conception is the notion that proactive customer orientation can be a source of competitive advantage (Blocker *et al.* 2011). Michael Porter (1985) pointed out that, “competitive advantage grows fundamentally out of the value a firm is able to create for customers.” In this way, firms generate superior value for their consumers by offering continue solutions to the current needs but furthermore, also for the incoming needs (Porter 2008). However, there is a challenge of holding a sustainable strategy because customers’ expectations are a dynamic aspect while shifting their needs and value perceptions invariably; for that reason, companies are encouraged to be customer oriented in order to tackle this challenge (Blocker *et al.* 2011).

A superior customer-relating capability refers of how a firm develops and manages with particular focus on three organizational components: orientation that makes the costumer a priority, configuration of the structure and processes towards service offerings and relationship development; and information which is relevant, reachable and supported by IT systems. Thus, a superior capability emerges when these three components are present in the organization (Day 2012). In line with this, and supported by research in the field (Bradley *et al.* 2006, Mort *et al.* 2012, Øystein Moen *et al.* 2008, Testa 2011, Tseng & Johnsen 2011, Ural 2009) the competences in this study comprising the section are: *opportunities, marketing, analysis, solutions, sales, order-delivery, aftercare, and systems & process*; proving in turn the ground for the third hypothesis that has been formulated as follows:

**H3.** SMEs level of knowledge and understanding of costumers is positively related to their level of exporting operations.
Besides market orientation and customer orientation, other group of competences can be identified from literature as influencers on firms’ performance, they have been considered in this study as *business competences*. Starting from the notion that capabilities imply an essential role from management to adjust, integrate and redesign the internal and external firm resources, human skills, organizations assets and competences towards the shifting scenarios (Teece & Pisano 1994). So within those distinctive resources that should be potential of competitive advantage will be also included strategic and organizational capabilities (Kogut & Zander 1993) in addition to the processes allowing and enhancing firms performance.

In this way, top management attitudes can definitely impact firms’ performance; perception and behaviors of managers are considered with moderate effect in dynamic capabilities development (Ambrosini & Bowman 2009). For instance, attitudes that have been distinctive in exporter organizations with superior performance are: entrepreneurial ability, high market-oriented perspective, global mindset, determination and eager to cope with risk (Knudsen & Madsen 2002). Moreover, given that exporting demands strong position to foreign markets, highly interaction with partners, flexibility in operations and definitely ability to absorb knowledge for implementing it in strategic decisions; there are specific managers’ competences expected to influence the development of dynamic capabilities, such as: cognitive, managerial and organizational capabilities. As regard of cognitive capabilities, cultural awareness, global mindset and entrepreneurial orientation can be identified as influencers; analytical capability in managerial category; and lastly, flexibility and absorptive capacity as organizational capabilities (Eriksson 2012).

Several studies have been carried out to regarding this set of capabilities, taking some findings as reference and support (Andersson & Florén 2008, Bradley & O Reagain 2002, Crick 2009, Gabrielson *et al.* 2004, Loane 2005, O’Cass & Weerawardena 2009, Suárez-Ortega & Álamo-Vera 2005, Urionabarrenetxea & Castellanos 2009, Yeoh 2004) eight competences have been considered for this study within this set: organization, personnel capabilities, strategic management, processes, competitive advantage,
financing and support systems. Lastly, the evident relevance of business competences seen through the literature provide the foundation for the last hypothesis posited as:

\[ H4. \text{ SMEs level of knowledge and understanding of international business management & strategy is positively related to their level of exporting operations.} \]

Throughout this chapter, the most relevant literature was reviewed from traditional theories until most recent approaches in the topic. Taking the foundations from earliest theories and building on the new perspectives, it can be seen that dynamic capabilities approach enriches exporting research by considering some elements that were not acknowledged in earliest studies. For instance, what Anderson (1993) pointed out regarding missing explanations on knowledge influence, dynamism on the processes and other factors in operational level not previously considered.

Thus, given that dynamic capabilities perspective particularly focuses on how firms can persistently modify their valuable resources over time to respond shifting markets for developing a sustainable competitive advantage, and the phenomenon under research befalls in this context, therefore, it has been suitable foundation for studying it. Furthermore, the evidence from the literature reviewed denotes the relevance of dynamic capabilities for exporting strategy, and suggests a set of capabilities that appear to be salient for successful performance. Thereby, this study selected nineteen international business competences classified in three areas: market orientation, costumer orientation and business competences. Lastly, a hypothesis model supported by the preceding arguments is posited in order to empirically test the research question.

What follows is the methodology section, which describes the research methods employed in this study.
3 METHODOLOGY

The aim of this chapter is to describe and justify the type of research selected for the thesis, the methodology that has been employed, followed by the explanation of data collection.

3.1 Research strategy

In order to address the specific question concerning this thesis, a research process is needed (Ghauri 2005). Given that the study aims at finding out what is the relationship between particular elements, and being quantitative research method the one dealing with the process of measurement while providing elemental connection between empirical and mathematical parts (Thomas 2003); therefore, quantitative research method has been considered appropriate for answering the research question of this study (Ghauri 2005). Thus, through a systematic procedure of planning, implementing and examining the phenomenon (Ghauri 2005) under the proposed model, this thesis employs a descriptive quantitative research design, which makes possible to observe, measure and test the hypothesis by using numbers and statistical processes (Thomas 2003).

Starting by collecting the data in form of numbers, classifying it in accordance with the suggested model, and using correlational method in the attempt to determine the extent of a relationship between the level of SMEs International business competences and their level of exporting operations. Subsequently, the results show how the variables are positively or negatively correlated based on scores by Pearson product-moment correlation. Finally, the analysis offers further understanding of the results as well as some assumptions.
3.2 Sample and data collection

This research has been conducted as a part of YKO (Yritysten kansainvälinen osaaminen/ Business Expertise in International trade) project, where IBAM (International Business Assessment Model) was employed as tool to assess SMEs international competences. Thus, the empirical data employed is a secondary data from internal source; it has been taken from the first database of the International Business Assessment Model (IBAM) that was carried out during 2011. The sample and data collection are explained in the following lines, and a detailed description of IBAM model will be given in section 3.3.

