

Antecedents to Sequencing

An Analysis of the Role of Slack within Financial Resources, Cultural Intelligence, and Global Mindset on Sequencing Strategies in Dutch and German SMEs



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Cultural Intelligence, and Global Mindset on Sequencing
Strategies in Dutch and German SMEs

Master Thesis

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Disclaimer

This research project is a joint effort of three students from the University of Twente and the Technical University of Berlin. This joint effort has resulted in close collaboration in several stages of the process of writing this study, thereby clarifying any suggestive plagiarism. Especially the chapters concerning the methodology as well as the theory chapters have been written in close collaboration. Moreover, the data gathering stage has been conducted by all three students. However, the exclusive contribution from this study is derived from the constructs. While this study, as well as the other two studies, includes the constructs global mindset and cultural intelligence, this study includes the factor slack within financial resources in the study. This differentiates the study from the other two studies, which have focused on other antecedents. Furthermore, this study includes the systematic literature reviews for the construct slack within financial resources as well as the systematic literature review for the concept sequencing.

Abstract

This research focuses on the drivers within entrepreneurial firms in their process of internationalisation. There are various drivers that prior research has found that influence the choice for a specific internationalisation strategy, i.e. sequencing. This is a strategy in which a specific order of market entries is chosen by the a firm, hence a planned and structured approach towards internationalisation of the firm. However, previous research has also suggested that other factors can influence a firm to pursue a sequence strategy. In this study the factors cultural intelligence, a global mindset, and slack within financial resources are examined in relation to sequencing. Literature on these factors has illustrated that a connection between the factors and internationalisation strategies is present. However, the relation between these factors and sequencing has never been studied. The aim of this study is, therefore, to examine the possible relationships between these factors and pursuing a sequencing strategy.

This study has provided empirical findings on the role that these factors have on the application of sequencing as their internationalisation strategy within entrepreneurial firms or business units. The study finds evidence for a possible relationship between cultural intelligence and sequencing, based on the distinction of use of external parties (e.g. sales agents and distributors) by firms. Moreover, the results illustrate that there is no evidence for the relation between a global mindset and slack within financial resources and sequencing. Although, the findings do confirm the relation between slack within financial resources and selecting the internationalisation strategy of a firm. Furthermore, any interconnections between the factors that influenced a firm to pursue sequencing could not be found either. Additionally, the performance of the internationalisation strategy is examined together with the influence that sequencing has on this performance. This study could not find evidence for the positive relationship between sequencing and firm performance, as previous research has suggested.

These findings contribute to various streams of literature that are associated with international business and the factors, to some extent to distribution management literature, and literature on sequencing. Moreover, the findings have demonstrated the importance of the degree of slack within the financial resources and cultural intelligence in the selection of a particular internationalisation strategy to firms. Moreover, firms can fill a possible gap of cultural intelligence with the use of external parties in the internationalisation process.

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1. Introduction

In today's globalized world, firms, both multinational as well as SMEs, are not solely bound to their local markets anymore. Firms are looking to international markets for market opportunities. In order to do so, the strategy of entering foreign markets becomes more and more important. The range of choices of how a firm internationalises is extensive. For instance, a firm could enter international markets simultaneously. An example of a type of firm that pursues such a strategy is a born-global firm (Oviatt & McDougall, 1994; Moen & Servais, 2002). However, a gradual and structured approach towards entering international markets is possible as well. This is proposed by Bingham (2009), who states that a low degree of improvisation in the process of determining to what market to enter and subsequently entering foreign markets in an incremental and structured manner increases the degree of success in entering international markets. This process of structured market entry in a specified order is called sequencing.

In entering foreign markets and execute an internationalisation strategy, financial resources play a role. Besides the incurred increase in costs, entering international markets increase the costs to operate a business due to the liabilities of foreignness as well (Hymer, 1976). This can originate from, among other reasons, insufficient market knowledge or cultural and institutional differences from the home market (Cuervo-Cazurra, Maloney, & Manrakhan, 2007; Santangelo & Meyer, 2011). Hence, due to costs of entering international markets the financial resource base of a firm can have a significant influence on what strategy a firm chooses to internationalise. This includes sequencing strategy, which seems to be an appropriate strategy when there is a lack in financial resources. This as it lowers the risks and demands less financial resources (Baker, Miner, & Eesley, 2003; Starr & MacMillan, 1990; Johanson & Vahlne, 1977).

As the liabilities of foreignness illustrate, coping with cultural differences and possessing sufficient market knowledge are deemed to play a role in how effective and successful a company is in its international operations. It has been shown that cultural intelligence, the ability to cope with a diversity in cultures, within a firm is a competitive advantage in the international marketplace (Van Dyne, Ang & Livermore, 2010). Additionally, a global mindset, which is the ability to deal with market differences and to perceive the world as the marketplace, is deemed to be affect a firm positively as well in the process of entering international market (Bendix Marthinsen, 2015).

This study will focus on the influence that slack within financial resources has on the choice of a firm to pursue sequencing as the internationalisation strategy. Moreover, the relation between the other factors, cultural intelligence and global mindset, and sequencing is also examined. Additionally, the performance of the firms that internationalise, both the ones pursuing and not pursuing sequencing, is investigated in this study.

1.1 Previous Research

The opportunities that are present for firms in international markets lead to the necessity to establish an internationalisation strategy. In order to internationalize, several key decisions need to be made. Firstly, a firm should select international markets to enter. There are various methods to accomplish this, ranging from mostly improvised (Zahra, 2005; Coviello, 2006) to highly planned (Sapienza, Autio, George, & Zahra, 2006). Subsequently, a specific entry mode into this market needs to be chosen. This can also be accomplished by improvisation (less scripted) or planning (more scripted).

There are various theoretical perspectives that advocate improvisation in the process of entering international markets by entrepreneurial firms. Oviatt & McDougall (1994) state entrepreneurial firms internationalise differently than established firms, since the process of entrepreneurial firms is both quicker and is opportunistic. This is in line with the argumentation of Zahra (2005; p. 24): “experimentation is essential for international new ventures to discover the winning business model and recipe. Openness to this sort of experimentation is a must”. The nature of this internationalisation process provides the necessary flexibility to benefit from the opportunities in a market. These opportunities can occur as unexpected market demand (Kuememmerle, 2005) or as an unexpected pull into a foreign market from the network of a firm (Coviello, 2006). Moreover, rapid changes in the market (such as the unpredictable technology market) call for a strategy that is flexible and more opportunity driven (Eisenhardt, 1986). Furthermore, the common attributes described to entrepreneurial leaders (e.g. tolerance for ambiguity) make an internationalisation process based on flexibility and improvisation more effective (Allinson, Chell & Hayes, 2000; Bhidé, 2003).

On the other hand, there are theoretical arguments that state that less improvisation in the selection of foreign markets leads to more successful internationalisation process. As a rapid internationalisation process into various foreign markets leads to a lack of focus, this is a threat to entrepreneurial firms that pursue this strategy (Sapienza et al., 2006). Directing the focus on entering a particular market (Zahra, 2005), or in a market order (Bingham, 2009),

possibly in countries that possess industry clusters (Fernhaber, Gilbert & McDougall, 2008) or within a particular geographic area (Rugman and Verbeke, 2004). Furthermore, a structured approach towards entering international markets allows a firm to leverage on common practices and products (Bingham, 2009). Various empirical studies have found that firms are more successful in their internationalisation process when they use common, structured, practices (e.g. in their market entry mode (Zahra, Ireland & Hitt, 2000) or their management of international operations (Isobe, Makino & Montgomery, 2000).

According to Bingham (2009) a method called sequencing results in a more successful selection and entry into international markets. Sequencing is based on establishing a particular sequence in selecting the markets to enter beforehand. Sequencing markets to enter, from, for example, larger to smaller markets or from more culturally similar to less culturally similar markets, leads to more success when a firm is internationalising its business.

Previous research has already found that there is a possible link between sequencing when a firm possesses the cognitive characteristics of cultural intelligence and a global mindset. This since the incremental planned market selection, and subsequent entries, of sequencing facilitates a gradual process of gathering knowledge and increasing the absorptive capacity of a firm (Delios & Henisz, 2003). Additionally, a global mindset within a firm means that the firm is open and aware of cultural and market differences. This might lead to a process in which these firms enter markets that are culturally more related to the home market and subsequently gradually entering markets which are culturally more distant from the home market (Gupta & Govindarajan, 2002). Moreover, previous research on the relation between slack within financial resources and internationalisation has presented that financial resources can influence the choice of internationalisation strategy. This is due to the risks that are associated with entering foreign markets (Sui & Baum, 2014). Consequently, a higher financial resource base can lead to a strategy that is less risk averted (Chang & Rhee, 2011; Eriksson, Johanson, Majkgård, & Sharma, 1997), while a lack within the financial resource base can lead to a more cautious strategy (Sui & Baum, 2014). Hence, the extent to which a firm can, or is willing to, enter markets is related to the slack within financial resources.

1.2 Relevance and research objective

As Bingham (2009) describes, there has been a lack of clarity what the drivers are for sequencing. As previous research has illustrated, there is a link between internationalisation and cultural intelligence, a global mindset and slack within financial resources. However, the

relation between sequencing and these antecedents is not explored yet. Therefore, the aim of this study is to investigate whether there is a relationship between implementing a sequencing strategy and the three antecedents mentioned before (i.e. cultural intelligence, a global mindset, and slack within financial resources). Beside the investigation into these relationships, the relation between sequencing and firm performance will be examined as well. As the last layer in this study, the possibility of interconnectivity between the three factors is studied as well.

This study will contribute to existing literature, since this study incorporates possible antecedents to sequencing. This is in contrast to the studies mentioned before, which focused more on the strategic consequences (i.e. whether improvising or structuring the international market entries is best approach) rather than the drivers behind it. By examining the possible drivers behind sequencing and the relation between sequencing and firm performance, this study adds both empirical evidence to pre-existing literature and non-existing literature.

This leads to following research question for this study:

“To what extent do cultural intelligence, having a global mindset, and slack within financial resources play a role in the choice of a firm to pursue a sequencing strategy?”

1.3 Research Design

In the process of answering the research question of this study, the following structure for this research is used. Firstly, the sequencing theory is explained, which forms the theoretical framework of the study. A systematic literature review is conducted in order to provide a comprehensive understanding of the sequencing theory. This systematic literature review follows the methods outlined by Tranfield, Denyer and Smart (2003) and makes use of various academic databases (i.e. Scopus, Science Direct, and Google Scholar). Subsequently, the relating factors to sequencing, i.e. cultural intelligence, global mindset are described through a literature review. Thereafter, another systematic literature review on the key factor in this study, slack within financial resources, is conducted. Through this extensive systematic literature review a comprehensive understanding on this factor is established. By providing an understanding of the factors included in this study, a conceptual framework is established. In the subsequent chapters the conceptual framework is enriched by the findings from the empirical data (both qualitative and quantitative). Consequently, a conclusion is drawn from this procedure and an answer is provided to the research question.

1.4 Contributions to Theory and Practice

This study found evidence for a possible relationship for one of the four propositions, i.e. the relationship between cultural intelligence and sequencing. This evidence is based on the use of external parties by firms that did not sequence in order to cope with cultural differences, while most firms that sequenced did not use external parties and relied on their own cultural knowledge by selecting and entering international markets. This finding contributes to the streams of literature of cultural intelligence in relation to international business, distribution management literature, as well as to sequencing literature, as it indicates an antecedents possibly related to the concept. Moreover, this study found the importance for all antecedents examined in relation to international business. Thereby the findings are consistent with existing literature on cultural intelligence, global mindset, and slack within financial resources in relation to international business. Moreover, as this study perceived the antecedents as possibly influential to the selection of a sequence strategy, it contributes to the literature of sequencing as well. This since this approach to examining is different from previous research on sequencing conducted by Bingham (2009).

The contributions to practitioners can be drawn from the contributions to theory from this study. The results have illustrated the importance of slack within financial resources when a firm is selecting an internationalisation strategy. Hence, the degree of slack needs to be taken into consideration within the decision-making process of selecting a particular internationalisation strategy. Moreover, while selecting and entering a particular international market, the degree of cultural intelligence within a firm is important as well. The findings of this study illustrate the importance of cultural intelligence and when this lacks that this gap can be filled by the use of external parties (e.g. sales agents or distributors).

2. Theory

This chapter will provide an understanding of the key concepts and constructs in this study. It will provide a systematic literature review on the concept sequencing, as well as for the construct for which this study will provide an exclusive contribution, i.e. slack within financial resources. After the key concepts and constructs of this study are described, the conceptual framework for this study will be presented.

2.1 Sequencing

2.1.1 Systematic Literature Review

This systematic literature review is conducted to provide a comprehensive understanding of the concept sequencing. The approach laid out by Tranfield et al. (2003) was used. This approach consists of a process of five steps. These are (1) identification of research, (2) selection of studies, (3) study quality assessment, (4) data extraction and monitoring process, and (5) data synthesis. This process has been applied to the following questions (1) what is sequencing? (2) what are the characteristics of sequencing? And (3) what are the advantages of sequencing?

For the identification of research, academic databases (i.e. Scopus, Science Direct, and Google Scholar) have been used to search for sources. The search strategy for this systematic literature review is compiled of examining academic articles that derive from the databases. These articles are sought for by the use of keywords. These keywords that have been used are a combination of “sequencing” and “internationalisation” or “internationalisation strategy” or “market entry”. This search provided 4008 hits, which were screened. The exclusion sources, and subsequent selection of relevant sources, has been based on the relevancy of the sources towards the questions. After the most appropriate and relevant sources were selected an assessment of the quality of the remaining sources was executed. This assessment examined possible relevant citations. The sources that were selected were selected based on the fact that these were relevant towards the questions posed for this systematic literature review. Eventually, the remaining 16 articles have been used, together with the relevant citations and to synthesise the data. The steps in the process of Tranfield et al (2003) in relation to this study are illustrated in figure 1.

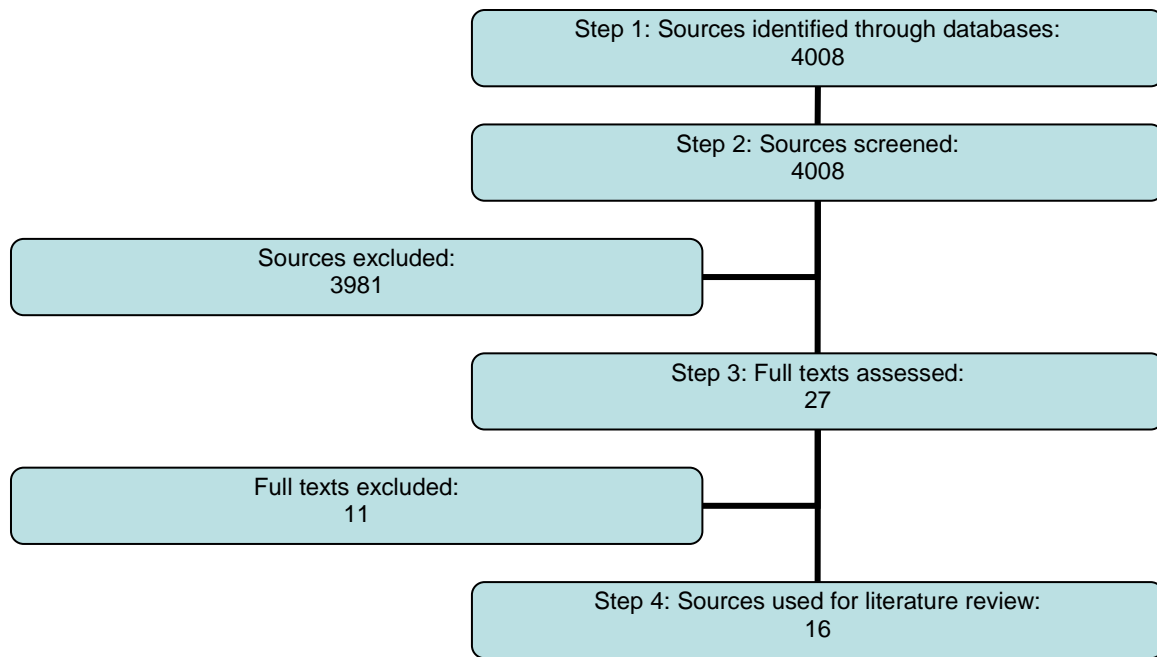


Figure 1: Process of conducting the systematic literature review for the concept sequencing¹

2.1.2 Conceptualisation Sequencing

According to Bingham (2009) the most successful way a company can enter a foreign market is by decreasing the improvisation in the selection of the foreign market, while it is deemed more successful to improvise during the execution of the international opportunity. Various scholars (Oviatt & McDougall, 1994; Zahra, 2005) state that a more improvised approach towards market selection is more suitable to entrepreneurial firms, since they are situated inside an environment that is very dynamic and with disruptive changes. However, Bingham (2009) refutes this statement in his research, stating that a more standardized approach towards the selection of international markets should be more successful in order to enter a foreign market. This standardized approach towards international market selection is based on sequencing. This means that entrepreneurial firms that deliberately sequence their international market selection, based on two factors, tend to be more successful.

Sequencing is defined as the “specified order of country entries” (Bingham, 2009; p.326). This order can be based on various elements and Bingham (2009) has identified many different rationales for sequencing. Sequencing can, for instance, be based on the similarities in culture between the home country of the firm and the new foreign market that would be entered. Various scholars have addressed this sequencing pattern (Johanson & Vahlne, 1977; Hofstede, 1980; Hollensen, 2008; Kogut & Singh, 1988). It can be based on the size of

¹ Sources and relevant quotations can be found in Appendix 2.

the market which would be entered (Davidson, 1980; Ellis, 2008) as well. These are the traditional types for sequencing. However, Bingham (2009) argues that sequencing also facilitates a more successful way of entering international markets due to various other reasons.

Firstly, experience is gathered in an appropriate order due to the help of sequencing (Bingham, 2009). This means that not only internal learning is a basis for a particular order of market entries, but external perception as well. Additionally, the creation of continuity between experiences by sequencing is a reason for a more successful way of entering international markets. As Bingham (2009) states: “sequencing brings the present and future together in a way that creates team alignment and channels the energy and attention of organizational members. This helps firms get into a flow and move forward in a coordinated fashion” (Bingham, 2009; p. 331). Another reason is that sequencing increases the ability of a firm for solving problems and sensemaking. In order to effectively solve problems one has to understand the initial state, the goal state, and the way to get from the initial state to the goal state (Newell & Simon, 1972). Sequencing helps in this process by providing an understanding to managers of where they are now, where they want to go and the process to get there (Bingham, 2009). Thus, sequencing can be used as a way in which a company can expand internationally in a structured and coherent way, that leads to more successful international market entries than when improvisation is used in entering foreign markets.

