

a scientific open access quarterly



# International Entrepreneurship Review

ISSN 2658-1841

2019, vol. 5, no. 2

Previously published as | Dotychczas wydawane jako

**International Entrepreneurship  
Przedsiębiorczość Międzynarodowa**

ISSN 2543-537X | eISSN 2543-4934



CRACOW UNIVERSITY OF ECONOMICS  
Department of International Trade  
Centre for Strategic and International Entrepreneurship

a scientific open access journal



# International Entrepreneurship Review

---

ISSN 2658-1841

2019, Vol. 5, No. 2

---



**CRACOW UNIVERSITY OF ECONOMICS**  
Department of International Trade  
Centre for Strategic and International Entrepreneurship

---

## Editorial Board

### Editor-in-Chief

Krzysztof Wach

### Associate Editors

Krystian Bigos, Elżbieta Bombińska, Beata Buchelt, Mariola Ciszewska-Mlinarič,  
Wojciech Giza, Agnieszka Głodowska, Agnieszka Hajdukiewicz,  
Marek Maciejewski (scientific secretary), Bożena Pera,  
Marcin Salamaga (statistics editor)

---

## Executive Team for this Issue

**Copyeditor:** Elżbieta Bombińska, Izabela Nowakowska

**Proofreading:** Elżbieta Bombińska, Izabela Laskowska

**Cover and DTP:** Marek Sieja

---

## Original Version

The online journal version has been the only one since 2019.  
The online journal is the primary and reference version.

ISSN 2658-1841

---

In years 2015-2018 published as | W latach 2015-2018 wydawane jako

“International Entrepreneurship” (IE) | „Przedsiębiorczość Międzynarodowa” (PM)

ISSN 2543-537X (printed version)

eISSN 2543-4934 (online version)

---

## Publisher

Cracow University of Economics  
Department of International Trade  
Centre for Strategic and International Entrepreneurship  
ul. Rakowicka 27, 31-510 Kraków, Poland  
phone +48 12 293 5929, -5194, -5381, -5306, -5376, fax +48 12 293 5037  
e-mail: [ier@uek.krakow.pl](mailto:ier@uek.krakow.pl)  
[www.ier.uek.krakow.pl](http://www.ier.uek.krakow.pl)

---

---

## International Advisory Board – Scientific Council

---

- Zoltán Bartha**, University of Miskolc (Hungary)  
**Sławomir I. Bukowski**, University of Humanities and Technology in Radom (Poland)  
**Victor Claar**, Florida Gulf Coast University (USA)  
**Elżbieta Czarny**, Warsaw School of Economics (Poland)  
**Rasa Daugeliene**, Kaunas University of Technology (Lithuania)  
**Bogusława Drelich-Skulska**, Wrocław University of Economics (Poland)  
**Antonio Duréndez**, Technical University of Cartagena (Spain),  
**Ondřej Dvoutělý**, University of Economics in Prague (Czech Republic)  
**Ana Mol Gomez-Vazquez**, University of Almeria (Spain)  
**Geoff Goldman**, University of Johannesburg (South Africa)  
**Marian Gorynia**, Poznań University of Economics and Business (Poland)  
**Andrea S. Gubik**, University of Miskolc (Hungary)  
**Marta Hawkins**, Plymouth University (UK)  
**Gines Hernández**, Technical University of Cartagena (Spain)  
**Elena Horska**, Slovak University of Agriculture in Nitra (Slovakia)  
**Barbara Jankowska**, Poznań University of Economics and Business (Poland)  
**Doris Kiendl-Wendner**, FH Joanneum in Graz (Austria)  
**Blaženka Knežević**, University of Zagreb (Croatia)  
**Immanuel Azaad Moonesar**, Mohammed Bin Rashid School of Government (UAE)  
**Ladislav Mura**, J. Selye University (Slovakia)  
**Ewa Oziewicz**, University of Gdańsk (Poland)  
**Anna Pilkova**, Comenius University in Bratislava (Slovakia)  
**Áron Perényi**, Swinburne University of Technology (Australia)  
**Cornelia Pop**, Babes-Bolyai University in Cluj-Napoca (Romania)  
**Jurgita Raudeliūnienė**, Vilnius Gediminas Technical University (Lithuania)  
**Inna Romānova**, University of Latvia in Riga (Latvia)  
**Aidin Salamzadeh**, University of Teheran (Iran)  
**Jurgita Sekliuckienė**, Kaunas University of Technology (Lithuania)  
**Maura Sheehan**, Edinburgh Napier University (UK)  
**Janusz Świerkocki**, University of Łódź (Poland)  
**Tomohiko Takahashi**, Takushoku University – Tokyo (Japan)  
**Josef Taušer**, University of Economics in Prague (Czech Republic)  
**Tiiu Visak**, University of Tartu (Estonia)  
**Marzenna Anna Weresa**, Warsaw School of Economics (Poland)  
**Meltem İnce Yenilmez**, Yasar University (Turkey)  
**Crystal Zhang**, Coventry University (UK)

---

## Reviewers

---

All articles are double-blinded peer-reviewed at least by two independent reviewers.  
The detailed list of reviewers is published at our website once a year.

---

---

## Abstracting/Indexing

The journal, and all its articles, is abstracting and/or indexing in international databases, including:

DOAJ (England, UK)  
ERIH Plus (Norway)  
Google Scholar (USA)  
BazEkon (Poland)  
BazHum (Poland)

All articles published in IE are tagged with an identification number employing the Digital Object Identifier (DOI) System.



---

## Copyright and License

Copyright by Authors and by Cracow University of Economics, CC BY-ND 4.0 License  
IE is an open access journal according to DOAJ.



---

## Table of Contents

---

<b>The concepts of strategy and business models in firm internationalization research: Towards a research agenda</b>	<b>7</b>
Marian Gorynia, Piotr Trąpczyński, Szymon Bytniewski	
<b>Entrepreneurial orientation and Innovation Intensity: A synthetic literature Review</b>	<b>23</b>
Nizar M. Benazzouz	
<b>Entrepreneurial orientation of startups: Research results</b>	<b>37</b>
Jarosław Korpysa	
<b>Determining the contributory factors to successful succession and post-succession performance of family-owned SMEs in South Eastern Nigeria</b>	<b>53</b>
Kenneth Chukwujiok Agbim	
<b>Internal managerial succession in family companies</b>	<b>75</b>
Ludmiła Walaszczyk, Beata Belina	
<b>Towards university-business cooperation: Key drivers, barriers and modes</b>	<b>91</b>
Iga Rudawska, Joanna Kowalik	
<b>International trade in services: Some evidence on the influence of international servicification of manufacturing</b>	<b>107</b>
Elżbieta Bombińska	

---



# The concepts of strategy and business models in firm internationalization research: Towards a research agenda

Marian Gorynia, Piotr Trąpczyński, Szymon Bytniewski

## ABSTRACT

**Objective:** To discuss concepts of strategy and business models and reflect upon their commonalities and mutual relationships. Discussion about usage of both concepts with regard to the international expansion decisions.

**Research Design & Methods:** The article is based on the literature studies.

**Findings:** Some of the dimensions of both concepts, including the operating modes, choice of products or markets, are common to both concepts. However, internationalisation appears to be an integral part of corporate-level strategy which defines the directions of long-term firm development, including the geographic dimension. Thus, considering different geographic commitments as partly independent, one can assume that while the entire firm has a business model as a whole, there can also be varieties of business models within the same organisation, which are a consequence of its growth, particularly internationalisation.

**Contribution & Value Added:** Internationalisation research can also contribute to the stream on business model innovation, as the internationalisation of a firm's operations can be regarded as an organisational innovation in itself. A business model innovation requires a firm to timely and effectively identify and anticipate relevant developments in its constantly changing environment. The initiative to innovate an established business model has been identified as highly challenging due to its complexity and a range of barriers, particularly widespread inertia.

**Article type:** research paper

**Keywords:** Strategy; business models; internationalization; international competitiveness; international business

**JEL codes:** F2, F23

Article received: 7 January 2019

Article accepted: 11 June 2019

## Suggested citation:

Gorynia, M., Trąpczyński, P., & Bytniewski, S. (2019). The concepts of strategy and business models in firm internationalization research: Towards a research agenda. *International Entrepreneurship Review* (previously published as *International Entrepreneurship | Przedsiębiorczość Międzynarodowa*), 5(2), 7-21. <https://doi.org/10.15678/IER.2019.0502.01>

## INTRODUCTION

Firm internationalisation belongs to key research paradigms that occur within the international business discipline (apart from such paradigms as: international enterprise, foreign direct investments, international trade, location of foreign enterprises, etc.). If the paradigm should be understood as a set of the most important theoretical problems related to research concerning a given issue, then in the case of the internationalisation paradigm of an enterprise, two categories should definitely be included in the set: firm strategy and business model.

The concept of firm strategy is commonly understood as the intended action or action plan that the company intends to implement during its operation in order to increase its competitive advantage. The strategy, according to the definition proposed by Oblój (2002), is something that has a fundamental impact on the survival or failure of the firm. Strategy is also understood as a set of company behaviour in relation to dynamically changing conditions closer to the environment and further. Business strategies are characterised by high flexibility, which enables companies to quickly change the previously outlined action plan. The term of the firm strategy has been analysed and researched many times, making it difficult to choose one proper definition of a concept (Gorynia, 2007).

While the concept of business models has been applied to firm internationalisation recently (Hennart, 2014; Onetti, Zucchella, Jones, & McDougall-Covin, 2012; Rask, 2014), it still remains in its infancy and the related contributions pertain to specific aspects in isolation. Hence, the objective of the paper is to determine the usefulness of the concept of firm strategy and business models to research on firm internationalisation, and to clarify the relationships between the concepts. The paper relies on a literature review, in which a broad review and evaluation of both analytical concepts has been carried out, allowing to generate directions for further research on firm internationalisation processes.

## LITERATURE REVIEW

### Foundations of firm strategy and business models

In management science, strategy is understood in many ways. Systematically emphasised features of understanding the concept are: defining missions, methods enabling its fulfilment, measurability, location of strategies in time and relations established with the external environment (Doligalski, 2014). Expanding the understanding of the concept, strategy in newer studies is considered as a plan or scheme that integrates fundamental tasks in the company, defines the directions of action and behaviour logic. The correct formulation of the strategy enables effective location of resources. A well-prepared strategy also helps to react to the activities of competitors (Gorynia, 2007). Hitt, Ireland and Hoskisson (1999) stress the importance of analysing the environment and examining the internal conditions of the company's operations.

Porter (2001) takes the view that strategy should lead to an increase in the competitiveness of the company and emphasize its uniqueness. According to Porter, this means deliberately choosing a unique set of actions to deliver a unique mix of value. Porter claims that the strategy consists of a competitive position, differentiating oneself in the eyes of the client and adding value through a combination of activities other than those enjoyed by

competitors. At this point, it is crucial to refer to a common typology of strategies that distinguishes the firm strategy at three levels (Porter, 1980). Depending on the organisation in which the strategy is created and used, three levels can be distinguished. A corporate-level strategy is shaped by the top management and overlooks the activities of an organisation which deals with more than one type of business. It deals with actions taken by the organisation as a whole and aims at defining the role of each of the various activities. With a goal of optimising company operations, profitability and growth, corporate strategy must compare the return of a continuing investment in the single business with the acquisition or starting up of complementary businesses (Hitt, Ireland, & Hoskinsson, 1999).

The second level of strategy is that of the Strategic Business Unit (SBU). The business strategy sets, goals, and results. The business strategy sets goals for performance, evaluates the actions of competitors and specifies actions the company must take to maintain and improve its competitive advantages. Typical strategies are to become a low-price leader, to achieve differentiation in quality or other desirable features or to focus on promotion.

Finally, strategy at the functional level creates a framework for managing such functions as finance, research and development, marketing, ecology, in accordance with the strategy of the operating unit (Mintzberg, Ahlstrand, & Lampel, 1998). This strategy consists in determining how a given function is to be implemented in order to foster the desired competitive advantage and to coordinate a given function.

In strategy literature, some authors tend to present the firm as a value chain. This concept assumes that the firm is a system consisting of elements connected by a network. According to Timmers (1998), in the concept of business model extends the general value chain in that it defines the integration of its elements. Combining the concept of business architecture and the concept of the value chain formulated by Porter (2001), Timmers (1998) stated that business models are created by three components:

- The architecture of goods and services, including the description of all parties (actors) involved in the exchange of products;
- Vision of potential profit for business participants (both the demand and supply side);
- Description of revenue sources.

Obłój (2002) claims that by combining firm strategy and its implementation, it is possible to fully use resources and skills. According to this approach, it is possible to define business models by addressing the questions of what the business of the firm is, what resources and technologies should the company have at its disposal so that it is possible to gradually build a competitive advantage, and how a resource chain should be configured.

Afuah and Tucci (2003) take the position that business models implemented by enterprises have one common denominator, they were created to bring profit in the long run. Another attempt to explain the concept under consideration is the approach presented by Stähler (2002). In his concept, he emphasises that the business model is a simplified picture of the current situation in a given industry. It presents the concept of the model as a tool for interpreting the basic elements of the enterprise and allowing for planning any changes or modifications.

Stähler distinguished three elements that compose the creation of a business model:

- The value offered, that is how the value of the company has to offer potential buyers of goods;

- Products (offers on the market), architecture (thanks to what resources and activities is created);
- The revenue model (how the company generates income).

Gołębiowski, Dudzik, Lewandowska, Witek-Hajduk (2008) describes the business model as a configuration of four elements. First, the value proposition for the client (material benefits, transaction cycle, relations with final consumers, benefit cost relation), secondly resources (equipment, capital, high-tech, brand) are listed, thirdly, the position in the supply chain (activities related to sales, marketing and production, typology of existing links and role in the supply chain). As the fourth element Gołębiowski, Dudzik, Lewandowska, Witek-Hajduk (2008) distinguished sources of revenues (manufactured goods, delivered services or commercial outsourcing).

According to Osterwalder and Pigneur (2010), the business model is a collection of elements and relationships that enable presentation of the company's business goals. These authors have proposed that a well-designed business model should be carefully planned and include the following areas of the company's operations:

- customer segments (an enterprise serves one or more customer segments),
- value proposition (the organisation tries to satisfy the clients' needs through the value proposition),
- channels (value proposition reaches customers via distribution channels, communication and sales),
- customer relationship (there are specific clients with whom the company can establish relationships),
- revenue streams (revenue streams are determined by the effects of the value proposal implementation),
- key resources (they include assets that are necessary to form other elements of the model)
- key activities (key activities for the enterprise),
- key partners (some of the activities are outsourced to partners or external companies and some are obtained from outside the enterprise),
- cost structure (each of the elements of the business model affects the structure of costs).

Based on the above review of the business model literature, an attempt can be made to formulate the conclusion that most of them are connected with business activities aimed at enhancing financial performance, while building competitive advantage in a dynamic environment, as well as creating value propositions for customer. The common denominators of almost all of the business model concepts discussed here, accordingly, are three elements:

- Value proposition for the client;
- Structure of the value chain / company position in the value chain;
- Sources of income.

### **Comparison of strategy and business model concepts**

Referring to the above terminological deliberations, it appears legitimate to compare and differentiate between business models and company strategies. Magretta (2002) in his definition of the business model emphasises that it is a set of concepts that condition the

creation of values for all entities involved in relations with the enterprise. He also believes that the model is “a theory that is constantly verified by the market”. Therefore, the business model is a theoretical attempt to present the enterprise environment, but its implementation must take place in a direct relationship and be consistent with the strategy that allows the implementation of activities. In summary, according to Magretta’s theory, the strategy is a complement to the business model.

Ostenwalder and Pigneur (2010) compared the business model and strategy. According to the authors, “the business model describes the reasons behind the way in which the organisation creates value and ensures and profits from this generated value.” In combination with relevant business practices, these constituents of the business model define the type of strategy by which the company will operate on the market.

Summing up the above discussion, both the concept of business strategies and the concept of a business model are key concepts in management sciences, but they are often understood differently. Doligalski (2014) is of the opinion that “the business model represents what the company is, while the strategy describes the goals and forms and ways to achieve them by the company”. Differences between the two concepts are summarised in Table 1.

**Table 1. Comparison of firm strategy and business model concepts**

<b>Firm strategy</b>	<b>Business model</b>
Answers the question: What is the purpose of the company and how can it be achieved?	It is a simplified image of the company and answers the question: What is the company?
It is created in relation to other entities from the company’s environment	It concerns the interior of the enterprise
It refers to the positioning and competitive advantage achieved by the company	It focuses on the created economic value
It is characterised by flow marks	He has signs of state
It applies to the time dimension and provides for the direction of changes	It is the image of an organisation captured at a given moment
Observed through consistency (hardly observable)	Easy to see and define

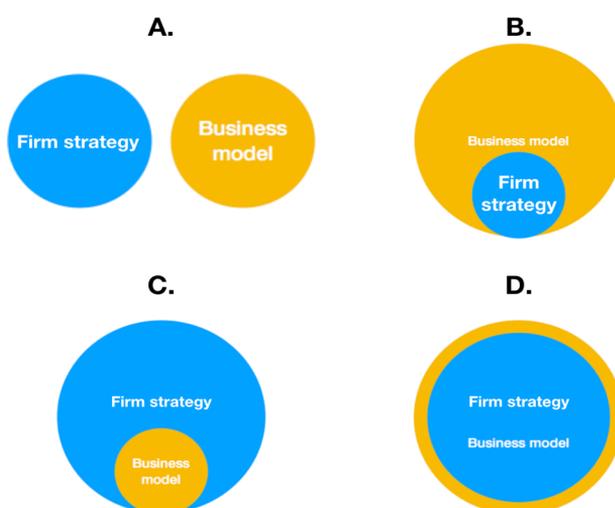
Source: own study based on (Doligalski, 2014).

Analysing the approaches presented by the quoted researchers regarding the similarities and differences between the strategy and the business model, several conclusions can be made. When emerging the relationship between the two concepts, it is worth applying the similarity criterion.

Firm strategy and business model cover other areas of activity (Fig.1 situation A). Doligalski (2014) analysing the relationships between the two concepts, takes the position that strategy is different from the business model, however, he clearly stressed that some approaches to defining strategy as a concept may coincide with the term business model. He also takes the position that the strategy reflects the desired target state, while the business model describes the current way of operation.

The subordination of firm strategy to the business model (Fig.1 situation B). The second approach concerns the theory that assumes, as a consequence, that the strategy is part of the business model. Magretta (2002) presents a theory in which he emphasises that having a coherent business model does not guarantee the company’s success. The business model, understood as a system, describes the components of the company’s activities and their

mutual relations. The guarantee of success is having a competition strategy that defines ways to overcome rivals within the sector. In summary, Magretta defined the strategy as a complement to the business model. Stähler (2002) emphasises in his concept that the business model is a simplified picture of the current situation in the given industry. It presents the concept of the model as a tool for interpreting the basic elements of the company and allowing for planning any changes or modifications. It also contains a strategy that is necessary in the process of striving to achieve a competitive advantage. According to the theory presented by Gołębiowski, Dudzik, Lewandowska, Witek-Hajduk (2008) the strategy is part of the model. The business model presents general assumptions according to which a company's competition strategy is created. A similar position was presented by Osterwalder, and Pigneur (2010). According to its theory, a business model can be understood as a conceptual relationship between strategy, business organisation and business systems.



**Figure 1. Relationships between the business model and the firm strategy**

Source: own elaboratio.

The company's strategy is superior to the business model (Fig.1 situation C). The third approach concerns theories that assume that the strategy is part of the business model. Obłój (2002) emphasises in his theory that if a business model assumes value creation, profit is not always equivalent to the assumed one. It also indicates the direct relationship between the strategy and its practical implementation, based on the concept of the value chain. He takes the position that the business model combines elements of strategy together and is part of it. Afuah and Tucci (2003), presented a theory in which emphasises the superiority of the strategy towards the business model of strategic units (SUB). He also claims that business models contain strategies relating directly to the SUB.

The concepts of the company's strategy and business model are interchangeable (Fig.1 situation D). Such an extreme position was presented by Porter (2001) who denied the value of the concept of the business model. His theory, widely regarded as misleading

or omitted, because the concept of a business model would be unnecessary. Most researchers accuse him of misunderstanding the business model as a business model. Porter's approach is unique and the only one that rejects the existence of a business model.

Business model definitions are required that clearly identify and distinguish what is strategy, and what is the business model. Doligalski (2014) underlined that "a business model is not a strategy". Strategy and the business model intervene at various levels of the business decision process. Strategy belongs to an upper level, since it selects the business/businesses where to compete (corporate strategy) and defines how to position for each of them (business strategy). The business model logically is presented at operational level, since it defines how to execute the strategy, representing the firm's underlying core logic and strategic choices. Stähler (2002) expresses this point effectively: "emphasises in his concept that the business model is a simplified picture of the current situation in the given industry.", while Osterwalder and Pigneur (2010) define the business model as "the conceptual and architectural implementation of a business strategy". By excluding strategy from the defining elements of the business model and without using excessively general elements which are difficult to specify, the terms are more clearly explained. The conducted research provides the findings that the business model and business strategy are different, though somewhat similar objects of scientific exploration. Their combined use potentially allows better understanding of business operations and their performance.

## **MATERIAL AND METHODS**

### **Internationalisation strategy and its dimensions**

Welch and Luostarinen (1988) define internationalisation as "the process of increasing involvement in international operations" (p. 36). Given the organisational and environmental complexity, which increases with the extension of a firm's international activities (Verbeke, Li & Goerzen, 2009), it seems legitimate to adopt a more holistic definition of internationalisation as firms adapt various aspects of their operations (strategy, structure, resources, etc.) to the international setting (Calof & Beamish, 1995). Hence, internationalisation should not be regarded only from the perspective of entering new foreign markets, but – more comprehensively – of devising a strategy for developing and managing international operations. And yet, the choice of foreign operation modes has remained the predominant object of analysis in IB literature (Calof & Beamish, 1995; Fletcher, 2001). This seems understandable given that the initial mode choice is critical to establishing the basis for further foreign market penetration (Benito & Welch, 1994; Welch & Luostarinen, 1988). Since market entry modes are a determinant of resource commitment to a foreign market, they are a relevant strategy dimension in managing the international involvement.

However, the dimension of operating modes cannot fully reflect the internationalisation process, since a partial increase or withdrawal in terms of operating modes might not be indicative of the overall exposure to cross-border operations. A substitution of the changed operating mode through other modes or the transfer of resources to other countries can increase the international market share (Chetty, 1999). Thus, the analysis of international strategy should also include decisions about the extension of the geographical scope of operations (Welch & Luostarinen, 1988). According to the process approach, internationalisation follows an incremental pattern from geo-culturally close to more distant

markets (Andersen, 1993, Johanson & Vahlne, 2009;). Thereby, companies can allocate their resources over a limited number of markets or follow a strategy of market diversification. However, the strategy of diversification can lead to a decrease of the number of markets in the long run, as a result of re-concentration and exit from less profitable markets in the international portfolio. A fast rate of expansion can result in a limited managerial attention, thus exposing entrants to mistakes in the market choice and resulting in subsequent de-internationalisation (Ayal & Zif, 1979; Bamberger & Upitz, 2007).

Furthermore, while the operating modes within one foreign market and for one given product unit might remain constant, the extent of value added by a foreign venture can vary. A wholly-owned subsidiary can carry out different activities along the value chain. Moreover, in a particular country, different entry modes can be used by a company to handle different parts of the value chain (Benito, Petersen & Welch, 2009). Changes in foreign governance of value adding activities can be seen from a global strategy perspective, depending on decisions concerning an international concentration or dispersion of activities (Porter, 1986). This can result from critical success factors of the company's industry, ranging between the need for global integration of value activities and the increase of operating efficiency, and the need for local responsiveness and adaptation to the local market environment (Prahalad & Doz, 1987).

Finally, the rising complexity of international activities requires firms to integrate differentiated parts of the entire system. The strength of integration of international involvements into the corporate network can express itself in the interdependence of resources and responsibilities between the units of a multinational corporation. According to this view, the network of customers, competitors, suppliers and other actors in international markets plays a crucial role in achieving the firm's long-term goals (Johanson & Mattson, 1988). Chetty (1999) regard internationalisation as a process driven by the creation of relationships with network partners in new foreign markets, through increasing commitment to extant foreign networks and through integrating positions in networks in different foreign markets.

Clearly, one should note that there are important interrelationships between the said dimensions of internationalisation, which have recently been discussed in international management and international entrepreneurship literature. The strategic-thinking approach emphasises the links between a firm's strategic orientation and its internationalisation patterns, processes and pace. Bell, Crick and Young (2004) found important differences between the internationalisation processes of knowledge-intensive and traditional manufacturing SMEs, the latter being involved in foreign markets from the very beginning of their operations, relying on foreign networks to a larger extent, entering a larger number of export markets with new global offerings (Hagen, Zuchchello, Cerchiello & de Giovanni, 2012).

One must note that the dimensions of the internationalisation strategy of the firm have mostly been discussed in isolation from each other, with few attempts at linking them holistically and exploring their combinations which may form certain strategic profiles or archetypes. Cerrato, Crosato and Depperu (2016) propose that the degree of internationalisation of a firm also includes an attitudinal component, which is represented by top management's international orientation. In fact, top management's experiential, motivational, and attitudinal resources deeply affect the internationalisation process of a firm (Escriba-Esteve, Sanchez-Peinado, & Sanchez-Peinado, 2008). Specifically, international

orientation positively correlates with the extent of top management's international experience, as management's overseas experience plays a role in affecting a firm's predisposition to future international activities (Zucchella, Palamara, & Denicolai, 2007).

Further, the internationalisation of a firm's business network is another key dimension, as this dimension affects the range of opportunities a firm can access and the resources and competencies it can leverage in its international activities. The inclusion of this component reflects the shift from a traditional view that looks at internationalisation essentially in terms of the amount of a firm's resources and assets allocated abroad to a perspective emphasising the importance of a firm's network for its foreign activities (Bjorkman & Forsgren, 2000). According to the network approach to internationalisation, relationships primarily drive international business opportunities and decisions, thus enabling firms to leverage critical external resources (Chetty, 1999). In particular, networking plays a highly important role for small firms, as they may exploit networks to mitigate the limitations due to their size or limited experience. Finally, the internationalisation of firms takes place not only in the area of production, but also involves a financial dimension based on the type of investors that firms consider (Hassel, Hopner, Kurdelbusch, Rehder, & Zugeho, 2003). Internationalisation should therefore be evaluated also as to how a company internationalises its financing or ownership structure.

To sum up the above discussion, the internationalisation of a firm implies changes along several dimensions. Thus, defining a firm's international footprint merely in terms of its international sales or the number of foreign direct investments would therefore present a simplified image. For instance, not only the number, but also the geographic-cultural distance of countries should be considered, as more distant markets are argued to increase the firm's internationalisation degree (Kutschker, 2002). Moreover, the presence in a given foreign market will differ in terms of the realised value chain modules, such as purchasing, R&D, manufacturing, logistics and sales. It has been suggested that the extent and diversity of foreign added value activities also determine the internationalisation degree (Kutschker, 1994). It was further underlined that – since an increased internationalisation requires an enhanced integration of the whole company – a higher mutual interdependence and intensity of resource flows between subsidiaries, as well as a higher unification of shared values, norms and beliefs imply a higher degree of firm internationalisation (Kutschker, 2002).

One can argue that depending on the development stage of a company, emphasis will shift between the above discussed dimensions. Therefore, following the classification of Ringlstetter and Skrobarczyk (1994), three successive maturity stages of firm internationalisation can be distinguished, starting from the internationalisation of the product-market strategy, through the internationalisation of value activities, to the most advanced stage of internationalisation of the organisation, in which more or less autonomous parts of the international network need to be integrated into the corporation.

### **Firm internationalisation and business models**

While there have been several attempts to analyse internationalisation strategy in its different dimensions (as outlined above), the concept of business models was applied to firm internationalisation less often. Hennart (2014) argues that it is the business model of the firm that can drive and explain international expansion. Specifically, he attempted to show that the business model used by the so called international new ventures and born globals, namely the product they sell, how they sell it, and to whom, is pivotal in explaining why

they sell quickly to customers in many countries. This explicit consideration of different aspects of the business model in firm internationalisation is rare, although the relevance of industry-specific factors has long been acknowledged.