Sample

To begin with, the sample is constituted by SMEs from North Savo region in Finland carrying out international trade. Then, the IBAM database used for this study comes from the first implementation round of the model completed during 2011. In that round, snowball sampling technique was used to reach 25 companies and subsequently gain a sample size of 95 respondents. The selected firms have different size and belong to variety of sectors; of the total sample of 25 companies, eighteen belong to manufacturing sector, five are from service, one company from ICT and one from retail industry. Given that the tool considers all phrases of the internationalization process, from starting point to integrative phrase, the level of internationalization of the firms vary along this line.

Data Collection

The starting point for data collection was by applying IBAM assessment; in this way, members of YKO project contacted the firms and subsequently individual questionnaires were implemented among those Finnish SMEs, confidentiality of the companies’ results was guarantee to the firms. The questionnaires were targeted to head managers and senior positions in the companies. The next step was to compute the data and analyze it by staff members who presented the results individually to each company. Afterwards,
all the information from all the firms was gathered and integrated in one database. The final database comprises 95 responses collected as binary answers from the structured IBAM questionnaire. For the purpose of the present study and due to the large amount of items available from the database, the author of this Master’s Thesis decided to choose one entry mode to reach better focus in the research. In this way, export operations were the entry mode selected; the decision was based on the fact of being the strategy mostly employed by the firms in the sample, and likewise the most extensively used by European SMEs (Onkelinx & Sleuwaegen 2008b). Even though not all the companies in the sample have exporting operations, they all have international operations. Therefore, this study considered all of them given that “exporting level” doesn’t attempt to measure performance of the activity; rather it refers to the level of maturity of such capability, whether is currently exploited or is a potential capability to be explored. And along with, in order to be consistent, it was verified that the data gathered from IBAM questionnaires are in line with this argument.

3.3 Variables

Before explaining the variables generated for testing the phenomenon, IBAM Model will be described in the next section for better understanding of the dimensions selected.

IBAM model

Designed at Oulu Business School, IBAM is a strategic tool which major aim is to assess SME international business competences. The tool provides a comprehensible picture of firms’ internal readiness for trading in international markets, and identifies as well the areas requiring improvements in order to perform successful international operations (Carroll 2012).

IBAM has been designed approaching four areas of internationalization:

- Market understanding
- Customer understanding
- Business competences
Additionally, each of these four areas is constituted by several concepts resulting in a total of 33 aspects.

The model proposes that each area of internationalization in turn, entails five processes:

- Management processes
- Innovation and development processes
- Product management processes
- Consumer control processes
- Support system processes

Thus, the tool entails twenty main subjects that emerged by crossing the four areas aforementioned with the five processes, and covers in this way all the companies’ functions connected with internationalization.

Finally, since the model contemplates all the internationalization process, it also identifies five stages on it defined as: starting, experimenting, planned, systematic and integrative. IBAM has been designed as excel tool that consists in approximately 550 queries to be answered as “yes” or “not”, whether companies are performing or not such functions.

All in all, is by valuing the twenty main subjects through all its aspects how firms’ maturity level in international operations is determined. The results provide firms with a comprehensible picture of their current position, and offer further guidance for the changes required in optimizing resources and directing operations in order to facilitate and improve their internationalization process (Carroll 2012). IBAM model is illustrated in Figure 10.
IBAM tool has been implemented through YKO (Yritysten kansainvälinen osaaminen/ Business Expertise in International trade) project from 2010 to 2012. The project was meant to support local SMEs in their internationalization challenges; in this way, thirty local companies from North Savo region in Finland were selected to participate in the project and get advise by implementing IBAM tool. YKO project was constituted by 17 members from University on Oulu, Savonia University of Applied Sciences and University of Eastern Finland (Carroll 2012).

Thus, having explained the characteristics of IBAM database, it can be seen that such data is adequate for achieving the purpose of this study; given that IBAM’s target population, Finnish SMEs with international operations, is in line with the needs of this study.
In order to test the four hypotheses posited in the model, five variables are required, which entail multidimensional concepts reflecting bundle of attributes (Armario et al. 2008, Eriksson 2012, Knight & Kim 2008). The value of each variable represents the means of the total binary answers, where “yes” answer was coded as 1, and “no” had 0 as a value.

In this way, there are:

- One dependent variable; that is to say, the phenomenon in the attempt to be predicted:
  - Exporting. This variable has been composed by merging: indirect exports, direct exports, own exports, export partner group and project export, which originally were separate items in the questionnaire and have been classified as exporting types (Welch et al. 2007).

- Four independent variables, meaning the factors employed to predict the depended variable. From them, Market Orientation, Costumer Orientation and Business Competences represent the dimensions identified in the literature (see section 2.4) and matched with IBAM data by including the related concepts assessed in the questionnaires.

  - Total business competences, this one is the compilation of the next three variables aiming to represent a global value of the competences and be able to test H1. It includes the 19 competences selected and measured through IBAM questionnaire.

  - Market Orientation, variable constituted by four aspects: markets, segments, competition and network; meant to represent the level of knowledge and understanding of international markets to be tested in H2.
- **Customer Orientation** entails eight aspects: *opportunities, marketing, analysis, solutions, sales, order-delivery, aftercare* and *systems & processes*. This variable corresponds to the level of knowledge and understanding of costumers stated in H3.

- **Business Competences** comprises: *organization, personnel capabilities, strategic management, processes, competitive advantage, financing and support systems*; indicating the level of knowledge and understanding of international business management & strategy to be validated in H4.

Every aspect contained in the variables emerges from a set of queries embedded in IBAM questionnaire. The next figure illustrates the variables generated

![Conceptual framework diagram](image)

**Figure 11. Conceptual framework**

This chapter has explained the methodology followed in order to empirically test the phenomenon under interest; thus, a descriptive quantitative research design is employed for approaching the research question. The sample is formed by 25 Finnish SMEs carrying out international operations, which provided the data used for exploring the
relationships within the variables generated. The four independent variables entail multidimensional concepts that represent the competences selected as relevant for performing salient international operations, and are tested towards the dependent variable exporting level.