Sequencing is a relevant factor for learning patterns as well. As stated in the research of Bingham (2009), sequencing leads to more successful entries. This is partly based on the fact that sequencing leads to incremental learning. Thus, by entering markets in a specific pattern, this will lead to increased experience by the firm and therefore increased knowledge. This will lead to more success during subsequent entries.

Organizational learning is also a key element in the stage of the execution of international expansion. There are various ways of organizational learning, including trial-and-error learning, experimental learning, improvisational learning, and vicarious learning. Trial-and-error learning is learning based on an action that is executed and the knowledge of the firm is improved by the consequences of the action (Argyris & Schön, 1978; Baum & Dahlin, 2007; Greve, 2003). This means that learning occurs after the execution of an act (including, for example, international expansion). Another type of learning is experimental learning, in which an organization establishes a controlled environment in order to test causal relationships and to increase the knowledge base of the firm (Cook & Campbell, 1979). It varies from the trial-and-error learning due to the fact that the introduction of variations within the conditions of

the tests are planned. As the third type of learning, improvisational learning is the process in which direct problem solving and dealing with unexpected circumstances creates a learning process and thus increases the knowledge base of the firm (Miner, Bassoff, & Moorman, 2001). The last type of learning is vicarious learning, which is an indirect form of learning. An indirect type of learning means that a firm learns from the behaviour and actions of another firm, instead of learning from its own actions. Vicarious learning, in this sense, is a result of observations of the actions of competitors and the change that this will bring within the knowledge base of the observing firm (Kim & Miner, 2007).

2.2 Cultural Intelligence

As the overarching concept of internationalisation and the sequencing theory are described, the focus will now be put on conceptualizing the factors that will be relevant for this study: cultural intelligence, global mindset, and slack within financial resources. Firstly, the factor cultural intelligence will be described.

The concept is established relatively recent, as one of the first to conceptualise the concept were Earley & Ang (2003), who stated that cultural intelligence “[...] reflects a person’s capability to gather, interpret, and act on [...] radically different cues in order to function effectively across cultural settings” (p.12). In essence, cultural intelligence build on the concept of intelligence. This concept is defined in many different ways (Sternberg & Detterman, 1986). However, Sternberg (2012) provides a synthesis of the definitions, which is based on the emphasis that intelligence deals with to the “capability to adapt to effectively to the environment”, in which intelligence consists of a multilocus framework, including biology, cognition, motivation, and behaviour (Ang, Van Dyne, Rockstuhl, 2015; p.277). This definition is in line with the definition for cultural intelligence, in which the cultural settings constitute the environment.

Building on the definition of Earley & Ang (2003), Thomas & Inkson (2003) expands the definition of cultural intelligence by including the possession of an understanding of and apprehensive approach towards intercultural interaction and establishing an intercultural set of behavioural attributes. In addition to this definition, Earley & Mosakowski (2004) define cultural intelligence as “an outsider’s seemingly natural ability to interpret someone’s unfamiliar and ambiguous gestures the way that person’s compatriots would” (p.140). Hence, the definition of Earley & Mosakowski (2004) includes gestures into the definition as an addition, or clarification, to behavioural attributes. Later sources provide definitions which is a synthesis of both operating effectively across different cultures as well as the ability of a

person to handle unaccustomed situations (Offermann & Phan, 2002; Earley, Ang & Tan, 2006; Thomas, 2006; Ang, Van Dyne, Koh, Ng, Templer, Tay & Chandrasekar, 2007; Thomas, Elron, Stahl, Ekelund, Ravlin, Cerdin & Maznevski, 2008; Van Dyne, Ang, Ng, Rockstuhl, Tan & Koh, 2012).²

Moreover, cultural intelligence is related to cross-cultural competence. This concept refers to “the knowledge, skills, and affect/motivation that enable individuals to adapt effectively in cross-cultural environments” (Abbe, Gulick & Herman, 2007; p.2). However, cultural intelligence goes beyond this concept, as it perceives the intercultural capabilities as a form of intelligence which can be measured and developed. In this sense it also differs from other perspectives on the concepts culture and intelligence. This since cultural intelligence differs from the “[...] capability to function effectively in a specific culture” (Ang et al., 2015; p.278). Instead, within the concept of cultural intelligence the effectiveness of operating across distinguishing intercultural environments is facilitated by a set of capabilities. This difference recognizes the inability of transferring learned cultural knowledge in one country to another, as for example a firm (from for instance the Netherlands) might be very effective in one country (e.g Germany) , while it would be ineffective in another with the gathered cultural knowledge from that country (e.g. China with knowledge from Germany).

In line with the multilocus framework for intelligence of Sternberg & Detterman (1986), cultural intelligence can be divided in four dimensions as well. These dimensions are metacognitive, cognitive, motivational, and behavioural cultural intelligence. Metacognitive cultural intelligence refers to the mental capability to gain and comprehend cultural knowledge, while cognitive cultural intelligence stands for the knowledge about cultures and cultural distinctions. In addition motivational cultural intelligence refers to the capability to operate and function within intercultural situations. Lastly, behavioural cultural intelligence is the capacity to be flexible in behaviour in cross-cultural interactions (Ang & Van Dyne, 2008; Earley & Ang, 2003). Other authors add other dimensions to these four dimension, including Thomas & Inkson (2003) and Thomas (2006), who add dimensions based on knowledge and mindfulness.

The relation between cultural intelligence and sequencing has not been researched thoroughly yet. However, based on the literature review from this section and the section about sequencing, one can link several elements of cultural intelligence and sequencing to

² It is important to note that the definitions of the authors perceive the concept on the level of individual, while for the conceptualisation of cultural intelligence the firm will constitute the level of analysis for this study.

one another. Firstly, the cognitive dimension, as well as the behavioural dimension, can be linked to the fact that sequencing facilitates incremental learning within organisations (Delios & Henisz, 2003). This due to the fact that incremental steps within the process of entering international markets lead to the process of gradually gathering more knowledge and increasing the absorptive capacity.

This is especially the case once firms internationalise in a particular type of sequencing. This type of sequencing is based on entering markets that are culturally relatively similar to the home country at the start of the process of international market entries and subsequently entering markets that are culturally more distant to the home market (Johanson & Vahlne, 1977; Hofstede, 1980; Kogut & Singh, 1988). The cognitive and behavioural dimensions will be strengthened in the process of entering international markets, as these are related to cultural knowledge. Thus, the cultural intelligence of a firm will increase as well and thereby facilitate the steps of moving to countries which are culturally more distant. Hence, a sequencing pattern can be related to a high degree, and growing degree, of cultural intelligence. This reasoning leads to the following proposition:

Proposition 1: A high level of cultural intelligence is positively related to pursuing a sequencing strategy.

2.3 Global Mindset

The second factor is a global mindset. Globalization enables people with many different cultural backgrounds to build new social relationships no longer restricted by national borders. Companies need leaders with global mindsets to manage a multicultural global workforce effectively and a global mindset of managerial attitudes is positively related to balancing global and local developments in the business environment, organisational processes, cultural differences, and time zones (Den Dekker, 2016).

A global mindset can be defined in various ways. A broad definition of the concept is that one with a global mindset has a wide perspective on the world and tends to approach the world that way (Srinivas, 1995). This means that a global mindset can differentiate managers, from those who perceive the things in the world that other will overlook (Rhinesmith, 1995). A more thorough definition of a global mindset is established by Gupta & Govindarajan (2002), who state that it is a concept “[...] that combines an openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity” (Gupta & Govindarajan, 2002; p. 117). This definition includes two aspects, in which a

person possesses cognitive diversity on the one hand (Murtha, Lenway & Bagozzi, 1998) and has an integrative ability on the other hand (Kobrin, 1994) for cultures and markets. This means that a person can both understand and observe cultures and markets, as well as integrating the aspects of these cultures and markets into its own working.

The definition of Gupta & Govindarajan (2002) is in line with the definition that Levy, Beechler, Taylor & Boyacigiller (2007) give to the concept. They define a global mindset as “a highly complex cognitive structure distinguished by an openness to and expression of multiple cultural and strategic realities on both global and local levels and the cognitive capacity to moderate and assimilate across this diversity” (Levy et al., 2007; p. 244). Moreover, these authors state that the concept is comprised of three aspects. These aspects are “an openness to and awareness of multiple spheres of meaning and action; complex representation and articulation of cultural and strategic dynamics; and mediation and integration of ideals and actions oriented both to the global and the local (Levy et al., 2007; p. 244). Den Dekker (2016) states that a global mindset is a multidimensional set of cognitive attitudes of an individual towards globalisation processes that is positively related to balancing global and local developments in the business environment (e.g., managerial beliefs and attitudes with regard to macroeconomic developments, governmental issues, and events related to social relationships and environmental concerns); organisational processes (e.g., the company’s worldwide strategy, organisational structure, corporate processes and power); cultural differences (e.g., the integration of one’s own worldview and those of culturally different others); and time zones (e.g., balancing of time schedules to corporate headquarters)

The concept can be illustrated by an example of a US firm in high end household accessories. The firm’s Chinese CEO described the firm’s strategy as a combination of “[...] Chinese costs with Japanese quality, European design, and American marketing. There are other Chinese competitors in the market, but along with Chinese costs, what they bring is Chinese quality. On the other hand, our American competitors have excellent product quality but their costs are too high. We can and do beat both of them” (Gupta & Govindarajan, 2002; p. 118). This strategy is comprised of characteristics (and qualities) that each market brings and integrates them into one strategy.

As a firm has managers with a global mindset, this will aid to overcome commercial and cultural barriers in foreign countries. Consequently, this means that a firm will be better in exploiting market opportunities in the specific country, leading to higher performance in that market (Bendix Marthinsen, 2015). Hence, a firm that possesses a global mindset is more

likely to perform successfully in international markets. Therefore, it can be seen as an important asset for a firm that will internationalize.

A global mindset can also be related to sequencing. A global mindset is about both the openness as well as the awareness of a firm towards cultural and market differences. As a firm has a global mindset, it is aware of the cultural and market differences that are present in different international markets. Hence, the likelihood of entering markets that are culturally more similar first and gradually entering markets that are culturally less similar can be assumed when a firm has a global mindset. This since firms would recognize the cultural differences between its home market and other international markets and thereby the selection of culturally more similar markets early in the internationalisation process can be assumed. This is a type of sequencing as well (Bingham, 2009), and therefore it can be linked to sequencing. Moreover, firms that possess a global mindset might also be more aware of the importance of external perception in different markets. As sequencing increases external perception (Bingham, 2009), the use of a sequencing strategy by firms that have a global mindset may be more likely as well.

This argumentation can also be turned around. Sequencing theory has explained that the process of orderly and gradually entering international markets increases incremental learning. This can be related to a global mindset as well, as a global mindset is about “openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity” (Gupta & Govindarajan, 2002; p. 117). As a firm progresses in its process of entering markets gradually, it is able to increase its knowledge of cultural and market differences and can implement characteristics of each different market or culture into its own strategy. As the theory on a global mindset states that it is more likely that a firm is successful when it develops a global mindset, sequencing can have a facilitating role in developing the global mindset of a firm. Therefore, it can be assumed that firms that have a high global mindset will pursue or have pursued a sequencing strategy. This, and the aforementioned argumentation, leads to the following proposition:

Proposition 2: Firms possessing a global mindset is positively related to pursuing a sequencing strategy.

2.4 Slack within Financial Resources

2.4.1 Systematic Literature Review

In order to provide a comprehensive literature review for the factor slack, for which this study will provide an exclusive contribution, a systematic literature review is conducted. As well as for the systematic literature review for sequencing, the process from Tranfield et al. (2003) is used. The systematic literature review has used databases (i.e. Scopus, Science Direct, and Google Scholar) in order to find the necessary sources to compose the literature review. In these databases the search for sources has focused on the following questions: (1) What are financial resources? (2) What is slack? (3) What is the relation between slack and sequencing?

The search strategy is similar to that of the systematic literature review of sequencing. The following keywords have been used: slack, internationalisation, and market entry. In this search, the keyword slack has been used in combination with the keyword internationalisation and market entry. However, the keywords internationalisation and market entry are not combined. The subsequent selection of assessment has been based on the relevancy of the sources regarding the three questions. In the assessment the citations within these sources have been assessed for their quality and relevance towards the questions posed. Ultimately, 33 sources deemed to be both relevant and of good quality and were used for the systematic literature review. In the process several sources have been added by snowballing technique as well, when these deemed to be relevant for the systematic literature review. The figure below illustrates the process of gathering the sources for the literature review, as the process of Tranfield et al. (2003) outlines.

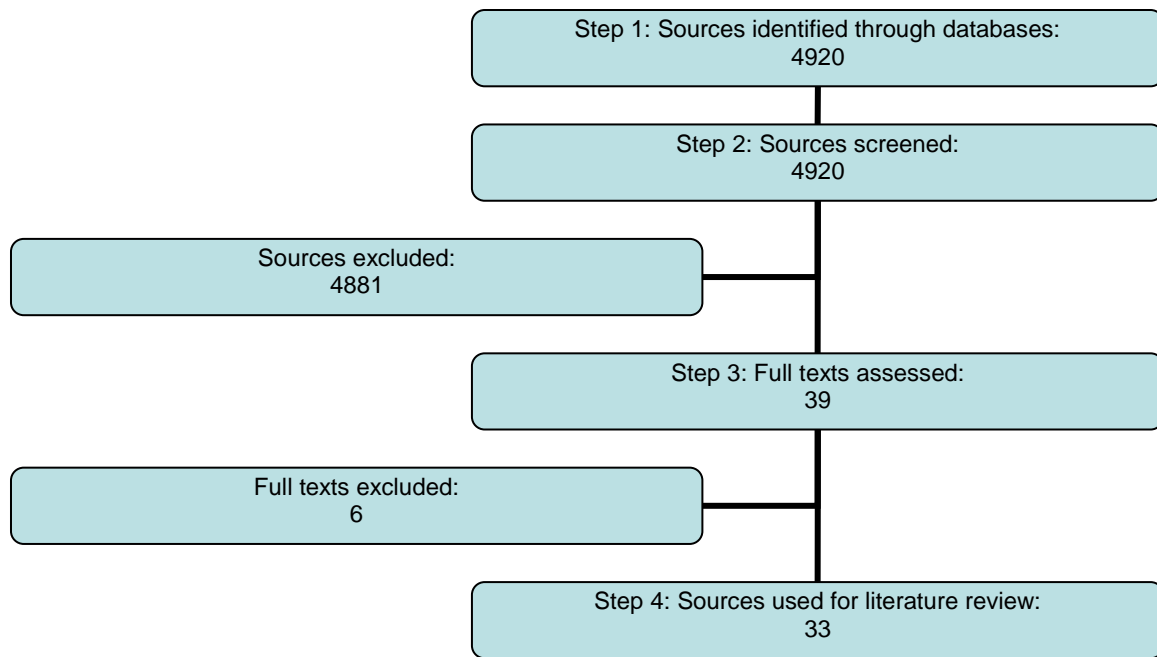


Figure 2: Process of conducting the systematic literature review for the construct slack within financial resources³

2.4.2 Financial Resources

Based on the application of various resources that a firm possesses, both tangible and intangible resources, a firm can create competitive advantage (Wernerfelt, 1984; Rumelt, 1984). The resources that a firm possesses can be explained as the “productive assets owned by the firm” (Grant, 2009; p.127). The application of the various resources by a firm creates the organizational capabilities. Subsequently, the organizational capabilities of a firm are the drivers for successful performance. These influence the strategy, which eventually determines the competitive advantage of a firm. There is a wide variety of resources that can be possessed by a firm in different extents, such as financial, physical, technological, reputational, cultural, and human resources (Grant, 2009).

It is interesting to focus on the financial resources of a firm and link this to the selection of sequencing strategy by a firm. Since the amount of financial resources does not matter unless a firm capitalizes these resources, it will be interesting to create an understanding on how firms with a certain extent of financial resources deploy these resources in their internationalisation strategy and if they will eventually be more successful than firms with a smaller financial resource base. Therefore the financial resources will be studied together

³ Sources and relevant quotations can be found in appendix 3.

with organizational capabilities and how these capabilities influence the internationalisation strategy of a firm.

It is important not to focus on financial resources in a vacuum, but to incorporate capabilities into the equation as well. This due to the fact that performance is not necessarily linked to financial resources. An example is put forward by Grant (2009) that illustrates the relation between financial resources, capabilities, and performance in an example relating to soccer teams. While teams such as Manchester City, Real Madrid, and Chelsea are financially well-endowed and existing of top star players, they are sometimes outplayed by teams which are financially more modest and not only existing from stars, such as Arsenal, Borussia Dortmund or Atlético Madrid. These teams are relying on strong capabilities, while having more modest resources. This is similar in business. Not necessarily every firm with the highest financial resources performs the best, and firms with lower financial resources but stronger capabilities can outperform firms with higher financial resources. An example for this is Pixar before the acquisition by the Walt Disney Company. Its movies, such as Toy Story and The Incredibles, performed better than the movies from Walt Disney Company, which had far more resources at hand. Performance was, thus, derived from the application of its resources, hence its capabilities (Grant, 2009).

When the focus is put on sequencing and financial resources, Wernerfelt (1984) provides an explanation on this relationship. He argues that “quite often, it is better to develop the resource in one market and then to enter other markets from a position of strength” (Wernerfelt, 1984; p.176). This is an strategy that is deployed by firms that pursue an international expansion as well. This can also be related to the financial resources, in the process to develop (strengthen) the financial resources on the domestic market before entering international markets.

2.4.3 Slack

By introducing financial resources as criteria to select the sample of the study and to study the relation of the extent of financial resources possessed by a firm and sequencing as internationalisation strategy, another term can be introduced as well, i.e. slack. Slack can be defined as “the pool of resources in an organization that is in excess of the minimum necessary to produce a given level of organizational output” (Nohria & Gulati, 1996; p.1246). Hence, when slack is linked to financial resources, it will mean the excess of financial resources that a firm possesses above the minimum.