In this context, Rask (2014) links firm internationalisation to the stream of business model innovation (BMI). He recalls that the business model answers the “what” question (products on offer), the “how” question (How to create value related to the product) and the “who” question (related to customers and their needs, and the suppliers assisting in the value creation process). Since business model innovation is not about product innovation, the two basic how and who questions remain valid. At this juncture one can note that, in line with the discussion in the preceding sections, there are conceptual overlaps in the dimensions of internationalisation strategy and business model. For instance, Hagen and Zucchella (2014) point to the relevance of a business idea and strategy on the basis of which a company identifies and exploits a market opportunity, organises its value chain, selects areas to be internationalised, and defines unique ways to reach potential customers. Extant research indicates that rapid internationalisation is frequently related to the realisation of a niche strategy, which implies introducing specialised products, innovative marketing strategies and enhanced product and service quality (Mudambi & Zahra, 2007).

We argue that in the context of firm internationalisation, the presence of apparent overlaps in the dimensions of internationalisation strategy raised in extant literature, as well as the dimensions of business models, shifts analytical attention from a mechanic comparison of the two concepts to a more profound analysis of their relationships and the role which business models play for firm internationalisation. In fact, in line with the multidimensional process of firm internationalisation, the coordination of firm-specific assets must be managed across several countries by means of a possible variety of relevant business modes. In the ensuing sections we discuss several predominant perspectives in existing literature on business models and internationalisation.

As discussed earlier, the distinguishing characteristic of a business model is the way in which the type of product or service is linked to a particular group of customers using a specific communication and delivery method. Bouncken, Muench and Kraus (2015) argue that the distinctive characteristic of firms realising foreign sales from the very outset may pertain to differences in their business models *per se*, as well as their ability to adapt them to foreign markets. In contrast to other common internationalisation theories, the business model approach focuses on the holistic view of the firm’s core activities in which business model innovation plays a pivotal role to gain competitive advantages.

Another group of scholars shifts attention from specific dimensions and their facilitating effects on international expansion to overall business models of internationalising firms, which have different implications for the shape of international operations. Onetti et al. (2012) and Bouncken et al. (2015) propose that business models of internationalising firms can be essentially discussed along the dimension of *focus* (which activities to perform), *locus* (where to allocate how much of these activities), and *modus* (to what extent these activities are performed alone or in cooperation, how much technology- or capital-intensive they are, etc.). Based on such categorisation, Rask (2014) proposes several types of business models with regard to the role of internationalisation of downstream (e.g. sales) and upstream (e.g. production) activities. *Domestic-based* business models are used by domestic ventures only. Even though the firm acts in a domestic context, its products and services

can be sold internationally through other firms such as export houses and similar indirect sales channels. Firms with an *import-based* business model seek sales opportunities in the domestic market and rely on the global supply market, which, for example, is often the case for domestic supermarket chains. The *export-based* business model is the inverse of the import-based business model. Export firms concentrate their resources locally, exporting their goods to international markets where they can earn a higher profit than by selling them on the domestic market. Like importers, exporters' demand and supply-market knowledge offers them competitive advantages through their ability to spot and act on emerging opportunities. The export-based business model is the business model that most of the export marketing literature focuses on. Finally, the *semi-global* business model features the characteristics of both the import and the export-based business models.

While there have been efforts to explore the links between business models and firm internationalisation, less attention has been paid to the effects of business model choices on international performance. Among the very few attempts in this regard, Kraus, Brem, Schuessler, Schuessler and Niemand (2017) show that business model design matters to international firm performance and the business model design of born global companies tends to be more efficiency-centered. Having an efficiency-centered business model design is positively associated with the born global's international performance. However, more research in this regard is warranted, in particular with relation to the performance effects of different aspects of business models of internationalising firms.

## CONCLUSIONS

Among extant research, Hennart's (2014) call for considering the nature of the business model in explaining accelerated internationalisation processes was one of the most important ones, raising a recent debate and a series of empirical studies reviewed here. Indeed, going beyond the popular variables analysed by IB scholars is pivotal to explaining not only the pace of international expansion, but also – if not in particular – its modes and loci. In this discussion paper we have departed from overall concepts of strategy and business models and reflected upon their commonalities and mutual relationships. We have then transferred this discussion to the level of firm internationalisation in order to review the usage of both concepts with regard to the international expansion decisions. Our review indicates that some of the dimensions of both concepts, including the operating modes, choice of products or markets, are common to both concepts. However, internationalisation appears to be an integral part of corporate-level strategy which defines the directions of long-term firm development, including the geographic dimension. Thus, considering different geographic commitments as partly independent, albeit interdependent, one can assume that while the entire firm has a business model as a whole, there can also be varieties of business models within the same organisation, which are a consequence of its growth, particularly internationalisation. These business models enable the implementation of the overall internationalisation strategy in different markets. Therefore, the concept of business model in the context of firm internationalisation has to be explored at several layers. This fact leads to several observations with regard to existing research and the implications for further research efforts.

Firstly, among the reviewed studies there have been a number of papers devoted to how the business models can facilitate internationalisation. While the consideration of specific operational aspects behind firm internationalisation can indeed enrich our repertoire of variables and enhance our understanding of firm decisions, leading to more insightful findings, the bulk of attention has been paid to rapid internationalisation processes, including born globals or international new ventures. There have been no studies exploring the links between the overall business model and the internationalisation patterns of firms following more traditional approaches to internationalisation, as well as firms of different size and age than merely fast internationalising, smaller and younger firms.

Further, as it has been noted in our paper, some authors stress that firms can maintain several business models as they grow, which results from their rising sectoral and spatial complexity. This aspect can be an interesting enhancement to the predominant focus on overall business models of internationalising firms, as it raises questions as to the motivations to replicate or modify the core business model in new international contexts. Moreover, it can be also fruitful to study the extent to which the co-existence of different business models within the organisation can contribute to changes in the main business model, or whether and how it does affect business model design upon new market entries, i.e. whether and how the new business model can effectively draw from previous implementation experiences for companies opting for a co-evolutionary approach and – in contrast – for the ones which focus on replicating their business model due a variety of factors. Thus, the context of international expansion and the complexity which it carries can be useful for enriching general research on business model co-existence and co-evolution.

Finally, internationalisation research can also contribute to the stream on business model innovation, as the internationalisation of a firm's operations can be regarded as an organisational innovation in itself. A business model innovation requires a firm to timely and effectively identify and anticipate relevant developments in its constantly changing environment. The initiative to innovate an established business model has been identified as highly challenging due to its complexity and a range of barriers, particularly widespread inertia. The understanding of how internationalisation can inspire changes in the business model can be a promising step in this regard.

## REFERENCES

- Afuah, A. & Tucci, C.L. (2003). *Internet Business Models and Strategies*. New York: McGraw-Hill/Irwin and the Environment.
- Andersen, O. (1993). On the internationalization process of firms. A critical analysis. *Journal of International Business Studies*, 24(2), 209-231.
- Ayal, I. & Zif, J. (1979). Market Expansion Strategies in Multinational Marketing, *Journal of Marketing*, 43(1), 84-94.
- Bamberger, I. & Upitz, A. (2007). De-Internationalisierung. Working Paper 18, *Fachgebiet Organisation & Planung*, University of Essen.
- Bell, J., Crick, D. & Young, S. (2004). Small Firm Internationalization and Business Strategy: An Exploratory Study of Knowledge-Intensive' and 'Traditional' Manufacturing Firms in the UK. *International Small Business Journal*, 22(1), 23-56.
- Benito, G. R. G., Petersen, B. & Welch, L. S. (2009). Towards more realistic conceptualisations of foreign operation modes, *Journal of International Business Studies*, 40(9), 1455-1470.

- Benito, G. R. G. & Welch, L. S. (1994). Foreign market servicing: beyond choice of entry mode. *Journal of International Marketing*, 2 (2), 7-27.
- Bjorkman, I., & Forsgren, M. (2000). Nordic international business research. *International Studies of Management and Organization*, 30(1), 6-25.
- Bouncken, R. B., Muench, M., & Kraus, S. (2015). Born globals: Investigating the influence of their business models on rapid internationalization. *The International Business & Economics Research Journal (Online)*, 14(2), 247.
- Calof, J. C. & Beamish, P.W. (1995). Adapting to foreign markets. Explaining internationalization. *International Business Review*, 4(2), 115-131.
- Cerrato, D., Crosato, L., & Depperu, D. (2016). Archetypes of SME internationalization: A configurational approach. *International Business Review*, 25(1), 286-295.
- Chetty, S. (1999). Dimensions of internationalisation of manufacturing firms in the apparel industry. *European Journal of Marketing*, 33 (1/2), 121-142.
- Doligalski T. (2014). *Modele biznesu w Internecie. Teoria i studia przypadków polskich firm*. Warszawa: Wydawnictwo Naukowe PWN.
- Escriba-Esteve, A., Sanchez-Peinado, L. & Sanchez-Peinado, E. (2008). Moderating influences on the firm's strategic orientation-performance relationship. *International Small Business Journal*, 26(4), 463-489.
- Fletcher, R. (2001). A holistic approach to internationalisation. *International Business Review*, 10 (1), 25-49.
- Gołębiowski T., Dudzik T.M., Lewandowska M., & Witek-Hajduk M. (2008). *Modele biznesu polskich przedsiębiorstw*, Warszawa: Szkoła Główna Handlowa
- Gorynia, M. (2007). *Strategie zagranicznej ekspansji przedsiębiorstw*. Warszawa: Polskie Wydawnictwo Ekonomiczne.
- Hagen, B., & Zucchella, A. (2014). Born global or born to run? The long-term growth of born global firms. *Management International Review*, 54(4), 497-525.
- Hagen, B., Zucchella, A., Cerchiello, P. & De Giovanni, N. (2012). International strategy and performance-Clustering strategic types of SMEs. *International Business Review*, 21 (3), 369-382.
- Hassel, A., Hoßpner, M., Kurdelbusch, A., Rehder, B., & Zugehoßret, R. (2003). Two dimensions of the internationalization of firms. *Journal of Management Studies*, 40(3), 705-723.
- Hennart, J. F. (2014). The accidental internationalists: a theory of born globals. *Entrepreneurship Theory and Practice*, 38(1), 117-135.
- Hitt, M. A., Ireland, R. D. & Hoskisson, R. E. (1999). *Strategic management: Competitiveness and globalization : concepts and cases*. Cincinnati, Ohio: South-Western College Pub.
- Johanson, J. & Mattsson, L.G. (1988). Internationalization in Industrial Systems-A Network Approach. In Hood, N. & Vahlne, J.(Eds.), *Strategies in Global Competition* (pp. 11-23). New York: Croom Helm.
- Johanson, J., Vahlne, J. E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40 (9), 1411-1431.
- Kraus, S., Brem, A., Schuessler, M., Schuessler, F. & Niemand, T. (2017). Innovative born globals: Investigating the influence of their business models on international performance. *International Journal of Innovation Management*, 21, 1-44.
- Kutschker, M., (1994). Strategische Kooperation als Mittel der Internationalisierung. In Schuster, L. (Ed.), *Die Unternehmung im internationalen Wettbewerb* (pp. 121-157) Berlin: Schmidt.

- Kutschker, M. (2002). Internationalisierung der Unternehmensentwicklung. In Macharzina, K. & Oesterle, M.J. (Eds.), *Handbuch Internationales Management. Grundlagen – Instrumente – Perspektiven*, 2 (pp. 46-67). Wiesbaden: Gabler.
- Magretta J. (2003). *What Management is?* London: Profile Books.
- Magretta, J. (2002). Why Business Models Matter. *Harvard Business Review*, 80(5), 86-92.
- Mintzberg, H., Ahlstrand, B. W., & Lampel, J. (1998). *Strategy safari: A guided tour through the wilds of strategic management*. New York: Free Press.
- Mudambi, R., & Zahra, S. (2007). The survival of international new ventures. *Journal of International Business Studies*, 38(2), 333-352.
- Obłój K. (2002). *Tworzywo skutecznych strategii. Na styku starych i nowych reguł konkurencji*, Warszawa: PWE.
- Onetti, A., Zucchella, A., Jones, M. V., & McDougall-Covin, P. P. (2012). Internationalization, innovation and entrepreneurship: business models for new technology-based firms. *Journal of Management & Governance*, 16(3), 337-368.
- Osterwalder, A. & Pigneur, Y. (2010). *Business Model Generation*. Hoboken: Wiley & Sons.
- Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Free Press.
- Porter, M. E., (1986). Changing Patterns of International Competition. *California Management Review*, 28(2), 9-40.
- Porter, M.E. (2001). Strategy and the Internet. *Harvard Business Review*, 79 (3), 62-78.
- Prahalad, C. K. & Doz, Y. L. (1987). *The Multinational Mission: Balancing Local Demands and Global Vision*. New York: Free Press.
- Rask, M. (2014). Internationalization through business model innovation: In search of relevant design dimensions and elements. *Journal of International Entrepreneurship*, 12(2), 146-161.
- Ringlstetter, M. & Skrobarczyk, P. (1994). Die Entwicklung internationaler Strategien, *Zeitschrift für Betriebswirtschaft* 64, 333-357.
- Stähler, P. (2002). *Geschäftsmodelle in der digitalen Ökonomie. Merkmale, Strategien und Auswirkungen*. Lohmar: Eul Verlag.
- Timmers, P. (1998). Business Models for Electronic Markets. *Journal on Electronic Markets*, 8 (2), 3-8.
- Verbeke, A., Li, L. & Goerzen, A. (2009). Toward More Effective Research on the Multinationality-Performance Relationship. *Management International Review*, 49, 149-162.
- Welch, L. S. & Luostarinen, R. (1988). Internationalization. Evolution of a concept. *Journal of General Management*, 14(2), 34-55.
- Zucchella, A., Palamara, G., & Denicolai, S. (2007). The drivers of the early internationalization of the firm. *Journal of World Business*, 42(3), 268-280.

---

**Authors**

---

The contribution of co-authors is equal and can be expressed as 33% each of the authors.

**Marian Gorynia**

Full Professor at Poznań University of Economics and Business (Poland). His research interests include foreign direct investment, firm internationalisation, industrial economics, economic policy.

**Correspondence to:** Prof. Marian Gorynia, PhD, Department of International Competitiveness Poznań University of Economics and Business al. Niepodległości 10, 61-875 Poznań, Poland, e-mail: m.gorynia@ue.poznan.pl

**ORCID**  <http://orcid.org/0000-0002-7633-8249>

**Piotr Trąpczyński**

Associate Professor at Poznań University of Economics and Business (Poland). His research interests include firm internationalisation, international strategies, international entrepreneurship.

**Correspondence to:** Prof. Piotr Trąpczyński, PhD, Department of International Competitiveness Poznań University of Economics and Business, al. Niepodległości 10, 61-875 Poznań, Poland, e-mail: piotr.trapczynski@ue.poznan.pl

**ORCID**  <http://orcid.org/0000-0001-8154-9174>

**Szymon Bytniewski**

PhD Student at Poznań University of Economics and Business (Poland). His research interests include internationalization, business models, international competitiveness, international business, globalization.

**Correspondence to:** Mr. Szymon Bytniewski, International Competitiveness Department, Poznań University of Economics and Business, al. Niepodległości 10, 61-875 Poznań, Poland, e-mail: szymon.bytniewski@ue.poznan.pl

**ORCID**  <http://orcid.org/0000-0002-4095-3741>

---

**Copyright and License**

---



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License  
<http://creativecommons.org/licenses/by-nd/4.0/>

---

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

---



# Entrepreneurial orientation and innovation intensity: A synthetic literature review

Nizar M. Benazzouz

## ABSTRACT

**Objective:** This article reviews the empirical findings directly or indirectly linking Entrepreneurial Orientation to Innovation Intensity in the period 2008-2018. It also investigates the fuzzy concept of Innovation Intensity and suggests some research avenues in the future.

**Research Design & Methods:** The research method is based on critical and synthetic literature review. In a three-steps process, relevant papers were identified and classified. These samples were then analyzed and put into a perspective of the explaining then linking the concepts of Entrepreneurial Orientation and Innovation Intensity. Based on that, recommendations for future research are presented.

**Findings:** Although many studies insinuate a positive relationship between Entrepreneurial Orientation and Innovation Intensity, there is no empirical research specifically targeting this link. The main reason seems to be a lack of clarity around the concept of "Intensity" itself.

**Contribution & Value Added:** This study introduces a conceptualization of Innovation Intensity based studying the extant literature. Furthermore, it is good starting point for scholars interested in clarifying the concept of Innovation Intensity or/and determining the nature of relationship linking this latter and Entrepreneurial Orientation.

**Article type:** literature review

**Keywords:** entrepreneurship; entrepreneurial orientation; innovation intensity; degree of innovation; internationalization

**JEL codes:** L26, O32

Article received: 10 March 2019

Article accepted: 14 June 2019

### Suggested citation:

Benazzouz, N.M. (2019). Entrepreneurial orientation and Innovation Intensity: A synthetic literature review. *International Entrepreneurship Review* (previously published as *International Entrepreneurship* | *Przedsiębiorczość Międzynarodowa*), 5(2), 23-36. <https://doi.org/10.15678/IER.2019.0502.02>

## INTRODUCTION

Behaving with an entrepreneurial mindset and its benefits has gained vast grounds among researchers and business managers and has been pointed to as an important factor in determining the progress of companies and nations (Awang, Amran, Nor, Ibrahim, Razali, 2016). Namely, the relation between Entrepreneurial Orientation and firm performance has been of high interest, mostly in changing and competitive environments. In this regard, it may seem obvious that Entrepreneurial Orientation and Innovation Intensity (hereinafter labeled EO and II respectively) are highly correlated, mostly given the fact that innovativeness is a main component of EO construct. Yet, few empirical extant studies have tackled this issue.

The objective of this article is hence to discuss the concepts of EO and II by building upon previous empirical studies within the period 2008-2018 directly or indirectly linking them.

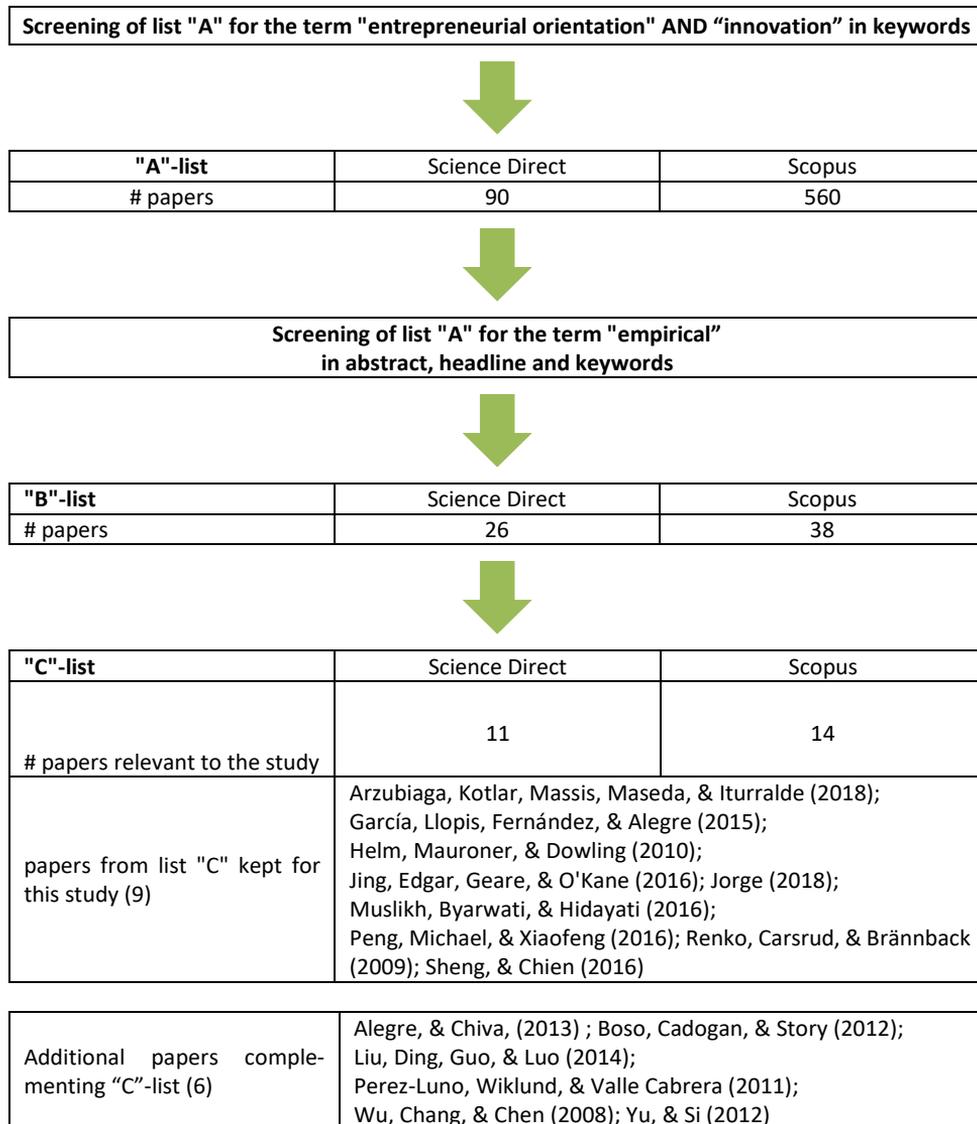
The methodology employed for this study is a synthetic and critical literature review of empirical studies around EO and innovation. The databases used for this purpose are (i) ScienceDirect and (ii) Scopus, as they contain the 'mainstream' of research papers in English.

This article contributes to the extant knowledge around innovation and entrepreneurship by displaying a positive correlation between many variants of both concepts in most sampled studies, while highlighting some noteworthy gaps.

At first, this study displays a summary of the literature review process. Afterward, a multi-dimensional construct of EO is introduced. A discussion of the concept of II comes next. The literature around the two main concepts of this study is hence discussed. A conclusion sums up the findings of the empirical literature review and suggests new research venues.

## MATERIAL AND METHODS

This paper uses a critical and comparative analysis as a main research method. The selection of the pool of papers, which were used as a basis of our study, was run as a multi-step process. Firstly, a comprehensive screening of the terms "entrepreneurial orientation" AND "innovation intensity" was done in the databases of (i) ScienceDirect and (ii) Scopus. Few empirical articles were found at this initial stage, so we widened our research to "entrepreneurial orientation" AND "innovation" in keywords, entitled "A"-list. 650 articles were found. Hence, in order to sort through the significant quantity of studies, a focus on the word "empirical" in Abstract, headline and keywords had to be made. The "B"-list included 64 articles. Within this last sample, 39 articles were dropped because neither EO nor II (or variants) were considered their central variables. A "C"-list hence included 25 articles among which 9 were selected as they highlighted a link between variants of EO and II. 6 additional papers which are not part of the "C" – list seemed relevant to the study and thus were added as well (cf. Table 1). A summary of the results is presented at the end of this paper.



**Figure 1. The process applied for literature review**

Source: own elaboration.

## LITERATURE REVIEW

### Entrepreneurial orientation

Entrepreneurial orientation has been one of the most discussed and largely accepted constructs in the extant literature on entrepreneurship (Covin, Green & Slevin, 2006; Wales, Gupta & Mousa, 2013). Some scholars treat EO as a behavioral propensity and as

an enabling framework that makes the firm entrepreneurial (Hosseini, 2012). In this regard, they tend to equate EO with intentions and attitudes rather than the core entrepreneurship itself although it is believed that both parts are quite complementary (Wach, 2015). Rauch, Wiklund, Lumpkin & Frese (2009) linked EO with a higher strategic level by defining it as “the entrepreneurial strategy-making processes that key decision makers use to enact their firm’s organizational purpose, sustain its vision and create competitive advantage(s).” Others followed suit and confirmed that EO incorporates firm-level processes, practices and decision-making styles where entrepreneurial behavioral patterns are recurring (Covin et al., 2006; Wach, 2015). Lumpkin and Dess (1996) emphasized the difference between EO and entrepreneurship by suggesting that the former “represents key entrepreneurial processes that answer the question of how new ventures are undertaken, whereas the term entrepreneurship refers to the content of entrepreneurial decisions by addressing what is undertaken.”

5 dimensions conceptualize EO. Proactiveness, innovativeness and risk taking (Miller, 2011); the two complementary dimensions are autonomy and aggressiveness toward competitors (Lumpkin & Dess, 1996). Risk taking refers to is the earliest and most frequently used characteristic of entrepreneurs. It seems obvious that the uncertainty and riskiness of self-employment is higher than normal employment. Risk, as the possibility of loss, may be viewed as an inherent characteristic of innovativeness, new business formation and aggressive or proactive actions of existing firms (Antoncic & Hisrich, 2003). It is hence intertwined with the management will to take risk with regard to investment decisions and strategic actions in uncertain conditions (Covin & Slevin, 1991). Innovativeness -which was considered the most important component of EO by some scholars (e.g. Eggers, Kraus, Hughes, Laraway, & Snyckerski, 2013), stands for the process related to changes in production functions whereby firms seek to acquire and build upon their distinctive technological competence (Therrien, Doloreux, & Chamberlin, 2011). It can also be considered as the tendency of a firm to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products and services (Dess & Lumpkin, 1996). Proactiveness is an opportunity-seeking, forward looking perspective related to the introduction of new products and services ahead of the competition and acting in anticipation of future demand. Many scholars consider the anticipation and acting on future wants and needs in the marketplace that create a first mover advantage as a trait of proactiveness (Wiklund & Shepherd, 2003). This dimension is hence critical for firms willing to capture high profits and establish brand recognition. The fourth dimension of EO is competitive aggressiveness. This latter refers to a firm’s propensity to challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace. The last dimension is autonomy. It is quite different from other EO dimensions. While all other EO dimensions are focused outward, autonomy is centered inward as a facilitator. It seems to be about independent spirit, which is a key to unlocking entrepreneurial potential. It also refers to the independent action of an individual or a team in bringing forward an idea or a vision and carrying it through to completion, without being held back by overly stringent organizational constraints (Burns, 2013). All EO dimensions are summarized in the table below.

**Table 1. A multi-construct of EO**

#	Construct Dimension	Composite qualities
1	Proactiveness	- predicting future market changes (Rauch et al., 2009) - opportunity creation vs. opportunity identification (Sundqvist, Kylaheiko & Kuivalainen, 2012)
2	Innovativeness	- openness to new ideas (Frishammar & Horte, 2007) - process and product creativity (Dess & Lumpkin, 2005) - pursuit of creative or novel solutions (Knight, 2001)
3	Risk taking	- decisions in uncertainty (Dess & Lumpkin, 2005) - implementation of projects entailing significant chances of costly failure (Davis, Morris & Allen, 1991; Miller & Friesen, 1984)
4	Competitive aggressiveness	- competitive advantage over competitors (Dess & Lumpkin, 2005) - aggressive posturing relative to competitors (Knight, 2001)
5	Autonomy	- independent human activities (Dess & Lumpkin, 2005) - self-acting (Dess & Lumpkin, 1996)

Source: Wach (2015, p.16).

### Innovation intensity

The 'innovation' process comprises the technological development of an invention combined with the market introduction of that invention to end-users through adoption and diffusion (Laing, 2018). Intensity stands for something "that is highly concentrated, has a high degree of force" (Morris, 1998). It was first linked to entrepreneurial intensity which proposed to measure the intensity of the first three EO dimensions (Morris & Sexton, 1996). That been said, there exists a relatively poor literature around the measures of II. Considering that innovativeness is a paramount dimension of EO, the intensity of innovation may provide critical information to firms in terms of innovation performance (Burns, 2013). So far, the measures proposed were the 'degree' and 'frequency' of these dimensions. This transition from EO to II was supported by Covin et al. (2006). In this sense, Burns (2013) suggested an II grid, which allows firms to map themselves on any of the four quadrants differentiated by innovation degree and frequency. Others like Coccia (2005) proposed that the intensity of technological change could be measured by an indicator, called magnitude, which was based on the impact of technological innovations on the economic system to which they aligned. Another view of intensity is financial. It may include the financial commitment of C-level managers with respect to innovation and the type of innovation activities performed (Laing, 2018).

Back to Burn's measurement scale (2013), while frequency seems relatively easy to comprehend - in terms of how many innovative product launches per year for instance, the degree of innovation is a bit more complex to assess. This latter can be associated to the innovation category: incremental, radical or disruptive.

Incremental innovation refers to a change usually involving improvement of existing products and services (Bessant, 2005) intending to achieve performance improvement. It does not require radical shifts of mindsets or substantial changes in competencies and capabilities (Garcia-Sabater, Marin-Garcia & Perello-Marin, 2011). It is fair to say that many innovative firms play within this field as they frequently add slight innovative increments to their products, services and processes.

Radical innovation can be seen as a deeper transformation of demand and needs of an existing market or industry [...] with significant societal impact” (Assink, 2006). Tushman and Anderson (1986) added that radicalism may relate to competence-destroying technological changes as the new innovation usually requires substantial resource commitments, and radical improvements in capabilities and competencies.