### 3.4 Reliability and validity

As quantitative research, this study involves numerical data collection, which should be prepared in order to be quantified. In this step is fundamental to guarantee that the figures used are reliable and valid representation of the concepts they are entailed to symbolize. Therefore, there are two important concepts to ensure for the quality of the study; validity that means the degree to which a test measures what it is supposed to measure and consequently allow appropriate interpretation of scores; that is to say, accuracy. And reliability that denotes trustworthiness and refers to the degree a test is consistently measuring a concept, is usually expressed through a coefficient where higher absolute values will indicate more reliability, meaning less error variance (Bryman & Bell 2007).

There are different types of validity, which importance will differ according to the kind of research. Due to the quantitative nature of this study, it is necessary to guarantee the next types: content validity, which refers to the extent a measure correspond to every single element of a construct, if an element enhances or reduce in a test (Bryman & Bell 2007). In the present study the content validity lies in two parts, first in the conceptual framework built towards testing the phenomenon, which is supported by a comprehensive literature review. Second, in the questionnaire collecting the data, which belongs to IBAM tool (see section 3.3), therefore is understood the strong content validity given that the instrument was created by experts on the field. The next is construct validity, indicating appropriate measure from the test to the target concept (Bryman & Bell 2007), for this research is proved through the coefficients of correlation in the statistical test. Additionally, is necessary to ensure internal validity that refers to the principle of causality, therefore, by using Pearson correlational analysis is inherently
ensuring it since cause-effect is not assumed. And also important to guarantee external validity dealing with generalization of the research’s effect, it involves the sample taken which in this study is snowball sampling within one country, Finland. This consequently brings limitations for generalizing results since certainly don’t represent the entire population; some characteristics might either were left out or are overrepresented, and the possible effects in the results should be considered.

As regards of reliability that indicates the degree a test can consistently measure; that is to say, that will give the same outcome every time, in this study is set out for the statistical analysis to be significant with two-tailed values at the 0.01 level. In other words, statistically determined to be very unlikely to occur by chance in less than a one in one hundred times (Ghauri 2005); in this way, is designed with highly significance.

All in all, the trustworthiness of a study is form along the document, in the data and methods employed. The present research has been considered important to follow the practices that will ensure its quality; such as measurement, generalization and replication that have been taken into account along the process. Nevertheless, limitations are recognized to be the ideal type of research; the descriptions in each section pretend to give a good grasp of the scope and constraints to be considered.

What follows in the next chapter is a description of the results obtained from the statistical tests. First, the output will be described as merely facts acquired from SPPS analysis; afterwards in a subsequent section, the interpretation and discussion are presented.
4 RESULTS AND DISCUSSION

4.1 Results

The data wouldn’t be so meaningful without the analysis that allows turning into useful information. As the hypotheses assumed the existence of a phenomenon, is required to probe the evidence of it (Remenyi 1998). Thus, the collected data was examined, categorized and structured to test the statistical hypotheses stated. To begin with, the original figures were taken from IBAM excel database; the binary results from all the companies were gathered in one report in the same program, and classified according to the hypotheses proposed model. The data was computed and organized as individual responses; that is to say, getting a total of 95 responses without making distinction or classifying them as companies scores given that the attempt is to get a reflection of the total sample, and classifying them as companies’ scores might have increase in some extent the statistical error due to the difference in number of questionnaires implemented in each firm.

Afterwards, a basic coding step was carried out in order to convert the binary (1,0) responses to means and generate one statistical value representing the variables under study. As subsequent step, the data was exported to SPSS (Statistical Package for the Social Science) to compute a correlation function and identify an existent relationship between the variables. Thus, the hypotheses were tested by Pearson correlation ($r$) as a descriptor of the joint variation in two measures; that is to say, by examining the degree of the linear association between two variables. The analysis was designed to be significant with two-tailed values at the 0.01 level; in other words, statistically determined to be very unlikely to happen less than a one in one hundred by chance (Ghauri 2005). The results of the analysis are shown in the following Table:
Table 3. Hypotheses correlations

<table>
<thead>
<tr>
<th></th>
<th>Total competences</th>
<th>Market</th>
<th>Customer</th>
<th>Business competences</th>
<th>Exporting</th>
</tr>
</thead>
<tbody>
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<td>.918**</td>
<td>.908**</td>
<td>.723**</td>
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<tr>
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<td>.710**</td>
<td>.651**</td>
<td>.576**</td>
</tr>
<tr>
<td>Customer</td>
<td>.918**</td>
<td>.710**</td>
<td>1</td>
<td>.725**</td>
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<tr>
<td>Business competences</td>
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<td>.651**</td>
<td>.725**</td>
<td>1</td>
<td>.694**</td>
</tr>
<tr>
<td>Exporting</td>
<td>.723**</td>
<td>.576**</td>
<td>.646**</td>
<td>.694**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)

Hence, returning to the main hypothesis (H1), which posited that the level of SMEs international business competences is positively related with the level of exporting operations, it is now possible to say that the hypothesis is supported. The results indicate a significant (p = .000) and strong positive (r = .723) relationship between the variables. Along with about 0.52 squared (r^2) correlation.

A positive relationship between SMEs level of knowledge and understanding of international markets with SMEs level of exporting operations was the focus in the second hypothesis (H2), this is confirmed with the results indicating a significant and positive relationship, determined by p = .000 and r = .576, which is about .33 squared (r^2) correlation.

A positive correlation was also found between SMEs level of knowledge and understanding of customers with SMEs level of exporting operations, as stated in the third hypothesis (H3). This result is significant at the p = 0.000 level and strong positive relationship indicated by r = .646 and squared (r^2) correlation of 0.41.