Relating to the term slack, there are two different theoretical perspectives within the academic realm on the term. On the one hand, there is the organizational theory perspective. Scholars with this perspective argue that slack is necessary for a firm as a buffer for long-term survival within a turbulent environment (Tan & Peng, 2003; Sharfman, Wolf, Chase, & Tansik, 1988). Therefore, it is defined as “a cushion of actual or potential resources which allow an organization to adapt successfully to internal pressures for adjustment or to external pressures for change in policy, as well as to initiate changes in strategy with respect to the external environment” (Bourgeois, 1981; p.30). The resource dependence scholars argue that environmental uncertainty positively influences retaining resources as a buffer, hereby creating slack, and thus providing a firm with more strategic choices. Therefore, “despite its costs, slack (resources) buffers a firm’s technical core from environmental turbulence and thus enhances its performance” (Moreno, Fernandez, & Montes, 2009; p.5503).

On the other hand, there is an agent theory perspective. This is a more negative perspective towards slack and is described by scholars such as Leibenstein (1969) and Williamson (1963, 1964). From an agent theory perspective, “the firm is not an individual. It is a legal fiction which serves as a focus for a complex process in which the conflicting objectives of individuals are brought into equilibrium within a framework of contractual relations” (Jensen & Meckling, 1976; p. 311). Hence, in this perspective slack is similar to “waste and as a reflection of managerial self-interest, incompetence, and sloth rather than as a buffer necessary for organizational adaptation” (Nohria & Gulati, 1996; p.1248). An organization is perceived as a bundle of coalitions with individual interests. Within this structure, individual coalitions are pursued rather than the best interest for the organization as a whole. This leads to slack becoming a particular type of inefficiency, i.e. X-inefficiency (Leibenstein, 1969). Thus, slack is from this perspective perceived as wasteful instead of a necessary buffer to survive (Antle & Fellingham, 1990; Jensen & Meckling, 1976).

These two theoretical perspectives lead to the hypothesis that too much and too little slack is not beneficial and Nohria & Gulati (1996) state in their research that there is an inverse U-shaped curve in relationship between slack and innovation. Moreover, Bradley, Wiklund, & Shepherd (2011) developed a conceptual model in which they present the resource slack-growth relationship. This model states that slack has a positive direct effect on growth on the one hand and a negative effect on entrepreneurial management, and that entrepreneurial management has a positive effect on growth. Therefore, an abundance of resources might be harmful, instead of favourable, for a start-up (Hvide and Møen, 2010).

2.4.4 Slack and sequencing

This study will have the objective to examine the relation between slack and sequencing. As for the other constructs the relation between sequencing has been shown, this is not the case for slack and sequencing yet. However it is possible to provide an understanding for the relation between slack and internationalisation. Therefore, this section will present the relevant data for this relationship.

International markets offer opportunities for firms, that firms can exploit by entering into those international markets. However, entering these international markets brings risks and liabilities, which bring additional costs to operate abroad (Sui & Baum, 2014). The additional costs to operate abroad can be related to, among others, insufficient market knowledge, a negative country-of-origin image, and cultural and institutional differences of the home country (Cuervo-Cazurra, Maloney, & Manrakhan, 2007; Santangelo & Meyer, 2011). Hence, in order to exploit the international market opportunities, a firm needs to possess enough tangible resources to deal with the additional costs to operate internationally. Therefore, slack within financial resources makes operating internationally feasible and it limits the risks involved (Chang & Rhee, 2011). Moreover, slack is essential in relation to the internationalisation strategy of a firm. A firm can, for example, choose to enter multiple international markets (relatively) simultaneously (e.g. born-globals). For such a strategy, an abundant financial resource base is necessary in order to not only limit the risks involved with this strategy, but also in order to be able to exploit the scope of international opportunities (Eriksson et al., 1997).

However, for internationalisation strategies that advocate a more gradual process of market entries (e.g. born-regionals and sequencing), a more limited resource base can be appropriate. This due to the fact that firms that enter international markets incrementally, starting to enter markets that are relatively culturally and institutionally similar to their home market, enable themselves to learn from their experiences and do not have to deal adapt to multiple international market simultaneously (Sui & Baum, 2014). This means that the risks to enter international markets gradually is smaller than those of a simultaneous process of international market entries. Nevertheless, as slack is missing within a firm, it is not able to exploit and explore international opportunities to the fullest and are thus pursuing a less effective strategy (Nohria & Gulati, 1996; Voss, Sirdeshmukh, & Voss, 2008).

Internationalisation strategies that require an abundant amount of financial resources are the strategies that pursue a process of multiple international market entries relatively simultaneously. The fact that a firm is able to pursue such a financial resource demanding

strategy might deliver a firm competitive advantage over other firms, since other firms, that do not possess an abundant financial resource base, might not be able to copy this strategy (Sui & Baum, 2011). However, opting for such a strategy will include associated risks and costs. Firms that pursue, for example, a born-global strategy will “inevitably increase the levels of country risk associated with their operations” (Efrat & Shoham, 2012: p.678). This due to the fact that the countries that they are targeting are geographically distant from their home market. Furthermore, “dealing with foreign government officials, laws and agencies, suppliers, and customers increases the complexity of managing such an enterprise, taxing managerial resources and expertise” (Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009: p.25). This means that both tangible and intangible resources of the firm are influencing the scope of international strategies (Tan, Plowman, & Hancock, 2007). All in all, it can be stated that firms with slack within financial resources are enabled to “adapt to complex competitive landscapes (Levinthal, 1997), change strategic behaviour (Bourgeois, 1981), and take risks (Singh, 1986)” (Chang & Rhee, 2011; p.982). Moreover, “[...]slack resources can also serve as a buffer against downside risk or bankruptcy risk, positively affecting performance and ensuring the long-run survival of the firm (Bromiley, 1991; George, 2005; Tan & Peng, 2003)” (Chang & Rhee, 2011; p.982).

While internationalisation is linked to firms with slack, it can also be linked to firms without slack. In the cases that slack is not present within the financial resources of a firm, a firm deems to be more reluctant to take risks. This due to the fact that costs are associated with risks. Hence, as resource constraints literature suggests, such firms are more likely to be more cautious when they take decisions and act upon those (Baker et al., 2003; Starr & MacMillan, 1990). This is also in line with the “Internationalisation Process Mode (IPM)” scholars (Johanson & Vahlne, 1977), who argue that “[...] internationalisation should be incremental and experience-based, such as by beginning with low-involvement modes of entry in nearby or culturally similar areas” (Sui & Baum, 2011; p. 823). Pursuing such a strategy lowers the risks, as resources that need to be allocated for internationalisation is low and the distance between the home market and the international market is small. This internationalisation strategy can also be linked to sequencing, since sequencing is also based on incremental internationalisation. Hence, a firm without slack can pursue a sequencing strategy just as well, as long as there is strategic reasoning (based on sequencing) behind the decisions to internationalize.

Based on the argumentation of the relation between slack within financial resources and the selection of sequencing as an internationalisation strategy, the following proposition is developed:

Proposition 3: The possession of slack within financial resources by a firm is negatively related to pursuing a sequencing strategy.

2.5 Conceptual Framework

The aforementioned factors (global mindset, cultural intelligence, and slack within financial resources) and the corresponding propositions are illustrated in the conceptual framework. The core model shows the possible links between the independent variables and the dependent variable. The extended model illustrates the fourth proposition as well. Based on the argumentation of the relation between firm performance and pursuing a sequencing strategy, in which less improvisation in the selection of markets (hence a planned strategy) is related to a more successful entry of this market, the fourth proposition is as follows:

Proposition 4: Firms pursuing a sequencing strategy will achieve a higher level of firm performance compared to firms that did not pursue a sequencing strategy.

The extended model, thus, presents is the link between sequencing and firm performance, as researched by Bingham (2009), and the possible interrelationships between the independent variables. This core model is used to provide an answer to the research question, while this study also leaves space to examine the extended model.

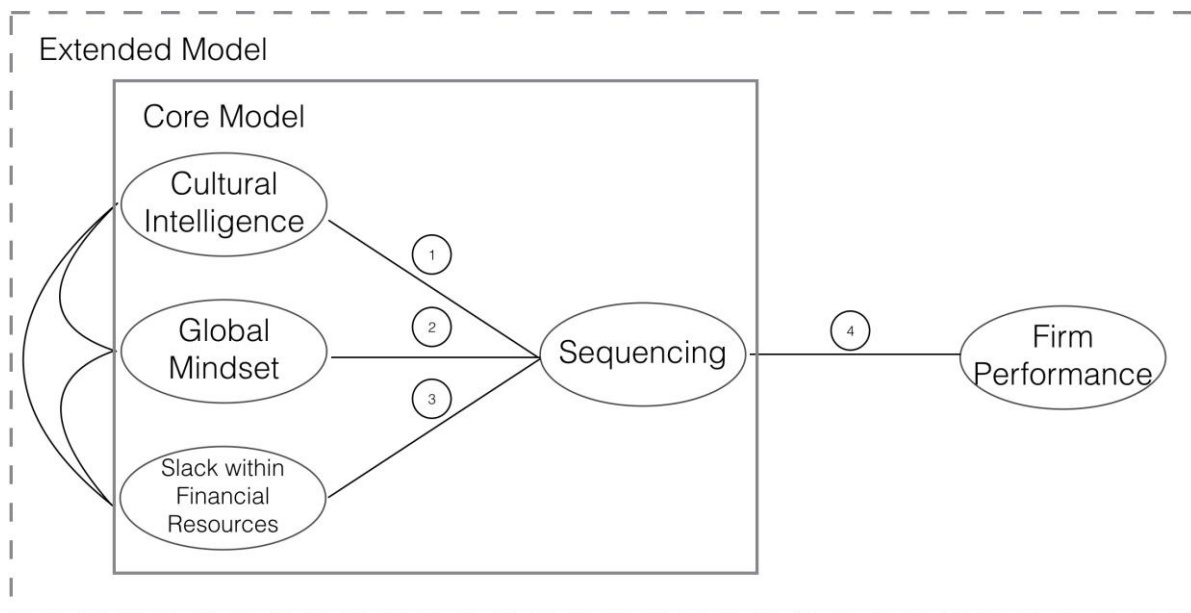


Figure 3: Conceptual Framework

3. Methodology

The methods that will be used during the examination of the research question will be comparable to the methods that are used by Bingham (2009) in his research into sequencing. This due to the fact that this research builds on, and partly replicates the study.

3.1 Sample Selection and Data Gathering Methods

In this study the sample that has been selected consists of 15 firms. These firms have been selected based on several criteria. Firstly, this study focused on SMEs with their headquarters in the Netherlands and Germany that have entered international markets. In order to establish whether a firm has internationalised or not derives from the conceptualisation of the concept internationalisation, as described in the previous chapter. SMEs have been selected since they can be representative for both gradual internationalisation (in line with stage theory (Cavusgil, 1980; Johanson & Vahlne, 1977, Johanson & Vahlne, 1990) and instant internationalisation (in line with, for instance, a born-global strategy (Knight, 1996; McDougall, Shane, & Oviatt, 1994; Moen & Servais, 2002). Thus, the selection of SMEs is applicable to the objective of this study. Furthermore, as another criterion, the interviewees of the firms that are selected are persons that are responsible for or engaged in the executing of the internationalisation strategy at the firm.

Besides SMEs, business units with a comparable size to SMEs are also included in the sample. These business units have become part of a company after these were acquired as SMEs. The business units are anonymous firms 13 and 15. Despite the fact that these business units operate on a similar scale as the other firms, the position that these business units have within a corporate structure is different than the position of the other firms. Therefore, differences within the results between the business units and the other firms may be subject to the influences from the different position that the business units hold.

The sampling technique was mostly based on the non-probability technique (Babbie, 2010). This due to the fact that criteria are established, but that these criteria are subsequently judged by the group of researchers of this study towards each individual possible SME that was selected. This selection process has been applied due to the scarcity of available SMEs to be part of this study. However, due to the non-probability technique the samples selected in this study adhere to the core criteria and, thus, are not randomly selected.

The data gathered was both qualitative as well as quantitative. On the one hand, semi-structured interviews were conducted, through which qualitative data was gathered, while on the other hand, quantitative data was gathered by carrying out additional surveys.

In the semi-structured interview questions were posed regarding six main subjects. These subjects are the general sequencing and internationalisation strategy of the firm and the five factors from this study; global mindset, cultural intelligence, slack within financial resources, network competence, and learning orientation. These questions were posed in such a way that, on the one hand, the essential data was gathered (the structured approach) and, on the other hand, the stories and rationales behind the internationalisation decisions of the firm became apparent (the semi-structured approach). This way proper data was gathered in order to conduct a thorough analysis and to provide a comprehensive answer to the research question.

Moreover, a quantitative approach is applied to the study as well. This quantitative approach has various objectives for the study. Firstly, the quantitative approach is applied in order to understand the market entries, the market entry modes and the general motivations. This provides a complete and simple to compare overview. Secondly, the performances in each market are gathered through a quantitative scale. This provided the data that was necessary to establish the link between the sequencing strategy and the performance. Lastly, a survey was distributed to the interviewees that examines the outcomes on the five factors. This survey has been used as a means to test the outcomes of the semi-structured interviews regarding the factors.

3.2 Operationalisation

This study includes both qualitative and quantitative data. Hence, it is important to provide an understanding of how this study will operationalise various factors and concepts. This section outlines the ways of operationalisation used in this study.

3.2.1 Operationalisation of the Factors

As mentioned in the previous chapter, there are three factors that will be analysed in this study. These factors are all individually operationalised in a quantitative manner by using scales. These scales include the cultural intelligence scale of Ang et al. (2007) for the factor cultural intelligence⁴, the custom scale of Gupta & Govindarajan, (2002) for the factor global

⁴ Several adjustments have been made on the scale of Ang et al. (2007). These include a change in the Likert scale (from 7 to 5) and the focus has been shifted from the individual level to the organisational level (changing “I” into “my organisation” or “company employees”) in order to match the level of analysis of this study.

mindset⁵, and the measures of organizational antecedents scale of Danneels (2008) for slack within financial resources. These surveys measure the various factors on a Likert scale from 1 to 5 (for the scales of Ang et al. (2007) and Gupta & Govindarajan (2002) and 1 to 7 (for the scale of Danneels (2008), with 1 being least applicable and 5 or 7 being most applicable. The use of the surveys have enabled the researchers of this study to increase the reliability of the findings.

For the operationalisation of the factor slack within financial resources from the qualitative data, a more subjective approach has been chosen. The use of a more objective approach would mean that the study would have included financial data from the SMEs or business units that participated in this research. In order to determine the slack within financial resources from such data, there are various approaches of measurement. These measurements are determined based on the distinction between low- and high-discretion slack. For high-discretion slack to be measured, the cash reserves of a firm will provide the best insight into this type of slack. This since cash is the most easily deployed financial resources to managers (George, 2005; Davis and Stout, 1992). In order to measure low-discretion slack, the debt-to-equity ratio is the most suitable ratio to measure this type of slack. This due to the fact that higher levels of debt will make managers less flexible in their choice. This since the reallocation of resources and the addition of more debt to cope with short-term financial needs becomes more difficult (George, 2005; Bromiley, 1991; Deephouse and Wiseman, 2000).

Due to the difficulties related to obtaining financial data from these firms (as this is mostly confidential for SMEs) the subjective approach has been chosen. The presence, and extent, of slack within a firm will, thus, derive from the analysis of the qualitative data and the quantitative data that is derived from the survey. The survey approaches the construct slack within financial resources mostly by posing questions about the amount of financial resources that the firm has at its disposal, the discretionary of this amount, and how much of the financial resources is locked up in projects (Danneels, 2008).

3.2.2 Operationalisation of Internationalisation

Internationalisation is a dynamic process for a firm. In this study internationalisation is conceptualised in relation with sequencing. This means that a firm has internationalised whenever it has entered an international market. In order to enter a market, there are several market entry modes, ranging from exporting through distributor to wholly owned subsidiaries.

⁵ Scale has been developed based on items derived from Gupta & Govindarajan (2002).

Hence, the type of market entry mode that is chosen by a firm is related to the resources a firm commits to a specific market entry.

In order to determine what constitutes a market entry, the categorisation of Grant (2009) of ways to enter a market is chosen. Figure 4 below illustrates which market entry modes are considered for a firm to be internationalised. From these market entry modes one entry mode that was included by Grant (2009) is excluded, i.e. spot sales. Spot sales represent a temporary and fluid nature, while the other market entry modes in figure 4 represent modes of a more permanent nature.

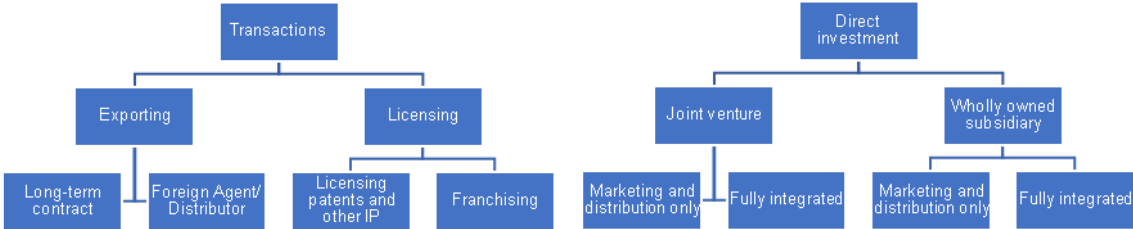


Figure 4: Types of market entries that are considered internationalisation in this study (figure derived from Grant (2009)).

Subsequently, sequencing is operationalised according to the definition of the concept by Bingham (2009); a “specified order of country entries” (p.326). By carefully examining the order of market entries, the rationales, and internationalisation stories of each firm from the sample, the consideration is made whether a firm sequenced or not. Hence, a content analysis is applied. This due to the fact that there are indefinite types of sequencing strategies and a careful assessment needs to be conducted.

3.2.3 Operationalisation of Firm Performance

Besides the quantitative data gathered from the surveys, firm performance is measured in a quantitative way as well. Firm performance is measured according to the subjective judgement of the interviewee based on every market entry the firm made, which is in line with the operationalisation of firm performance by Bingham (2009). Interviewees provided a score per market entry, ranging from 1 (very unsuccessful) to 10 (very successful). This score was based on the success the firm had in a particular market which was entered. Additionally, qualitative data was gathered for this question as well, by asking the interviewees how they perceived the market entries. This additional data enabled the interviewees to provide their stories on the market entries and consequently rating their market entries.