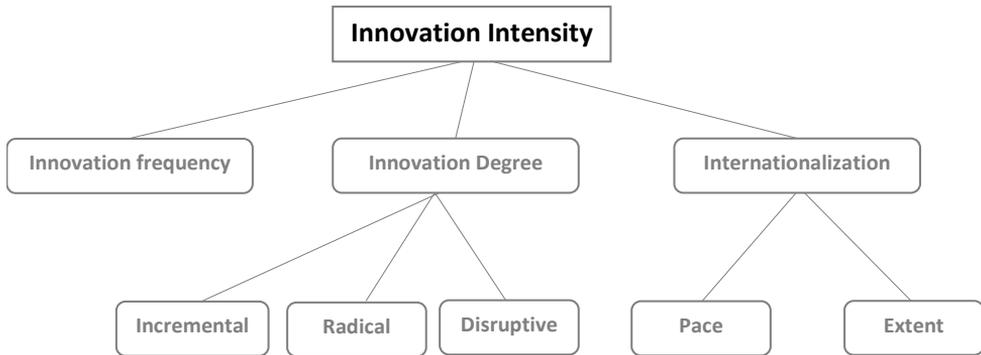
Although often confused with radical innovation, a disruption occurs when a new entrant or sometimes an incumbent comes up with an initially inferior technology according to the mainstream favorite dimension but superior on another secondary dimension(s), which then improves gradually to meet the needs of the mass market (Christensen, 1997). In that sense, low-end and new-foothold disruptions have been discussed in the literature (Christensen & Raynor, 2003). The former describes the classical disruptive case where the new offering is of lower cost than competition due to some technological advance or a different business model. On the other hand, new-foothold stands for a disruption that starts in a niche and unserved market.

These last three types of innovation may indicate its intensity. This latter seems to increase from incremental or sustainable through radical to disruptive. In this sense, one way to measure intensity within incumbents is by looking at their innovation strategies. For instance, a spin-out specialized at the exploration activities of the parent firm is good indicator of a disruptive strategy (Christensen, 1997), while structural ambidexterity – that is combining exploitation and exploitation in parallel within the firm, is probably related to a sustaining innovation path (Tushman & O’Reilly, 1996).

Another interesting measure of II is the degree and patterns of internationalization of the firm. As a matter of fact, both internationalization and innovation are important options to achieving firms’ growth, which announces their interrelatedness. That been said, the causal relationship between these two is still controversial. So while some scholars support no link between them (e.g. Hitt, Hoskisson, & Kim, 1997), many other studies in various industries seem to indicate that innovation capabilities of a firm have a stimulating effect on its internationalization dynamic (e.g. Cassiman & Golovko, 2011; Denicolai, Zucchella & Strange, 2014; Kafouros, Buckley, Sharp, & Wang, 2008; Melitz & Costantini, 2008; Pla-Barber & Alegre, 2007). Based on this last view, we can hypothesize that high internationalization pace and extent may be reliable indicators of firms II level, particularly for International New Ventures (INVs) or Born Globals (BGs) that quickly set an expansionist strategy by implementing in many international markets without necessarily going through the classical stages of internationalization (Casillas & Francisco, 2013).

While the geographic extent of internationalization is easy to assess, its pace seems multidimensional. This last topic has seen a shift in importance as early firms took relatively long time to make their first foreign sale mainly due to lack of digitization and a minor globalization rate (Johanson & Vahlne, 1977). With INVs, the pace has increased on many levels. Namely the starting time of internationalization benchmarked to the creation date of the company has gotten shorter and shorter (Moen & Servais, 2002). Despite the seemingly important character of these temporal metrics, many shortcomings are persisting in the literature. Hilmersson, Johanson, Lundberg and Papaioannou (2017) emphasized the need for more clarity around this concept since different measure stand for the same thing (e.g. pace, accelerated, rapid). He also suggested that the pace of internationalization is a multidimensional construct with interrelated units. The first dimension if the

speed of international expansion. It indicates how fast a firm spreads its sales activities to various country markets (Casillas & Moreno, 2014). The second one is “time to internationalization” to measure how soon after firm inception this latter begins its expansion abroad. The third and last dimension is the “point in time when internationalization started,” which captures how long ago (or how recently) internationalization started.



**Figure 2. A proposal of II construct inspired from the extant literature**

Source: own elaboration.

**Linking entrepreneurial orientation and innovation intensity**

Because innovation is a process of combining assets, entrepreneurial orientation may facilitate the firm’s ability to discern appropriate resources for combination and thus innovate (Wu et al., 2008), it seems that EO can positively influence II. Yet, there is a scarcity of research on this relationship and what other exogenous and indigenous variables may enter in play. Zheng, Yim and Tse (2005) studied the impact of strategic orientation including - Market orientation, Technology orientation and EO, on breakthrough innovation, then this latter on firm performance. There results indicated that EO positively affects both tech-based and market-based innovation. Other scholars focused on a narrower link between EO and innovation. Namely, Perez-Luno et al. (2011) demonstrated in a study of 400 Spanish firms that proactivity and risk taking -which are parts of EO construct, are positively related to the number of internally generated innovations -which may stand for “frequency” in the II construct, compared to innovation adoption and that in dynamic environments, the effect of risk taking is substantially much stronger than in stable environments. Focusing more on the exploration side, Liu et al. (2014) stated that firms with a strong EO display a better relation between unabsorbed slack. EO hence provides the capacity to more efficiently utilize internal resources in response to environmental changes. Other studies emphasized the positive link between EO and innovation performance (Alegre & Chiva, 2013; Boso et al., 2012). Regarding the degree of II, Sheng and Chien (2016) argued that a high-level learning orientation promotes myopic learning and incremental innovation but constrains experimentation and radical innovation.

## CONCLUSIONS

Based on the synthetic review of a decade of empirical studies and the previous construct of II (cf. figure 1), there seems to be a general trend favoring a positive influence of EO on II and firm performance within various industries (cf. summary in table 3). In particular, the findings suggest that risk-taking and proactiveness, which are two main part of EO construct, contribute to a relatively high innovation and firm performance (Alegre & Chiva, 2013; García et al., 2015; Helm et al., 2010; Muslikh et al., 2016). These findings are in phase with other scholars' confirmations or conclusions that EO positively impacts the innovative process within organizations since Top management supports new ideas and hence more resources are allocated for the exploration related activities (Bai & Ren, 2016; Shu, Hu & Jiang, 2015;). Furthermore, EO seems to be correlated with high extent and pace of internationalization which is in turn a good indicator of II level (Yu & Si, 2012). EO also appears to contribute to innovation frequency (Perez-Luno et al., 2011).

One major implication of this study is a display of a lack of a precise definition and measurement scale of II and a missing link with each component of EO multi-dimensional construct. While innovation performance and success are important to study, an intermediate lacking step is to check how risk-taking (among other EO dimensions) relate to II for instance. This will allow to build a stronger picture including EO, II and eventually innovation and firm performance.

It is worth mentioning that this study is not without limitations. First, basing our review of the literature to two databases and to English articles only obviously limits the scope and assertiveness of this study. Furthermore, given that II is an understudied concept, there might be better review alternatives than looking up the term "Innovation Intensity" although it made affordable the process of narrowing down the papers scope.

Further research in this topic could inspect potential moderators (motivation, market orientation, etc.) while controlling other variables (firm size, country of origin, industry, etc.). What's the relationship between proactiveness and internationalization pace? Does proactiveness positively affects the disruptiveness level of innovation? Is autonomy a necessary factory for fast internationalization and frequent innovation level? Such results are particularly useful to enhance the entrepreneurship literature and guide up-starters willing to disrupt the market or incumbents facing disruption, mostly in fast-paced industries.

**Table 2. Countries ranked according to Hellwig's method in the years 2005-2016**

Author(s)	Research Sample	Context	Examined relationships	Findings
<b>Wu, Chang, &amp; Chen (2008)</b>	Survey research method on a cross-sectional sample of 159 firms	International; Multi-markets	Exploring the influence of EO and social capital on intellectual capital, as well as the influence of intellectual capital on innovation	EO tends to significantly influence intellectual capital, including human capital, customer capital, and structural capital. The characteristics of risk-taking, innovativeness, and proactiveness, which stand for EO, are the key to fully implementing intellectual capital in order to create higher levels of innovation
<b>Renko, Carsrud, &amp; Brännback (2009)</b>	Semi-structured interviews with 85 venture CEOs and business development managers	Finish, Swedish and American BioTech firms	Testing the link between Technological capability, Market orientation and EO on one-side, and product innovativeness on the other	Market orientation shares a positive relationship with capital invested in the firm, specifically in Sweden and Finland. Market orientation is not related to product innovativeness measurements. Technological capability is a positive predictor of product innovativeness. EO is not related to product innovativeness. EO is not positively related to capital invested in the biotechnology venture either
<b>Helm, Mauroner, Dowling (2010)</b>	165 surveys done by the founders	High technology spin-off companies in Germany	EO, in particular risk-taking behavior and proactivity, is of particular importance in the context of high-technology venture success. Innovativeness as a mediator.	The results suggest that especially in high technology sectors and in fast growing markets, such as biotechnology, healthcare, information technology and optics where innovation is necessary to endure, a pronounced EO is important. Furthermore, innovativeness as a central entrepreneurial object mediates between the motivation and the success of entrepreneurs.
<b>Perez-Luno et al. (2011)</b>	400 questionnaires answered by R&D managers or CEOs	Spanish firms displaying innovative behavior or products	Exploring the link between Proactivity and the number of innovations adopted AND generated by a firm and between Risk taking and the number of innovations generated by a firm	Proactivity and risk taking are positively associated with the number of internally generated innovations. Proactivity and risk taking are positively related with an emphasis on innovation generation over innovation adoption. In dynamic environments, the effect of risk taking is substantially much stronger than in stable environments. Risk taking and pro-activeness both are associated with the number of innovations generated internally and launched in the market place but had no influence on the number of innovations adopted from others
<b>Yu &amp; Si (2012)</b>	109 questionnaires	109 Chinese listed entrepreneurial firms	Examining the relationships between firms' international IPO listing and R&D intensity, and how innovation capacity relates to entrepreneurial performance	Firms' II and their pursuit of internationalization seems to be interrelated in that innovation capabilities can provide a strong push for internationalization. The relationship with foreign institutions and R&D investments are two important indicators of new ventures' innovation capacities and potential drivers of a firm's internationalization.

Author(s)	Research Sample	Context	Examined relationships	Findings
<b>Boso et al., (2012)</b>	Questionnaire sent to 164 firms	Ghanaian exporters	Inspecting the relationship between Entrepreneurial-oriented behavior and export product innovation success	The findings indicate that both export entrepreneurial-oriented behavior and export market-oriented behavior drive export product innovation success. Moreover, EO behavior is more likely to be a driver of product innovation success when market-oriented behavior is strong
<b>Liu et al. (2014)</b>	308 final sample from face-to-face interviews with senior top managers and division leaders	Chinese High-Tech firms	Inspecting the relationship between unabsorbed slack and product innovation on one hand, and EO absorbed slack and product innovation on the other	Firms with a strong EO display a better relation between unabsorbed slack and innovation but a worse relation between absorbed slack and innovation. EO provides the capacity to more efficiently utilize internal resource combinations in response to environmental changes
<b>García et al. (2015)</b>	182 surveys from personal interviews with managers	Spanish and Italian ceramic tile industry	examining the possibility of a connection between managerial risk-taking propensity, risk-taking climate and innovation performance	Managerial risk taking is positively related to a risk-taking climate. Firms' risk taking climate matters to enhance innovation performance. Furthermore, managers' risk-taking propensity has an indirect positive effect on firms' innovation performance, which is mediated by a risk-taking climate.
<b>Muslikh, Byarwati, Hidayati (2016)</b>	104 questionnaires sent to CEOs	Indonesian SMEs in Tourism	Testing the effect of EO, market orientation, knowledge sharing, competence, to competitiveness with innovation, and creativity as mediator	The results indicate that EO and market orientation influence innovation, knowledge sharing. Creativity influence innovation and this latter influence competitiveness while creativity has non-significant influence on competitiveness
<b>Jing and al. (2016)</b>	264 questionnaires sent to managers	industrial Chinese firms	The influence of (EO) and HRM on ambidexterity	the study suggests that the interaction between EO and capability-based HRM facilitates innovation ambidexterity, and its relationship with firm performance is mediated by innovation ambidexterity
<b>Peng, Michael, Xiaofeng (2016)</b>	Mail survey responded by a sample of 153 firms	Random new ventures	Examining the mediating role of innovation speed in the relationship between EO and performance	Results show that faster innovation speed leads to superior performance. In addition, autonomy and competitive aggressiveness are found to increase innovation speed as predicted. However, risk-taking reduces innovation speed
<b>Sheng, Chien (2016)</b>	200 usable questionnaires	70 Taiwan-based High-Tech companies	Relationship between learning orientation and radical innovation	The results show that a high-level learning orientation promotes myopic learning and incremental innovation but constrains experimentation and radical innovation in emerging domains.

Source: own study.

## REFERENCES

- Alegre, J., & Chiva, R. (2013). Linking Entrepreneurial Orientation and Firm Performance: The Role of Organizational Learning Capability and Innovation Performance. *Journal of Small Business Management*, 51(4), 491-507.
- Antoncic, B., & Hisrich, R. (2003). Clarifying the intrapreneurship concept, *Journal of Small Business and Enterprise Development*, 10(1), 7-24. <https://doi.org/10.1108/14626000310461187>.
- Arzubiaga, U., Kotlar, J., Massis, A.D., Maseda, A., Iturralde, T. (2018). Entrepreneurial orientation and innovation in family SMEs: Unveiling the (actual) impact of the Board of Directors. *Journal of Business Venturing*, 33, 455-469.
- Assink, M. (2006). Inhibitors of disruptive innovation capability: a conceptual model. *European Journal of Innovation Management*, 9(12), 215-233.
- Awang, A., Amran, S., Nor, M. N. M., Ibrahim, I. I., & Razali, M. F. M. (2016). Individual entrepreneurial orientation impact on entrepreneurial intention: Intervening effect of PBC and subjective norm. *Journal of Entrepreneurship, Business and Economics*, 4(2), 94-129.
- Bai, J., & Ren, J. (2016). Organizational ambidexterity and innovation performance: The moderating effect of entrepreneurial orientation. *Frontiers of Business Research in China*, 10(4), 664-693.
- Bessant, J. (2005). Enabling continuous and discontinuous innovation: Learning from the private sector. *Public Money & Management*, 25(1), 35-42.
- Boso, N., Cadogan, J. W. & Story V.M. (2012). Entrepreneurial orientation and market orientation as drivers of product innovation success: a study of exporters from a developing economy. *International Small Business Journal*, 31(1), 57-81.
- Burns, P. (2013). Corporate Entrepreneurship: Building an entrepreneurial organization. *Macmillan International Higher Education*, 39(1), 1-194.
- Casillas, J.C., & Francisco, J.A. (2013). Speed in the Internationalization Process of the Firm. *International Journal of Management Reviews*, 15(1), 15-29.
- Casillas, J. & Moreno, A. (2014). Speed of the internationalization process: The role of diversity and depth in experiential learning. *Journal of International Business Studies*, 45, 85-101.
- Cassiman, B., & Golovko, E., (2011). Innovation and internationalization through exports. *J Int Bus Stud*, 42, 56-75.
- Christensen, C. M. (1997). *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*. Boston: Harvard Business School Press.
- Christensen, C.M. & Raynor, M. (2003). *The Innovator's Solution: Creating and Sustaining Successful Growth*. Boston: Harvard Business School Press.
- Coccia, M., (2005). Measuring Intensity of Technological Change: The Seismic Approach. *Technological Forecasting & Social Change*, 72(2), 117-144.
- Covin, J.G., Green, K.M., & Slevin, D.P. (2006). Strategic process effects on the entrepreneurial orientation - sales growth rate relationships. *Entrepreneurship Theory and Practice*, 30(1), 57-81.
- Covin, J.G., & Slevin, D.P. (1991). A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory and Practice*, 16(1), 7-25.
- Davis, D., Morris, M., & Allen, J. (1991). Perceived environmental turbulence and its effect on selected entrepreneurship, marketing, and organizational characteristics in industrial firms. *Journal of the Academy of Marketing Science*, 19 (1), 43-51.
- Denicolai, S., Zucchella, A., & Strange, R. (2014). Knowledge assets and firm international performance. *International Business Review*, 23, 55-62.
- Dess, G.G. & Lumpkin, G.T. (1996). Clarifying the Entrepreneurial Orientation Construct and linking it to Performance. *The Academy of Management Reviews*, 21(1), 135-172.
- Dess, G.G., & Lumpkin, G.T. (2005). The role of entrepreneurial orientation in stimulating corporate entrepreneurship: research briefs. *Academy of Management Executive*, 19(1), 147-156.

- Eggers, F., Kraus, S., Hughes, M., Laraway, S., & Snycerski S. (2013). Implications of customer and entrepreneurial orientations for SME growth. *Management Decision*, 51(3), 524-546. <https://doi.org/10.1108/00251741311309643>.
- Frishammar, J., & Andersson, S. (2009). The overestimated role of strategic orientations for international performance in smaller firms. *Journal of International Entrepreneurship*, 7(1), 57- 77.
- García G. A., Llopis, O., Fernández A.M., & Alegre, J. (2015). Unraveling the link between managerial risk-taking and innovation: The mediating role of a risk-taking climate. *Journal of Business Research*, 68, 1094-1104.
- Garcia-Sabater, J.J., Marin-Garcia, J.A., & Perello-Marin, M.R. (2011). Is implementation of continuous improvement possible? An evolutionary model of enablers and inhibitors. *Human Factors and Ergonomics in Manufacturing*, 19(2), 110-132.
- Helm, R., Mauroner, O., & Dowling, M. (2010). Innovation as mediator between entrepreneurial orientation and spin-off venture performance. *International Journal of Entrepreneurship and Small Business*, 11(4), 472-491.
- Hilmersson, M., Johanson, M., Lundberg, H., & Papaioannou, S. (2017). Time, Temporality, and Internationalization: The Relationship among Point in Time of, Time to, and Speed of International Expansion. *Journal of International Marketing, American Marketing Association*. 25(1), 22-45. <https://doi.org/10.1509/jim.16.0013>.
- Hitt, M.A., Hoskisson, R.E., & Kim, H. (1997). International diversification: effects on innovation and firm performance in product-diversified firms. *The Academy of Management Journal*, 40(4), 767-798.
- Horney, N., Pasmore, B., & O'Shea, T., (2010). Leadership agility: a business imperative for a VUCA world. *People Strategy*, 33 (4), 32-38.
- Hosseini, M.G. (2012). Human resource accounting. *IOSR Journal of Business and Management*, 2(5), 6-10.
- Jing, A. Z., Edgar, F., Geare, G., & O'Kane, C. (2016). The interactive effects of entrepreneurial orientation and capability based HRM on firm performance: The mediating role of innovation ambidexterity. *Industrial Marketing Management*, 59, 131-143.
- Johanson, J., & Vahlne J.E. (1977). The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8, 23-32.
- Jorge, F. (2018). Dynamic capabilities, creativity and innovation capability and their impact on competitive advantage and firm performance: The moderating role of entrepreneurial orientation. *Technovation*. DOI: 10.1016/j.technovation.2018.11.004.
- Kafourous, M.I., Buckley, P.J., Sharp, J.A., Wang, C. (2008). The role of internationalization in explaining innovation performance. *Technovation*, 28, 63-74.
- Knight, G.A. (2001). Entrepreneurship and strategy in the international SME. *Journal of International Management*, 7(3), 155-171.
- Laing, K. G. (2018). Seismic Measurement of Management Accounting Innovations: Using the Scale of Innovation Intensity. *Management Accounting Frontiers*, 1, 3-14.
- Liu, H., Ding, X.-h., Guo, H., & Luo, J.h. (2014). How does slack affect product innovation in high-tech Chinese firms: The contingent value of entrepreneurial orientation. *Asia Pacific Journal of Management*, 31(1), 47-68. DOI: 10.1007/s10490-012-9309-5.
- Melitz, M.J., & Costantini, J.A. (2008). The dynamics of firm level adjustment to trade liberalization. In: Helpman E., Marin D., Verdier T. (eds). *The organization of firms in a global economy* (107-141). Massachusetts: Harvard University Press.
- Miller, D. (2011). Miller (1983) revisited: A Reflection on EO Research and Some Suggestions for the Future. *Entrepreneurship Theory and Practice*, 35(5), 873-894.
- Miller, D., & Friesen, P. (1984). *Organizations: A Quantum View*. Englewood Cliffs: Prentice-Hall.
- Moen, Ø., & Per, S. (2002). Born Global or Gradual Global? Examining the Export Behavior of Small and Medium-Sized Enterprises. *Journal of International Marketing*, 10 (3), 49-72.

- Morris, M.H. (1998). *Entrepreneurial Intensity: Sustainable Advantages for Individuals, Organizations, and Societies*. USA. Praeger.
- Morris, M.H., & Sexton, D.L. (1996). The concept of entrepreneurial intensity: Implications for company performance. *Journal of Business Research*, 36(1), 5-13.
- Muslikh, M., Byarwati, A., & Hidayati, R. (2016). How to improve the competitiveness of SME's products in tegalwaru tourism village bogor. *Man in India*, 96(11), 4225-4240.
- Peng, S., Michael, S., & Xiaofeng, J. (2016). Entrepreneurial orientation and performance: Is innovation speed a missing link. *Journal of Business Research*, 69, 683-690.
- Perez-Luno, A., Wiklund, J., & Valle Cabrera, R. (2011). The dual nature of innovative activity: How entrepreneurial orientation influences innovation generation and adoption. *Journal of Business Venturing*, 26(5), 555-571. DOI: 10.1016/j.jbusvent.2010.03.001.
- Pla-Barber, J., & Alegre, J. (2007). Analysing the link between export intensity, innovation and firm size in a science-based industry. *International Business Review*, 16, 275-293.
- Rauch, A., Wiklund, J., Lumpkin, G.T., & Frese, M. (2009). Entrepreneurial Orientation and Business Performance: An Assessment of Past Research and Suggestions for the Future. *Entrepreneurship: Theory and Practice*, 33(3), 761-787.
- Renko, M., Carsrud, A., & Brännback, M. (2009). The Effect of a Market Orientation, Entrepreneurial Orientation, and Technological Capability on Innovativeness: A Study of Young Biotechnology Ventures in the United States and in Scandinavia. *Journal of Small Business Management*, 47(3), 331-369.
- Sheng, L. M., & Chien, I. (2016). Rethinking organizational learning orientation on radical and incremental innovation in high-tech firms. *Journal of Business Research*, 69, 2302-2308.
- Shu, C. L., Hu, Y. F., & Jiang, X. (2015). Learning ambidexterity, knowledge acquisition and innovation performance in strategic alliances. *R&D Management*, 27(6), 97-106.
- Sundqvist, S., Kylaheiko, K., & Kuivalainen, O. (2012). Kirznerian and Schumpeterian entrepreneurial-oriented behavior in turbulent export markets. *International Marketing Review*, 29(2), 203-219.
- Therrien, P., Doloreux, D., & Chamberlin, T. (2011). Innovation Novelty and (Commercial) Performance in the Service Sector: A Canadian Firm-Level Analysis. *Technovation*, 31, 655-665. <http://dx.doi.org/10.1016/j.technovation.2011.07.007>.
- Tushman, M.L., & Anderson, P. (1986). Technological Discontinuities and Organizational Environments Administrative. *Science Quarterly*, 31(3), 439-465.
- Tushman, M.L., & O'Reilly, C.A. (1996). The ambidextrous organization: managing evolutionary and revolutionary change. *California Management Review*, 38, 1-23.
- Wach, K. (2015). Entrepreneurial Orientation and Business Internationalisation Process: The Theoretical Foundations of International Entrepreneurship. *Entrepreneurial Business and Economics Review*, 3(2), 9-24.
- Wales, W.J., Gupta, V.K., & Mousa, F. (2013) Empirical Research on entrepreneurial orientation: an assessment and suggestions for future research. *International Small Business Journal*, 31(4), 357-383.
- Wiklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, 24(13). <https://doi.org/10.1002/smj.360>.
- Wu, W.-Y., Chang, M.L., & Chen, C.W. (2008). Promoting innovation through the accumulation of intellectual capital, social capital, and entrepreneurial orientation. *R&D Management*, 38(3), 265-277. DOI: 10.1111/1467-9914.00120-i1.
- Yu, X., & Si, S. (2012). Innovation, internationalization and entrepreneurship: A new venture research perspective. *Innovation: Management, policy & practice*, 14(4), 524-539.
- Zheng, Z. K., Yim, B., & Tse, K. D. (2005). The Effects of Strategic Orientations on Technology- and Market-Based Breakthrough Innovations. *Journal of Marketing*, 69, 42-60.

### Author

**Nizar M. Benazzouz**

Master in IT management (Engineering School of Telecom ParisTech, France); International Master in Business Administration (Sorbonne University, France). Currently working as digital portfolio manager within an SME. His research interests include innovation management and international entrepreneurship.

**Correspondence to:** ni.benazzouz@gmail.com

### Acknowledgements and Financial Disclosure

The Author would like to thank Prof. Krzysztof Wach as his doctoral supervisor and two anonymous reviewers for their value comments.

### Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License  
<http://creativecommons.org/licenses/by-nd/4.0/>

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

# Entrepreneurial orientation of startups: Research results

Jarosław Korpysa

## ABSTRACT

**Objective:** The main purpose of the paper is to establish which elements of entrepreneurial orientation (EO) have the biggest influence on the activities of Polish start-ups.

**Research Design & Methods:** The diagnosis was based on an analysis of individual components of entrepreneurial orientation and presentation of the results of research carried out by the author among 382 start-ups in Poland.

**Findings:** The research provide that, innovative activity of companies and exploring new market opportunities and possibilities by start-ups were important factors conditioning the operations and development of the companies studied. It is advisable to deepen the current theory of entrepreneurship orientation in relation to start-ups, understood as young innovative companies.

**Contribution & Value Added:** The theoretical-empirical deliberations presented in the article may be a valuable source of information within the scope of the influence the particular elements of entrepreneurial orientation have on start-ups. However, for entrepreneurs they may be an impulse in the field of effective use of the elements of EO in the process of building competitiveness of young companies in Poland which is reflected in particular pillars of EO.

**Article type:** research paper

**Keywords:** entrepreneurial orientation; start-up; innovation; entrepreneurship; innovations

**JEL codes:** L21, L26, L29

Article received: 2 April 2019

Article accepted: 24 June 2019

## Suggested citation:

Korpysa, J. (2019). Entrepreneurial orientation of startups: Research results. *International Entrepreneurship Review* (previously published as *International Entrepreneurship | Przedsiębiorczość Międzynarodowa*), 5(2), 37-51. <https://doi.org/10.15678/IER.2019.0502.03>

## INTRODUCTION

The contemporary literature defines the entrepreneurial orientation (EO) as the ability of organizations to actively seek business opportunities and create strategies for companies operating on the market. Therefore, thanks to utilizing the entrepreneurial orientation, not only does the company shape the organization culture, but also intensifies its activity

and competitive position by means of introducing new products, accessing new markets, introducing new models and business processes, or initiating systemic transformations (Amin, 2015). From such a perspective, the entrepreneurial orientation becomes an inextricable element of building a permanent competitive advantage of companies including, in particular, start-ups. The individual dimensions of entrepreneurial orientation connect and are intertwined, however, the results of research do not produce consistent results on the basis of which the influence of the particular pillars of EO on the activity of start-ups can be determined (Hayter, 2016; Hung Kee, & Rahman, 2017; Tietz, 2013).

In view of the above characteristics, it is appropriate to present the research results concerning the particular elements of entrepreneurial orientation of start-ups in Poland. Therefore, the aim of the paper is to determine which elements of EO have the biggest influence on the activities of the Polish start-ups.

### LITERATURE REVIEW

In the scholarly discourse, the entrepreneurial orientation serves as the basis of taking entrepreneurial actions which are connected with creating innovations, willingness to take risks and shaping market proactiveness by an economic unit (Charir, Primyastanto, & Abidin, 2017). These three dimensions of the entrepreneurial orientation became the basis for scientists to carry out further research resulting in expanding the elements of the entrepreneurial orientation with additional pillars i.e. autonomy and competitive aggression (Nadhar, Tawe, & Parawansa, 2017).