Finally, the last hypothesis proposed in the model (H4), posited that SMEs level of knowledge and understanding of international business management & strategy is positively related to their level of exporting operations, which is also supported as
results indicates significance at the $p = 0.00$ level and strong positive relationship showed with ($r = .694$), representing squared ($r^2$) correlation of 0.48

In this way, it is shown by this analysis with Pearson's product moment correlation that there is significant evidence at the 1% level to support all hypotheses. With Pearson’s correlation coefficient we tried to predict positive relationship and from this output we can interpret Pearson’s $r$ and state that all tested correlations are validated, meaning that high scores on SMEs international business competences tend to be paired with relatively high scores on SMEs level of exporting operations, and vice versa. That is to say, if SMEs were assessed high on the international business competences level, we would predict that SMEs were assessed relatively high on their level of exporting operations, and if SMEs were assessed low on international business competences we would predict SMEs also were assessed low on their level of exporting operations. Certainly, this won’t be a fact for every SME, but it will tend to be true.

In some extent, these results imply the predictability of level in exporting operations from the level of international business competences; at least as the hypotheses have been measured in this study. Nevertheless, there is an undeniable amount of prediction error in the hypotheses. All we can confirm is that given a high score on international business competences, there is a larger chance that SMEs will also be more highly scored on their level of exporting operations.

Turning now to interpret the size of a correlation coefficient and understanding that we cannot conclude about causality; yet, it can be taken a step further by squaring it. So, if the correlation is squared ($r^2$) is possible to get a measure of how much of the variability in one variable could be explained by variation in the other. In this way, we use it as substantive effect’s importance, but not as causal relationship measure since we don’t know which way causality is actually running (Field 2009). Based on this, we would consequently say that about 52% of the variability in the level of exporting operations could be accounted for differences in the “total” international business competences.
And about 33%, 41% and 48% of the variability in the level of exporting operations is attributable to differences in Market Orientation, Costumer Orientation and Business Competences, respectively. Yet, there are no clear guiding principle to determine how much variability explained is a considerable amount (Field 2009), besides that there is no certainty if there is a third variable influencing the changes, so “r²” should be carefully understood not mislead the interpretation.

In addition to the relationships sought by the hypotheses, we can also observe through the results the existent relationship between Market Orientation, Costumer Orientation and Business Competences variables.

Market Orientation variable has a significant positive correlation with Costumer Orientation variable determined by p = .000 and r = .710; and in the same way, it is statistically significant correlated with Business Competences variable with positive score indicated by p = .000 and r = .651. Lastly, Costumer Orientation also presents a significant positive correlation with Business Competences shown by p = .000 and r = .725.

As explained earlier, each of the variables tested through the hypotheses entails multidimensional concepts since they compile a set of competences. Hence, in order to get deeper understanding of the relationships linking them, supplementary correlation matrix between all the aspects that compose the variables was carried out; the analysis was executed with SPSS using Pearson’s correlation coefficient and to be tested with two-tailed significance values at 0.01 level. Thus, using once again the Pearson correlation coefficient (r) we can explore in more detail how the 19 competences assessed through IBAM are correlated to each other, bearing in mind that the absolute value of the correlation coefficient measures the strength of such relationships; that is to say, the closer the Pearson correlation coefficient is to 1, the stronger the association of the two variables (Ghauri 2005). The strengths of correlations are interpreted like if r = +.30 to +.39 is moderate positive relationship, if r = +.40 to +.69 strong positive relationship, and from r = +.70 or higher is considered as very strong value.
The results of this analysis are shown in the next tables, which are presented in three sections: Market Orientation, Customer Orientation and Business Competences, according to each variable generated. First, when taking a look at Market Orientation constituted by markets, segments, competition and network, the correlation matrix is as follows:

Table 4. Market Orientation correlations

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<tbody>
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<td>.698**</td>
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<tr>
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<td>.589**</td>
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<td>.227**</td>
<td>.509**</td>
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<td>.253**</td>
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<td>.442**</td>
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<td>.476**</td>
<td>.414**</td>
<td>.299**</td>
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<tr>
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<td>.196**</td>
<td>.226**</td>
<td>.434**</td>
<td>.266**</td>
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<td>.143**</td>
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<td>.304**</td>
<td>.344**</td>
<td>.431**</td>
<td>.447**</td>
<td>.333**</td>
<td>.152</td>
<td>.320**</td>
<td>.451**</td>
<td>.314**</td>
<td>.437**</td>
</tr>
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</table>

**Correlation is significant at the 0.01 level (2-tailed)

As can be seen from the table above, the four competences included in market orientation reported significant positive correlation with SMEs level of exporting operations; market, segment and network showed strong positive correlation, while competition presented moderated positive relationship. The strong correlations, considered above .40, are highlighted in the table.

Regarding the link between market orientation towards the rest of the nineteen competences (without considering exporting), it turns relevant that market and segment are correlated with at least sixteen of them and with up to twelve indicating strong correlations. Network competence, interestingly shows significant correlation with almost all, the only exception is processes.
The strongest relationship found in this matrix is the intersection between *markets* and *analysis* showing positive relationship of $r = 0.698$, which is around $r^2 = 0.48$. With this last number can be said that *markets* level competence can account for 48% of variation on *analysis* competence level, although it doesn’t necessarily cause this variation because it leaves 52% of the variability to be accounted for other variables, but seems worth to point it out.

Turning now to the second set of competences representing *customer orientation*, the output from SPSS for Pearson’s correlation is indicated in the next table:

### Table 5. Customer orientation correlations

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**Correlation is significant at the 0.01 level (2-tailed)**

Out of the eight competences composing *customer orientation* only *solutions* didn’t show significant positive correlation with SMEs level of *exporting* operations, the rest did it. As regards of the association between the nineteen competences, it can be seen that *sales* and *order-delivery* interestingly indicate significant positive correlation with 18 of the competences, from which 14 and 12 respectively are strong relationships. Likewise, *analysis* has positive significant correlation with 17 competences, seeing that holds strong relationship with all the four competences included in *market orientation*. 
It is also worth to observe how the strongest correlations coefficients can be found in the intersection of sales with order-delivery ($r = 0.652$ so $r^2 = 0.42$), with personnel capabilities ($r = 0.585$ so $r^2 = 0.34$) and with analysis ($r = 0.556$ so $r^2 = 0.30$). Moreover, based on this results, we can add that sales level competence can account for 42% of variation on order-delivery, 34% of variation on personnel capabilities and 30% of variation on analysis competences level. Finally, underneath the correlation matrix obtained from business competences in relation with all competences is displayed.