This operationalisation approach has been pursued based on two reasons. Firstly, it is consistent with the approach by Bingham (2009), who measured firm performance in a subjective manner as well. Secondly, a more objective approach would have led to the examination of financial data. This, as mentioned before, would have led to difficulties in obtaining this data. Therefore, the subjective approach has been chosen to analyse the firm performance in the international markets.

The scores enabled the researchers of this study to measure the performance of each individual market entry and per firm. Moreover, scores enabled the researchers to create a comparison among the firms as well, which provide an understanding how successful each firm has been in entering international markets.

3.3 Data Analysis

Recordings from the semi-structured interviews, whenever allowed to be made, are transcribed into English within a week after being conducted. The transcription was then further dissected into parts relevant to the research by categorising the provided answers of the interviewee into the specific questions drafted in the official interview protocol (see appendix). This made further analysis through coding swifter and more effective. Advanced software specifically designed for coding is used for this step called Atlas.ti version 8.0. All interviews were peer reviewed by at least one more research colleague to ensure a greater level of validity in the results. This process resulted in a list of empirically discovered quotes from interviewees that can be linked to the five aforementioned constructs according to the current body of knowledge on the subjects. To strengthen these qualitative results, a score for each of the five factors is accredited to every interviewee according to the questionnaire they filled in respectively. This step allows for a higher confidence level in the measurement of the antecedents by not relying solely on the interviewee's interpretation and story on the constructs. A link between the five selected antecedents to focused sequencing and the sequencing strategy itself, or absence thereof, can now be made.

To finally establish the link between the sequencing decisions and firm performance level, inspiration was drawn from the graph that was presented in a paper by Bingham from 2009. This has been recreated by plotting the country sequencing steps against the firm performance level. In this way, it became possible to assess any consistency between the performance levels of both firms scoring high on strategic ability versus the ones that were more spontaneous in their internationalisation efforts.

3.4 Codes

In order to analyse the qualitative data from the interviews that were conducted, a coding process was executed. This coding process is the spiral of analysis integrated into qualitative research process (Boeije, 2009). This process of coding is chosen, since it includes various steps of coding, i.e. open coding, axial coding, and selective coding. Codes have been derived from pre-existing literature on the constructs and codes are linked to the most relevant concepts from the literature. Moreover, the process of coding was cross-reviewed by peers in this research in order to ensure a higher level of accuracy and increase the reliability of the coding process.

The codes that are established are categorised by each construct that is analysed in this study (i.e. sequencing, slack within financial resources, global mindset, and cultural intelligence). The table below illustrates the type of codes that have been used in this study. Moreover, illustrative quotes per codes are included in the table in order to exemplify the meaning of the code.

Factor	Code	Quote
Sequencing	- Entering markets in a specified order	
Slack within Financial Resources	- Possessing slack within financial resources	"[...] we had our own financial resources to give a boost to that market."
	- Not possessing slack within financial resources	"We simply did not have the money [to go to markets far away]."
	- Applying capabilities	"We had developed a product for greenhouses and stables for example, and with that product we targeted multiple countries. So,[...], we just had one product in which you have to invest in and then you can go to all those countries."
	- Capitalisation of the financial resources	"We are now investing in that market to get everything up and running. If that is the case, you do require that financial slack or room."
	- Characteristics of Agent Theory Perspective	"Incorporating entire companies provide managerial challenges."

		Moreover, with each acquisition new software is bought, which needs to be incorporated as well. For efficiency reasons this poses challenges.”
	- Characteristics of Organisational Theory Perspective	“And that has always been a reason for us not only to go to Belgium, but to constantly look for other markets. To spread your risks. That is why we also aim to enter new markets.”
	- Characteristics of Resource Dependence Perspective	“The current strategy is to look for distributors, employing international sales managers, and executing acquisitions to become market leader in a specific country.”
Global Mindset	- Possessing the ability to recognize global market opportunities	“Opportunities need to be sought internationally and the entire world is the market in order to survive”
	- Possessing the ability to integrate global market opportunities into strategy	“We saw harmonisation, we saw a big market, we saw all of these opportunities [...]”
	- Possessing a global talent pool	“[...] we are over 200 people but from like over 30 different nationalities as I said and only half of them speak German.”
	- Regarding the world as market place	“Opportunities need to be sought internationally and the entire world is the market in order to survive.”
	- Having a shared vision across the entire firm worldwide	“Challenging in an international firm. Country managers can be ‘lonely cowboys’.”
Cultural Intelligence	- Possessing knowledge of different cultures	“Knowledge of local market is essential, the risk would otherwise be too high to acquire a firm.”
	- Possessing the ability to understand cultural differences and cultural empathy	“So that is the case for the European countries but it should be noted European

		countries are also individual markets although thresholds are eliminated concerning, the cultural and language barriers are still very much present”
	- Possessing the ability to express acceptable behaviour	“There are a number of large obstacles over there, in China, namely corruption. Our market is very poorly organised. Like in many Chinese markets. But in this case maybe even more extremely. There have been a lot of cowboy behaviour from the first entrepreneurial sector there. And there are certainly some shortcomings there.”
	- Being familiar with the economic and legal systems	“Well, the thing is we do not really need to be integrated because we cooperate with partners who are on the ground and from the culture. And already in align with their local legal systems.”
	- Possessing the ability to speak different languages	“I speak German quite well so that makes things easier for sure, I worked for a German company for ten years so you do have more connection there. You do notice language is very important. So for instance it does not make sense to go to France at all when you are not speaking the language well, that puts you behind.”

Table 1: Description of the codes categorized by construct

4. Results

In this chapter the empirical data that is gathered through the qualitative interviews and quantitative surveys will be presented. Firstly, an overview of the sample of firms will be provided together with data on their internationalisation strategies. In the subsequent parts of the chapter the sequence of market entries and the internationalisation strategies will be further investigated. Moreover, the data on the three factors will be presented.

4.1 Internationalisation Strategies

The sample of this study includes 15 firms. From these firms, four have pursued a sequence strategy, while the remaining 11 has not done so. Focusing on the market entries by the firms, there are differences among the amount of market entries per firm and the geographical location of the market entries. While various firms have internationalised into only a couple of countries (i.e. three countries or less), others have internationalised into more countries. Focusing on the geographical location of where the firms enter their first markets, most of the firms stay relatively to one of either home market. From the ten firms that have their home market in the Netherlands, six entered one of the two neighbouring countries of the Netherlands (i.e. Belgium or Germany) as their first international market. This applies also to the German firms, in which four out of the five firms firstly internationalised in a neighbouring country (anonymous firm 1 in Poland, anonymous firm 2 in France, anonymous firm 4 in Austria, and anonymous firm 5 in the German speaking market). In the upcoming parts of this chapter the sequences of market entries and the rationales of these market entries will be examined more closely.

Firm	Product/ service	HQ/ Sequenced?	Founding year	Country entries		
Anonymous 1	Startup providing 3D Printing consulting and development of 3D printing software	Germany	2014	Germany (2014)	Poland (2015)	US (2016)
		No				
Anonymous 2	Startup offering quality transfer service around the world	Germany	2012	100 cities within 100 days (2013)		
		No				

Anonymous 3	Startup making the booking process for travellers easier	Germany	2009	Berlin (2010)	Rome (2014)	Paris, London, Barcelona (2015); Dubai, Bangkok, Hong Kong etc.
		Yes / Planned Sequencing ⁶				
Anonymous 4	Startup offering a finance banking system application for the German Banking licence within Europe	Germany	2015	Germany and Austria (Jan. 2015)	France, Italy, Spain, Iceland, Greece, Slovakia (Dec. 2015)	9 other European countries (Nov. 2016)
		Yes / Planned Sequencing ⁵				
Anonymous 5	Startup providing female health oriented app services	Germany	2013	Germany and UK (2013)	Danish, French, Chinese, Italian, Portuguese, Spanish speaking markets (2014-15)	Other languages (Early 2016)
		No				
Anonymous 6	Small company producing eye measuring equipment for fitting lenses	Netherlands	2014	Germany, Italy, France, Luxembourg, US (2014)*		
		No				
Anonymous 7	SME making childrens outdoor toys like go carts and trampolines	Netherlands	1985	Germany (1995)	Belgium (2000)	Ireland (2002)
		No				
Anonymous 8	Small company making electronic baggage tags for check-in luggage at airports	Netherlands	2013	Germany (2014)	France (2015)	US (2016)
		No				

⁶ Sequencing pattern that is planned beforehand.

Anonymous 9	SME producing car trailers for boats	Netherlands	1985	Germany	Belgium	UK
		Yes / Emergent Sequencing				
Anonymous 10	SME producing machinery for researching and discovering new materials	Netherlands	1998	China (2007)	India (2014)	US
		No				
Anonymous 11	Small company producing machinery	Netherlands	1935	Hungary (2009), Russia (2009)	Belgium (2010)	Germany (2011), Ireland (2012), US (2013)
		Yes / Emergent Sequencing				
Anonymous 12	Medium sized company producing agricultural software	Netherlands	1935	Belgium (2007)	US (2009)	Denmark (2015)
		No				
Anonymous 13 (Business Unit)**	Multinational company, with business unit of the size of a medium sized company	Netherlands	1918	China (2007)	India (2009)	Africa (2014)
		No				
Anonymous 14	Medium sized company producing bio-energy systems	Netherlands	1991	Rumania (2004)	Belgium (2009)	Poland (2010) (UK (2011), Germany (2012), France (2013), Ireland (2014), Croatia (2016), Sweden (2016), Finland (2017)
		No				

Anonymous 15 (Business Unit)**	Multinational company, with business unit of the size of a medium sized company	Netherlands	1922 (became business unit in 2000)	Germany (1960)	Greece, Turkey (1990)	Denmark, Middle East (2000)
		No				

Table 2: Overview of the internationalisation strategies from the sample

* These markets were all identified at the very beginning.

** The results (as presented in the subsequent chapters) of the business units do not interfere for any of the factors with the outcomes and comparisons between sequenced and non-sequenced firms. Therefore the business units are comparable to the other firms.

4.2 Sequencing

This chapter will provide the data from the sample and explain the rationale behind the market entries of the firms within the sample. Based on the motivations for market entries a division between firms that pursued a sequencing strategy and firms that did not pursue a sequencing strategy is made.

4.2.1 Firms with Sequencing

There are four firms within the category of firms that pursued a sequence strategy. One of these firms is anonymous firm 11, which is a firm producing machinery. It is a relatively small firm with 25 employees. The internationalisation of this firm was based on survival. As the business developer of the firm explained: “[the internationalisation] was done because of the economical crisis. We had to”. Due to the economic crisis the home market of the firm (the Netherlands) was not sufficient any more. Investments at the client level on the home market were postponed and drastically influenced the financial position of the firm. The firm, therefore, internationalised into Belgium and Germany. The choice to go to these markets was, as the business developer of the firm explained: “simply because it was in driving distance. There was no money to go further away internationally”. Moreover, he added that the “choice for the markets Germany and Belgium were because we did not have to allocate money to it and the risk was low”. The risk that the interviewee mentioned was based on the risk to succeed, as he stated as follows: “it is logical to focus on those markets first [Belgium and Germany] because the chance to succeed is higher and to gain revenue from there”.

There are similarities in the cases between anonymous firm 11 and 9. Both saw that their home market (for both the Netherlands) was shrinking and decided to expand internationally.

In addition to that, anonymous firm 9 also entered markets that were close by and due to cultural similarities at first instance. As the co-owner of the company explained the choice for Germany as the first market entry: “it is close to home, we speak the language, we know quite well how they work and do business and what they want. You do have connections there, that is why our first choice was Germany”. Moreover, the co-owner stated that she knew what was demanded culturally in the market: “you know the characteristics of the people. That makes a little bit of difference as well. So you know what they deem to be important and that is something you can utilise”. This cultural rationale was pursued in the following country entries (i.e. Belgium and the UK) as well.

Anonymous firm 3, that offers a booking service for tourists, has sequenced with the focus on market size. The company started in markets the most interesting markets for tourists in Europe. That is why the firm opened its first international offices in Paris, Rome, and London. The Area Manager of the firm explains the rationale behind opening offices on these locations: “[...] on the one hand, we saw a lot of potential in the destinations, on the other hand, we had a lot of challenges, not being local, with having the distance to travel, with building relationships with partners. That is why we decided to open the offices there”. Moreover, “[...] it is always the combination of how much revenue we make now, how much potential we see in the region, plus, do we have any major challenges that we cannot solve with legal local. And that is mostly related to the working with government or also with strong cultural differences that might be overcome with legal local offices”. This means that opening offices in new markets is related to various factors, including financial resources.

Another important element within the tourist business is the fact that it is not technologically savvy and building relationships with the firms within the tourist industry are, therefore, very important for the firm. This due to the fact that it is very challenging for the firm to convince firms within the tourist industry to change their business. The Area Manager exemplified: “imagine yourself, you built a business for tourists for example, and you did it for 20 years and you were successful for 20 years, and suddenly there comes a startup telling you, “that is not the future. You should do it everything online”. Then he will say, “why? it worked for last 20 years, why are you telling that I should change my behaviour now?”. This is also a reason why the company suggests that being present locally is very important for the firm to build a relationship and convince its customers to work with them, as the Area Manager explains as follows: “[...] the way to convince the suppliers that this [going online and work with the firm] is the good way to do [your business], really [is about] building the relationship, building the trust, and showing them, “we are not only a company, but we are also locally present, we understand your needs and challenges, and we are willing to work with you to

overcoming that if you want to build a strong relationship and also making the profit out of the trend in the industry that we are seeing”.

The sequence strategy of anonymous firm 4, that is active within the financial industry with a banking app, is based on the same motivation as the sequence strategy of anonymous firm 3, i.e. market size. The company started out in the German speaking markets, which are both culturally similar but also represent the large German market. These markets were entered, since the first version of their product was in German. Subsequently, the firm entered the largest markets in the Eurozone with their English version of the app: France, Italy, and Spain. Then the firm chose ‘test’ markets to test their product in a country that possessed characteristics that were applicable in more countries. These ‘test’ markets were Slovakia for Eastern European countries, Greece for countries in financial difficulties and Iceland for the UK. Subsequently, the firm entered every Eurozone country with the English version of their app. Therefore, the firm did not alter the product in order to fit the markets within the Eurozone and it did not localise.

4.2.2 Firms without Sequencing

The remaining companies can be classified as firms that did not pursue a sequence strategy. In this chapter, an overview will be provided on the internationalisation strategy of the firms. In the subsequent chapters, the influence of possessing slack or not possessing slack on the strategy will be determined.

The internationalisation strategy of the firms are determined on various factors, including networks and economical statistics. However, opportunities are the most common reason why these firms internationalised. Since this is entering international markets in an improvised manner, this cannot be classified as sequencing (Bingham, 2009).

Examples of firms that were opportunity driven in their initial phase of internationalisation are anonymous firm 6 (producing medical appliances), anonymous firm 7 (producing child outdoor toys), anonymous firm 12 (producing software), anonymous firm 14 (designing bio-energy systems), and anonymous firm 15 (producing defence appliances). The internationalisation of anonymous firm 12, for example, was based on following agricultural breeding organisations and their network. From this network more opportunities arose, on which the company acted, without a real strategy. Currently it is following a more focused strategy which is based on acquisitions of competitors within the relatively small market in which it operates. However, this strategy is not in line with sequencing. Anonymous firm 14

initially internationalised by cooperating within a government-lead project in Eastern Europe. Due to its dependence on national policy, (inter)national markets can arise and disappear relatively quickly. This happened to the home market (the Netherlands) of anonymous firm 14 as well, which collapsed due to a change in policy. This led to an opportunistic market entry into Belgium, that the sales director explained as follows: "I still know that there was a farmer in Belgium that called us and we were so urgently looking for work that I said where do you live? I'm coming straight away". Subsequent market entries were all based on opportunities that arose in international markets. In addition, anonymous firm 15 internationalised based on the relationship it had with the Dutch navy and the second hand market. Due to the fact that the Dutch navy had declined significantly, by selling ships to other countries, the firm started to deliver their products to countries that bought these ships of the Netherlands. In the case of the internationalisation of anonymous firm 6, opportunities that arise from the network that the firm creates on expos and congresses. Moreover, the first sales of the firm were also necessary in order to get a distributor for the product, which is important in the medical appliances industry. The CEO states that in this industry "you can always plan everything perfectly beforehand and make many considerations but the trick remains the high level of alertness and reactivity and that you are frankly very opportunistic".

Focusing on the initial internationalisation steps of these firms, it becomes apparent that all of these companies had some sort of dependency in their first steps in international markets. Anonymous firm 12 was depend on breeding organisations, anonymous firm 14 on national governments, and anonymous firm 15 on the Dutch navy. Eaglet Eye, on the other hand, tries to become dependent on a distributor for its sales. Therefore there is a relation between the various firms that were mostly opportunity driven and the dependency on another entity within this sample.

Besides firms that were mostly opportunity driven, there were also firms that had a more focused strategy, while they did not pursue a sequence strategy. An example of such a firm is anonymous firm 13, a firm that produces chemicals. This firm is a multinational that has a very focused strategy. On corporate level it is decided which countries the business units should enter. This strategy is determined for a five year cycle. After these five years, another cycle starts, in which the business units should enter a new market. The markets are chosen based on market research, in which data on economical factors is key. Therefore, the market entry by this firm is highly focused and improvisation is low. However, a sequence within the market entries is not present, as there is no direct linkage between the separate five years' strategies. For example, the last five cycles of the firm were based on market entry in,

respectively, China, India, and Africa. Another firm that executes a focused approach towards their internationalisation strategy is anonymous firm 10, which produces machinery. This firm started as a born global with their international sales scattered all over the world. These sales derived from opportunities that arose. However, as the firm observed various market trends it started to be more focused on various markets, i.e. China, India, and the US. The focus on these markets was accompanied by hiring and assigning sales agents for these markets. This in order to expand in these markets. However, the markets were approached in isolation, thus there was no linkage between the markets. Therefore, anonymous firm 10 did not pursue a sequence strategy, while it did pursue a focused strategy.

4.3 Cultural Intelligence

As the sequencing patterns from the firms have been described, this chapter will shed light on the first factor, i.e. cultural intelligence. The table below shows the level of cultural intelligence per firm, which is derived from the scores of the scales.