In analyzing the various dimensions of the entrepreneurial orientation it should be stated that the first component is innovativeness (Gloss, Pollack, & Ward, 2017). This dimension is associated with Schumpeterian creative destruction. As a result of taking innovative actions, a new or upgraded product, service or technological process is created. As a consequence, it contributes to the situation where the innovative entity acquires productivity and efficiency which is higher in comparison with the remaining companies (Andersén, 2017; Khedhaouria, Gurău, & Torrès, 2015). It also contributes to better financial results and increase in market share. Moreover, it is worth emphasizing that in the process of creating innovations, the effective use of tangible and intangible resources a given individual possesses plays an important role. It should be highlighted here that intangible resources (knowledge and experience) are the basis for the creation and realization of innovations (Fellnhöfer, 2017). Thus a need to create and preserve certain norms, values, ways of thinking and acting in the organization, which will support the process of creating of new solutions becomes apparent. It is possible, among others, thanks to shaping the innovation culture which depends, *inter alia*, on the creativity of employees and owners of the company, flexibility in their operation, openness to change, analytical and synthetic thinking, or willingness to acquire new competence (Stuetzer et al., 2018).

Another important dimension of the entrepreneurial orientation is proactiveness, thanks to which the company may offer goods and services onto the market in advance, in comparison with the remaining competitors (Dai, Maksimov, Gilbert, & Fernhaber, 2014). Therefore, ensuring that employees and owners of the company have the so called “entrepreneurial sensitivity”, which forms the basis for recognizing and seizing business opportunities, is a key aspect. The concept of proactiveness as an element of entrepreneurial orientation differs from innovativeness above all by the fact that the company does

not have to create new solutions but it is of utmost importance that it is the market leader who offers given goods and services as the first business entity (Lumpkin, & Dess, 1996a). Thanks to this approach, the company will gain a competitive advantage (Cavusgil, & Knight, 2015). A certain operationalization of the dimension of proactiveness of a company is carrying out research by the company concerning the formation of market needs in the future, ongoing training of employees and the owner of the company, as well as the entity possessing a strategy which is based on predicting future market trends (Fellnhofner, 2017).

The next element of entrepreneurial orientation is willingness to take risks, which is connected to taking decisions and actions without the knowledge of future results (Bogatyreva, Beliaeva, Shirokova, & Puffer, 2017). In this regard, the willingness to take risks is characterized as the effect of innovativeness and proactiveness. This is mainly due to the fact that, a company introducing new solutions ought to carry out analysis in regard to future market requirements. Thereby, it takes a risk as it is unable to evaluate the effects of the measures taken. The same applies to involving human, physical and financial resources in realizing future undertakings which are connected with the unknown probability of success.

Competitive aggression is also a significant element of entrepreneurial orientation. It is reflected in the company taking actions aimed at bettering its own market position in relation to competition (Lumpkin, & Dess, 1996a). It is possible due to constant analysis of the competitive environment in order to diagnose weak points of competitors, as well as setting up mechanisms reinforcing cooperation with competition or reinforcing strong competitive aggression (Mthanti, & Ojah, 2017). At this point it should be emphasized that manifestations of cooperation are related, among others, to operation of a given company in clusters, technology and science parks, enterprise incubators. The company is thus capable of carrying out research and development work jointly with other entities. Moreover, as Hess and Rothaermel indicate, occurrences of cooperation may also be strategic alliances which allow entrepreneurs to share knowledge and also obtain know – know (Hess, & Rothaermel, 2011).

The last aspect of entrepreneurial orientation is autonomy, understood as the capacity to independently explore and exploit market opportunities. The autonomy may be analyzed in the context of the entire organization or at the individual level (Al Mamun, Kumar, Ibrahim, & Bin, 2017; Anderson, Covin & Slevin 2009; Dada, 2018). In the first case, it is equated with its independence in relation to specific stakeholders connected to networks of business relationships. In the second case, it is usually analyzed based on the freedom of the performance of the particular tasks by employees. Owing to this, their creativity, motivation and responsibility for the entrusted tasks increase. In addition, the autonomy also conditions the flexibility of employees in action, which in turn leads to growth in the competitiveness of a company (Eshima & Anderson, 2017; Martens, Machado, Martens, & de Freitas, 2018; Yusoff, Al Mamun, Ibrahim, & Hassan, 2018).

Numerous results of research have no consistent outcome which may be the basis for determining the influence of the particular pillars of entrepreneurial orientation on the activities of enterprises. It should be highlighted here that, there are discrepancies in the extent the influence of the particular elements of entrepreneurial orientation have of start-ups operations. Some research results show that all dimensions of entrepreneurial orientation influence, to a greater or lesser extent, the entrepreneurial construct of a start-up. However, others emphasize that only innovativeness, proactiveness and autonomy influence the en-

trepreneurial construct whereas competitive aggression and risk-taking do not condition the entrepreneurial orientation of young companies (Covin, & Lumpkin 2011).

Moreover, according to the author's research, no results in the field of the issues discussed relate to the start-ups operating in Poland. Therefore, the above characteristics fully justify the need to carry out research in the context of the influence of EO on the activities of start-ups.

In the contemporary scholarly discourse there are many definitions of start-ups. Blank defines the start-up as a temporary organization involved in the search for a scalable, replicable and profitable business model (Blank, & Dorf, 2013). In this regard, a vital task for the start-up is to identify a proper business model, which will ultimately contribute to the rapid growth of an organization. Another definition is presented by Weissman who identifies a start-up as an entity operating on the market no longer than a year, which develops its product but does not sell it commercially (Wisseman, 2005). However, Skala characterizes a start-up as a small and young company which is starting its activity on the market of new technologies (Skala, 2016). This entity offers new technologically innovative products which have not been offered on the market so far. This definition is consistent with the definition of Reiss who analyzes start-ups through the prism of companies which create innovative solutions. From such a perspective, the principal characteristic of start-ups is their ability to create new value and extraordinary development. Moreover, the development of start-ups is not only possible due to a unique solution, which the company is offering onto the market but also thanks to an innovative management of the organization in the conditions of existing market uncertainty (Reiss, 2011).

With a view to realizing the objective of this paper, in further deliberations the start-up definition convergent with the definitions of Weissman and Reiss was adopted. Therefore, the start-up will be equated with a company operating no longer than a year, which offers an innovative solution.

## METHODOLOGY

Due to the analyzed population, in the adopted empirical approach the incomplete enumerative induction was used. Its aim is the attempt to formulate certain laws and conclusions based on observations of a certain phenomenon happening in the context which is characterized by a space-time dimension (Apanowicz, 2005). Therefore, for verifying the cause-and-effect links taking place in start-ups it was decided to use mainly nomothetic approach. Out of the test procedures and methods proper for the analyzed approach the vetting was selected in which CAWI method was used. This choice was based on the fact that CAWI method is a good tool in the analysis of the niche of the research area which certainly in Poland includes the functioning of Polish start-ups. This tool allows a precise definition of the characteristics and qualities surveyed as well as efficient data collection due to the respondents having the feeling of anonymity and the possibility of participating in the study at a convenient time (Wójcicki, 2012).

In the study carried out (December 2017 – April 2018) an original questionnaire of online survey was used. It consisted of 23 proper questions, demographic information and diagnostic questions. In this regard, it is important that closed, semi-closed, conjunctive and disjunctive answer choices were used in the process of creating questions. EO was

also measured using Likert's scale and the methods used in the research of Kuratko, Montagno, Hornsby (1990) and Dyduch (2008).

In this context, it is important to bear in mind that due to the lack of data, nonexistent in any available public registers, such as GUS, ZUS, marshal's office, voivodship office, commune office, concerning the start-ups, the diagnostic questions played an important role in determining the nature of the analyzed companies. These questions were created based on the accepted definition of a start-up which was presented in the theoretical part.

From the same sampling frame of the REGON register maintained by the Central Statistical Office (GUS) observations were selected for the sample. Therefore, using a procedure of simple random sampling, by means of the random sampling method, using stratified sampling, a database of 30,000 companies was drawn to whom invitations to take part in the research were sent by e-mail. There was a link in the e-mail which enabled access to the research survey. 409 start-ups were diagnosed in the quantitative study, from whom 382 duly completed research surveys were obtained.

While carrying out the empirical verification of the research results, appropriate accuracy and reliability of the measured values were checked in the first place using Cronbach's alpha coefficient. This indicator measures the cohesion within the scales, determining the extent to which the positions making up a given scale are similar to one another as well as whether they verify the same theoretical construct. The values of the coefficient range from 0 to 1 where the 0 value means absolutely unreliable measurement whereas 1 means perfectly reliable measurement. According to Nunnally's criterion (Nunnally & Bernstein, 1967), the minimal value of Cronbach's alpha coefficient guaranteeing the reliability of a measurement should at least amount to 0,7. The detailed data concerning Cronbach's alpha coefficient for the research carried out were presented in the following table.

**Table 1. Measurement of reliability of the research carried out**

Parts of the questionnaire	Cronbach's alpha coefficient
Innovative activity	0.824485
Willingness to take risks	0.732114
Proactiveness	0.812123
Autonomy	0.948565
Competitive aggression	0.792912
Entity of the integrated questionnaire	0.939281

Source: own study.

On the basis of the data received it should be stated that Cronbach's alpha coefficient for the entity of the integrated questionnaire assumed the value higher than 0,9 which is a sign of high reliability of the research carried out. Moreover, while analyzing particular components of the questionnaire, relating to entrepreneurial orientation of the studied start-ups it may be stated that all selected factors were characterized by the reliability higher than the required minimum.

### **The characteristics of sample**

Taking into account the sample structure divided in accordance with the company size criterion it must be stated that the majority of companies were micro-enterprises (52,32%). Next, were small enterprises (29,32%) and also medium-sized enterprises (17,54%). The minority

of companies were big enterprises (0,82%). The criterion on SMEs were defined by definition of the European Commission (1996). Moreover is the number of medium-sized enterprises was definitely higher than in other studies. It was effects of conducting research in industrial – techno parks, where there are more mediums than small companies.

Taking into account the sample structure divided in accordance with the sector of activity criterion it should be noted that a significant proportion of companies operated in the service sector (68,63%), one in five selected the commercial sector (20,33%), whereas one in ten the manufacturing sector (11,04%).

In the study of start-ups the location of the headquarters of a company was identified. The majority of the companies studied had their headquarters in the following voivodships: małopolskie (13,82%), mazowieckie (13,21%), śląskie (9,21%) and dolnośląskie (9,02%) and the least number in lubuskie (1,41%) and podkarpackie (2,17%).

The studied sample was also divided through the prism of generated annual income. The biggest number of entities (37,24%) generated annual revenues of up to 700 thousand PLN. One in three entities (33,92%) recorded a net income of up to 200 thousand PLN, and one in five (20,32%) had total revenues ranging between 701 thousand PLN to 1.5 million PLN. The smallest number of companies (8,52%) had annual income exceeding 1.5 million PLN.

In the study carried out, the start-up owners were characterized as well. The owners were a respondents. In majority of cases (72,32%), these entities were run by men. Therefore, every fourth (27,68%) entrepreneur was a woman. It is also worth mentioning that the population studied was also characterized by diversity in terms of age. The most numerous group (49,43%) consisted of people under 30 years of age, as well as those in the 31 and 45 year old age bracket (39,67%). The smallest group of respondents (10,90%) were people aged over 45.

To summarize, it should be stated that the average studied start-up was run by a man under 30 years of age. The entity operated in the service sector as a self-employment company. Moreover, in most cases the company had its headquarters in małopolskie, mazowieckie and śląskie voivodships, and generated annual income of up to 700 thousand PLN.

### Research results

In the study carried out, the start-up owners were characterized as well. In majority of cases (72,32%), these entities were run by men. Therefore, every fourth (27,68%) entrepreneur was a woman. It is also worth mentioning that the studied sample was also characterized by diversity in terms of age. The most numerous group (49,43%) consisted of people under 30 years of age, as well as those in the 31 and 45 year old age bracket (39,67%). The smallest group of respondents (10,90%) were people aged over 45.

While evaluating the individual components of entrepreneurial orientation of start-ups, the innovativeness of the studied entities was diagnosed in the first place. According to the accepted definition of start-ups, only the companies which offered innovative solution on the market were part of the study. Therefore, it was appropriate to carry out an analysis concerning main determinants of innovative activities of start-ups.

It should be noted as a preliminary remark that the start-ups most often created product innovations (62,52%), which chiefly consisted in introducing new or modified products, or ways of supplying services, which differed from the ones offered by these entities. Moreover one in three businesses indicated process innovations (34,89%) which are most often connected with technological processes of manufacturing individual products using

modern manufacturing methods, technology or equipment. The smallest number of companies created organizational (12,42%) and marketing (10,05%) innovations. The first of the listed, concern mainly introducing changes in the functioning of a company, i.e. changes in the method of managing it and organizing its work, whereas, the second relate to changes in designing a product, its packaging, promotion or price strategy.

The analysis of the main incentives for creating innovations by start-ups provides interesting outcomes. The data obtained indicate that in the group of the studied companies, the incentives related to creating innovations were of various character. The innovations were created chiefly by companies which possessed funding capacity of the work connected with creating new solutions (77,82%) and also had access to research infrastructure (61,28%). What is more, the willingness to create products of high quality (61,13%) as well as employment of qualified staff (47,11%) were also important drivers. Considering subsequent determinants it should be noted that every third enterprise created innovations out of the willingness to limit the risks connected with the activity as well as willingness to meet the needs of a client base. Among the presented determinants of creating innovations, the entrepreneurs ranked as lowest tax preferences (2,38%) and possibility to use the resources of different enterprises (8,23%).

In making further assessment of the level of innovativeness it was verified whether the enterprises are willing to implement innovations in the future i.e. within the next two years. In accordance with the outcomes it should be noted that the majority of them (88,22%) intend to create innovations during the forthcoming period. 11,78% of the respondents were of the opposite view. Simultaneously, the respondents who want to implement innovations were asked to determine the type of the intended improvements. The largest number of the studied economic operators (83,02%) intend to take measures connected with creating product innovation. One in three companies intends to create process innovations, while the similar percentage of businesses plan to create marketing (10,05%) and organizational (9,22%) innovations. Only 0,25% of the operators do not know what kind of innovations they will create in the future.

In further research process another element of the orientation was diagnosed, i.e. proactiveness of an enterprise. In this respect, a diagnosis in the scope of start-ups searching for new business opportunities on the market, permanent personnel training, as well as possessing and utilizing a strategy in the conducted activities was carried out.

Starting from the assumption that the activity of any company is based on setting and then realizing strategic objectives, a question concerning the company having a mission and strategy was asked to the respondents at the beginning. According to the outcomes obtained it should be stated that 58,23% of companies had a mission and strategy. However, in majority they were not written in the form of a document. Therefore, 41,77% of the companies studied declared that they do not have a mission nor strategic objectives. Among this group three quarters of the companies do not intend to develop a mission or strategy in the future.

In the following stage of the diagnosis, the analysis concerning the identification of new business opportunities and permanent personnel training reflected in the process of locating knowledge was made. In assessing the degree of locating knowledge it should be stated that in majority, the businesses identified the needs of the present condition and gaps in knowledge and technology. Most frequently, among the internal sources of acquir-

ing knowledge, the information obtained directly from employees dominated. They also based on the knowledge of the owners (82,32%). The process of evaluating current industrial potential was less important – 30,63% (so called technological audit).

In the context of verifying the external sources of knowledge absorption it should be noted that the information obtained directly from clients (55,13%) dominated. Moreover, the entrepreneurs acquired knowledge through a study of the condition of their competition, utilizing, as a basic source of information, the participation in fairs, the Internet as well as meetings with clients and suppliers (50,68%).

The outcome of the process of locating knowledge was, among others, the participation of owners or workers in trainings and courses as well as research projects. On the basis of the results, it has to be concluded that over a half of the companies surveyed declared that owners or workers participated in trainings/courses, one in four entities was involved in implementation of research projects.

When assessing another element of entrepreneurial orientation – competitive aggression, the entrepreneurs were asked to specify the factors conditioning the competitive advantage of start-ups. According to the data obtained it may be stated that among relevant factors which condition the competitiveness of the companies studied, one can enumerate: product quality (38,94%), qualified staff (38,69%), flexibility to adjust the offer to the needs of clients (37,82%), and innovativeness (24,47%). Carrying out research and development (15,57%) and technological advancement (13,53%) are of moderate significance. However, among the factors of minor importance were company size (35,60%), and the time of existence on the market (32,12%).

Besides diagnosing the factors conditioning the competitiveness of business, the respondents were asked to give answers to the questions concerning actions for improving the market position. The results are presented in the following table.

**Table 2. Competitive aggression**

Specification	Yes	No
The company continually strives to improve its position in relation to its competitors	79.23%	20.77%
The company strives for rivalry with competitors	89.37%	10.63%
The company conducts analysis on the functioning of the competition for diagnosing the sources of competitive advantage	34.51%	65.49%

Source: own study.

According to the information provided, it must be stated that a vast majority of companies strive to improve their market position and constantly competes with competitors. Unfortunately, only one in three companies conducts analysis on the functioning of the competition which may be the result of the fact that businesses are in the development stage and thus are more focused on strengthening their own competitive position than assessing the competition.

In further research process, willingness of start-ups to take risks was evaluated. At the beginning, the respondents were asked to specify the main sources of financing their business activities. A vast majority of start-ups (91,32%) are financed by own resources, only 5,32% of companies fund their operations with EU funds, while 3,36% of companies with loans and borrowings. As the primary reason for financing their operations by own resources, the entrepreneurs enumerated, above all, difficulties with finding external

funding in the start-up phase. They are connected with the lack of financial credibility and reluctance of banks to grant a loan or credit for start-ups as well as the absence of EU financing programs supporting start-ups. Another reason often given by the entrepreneurs was willingness to limit the risk connected with the necessity of returning the acquired financing in case of the enterprise failure.

In analyzing the willingness of start-ups to take risks, it was evaluated to what extent the entrepreneurial characteristic of the owners of the companies studied, i.e. willingness to take risks, influences the functioning of the businesses studied. To determine the relevance of the characteristic studied, a five grade scale of Likert was used. According to the data collected, 63,42% of entrepreneurs claim that this characteristic has a great impact on the functioning of start-ups. One in four respondents (24,89%) stated that it is of significant influence, 5,74% described the influence as moderate, 4,56% as of little importance. Only 1,39% of the surveyed claimed that the characteristic is insignificant from the point of view of the business operations.

During the research process another element of entrepreneurial orientation i.e. autonomy which is reflected in the ability of companies to independently explore and harness market opportunities was diagnosed. For this purpose, the respondents were asked to determine the extent of independence in their exploration of business opportunities. On the basis of the results obtained it is concluded that 92,34% of companies stated no limits and interventions of external stakeholders in exploration of business opportunities. Only 7,66% of start-ups declared the existence of certain limitations, which mainly resulted from franchise and license agreements signed.

In the next stage of entrepreneurial orientation analysis of start-ups the entrepreneurs were also asked to evaluate the particular components of entrepreneurial orientation on a scale from 1 to 7 (where 1 meant that the respondent totally disagrees with a statement and 7 meant that he agrees completely). In the research were used a methods of Kuratko, Montagno, Hornsby (1990) and Dyduch (2008). The average study outcome was presented in the following table.

Taking into account the particular elements of entrepreneurial orientation it should be stated that the average results indicate that two elements, i.e. innovativeness and proactiveness, impact most seriously on EO. The remaining components of EO are characterized by moderate degree of impact. In this respect, in assessing the level of innovativeness and proactiveness of companies it should be stated that the owners of start-ups emphasize that the process of exploiting innovative business opportunities, the actual creation and sales of innovations, as well as implementing innovations within the organization are of key importance in the carried out activities.

Strategic management is also important as well as lifelong learning of the staff and constantly seeking new ideas. However, risk-taking in the activities, rivalry with competitors and using competitive advantages by business entities do not influence the functioning and development of start-ups in a very significant way.

At the final stage of the study of entrepreneurial orientation, an evaluation of the influence the particular elements of entrepreneurial orientation i.e. innovation, willingness to take risks, proactiveness, competitive aggression and autonomy have on the functioning effectiveness of the companies studied was carried out. At this point it is important to bear in mind that the effectiveness was studied through the prism of trends in the devel-

opment of the following values: profit of the company, number of clients and number of products and services offered. However, for the identification of stochastic dependency between the elements of entrepreneurial orientation and functioning effectiveness of the companies Cramér's V coefficient and an independence test were used.

**Table 3. The component elements of entrepreneurial orientation of a company**

The component elements of entrepreneurial orientation	Scale
Risk-taking	
The specific nature of the activity requires taking permanent risk	3.23
Management takes risky decisions of uncertain consequences, involving a substantial amount of resources and assets	3.01
Innovativeness	
The company is oriented towards unceasing introduction of new products and services	5.98
Within the last three years the company introduced innovations in the offered products and services	6.63
The company is oriented towards harnessing business opportunities	6.29
Proactiveness	
The company has an activity strategy which is based on predicting future market trends	6.38
The company actively seeks new market opportunities	6.97
There is a need and willingness to develop new ideas in the organization	6.27
The company places significant emphasis on lifelong learning of the staff	5.02
Competitive aggression	
The company is constantly striving to improve its market position in relation to its competitors	2.61
The company is striving for rivalry with competitors	2.38
The company is carrying out analyses concerning the functioning of competitors in order to diagnose the sources of the competitive advantage.	3.94

Source: own study.

Considering the innovative activity of start-ups it ought to be stated that for all the studied indicators of functioning effectiveness of the companies, the existence of a strong correlation was diagnosed (Cramér's V coefficient exceeding 0,6). Similar results were obtained in case of another component of entrepreneurial orientation, i.e. proactiveness. For all the remaining elements of entrepreneurial orientation i.e. willingness to take risks, competitive aggression and autonomy the existence of a moderate or weak correlation was demonstrated (Cramér's V coefficient below 0,4) in the context of dynamics of profit, number of clients and number of products and services. Moreover, it should be noted that, among all the elements of entrepreneurial orientation, innovativeness and proactiveness influence the increase of the effectiveness factors of start-ups to greatest extent. In this respect, it is worth mentioning that innovativeness influences the increase in the number of new products and services most and rise in profit least. However, in case of proactiveness, this element of entrepreneurial orientation has the biggest influence on the rise in profit, however, the smallest on the increase in new clients. It is worth noting that all the elements of entrepreneurial orientation have very limited effects on the decrease of profit, number of clients, or number of new products and services, thereby contributing to ensuring stability and growth of start-ups.

In view of the outcomes obtained it should be stated that the companies creating innovations, willing to take risks and harnessing the sources of competitive advantage, such

as: innovativeness, quality of products, qualified staff, company's image, more often register an improvement in net profit, number of clients, and number of products and services compared with companies not creating innovations, less willing to take risks and utilizing the sources of competitive advantage to lesser extent.

**Table 4. Correlation between the elements of entrepreneurial orientation and performance indicators of start – ups functioning**

Specification		Decrease	Constant level	Increase
		Dynamics of profit in 2015-2017		
Innovativeness	p = 0,000000 V = 0,638921	13,82%	25,22%	60,96%
Proactiveness	p = 0,000000 V = 0,728367	4,73%	31,72%	63,55%
Willingness to take risks	p = 0,000000 V = 0,182911	6,74%	50,11%	43,15%
Competitive aggression	p = 0,000000 V = 0,239521	26,28%	35,88%	37,84%
Autonomy	p = 0,000000 V = 0,196382	23,35%	40,19%	36,48%
Number of new clients in 2015-2017				
Innovativeness	p = 0,000000 V = 0,673451	5,18%	32,07%	62,75%
Proactiveness	p = 0,000000 V = 0,62593	11,05%	29,63%	59,32%
Willingness to take risks	p = 0,000000 V = 0,237411	23,81%	37,98%	38,21%
Competitive aggression	p = 0,000000 V = 0,123721	36,54%	29,54%	33,92%
Autonomy	p = 0,000000 V = 0,196382	24,04%	38,51%	37,45%
Number of new products and services in 2015-2017				
Innovativeness	p = 0,000000 V = 0,122344	5,37%	8,92%	85,71%
Proactiveness	p = 0,000000 V = 0,112311	0,93%	35,61%	63,46%
Willingness to take risks	p = 0,000000 V = 0,157355	8,34%	39,32%	52,34%
Competitive aggression	p = 0,000000 V = 0,174719	5,24%	42,78%	51,98%
Autonomy	p = 0,000000 V = 0,163212	10,26%	43,21%	46,53%

Source: own study.

## CONCLUSIONS

Based on the outcomes obtained it should be stated that the particular elements of entrepreneurial orientation condition the functioning and development of Polish start-ups. Therefore, it was diagnosed that the companies studied create product and process innovations

most often, and that their main incentive for innovative activity is to have a possibility of financing the works connected with creating innovations and access to research infrastructure. In addition, it was determined that start-ups constantly explore new business opportunities on the market by means of analyzing needs of clients, analyzing competition or assessing their own intellectual and technological potential. It was also determined that start-ups harness the sources of competitive advantage which are reflected in the quality of products offered, product innovativeness or flexibility of adapting to the client's needs. What is more, it was diagnosed that the start-ups are characterized by quite substantial willingness to take risks and independence in exploring and using business opportunities.

In the course of research, the analysis of the stochastic relationships between the individual elements of entrepreneurial orientation and functioning effectiveness of Polish start-ups was completed. It may be stated that innovative activity of companies and exploring new market opportunities and possibilities by start-ups were important factors conditioning the operations and development of the companies studied. In this regard, the development of innovative start-ups, which may contribute to strengthening the competitiveness of the small and medium-sized enterprises sector and faster transition of Polish economy into the economy 4.0 is particularly important.

Taking into account all the above findings it should be stated that in spite of meeting the requirements of the paper, the subject certainly has not yet been exhausted. In this respect certain limitations of the research carried out resulting, among other things, from evaluating only the opinions of company owners should be underlined. The studies obviously require follow-up including quantitative analyses carried out on a bigger sample. Despite this imperfection, the most important elements which influence the activity of start-ups in Poland have been diagnosed. Therefore, the results may be useful in creating and developing start-ups in Poland.

## REFERENCES

- Al Mamun, A., Kumar, N., Ibrahim, M.D., & Bin, M.N.H. (2017). Validating the Measurement of Entrepreneurial Orientation. *Economics & Sociology*, 10(4), 51-66.
- Amin, M. (2015). The effect of entrepreneurship orientation and learning orientation on SMEs' performance: an SEM-PLS approach. *Journal for International Business and Entrepreneurship Development*, 8(3), 215-230.
- Andersén, J. (2017). What about the employees in entrepreneurial firms? A multi-level analysis of the relationship between entrepreneurial orientation, role ambiguity, and social support. *International Small Business Journal*, 35(8), 969-990.
- Anderson, B.S., Covin, J.G., & Slevin, D.P. (2009). Understanding the relationship between entrepreneurial orientation and strategic learning capability: an empirical investigation. *Strategic Entrepreneurship Journal*, 3(3), 218-240.
- Apanowicz, J. (2005). *Metodologiczne uwarunkowania pracy naukowej: prace doktorskie, prace habilitacyjne*. Warszawa: Difin.
- Blank, S., & Dorf, B. (2013). *Podręcznik startupu. Budowa wielkiej firmy krok po kroku*. Gliwice: Helion.
- Bogatyрева, K., Beliaeva, T., Shirokova, G., & Puffer, S.M. (2017). As different as chalk and cheese? The relationship between entrepreneurial orientation and SMEs' growth: evidence from Russia and Finland. *Journal of East-West Business*, 23(4), 337-366.