Table 6. Business competences correlations

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** Correlation is significant at the 0.01 level (2-tailed)

Data from this table points out that all concepts contemplated in business competences have significant values to be positively related with exporting level operations; while seven competences include this section and five of them are strongly correlated. In this output can be found the highest correlation number gotten from the nineteen competences in relation to exporting level operations, with $r = 0.666$ personnel capabilities was the strongest association value found towards our dependent variable. Taking it further with $r^2 = 0.44$, could be said that personnel capabilities can be accounted for 44% of the variability in exporting level.

Now, exploring the relationships within the nineteen competences obtained in this analysis, it’s noteworthy that organization, same as sales (see Table 5), has the highest
number of intersections with strong correlations. According to the results above displayed, it has 14 strong positive relationships with significant values and in total is positively related to 17 competences including strong and moderate relationships. The strongest relationships were positive and appeared in the intersection of personnel capabilities with organization ($r = 0.690$), and competitive advantage with strategic management ($r = 0.631$).

Taking together all the results we get then 19 intersections between the SMEs competences measured and exporting level, out of this number 18 competences have significant values indicating positive relationship, that turns to be 95% of the competences are positively related to the dependent variable. Considering only the intersections within the nineteen competences, we get 171 Pearson’s coefficients; from here, 132 values are significant to determine positive relationship between the competences. That is to say, 77% of the values indicate positive relationships between the competences; and more specific, 57% of the values indicate strong positive relationships between the competences.

What is interesting to point out is that no negative correlations appeared, only positive relationships appeared in this correlation matrix. Due to the large amount of intersections displayed, it could be even possible to analyze item by item; however, keeping in mind the purpose of the study, the section above attempted to interpret the most significant outputs for the analysis.

Having described the results from the correlation matrix, the following section will discuss them to provide deeper understanding of the findings.
4.2 Discussion

In order to gain meaningful insights from the outputs acquired through the statistical analysis and be able to enrich the answer of the main research question, this section will discuss the results from testing the hypotheses and reflect them towards the theoretical framework previously presented, which in turn will lead to find connections with earlier contributions on the field. In the next chapter where conclusions are given, the research question will be answered by wrapping up the discussion.

The present study was designed to explore the relationship between the level of SMEs international business competences and their level in export operations. To accomplish that, the competences considered as relevant were classified in three areas: market orientation, customer orientation and business competences and tested through four hypotheses in order to answer the research question. To begin with, it’s important to keep in mind that level of exporting in this study is not a measure of financial or market-based performance, exporting level entails antecedents, processes and outcomes as explained along the thesis (see figure 8).

By using Pearson’s correlation analysis, the coefficients validated the four hypotheses giving significant and positive values for all of them. To start with the discussion, the main hypothesis is recalled:

\[ H1. \text{ The level of SMEs International business competences is positively related with the level of exporting operations} \]

The results confirmed that the level of international business competences which small and medium enterprises posses is positively related with their level of exporting operations. That is to say, the global value of international business competences comprising the nineteen competences is confirmed to have a positive relationship with exporting operations level. Furthermore, the results also validated a positive relationship
of each category entailed in “total” international business competences variable, meaning:

- the level of knowledge and understanding of international markets,
- the level of knowledge and understanding of costumers,
- the level of knowledge and understanding of international business management & strategy

towards exporting operations.

The next Figure 12 illustrates the hypothesis model with the results obtained.

**Correlation is significant at the 0.01 level (2-tailed)**

**Figure 12. Hypothesis model supported**

In this way, the main research question has been partially tackled by validating the hypotheses. Yet, in the following section each one of the hypotheses will be analyzed to provide more details of the results obtained; and in the pursuit of discussing the results
under a comprehensible frame and given that the output acquired is a complex matrix, the observations have been done in three “levels” of relationships by using the same structure of the hypothesis model. The figure 13 provides a general picture to follow the discussion.

Figure 13. Structure of the discussion

4.2.1 Market orientation

H2. SMEs level of knowledge and understanding of international markets is positively related to their level of exporting operations.

At the first level
Our results provide empirical evidence that SMEs level of knowledge and understanding of international markets has positive relationship with SMEs level of exporting
operations. Where market orientation is integrated by market, segment, competition and network competences. In this sense, the results are in line with previous literature that acknowledges such relationship in different ways. To mention some, the empirical research carried out by Knight and Kim (2008), which findings show that SMEs with high level of market orientation have performed better internationally. Armario et al. (2008) empirically confirmed that market orientation acts as antecedent of internationalization strategy for SMEs and their findings support the existence of direct effect in SMEs international competitiveness.

**At the second level**
Looking inside market orientation, is seen that each of the four competences integrating the group show significant positive relationship with SMEs level of exporting operations, while three of them are strongly linked; therefore, these results connect with authors who have also explored and give empirical evidence of positive relation between market-oriented export practices and export performance (Cadogan et al. 2001, Cadogan et al. 2002). In this sense, even if we cannot attribute to market orientation the changes in exporting operations, we point out the obtained results and speculate close connection with previous studies that supports that notion, given that an actual experiment to undoubtedly demonstrate a causal relationship would be required. The strongest intersection towards the dependent variable exporting level is found with markets. This goes in line with Dimitratos (2013) claim stating that a successful internationalization process implies the ability to acquire market knowledge, as well as explore and use the opportunities; given that market knowledge is essential element for market entry, especially when attempting rapid internationalization (Barney 1991).