Firm	Cultural Intelligence ⁷	Survey ⁸
Anonymous 1	Moderate	3 (3.4)
Anonymous 2	High	4 (4.33)
Anonymous 3	High	4 (4.1)
Anonymous 4	High	4 (3.85)
Anonymous 5	Moderate	3 (3.3)
Anonymous 6	Moderate	3 (2.6)
Anonymous 7	Moderate	3 (2.95)
Anonymous 8	Moderate	3 (2.85)
Anonymous 9	Moderate	3 (3.25)
Anonymous 10	High	4 (3.75)
Anonymous 11	Low	2 (2.35)
Anonymous 12	Low	2 (2.1)
Anonymous 13	Very high	5 (5)
Anonymous 14	Very high	5 (4.05)
Anonymous 15	Moderate	3 (2.6)

Table 3: Results from the cultural intelligence in the firms

4.3.1 Cultural intelligence and sequencing

The results show a relatively similar result compared to the results of possessing a global mindset. Both anonymous firms 3 and 4 have a high degree of cultural intelligence, while anonymous firm 9 has a moderate degree of cultural intelligence. This is similar to the degrees of global mindset possessed by these firms. A slight increase in the score is seen by

⁷ Degree of cultural intelligence ranging from very low (score of 1) to very high (score of 5).

⁸ Scores derived from Ang et al. (2007) scale on cultural intelligence. Scores are rounded with average score depicted behind rounded scores.

anonymous firm 11 compared to its global mindset, as its degree is low instead of very low, in the case of cultural intelligence.

Anonymous firm 11 is acquainted with the fact that there are cultural differences and has knowledge of other cultures, as the business developer states: “we know how to export stuff, we know how it works, we know how those people work. So that makes it easier.” However, it tries to lower the engagement with the high cultural differences in its internationalisation process: “Germany and Belgium are quite the same as the Netherlands. The cultural differences is further lowered by working with distributors.” Hence, Germany and Belgium are, among other reasons (e.g. financial), chosen in order to lower the cultural differences between the home market and the international market. Moreover, its engagement with customers in other countries (and, thus, the cultural interaction) is lowered by working with distributors. This is further explained by the business developer: “So for example in Russia, we have a distributor who can help us with the language barrier, with the exporting the products and the documents that are required, etc.”

Conversely, anonymous firm 4 has gained knowledge of different cultures and markets by hiring this knowledge: “the general international managers for France, Italy or Spain, obviously, they should have knowledge on France, [Italy or Spain]. [...] So, we have pretty experienced country manager now on board to compensate that [low market knowledge of founding team] in those markets.” In a similar line of reasoning, anonymous firm 3, possesses knowledge of cultural differences internally, as the area manager explained: “[...] that [challenging legal issues] is mostly related to the working with government or also with strong cultural differences that might be overcome with legal local offices.” Moreover, anonymous firm 4 outlines the importance of language in its process of market entries. The head of international sales states the following on the question why the firm decided to enter the Austrian market instead of, for example the Dutch market: “Language. Because Germany and Austria are based on the same language.” The co-owner of anonymous firm 9 explains the importance of language as well: “I speak German quite well so that makes things easier for sure, [...]. You do notice language is very important. So for instance it does not make sense to go to France at all when you are not speaking the language well, that puts you behind.” She adds the following of the choice to enter the German market: “[...] it is close to home, we speak the language, we know quite well how they work and do business and what they want. You do have connection there, that is why our first choice was Germany.”

The example of anonymous firm 9 illustrates the importance of the cultural intelligence that was present in the firm in the choice for its market entry. This is also the case for anonymous

firm 4. As these firms had a high understanding of the cultural differences, their cultural intelligence did influence the choice for specific market entries. This indirectly leads to a sequencing strategy, as gradual market entries, for which the choice is, at least partly, based on cultural intelligence, occurred within these firms.

4.3.2 Cultural intelligence without sequencing

The firms that did not sequence have a relatively moderate score towards cultural intelligence. While anonymous firms 13 and 14 possess a very high degree of cultural intelligence, most of the firms have a moderate degree.

As well as anonymous firm 11, various firms use distributors and external agents to enter international markets. This lowers the cultural intelligence within the firm, as the cultural intelligence from these external parties is used. Anonymous firm 10 is an example of firm with such a strategy. The CEO of the firm stated the following about this: “so in that sense I am happy to have the agents so I don't have to gamble on whether someone is conducting himself or herself properly. Because those people really do know the culture and the language is of course also an important point.” Anonymous firm 2 has the same line of reasoning, although being it about the knowledge of the local legal system: “[...], the thing is we don't really need to be integrated because we cooperate with partners who are on the ground and from the culture.”

On the contrary, the technical market developer of anonymous firm 13 states that both the use of external parties and internal knowledge of different cultures is essential in being successful in international markets. The firm hires external parties to guide and coach the sales personnel of the firm to engage in international business. He provides the example of entering the Chinese market: “Never make the mistake to try to do business with the Chinese from here. You always have to go to the Chinese.” He further explained the role of the external party: “the first time I went to China, a Chinese woman [external party] has guided me [in doing business] there. Because you can make very annoying mistakes [without proper guidance].”

Anonymous firm 6 provides an example of business in China as well, but then focusing on the difficulties between different cultural behaviour: “There are a number of large obstacles over there, in China, corruption. Our market is very poorly organised. Like in many Chinese markets, but in this case maybe even more extremely. There have been a lot of cowboy behaviour from the first entrepreneurial sector there. And there are certainly some

shortcomings there.” Hence, cultural differences can form a significant barrier to conducting successful business in international markets.

Moreover, a firm can understand and perceive differences between markets, but can have problems with understanding the reasons of these differences. The CEO of anonymous firm 7 provides an example of this: “But the cultural difference between countries is tremendous. We were for instance very successful in Ireland, looking at the sales numbers per capita, Ireland is the most successful country, in Europe. But in the UK we were and still are barely making an impact. How is that possible, they are both speaking English and are positioned next to each other, how can it be?”

4.3.3 Conclusion

For this factor a difference is visible between the firms that sequenced and the ones that did not. While the cultural intelligence in some of the firms that sequenced (especially anonymous firm 4 and 9) resulted in a particular choice of market entries and a gradual process, a lot of the firms that did not sequence used external parties and tried to be less dependent on the internal cultural intelligence. Although there are exceptions (e.g. anonymous firms 13 and 14 were, for example, not totally dependent on external parties), the findings of the firms that sequenced and their cultural intelligence shows that there is a possible relation between the two concepts. Therefore, the results on the relation between cultural intelligence and sequencing show that cultural intelligence is possibly positively related to sequencing.

4.4 Global Mindset

The relation between cultural intelligence and sequencing has been examined. The next factor, i.e. global mindset, will be analysed in this chapter. The table below shows the level of global mindset per firm, which is derived from the scores of the scales.

Firm	Global Mindset ⁹	Survey ¹⁰
Anonymous 1	High	4 (4.25)
Anonymous 2	Very high	5 (4.625)
Anonymous 3	High	4 (4.375)
Anonymous 4	High	4 (4.125)
Anonymous 5	High	4 (4.125)
Anonymous 6	Moderate	3 (3.43)
Anonymous 7	High	4 (3.5)
Anonymous 8	Very high	5 (4.5)
Anonymous 9	Moderate	3 (2.625)
Anonymous 10	High	4 (3.875)
Anonymous 11	Very low	1 (1.875)
Anonymous 12	Low	2 (2)
Anonymous 13	Very high	5 (4.75)
Anonymous 14	High	4 (3.5)
Anonymous 15	Moderate	3 (3)

Table 4: Results from the global mindset in the firms.

4.4.1 Global mindset and sequencing

From the four firms that sequenced, it becomes clear that the global mindset within these firms is divergent. While anonymous firms 3 and 4 possess a high degree of global mindset, anonymous firm 9 possesses only a moderate degree of global mindset. Anonymous firm 11 is an outlier in the results, as it represents the lowest degree of global mindset of all firms from the study.

Anonymous firms 3 and 4 demonstrate clear examples of possessing a global mindset. For instance, the head of international markets of anonymous firm 4, states the following of entering the French market and hiring a country manager: “we saw harmonisation, we saw a big market, we saw all of these opportunities [...]”. This illustrates that the firm is able to integrate international market opportunities into strategy. Moreover, the head of international markets said that the firm has “over 200 people but from over 30 different nationalities, [...] and only half of them speak German.” This shows that the firm has a global talent pool. This is similar to anonymous firm 3, for which the area manager explained that the firms “has 370 employees right now and as far as [he] knows 15% is German.” Moreover, the area manager of anonymous firm 3 describes that the firm has a shared vision, for which he mentions the hiring process of new employees as an example: “[we are very thorough in] the way we hire people [...], so the interview process for an account manager, as an example for better understanding, we have one, two, three, four, five different interviews until the person gets hired.”

⁹ Degree of global mindset ranging from very low (score of 1) to very high (score of 5).

¹⁰ Scores derived from Gupta & Govindarajan (2002) scale on global mindset. Scores are rounded with average score depicted behind rounded scores.

Anonymous firm 9 has a moderate degree of global mindset. Nevertheless, the co-owner of anonymous firm 9 said this about the recognition of international market opportunities: “We do take on opportunities, like there was a student project with a solar boat and to see if we can get a trailer for them to cooperate. This event was also featured on television which would allow for more brand recognition.” However, the global mindset is diminished by the fact that the firm perceives local customers as being more important for the firm as well as the fact that the firm does not possess a global talent pool. This can be explained through the fact that the firm is relatively small and may have a more local instead of global focus.

The case of anonymous firm 11 is different from the other firms. This firm does not demonstrate to be a firm that possesses a global mindset. This due to the fact that the firm has a strategic rationale to survive in the market, while this rationale is not necessarily related to a global mindset. As the business developer of the firm explained: “We went abroad for survival, we just had to. And we saw the market over there and went there, otherwise we would go bankrupt.” This means that a global mindset was not necessarily present before and out of necessity the firm started to look for opportunities across the border. Despite the fact that the data shows that the firm does not possess a high degree of global mindset, the firm does exhibit some aspects of having a global mindset. As the firm is more of a laggard in its market at the moment, it tries to create its strategy around this, by entering less technologically advanced markets (i.e. Eastern Europe). Since the firm perceives opportunities in these markets and understands and integrates the cultural and market aspects (i.e. less technologically advanced markets) in its internationalisation strategy, the firm does possess characteristics of a global mindset.

4.4.2 Global mindset without sequencing

In general, most of the firms that did not sequence, possess a relatively high degree of global mindset (with the exceptions of anonymous firm 6, anonymous firms 12 and 15). The high degree of global mindset within anonymous firm 8, for example, is illustrated by its perception of the world as a marketplace: “Our product is international to such an extent that it is not like you should sell this nationally only at first. Our market is the world from the very start.” This is also mentioned by anonymous firm 10, that relates the world as a marketplace with its network: “What is nice is that often times we are approached delicately by customers from all over the world.”

Anonymous firm 2 demonstrates its high degree of global mindset by its global talent pool: “[...] we have few people sitting as the freelancers in every different parts of the world, or we

have also employees, but the real offices are only here [Berlin] and Singapore.” This example illustrates that the firm employs staff around the world, hence having a global talent pool. Moreover, the recognition of international market opportunities is also present within most firms. The project manager of anonymous firm 1 stated the following about a possible next market entry: “We already had some opportunities, or some ideas [for international expansion]. There is some idea to go to China, and I think it might happen soon [...]” Additionally, two firms with a lower degree of global mindset (Eaglet Eye and anonymous firm 7) state the importance of international opportunities, despite possessing a low global mindset. The CEO of anonymous firm 6 states that “you have to constantly look at what are the opportunities in a country both in the area of the market as well as culturally”, while the international sales manager of anonymous firm 12 states that “opportunities need to be sought internationally and the entire world is the market in order to survive.”

As the results show, there is a relatively high degree of global mindset within the firms that do not sequence and even the firms that score relatively low in the survey on global mindset possess characteristics of the factor.

4.4.3 Conclusion

Despite that possessing a high degree of global mindset was assumed to be associated with sequencing, the results show that this does not need to be the case. While anonymous firm 3 and 4 have a high degree of global mindset and anonymous firm 9 a moderate degree, anonymous firm 11 has a low degree of global mindset. However, as the case of anonymous firm 11 illustrates, a low degree of global mindset can also be associated with pursuing a sequencing strategy. This due to the fact that the strategic rationale that is chosen by anonymous firm 11 is contrasting to a global mindset (although possessing some characteristics of a global mindset). Therefore, the results of the relation between possessing a global mindset and sequencing strategy do not show that there is a positive relationship between the two variables.

4.5 Slack within Financial Resources

The results of the final factor, slack within financial resources, will be discussed in this chapter. The table below illustrates the degree of slack within the financial resources based on the scores from the scale of Danneels (2008).

Firm	Slack within Financial Resources ¹¹	Survey (7 point Likert scale) ¹²
Anonymous 1	Moderate	4 (4.25)
Anonymous 2	-	-
Anonymous 3	High	-
Anonymous 4	Moderate	4 (3.75)
Anonymous 5	Low	3 (3.2)
Anonymous 6	Moderate	4 (3.75)
Anonymous 7	Moderate	4 (4.25)
Anonymous 8	High	6 (6)
Anonymous 9	High	5 (4.5)
Anonymous 10	Low	3 (3)
Anonymous 11	Low	2 (2.35)
Anonymous 12	Low	3 (2.75)
Anonymous 13	High	5 (4.5)
Anonymous 14	Very high	7 (7)
Anonymous 15	High	5 (5)

Table 5: Results from slack within financial resources in the firms.

From the qualitative and quantitative results from the examination of the financial resources within the firms, it became apparent that half the firms had slack, while the other half did not have slack. Focusing on the firms that had pursued a sequencing strategy, half had slack, while the other half did not have slack¹³.

4.5.1 Sequencing without slack

From the four firms that pursued a sequencing strategy, half had no slack (i.e. anonymous firm 9 and 11). In case of anonymous firm 11, that was forced to enter international markets due to survival, it is clear that there is no slack. The influence that the lack of financial resources had on the internationalisation was that it pushed the firm to enter relatively close markets (i.e. Belgium and Germany). This in order to keep the costs and risks low.

However, besides these sales costs internationalisation did not demand investments into changes of the product. The business developer noted: “we had developed a product for greenhouses and stables and with that product we targeted multiple countries. [...] we just had one product in which you just have to invest and then you can go to all those countries. [...] It did not really matter financially”. The current strategy for internationalisation of the firm

¹¹ Degree of slack within financial resources ranging from very low (score of 1) to very high (score of 7).

¹² Scores derived from Danneels (2008) scale on slack within financial resources. Scores are rounded with average score depicted behind rounded scores on a 7 point Likert scale.

¹³ Based on the quantitative data, only 13 firms provided data on slack within financial resources. However, the number of 14 firms is reached by examining the qualitative data and consequently including one more firm. One firm has not provided any data (quantitative nor qualitative) on slack within financial resources.

is also based on internationalising with the current products that do not need high investments for internationalisation. As the business developer stated: “our product now is very mechanical. What we see now is that the markets here, in Western Europe, they go towards electronic systems. So for now, we are also going more into that market. We are also developing an electronic device, but we also want to keep our mechanical device, because our competitors do not have that and we see a market for that. Really now in the East, in Germany, Russia. And over there we see a way bigger potential for our product that we have now”. Therefore, “now we are behind, we are laggards so to say. So we look for niche markets and therefore we are focusing on the east, because the development there is lower”.

Hence, although the firm is a laggard in its home market, it produces products for which there is still demand in Eastern Europe. Moreover, since the internationalisation process of the firm has resulted in more financial resources compared to the period in the economic crisis and at the start of its internationalisation process, the firm is now able to pursue a strategy that is more focused. As market entries into Eastern Europe are more risky than the market entries in Belgium and Germany, according to the interviewee, the focus can now be put on Eastern Europe. This since it does not threaten the survival of the firm as it would have during the start of the internationalisation process of the firm. Therefore, the firm is currently pursuing a strategy focused on Eastern Europe for its internationalisation strategy.

This firm forms the example of a firm that was pushed into a sequence strategy due to the fact that it did not have slack. The result of the scarcity of the financial resources is that the firm internationalised closely to its home country in order to reduce and limit financial risks for the company. While there was no strategic rationale behind the market entries, there was a financial rationale behind the market entries.

Besides anonymous firm 11, anonymous firm 9 also sequenced without having slack. The interview and questionnaire clarified that there was no slack within the company. The questionnaire stated that most financial resources were locked in current projects and the reserves were relatively tight.

The sequence strategy that the firm pursues (based on entering culturally similar and closely located markets) requires presence at relevant expos in order to perform. This is linked to the financial resources of the firm, as the co-owner indicated: “if you really want to take more steps you have to be there, all those expos you just have to be there, that is the beginning. And that decision ultimately comes down to money”. Hence, performance, and ultimately

success, in the market is related to the presence at relevant expos. This is directly linked to the financial resources the firm possesses. As the co-owner explained in an example of an expo in Germany, standing at an expo can be draining financial resources: “10.000 euro for a small stand is nothing, adding other expenses to stay there. And as the event would take all weekend, the whole picture would become quite expensive”.

Even though similarities are present between anonymous firm 9 and 11, there are also various difference among the two. The financial pressure, for example, within anonymous firm 11 was higher than within anonymous firm 9. The internationalisation process of anonymous firm 11 was purely based on immediate survival, while anonymous firm 9 saw competition emerging and, therefore, its own market share declining. However, it was not the case that immediate survival was at stake. Therefore, the fact that there is no slack within anonymous firm 9 does not represent a similar relation to influence the lack of slack within anonymous firm 11 had on the internationalisation process of that firm.

4.5.2 Sequencing with slack

Two firms (i.e. anonymous firm 3 and 4) are present in the category of firms that pursued a sequencing strategy and had slack. These firms are both German startups in the software industry that have received considerable financial resources through investment rounds by various investors. This, together with the qualitative and quantitative data gather during the interviews, has shown that both companies have slack within their financial resources.

The strategy of anonymous firm 3, that is based on creating local offices for sales and account management, requires a substantial amount of financial resources. In the case of this firm, financial resources were not intervening with the execution of their sequence strategy. This is explained by the Area Manager with an example of the firm wanting to open a new local office in Thailand: “we wanted to open the new office in Bangkok, so we needed money. Let’s ask for the investors”. Consequently, the investors replied: “Ok, Bangkok makes sense”, and the firm received the necessary financial resources for the investment. This example clarifies the presence of slack within the company. The fact that the company is able to raise and obtain financial resources quickly and spend them does illustrate that there are no scarcity of resources. Therefore, financial resources do not obstruct the sequence strategy of the firm, but rather enables it to pursue one.