- Cavusgil, S.T., & Knight, G. (2015). The born global firm: An entrepreneurial and capabilities perspective on early and rapid internationalization. *Journal of International Business Studies*, 46(1), 3-16.
- Charir, N.A., Primyastanto, M., & Abidin, Z. (2017). Effect of Marketing Knowledge Competency and Entrepreneurship Orientation on Marketing Capabilities and Marketing Performance of Fishery Smes in Malang City, East Java. *ECSOFiM (Economic and Social of Fisheries and Marine)*, 5 (1), 53-67.
- Covin, J.G., Lumpkin, G.T. (2011). Entrepreneurial orientation theory and research: Reflections on a needed construct. *Entrepreneurship theory and practice*, 35(5), 855-872.
- Dada, O. (2018). A model of entrepreneurial autonomy in franchised outlets: a systematic review of the empirical evidence. *International Journal of Management Reviews*, 20(2), 206-226.
- Dai, L., Maksimov, V., Gilbert, B. A., & Fernhaber, S.A. (2014). Entrepreneurial orientation and international scope: The differential roles of innovativeness, proactiveness, and risk-taking. *Journal of Business Venturing*, 29(4), 511-524.
- Dyduch, W. (2008). Pomiar przedsiębiorczości organizacyjnej. *Prace Naukowe/Akademia Ekonomiczna w Katowicach*, Katowice: UE Katowice.
- European Commission. (1996). The proposal of the European Commission from April 3rd, 1996 concerning the definition of the small and medium enterprises (96/280/EC),
- Eshima, Y., & Anderson, B.S. (2017). Firm growth, adaptive capability, and entrepreneurial orientation. *Strategic Management Journal*, 38(3), 770-779.
- Fellnhöfer, K. (2017). Drivers of innovation success in sustainable businesses. *Journal of Cleaner Production*, 167, 1534-1545.
- Gloss, A., Pollack, J.M., & Ward, M.K. (2017). A risky shift? An exploration of the measurement equivalence of entrepreneurial attitudes and entrepreneurial orientation across socioeconomic gradients. *Journal of Business Venturing Insights*, 7, 32-37.
- Hayter, C.S. (2016). A trajectory of early-stage spinoff success: the role of knowledge intermediaries within an entrepreneurial university ecosystem. *Small Business Economics*, 47(3), 633-656.
- Hess, A.M., & Rothaermel, F.T. (2011). When are assets complementary? Star scientists, strategic alliances, and innovation in the pharmaceutical industry. *Strategic Management Journal*, 32 (8), 895-909.
- Hung Kee, D.M., & Rahman, N.A. (2017). Analyzing entrepreneurial orientation impact on start-up success with support service as moderator: A PLS-SEM approach. *Business and Economic Horizons*, 13(2), 128-141.
- Khedhaouria, A., Gurău, C., & Torrès, O. (2015). Creativity, self-efficacy, and small-firm performance: the mediating role of entrepreneurial orientation. *Small Business Economics*, 44(3), 485-504.
- Kuratko, D.F., Montagno, R.V., & Hornsby, J.S. (1990). Developing an intrapreneurial assessment instrument for an effective corporate entrepreneurial environment. *Strategic management journal*, 11, 49-58.
- Lumpkin, G. T., & Dess, G. G. (1996a). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of management Review*, 21(1), 135-172.
- Lumpkin, G.T., & Dess, G.G. (1996b). Enriching the entrepreneurial orientation construct-a reply to "entrepreneurial orientation or pioneer advantage", *The Academy of Management Review*, 21 (3), 605-607.
- Martens, C.D.P., Machado, F.J., Martens, M.L., & de Freitas, H.M.R. (2018). Linking entrepreneurial orientation to project success. *International Journal of Project Management*, 36(2), 255-266.
- Mthanti, T., & Ojah, K. (2017). Entrepreneurial orientation (EO): Measurement and policy implications of entrepreneurship at the macroeconomic level. *Research Policy*, 46(4), 724-739.

- Nadhar, M., Tawe, A., & Parawansa, D.A. (2017). The Effect of Work Motivation and Entrepreneurship Orientation on Business Performance through Entrepreneurial Commitments of Coffee Shops in Makassar. *International Review of Management and Marketing*, 7(1), 470-474.
- Nunnally, J. C., & Bernstein, I. H. (1967). *Psychometric Theory*. New York: McGraw-Hill Inc.
- Reiss, E. (2011). *The Lean Startup*, Crown Business.
- Skala, A. (2016). Statement on the first research on digital startups in Poland. *International Entrepreneurship | Przedsiębiorczość Międzynarodowa*, 2(2), 191-202.
- Stuetzer, M., Audretsch, D.B., Obschonka, M., Gosling, S.D., Rentfrow, P.J., & Potter, J. (2018). Entrepreneurship culture, knowledge spillovers and the growth of regions. *Regional Studies*, 52(5), 608-618.
- Tietz, R. (2013). *Executive Teams in Research-based Spin-off Companies: An Empirical Analysis of Executive Team Characteristics, Strategy, and Performance*. St. Gallen, Switzerland: Springer.
- Wissemann, J. G. (2005). *Technostarterzy: dlaczego i jak?*. Polska Agencja Rozwoju Przedsiębiorczości, Warszawa: PARP.
- Wójcicki, T. (2012). Application of the CAWI method for the holistic support of innovation transfer to business practice. *Problemy Eksploatacji*, 4, 175-186.
- Yusoff, M.N.H.B., Al Mamun, A., Ibrahim, M.D., & Hassan, H. (2018). Measuring and comparing functional business skills and knowledge among Asnaf community in Malaysia. *Economics & Sociology*, 11(2), 229-247.

---

**Author**

---

**Jaroslaw Korpysa**

Hab. PhD prof. US, is employed at the Department of Microeconomics, Faculty of Economics and Management, Szczecin University (Poland). Korpysa has published articles and delivered a lot of conference presentations about entrepreneurship, spin of companies, inequalities in the labour market and strategic analysis of companies. He was a follower of 7th and 6th FP, Human Resources and Mobility Activity, Marii Curie Action at University of Vilnius (Lithuania), University of St. Gallen (Switzerland) and IWEIR, National Academy of Sciences of Ukraine.

**Correspondence to:** prof. US, dr hab. Jaroslaw Korpysa, Faculty of Economics and Management University of Szczecin, Mickiewicza 64 Str. 71-101 Szczecin, Poland e:mail: jaroslaw.korpysa@usz.edu.pl

**ORCID**  <http://orcid.org/0000-0002-2400-3308>

---

**Acknowledgements and Financial Disclosure**

---

The project is financed within the framework of the program of the Minister of Science and Higher Education under the name "Regional Excellence Initiative" in the years 2019-2022, project number 001/RID/2018/19, the amount of financing PLN 10,684,000.00.

---

**Copyright and License**

---



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License  
<http://creativecommons.org/licenses/by-nd/4.0/>

---

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

---



# Determining the contributory factors to successful succession and post-succession performance of family-owned SMEs in South Eastern Nigeria

Kenneth Chukwujioko Agbim

## ABSTRACT

**Objective:** This study seeks to determine the contributory factors to successful succession and post-succession performance. And the role of these factors in the post-succession financial and non-financial performance of family-owned SMEs in South Eastern Nigeria.

**Research Design & Methods:** The adopted quantitative methodology is interview. In each of the purposively selected 25 family-owned SMEs, the incumbent, a sibling of the incumbent and a top level manager were interviewed. In all, 75 respondents were interviewed. The transcribed interviews were subjected to thematic content analysis.

**Findings:** The contributory factors to successful succession are the characteristics of succession planning, the incumbent, the potential successor, and the family-owned SME. The factors that contribute to the post-succession performance are the culture of making succession planning a continuous process, and the characteristics of the incumbent and the family-owned SME. These factors ensure that children of the incumbent in the SME become more active so as to be selected as potential successors.

**Contribution & Value Added:** The study identified the contributory factors to successful succession and post-succession performance of the family-owned SMEs. To achieve successful succession and post-succession performance, the incumbents should inculcate the characteristics of these factors into their potential successors. Also, these characteristics should be made part of the culture of the family-owned SMEs.

**Article type:** research paper

**Keywords:** Family-Owned SMEs; Successful Succession; Post-Succession; Financial Performance; Non-Financial Performance

**JEL codes:** L25, J12, D19, M13

Article received: 9 March 2019

Article accepted: 24 May 2019

### Suggested citation:

Agbim, K.C. (2019). Determining the contributory factors to successful succession and post-succession performance of family-owned SMEs in South Eastern Nigeria. *International Entrepreneurship Review* (previously published as *International Entrepreneurship | Przedsiębiorczość Międzynarodowa*), 5(2), 53-73. <https://doi.org/10.15678/IER.2019.0502.04>

## INTRODUCTION

Succession is not unique to family firms. Rather, it adds to their importance based on the interactions of the family and business systems. These interactions takes on more complicated direction in family-owned Small and Medium-sized Enterprises (SMEs). This explains why family-owned SMEs can survive, experience improved performance and live long without losing the family character. Iraki (2009) noted that Kongo Gumi based in Osaka, Japan which began in the year 578 AD is the world's oldest family business. The business has employed 39 generations of the Kongo family in the over ten centuries of its existence in the building and repairing of Buddhist temples. Succession involves a series of complex processes whose success or failure can be influenced (Ghee, Ibrahim & Abdul-Halim, 2015; Molly, Laveren & Deloof, 2010).

The need for succession planning is critical in SMEs and large enterprises (Krishnan, 2012). A succession process is said to be successful when the successor completely takes over the management and/or ownership of the enterprise (Fan, Wong & Zhang, 2012). Despite the resistance to and challenges of succession (Bisogno & Vaia, 2017; Chiang & Yu, 2018), the intergenerational transfer of management and/or ownership can influence the overall performance of a family firm either positively or negatively (Molly *et al.*, 2010). These influences are reflected in the financial and non-financial performance of the firm. Focusing solely on financial measures may imply understating the true overall value generated by the family firm (Astrachan & Zellweger, 2008). This is because financial measures are a narrow perspective and relying on it alone is inadequate for evaluating the strategic performance of any firm. Moreover, the sole objective of a family business is not financial performance (Salvato & Moores, 2010).

Family businesses in the Western world are known to have significantly supported the industrialization and economic development of this part of the world. However, this is not so for Africa and Nigeria in particular. As shown in the study by Onuoha (2013a), many of the family businesses fail after the death of the founder. A failed succession can ruin any business, including family business (Fernández-Aráoz, Iqbal & Ritter, 2015). Irrespective of financial or market power, the succession process has the potential to disrupt and even destroy successful businesses (Bozer, Levin & Santora, 2017). This is because business transfer is one of the most important and critical events in family business life cycle (Hadryś-Nowak, 2018). In spite of the prevalence of the negative effects of succession from the first to second generation transitions, the quest for improved performance can be facilitated by the organizational learning that takes place within the firm during the first succession (Molly *et al.*, 2010). A family business will benefit greatly if a succession process is run smoothly (Davis, 2014).

Researchers have carried out studies relating management and/or ownership succession to firm performance in different countries, managerial regimes and cultures (Chaimahawong & Sakulsriprasert, 2012; Cheokas, 2013). Some of the findings are positive (Bocatto, Gispert & Rialp, 2010), while others are negative (Bennedsen, Fan, Jjian & Yeh, 2015; Kiilu & Ntale, 2018; Maalu, McCormick, K'Obonyo & Machuki, 2013). Moreover, despite these studies, the relationship between succession and performance of family businesses in the post-succession period is still unclear. Thus, owing to the varying results and lack of generalized findings, researchers are calling for more studies in this

area (Giovannoni, Maraghini & Riccaboni, 2011; Hiebl, 2013; Prencipe, Bar-Yosef & Dekker, 2014; Salvato & Moores, 2010; Surdej & Wach, 2012) especially in developing countries (Maalu *et al.*, 2013) like Nigeria.

The people of South Eastern Nigeria are enterprising and are known to found family-owned SMEs. The CEO of most of these SMEs is their founders, while few of the SMEs are controlled by successors. Notwithstanding the predominance and relative growth of these SMEs, the rate at which they are becoming bankrupt, moribund or closing up owing to conflicts associated with succession is unprecedented. These conflicts take the form of management and/or ownership tussle, misappropriation/misapplication of business fund; name calling, physical and/or diabolical fights, litigations and sometimes assassination. Consequently, only few of these SMEs remain in existence after the death of the founder or beyond the second generation.

Research has shown that a limited number of family firms survive to the next generation (El-Chaarani, 2014); a meagre 30% of family firms survive from the first generation to the second (Poza, 2013), while the other 70% either fail or are sold (Stalk & Foley, 2012). This high rate of failure is common with SMEs (European Commission, 2009; Obadan & Ohiorenya, 2013). In Nigeria, the high rate of failure has been linked to lack of succession plan and competencies with respect to the successors (Musa & Semasinghe, 2014; Obadan & Ohiorenya, 2013; Onuoha, 2013a, 2013b), and the obnoxious succession laws and multi-cultural nature of Nigeria (Ogundele, Idris & Ahmed-Ogundipe, 2012).

Despite the failures, there are still successful family-owned SMEs in Nigeria. These family-owned SMEs have contributed to the creation of employment opportunities, maintenance of competition, stimulation of indigenous entrepreneurship, wealth creation, innovations and creativity, foreign exchange earnings, mobilization of savings, and the Nigerian GDP (Ogbechie & Anetor, 2015). If the contributory factors to the successful succession and post-succession performance of these family-owned SMEs are not identified and applied in the failed and failing family businesses, it can degenerate to more failures as new family businesses are started. Moreover, as the businesses fail, more families may split, unemployment and poverty rate may rise, and the number of youths taking to social vices stand to increase. It is therefore imperative to conduct this study. The objective of the study is to determine the contributory factors to successful succession and post-succession performance, and the role of the post-succession factors in the post-succession financial and non-financial performance of the family-owned SMEs. The study therefore seeks to answer the following research questions:

- RQ1:** What are the contributory factors to the successful succession of the family-owned SMEs?
- RQ2:** What are the factors that contribute to the post-succession financial and non-financial performance of the family-owned SMEs?
- RQ3:** What role does the post-succession factors play in the post-succession financial and non-financial performance of the family-owned SMEs.

## LITERATURE REVIEW

### Family-owned SME

The European Commission (2008) define a family-owned business as a firm where firstly, the majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs; secondly the majority of decision-making rights are indirect or direct; thirdly, at least one representative of the family or kin is formally involved in the governance of the firm; and lastly, a listed company meets the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess twenty five per cent of the decision-making rights mandated by their share capital. This definition is adopted because it accommodates all firms including family-owned SMEs. All SMEs in Nigeria share common characteristics. The SMEs: are either sole proprietorships or partnerships; have labour-intensive production processes; and have centralized management and limited access to long-term capital. Owing to the owner-managers' lack of appropriate management skills and inadequate business capital, many of these SMEs fail and are still failing (Okafor, Onifade & Ogbечи, 2018).

### Family-owned SME succession

Family business succession is the process of transitioning management and ownership of a business to the next generation of family members (Walsh, 2011). Thus, family business succession is more of a process than an event. The owner who transfers the business is referred to as the "predecessor", while the person to whom the business is transferred to is the "successor". The two types of succession in family business are management (or leadership) and ownership. Management succession is the transfer of management position and responsibilities from the current general manager (the predecessor) to the business' new general manager (the successor). Ownership succession is the transfer of ownership of the business from the current owner to a new owner (Warnar, 2012). Management and ownership succession activities can be undertaken simultaneously. However, it is better to implement the management succession plan first and the ownership succession activities subsequently.

### Successful family-owned SME

Successful family business succession is a continuous process whereby leadership and power is transferred from one family member to the next, while maintaining positive family relationships, and enabling the business to expand and prosper financially (Griffeth, Allen & Barrett, 2006). Successful leadership succession is referred to as the actions, events, and developments that influence both the transfer of managerial control from one family member to another and the continued profitability of the family firm after the process has occurred (Sharma, Chrisman, Pablo & Chua, 2001).

### Succession planning

Succession planning is the process of management (or leadership) and/or ownership transition from the founder to the incumbent. The founder's influence on the succession process cannot be completely downplayed (Dumbu, 2018). Succession planning is an on-going

dynamic process that identifies, selects and develops a potential successor for leadership and other positions critical to the mission of the organization at all levels (Bjursell, 2011; Oduwusi, 2018; Phikiso & Tengeh, 2017). Succession planning is very important in minimizing the risks inherent in transfer and continuity of the family business (Mejbri & Affes, 2012). It increases the level of satisfaction of the stakeholders as well as the financial performance (Amran & Ahmad, 2010; Nordqvist, Wennberg & Hellerstedt, 2013; Pyromalis & Vozikis, 2009; Sharma, Chrisman & Chua, 2003). The incumbent initiates and influences the succession process. However, the potential successor can as well initiate the process by exerting pressure on the founder to relinquish the power and control to him or her (Williams, Zorn, Russell Crook & Combs, 2013; Ye, Parris & Waddell, 2013). A family business incumbent can be the founder, predecessor or successor (i.e., a child of the founder, any other family member or a non-family member) who is currently the CEO of the family business. However, in this study, we refer to the incumbent as the successor.

The person trained by the successor in the succession process is the potential successor (Boyd, Botero & Fediuk, 2014; Cabrera-Suárez & Martín-Santana, 2012; Hania, 2012; Michel & Kammerlander, 2015; Miller, 2015; Wang, 2010). A potential successor is a family member that has the necessary traits and willingness to potentially take over the family business but has not or did not assume leadership of the business. A successor on the other hand is the family member who assumes managerial control and eventual ownership control of the family business after the founder has stepped down or has left the family business (Sharma, Chrisman & Chua, 1997). For the succession process to be successful, the work environment in the family business must directly or indirectly support the process (Kansikas & Kuhmonen, 2008; Sharma & Irving, 2005).

### **Post-succession performance**

In family business succession, the incumbent selects and develops a potential successor with the intent of improving the performance and by extension ensure the continuity of the transferred business. After successful succession, the achievement of the post-succession goals of the incumbent is assessed from the post-succession performance. Therefore, post-succession performance is the financial and non-financial outcome of a firm after a successful succession compared to the predetermined goals. Financial measures show the past performance of a family firm, while non-financial measures depict a long term performance of family firms. Thus, the use of financial and non-financial measures gives a complete overall performance of family firms. Monday, Akinola, Olegbenla and Aladeraji (2014) opined that the financial measures include profits, return on assets, and return on investment and sales. The non-financial measures focus on issues pertaining to customer's satisfaction and customer's referral rates, delivery time, waiting time, employee's turnover, family social capital, family/business culture, commitment, survival, embeddedness, reputation and sustainability (Aderonke, 2014; Colli, 2011; Monday *et al.*, 2014).

### **Previous empirical studies**

Research has shown that succession planning has a positive relationship with family firm performance (Akani, 2015; Bocatto *et al.*, 2010; Rotich, 2014; Sharma & Sumita, 2013; Wahjono, Wahjoedi, Idrus & Nirbito, 2014). Moreover, succession is negatively related to performance (Bennedsen *et al.*, 2015; Chiang & Yu, 2018). Other studies report positive relationship between succession and performance (Chaimahawong & Sakulsriprasert,

2012; Kiilu & Ntale, 2018); Maalu *et al.* (2013) found that the relationship is not conclusive. There is also no evidence that a family firm's profitability (financial performance) is affected by succession (Molly *et al.*, 2010).

Relating the incumbents' and successors' characteristics to firm performance, Bouguerra, Yezza and Mzoughi (2016) pointed out that social skills and education have significant effect on post-succession performance, while gender does not significantly affect post-succession performance. Bjuggren *et al.* (2015) noted that female leadership makes much more of a positive difference for performance in family firms. Aldamiz-Echevarría *et al.* (2017) proposed that birth order influences the succession process more often if the first child is a male than if it is a female; it is not only a predecessor's decision as many women also decide not to join the family business. Nevertheless, once they are in, family women are very much appreciated as family businesses' managers. Amran (2011) stated that matured owners underperform, while young owners are more aggressive in enhancing firm value. Also, owner's gender and age enhance firm performance.

De Alwis (2016) found that the incumbent's interest to let go positively correlates with initial satisfaction with the business succession process and post-succession performance except unrelated manager successor. Amran and Ahmad (2010) established that successors-managed firms have better firm performance than founder-managed firms. Utami (2017) asserted that personality system succession pattern (successor qualification, entrepreneurial orientation, willingness to take over responsibility, personality traits, management and leadership skills) has a positive and significant impact on the effort to sustain success in family business. Saan, Enu-Kwesi and Nyewie (2018) found that higher level of education of founders and communication of the succession decision, comprising the transfer date, and post-succession roles to all key stakeholders affect the succession process and the success of the transfer. When the founder's level of education is relatively high, there is the likelihood of succession planning in the business, but trust seems to be limited with respect to female owners.

Family business literature is also dotted with studies that have related family business characteristics and post-succession performance. Zahrani, Nikmaram and Latifi (2014) proposed that there is a positive and significant relationship between family business characteristics (especially the tendency of trusted people as successors) and succession planning. Maciel, Ramos, Aguilar and Reyna (2015) stated that family cohesion and adaptability, family commitment with the business, the relationship between the owner-manager and the successor, and the planning and training of the successor influence family relationship in a succession process. Overbeke, Bilimoria and Somers (2015) pointed out that the shared vision between fathers and daughters is central to daughter succession. Self-efficacy and gender norms influence shared vision and when fathers and daughters share a vision for the future of the company, daughters are likely to be transformed into successors. Ghee *et al.* (2015) found that management styles, relationships among family members, values, beliefs and successor's training significantly influence family business performance levels. Paul, Barde, Abbah and Idika (2017) stated that intra-family relationship is a significant determinant of post-succession performance of family-owned businesses. Aderonke (2014) established that the determinants of culture (age, extended family system, inheritance tradition, preference for sons, marriage) have significant impact on the successful succession of family businesses. The study further

showed that extended family system followed by inheritance law has the highest effect on the successful succession of a family business.

It can be inferred from the literature review that majority of the studies that focused on family-owned SMEs have employed qualitative methodology. The studies that have investigated the influence of either leadership or ownership succession on family business financial (or non-financial) performance are generally few. Specifically, such studies are rare in Nigeria. The need for this study in South Eastern Nigeria is premised on the fact that majority of the businesses in the zone are family-owned SMEs and most of these SMEs rarely survive beyond the second generation. Moreover, there are varying results on the relationship between succession and family firm performance in the literature; while some studies report positive relationship; others show negative relationship, inconclusive and no evidence of any relationship. These findings suggest that more studies are needed in this area particularly the factors influencing successful succession and post-succession performance. Also, the role of the post-succession performance factors in the post-succession financial and non-financial performance of family-owned SMEs.

## MATERIAL AND METHODS

The qualitative methodology adopted in this study is interview technique. The family businesses selected for interview were purposely chosen based on the following pre-determined criteria: (i) the business is a family-owned SME; (ii) one or more of the business owner's family member work in the business; (iii) the business is in its second generation; (iv) the business is not moribund; (v) the business is located in the owner's State of origin or residence; and (vi) the family and non-family employees in the SMEs are knowledgeable and well informed about the SMEs, the founder and the incumbent/CEO.

The study data were generated from twenty five family-owned SMEs in the trading, services and manufacturing sectors that were purposively selected from the five States (i.e., Abia, Anambra, Ebonyi, Enugu and Imo) in South Eastern Nigeria. Although the sample is small, it is however termed adequate and acceptable for an exploratory study of this nature (Jamali, 2009). Five SMEs were studied in each State and in each SME three respondents were interviewed, that is, the incumbent, a sibling of the incumbent and a top level manager. In all, seventy five respondents were interviewed. A sample of three family-owned SMEs in Anambra State was purposively selected to pre-test the interview guide. The pre-test interview was carried out to ensure that all the proxies and constructs in the guide were well captured and free from interpretation errors. The pre-test interviews lasted for approximately one hour for each of the three SMEs. The interview guide (see Appendix) was fine-tuned based on the observations and notes that were made during the pre-test interview.

Before the commencement of each interview, the respondents were informed of the aim of the study, the concepts in the study, nature of the interview questions and duration of the interview. Verbal permission to audio record the interview was also sought and obtained from the respondents. On the average, each interview lasted for thirty minutes. At the end of each interview, the audio recorded interview was transcribed verbatim. To avoid any form of error or misinterpretation, the respondents were allowed to read through the transcriptions to attest that their words were correctly transcribed. Moreover, the researchers read through all the transcriptions whilst listening

to the audio. This process guaranteed that the data used for analysis were not compromised in any way. Since the unit of analysis is family-owned SME, the interview transcriptions from the respondents were combined on the basis of the twenty five family-owned SMEs and then subjected to thematic content analysis. Codes were manually assigned to patterns in the quotes identified from the responses. These quotes were sorted to develop the study themes. The names used in reporting the findings are not real names. This was done to avoid revealing the identity of the SMEs and/or giving the public any reason to guess the identity of the respondents.

## RESULTS AND DISCUSSION

The findings from the thematic content analysis are organized based on the identified themes and presented in two subsections. The subsections are the contributory factors to successful succession, and the factors that contribute to post-succession performance and their role in the post-succession performance.

### Contributory factors to successful succession

The identified themes in this subsection are characteristics of succession planning, the incumbent, potential successor and the family SME. The responses from the study show that these characteristics constitute the factors that facilitate successful management and/or ownership succession. These factors, their characteristics and the relevant quotes are presented in Table 1.

**Table 1. Summary of the contributory factors to successful succession**

Factor	Characteristic	Relevant quote
Characteristics of succession planning	The continuous or on-going nature of the succession planning process and the stages in the process. The stages are apprenticeship, delegating authority, assigning business responsibilities, sharing managerial tasks, management and/or ownership are transferred to the selected successor by the retiring founder. In the event of sudden death, the South Eastern Nigeria succession law is applied.	<i>When the founder of this firm retired from active involvement in business and was about to move down to the village, he transferred both the management and ownership of the firm to Chika his son. The founder's reasons for his action were that of all his children, only Chika combined his university education and apprenticeship programme in the business. The founder further told members of the firm's staff that from his observations; only Chika has the requisite education, training, experience, competence, capability and trust to run the firm (DanPhil Nigeria Limited).</i>
		<i>AkaGod Ventures Nigeria specifically stated that ... although there is no written management and/or ownership succession plan, potential successors who are interested in the business go through the succession planning process of apprenticeship, delegation of authority/assignment of responsibilities, sharing of managerial tasks, and management and ownership takeover from the founder who is leaving the business. The stages in the succession planning process enhance successful succession.</i>
		<i>... the continuous nature of succession planning has facilitated the successful succession of this firm by helping to control the conflicts and risks associated with such transfer in the family and the business, and motivating the poten-</i>

Factor	Characteristic	Relevant quote
		<i>tial successor to acquire adequate knowledge, skills, competencies and capabilities required to run the business (IzuGold Global Resources).</i>
Characteristics of the incumbent	Integrity, capability to teach, capacity to tolerate or discipline when necessary, level of training received, competencies and skills acquired, capabilities, commitment to the business, willingness to delegate authority, willingness to network, willingness to take risk, willingness to assign responsibilities, capacity to trust others, willingness to give adequate compensation, educational status, health condition, age, level of experiences garnered, and gender blindness.	<p><i>The founder of this business is an educated man, trained in business through apprenticeship and has carried on his own business with so much integrity, commitment and diverse capabilities. Before retirement he ensured that these qualities were inculcated into members of his family and staff of his business. These qualities helped to make the succession successful (WhiteGold Nigeria Limited).</i></p> <p><i>The qualities possessed by our CEO helped this firm to achieve successful management and ownership succession (AguOne Nigeria Limited).</i></p> <p><i>Some of the reasons the management and ownership transfer in this business was made possible include the level of training received by the CEO, his willingness to delegate authority, network, take risk, and assign responsibilities (FirstWorld Nigeria Limited).</i></p> <p><i>The transfer of management and ownership in this firm was facilitated by the incumbent CEO's capacity to trust successors, willingness to give adequate compensation, his competencies and skills, capabilities, willingness to teach, ability to tolerate and discipline potential successor when the need necessary, educational status, health condition, his youthful age, his experience, and his gender blindness (SirMighty Investment).</i></p>
Characteristics of the potential successor	Interest in the business, commitment to the business, willingness and capacity to be an apprentice, willingness to take risk, willingness to take responsibilities, trustworthiness, integrity, level of training received, age, competencies and skills, capabilities, educational status, and level of experiences garnered.	<p><i>This potential successor was selected because he showed so much Interest and commitment to the business, willingness and capacity to be an apprentice, and willingness to take risk and responsibilities (Graceful Resources Nigeria).</i></p> <p><i>Ugo was selected by the founder because of the qualities he exhibited. These qualities include trustworthiness, integrity, willingness and dedication to training, youthful age strength, competencies and skills, capabilities, educational status, and level of experiences garnered. These qualities contributed to the success of the transfer process (Uduego W.A. Limited).</i></p>
Characteristics of the family SME	These include: shared/agreed-on vision among the incumbent, the spouse, the children and top level managers in the business; intra- and inter-communication between the family and the business; the nature of the relationship existing among the family members and between the family and the business; the liquidity level; size of the firm; organizational culture; and favourable business environment.	<p><i>We had successful succession without conflicts because of the shared/agreed-on vision among the incumbent, the spouse, the children and top level managers in the firm. The success was also enhanced by the intra- and inter-communication between the family and the business (I &amp; I Enterprises).</i></p> <p><i>The transfer of the management and ownership of our firm was enhanced by the nature of the relationship existing among the family members and between the family and the business. The money available, culture, size and environment of the firm also contributed to the success of the transfer (IK &amp; Bros Nigeria Limited).</i></p>

Source: own study.