**At the third level**
Interestingly, the strongest relationship in market orientation matrix appears here, being the intersection between markets and analysis (customer orientation). Furthermore, the four market orientation competences are strongly related with analysis from customer orientation group; suitably, we can associate these results with Williams (2003) who remind us that most of the organizations have access to the same information; thereby,
the real source of competitive advantage will reside on the way information is analyzed, implemented and shared across the areas in the company (Knight & Kim 2008).

And lastly, one more interesting output is the strong positive relationship found between each one of the four market orientation competences (market, segment, competition and network) towards personnel capabilities from business competences group. Here, we recall the findings of Jantunen et al. (2005) showing the impact of entrepreneurial orientation on market access, that is to say, the proactive behavior from managers to explore new markets. More to this point, Armario et al. (2008) found in their study that market orientation constitutes an entrepreneurial aspect that encourages proactive behavior to seize foreign markets, that could be linked to our results as well, because correlation doesn’t indicate in which direction would the causality operate. Thus, managerial involvement is crucial for successful market-oriented behavior development (Armario et al. 2008).

To conclude this section, we connect this finding with the fact that networks are certainly fundamental to discover opportunities and particularly significant for complementing resources and competences to achieve internationalization (Weerawardena et al. 2007a). But to build superior networks requires experience (personnel capabilities), time and the capacity to effectively maintain them (Fletcher & Harris 2012, Weerawardena et al. 2007a); in this way, our results are in line with these arguments, whether we assume such relationship relates to this concepts.

4.2.2 Customer orientation

**H3. SMEs level of knowledge and understanding of customers is positively related to their level of exporting operations.**
At the first level
Likewise previous group of competences, the results confirmed that the level of knowledge and understanding of customers in SMEs has a positive relationship with their level of exporting operations. As previously mentioned, customer orientation entails eight aspects: opportunities, marketing, analysis, solutions, sales, order-delivery, aftercare and systems & processes.

At the second level
Looking individually at the competences, we observe that just one variable is not correlated with exporting operations; seven out of eight confirmed positive relationship towards exporting SMEs level. This links with preliminary research on the field that has provided evidence of costumer orientation as important strategy for value creation in international markets (Blocker et al. 2011).

At the third level
When exploring the relationships within this group towards the rest of competences, it’s worthy to observe that the strongest correlation coefficients were found in the intersection of sales with personnel capabilities and sales with analysis. Again, bearing in mind that sales is not a measure of financial performance, rather entails aspects regarding customer-oriented processes and behavior in company and sales people. So, we speculate that the positive relationship between sales with personnel capabilities and with analysis relates to Blocker et al. (2011) declaring that costumer orientation entails the ability to foresee what will be valuable for customers; it requires a dynamic process knowing what they currently value and sensing what may value in the future, so is a proactive process that will enhance value co-creation.

The most striking result emerged from customer orientation matrix is that surprisingly solutions was not correlated with more than two other competences. This doesn’t deny having relation to others, that conclusion might require other statistical analysis; however, within the analysis carried out in this study, it contrast with the tendency of the
general results, so further analysis might be required to have an accurate explanation for the figure acquired in our matrix.

Additionally, since marketing competence was emphasized within the literature reviewed as salient capability for international performance (Knight & Kim 2008, Nummela et al. 2004, Sapienza et al. 2006), it becomes worthy to review the output in the analysis. So, the overall result from marketing competence shows significant positive relationship with fifteen variables, though most of the relationships are “moderate”. But strong positive relationship can be found with sales and exporting operations, which could be connected with the notion of Weerawardena et al (2007) stating that superior marketing capability can be consider as key driver for fast internationalization process and supported by other empirical studies (Knight & Kim 2008, Mort et al. 2012).

4.2.3 Business competences

H4. SMEs level of knowledge and understanding of international business management & strategy is positively related to their level of exporting operations.

At the first level

Lastly, the fourth hypothesis was posited as: SMEs level of knowledge and understanding of international business management & strategy is positively related to their level of exporting operations, and it has been validated by the analysis. Business competences comprise: organization, personnel capabilities, strategic management, processes, competitive advantage, financing and support systems competences. Thus, our findings in this section are also in line with previous literature pointing out the relevance of business-model innovations, considered critical within dynamic markets where traditional models are obsolete for successful performance (Teece 2011) and also in line with empirical studies that acknowledge such relationship in different ways (Jantunen et al. 2005, Knight & Kim 2008, Knudsen & Madsen 2002, Nummela et al. 2004, Prange & Verdier 2011, Teece 2007, Zahra et al. 2006).
At the second level

The results point out that each one of the variables included in business competences have significant values to be positively related with exporting level operations; while five of them are strongly correlated. Given that capabilities entail a crucial role from management by adjusting, integrating and redesigning firms’ resources, human skills, assets and competences towards shifting environments (Teece 2004), and placing entrepreneurs and managers at the center of the process (Zahra et al. 2006); therefore, our results highlight this notion with the correlation matrix obtained in this section, which is quite revealing when acquiring the highest correlation number out of the nineteen capabilities towards exporting operations level. In this way, personnel capabilities has the strongest coefficient validating a positive relationship with exporting operations level. Several studies have been carried out in this field, and correspondingly our results match with previous findings; for instance, Knight & Kim (2008) showed that quality of the management team contribute to improve SMEs international performance. Likewise, Nummela et al. (2004) have found a relationship between the level of internationalization of SMEs and a managerial global mindset, along with the fact that maintaining successful performance requires skilled and entrepreneurial management (Teece 2007).

Now, taking it more specific, not only internationalization but exporting strategy, we recall the proposition of Prange & Verdier (2011) concerning the implications of balancing between the unknown long-run effects and short-run gains/losses of choosing exploitative or explorative paths for internationalization, so here we find a crucial role of decision-making from managers. And building in this line, we add the claim of Knudsen & Madsen (2002) pointing out that is the process that requires to be managed, not the outcomes. Accordingly, if we consider that the variables tested, personnel capabilities and exporting, are bundle of features including processes, resources and so on; therefore, we can make the connection with these authors. That is to say, even if we cannot conclude causality between the variables, the evidence of strong positive relationship probed by the results, allow reporting a close connection between the competences and
in this case, speculate the relevance of personnel capabilities level towards exporting operations level.