As well as anonymous firm 3, anonymous firm 4 also received investments in an investment round. However, the application of the financial resources by anonymous firm 4 and anonymous firm 3 are very different. While anonymous firm 3 applies the financial resources

to execute its internationalisation strategy, anonymous firm 4 does not apply its financial resources in that manner. As the head of international markets of anonymous firm 4 explains: “I think the good thing with our product is that the marginal cost of entering the market is extremely low. If you think about the considerations we had to take to be available in Germany, Austria, and also 15 other markets, all what we had to do was translate from German into English or you have to change the master card setting, so that the cards are recognised as the local cards, and that is it”. Therefore, “[...] it is not like that you have to make large capital investment to get the license for France, [or to] build up an office or all that stuff. It is very, very easy to open up your product in another market”.

This means that the financial resources have played a very marginal role for the firm in pursuing its sequence strategy so far. However, as the head of international markets explained: “[...] if we decide that we want to go to the US, or the UK, or China or whatever, we would need other licenses in other currencies. [...] Then it obviously becomes relevant to consider raising separate capital for that [...]”. Hence, financial resources could start playing a role when the firm decides to enter markets outside the Eurozone. However, until now, the influence that financial resources have had on the sequence strategy for anonymous firm 4 is low.

4.5.3 No sequencing without slack

There are some firms that belong to this category. However, the presence of some of these firms is rather arbitrary, since their financial situation has changed over the years or because of the nature of the products that they sell. This applies particularly for anonymous firms 14 and 15. While anonymous firm 14 has slack at the moment, their slack has gradually increased from a situation in which there was no slack to the current situation where there is slack. In the case of anonymous firm 15, which is a business unit which is part of a multinational firm, there is slack within their financial resources. However, due to the nature of their products (defence appliances), which are costly to produce and relatively difficult, and therefore costly, to sell, there is no slack to work with in the internationalisation process. Due to these reasons, anonymous firm 14 and 15 are discussed in this chapter.

The influence of financial resources on the internationalisation process for these firms is present. However, the extent to which is influential differs among the firms. In the case of anonymous firm 14, the scarcity of the financial resources after their home market collapsed forced them to internationalise. Without entering international market the firm would have been bankrupt, as the sales director stated. Initially internationalisation was started in order to survive. However, in the current situation, internationalisation is linked to spreading the

risks of the firm. Due to the dependency on national policies, the firm tends to approach multiple markets at once instead of focusing on one. This leads to a financial risk aversion of the firm. In process of internationalisation, the firm grew rapidly, as explained by the sales director: “[...] at one point when we took a big step in our growth, we had a bottleneck because we did not have enough financial resources to take on all the projects. Then we were looking for external funding, but this was not necessarily since the profit had grown rapidly”. This example illustrates the relation that this firm has had with financial resources and their internationalisation process, in which slack and no slack have alternated multiple times.

The situation of firm anonymous 15 is different than the situation of anonymous firm 14. Due to the high costs to produce and sell the products, the abundance of financial resources that the firm possesses leads to a situation in which, based on percentage, the financial margins decline. As the strategy director explains: “In fact, we actually have the same problem as small startups, and we actually make considerations to approach certain customers [based on financial resources]”. Due to the fact that the sales process can take several years, the costs to sell a product are significant and therefore, the considerations to sell to a specific client (in the case of this firm the clients are governments) is important. This leads, as acknowledged by the strategy director, to situations in which opportunities that arise will not be acted on due to the necessary financial allocation.

4.5.4 No sequencing with slack

Most firms that did not sequence had slack within their financial resources. Most of the interviewees of the firms within this category stated that financial resources were not the most crucial factor determining the strategy. The technical market developer of anonymous firm 13 stated that their strategy is almost never obstructed by financial resources. The same is true for anonymous firm 8, that has enough financial resources to execute their strategy. The international sales manager of anonymous firm 12 stated that financial resources were viewed by the firm merely as a condition to grow and execute their internationalisation strategy.

On the other hand, there were also firms that stated that financial resources had a high influence on the market entries of the firm. For anonymous firm 1, the financial resources were of importance to enter the Chinese market. Although there is slack within the firm, investments are needed if the firm wants to enter the Chinese markets. This since the company wants to hire local people and open offices in China itself and this is the biggest challenge to enter this market at the moment. As the project manager explained the process

of entering the Chinese market: “But probably it [entering the Chinese market] will happen soon, if we get the investor and get the money. We need to get the money first”. The importance of slack is also illustrated by the CEO of anonymous firm 7 in the case of entering the US. He explained this as follows: “[...] if we are talking about the US, then it is absolutely the case. We are now investing in that market to get everything up and running. If that is the case, you do require that financial slack or room”.

This shows that financial resources are playing a role within the execution of the internationalisation strategies of firms that possess slack. Some, like anonymous firm 12 and 13, use this slack in their advantage and to pursue their strategy of high investments. Other firms, like firm anonymous firm 1 and 7, acknowledge the importance of the financial resources for pursuing their strategy.

The fact that there is slack within the financial resources, does not mean that over the entire firm slack is present. An example of scarcity within a firm is the human resources of anonymous firm 13. The technical market developer explained it as follows: “The people who know a market and know the product, those are pretty scarce in the company. You have a lot of people who can run a factory or sales, but people who see opportunities in a market and grab those are scarce. They [the company] love them as well and they are sure to leave them out of an reorganisation”. Another example of no slack within another factor in the firm is time, as the CEO of anonymous firm 8 explained: “there are other airlines about which we say, they are large enough to invest a good portion of our time into. [...] if, I don’t know, Norwegian airlines calls us and says we would like to [work together with you]... we would say no”. This means, according to the interviewee, that “[...] it is really about the big guys, and where do we want to accredit our focus towards and move that forward”.

4.5.5 Conclusion

The results of the relation between slack and sequencing are depicted in the table below.

	Slack	No Slack
Sequencing	<ul style="list-style-type: none"> - Financial resources played a facilitating role in market entries (anonymous firm 3). - No real affect, due to marginal costs (anonymous firm 4). 	<ul style="list-style-type: none"> - Sequence based on low amount of slack. Choosing less risky market entries out of necessity (anonymous firm 11). - Financial resources played a facilitating role in market entries (anonymous firm 9).

<p>No Sequencing</p>	<p>- Financial resources played a facilitating role in market entries (enables to pursue certain strategies, e.g. one based on high investments).</p>	<p>- Low amount of slack initiates the internationalisation process (survival of the firm) (anonymous firm 14). - High costs of product leads to careful selection of opportunities (anonymous firm 15).</p>
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Table 6: Summary of the outcomes of slack within the firms' financial resources

As the results show, there is a similarity between the role that slack within financial resources plays in the internationalisation process of a firm. However, there is no clear difference between the firms that pursued a sequence strategy and possessed slack and the ones that did not. Hence, these results confirm previous research that has stated that there is a relationship between slack within financial resources and the internationalisation strategy that a firm pursues. However, this study does not show that there is an exclusive relationship between a particular degree of slack within financial resources and the pursuit of a sequence strategy by a firm. Therefore, the proposition, that stated that there is a negative relation between slack within financial resources and sequencing, is not confirmed by the results.

4.6 Firm Performance

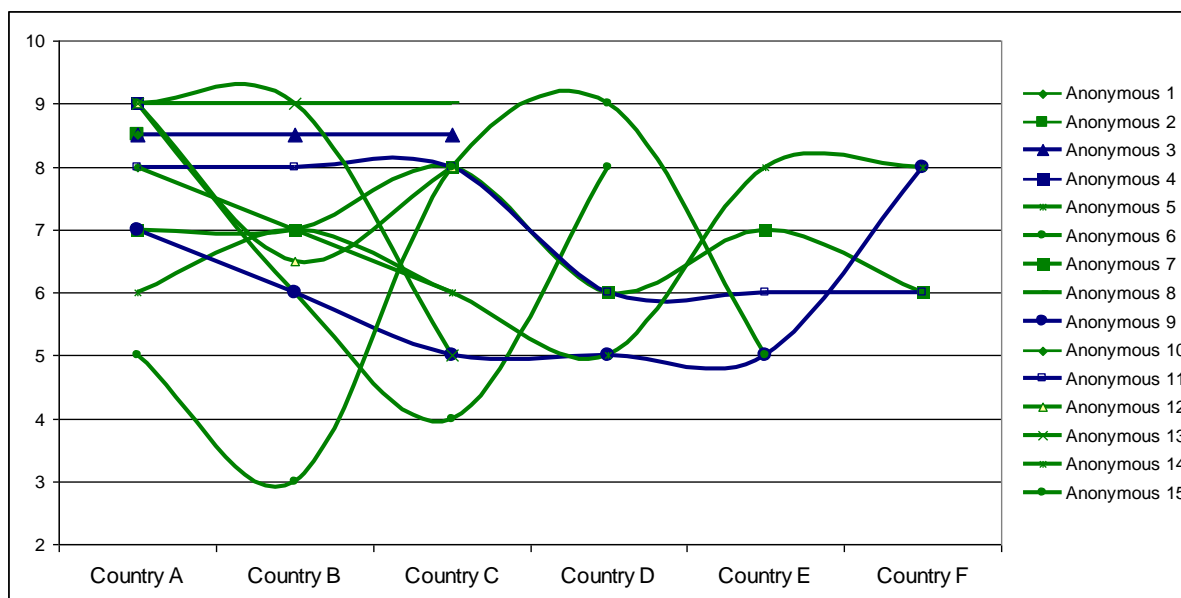


Figure 5: Firm performance per market entry (firms that pursued sequencing in blue, firms that did not pursue sequencing in green).

The firm performances in every international market entry for each firm¹⁴ is illustrated in figure 5. The figure shows that there is a difference between the firm performance of the firms that sequenced and the ones that did not sequence. Firstly, from the firms that pursued sequencing, the data for anonymous firm 4 is not included. This means that there is only data of three of the four firms that pursued a sequencing strategy. It is interesting to see that from two of the three firms the firm performance per market entry started relatively well (scores of 8 and 7 for anonymous firm 9 and 11 respectively), but sink afterwards. For anonymous firm 6 the scores sink and do not increase anymore, while the scores of anonymous firm 9 increase in the last market entry. Only anonymous firm 3 has a stable and high score across its three market entries.

From the firms that did not sequence, some patterns are visible. Firstly, it is clear that most firms have unstable scores, floating from relatively high to relatively low scores from market entry to market entry. Moreover, in most firms the scores decrease after the first market entry or entries. Furthermore, in none of the firms (nor sequencing or non-sequencing) a process of enhancement is visible in between the foreign market entries.

These findings contrast the theoretical perspective of Bingham (2009), which states that sequencing the international market entries is more successful than not sequencing the international market entries. There is no clear difference between the outcomes on the firm performance of sequenced firms and the non-sequenced firms. Moreover, for each foreign market entry (A to F) there is a non-sequenced firm that had a higher or equal score as a sequenced firm. Therefore, these findings cannot conclude that firms pursuing a sequence strategy are more successful than firms that do not. However, the findings do not contradict the statement fully, due to the fact that the differences among the firms are not highly compelling and the patterns within the non-sequenced firms do not illustrate better nor worse firm performance than sequenced firms. Therefore, the proposition, that is in line with the theoretical perspective of Bingham (2009), cannot be fully rejected by the results from this study.

¹⁴ Excluding anonymous firm 2, 3, and 9. These firms did not provide data on the performance per market entry.

4.7 Relations in the Conceptual Framework

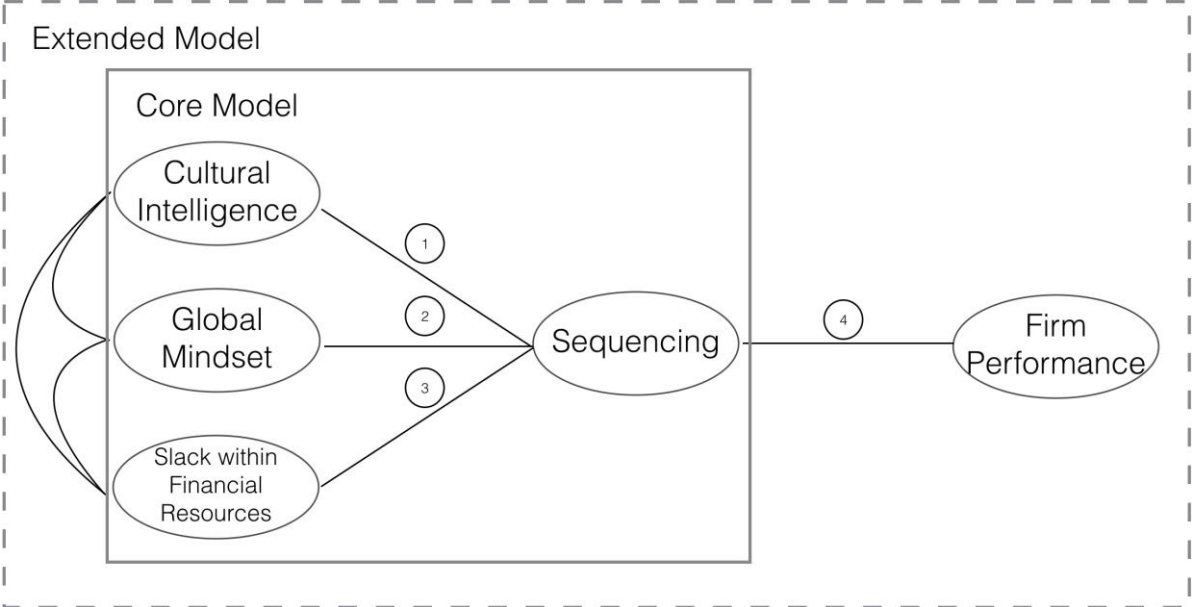


Figure 6: Conceptual framework

The outcomes of this chapter illustrate that there is no substantial evidence found for the relations 2, 3, and 4 from the conceptual framework. Some evidence has been found for relation 1 (the relation between cultural intelligence and sequencing), meaning that there is a possible relationship. Hence, within the core model, there is evidence for a possible relation for one of the three relations. Focusing on the extended model, no evidence could be found for the relation between firm performance and sequencing (relation 4). Moreover, the qualitative data does not provide evidence for any interconnection among the factors.

5. Discussion

The analysis of the relationships between cultural intelligence, a global mindset and slack within financial resources have presented some interesting results. These chapter will shed its light on these results in relation to the propositions that have been developed around the theory on these three constructs.

5.1 Discussion of the Results

The aim of this study has been to explore possible antecedents that could play a role in the selection of a sequencing strategy by a firm. By exploring this, three possible relations have been examined between three antecedents, i.e. cultural intelligence, global mindset, and slack within financial resources, and sequencing. Moreover, a fourth relation, between firm performance and sequencing, has been investigated as well.

This study has found that the antecedents do play a role in the selection of internationalisation strategies and are important in the context of executing international business. This is consistent with prior research that have examined various relations between selecting internationalisation strategies and slack within financial resources (Eriksson et al., 1997; Voss et al., 2008; Brouthers et al., 2009; Chang & Rhee, 2011; Efrat & Shoham, 2012; Sui & Baum, 2014), cultural intelligence (Thomas & Inkson, 2003; Delios & Henisz, 2003; Earley & Mosakowski, 2004; Ang et al., 2007; Ang et al., 2015; Ang & Van Dyne, 2008), and a global mindset (Govindarajan & Gupta, 2001; Levy et al., 2007; Bendix Marthinsen, 2015; Dekker, 2016). However, the results did not provide evidence for all the relations between the antecedents and pursuing a sequencing strategy.

From the three antecedents, this study has found evidence for one possible relationship, i.e. the one between cultural intelligence and sequencing. Cultural intelligence was mentioned as an important aspect to internationalisation process of the firms. The importance of language in doing business as well as cultural knowledge were stressed by firms. This is consistent with the literature on cultural intelligence, as cultural and language knowledge is necessary to gather, interpret, and act to cues, gestures, and behaviours and subsequently operate effectively in different cultural settings (Earley & Ang, 2003; Earley & Mosakowski, 2004; Thomas & Inkson, 2003).

The evidence for the relation between cultural intelligence and sequencing is based on coping with cultural differences by the firms. The use of external parties to overcome cultural

differences shows a distinction between the firms, which corresponds with the firms that sequenced and the ones that did not. Most of the firms that did not sequence used external parties in entering international markets, while most of the firms that sequenced choose markets to enter based on their cultural intelligence. Hence, a possible link between sequencing and cultural intelligence can be observed.

The results did not present evidence for the relation between the two other antecedents in this study, global mindset and slack within financial resources, and sequencing. For global mindset, most firms underlined the importance of a global mindset to their internationalisation process. This since the recognition of international market opportunities and perceiving the world as the marketplace was stressed by many firms as important aspects to their strategies. This is line with existing literature on global mindset and its relation with international business (Govindarajan & Gupta, 2001; Levy et al., 2007; Bendix Marthinsen, 2015; Dekker, 2016).

However, evidence for a relation between global mindset and selecting a sequencing strategy was not found. Two of the four firms that pursued a sequencing strategy possessed a moderate to low degree of global mindset, while the other two had a high degree of global mindset. The qualitative data stated that a strategic rationale of the firm with a low degree of global mindset resulted in pursuing a sequence strategy. This rationale was based on forced internationalisation for survival. However, the firm did not possess a global mindset and, thus, did not choose a sequence strategy based on its global mindset. Hence, both a low and high degree of global mindset can result in pursuing a sequence strategy and, thus, it cannot be concluded that there is a relation between possessing a high degree of global mindset and pursuing a sequence strategy.

For the factor slack within financial resources, the results showed evidence for the relation between slack within financial resources and the selection of an internationalisation strategy, as is found by other authors as well (Eriksson et al., 1997; Voss et al., 2008; Brouthers et al., 2009; Chang & Rhee, 2011; Efrat & Shoham, 2012; Sui & Baum, 2014). However, focusing on the proposition, that stated that possessing slack within the financial resources of a firm is negatively related to pursuing a sequence strategy, no exclusive concrete evidence could be found for this proposition. The firms that did not have slack and sequenced or not, had their degree of slack as their rationale to internationalise. While the sample included an example for pursuing a sequence strategy due to the low degree of slack (with the rationale that the sequenced markets were less risky to enter), the sample does not exclusively consists of firms that pursued a sequence strategy due to its low degree of slack. Moreover, the

rationale (i.e. a low degree of slack) to enter an international market is similar for the firms that sequenced and the ones that did not. Thus, there is no clear difference in the choice of internationalisation strategy between the firms that sequenced and the ones that did not.