### Factors that contribute to post-succession performance and their role in the post-succession performance

The themes identified in this subsection as the contributory factors in post-succession performance are the culture of making succession planning an on-going or a continuous process, the characteristics of the incumbent and the characteristics of the family SME. The respondents reported that the culture of continuous or on-going succession planning process even after a management and/or ownership succession ensures that the children of the incumbent who are interested in the business are actively involved in the operations of the SMEs in the quest to be selected as potential successors. This process keeps the incumbent up and doing in a bid to expose the potential successors to every aspect of the SME through apprenticeship programmes and on-the-job trainings. The outcomes of these developmental programmes constitute the basis on which the potential successors are often recommended for trials in the daily routines or tasks of the SMEs. The respondents agreed that the characteristics of the incumbent that contribute to post-succession performance help the incumbent of the SME to positively influence the behaviour and work attitude of members of the SME towards improved financial/non-performance of the SME. The respondents are of the view that the characteristics of the family-owned SME that contribute to post-succession performance help to create organizational culture and work environment that enhances the knowledge and skills of employees, commitment to organizational goals, and financial/non-performance of the SME. The factors, financial/non-financial performance and relevant quotes for post-succession performance are presented in Table 2.

**Table 2. Summary of the contributory factors to post-succession performance**

Factor	Post succession financial and non-financial performance	Relevant quote
The culture of making succession planning an on-going or a continuous process.	The aggregate effect of these efforts on the sales, profits, embeddedness of the SMEs in the family, sustainability of the SMEs, acquired capital of the SMEs and the reputation of the families/SMEs is always positive.	<i>The culture of making succession planning an on-going or a continuous process even after the successor had taken over the management and/or ownership of the firm drives every stakeholder into a goal and result oriented hard work (Alpha Outfits).</i>
		<i>The culture of making succession planning an on-going or a continuous process has helped us to achieve increase in sales and profits, unity of the SME and the family, level of control the family has in the business, increase in the capital of the SME and improvement in the reputation of the family and the SME (SunyBest Nigeria Limited).</i>
Characteristics of the incumbent. The characteristics of the incumbent that contribute to post-succession performance are commitment to the business, integrity, level of training	The character of the incumbent facilitates the unrelated diversification of the SME. In addition, the SMEs are witnessing increase in sales, investments, profits and staff strength, and improvement in staff commitment and the reputation of the family and the SMEs.	<i>The incumbent/CEO of this supermarket has been driven by commitment, training received, experience and his young age to increase the number of freedom supermarkets in the region. Based on his integrity, level of education/training, good health condition, willingness to assign responsibilities, delegate authority and take risk, he started networking with other business owners and firms. This is helping to improve and increase his competencies, skills and capabilities,</i>

Factor	Post succession financial and non-financial performance	Relevant quote
<p>received, age, willingness to take risk, educational status, health condition, willingness to delegate authority, willingness to assign responsibilities, willingness to give adequate compensation, competencies and skills, capabilities acquired, gender blindness, willingness to network, and level of experiences garnered.</p>		<p><i>and enabling him to diversify into other lines of businesses. In addition, today, the supermarkets and the other businesses are witnessing increase in sales, investments, profits and staff strength, and improvement in staff commitment to the businesses and the reputation of the family and the SMEs (Freedom Supermarkets).</i></p>
<p>Characteristics of the family SME. The characteristics of the SME that contribute to post-succession performance are shared/agreed-on vision, relationship, communication and organizational culture.</p>	<p><i>The characteristics of the SME contribute to improvements in investments, profit, family/business reputation, survivability, sustainability, embeddedness, organizational culture and satisfaction level of the stakeholders.</i></p>	<p><i>Ever since the incumbent took over the management and ownership of this business, there have been improvements in investments, profit, family/business reputation, level of control the family has in the business, the management of demands on the business, unity of the firm and the business, business culture and satisfaction level of the stakeholders. This is because the incumbent has maintained the practice of conceiving a vision, sharing it with the spouse, children and top level managers and allowing them to make their respective inputs into the vision before adopting or adapting it. The incumbent has also insisted that a positive relationship be created and maintained among all the stakeholders and that further issues arising from the agreed-on vision should be freely communicated. Further, that the implementation of the agreed-on vision be guided by the organizational culture. This practice makes all those who agreed to the vision to be committed to ensuring that the resultant effect of its implementation on the financial and non-financial performance of the business as a whole is positive (J &amp; J Nigeria Limited).</i></p>

Source: own study.

The findings of this study are somewhat consistent with previous results (Bocatto *et al.*, 2010; Bouguerra *et al.*, 2016; Chaimahawong & Sakulsriprasert, 2012; De Alwis, 2016; Overbeke *et al.*, 2015; Sharma & Sumita, 2013; Utami, 2017; Wahjono *et al.*, 2014). Despite the importance of and availability of a well written management and/or ownership succession plan, lack of it in a family-owned SME may not imply absence of succession plan as culturally orientated family-owned SMEs where mortality is not openly discussed maintain unwritten

succession plan. This is because an on-going succession plans whether written or not contributes to successful management and ownership transfer and ensures that the performance of the firm is improved even after the transfer. Successful succession is a function of the incumbent's willingness to plan for succession, progressive delegation of authority, acceptance of clearly specified roles, the incumbent's willingness to step aside, continued family involvement, and the successor's willingness to succeed. Most importantly, the selected potential successor must imbibe and exhibit behaviour which the incumbent desires and appreciates (Amran & Ahmad, 2010; Lansberg & Gersick, 2015; Pyromalis & Vozikis, 2009).

Old age make incumbents more conservative, less likely to take risk, more reliant on their own source of information for making decisions and increases in them the likelihood of disability or death. When the incumbents are older, the chances of success in succession are higher compared to when they are younger. In the past, family business incumbents were not highly educated. However, today, the number of successful family business successions increases as the number of educated incumbents increase. Family business incumbents need to be willing to trust and adequately reward potential successors as this will help them succeed in the succession process (Amran & Ahmad, 2010; Pyromalis & Vozikis, 2009).

Incumbents prefer the eldest son to other children, and men to women as successors when planning for succession in the family business. The proponents of the traditional perspectives of gender opined that gender is biologically determined. They characterized men as "instrumental" (i.e., "get things done") and women as "expressive" (i.e., caring, nurturing and domestic responsibilities related qualities) (Judge & Livingston, 2008; Mueller & Dato-On, 2008). The theory assumes that one must have either a masculine or a feminine sex-role orientation, because these role orientations are mutually exclusive and incompatible. The arguments that ensued concerning this perspective led to the emergence of the non-traditional perspective of gender as socially constructed rather than biologically determined sex roles (Mueller & Dato-On, 2008). Gender role orientation is determined by individual attitudes, values and self-concepts. Consequently, expressiveness may manifest in males and instrumentality may be exhibited by females (Judge & Livingston, 2008; Mueller & Dato-On, 2008). Also, the more traditional a daughter's gender role orientation, the less likely she will become a successor. The more traditional a father's gender role orientation, the less likely he will appoint her as a successor (Judge & Livingston, 2008). Today, attention is gradually shifting to the daughters and women as family business incumbents are increasingly becoming gender blind. Overbeke *et al.* (2015) opined that shared vision between a father and his daughter may help to transform the daughter into a successor. It may also help the daughter to surmount gender barriers, thereby making the daughter more efficient than the son.

The children of the incumbents who become actively involved in family business as apprentices at an early age are likely to be more adequately prepared to take over managerial and/or ownership responsibilities in the family business at a young age (Schroder, Schmitt-Rodermund & Arnaud, 2011). This young age of the children influence the incumbent's choice during the succession process (Wiklund, Nordqvist, Hellerstedt & Bird, 2013). For effective succession process in family business succession, the potential successor needs to be educated, experienced and skilled to ensure the success of the succession process (Amran & Ahmad, 2010; Georgiou & Vrontis, 2013). A formally educated potential successor who worked elsewhere before joining the family business will be more skilful,

competent and committed. When such potential successor reads books and articles on family business, regularly attends business-related courses and seminars, and receives mentoring from someone other than the incumbent, he/she stands to make the succession process successful (De Massis, Chua & Chrisman, 2008). A potential successor's commitment level and capability to take over the business is not fully tied to the incumbent. The potential successor can develop the needed traits with or without the effort of the incumbent. Another equally important characteristic of a potential successor is that he/she must be interested and willing to take over the family business (Sharma, Chrisman & Chua, 2004; Venter, Boshoff & Maas, 2005).

Integrity, risk taking, willingness to take responsibility and commitment to the business are the most desirable traits required to make succession successful (Chrisman, Chau & Sharma, 1998; Sharma *et al.*, 2001). The four different forms of commitment (i.e., affective, normative, calculative, and imperative) often develop simultaneously because of multiple motives (Sharma & Irving, 2005). However, the two strongest forms of commitment required of successors are affective (characterized by the successor's genuine desire to be in the family firm) and normative (occurs when family members join the firm out of obligation) commitments (Sharma & Irving, 2005). In spite of the different levels of binding strength which commitment create between a successor and the family business, trust between the successor and the family firm constitute a resource that contributes to successful succession (Anderson, Jack & Dodd, 2005; Sharma & Irving, 2005).

Embedded in the family system are social norms passed down from one generation to another irrespective of age, educational achievement, religion and marital status. Most of these societal norms are carried to the family business and subsequently made part of the business system. This culture affects the way such business is conducted (GTI, 2000). It affects the relative value placed on education, which, in turn, influences the development of a potential successor. Hence, successful succession as a cultural attitude is formed through the complex process of succession (OECD, 1998). Aside culture, one of the strongest factors that sustain every existing business beyond generations is harmonious relationship. This relationship could be at the level of family members, clients and customers, employer and employees, family members and customers, family members and employees, stakeholders and many others (Paul *et al.*, 2017).

A strong relationship between the incumbent and the potential successor is one of the keys to successful transfer. This relationship allows the potential successor to gain understanding about the culture and intricacies of the firm. The quality of the relationship between the incumbent and the potential successor is a critical determinant of the success of the succession process in family business (Chrisman, Chua & Sharma, 2008; Lansberg & Gersick, 2015; Venter *et al.*, 2005). The relationship between the family and the business ensures that the incumbent is directly involved in the training of the potential successor (Venter *et al.*, 2005). The quality of the relationship between the incumbent and other family members, such as the siblings, is also considered to be important in the succession process (Chaimahawong & Sakulsriprasert, 2012; Georgiou & Vrontis, 2013) since the incumbent cannot operate effectively without the support of the family members (Venter *et al.*, 2005).

Favourable changes in market conditions (Cespedes & Galford, 2004; De Massis *et al.*, 2008) and the business environment can affect the financial standing of the family firm positively. This by extension can make the management and/or ownership succession successful

(Cespedes & Galford, 2004; Venter *et al.*, 2005). Furthermore, the larger the size of the business, the higher the chance that the potential successor will take over the business due to the attractive monetary rewards (Venter *et al.*, 2005). The incumbent and potential successor must adjust their behaviours so that as they communicate in the form of utterances, written messages, gestures, facial expressions and other types of interactions, the inherent information flow which facilitates successful succession, will in addition help to enhance and sustain the post-succession performance of the family firm (Handler, 1994). During the process of management and/or ownership succession, the characteristics of the incumbent, potential successor and the family SMEs are very important in facilitating the success of the process. Chaimahawong and Sakulsriprasert (2012) confirmed that while family business characteristics and personal characteristics of the incumbents and the successors make the highest level of impact on the successful succession, the successful succession engenders positive post-succession performance of family businesses.

When the founder retires from active business activities or leaves the business on account of incapacitation, his/her selected potential successor takes over the management and/or ownership of the SME. In the event of sudden death, the South Eastern Nigeria succession law applies in the management and/or ownership succession of the SME. This law is based on gender and birth order. Thus, it follows the primogeniture system. Primogeniture is a system where the oldest son (Okpala) succeeds a founder/CEO or family descendant/CEO in the ownership and management of the family business.

## CONCLUSIONS

This study has revealed that the studied family-owned SMEs have no written succession plan. Aside, the contributory factors to the successful management and/or ownership succession were identified as characteristics of succession planning, the incumbent, the potential successors and the family SMEs. Furthermore, the contributory factors to the post-succession financial and non-financial performance of the family-owned SMEs are the culture of making succession planning an on-going or a continuous process, the characteristics of the incumbent and the characteristics of family-owned SME. These factors help to make the children of the incumbent in the SME to be actively involved in the operations of the SMEs and the incumbents to be committed to their training. Through these factors, the behaviour, work attitude of employees and organizational culture of the SME is positively influenced. The aggregate effect is improvement in the financial and non-financial performance of the family-owned SMEs.

The theoretical contribution of this study to knowledge is in identifying the contributory factors to successful management and/or ownership succession of the family-owned SMEs as the characteristics of succession planning, the incumbent, the potential successors and the family SMEs. The study also identified the contributory factors to the post-succession financial and non-financial performance of the family-owned SMEs. That is, the culture of making succession planning an on-going or a continuous process, the characteristics of the incumbent and the characteristics of the family-owned SME. In addition, the role of the post-succession factors in the post-succession financial and non-financial performance of family-owned SMEs. The implications of these findings are that incumbents of family-owned SMEs can achieve successful succession and post-succession financial and non-financial performance by inculcating the identified characteristics in their potential successors. Also, the

identified characteristics can be made part of the culture of the SMEs. Researchers can as well use these factors and characteristics as proxies in studies on the successful succession and post-succession financial and non-financial performance of family-owned SMEs.

The limitation of this study is that its scope is limited to only three sectors and the South Eastern Nigeria, thus excluding respondents from other sectors like agriculture and other geographical zones like South Southern, South Western, North Eastern, North Western, and North Central Nigeria. The implication of this is that the generalization of the findings will be limited to these sectors and the zone. Further research could be conducted to include respondents from other sectors and zones using qualitative and/or quantitative methodology. Better still, this study could be replicated in other parts of the world to confirm the current findings.

## REFERENCES

- Aderonke, J. (2014). Culture determinant and family business succession in Jos metropolis, Plateau State, Nigeria. *Journal of Emerging Trends in Economic and Management Sciences*, 5(5), 379-390.
- Akani, V.C. (2015). Management succession planning and corporate survival in Nigeria: A study of banks in Port Harcourt. *European Journal of Business and Management*, 7(27), 153-176.
- Aldamiz-Echevarría, C., Idígoras, I. & Vicente-Molina, M. (2017). Gender issues related to choosing the successor in the family business. *European Journal of Family Business Research*, 7, 54-64. doi: 10.1016/j.ejfb.2017.10.002
- Amran, N.A. & Ahmad, A.C. (2010). Family succession and firm performance among Malaysian companies. *International Journal of Business and Social Science*, 1(2), 193-203.
- Amran, N.A. (2011). The effect of owner's gender and age to firm performance: A review on Malaysian public listed family businesses. *Journal of Global Business and Economics*, 2(1), 104-116.
- Anderson, A.R., Jack, S.L. & Dodd, S.D. (2005). The role of family members in entrepreneurial networks: Beyond the boundaries of the family firm. *Family Business Review*, 18(2), 135-154.
- Astrachan, J.H. & Zellweger, T. (2008). Performance of family firms: A literature review and guidance for future research. *ZfKE – Zeitschrift für KMU und Entrepreneurship*, 56(1/2), 1-22.
- Bennedsen, M., Fan, J.P., Jian, M. & Yeh, Y.H. (2015). The family business map: Framework, selective survey, and evidence from Chinese family firm succession. *Journal of Corporate Finance*, 33, 212-226.
- Bisogno, M. & Vaia, G. (2017). The role of management accounting in family business succession. *African Journal of Business Management*, 11(21), 619-629. doi: 10.5897/AJBM2017.8396
- Bjuggren, P., Nordström, L. & Palmberg, J. (2015). Efficiency of female leaders in family and non-family firms. Ratio Working Paper No. 259.
- Bjursell, C. (2011). Cultural divergence in merging family businesses. *Journal of Family Business Strategy*, 2(2), 69-77.
- Bocatto, E., Gispert, C. & Rialp, J. (2010). Family-owned business succession: The influence of pre-performance in the nomination of family and nonfamily members: Evidence from Spanish firms. *Journal of Small Business Management*, 48(4), 497-523.
- Bouguerra, A., Yezza, H. & Mzoughi, M.N. (2016). Post-successions performance of family firms: The role of social skills and demographic characteristics of the successor. *Strategic Management Quarterly September*, 4(3), 75-86. doi: 10.15640/smq.v4n3a5
- Boyd, B., Botero, I.C. & Fediuk, T.A. (2014). Incumbent decisions about succession transitions in family Firms: A conceptual model. *International Journal Financial Studies*, 2, 335-358. doi:10.3390/ijfs2040335

- Bozer, G., Levin, L., Santora, J. (2017). Succession in family business: Multisource perspective. *Journal of Small Business and Enterprise Development*, 24(4), 753- 774. <https://doi.org/10.1108/JSBED-10-2016-0163>
- Cabrera-Suárez, M.K. & Martín-Santana, J.D. (2012). Successor's commitment and succession success: Dimensions and antecedents in the small Spanish family firm. *The International Journal of Human Resource Management*, 23(13), 2736-2762. doi:10.1080/09585192.2012.676458
- Cespedes, F.V. & Galford, R.M. (2004). Succession and failure. *Harvard Business Review*, 82(6), 31-35.
- Chaimahawong, V. & Sakulsriprasert, A. (2012). Family business succession and post succession performance: Evidence from Thai SMEs. *International Journal of Business and Management*, 8(2), 19-28. doi:10.5539/ijbm.v8n2p19
- Cheokas, G.G. (2013). In their own words: How does the succession experience of second generation family business owners influence future approaches to succession? (Unpublished Ph.D thesis), Georgia State University, Atlanta.
- Chiang, H. & Yu, H.J. (2018). Succession and corporate performance: The appropriate successor in family firms. *Investment Management and Financial Innovations*, 15(1), 58-67.
- Chrisman, J.J., Chau, J.H. & Sharma, P. (1998). Important attributes of success in family businesses: An exploratory study. *Family Business Review*, 12(1), 19-34.
- Chrisman, J., Chua, J. & Sharma, A. (2008). Factors preventing intra-family succession. *Family Business Review*, 21(2), 183-199.
- Colli, A. (2011). Contextualizing performance of family firms: The perspective of business theory. *Family Business Review*, 20(10), 1-15.
- Davis, J.A. (2014). Managing the family business: Leadership roles. Harvard Business School Working Knowledge, Baker Library.
- De Alwis, A.C. (2016). Incumbents influence on family business succession process. *European Journal of Business and Management*, 8(13), 96-105.
- De Massis, A., Chua, J.H. & Chrisman, J.J. (2008). Factors preventing intra-family succession. *Family Business Review*, 21(2), 183-199.
- Dumbu, E. (2018). Challenges surrounding succession planning in family-owned businesses in Zimbabwe: Views of the founding entrepreneurs of the businesses at Chikarudzo Business Centre in Masvingo District. *The International Journal of Business Management and Technology*, 2(2), 38-45.
- El-Chaarani, H. (2014). The success keys for family firms: Comparison between Lebanese and French systems. *Lebanese Science Journal*, 15(2), 133-150.
- European Commission (2009). Final report of the expert group, overview of family business relevant issues: Research, network policy measures and existing studies. Retrieved from [http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/family-business/family\\_business\\_expert\\_group\\_report\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/family-business/family_business_expert_group_report_en.pdf) on December 9, 2018.
- Fan, J.P., Wong, T.J. & Zhang, T. (2012). Founder succession and accounting properties. *Contemporary Accounting Research*, 29(1), 283-311.
- Fernández-Aráoz, C., Iqbal, S. & Ritter, J. (2015). Why family firms in East Asia struggle with succession. *Harvard Business Review*. Retrieved from <https://hbr.org/2015/03/why-family-firms-in-east-asia-struggle-with-succession> on December 9, 2018.
- Georgiou, T. & Vrontis, D. (2013). Wine sector development: A conceptual framework toward succession effectiveness in family wineries. *Journal of Transnational Management*, 18(4), 246-272.
- Ghee, W.Y., Ibrahim, M.D. & Abdul-Halim, H. (2015). Family business succession planning: Unleashing the key factors of business performance. *Asian Academic of Management Journal*, 20(2), 103-126.

- Giovannoni, E., Maraghini, M.P. & Riccaboni, A. (2011). Transmitting knowledge across generations: The role of management accounting practice. *Family Business Review*, 24(2), 126-150.
- Griffeth, R.W., Allen, D.G. & Barrett, R. (2006). Integration of family-owned business succession with turnover and life cycle models: Development of a successor retention process model. *Human Resource Management Review*, 16(2), 490-507.
- GTI (2000). PRIMA international research report. London: Grant Thornton International.
- Hadryś-Nowak, A. (2018). When successor becomes the leader of international family business? A case study from Poland. Paper presented at the 9th ENTRE Conference/5th AIB-CEE Chapter Annual Conference, Kraków, Poland, September 12-14.
- Handler, W. (1994). Succession in family business: A review of the research. *Family Business Review*, 7(1), 133-157.
- Hania, M.F. (2012). Factors influencing family business succession (case study: Gaza family businesses). Department of Business Administration, Faculty of Commerce, Islamic University, Gaza.
- Hiebl, M.R. (2013). Risk aversion in family firms: What do we really know? *The Journal of Risk Finance*, 14(1), 49-70.
- Iraki, W.N. (2009). The family as the forgotten foundation of long term growth in every economy. Business Daily, Nation Media Group, Nairobi.
- Jamali, D. (2009). Constraints and opportunities facing women entrepreneurs in developing countries. *Gender Management*, 24(4), 232-251.
- Judge, T.A. & Livingston, B.A. (2008). Is the gap more than gender? A longitudinal analysis of gender, gender role orientation, and earnings. *Journal of Applied Social Psychology*, 38, 994-1012. doi: 10.1037/0021-9010.38.5.994
- Kansikas, J. & Kuhmonen, T. (2008). Family business succession: Evolutionary economics approach. *Journal of Enterprising Culture*, 16(03), 279-298.
- Kiilu, J.M. & Ntale, J.F. (2018). Businesses: An empirical investigation of Nairobi Central Business District of Kenya. *European Journal of Business and Management*, 10(20), 91-97.
- Krishnan, R.V. (2012). SME and succession planning. Retrieved from <http://search.proquest.com/docview/1321759146?accountid=458http://linksource.ebsco.com/linking.aspx?sid=ProQ%3Anewsstand&fmt=journal&genre=unknown&issn=&volume=&issue=&date=20120511&spage=&title=Businessline&atitle=SME+and+succession+planning&au=Krishnan%2C+R+Venkata&isbn=&jtitle=Businessline&bttitle=&id=doi> on December 9, 2018.
- Lansberg, I. & Gersick, K. (2015). Educating family business owners: The fundamental intervention. *Academy of Management Learning & Education*, 14(3), 400-413. doi:10.5465/ame.2014.0254.
- Maalu, J., McCormick, D., K'Obonyo, P. & Machuki, V. (2013). Succession strategy and performance of small and medium family businesses in Nairobi, Kenya. *International Journal of Education and Research*, 1(6), 1-22.
- Maciel, A.S., Ramos, M.I.G., Aguilar, J.L.E. & Reyna, J.M.M. (2015). The influence of family relationship in the succession: A factorial analysis of Mexican enterprises. *Journal of Family Business Management*, 5(2), 238-256.
- Mejbri, K.M. & Affes, H. (2012). Determinants of intention and succession planning in Tunisian family business. *International Journal of Business and Social Science*, 3(12), 118.
- Michel, A. & Kammerlander, N. (2015). Trusted advisors in a family business's succession-planning process – An agency perspective. *Journal of Family Business Strategy*, 6(1), 45-57.
- Miller, S.P. (2015). Developing next-generation leadership talent in family business: The family effect (Unpublished Ph.D thesis), Weatherhead School of Management. Retrieved from

[https://etd.ohiolink.edu/!etd.send\\_file?accession=case1427837349&disposition=inline](https://etd.ohiolink.edu/!etd.send_file?accession=case1427837349&disposition=inline) on December 9, 2018.

- Molly, V., Laveren, E. & Deloof, M. (2010). Family business succession and its impact on financial structure and performance. *Family Business Review*, 23(2), 131-147. doi: 10.1177/0894486510365062
- Monday, J.U., Akinola, G.O., Olegbenla, P. & Aladeraji, O.K. (2014). Strategic management and firm performance: A study of selected manufacturing companies in Nigeria. *European Journal of Business and Management*, 7(2), 161-171.
- Mueller, S.L. & Dato-On, M.C. (2008). Gender-role orientation as a determinant of entrepreneurial self-efficacy. *Journal of Development Entrepreneurship*, 13, 3-20. doi: 10.1142/S108494670800082X
- Musa, B.M. & Semasinghe, D.M. (2014). Leadership succession problem: An examination of small family businesses. *European Journal of Business and Management*, 6(34), 301-306.
- Nordqvist, M., Wennberg, K. & Hellerstedt, K. (2013). An entrepreneurial process perspective on succession in family firms. *Small Business Economics*, 40(4), 1087-1122.
- Obadan, J.A. & Ohiorenoya, J.O. (2013). Succession planning in small business enterprises in Edo State. *European Scientific Journal*, 9(31), 64-76.
- Oduwusi, O.O. (2018). Succession planning as a key to effective managerial transition process in corporate organizations. *American Journal of Management Science and Engineering*, 3(1), 1-6. doi: 10.11648/j.ajmse.20180301.11
- OECD (1998). *Fostering entrepreneurship*. Paris: Organization for Economic Co-operation and Development (OECD).
- Ogbechie, R. & Anetor, F.O. (2015). An appraisal of succession planning in family-owned businesses in Lagos State, Nigeria. *European Journal of Business and Management*, 7(12), 1-5.
- Ogundele, O.J.K., Idris, A.A. & Ahmed-Ogundipe, K.A. (2012). Entrepreneurial succession problems in Nigeria's family businesses: A threat to sustainability. *European Scientific Journal*, 8(7), 208-227.
- Okafor, L.I., Onifade, T.A. & Ogbechi, A.D. (2018). Analytical review of small and medium scale enterprises in Nigeria. *International Journal of Small Business and Entrepreneurship Research*, 6(2), 32-46.
- Onuoha, B.C. (2013a). Wealth creation, retirement and succession planning of entrepreneurs in South-East, Nigeria. *International Business and Management*, 7(1), 99-105.
- Onuoha, B.C. (2013b). Poor succession planning by entrepreneurs: The bane of generational enterprises in South-East, Nigeria. *AFRREV International Journal of Arts and Humanities*, 2(2), 270-281.
- Overbeke, K.K., Bilimoria, D. & Somers, T. (2015). Shared vision between fathers and daughters in family businesses: The determining factor that transforms daughters into successors. *Frontiers in Psychology*, 6(625), 1-15. doi: 10.3389/fpsyg.2015.00625
- Paul, V., Barde, B.E., Abbah, J.E.I. & Idika, K. (2017). Effects of intra-family relationship on post-succession performance of selected family businesses in North East Nigeria. *International Journal of Development Strategies in Humanities, Management and Social Sciences*, 7(3), 134-149.
- Phikiso, Z. & Tengeh, R.K. (2017). Challenges to intra-family succession in South African townships. *Academy of Entrepreneurship Journal*, 23(2), 1-13.
- Poza, E.J. (2013). *Family Business*. Mason, OH: South-Western Cengage Learning.
- Prencipe, A., Bar-Yosef, S. & Dekker, H.C. (2014). Accounting research in family firms: Theoretical and empirical challenges. *European Accounting Review*, 23(3), 361-385.
- Pyromalis, V.D. & Vozikis, G.S. (2009). Mapping the successful succession process in family firms: Evidence from Greece. *International Entrepreneurship and Management Journal*, 5(1), 439-460.