*At the third level*

The strongest positive relationships were found in the intersection of personnel capabilities with organization, which reinforce the arguments aforementioned; and in the intersection of competitive advantage with strategic management, which turns to be a noteworthy figure for this study. To explore more this second correlation, first we recall Teece (1997) who stated that the competitive advantage of firms lays on their internal processes and routines that allow renewing and changing the stock of capabilities to make possible a constant delivery of added-value to their costumers within dynamic environments; thus, our results are in line with this notion, since positive strong relationship was found within two variables that are embedded in the statement. Additionally, competitive advantage is at the core of dynamic capabilities view, which implies leeway for learning, incorporating, creating and reconfiguring firms competences (Prange & Verdier 2011) meaning the capability of managing resources for value-creating strategies (Eisenhardt & Martin 2000) therefore, the strong positive relationship obtained between competitive advantage with strategic management can be associated with this conception. And lastly, taken together both arguments, we observe that strategically managing resources, processes and routines in the pursuit of sustainable competitive advantage is along with dynamic capabilities perspective; therefore, the relationship found through our statistical analysis provide empirical evidence to those relationships already conceptualized in the model tailored with literature review (see Figure 8).

And finally, one more worthy result to take a look is the output from financing level, which in contrast to previous literature (McKelvie & Davidsson 2009) gave a positive relationship towards network, personnel capabilities, and strategic management. In a way it would be expected to have negative relationship when assuming that limited financial resources as intrinsic characteristics of SMEs, might lead to develop intangible resources (networks) and entrepreneurial behaviors (personnel capabilities & strategic
management). But our results don’t show that notion since positive relationship was the output; therefore deeper analysis is needed for further understanding.

To sum up this section, we discussed the main findings from the Pearson’s product-moment correlation analysis and reflected them against previous literature and empirical evidence. The main research question was discussed by testing four hypotheses; additionally, to make it more meaningful, a correlation matrix that shows the relationships within all the competences studied in the thesis was analyzed as well.

Thus, we discuss the findings in three levels of relationship in order to conduct a more understandable analysis; the first level of relationships refers to the link between exporting with each of the three main groups: market orientation, customer orientation and business competences; at the second level we discussed exporting towards the nineteen competences embedded in those three groups; and finally, at the third level we review the relationships within the nineteen competences.

As the study uses Pearson’s correlation, therefore is able to identify patterns, but is out of its scope to provide cause and effect of the phenomenon; hence, the results obtained from this method cannot demonstrate that one variable causes a variation in other variable. And since the variables are not manipulated, they are just observed in their natural setting, their connections can only be described (Ghauri 2005) and intuitively stipulate, but experimental research should be conducted to affirm causation and its direction. Despite this, findings clearly showed connection with dynamic capabilities perspective and with empirical studies on internationalization of SMEs. The following section will present the conclusions drawn from the present study.
5 CONCLUSIONS AND IMPLICATIONS OF THE STUDY

5.1 Main findings

The present study was designed to empirically explore the relationship between the level of international business competences in SMEs and their level of exporting operations. In order to accomplish that, two objectives were set and ultimately achieved. First, a set of international business competences was identified and classified to enable devising a model through which the phenomenon was explored. And second objective was to collect and classify the required data for testing the phenomenon and provide empirical evidence. Thereby, the research question was tackled by developing a hypothesis model, which was finally supported with the results acquired in the statistical analysis.

The first objective of identifying and classifying a set of international business competences that enable to devise a model through which the phenomenon can be explored was driven by dynamic capabilities approach. Given that is a multidisciplinary perspective for strategic decision-making which provides understanding of the contemporary business operations by recognizing new elements of competition that were absent in preceding theories (Teece 2011), it was considered an appropriate framework for this research, since internationalization of SMEs is certainly a contemporary phenomenon operating in shifting and complex environments.

Along the review, it was possible to witness the need of consolidation in dynamic capabilities foundations, supporting the authors who already recognized that such perspective has a rich but complex body of knowledge that might still cause confusion due to the diversity and in some points divergent directions (Eriksson 2012, Jantunen et al. 2005, Knudsen & Madsen 2002, Prange & Verdier 2011). Yet, the approach has enriched this research while going beyond the financial and market measures of firms’ success and by considering new and dynamic elements previously ignored or taken as static entities.
And the second objective of collecting and classifying the necessary data for testing the phenomenon and provide empirical evidence was undertaken with descriptive quantitative research method. Tackling the phenomenon by testing hypotheses and using correlation analysis to demonstrate the relationship between the variables that emerged from the theoretical framework as salient concepts. Thus, by using Pearson correlation analysis, the results validated the four hypotheses; as mentioned, that confirms a positive relationship between SMEs level of international business competences and their level in exporting operations. Furthermore, the results acquired from further analysis within all the competences exposed interesting relationships that connect with earlier scholars’ research and provide ground for making predictions.

Thus, answering the research question that was posited as:

*How is the relationship between the level of SMEs international business competences and their level in export operations?*

It has been statistically approved that the level of SMEs international business competences is positively related with the level of exporting operations. Furthermore, the results supported each one of the three dimensions included in the main hypothesis. Thus, the findings of the study acknowledge a positive relationship of SMEs level of knowledge and understanding of international markets, level of knowledge and understanding of costumers, as well as level of knowledge and understanding of international business management & strategy towards their level of exporting operations.

The results revealed that eighteen out of nineteen SMEs international business competences enclose positive relationship with SMEs exporting level, whether there would be causality or not within them, is already meaningful the amount of competences that showed to be linked with the exporting level.
As regards of market orientation level, it is stressed from the analysis that the four capabilities included here (market, segment, competition & network) hold strong positive relationship towards three competences:

- with exporting, so besides the confirmed relationship found, these results could speculate to a positive relationship of market-oriented behaviors to exporting success that has been emphasized from preceding literature (Armario et al. 2008, Cadogan et al. 2002).