The last core finding in this study is that the results did not present evidence for the relation between sequencing and firm performance. Bingham (2009) proposed and showed that firms pursuing a sequencing strategy will achieve a higher level of firm performance compared to firms that did not pursue a sequencing strategy. However, the results from this study, contrasting to the results from Bingham (2009), do not find evidence for the proposition. This since there is no significant difference in the firm performance between firms that pursued sequencing strategy and the ones that did not.

Despite the fact that this study did not conclude the same results as the one of Bingham (2009), some notes need to be mentioned. Firstly, the sample of Bingham (2009) and this study differ from each other, due to the fact that the amount of firms that sequenced is lower in this study compared to the one of Bingham (2009). Moreover, not all firms provided data for their firm performance, which shrank the sample for the examination of the firm performance.

Lastly, the extended model included the exploration of interconnections between the factors. The qualitative does not provide evidence for interrelations between the factors. This as interviewees have not mentioned nor stressed the existence of interrelationships within their strategies. Additionally, the quantitative data could not find evidence either, as differences among survey scores were present among the firms (e.g. scores of global mindset compared to cultural intelligence).

5.2 Contributions of this Study

This study contributes to the existing literature in various ways. Firstly, the results of the possible relation between cultural intelligence and sequencing contribute to the existing literature on cultural intelligence and its relation with international business. The subsequent results of no evidence for the relations between possessing a global mindset, and slack within financial resources, and sequencing, contributes to existing literature on possessing a global mindset, and slack within financial resources, and international business. All the findings relating to the antecedents contribute to the existing literature of Bingham (2009) on sequencing, as the results demonstrate the relation between sequencing and the antecedents.

Moreover, regarding the relation between slack within financial resources and the selection of an internationalisation strategy, this study finds evidence for this aforementioned relationship. Therefore, it substantiates to the theoretical argumentation of various scholars on the necessity for slack (Nohria & Gulati, 1996; Eriksson et al., 1997; Voss et al., 2008; Brouthers et al., 2009; Chang & Rhee, 2011; Efrat & Shoham, 2012; Sui & Baum, 2014) and on the advantage of no slack (Johanson & Vahlne, 1977; Starr & MacMillan, 1990; Baker et al., 2003). This applies also to cultural intelligence and global mindset, as the findings illustrate the importance of these factors to the selection of international strategies and international business. Thereby, this study contributes to the literature on the relation of cultural intelligence and international business (Thomas & Inkson, 2003; Delios & Henisz, 2003; Earley & Mosakowski, 2004; Ang et al., 2007; Ang et al., 2015; Ang & Van Dyne, 2008) and global mindset and international business (Govindarajan & Gupta, 2001; Levy et al., 2007; Bendix Marthinsen, 2015; Dekker, 2016) as well.

The findings of the relation between firm performance and sequencing contributes to the research of Bingham (2009), who first examined this relation. The findings of this study challenge the assumption of Bingham (2009) that sequencing is related to higher firm performance. The results of this study, however, can be explained by the nature of the sample. The sample did not comprise an equal distribution of sequenced and non-sequenced firms and the heterogeneity in the sample.

5.3 Managerial Implications

The outcomes of this study illustrate various aspects that can have implications in the practical field. Firstly, as is aforementioned, this study has provided evidence for the link between selecting an internationalisation strategy and the degree of slack within the financial resources of a firm. As the amount of slack within the financial resources can initiate internationalisation (e.g. out of necessity for survival) or have a more facilitating role in the process, the amount of slack within the financial resources is important for the internationalisation strategy. Hence, as a firm internationalises it should pay attention to the amount of slack within the financial resources and examine to what extent it can facilitate a particular strategy.

Moreover, this study also illustrates the importance of a certain degree of cultural intelligence. This since most firms have indicated that their cultural knowledge, as well as for some their knowledge of language, has had an important influence in their operations in the international markets. The data also shows that firms have opted to increase their cultural intelligence by the use of external parties (e.g. distributors and sales agents). Therefore, as firms will

internationalise, it is recommended to have a certain degree of cultural intelligence related to the market in which the firm wants to operate. As this is not available within the firm, the outcomes of this study suggest the use of external parties to fill the gap of cultural intelligence.

6. Limitations and Future Research

The outcomes of this study have been subject to some limitations. These limitations are mostly related to the sample selection and the measurements by the firms. Moreover, the results and the subsequent conclusions that can be drawn from those can form the basis for future research.

6.1 Limitations

Firstly, the sample selection in this study has been subject to several criteria. The firms that are part of this sample, for instance, have a substantial amount of investments in R&D. However, a particular degree of heterogeneity in the sample is present. Differences among the firms in characteristics as age, stage of development, and branches do exist. The reason for this heterogeneity is based on the limited time that has been available as well as difficulties in creating the sample.

Additionally, the sample does not represent an equal distribution of sequenced and non-sequenced firms. This is contrasting to previous research from Bingham (2009), who had a sample consisting of an equal distribution of sequenced and non-sequenced firms. The reason for this is similar to the heterogeneity issue. The fact that there is no equal distribution diminishes the reliability of the outcomes of the firm performance measures, as no comparison of equal amount of firms can be conducted.

Since there was no equal distribution of the sequenced and non-sequenced firms in the sample, not only comparisons between the two groups were hard to compose, but also within the groups. As for the factor slack within financial resources, a distinction was made between both sequenced and non-sequenced firms and firms that possessed slack and firms that did not. However, due to the small portion of the sample that sequenced, drawing conclusions within the distinctive groups was difficult. In order to increase the reliability of the conclusions in future research, a larger sample size with an equal distribution is recommended.

The firm performance measures are not solely affected by the distribution between sequenced and non-sequenced firms, but also by the fact that firm performance was measured on a subjective basis by the interviewees. Although this method has been similar as the method used by Bingham (2009), differences among firms are based on subjective judgements. Hence, what could be a negative score for one firm could be a positive for the other. This reasoning has also been applied in the scores that are given by the interviewees

in the scales for the factors. The scores on these scales are answered in a subjective manner as well.

6.2 Future Research

Future research is recommended on possible other factors that can be related to sequencing. Although this study could not find evidence for most of the relations between the factors and sequencing, there are most likely more factors influencing firms to pursue a sequencing strategy. Moreover, as this study found some empirical evidence for a possible relationship between cultural intelligence and sequencing, it is suggested to conduct more research on this topic. In such future research, the use of external parties can be included as well, as to examine whether there is a difference between firms that use external parties and the ones that do not in relation to pursuing a sequence strategy.

Furthermore, more research can be conducted on the relation between sequencing and firm performance. While Bingham (2009) has illustrated that there is a positive relationship between sequencing and firm performance, this study could not find evidence for this relationship. Due to various limitations, the outcomes of the relation between sequencing and firm performance in this study will not necessarily contradict the findings of Bingham (2009). However, future research can critically shed light on this relationship, when it takes into accounts the limitations mentioned in this study.

Additionally, as research into possible other antecedents is conducted, some suggestions for the research design are recommended. Firstly, the sample selection is essential, as an equal distribution of sequenced and non-sequenced firms and more homogeneity in the sample is advocated. This since it increases the reliability of any outcomes of such a study. Moreover, an increase of the sample would be beneficial as well, as this would ease the process of making comparisons within the sequenced and non-sequenced groups. For instance, by using an example from this study, a comparison between firms that sequenced and did or did not possess slack within their financial resources.

7. Conclusion

Literature on internationalisation and international market entries by entrepreneurial firms is divergent. While one theoretical perspective advocates improvisation in the choice of internationalisation strategy, the other preaches an internationalisation strategy that is more planned and structured in order to be successful. However Bingham (2009) has provided empirical evidence on the successfulness of a particular internationalisation strategy, i.e. sequencing. The sequence strategy states that a firm is more successful when it chooses its international market entries in a specified order. Hence, Bingham (2009) advocates a less improvised approach towards the choice of international market entries.

Nevertheless, Bingham (2009) states that little empirical studies has been conducted on the factors why an internationalisation strategy is more successful. Although Bingham (2009) mentions various reasons for sequencing, like, for instance, cultural similarity, market size and managing external perception, the possibility of more antecedents influencing the choice for a sequence strategy is present. Therefore, this study has aimed to identify whether the antecedents global mindset, cultural intelligence, and slack within financial resources are related to the concept of sequencing. Previous research had indicated that there is a relation between choosing an internationalisation strategy and the antecedents (Delios & Henisz, 2003; Gupta & Govindarajan, 2002; Chang & Rhee, 2011; Eriksson, Johanson, Majkgård, & Sharma, 1997; Sui & Baum, 2014). Based on this previous literature the choice of these antecedents was made. Moreover, the relation between sequencing and firm performance is also examined, while, on top of that, an exploration of possible interconnections between the antecedents have been investigated as well.

As the interviewees have noted the possession of a global mindset, cultural intelligence, and slack within financial resources played a role in their internationalisation strategies. However, the relation between sequencing and possessing a global mindset is cannot be substantiated by the findings in this study. This applies to the relation between slack within financial resources and sequencing as well. Although there is a relationship between slack within financial resources and the process of internationalisation of the firms examined in this study, a particular degree of slack within financial resources cannot be exclusively be related to sequencing. Despite the fact that the study cannot find evidence for the relation between sequencing and the previous two factors, it did provide some empirical evidence for the relation between cultural intelligence and sequencing. This due to the fact that some firms were influenced to sequence due to their cultural intelligence, while this differed from the

firms that did not sequence. Lastly, the findings from this study could not find evidence the relation between higher firm performance when a firm pursued sequencing.

Despite that this study has found only little evidence for the relations between the factors and sequencing, more research into possible other antecedents is advocated. As sequencing is most likely to be influenced by other and more antecedents, more explorative research into this subject is necessary in order to obtain a more comprehensive understanding of sequencing.

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Appendix 1 - Interview Protocol

Interview Introduction

- Thank you for your participation. The topic for today is analysing internationalisation strategies. You will help us to better understand this subject.
- The key concept of this study is sequencing, which is “the order market entries”. We are very curious about your motivations for your market entries.
- It is important to note that there are no right or wrong answers in this interview, we are only interested in your story.

During the interview, we will:

- Explain the constructs (hand-out)
- Ask questions regarding your sequencing story
- Ask questions regarding selected constructs
- Ask you to fill out a questionnaire containing questions related to the topics discussed previously

Preference for anonymity: yes/ no

Permission for audio tape: yes/ no

Key Constructs

Cultural Intelligence (CQ)

The capability to adapt effectively to different cultural contexts.

Global Mindset (GM)

Combination of an openness to and awareness of diversity across cultures and markets with a propensity and ability to cope with this diversity.

Financial Resources (Slack) (FR)

The amount of financial resources that is above the minimum necessary to run your company.

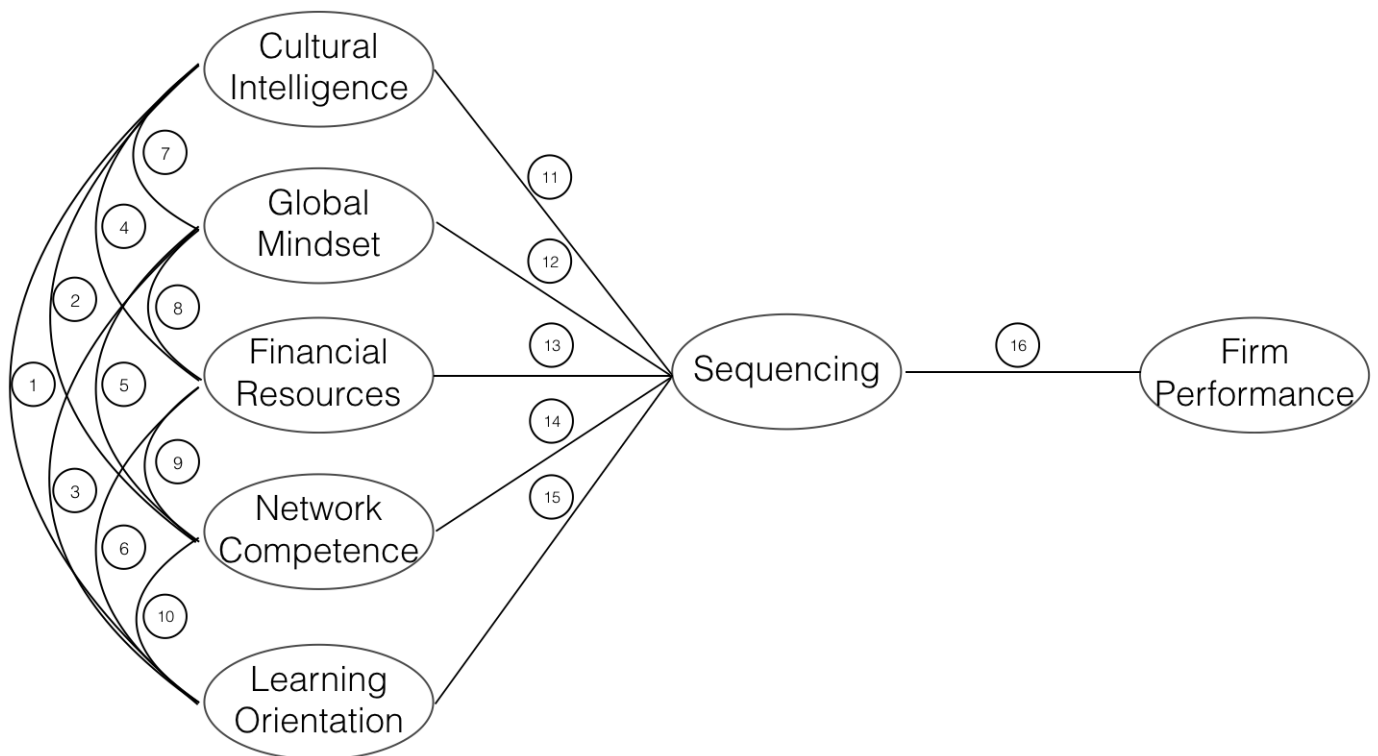
Network Competence (NC)

Degree of network management for which the following is important;

- Initiating relationships
- Maintaining relationships
- Specialist knowledge
- Social skills

Learning Orientation (LO)

Organisational learning orientation is the tendency for firms to create and use knowledge. Especially in a globalised business, the proactive learning within the organisation is highly needed to process the diverse market information, but also to adapt into different cultures.



Company Data

Firm Size (Number of Full-time employees):

Firm Age (Founding Year):

Industry Segment:

- Hardware company
- Software company
- Technology Consultancy
- E-Commerce
- Others: _____

Internationalised Country Order (at least three latest entries, starting with earliest (A) to most recent):

- A. _____, Year of market entry: _____
- B. _____, Year of market entry: _____
- C. _____, Year of market entry: _____
- D. _____, Year of market entry: _____
- E. _____, Year of market entry: _____

Market Entry	A (Earliest)	B	C	D	E (Most recent)
Overseas Market Entry Form Exporting					
Long-term contract					
Foreign agent / distributor					
Licensing					
Licensing Partners other IP					
Franchising					
Joint venture					
Marketing and distribution					
Fully integrated					
Wholly owned subsidiary					

Information interviewee

Age: _____

Gender: M / F

Position: _____

Nationality: _____

Sequencing questions

1. Why did your organisation decide to go international in the first place?
2. Why did you go to country A? B? C? Why did your organisation make the decision to particularly go to that country?
3. Why did you decide to go for the order of your country sequence (A - B - C countries)? Was there a rationale behind this decision?
4. By what was the the first internationalisation driven? What moved your organisation to go international/ what were the motivations of the organisation?
5. How satisfied was your organisation after the country sequence? If not, why were you not convinced by that decision?
6. How was your sequencing strategy influenced by the cultural intelligence of the organisation? How did that affect firm performance?
7. How was your sequencing strategy influenced by the global mindset of the organisation? How did that affect firm performance?

Financial Resources

1. How did the amount of financial resources of the firm influence your sequencing strategy for country A, B, C? (13, FR-SQ)
2. To what extent did the financial resources influence the performance in country A, B, C? (13, 16, FR-SQ-PM)
3. To what extent was the sequence of market entries influenced by financial resources gathered from the company's network? (9, FR-NW)
4. To what extent was the allocation of financial resources influenced by your organisations view on differences between markets? (8, FR-GM)

Network Competence

1. How did your organisation's network competence influence the decision to go abroad?
2. How did your organisation's network competence influence your sequencing strategy? How did that affect firm performance? (14, 16, NC - SQ)
3. To what extent was your organisation's network competence influenced by the organisational cultural intelligence? (2, NC - CI)
4. To what extent was your organisation's network competence influenced by the organisational global mindset? (5, NC - GM)

Learning Orientation

1. How does the learning orientation of your organisation influenced your sequencing strategy? (15, LO-SQ)
2. How does the global mindset of your organisation influence your sequencing strategy? (12, GM-SQ)
3. How does the cultural impact from or during doing business influence the learning orientation of your organisation? (1, CI-LO)
4. How is your organisation's learning orientation influenced by the global mindset of your organisation? (3, GM-LO)

Sequencing related to performance

1. How do you assess your firm performance?
2. On a scale from 0–10 (0 = very poor, 5 = moderate, 10 = excellent), how would you rate your firm's overall success in each country a year after the sequence?

When looking at the model, do you see any other relationships emerge that were relevant in the case of your organisation?