- Rotich, E. (2014). The effects of succession planning on financial performance of family owned supermarkets in Nairobi County. University of Nairobi Repository.
- Saan, R., Enu-Kwesi, F. & Nyewie, F.R. (2018). Factors influencing succession planning for continuity of family-owned businesses in the Wa Municipality, Ghana. *Universal Journal of Management*, 6(5), 165-177. doi: 10.13189/ujm.2018.060504.
- Salvato, C. & Moores, K. (2010). Research on accounting in family firms: Past accomplishments and future challenges. *Family Business Review*, 23(3), 193-215.
- Schroder, E., Schmitt-Rodermund, E. & Arnaud, N. (2011). Career choice intentions of adolescents with family business background. *Family Business Review*, 24(4), 305-321.
- Sharma, P. & Chrisman, J.J. & Chua, J.H. (1997). Strategic management of the family business: Past research and future challenges. *Family Business Review*, 10(1), 1-35.
- Sharma, P., Chrisman, J.J. & Chua, J.H. (2003). Succession planning as planned behaviour: Some empirical results. *Family Business Review*, 16(1), 1-15.
- Sharma, P., Chrisman, J. & Chua, J. (2004). An overview of the field of family business studies: current status and directions for the future. *Family Business Review*, 17(1), 1-36.
- Sharma, P., Chrisman, J.J., Pablo, A.L. & Chua, J.H. (2001). Determinants of initial satisfaction with the succession process in family firms: A conceptual model, *Entrepreneurship Theory and Practice*, 25(3), 17-35.
- Sharma, P. & Irving, P.G. (2005). Four bases of family business successor commitment: Antecedents and consequences. *Entrepreneurship: Theory and Practice*, 29(1), 13-33.
- Sharma, A. & Sumita, D. (2013). Small scale family business succession and sustainability: A study in Chattisgarh. *SDMIMD Journal of Management*, 4(2), 17-27.
- Stalk, G. & Foley, H. (2012). Avoid the traps that can destroy family businesses. *Harvard Business Review*, 90(1), 25-227.
- Surdej, A. & Wach, K. (2012). The dynamics of succession in family businesses in Poland - Empirical results. *Economia Marche Journal of Applied Economics*, XXXI(2), 109-128.
- The European Commission (2008). Overview of family business relevant issues. A study conducted by the Austrian Institute for SME Research.
- Utami, C.W. (2017). The role of personality system succession pattern in family business in Indonesia. *Scholars Journal of Economics, Business and Management*, 4(12), 870-879. doi: 10.21276/sjebm.2017.4.12.1
- Venter, E., Boshoff, C. & Maas, G. (2005). The influence of successor-related factors on the succession process in small and medium-sized family businesses. *Family Business Review*, 18(4), 283-303. doi: 10.1111/j.1741-6248.2005.00049.
- Wahjono, S.I., Wahjoedi, W., Idrus, S. & Nirbito, J.G. (2014). Succession planning as an economic education to improve family business performance in East Java Province of Indonesia. *Journal of Asian Scientific Research*, 4(11), 649-663.
- Walsh, G. (2011). Family business succession: Managing the all-important family component. Retrieved from [http://www.kpmg.com/ca/en/services/kpmg-enterprise/centre-for-family-business/documents/3468\\_succession.pdf](http://www.kpmg.com/ca/en/services/kpmg-enterprise/centre-for-family-business/documents/3468_succession.pdf). on December 9, 2018.
- Wang, C. (2010). Daughter exclusion in family business succession: A review of the literature. *Journal of Family & Economic*, 31(4), 475-484.
- Warnar, P. (2012). Family business and knowledge transfer: How to survive to the next generation. Delft University of Technology.

- Wiklund, J., Nordqvist, M., Hellerstedt, K. & Bird, M. (2013). Internal versus external ownership transition in family firms: An embeddedness perspective. *Entrepreneurship Theory and Practice*, 37(6), 1319-1340.
- Williams, D.W., Zorn, M.L., Russell Crook, T. & Combs, J.G. (2013). Passing the torch: Factors influencing transgenerational intent in family firms. *Family Relations*, 62(3), 415-428.
- Ye, J., Parris, M.A. & Waddell, D. (2013). The succession decision in Chinese-Australian family businesses: An exploratory study. *Small Enterprise Research*, 20(2), 110-125. doi:10.5172/ser.2013.20.2.110
- Zahrani, M.A., Nikmaram, S. & Latifi, M. (2014). Impact of family business characteristics on succession planning: A case study in Tehran industrial towns. *Iranian Journal of Management Studies*, 7(2), 243-257.

### Appendix: Interview guide

1. How conversant are you with the succession process and post-succession performance of your organization?
2. What type of succession has taken place in your organization?
  - i. If family management succession, why was management not transferred together with ownership?
  - ii. If management and ownership, why were they transferred together?
3. How would you describe management/ownership succession planning in your organization?
4. Would you say management/ownership succession planning in your organization is in stages? If yes, can you describe the stages?
5. Do you agree that the succession planning enhanced the successful succession of the management/ownership of your organization? What are the characteristics?
6. What are your views on the characteristics of the incumbent that helped to make the management/ownership succession of your organization successful?
7. Can you identify the characteristics of the potential successor that helped to make the succession process of the management/ownership of your organization successful?
8. What in your opinion are the characteristics of your organization that facilitated the management and/or ownership transfer?
9. What aspect of the management/ownership succession planning contributed to the post-succession financial/non-financial performance of your organization? And how?
10. Do you think any of the characteristics of the incumbent is further enhancing the post-succession financial/non-financial performance of your organization? If yes, could you explain?
11. Which of the characteristics of your organization contributes to the post-succession financial/non-financial performance of the organization? And how?
12. Generally, do you agree that the successful management/ownership succession of your organization has improved the post-succession financial/non-financial performance of the organization?

**Author****Kenneth Chukwujioko Agbim**

Kenneth Chukwujioko Agbim is a doctoral candidate in the Department of Management, University of Nigeria, Enugu, Nigeria. He has M.Sc. in Development Studies, MBA in Management and M.Sc. in Management. His research interests are in the areas of strategic entrepreneurship, family business development and business ethics.

**Correspondence to:** kennethagbim2012@gmail.com

**ORCID**  <http://orcid.org/0000-0002-9204-3387>

**Copyright and License**

This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License  
<http://creativecommons.org/licenses/by-nd/4.0/>

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland



## Internal managerial succession in family companies

Ludmiła Walaszczyk, Beata Belina

### ABSTRACT

**Objective:** The objective of the article is to present internal managerial business succession model, which can be applied in family companies in a situation when a typical family succession (by children or other family members) is not possible or not desirable.

**Research Design & Methods:** The authorial model has been developed in the ENTERtransfer project (INTERREG Central Europe programme) and extended during the pilot actions with the entrepreneurs and the representatives of the local and regional authorities in the Mazovian region in Poland between October and November 2018.

**Findings:** Based on the feedback from the target groups, the internal managerial business succession model has been extended and improved. However, it turned out that depending on the size of the company, the entrepreneurs indicated two basic succession models. SMEs strongly preferred a typical family succession (by family members), whereas the representatives of big companies opted for the internal managerial business succession model, which is related to the involvement of an external person into the company management.

**Contribution & Value Added:** Although the model has been developed in the international project, it is directed mainly to the companies from the Mazovian region in Poland as the project objective is to develop the outputs only for the regional level. The core input into the development of the model was the target group of the ENTERtransfer project: the entrepreneurs and the representatives of different types of authorities. That means that the model has not been developed only by the authors based on the literature, but mainly with the practical support of interested bodies in this area.

**Article type:** research paper

**Keywords:** Business succession; managerial succession; family companies; ENTERtransfer project; entrepreneurship

**JEL codes:** L21, O21, O35

Article received: 13 April 2019

Article accepted: 17 May 2019

### Suggested citation:

Walaszczyk, L., & Belina, B. (2019). Internal managerial succession in family companies. *International Entrepreneurship Review (previously published as International Entrepreneurship / Przedsiębiorczość Międzynarodowa)*, 5(2), 75-89. <https://doi.org/10.15678/IER.2019.0502.05>

## INTRODUCTION

Business succession is becoming one of the most prominent issues for companies and policy makers in Europe since it entails both economic and social impacts (Lambrecht, 2005; Naldi, Nordqvist, Sjoberg, & Wiklund, 2007; Nordqvist, Wennberg, & Hellerstedt, 2013). Every year many well-functioning family-run companies disappear due to inability to find successor able to take over business leadership. Despite of existing succession schemes in the countries, some of them, like Poland, have still very limited or no experience with business ownership transfer and low awareness about it. This issue is particularly acute in the latter countries and requires transnational approach due to high risk of 'business exit' of family companies established in early 1990s. The aim of this research is to present the internal managerial succession model and the results of the feedback on this model from the representatives of companies and the representatives of local and regional authorities. The feedback was possible to be collected based on the interviews performed with the target groups mentioned above. The aim of the designed model is to help sustain the existence of family-run businesses facing the risk of business-exit due to their inability to find a suitable successor and ultimately contribute to making the companies more competitive.

## LITERATURE REVIEW

In recent years, there has been a growing interest in family businesses as far as it concerns the succession aspect and the need for the development of effective solutions in this area. This interest comes from the fact that Poland is in the first major generational change in family enterprises, which also opens up the period of greater awareness of Polish entrepreneurs of the importance of the problem. Potential successors of the generation of entrepreneurs – actual owners starting their activities at the end of the 1980s – face the challenge of taking over and managing parents companies. Owners, however, consider how and to whom to transfer the company (e.g. children donation, sale to family members, sale to an external person), maintaining its continuity and benefiting the profits (Budziak, 2014; Suess, 2014).

The literature is increasingly addressing the issue of family succession (e.g. Boyd, Botero & Fediuk, 2014; De Alvis, 2016; Ghee, Ibrahim & Abdul-Halim, 2015; Hardyś-Nowak, 2018). However, the demand for comprehensive, multi-faceted approaches to this issue is still growing, combining the aspects of business strategy and legal aspects with psychology, ethics, culture (Budziak, 2012; Stavrou, Kleanthous & Anastasiou, 2005;) – with reference to practical applications (Georgiou & Vrontis, 2013; Sharma et al. 2001;) – in order to develop effective solutions. Several publications about succession are limited to presenting only positive examples (Amran & Ahmad, 2010; Barach & Ganitsky, 1995), usually the same family businesses, although the companies mentioned most often are still in the preparation process of succession. Only a small part of the publications and guidebooks contains reports and conclusions from the conducted research (Banalieva & Eddleston, 2011; Daspit, Holt, Chrisman & Long, 2016; Lewandowska, Więcek-Janka, Hardyś-Nowak, Wojewoda & Tylczyński, 2016; Perry, Kirk Ring & Broberg, 2016; Wach & Surdej, 2010), which can provide educational support

for starting the succession process, as well as the experience of owners (seniors) and successors indicating ways how to solve problems resulting from the family nature of companies, but also showing the potential resulting from their family.

The advantage of some of the publications are the examples of good practices and solutions used in the world in the field of preparing business succession and indicating the possibilities of their adaptation in Polish conditions (Budziak, 2014). The most publications on family business succession appeared in the United States and Canada. In Europe, German-speaking countries (Gabriel & Bitsch, 2018), as well as Spain (Casillas, Mereno-Cerdan & Lopez, 2015) and Italy (Ruggieri, Pozzi & Ripamonti, 2014) dominate in this aspect, which confirms the thesis that the effective involvement of the next generation of the family is a sign of the generational survival of the family business (Benavides-Velasco, Quintana-Garcia & Guzman-Parra, 2013; Santora & Sarros, 2008). An important source of inspiration in planning succession are the examples embedded in the reality of the functioning of family businesses in countries such as Germany (Klein, 2004), China (Wang, Pei & Liu, 2014), India (Budhiraja & Pathak, 2018) or the Middle East (Deloitte, 2017). Worldwide statistics show that about 70% of companies starting as family ones do not pass into the hands of the next generation, and about 90% fail in the third generation (Fleming, 2000; Safin & Pluta, 2014).

In Poland, the business succession refers to more than 828.000 family enterprises, belonging to the sector of micro, small and medium enterprises and constituting over 18% of the national GDP. Family businesses employ approximately 2 million people. As research shows, 57% of the population plans to transfer their business to the younger generation in the next five years. These results show that succession is the most likely scenario for the development of family businesses in Poland (Lewandowska et al., 2016). Although almost two-thirds of family enterprises are willing to transfer them to children, only one third (30%) has a plan or strategy of business succession. At the same time, more than half (52%) of medium-sized companies planning a succession process have no strategy (Kowalewska, 2009). A frequent reason, why family businesses do not initiate the succession process, is the anticipation of the occurrence of problems and conflicts related to this issue (Surdej & Wach, 2010). The research also shows that the owners reflexively postpone in time not only the transfer stage itself, but also the phases that make up the process of generation changes and succession (Niemczal, 2015). On the other hand, the readiness of representatives of the next generation to take over responsibility for a family business increases (8.1%), thus the chance for successful internal-family successions in Polish companies increases.

In literature it is possible to find various succession models, which can be used in practice (Table 1).

As it can be shown from Table 1, almost all the models concern typical business succession in family companies, which is taking over the company by a family member, mainly by a child or children. The literature does not present the cases in which the company is taken over by an external person, which is however very important if the owner does not possess children or they do not want to be involved in the company activity.

**Table 1. Business succession models in literature**

Name of the business succession model	Description of the business succession model
Life stages model (Davis, 1968) (successors: children)	<p>The identification of typical periods in a human life, influencing potential business succession in a family company, are the following:</p> <ul style="list-style-type: none"> <li>- 17-25 years old – independence of the successors and breaking relations with parents;</li> <li>- 27-33 years old – first professional decisions and understanding of how the parents exist in business;</li> <li>- After 33 years old – searching for independence and acceptance;</li> <li>- 40-45 years old – development of the company and controlling of the processes in the company;</li> <li>- 50-60 years old – development of the family business concept;</li> <li>- After 60 years old – retreatment from business activity.</li> </ul> <p>The analysis show that the best moment for business transfer in the company is when the owner is after 50 years old and the successors between 27-33 years old.</p>
Seven-stage succession process (Longenecker & Schoen, 1978) (successors: children, external person)	<p>The stages in this succession model are the following:</p> <ul style="list-style-type: none"> <li>- phase before the inclusion of the successor in the company;</li> <li>- inclusion of the successor to the company – the successor has a contact with the company, but he / she does not formally work in the company yet;</li> <li>- preliminary functions in the company – the successor works on part time;</li> <li>- full taking over the company – the successor is employed on full time;</li> <li>- taking over managerial competences;</li> <li>- preliminary succession – the successor receives main functions before becoming the leader;</li> <li>- formal succession – the successor is accepted by the company as a formal leader.</li> </ul>
Father-Son work model (Churchill & Hatten, 1987) (successors: children)	<p>N. Churchill and K. Hatten distinguished four stages of the business succession in a family company:</p> <ul style="list-style-type: none"> <li>- management only by the owner;</li> <li>- inclusion and incubation of a son into the company;</li> <li>- partnership between father and son;</li> <li>- transfer of the company to a son.</li> </ul>
Mutual adjustment process of succession (successors: children)	<p>The process of business succession in a family company includes four stages:</p> <ul style="list-style-type: none"> <li>- focusing on the company development by the owner, searching for clients, delivering products and services and taking care of finances of the company;</li> <li>- thinking about the succession in the company. The engagement of the potential successors in the company's activities, both operational and strategic, but without the responsibility for the decisions;</li> <li>- overtaking different activities by the potential successors and the design future aims of the company;</li> <li>- formal transfer of the power and the ownership to the successors.</li> </ul>

Name of the business succession model	Description of the business succession model
Three level intergenerational transition model (Stavrou, 1996) (successors: children)	<p>The stages of business succession in a company are the following:</p> <ul style="list-style-type: none"> <li>- exclusion of children from the company's activity because of being too young;</li> <li>- inclusion of children in the company (18-28 years old);</li> <li>- formal succession – inclusion into management and formal transfer of the company.</li> </ul>
Model highlighting psychological factors as crucial for an effective succession process in a company (Matthews, Moore & Fialko, 1999) (successors: children)	<p>The assessment of the business succession plan should be performed within four paths:</p> <ul style="list-style-type: none"> <li>- cognitive processes – recognition of relations: father-son and son-father;</li> <li>- cognitive self-classification of father;</li> <li>- self-cognition of son.</li> </ul> <p>Knowledge on common attitudes and relations and the assessment of the main actors taking part in business succession is the condition for the preparation of the succession plan.</p>
Five-stage general model recruitment and selection of successors for a family business (Schlepphorst & Moog, 2014) (successors: children)	<p>The stages of the selection of the successor in family companies are the following:</p> <ul style="list-style-type: none"> <li>- pre-selection process – the owners do not think about the succession, but they are aware that the successors grow and will be mature in near future. They create pro-managerial and pro-entrepreneurship attitudes and they show the interest of the company;</li> <li>- need analysis – searching for the most appropriate features of the successor. Potential considerations are not loudly discussed with the family;</li> <li>- second pre-selection process – the selection of potential successors. The owners assess, among others, emotional aspects, relations with the family members, support from the family and the result is the subjective opinion of the owner;</li> <li>- recruitment process, in which official candidates are informed and the level of their interest of being the leader in the future is taken into account;</li> <li>- successor is gradually included in decisive areas. His / her skills and financial results are assessed. The successor takes over all the functions of the owner (including possible ownership).</li> </ul>

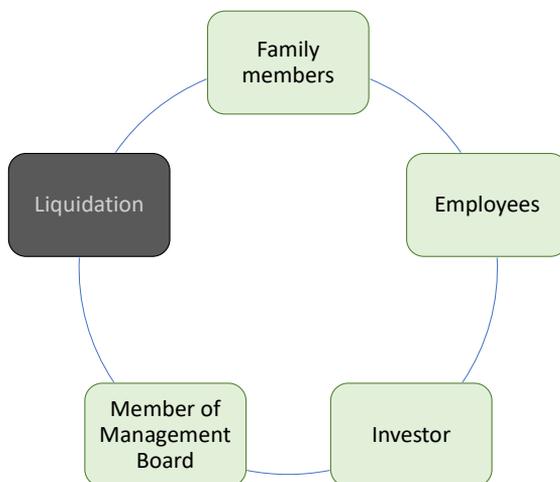
Source: own study.

## MATERIAL AND METHODS

The main aim of this research was to present the general internal managerial succession model, which can be applied in family companies in a situation, when a typical family succession (by children or other family members) is not possible or not desirable and to extend and improved the model with the support of the practitioners.

The reason, why the authors decided to pay attention to this path is the fact that in Poland most of companies, when hearing about family business succession, think only about the situation, in which children must take over the company. Other paths are taken into consideration in a very limited scope.

The main aim of the *'Advancement of the economic and social innovation through the creation of the environment enabling business succession'* (INTERREG Central Europe programme) project is to design a complex business succession model for family companies in the regions of Europe. It was decided that the model includes several paths (Figure 1).



**Figure 1. Different paths of family business succession**

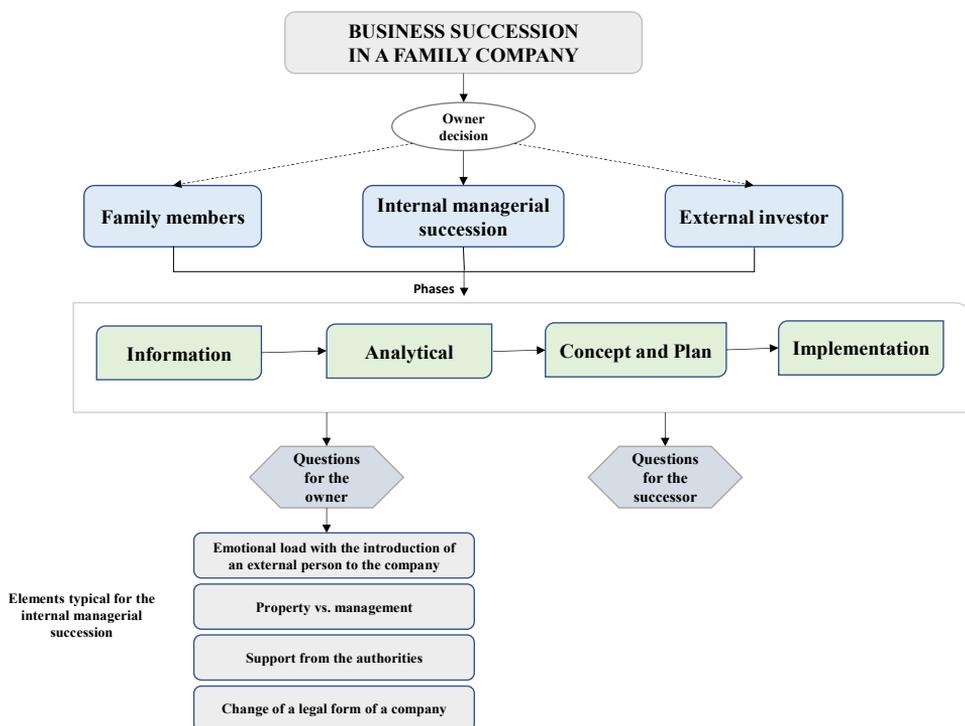
Source: ENTERtransfer project partnership.

One of the paths, as aforementioned, is the situation in which the company is taken over by an employee or a member of the management board (internal managerial succession). The *'internal managerial business succession model'* (Figure 2) is the authorial result in the ENTERtransfer project and it included the basic four phases:

1. Information phase;
2. Analytical phase;
3. Concept and plan;
4. Implementation phase.

In order to extend and improve the designed model, the pilot actions with the entrepreneurs and the representatives of the local and regional authorities took place between October and November 2018 in the Mazovian region in Poland. The pilot actions had a form of direct meetings with the target groups. In the research, the direct non-structured interviews (discussions) with the entrepreneurs and the representatives of local and regional authorities from the Mazovian region, who were interested in the topic of family business succession, were applied. Before conducting the research, the author contacted c.a. 40 enterprises from the region (micro, small, medium, and big enterprises), which seriously think about business succession in the company, or who have already performed the succession process. Among them 18 companies decided to take part in the research and to share their experiences. As far as it concerns the representatives of local and regional authorities, there were 11 people engaged in the research. It is necessary to underline that the topic of family business succession is very sensitive and irritable for the entrepreneurs. In the process of searching for the companies, which could participate in the

pilot actions, many of them did not want to share their experiences about the issue. They did not want to present their plans or already performed succession process to the other entrepreneurs because of the competitiveness on the market.



**Figure 2. Managerial business succession in a family company**

Source: own elaboration.

All the participants were asked to discuss the following aspects related to the succession in a family company:

- Awareness of the succession process;
- Preparation of the company for the succession;
- Preparation of the owner for the succession;
- Preparation of the family for the succession;
- Formal succession.

Based on the aspects directed to the participants, the author formulated the following research questions:

- RQ1:** Why is it important to take into account the business succession path, in which the company is taken over by an external person beyond the family?
- RQ2:** Which are the main steps in order to perform the successful business succession in a family company considering this path?
- RQ3:** What problems can be encountered in the internal managerial succession?

The aforementioned aspects were strictly linked to the authorial internal managerial business succession model presented to the target groups.

## DISCUSSION AND RESULTS

During the pilot actions the participants shared their experiences related to leading the company through the various stages of succession. It was clearly stated that the ENTER-transfer project is a breakthrough, because up to now there have been no initiatives in the Mazovian region aimed at solving the problem of succession in companies. Already at the very beginning of the pilot actions it was recognised that the size of the company strongly influenced the point of view on the succession aspect in a family company. The succession was perceived mainly as taking over the company by children (family succession) and it was strongly underlined by SMEs. However, the current project, alongside the traditional route, explores the possibilities of taking over the company by external people, i.e. the company's management staff or individual employees. Some of the participants of the pilot actions confirmed that such a path is possible and very desirable (especially when the children are not interested in taking over the company). Such approach was clearly highlighted as far as it concerns the representatives of big companies. As aforementioned, this path is unfortunately still rejected by many micro and small entrepreneurs, as they do not want to give the company to a *'foreign'* hand.

As managerial succession is still in its infancy in Poland, the pilot actions focused on the development of this path, which could be helpful in the case of taking over the company by an external person (employee or a member of the management board). The basic assumptions, based on the feedback from experts panels in earlier stages of the project execution, of the internal managerial model were the following:

- to get rid of any negative emotions related to family business succession process;
- to get the approval from the family on the succession in the company;
- to get the approval from the family on introducing an external person;
- to separate meticulously the property from the management;
- to trust to a successor;
- to retreat the owner from the management of the company.

The participants proposed to follow four previously indicated phases, which are in fact necessary in order to perform the family business succession process successfully.

The first phase – **information phase** – aims at increasing the awareness on the need of business succession in a family company. There have been several key steps indicated by the target groups, which are crucial for the owner of the company to be followed (Table 2).

In order to start the business succession process in a family company, first of all the owner must be sure that the succession is needed in the company. During the pilot actions it was underlined that, although this aspect seems to be trivial, it turns out that the decision to be convinced that the business succession is really necessary, is very hard to be taken by the owner. It is caused by many different factors, i.e. psychological, social or financial. The psychological aspects come from the fact that the owner still feels ready and able to manage the company. Time to take over the company to another person is postponed. The owner must be mature enough to decide not to interfere in the company matters. As far as it concerns the social aspects, the owner is often afraid of the

reaction of the family. Financial aspects can be linked to the need of buying new technological equipment or to hire lawyers to support the process and the owner may not have enough funds to cover it.

**Table 2. Information phase in a family business succession – steps and questions for the owner**

No	Key Steps	Key Questions for the Owner
1.	To be sure that the business succession is needed in a family company and to get rid of emotional load by the owner.	Am I prepared to perform the succession in my company?
2.	To inform the family members about the plans to perform succession.	Is my family aware about the need of the business succession in the company and if they are ready for that?
3.	To find a good educational programme or training supporting the business succession process.	Are there any educational programmes, which could help me (us) to be more familiar with the business succession aspect?
4.	To get possible help from regional and local authorities.	Are there any authorities at local / regional level, which could support my business succession process?
5.	To get knowledge on good practices in family business succession in a company.	Do I know any companies, which have already performed the succession with success?

Source: own study.

If the owner is already convinced that there is the highest time to transfer the company, the discussion with the family is the next step. It can be very hard, especially if there are several potential successors. They also must agree that this process should start very soon.

The last steps are related to the possibilities of finding necessary support how to manage business succession process. It can include, among other, help from the authorities, if any is possible, searching for best practices or participating in courses dedicated to business succession in a family company. All of the participants of the pilot actions agreed that the information phase should include the aforementioned elements.

The second phase – **analytical phase** – aims at deeper thinking and analyzing business succession process, especially about the potential successor and the legal form of the future family company. There have been several key steps indicated by the target groups, which are crucial for the owner of the company to be followed (Table 3).

In the point of view of the representatives of big companies and the authorities, it is good to think about an external person to be the successor, as an external successor can bring benefits to the company, for example as far as it concerns new technological and organizational solutions, which have not been applied in the company before and can make the company more competitive on the market. As opposite, in the opinion of the representatives of smaller family companies, managerial business succession should not be the main path in companies. The representatives of SMEs strongly underlined that parents, who are the owners of the companies, have many instruments to influence the career paths of their children and they positively assessed this impact and inclusion of children in the company's mission, values and culture. With no doubt, all the participants agreed that the proposed steps and questions are necessary, however it was not possible to convince smaller entrepreneurs that they could take an external person to manage their family company.

**Table 3. Analytical phase in a family business succession – steps and questions for the owner**

No	Key Steps	Key Questions for the Owner
1.	To decide about possible and most convenient legal form of a company.	Which legal form for my company will be the most convenient? Should I change the current legal form of my company?
2.	To search for a person (as potential successor) competent in legal rules.	Do I know a person who has the legal competences in order to cope with these aspects in my company?
3.	To search for a person (as potential successor) competent in management rules.	Do I know a person who could be a good manager in my company?
4.	To search for a person (as potential successor) very competent in communication with the staff and the clients.	Do I know a person who has an easy manner to communicate with the company team and the potential clients?
5.	To search for a person (as potential successor) who is / will be strongly engaged in the company issues.	Do I know a person who could be able to devote himself / herself to my company?
6.	To specify timeframe of the business succession process in a family company.	When should the succession process be undertaken?

Source: own study.

When the owner has the first thoughts about the potential successor, the next phase – **concept and plan** – concerns detailed activities strongly related to the business succession process (Table 4).

**Table 4. Concept and plan phase in a family business succession – steps and activities for the owner**

No	Key Steps	Key Activities for the Owner
1.	To inform a selected successor on the possibility to become a successor (if the successor is known by the owner).	The information about the possibility to become a successor. The reception of the approval from a successor.
2.	To separate family property from management.	The separation of the property from management in order to protect the fortune of the family members.
3.	To inform the successor on the main activities in the company.	The identification of the core activities of the successor in my company.
4.	To prepare the change of a legal form of a company (if needed).	The change of a legal form of my company (if needed).
5.	To inform the company staff about introducing a successor.	The announcement to the company staff about the introduction of changes in my company.

Source: own study.

The participants agreed that the indicated steps are very important in the process of planning the succession in a family company. However some of the participants paid attention to particular aspects of this stage. Above all, the representatives of big companies agreed that it is very difficult to separate property from management because of psychological aspects. The owners do not usually differentiate the property and the management and they think that if they transfer the management – they also transfer property to the successor. While this problem can be solved at the organizational and legal levels, it is still

difficult due to psychological reasons of the owners and the family members. The representatives of smaller companies could not imagine this division, because they equaled all the time the property with the management. Moreover, the representatives of SMEs stated that children should be the only successors and if they need help they should use advisory and information support, which can be provided by associations and chambers of entrepreneurs, and also through the promotion of various succession paths and their threats.