- with analysis, emphasizing that even relevant information can be accessed by most corporations; thus, the authentic source of competitive advantage lies on the strategically analysis of such information to direct it and upgrade it.

- with personnel capabilities, associating this results with the proactive behavior from management to sense and seize new markets, segments, opportunities, networks (Armario et al. 2008, Jantunen et al. 2005, Weerawardena et al. 2007b).

Concerning customer orientation, as a full group holds a positive relationship with exporting level, in some extent can be linked with the notion that costumer orientation is important strategy for value creation in international markets (Blocker et al. 2011), cant statistically support it, but intuitively acknowledge the association with it. Moreover, two important relationships came out of this analysis:

- sales is strongly correlated with personnel capabilities and with analysis. Is possible to link this output to the view that customer orientation entails the ability to foresee what customer will value, implying sensing future needs to enhance value co-creation. In this way, the three variables certainly hold relationship (Blocker et al. 2011).

- marketing with sales and exporting, with this intersections can be speculated if is linked to the notion that superior marketing capabilities can foster internationalization (Weerawardena et al. 2007b).

And then, business competences as one group showed positive relationship with exporting, which we associate with Teece (2004) pointing out the critical role from management towards shifting environments. And two more relevant connections are:
- personnel capabilities with exporting, is particularly a striking connection because it was the highest correlation number towards exporting; and even if it is not statistically probed causality, given the core discussion of the study, the strong positive relationship seems to emphasize the relevant role of management on building and orchestrating internal and external assets (Teece 2007) on decision-making about long-run effects and short-run gains/losses (Prange & Verdier 2011) and the need of vision beyond financial and market measures (Teece 2011).

- competitive advantage with strategic management. This relationship seems to appeal two issues largely cited along the study, the fact that firms’ success emerges from building and maintaining a competitive advantage (Onkelinx & Sleuwaegen 2008a), and key role of management for strategic decision-making processes (Knudsen & Madsen 2002, Prange & Verdier 2011, Teece 2007, Zahra et al. 2006).

Lastly two striking results that differed to the literature reviewed were solutions being correlated with just two variables; and financing that in a way was expected to hold negative relationship with some variables, or to stand out with some figures, but in general hold moderate relationships and any negative.

Although correlational analysis limits in some extent this study given that correlation doesn’t demonstrate causal relationship between the variables, yet is relevant and helpful method because offers the possibility to predict the impact of variables in similar situation. Nevertheless, it is important to bear in mind that even if two variables are very closely connected, there might be some other variables influencing the extent to which they vary. Therefore, even when is intuitively appealing to make some conclusions, the analysis has just described the statistically probed relationships and by connecting dots has speculated based on preceding empirical findings and literature.
5.2 Theoretical and managerial implications

The necessary elements were gathered through the literature review for developing a required structure to direct the empirical research. The review brought together theoretical foundations of internationalization, export strategy and dynamic capabilities coming out with a tailored framework for the needs of SMEs internationalizing. Thus, by combining current notions of two academic areas, International Business and Strategic Management, this study has theoretical implications by contributing to the emerging and novel area of research (Eriksson 2012, Knudsen & Madsen 2002, Luo 2000, Prange & Verdier 2011) and to the need for further development of export strategy foundations that have recognized the shortcomings of conventional internationalization theories (Jantunen et al. 2005, Knudsen & Madsen 2002, Prange & Verdier 2011).

All in all, the empirical evidence of this research allows making predictions based on the relationships found. This has a practical implication within contemporary business enterprises since such predictions can facilitate the process of internationalization by foreseeing and providing a reference on what’s strategically important to construct, possess and manage to stand out in global markets (Teece 2011).

While is well-known that firms’ success emerges from building and maintaining a competitive advantage, but by being immerse in hypercompetitive global environments in addition to the inherent disadvantages of SMEs, that requires a skillful management to shape and manage the intangible assets that can allow to differentiate and create in some degree that competitive advantage (Teece 2011). Base in this context, our results can support decision-makers by providing a conceptual framework to help leading firms within a highly competitive international markets in the need of understanding, in a big picture, some relevant capabilities associated with internationalization process, and more specifically with exporting strategy, that entail some of those intangible assets enabling firms’ differentiation. And lastly, to point out the clear evidence gained that focusing only in financial and market outcomes rather than also giving importance to the processes might hinder decisions (Knudsen & Madsen 2002); since companies are
competing not only with their existing resources, but with the ability of reviewing, developing and connecting them.

### 5.3 Limitations and implications for future research

This study acknowledges limitations; first, in the theoretical review while collecting the references to develop the framework needed, limitations comes when selecting, analyzing and interpreting the most accurate literature; which is not an unmistakable process due to the large amount of bibliography available and as previously mentioned, in some topics presenting diverse arguments.

Second, limitations in the empirical part are acknowledged, accurate details are given in methodology section (see section 3.4). Regarding the sample, which belongs to one country and bearing in mind its small open economy, it should be then validated to other settings as well and consider this before making general assumptions for SME since certainly they don’t represent the entire population; some characteristics might were left out or are overrepresented and cause possible effects. In addition might be worth to employ statistical sampling to get more accurate results. As regards to the correlational research method employed, it has set a limit for the extend to interpret the data; that is to say, it is possible to identify patterns, but it does not go so far to prove causes for such patterns; an experimental research is needed to determine cause-effect and its direction. One more limitation arises from the variables, since results might vary by incorporating control variables such as industry type, firm size, turnover, to mention some.

Lastly, this research has thrown up many questions in need of further investigation. The model used for testing the hypotheses suggest to be taken to a second stage of exploration, since several interconnections were identified within the capabilities studied, but still don’t know until what extent they influence each other and in which direction; thus, future research can be undertaken with experimental method to be able to control variables and determine the effects in the dependent variable and how such competences influence firm’s performance. Likewise, a set of competences was
suggested as relevant, might be worth to identify which of them are needed along the stages of the internationalization process; recommended as well to assess the phenomenon towards other entry modes beside exporting to compare them, and to carry out longitudinal studies for assessing competences in different points of time to get deeper information.
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