Appendix 2 – Systematic Literature Review Sequencing

Article	Quote
<p>Bingham, C. B. (2009). Oscillating improvisation: How entrepreneurial firms create success in foreign market entries over <i>time</i>. <i>Strategic Entrepreneurship Journal</i>, 3(4), 321-345.</p> <p>Original</p>	<p>“Data in this study, however, show that a more improvised approach leads to a less successful foreign market entry process over time. Instead, data support the importance of using a less improvised approach” (p.326).</p> <p>“Sequencing brings the present and future together in a way that creates team alignment and channels the energy and attention of organizational members. This helps firms get into a flow and move forward in a coordinated fashion” (p.331).</p> <p>“sequencing helps firms build experience in an appropriate order. Just as the order of assembly is crucial when building a home or baking a soufflé, data here suggest that the order of experience is critical when developing a foreign market entry process. That is, particular countries are appropriate at specific times in internationalization” (p.331).</p> <p>“[...] sequencing creates continuity between experiences. When engaging in heterogeneous experiences such as foreign market entries, the present and future often become disconnected because of divergent foci. While some executives concentrate on operations in current countries, others attend to entering new countries” (p.331).</p> <p>“They [the results] indicate that more improvisation in opportunity selection may result in less successful country entries, since it encourages leaders to pursue immediate opportunities when other opportunities generating greater long-term value exist. More improvisation in opportunity selection also encourages leaders to quickly accumulate experience in ways that fail to build off the past. The hurriedness to capture emergent opportunities faster than other firms may, ironically, be the very thing that decreases opportunities to see connections across opportunities which are critical for generating performance advantages” (p.339).</p>
<p>References</p>	<p>“Sequencing also improves sensemaking and problem solving. Research suggests that effective problem solving involves defining three elements: (1) an initial state; (2) a goal state; and (3) a set of steps necessary to move from the initial state to the goal state (Newell and Simon, 1972). In a like manner, creating a sequence for county entries enables leaders to understand where they are now, where they want to go, and the steps to get there.” (p.332)</p> <p>“More broadly, the use of sequencing reflects greater cognitive sophistication. Research shows that while critical, temporal understandings do not form all at once. Instead, they develop over time as individuals gain insight about how events should be ordered (Fraisie, 1982). Indeed, a critical difference between experts and novices is that experts tend to follow temporal sequences of principles toward solutions, whereas novices do not (Larkin, McDermott, Simon & Simon, 1980)” (p.332).</p>

	<p>“Some research suggests that the foreign market entry process in entrepreneurial firms will be more successful if it involves more improvisation. It argues that because many entrepreneurial firms operate in dynamic environments, where opportunities are fast moving and transient, effective internationalization comes as organizational leaders enter new countries quickly and opportunistically based on emergent customer demand (Oviatt and McDougall, 1994; Zahra, 2005)” (p.326).</p> <p>“Consistent with others, I define sequencing as following a specified order of country entries (Delios and Henisz, 2003; Ellis, 2008)” (p.326).</p> <p>Extant studies generally portray two sequence patterns: (1) one from culturally similar countries to more culturally distant countries (Johanson and Vahlne, 1977; Hofstede, 1980; Kogut and Singh, 1988); and (2) one from bigger countries to smaller countries (Davidson, 1980; Ellis, 2008).</p> <p>“These studies also explicitly argue that the goal of sequencing is to maximize internal learning. Therefore, learning is more effective when firms follow a series of incremental steps (e.g., entering more culturally distant countries over time) so that leaders can gradually gain more knowledge and expand their absorptive capacity (Delios and Henisz, 2003)” (p.326).</p> <p>“A primary contribution is offering insight into the relationship between improvisation and performance, an important stream in the strategy and entrepreneurship literatures (Brown and Eisenhardt 1997; Weick, 1998; Miner <i>et al.</i>, 2001).⁴ First, data suggest the importance of less improvisation in opportunity selection (see Figure 2). While research argues that entrepreneurial firms should be opportunistic and improvise the selection of new opportunities (Kirzner, 1997; Shane, 2000), data in this study portray a different view.</p>
<p>Bingham, C. B., & Davis, J. P. (2012). Learning sequences: their existence, effect, and evolution. <i>Academy of Management Journal</i>, 55(3), 611-641.</p> <p>References</p>	<p>“One common direct learning process discussed in the literature, trial-and-error learning, is defined as the process by which firm executives undertake a course of action, and the consequences of that completed action lead to change in the firm’s action or knowledge base (Argyris & Schön, 1978; Baum & Dahlin, 2007; Greve, 2003)” (p.612).</p> <p>“Experimental learning is another direct learning process. Experimental learning takes place in controlled situations that organizations use to test causal propositions and create new knowledge (Cook & Campbell, 1979)” (p.612).</p> <p>“Scholars have further argued that this off-line nature of experimental learning sets it apart from other direct learning processes such as trial and error (Miner et al., 2001). Thus, in experimental learning, variation in conditions is planned and intentionally introduced to produce insights about input-output relations” (p.613).</p>

“A common indirect learning process—that is, a process of learning from others’ experience rather than firsthand—is vicarious learning (Huber, 1991; Kalnins, Swaminathan, & Mitchell, 2006; Levitt & March, 1988; Srinivasan et al., 2007), which generally occurs when firms alter their behaviors or cognition in response to the actions of competitors (Kim & Miner, 2007). Through observation, decision makers gather information about the characteristics and outcomes of competitors. The frequent result is imitation of seemingly successful practices (Denrell, 2003)”

Appendix 3 – Systematic Literature Review Slack within Financial Resources

Link between slack and financial resources

Article	Quote
<p>Sui, S., & Baum, M. (2014). Internationalization strategy, firm resources and the survival of SMEs in the export market. <i>Journal of International Business Studies</i>, 45(7), 821-841.</p> <p>Original quotes</p>	<p>“If a firm has a larger resource endowment, it is able to pursue strategies that may be difficult for its competitors to copy, which creates a competitive advantage” (p.825).</p> <p>“Internationalization Process Model (IPM) scholars posit that internationalization should be incremental and experience-based, such as by beginning with low-involvement modes of entry in nearby or culturally similar areas. This strategy would minimize risks associated with internationalization because the degree of resource commitment is relatively low and the resources in question are focused on markets with low psychic distance” (p.823).</p> <p>“In addition, export activity may enhance the legitimacy of firms in their domestic markets and enable them to more effectively access and mobilize resources for growth” (p.824).</p> <p>“When firms venture abroad, they face additional market opportunities (e.g., more potential customers), additional costs of operating abroad (e.g., expenses associated with regulatory adaptations, increased transactional complexity and other transaction costs). Exploring and exploiting market opportunities demands financial and human resources, which are particularly limited for SMEs” (p.826).</p> <p>“Although resources are generally important for firm export market survival, we argue that their impact on survival is contingent upon the choice of internationalization strategy pursued. Gradual internationalizers face the lowest environmental turbulence. They step incrementally into foreign markets, beginning with proximate markets that are less culturally and institutionally different and are thus able to learn from their own experience. Because they limit their international expansion, they do not have to strain their resource base and do not have to adapt to many different foreign markets at the same time” (p.826).</p>
<p>Referenced quotes</p>	<p>“Dealing with foreign government officials, laws and agencies, suppliers, and customers increases the complexity of managing such an enterprise, taxing managerial resources and expertise” (Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009: 25). Thus the scope of internationalization strategies is influenced by a firm’s tangible and intangible resources (Tan, Plowman, & Hancock, 2007)” (p.825).</p> <p>“For instance, Andrews (1971) argues that strategy is the matching process between the resources of the organization and opportunities in the business environment at an acceptable level of risk” (p.824).</p>

	<p>“International operations not only trigger opportunities (Sapienza et al., 2006) but also must address the risks and liabilities of foreignness (Hymer, 1976). The liabilities of foreignness refer to the increased costs of operating a business in a foreign domain. The sources of these enhanced costs may be insufficient market knowledge, a negative country-of-origin image, and cultural and institutional differences of the home country, to name a few (Cuervo-Cazurra, Maloney, & Manrakhan, 2007; Santangelo & Meyer, 2011)”(p.825).</p>
	<p>“By gradually increasing international market commitment and the scope of international activities, firms can build experiential knowledge about foreign markets. This knowledge, in turn, will help them to manage risk more efficiently and will increase the probability of their survival in the international market (Figueira-de-Lemos, Johanson, & Vahlne, 2011)” (p.823).</p>
	<p>“Through experiential learning, firms can begin to more efficiently identify market opportunities and reduce the liabilities of foreignness (Johanson & Vahlne, 2009)” (p.823).</p>
	<p>“A firm’s resources ultimately determine the strategic flexibility of firms or, put differently, the number of strategies that are possible (Filatotchev & Piesse, 2009)” (p.824).</p>
	<p>“Because it is a firm’s choice to restrict or expand its international scope (Rugman & Oh, 2012), SMEs will enter a foreign market only when they have the resources that are required to do so” (p.825).</p>
	<p>“A firm’s resource base helps address the liabilities of foreignness and improve the chances of survival. An abundant resource endowment acts as organizational slack and makes international operations feasible and less risky (Chang & Rhee, 2011)” (p.826).</p>
	<p>“Because born-globals operate in turbulent and complex environments, they will require a stronger tangible resource base than gradual internationalizers or born-regional firms. The slack resources are not only beneficial for overcoming risks but are also required for born-globals to profit from the full scope of the enhanced opportunities abroad (Eriksson, Johanson, Majkgård, & Sharma, 1997)” (p.826).</p>
	<p>“If a firm has not enough tangible resources it will fail to explore and exploit opportunities abroad (Nohria & Gulati, 1996; Voss, Sirdeshmukh, & Voss, 2008), thus rendering a less effective strategy” (p.827).</p>
Efrat, K., & Shoham, A. 2012. Born-global firms: The differences between their short- and long-term performance drivers. <i>Journal of World Business</i> , 47(4): 675–685.	<p>“BGs [born-globals] will inevitably increase the levels of country risk associated with their operations, which should negatively influence the long-term performance of BGs” (p.678).</p>
Brouters, L. E., Nakos, G., Hadjimarcou, J., & Brouters, K. D. 2009. Key factors for successful export performance for small firms. <i>Journal of International Marketing</i> , 17(3): 21–38.	<p>“Dealing with foreign government officials, laws and agencies, suppliers, and customers increases the complexity of managing such an enterprise, taxing managerial resources and expertise” (p.25).</p>
Chang, S.-J., & Rhee, J. H. 2011. Rapid FDI expansion and firm performance. <i>Journal of International Business Studies</i> , 42(3): 979–994.	<p>“[...] Larger amounts of slack resources may allow firms to adapt to complex competitive landscapes (Levinthal, 1997), change strategic behavior (Bourgeois, 1981), and take risks (Singh, 1986). Slack resources can also serve as a buffer against downside risk or bankruptcy risk, positively affecting performance and ensuring the long-run survival of the firm (Bromiley, 1991; George, 2005; Tan & Peng, 2003)”</p>

	(p.982).
	“As the resource constraints literature indicates, firms with fewer slack resources are more likely to act cautiously (Baker, Miner, & Eesley, 2003; Starr & MacMillan, 1990)” (p.982).
	“We posit that strong intangible resources and capabilities, such as technology or brand equity, or tangible resources, such as financial slack, may help firms pursue rapid FDI expansion by allowing them to overcome the difficulties of rapid FDI expansion (George, 2005)” (p.980).
	“Slack resources function as a buffer against internal and external pressures, and facilitate strategic behavior (Bourgeois, 1985)” (p.982).
Figueira-de-Lemos, F., Johanson, J., & Vahlne, J. 2011. Risk management in the internationalization process of the firm: A note on the Uppsala model. <i>Journal of World Business</i> , 46(2): 143–153.	“The risk management view of the Uppsala model advances a model where knowledge and commitment are balanced, prospecting a tool for managers to adjust the firm’s risk level through different sorts of knowledge acquisition in an interplay between tangible and intangible commitment scaling” (Figueira-de-Lemos, et al., 2011; p.152).
Filatovchev, I., & Piesse, J. 2009. R&D, internationalization and growth of newly listed firms: European evidence. <i>Journal of International Business Studies</i> , 40(8): 1260–1276.	“[...] R&D and exporting are also positively associated with secondary equity issues, indicating that the two strategies may be determined by subsequent financing decisions following the IPO” (p.1272).
Eriksson, K., Johanson, J., Majkgard, A., & Sharma, D. D. (1997). Experiential knowledge and cost in the internationalization process. <i>Journal of international business studies</i> , 337-360.	“[...] structures and routines [...] cannot be established beforehand, but must be built gradually as a consequence of learning both a firm’s capabilities and foreign market needs. In this process, understanding the history of the firm is crucial. The planning of internationalization efforts must allow for considerable adjustment, use of slack resources, and restructuring” (p.353-354).
Voss, G. B., Sirdeshmukh, D., & Voss, Z. G. 2008. The effects of slack resources and environmental threat on product exploration and exploitation. <i>Academy of Management Journal</i> , 51(1): 147–164.	“Absent an imminent threat, organizations revert increasingly to known and tried approaches as financial slack or customer relational slack increases. However, under high threat, increasing levels of both forms of slack lead to lower levels of exploitation, suggesting that organizations with sufficient resources are less likely to maintain incumbent approaches” (p.2007).

Financial resources

Article	Quotes
Grant, R. M. (2009). <i>Contemporary strategy analysis: text only</i> . Reino Unido: Blackwell Publishing.	“It is important to distinguish between the resources and the capabilities of the firm: resources are the productive assets owned by the firm; capabilities are what the firm can do. Individual resources do not confer competitive advantage; they must work together to create <i>organizational capability</i> . It is capability that is the essence of superior performance” (p.127).
	“The corporate balance sheet provides a limited view of a firm’s resources—it comprises mainly financial and physical resources. To take a wider view of a firm’s resources it is helpful to identify three principal types of resource: tangible, intangible, and human resources” (p.127).
	“In sport it is common to see resource-rich teams failing to match the achievements of teams that create strong capabilities from modest resources. In European soccer, teams built with modest finances and without the acquisition of top-class players (Arsenal, Bayern Munich, PSV Eindhoven and

	Valencia) frequently outplay star-studded teams built from massive finance outlays (Chelsea, Real Madrid, Manchester City and Inter Milan)” (p.152).
	“In animated movies, the most successful productions in recent years were by newcomers Pixar (Toy Story, The Incredibles) and Aardman Animations (Wallace and Gromit) rather than by industry giant, Walt Disney” (p.153).
Wernerfelt, B. (1984). A resource-based view of the firm. Strategic management journal, 5(2), 171-180.	“Although the general idea is to expand your position in a single resource, it is not always optimal to go full force in several markets simultaneously even with experience curve effects. Quite often, it is better to develop the resource in one market and then to enter other markets from a position of strength” (p.176).

Slack

Article	Quotes
Nohria, N., & Gulati, R. (1996). Is slack good or bad for innovation?. Academy of management Journal, 39(5), 1245-1264. Original	“We define slack as the pool of resources in an organization that is in excess of the minimum necessary to produce a given level of organizational output. Slack resources include excess inputs such as redundant employees, unused capacity, and unnecessary capital expenditures. They also include unexploited opportunities to increase outputs, such as increases in the margins and revenues that might be derived from customers and innovations that might push a firm closer to the technology frontier” (p.1246). “They view it as synonymous with waste and as a reflection of managerial self-interest, incompetence, and sloth rather than as a buffer necessary for organizational adaptation” (p.1248).
Referenced	“Leibenstein (1969) even coined the felicitous term X-inefficiency to highlight the discrepancy that slack creates between actual output and maximum output for a given set of inputs. Moreover, unlike advocates of slack, its detractors argue that excess slack may actually hurt innovation, and hence adaptation” (p.1248). “Like Cyert and March (1963), these scholars start by characterizing firms as coalitions of competing interests. However, they contend that the proper way of thinking about these competing interests is to view them as a system of nested principal-agent relationships in which agents may accumulate slack to pursue their own interests rather than act in the interest of the organizations (Antle & Fellingham, 1990; Jensen & Meekling, 1976)” (p.1248).
Bourgeois, L. J. (1981). On the measurement of organizational slack. Academy of Management review, 6(1), 29-39.	“Organizational slack is that cushion of actual or potential resources which allows an organization to adapt successfully to internal pressures for adjustment or to external pressures for change in policy, as well as to initiate changes in strategy with respect to the external environment” (p.30).
Moreno, A. R., Fernandez, L. M. M., & Montes, F. J. L. 2009. The moderating effect of slack resources on the relation between quality management and organisational learning. International Journal of Production Research, 47(19): 5501-5523.	“Despite its costs, slack (resources) buffers a firm’s technical core from environmental turbulence and thus enhances its performance” (p.5503).
Jensen, M. C., & Meckling, W. H. 1976. Theory of the firm: Managerial behavior, agency cost, and ownership structure. Journal of Financial Economics, 3: 305-360.	“the firm is not an individual. It is a legal fiction which serves as a focus for a complex process in which the conflicting objectives of individuals are brought into equilibrium within a framework of contractual relations” (p.311).

<p>Sharfman, M. P., Wolf, G., Chase, R. B., & Tansik, D. A. 1988. Antecedents of organizational slacks. <i>The Academy of Management Review</i>, 13(4): 601-614.</p>	<p>"[...] slack only appears when the firm is not in equilibrium, and it should be minimized for the sake of efficiency. Our position, like Bourgeois' (1981), is that efficiency is not necessarily always the goal. In a short-run sense, the efficient firm will be the most profitable. In the longer term, slack will be necessary for survival and, hence, for long-run effectiveness (profit maximization) of the firm" (p.603).</p> <p>"We suggest that there is an optimal level of slack for any given firm. If the firm exceeds that level, performance will go down (Bourgeois, 1981; Sharfman, 1985). Because we argue that slack is necessary in a way that is at odds with neoclassical economics, it deserves special attention" (p.603).</p>
<p>Tan, J., & Peng, M. W. 2003. Organizational slack and firm performance during economic transitions: Two studies from an emerging economy. <i>Strategic Management Journal</i>, 24(13): 1249-1263.</p>	<p>"However, they [organizational scholars] generally believe that, given the complex trade-offs, the benefits of slack outweigh its costs, and that a zero-slack organization is not realistic" (p.1251)</p>
<p>Bradley, S. W., Wiklund, J., & Shepherd, D. A. (2011). Swinging a double-edged sword: The effect of slack on entrepreneurial management and growth. <i>Journal of Business Venturing</i>, 26(5), 537-554.</p>	<p>"Our results suggest that while financial slack plays a positive role in generating resources for growth, it concurrently weakens incentives for entrepreneurial action" (p.550).</p>
<p>Hvide, H. K., & Møen, J. (2010). Lean and hungry or fat and content? Entrepreneurs' wealth and start-up performance. <i>Management Science</i>, 56(8), 1242-1258.</p>	<p>"It is, however, quite striking that the profitability drops sharply in the high-wealth region, where entrepreneurs are least likely to be liquidity constrained. This finding stands in contrast to economic theories of liquidity constraints based on profit maximization, which predict a zero relation between liquidity and profitability for unconstrained entrepreneur" (p.1255)</p>