As last, the discussions at the pilot actions concerned the implementation phase (Table 5).

**Table 5. Implementation phase in a family business succession – steps and activities for the owner and successor**

No	Key Steps	Key Activities for the Owner and Successor
1.	Power to be seized by the successor.	The owner (senior) MUST transfer the <u>whole</u> management power in the company to the successor.
2.	Core decisions of the company are discussed with the family members.	The successor takes core decisions in the agreement with the family members (e.g. financial and legal aspects). The operational decisions are taken only by the successor (e.g. technological, organisational decisions).
3.	Continuous educational improvement of the successor.	The successor MUST educate continuously, e.g. concerning the aspects of the company's technology, financial and legal aspects. Moreover, the promotion and marketing aspects must be also taken into account by the successor.

Source: own study.

In the point of view of the participants of the pilot actions, the last step is very important for the family business succession. The core problem identified by the target groups was that the owner (senior) has a huge problem to retreat from the company. From one side it is a will to transfer the company to the successor, but on the other hand the senior wants to be still present and to manage the company.

As far as it concerns the successor it is necessary to educate all the time to get familiar with all aspects related to the company, among others technological, financial or legal ones.

## CONCLUSIONS

During the pilot actions the authors presented the assumptions of the internal managerial succession model to different entrepreneurs and the representatives of local and regional authorities. The representatives of big companies stated that it is very important to consider the business succession in a family company with the introduction of an external person. It is caused by many factors, among others, children may not want to take over the company or they may not have enough competences. The responses of SMEs representatives was totally opposite – they were convinced that introducing children to the company is the only way in the business succession process.

All the participants agreed that all these steps are very important in order to perform the business succession successfully. They concentrated on detailed questions for the owners and activities both for the owners and successors, however the main step is to select a proper successor.

The main problem of the internal managerial succession is to be convinced that an external person should be introduced to the company. The family must agree that such a

person will have the whole management in the company. It was not acceptable by the SMEs representatives, because for them the only way to perform the succession process in a family company is to be sure that children will take over the company.

The authors are aware that the research sample does not allow for generalising the research results, however they show the individual cases and indicate different points of view and experiences of the target groups.

The internal managerial model can be directly used in the companies, that need the succession process. As far as it concerns the research implications, it is possible to verify how effective and efficient the managerial model is in different types of the companies after its implementation. The model will be the element of the trainings organized for the target groups in order to raise their awareness and knowledge within the topic of business succession.

Having performed the research, it turned out that there are still few projects and activities related to the issue in Poland. Such initiatives are mainly undertaken by the Polish Agency for Enterprise Development, the Ministry of Entrepreneurship and Technology or within the European projects. However the number of the initiatives is not the issue – more important is the engagement of the entrepreneurs in business succession topic. This is a very hard step as they are not open for the introduction of changes in the companies, they do not wish to discuss about their current problems or they think they still have time for transferring the company to the potential successors.

## REFERENCES

- Amran, N.A., & Ahmad, A.C. (2010). Family succession and firm performance among Malaysian companies. *International Journal of Business and Social Science*, 1(2), 193-203.
- Banalieva, E.D., & Eddleston, K.A. (2011). Home-region focus and performance of family firms: the role of family vs non-family leaders. *Journal of International Business Studies*, 42(8), 1060-1072. <https://doi.org/10.1057/jibs.2011.28>
- Barach, J.A., & Ganitsky, J.B. (1995). Successful succession in family business. *Family Business Review*, 8(2), 31-155. <https://doi.org/10.1111/j.1741-6248.1995.00131.x>
- Benavides-Velasco, C., Quintana-García, C., & Guzmán-Parra, V. (2013). Trends in family business research. *Small Business Economics*, 40(1), 41-57.
- Boyd, B., Botero, I.C., & Fediuk, T.A. (2014). Incumbent decisions about succession transitions in family Firms: A conceptual model. *International Journal Financial Studies*, 2, 335-358. <https://doi.org/10.3390/ijfs2040335>
- Budhiraja, S., & Pathak, K. (2018). Dynamics of succession planning for Indian family-owned businesses: learning from successful organizations. *Human Resource Management International Digest*, 26(4), 31-33, <https://doi.org/10.1108/hrmid-11-2017-0167>.
- Budziak, T. (2014). *Esencja sukcesji*. Gliwice: Wydawnictwo Helion.
- Budziak, T. (2012). *Sukcesja w rodzinie biznesowej Spojrzzenie praktyczne*. Warszawa: Wydawnictwo Poltext.
- Casillas, J.C., Mereno-Cerdan, A.L., & Lopez, C. (2015). *The family business in Spain*. Barcelona: Instituto de la Empresa Familiar.
- Chiniara, W., & Omari, Y. (2017). *The 'Triple S' family business insurance policy*, Deloitte. Retrieved on March 28.2019 from <https://www2.deloitte.com/iq/en/pages/about-deloitte/articles/The-only-certainty-is/triple-s-family-business-insurance-policy.html#>.

- Churchill, N.C., & Hatten, K.J. (1987). Not-market-based transfers of wealth and power: A Research Framework for family businesses. *American Journal of Small Business*, 11(3), 51-64. <https://doi.org/10.1111/j.1741-6248.1997.00053.x>
- Daspit, J.J., Holt, D.T., Chrisman, J.J., & Long, R.G. (2016). Examining family firm succession from a social exchange perspective: a multiphase, multi-stakeholder review. *Family Business Review*, 29(1), 44-64. <https://doi.org/10.1177/08944865155599688>
- Davis, S.M. (1968). Entrepreneurial Succession. *Administrative Science Quarterly. Special Issue on Organisations and Social Development*, 13(3), 196-416. <https://doi.org/10.2307/2391050>
- De Alwis, A.C. (2016). Incumbents influence on family business succession process. *European Journal of Business and Management*, 8(13), 96-105.
- Fleming, Q. (2000). *Tajniki przetrwania firmy rodzinnej*. Gliwice: Wydawnictwo One Press Small Business.
- Gabriel, A., & Bitsch, V. (2018). Impacts of succession in family business: A systemic approach for understanding dynamic effects in horticultural retail companies in Germany. *Journal of Small Business and Enterprise Development*, 26(3), 304-324. <https://doi.org/10.1108/jsbed-01-2018-0030>
- Georgiou, T., & Vrontis, D. (2013). Wine sector development: A conceptual framework toward succession effectiveness in family wineries. *Journal of Transnational Management*, 18(4), 246-272. <https://doi.org/10.1080/15475778.2013.840489>
- Ghee, W.Y., Ibrahim, M.D., & Abdul-Halim, H. (2015). Family business succession planning: Unleashing the key factors of business performance. *Asian Academic of Management Journal*, 20(2), 103-126.
- Hadryś-Nowak, A. (2018). When successor becomes the leader of international family business? – a case study from Poland. *International Entrepreneurship | Przedsiębiorczość Międzynarodowa*, 4(3), 189-203.
- Klein, S.B. (2004). Family Businesses in Germany: Significance and Structure. *Family Business Review*, 13(3), 157-181. <https://doi.org/10.1111/j.1741-6248.2000.00157.x>
- Kowalewska, A. (2009). *Badanie firm rodzinnych. Raport końcowy*. Warsaw: Polish Agency of Entrepreneurship Development.
- Lambrecht, J. (2005). Multigenerational transition in family businesses: A new explanatory model. *Family Business Review*, 18(4), 267-282. <https://doi.org/10.1111/j.1741-6248.2005.00048.x>
- Lewandowska, A., Więcek-Janka, E., Hadryś-Nowak, A., Wojewoda M., & Tylczyński, Ł. (2016). *Firma to marka: Raport z badania przeprowadzonego w ramach projektu Statystyka firm rodzinnych*. Poznań: Wydawnictwo Instytut Biznesu Rodzinnego.
- Longenecker, J.G., & Schoen, J.E. (1978). Management succession in the family business, *Journal of Small Business Management*, 16, 1-6.
- Matthews, C.H., Moore, T.W., & Fialko, A.S. (1999). Succession in the family firm: A cognitive categorization perspective, *Family Business Review*, 12(1999), 159-169. <https://doi.org/10.1111/j.1741-6248.1999.00159.x>
- Naldi, L., Nordqvist, M., Sjoberg, K., & Wiklund, J. (2007). Entrepreneurial orientation, risk taking, and performance in family firms. *Family Business Review*, 20(1), 33-47. <https://doi.org/10.1111/j.1741-6248.2007.00082.x>
- Niemczal, Ł. (2015). Etapy procesu sukcesji przedsiębiorstw rodzinnych: przegląd literatury. *International Entrepreneurship | Przedsiębiorczość Międzynarodowa*, 1(1), 31-42.
- Nordqvist, M., Wennberg, K., & Hellerstedt, K. (2013). An entrepreneurial process perspective on succession in family firms. *Small Business Economics*, 40(4), 1087-1122. <https://doi.org/10.1007/s11187-012-9466-4>

- Perry, J.T., Kirk Ring, J., & Broberg, J.C. (2015). Which type of advisors do family businesses trust most? An exploratory application of socioemotional selectivity theory. *Family Business Review*, 28(3), 211-226. <https://doi.org/10.1177/0894486514538652>
- Ruggieri R., Pozzi M., & Ripamonti S. (2014). Italian Family Business Cultures Involved in the Generational Change. *Europe's Journal of Psychology*, 10(1), 79-103. <https://doi.org/10.5964/ejop.v10i1.625>
- Safin, K., & Pluta, J. (2014). Strategie sukcesyjne polskich przedsiębiorstw rodzinnych. Analiza wstępnych wyników badań, *Przedsiębiorczość i Zarządzanie, Part I: Firmy Rodzinne – współczesne nurty badań i praktyki zarządzania*, 15(7), 23-36.
- Santora, J.C., & Sarros, J.C. (2008). Founders, leaders, and organizational life cycles: the choice is easy – learn or fail!. *Development and Learning in Organizations: An International Journal*, 22(3), 12-15. <https://doi.org/10.1108/14777280810861767>.
- Schlepphorst, S., & Moog, P. (2014). Left in a dark: Family successors' requirement profiles in the family business succession process. *Journal of Family Business Strategy*, 5(4), 358-371. <https://doi.org/10.1016/j.jfbs.2014.08.004>
- Sharma, P., Chrisman, J.J., Pablo, A.L., & Chua, J.H. (2001). Determinants of initial satisfaction with the succession process in family firms: A conceptual model. *Entrepreneurship Theory and Practice*, 25(3), 17-36. <https://doi.org/10.1177/104225870102500302>
- Stavrou, E.T. (1996). *Intergenerational transitions in family enterprise: Factors influencing offspring intentions to seek employment in the family business*, Doctorial dissertation, George Washington University.
- Stavrou, E. (2007). *Intergenerational transitions of family enterprises: Factors influencing offspring intentions to seek employment in the family business*. Washington: George Washington University.
- Stavrou, E.T., Kleanthous, T., & Anastasiou, T. (2005). Leadership personality and firm culture during hereditary transitions in family firms: model development and empirical investigation. *Journal of Small Business Management*, 43(2), 187-206. <https://doi.org/10.1111/j.1540-627x.2005.00133.x>
- Strzelecka, R. (2011). Strategiczne znaczenie sukcesji dla długookresowej perspektywy rozwoju firmy rodzinnej w Polsce. *Przedsiębiorczość i Zarządzanie*, XII(7), 129-136.
- Suess, J. (2014). Family governance: literature review and the development of a conceptual model. *Journal of Family Business Strategy*, 5(2), 138-155. <https://doi.org/10.1016/j.jfbs.2014.02.001>
- Wach, K., & Surdej, A. (2010). *Przedsiębiorstwa rodzinne wobec wyzwań sukcesji*. Warszawa: Wydawnictwo Difin.
- Wang, Y., Pei, R., & Liu, Y. (2014). The evolution of family business in China: An institutional perspective. *International Journal of Management Practice*, 7(2), 89-107. <https://doi.org/10.1504/ijmp.2014.061472>

### Authors

The contribution of co-authors can be expressed as 30% of B. Belina, who prepared the literature review, and as 70% of L. Walaszczyk, who prepared the methodological approach, internal managerial business succession model and the discussion.

#### Ludmiła Walaszczyk

Ph.D. (2015) in Management from the Warsaw University of Technology. Since 2005 she has worked in the Strategy Innovation Department in the Institute for Sustainable Technologies – National Research Institute In Radom, since April 2019 - LUKASIEWICZ Research Network - Institute for Sustainable Technologies. Her scientific interests concern business models aspects and the relations between the entrepreneurs and local and regional authorities.

**Correspondence to:** Ludmiła Walaszczyk, PhD, Senior Researcher, Innovation Strategies Department, LUKASIEWICZ Research Network – Institute for Sustainable Technologies, Pułaskiego 6/10, 26-600 Radom, Poland, e-mail: ludmila.walaszczyk@itee.radom.pl

**ORCID**  <http://orcid.org/0000-0001-8022-9419>

#### Beata Belina

Ph.D. (2004) in Management from John Paul II Catholic University of Lublin. Since 1986 she has worked in the Strategy Innovation Department in the Institute for Sustainable Technologies – National Research Institute in Radom, since April 2019 - LUKASIEWICZ Research Network - Institute for Sustainable Technologies. Her scientific interests concern entrepreneurship, social innovation and cultural aspects in the multi-cultural organisations.

**Correspondence to:** Beata Belina, PhD, Senior Researcher, Innovation Strategies Department, LUKASIEWICZ Research Network - Institute for Sustainable Technologies, Pułaskiego 6/10, 26-600 Radom, Poland, e-mail: beata.belina@itee.radom.pl

**ORCID**  <http://orcid.org/0000-0002-9498-8130>

### Acknowledgements and Financial Disclosure

This research was financed by the international funds within the INTERREG Central Europe programme – ENTERtransfer ‘*Advancement of the economic and social innovation through the creation of the environment enabling business succession*’ project, No CE 1158.

### Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License  
<http://creativecommons.org/licenses/by-nd/4.0/>

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland



# Towards university-business cooperation: Key drivers, barriers and modes

Iga Rudawska, Joanna Kowalik

## ABSTRACT

**Objective:** The purpose of this paper is to review the international evidence on the possible modes of university-business cooperation (UBC), analyse its main drivers, and identify barriers on the path of turning academia towards practice.

**Research Design & Methods:** This work represents a synthesis of systematic reviews, peer-reviewed reports, individual empirical journal articles, predominantly published in the last ten years. Supplementary, a case study has been applied to present the project dedicated to UBC that has been run at the University of Szczecin.

**Findings:** The literature synthesis has revealed several crucial insights on the factors that facilitate or hinder university-business cooperation. Most of the studies highlight the importance of trustful relationships, that positively impact all cooperation activities. Moreover, all examined projects address the benefits for students and alumni of turning academia into practice. On the other hand, the review identified several barriers on the path of UBC development, focusing on connections, funding, organizational culture and internal characteristics.

**Contribution & Value Added:** The contribution here is opening the mind concerning the possible modes of university-business cooperation, the barriers that need to be overcome and key drivers that stimulate the transfer of knowledge. The presented overview may be useful for improving educational policy, forming a higher education institutions' strategy, and making managerial decisions in HEIs, especially in the emerging markets.

**Article type:** literature review

**Keywords:** university-business cooperation; entrepreneurial university; innovation systems; competitiveness; higher education sector

**JEL codes:** I23, M10

Article received: 12 April 2019

Article accepted: 24 May 2019

### Suggested citation:

Rudawska, I., & Kowalik, J. (2019). Towards university-business cooperation: Key drivers, barriers and modes. *International Entrepreneurship Review* (previously published as *International Entrepreneurship | Przedsiębiorczość Międzynarodowa*), 5(2), 91-105. <https://doi.org/10.15678/IER.2019.0502.06>

## INTRODUCTION

The EU “Europe 2020” strategy talks of smart, sustainable and inclusive growth, where an important role is assigned to active cooperation between universities and the business sector for the purposes of maintaining the Community’s competitiveness (European Commission, 2010). Within this perspective, numerous modern higher education institutions (HEIs) should pursue a better responsiveness to the changes occurring around them, particularly in the labor market. The compatibility of curricula with labor market needs, and thus increasing the graduates’ employability, is today becoming a requirement.

One of the manifestations of universities’ efforts to adapt to the requirements of a competitive market is university-business cooperation (UBC). Despite the clear growth in interest in this cooperation observed in the 21st century, this phenomenon is not a completely new one. In 1993, Nelson described it in terms of an innovation system (Nelson, 1993), and a year later Gibbons’ team pointed to it as a new mode of knowledge production (Gibbons, Limoges, Nowotny, Schwartzman, Scott & Trow, 1994). UBC has also been referred to as “the triple helix model” (Etzkowitz & Leydesdorff, 2000).

In turn, the term ‘entrepreneurial university’ was first used by B. Clark in 1998 (Clark, 1998), and nowadays he is considered as the one to have pioneered this concept (Sułkowi & Seliga, 2016). In his research, he analyzed a number of case studies of HEIs for their response to the signals received from and challenges posed by the surrounding reality. On this basis, he devised five characteristics of an ‘entrepreneurial university’ organization. These are: a strong central steering and leadership core, diversity in the funding base, an expanded development periphery, an integrated entrepreneurial culture and a stimulated academic heartland (Clark 1998). This term is close to the concept of a ‘vibrant university’, as well, which is defined as one that constantly revives environments of experience and involves, supports and motivates all university participants (i.e. the authorities, staff, students and PhD students, as well as surrounding entities) to undertake creative and entrepreneurial initiatives (Baran & Bąk, 2016).

The Third Generation University (Makieła, 2017), as this model is often referred to, puts an emphasis on the need to change the management process. It has a decisive impact on the university’s innovation and entrepreneurship processes that are aimed at commercializing research results. Therefore, cooperation with the surrounding world, particularly its business side, becomes an imperative. At the same time, such cooperation is an answer to demographic and cultural changes (including multiculturalism) and labor market globalization.

The university-business cooperation has been recently an intensive research field. Therefore, the purpose of our work is to review the international evidence on the UBC, analyse its main drivers, and identify barriers on the path of turning academia towards practice.

## MATERIAL AND METHODS

The main research questions have been formulated as follows: what is the rationale behind the idea of UBC? What are the principal conditions and sectoral key drivers that determine UBC and shape its nature?

Thus, our focus lay on synthesizing the motivation and benefits related to the application of UBC as a promising approach to entrepreneurship education. We carried out a desk research.

The analysis has been based on the synthesis of systematic reviews, peer-reviewed reports and individual empirical journal articles. The authors conducted a critical literature review relating to university-business cooperation, concentrating on publications that explored the external and institutional factors that determine UBC and shape its nature. Additionally, one case study has been discussed to exemplify the modes of UBC, based on the running project at the University of Szczecin.

The paper is organized as follows: firstly the possible dimensions and range of UBC activates have been presented. Secondly, the possible drivers and barriers have been addressed. Next, the benefits of UBC have been highlighted. Finally, one example of UBC in action has been presented.

## LITERATURE REVIEW

### UBC understanding and modes

Higher education institutions (HEIs) and business have been cooperating for decades, transferring knowledge and know-how for their particular and more comprehensive, societal benefits. Recently, however, we do face a rise in academic, government and managerial discussions, referring this type of cooperation (Hearly, Perkmann, Goddard & Kempton, 2014; Hemmert, Bstieler & Okamuro, 2014), brought on by policy and economic development. Additionally, more and more universities feel big pressure to attract private sponsors and deliver value base on reputation in an increasingly competitive environment (Galán-Muros & Plewa, 2016; Perkmann et al., 2013).

The university-business cooperation is based on the concept of open innovation by Enkel, Gassmann & Chesbrough, 2009). The idea behind it is not only to foster reputational and competitive advantage, but also to deliver fuel for innovation and economic development. Moreover, the implementation of innovations in HEIs have a positive impact on all the education systems elements: components, functions and relationships. All stakeholders benefit of all these systemic changes. Three general outcomes of innovation in higher education occur (Epure, 2017): (1) the application of new technologies appears to be a facilitator of the transition from a department-centred vision to a student-centred vision of education; (2) innovation often stimulates a rapid development of partnerships between universities and other organisations, especially businesses; (3) innovations in HEIs illustrate well two key aspects of the innovation process: 'doing new things' and 'doing existing things better'.

The second framework within UBC can be analysed is network approach. Universities and other HEIs are understood as 'network organizations' that contribute to dynamic networks, in which companies also take part (Gulati, 1998; Snow, Miles & Coleman, 1993)). Thus, UBC has been interpreted as any type of knowledge-intensive, formal and informal cooperative interactions between HEIs and business for mutual interest and gain (Davey, Baaken, Galán-Muros & Meerman, 2011). It encompasses comprehensive cooperation activities, all of which are connected with one of the key mission of universities: research, education, and valorization (Galán-Muros & Plewa, 2016).

In accordance with these developments, a fruitful stream of research has emerged, improving our understanding of relationship and interactions between business world and academia. The performed systematic literature review provides some important insights onto the state of current studies on UBC (table 1).

**Table 1. The insight into UBC understanding – the synthesis of literature review**

Author / study	Understanding of UBC
Cohen, Nelson & Walsh, 2002	- Focus on valorization activities, emphasizing patents and licenses
Smilor, O'Donnell, Stein & Welborn, 2007	- Proactive approach to development - Presence of a catalyst research university, organization and/or role model - Research excellence and proportion of spinout companies and entrepreneurial start-ups
Bramwell & Wolfe, 2008	- Commercialize knowledge produced by qualified research scientists - Generating and attracting talents and providing formal and informal technical support with local business - Entrepreneurship education (teaching and research), staff and student mobility and internships, cooperative education - Cooperation in curricula design
Boardman & Ponomarev, 2009	- Research partnership
Gibney, Lanham-New, Cassidy & Vorster, 2009	- Involvement in business representatives in university board structures or vice-versa
Wonglimpiyarat, 2010	- Focus on managing knowledge and establishing strong ties with well-established companies in the early stages - Focus on technology and infrastructure management, entrepreneurship and new start-ups, as the collaboration matures
Guerrero & Urbano, 2010	- Interdisciplinary centers and co-operation networks
Bathelt, Kogler & Munro, 2010	- Science parks, business incubators, spin-offs (sponsored or unsponsored)
Landry, Saihi, Amara & Ouimet, 2010	- Knowledge transfer activities such as collaboration on patents, teaching, publications, informal exchanges and contribution to spinoff formation
Poszowiecki, 2010	- Lectures delivered by business representatives delegated to the HEI - Creation of their own enterprises by academic staff members - Joint conferences and publications
Audretsch, Aldridge & Mark, 2011	- Technology transfer offices - Innovation accelerators - High technology centers
Mars & Rhodes, 2012	- Existence of student entrepreneurship programs - Entrepreneurial teaching methodologies, having role models and reward systems
Plewa, Gala'N-Muros & Davey, 2014	- Curriculum design and delivery
Röigas, Seppo, Varblane & Mohnen, 2018	- Employee mobility, student mobility, joint R+D - Commercialization of re-search results - Practitioners' participation in the drawing up of curricula
Davey, 2015	- Extending UBC orientation beyond teaching and research: engagement of academics and students with businesses
Pavlin, 2016	- Inter-company training courses - Academic entrepreneurship in the form of business incubators and spin-offs - Practitioners' participation in managing the HEI - University professionals' participation in managing business

Source: own study.

The above table demonstrates the evolution of UBC understanding. It highlights the shift from interpreting the UBC in the perspective of knowledge and patent transfer to treating it as a process of developing competencies with the respect to specific entrepreneurial attitudes and skills. It means that universities nowadays have to balance their regular academic duties and engagements with business world.

### **Key drivers and barriers of UBC development**

University-business cooperation is never a single process. Instead, it can be seen as a collection of interactions of high complexity and diversity. It is determined by a number of macro-scale social and institutional variables. This is first and foremost a question of the general framework for action as set forth by, characteristic of the given country and reaching back to the given nation's history and culture. Also, the role of institutional support programs such as incentive schemes, public financing sustainability and awareness-raising actions, cannot be disregarded (Röigas et al., 2018,).

Bearing in mind the broad spectrum of UBC stakeholders, it appears to be of special significance to be able to shape the institutional awareness by promoting the cooperation concept itself, informing the parties of the benefits to be derived from the merging of the scientific and business worlds, and reinforcing the willingness to share knowledge. The last of these is strongly influenced by the level of one's awareness of how significant social ties are, and by the level of the system change leaders' trust and commitment. The willingness to share knowledge is also dependent on the organizational culture of the particular UBC stakeholders.

Another important element of the framework conditions for UBC development takes the form of such intermediary structures as the National Center for Research and Development or the Polish Agency for Enterprise Development. The quality of their work has an impact on the reduction of information asymmetries and transaction costs related to every deal.

Last but not least, UBC is affected by the compatibility of knowledge supply and demand, market demand and technology development and cultural attitudes towards industry-science relations (Polt, Rammer, Gassler, Schibany & Schartinger, 2001).

According to the Community Innovation Survey that covered data from 14 European countries, enterprises must have a certain level of capabilities to enter into cooperation with higher education institutions (Röigas et al., 2018). The most frequently cited stimulants of UBC from the point of view of enterprises are:

- the development of R+D measured by the scope of research in various areas,
- the structure of the enterprise sector, namely the ratio of small and medium-sized enterprises (SME) to large corporations, including international ones,
- the intensity of intra- and inter-sectoral competition,
- the enterprises' absorption capacity measured by the effectiveness of innovation management,
- the scale of the enterprises' innovation depending on the stage of the innovation cycle.

On the other hand, from the point of view of the science sector, the level of cooperation with the business environment is affected by:

- the development of R+D measured by the number of patents,

- scientific excellence measured by the quality of publications and the reputation of the grants obtained,
- the structure of the scientific disciplines represented by the given HEI,
- the capability to share knowledge, which is also affected by personal qualifications, the personnel's skills and the methods by which science is financed,
- the type of HEI (e.g. university, technical university, research institute).

Above mentioned factors let us to conclude that key drivers of UBC can relate to the environmental / institutional conditions, resource availability, and relationships (table 2).

**Table 2. Key drivers and barriers to UBC development- the synthesis of literature review**

Author / study	Description
<b>Key drivers</b>	
Röigas et al., 2018	Favorable environmental conditions: legislation and sectoral regulations; of institutional support programs
D-Este & Perkmann, 2011	Resource availability: business can increase expertise in a new field, thus universities can access information on industry problems
Davey, Baaken, Galán-Muros, V & Meerman, 2011; Mora-Valentin, Montoro-Sanchez, & Guerras-Martin, 2004; Plewa 2009	Trustful relationships: the mutual trust and commitment, and ongoing relations between partners can boost the cooperation
<b>Key barriers</b>	
Muscio & Pozzali, 2012	Poor connections: awareness and contacts (from both sides)
Howells, Ramlog & Cheng, 2012	Lack of / or insufficient funding (public or private)
Koch, 2011; Muscio & Pozzali, 2012	Organizational culture: - motivations commonly differ dependent on different institutional goals and norms - the conception of time regarding goals, deadlines and results is commonly different
Arvanitis & Woerter, 2015	Internal characteristics: businesses need confidentiality of their innovations and if research is developed jointly with universities companies often fear that confidential information will be disclosed

Source: own work based on (Röigas et al., 2014) and (Galán-Muros & Plewa, 2016).

As far as the barriers of developing UBC are concern, we can distinguish external and internal ones. The first group can be associated with the environmental conditions, and the second group – with the resources and capabilities of the partners. Based on the literature review, a large number of relevant factors emerged, that has been here brought together into the barriers relating to funding, connections, organizational culture differences and internal organizational characteristics (table 2).

Obstacles in UBC cooperation, that are comparable to the above highlighted barriers, have been also identified in the aforementioned EMCOSU project. The project findings concentrated on three groups of barriers to the development of UBC: barriers related to the intensity of bureaucracy, barriers related to limited resources and barriers related to

differences in the organizational culture (Emcosu Project, 2015). The first groups of barriers originated from the complexity of procedures and the growing amounts of required documentation on both sides of the relationship. The second group of barriers was mainly related to HR and financial shortages. The third group of barriers resulted from differences in communication, time management and values.

### Benefits of UBC

The idea behind university-business cooperation is to create various ties and relations in order to exchange and transfer knowledge between the parties. The growing public interest placed in UBC is built on the assumption that it impacts on the employability of graduates and contributes to teaching and learning improvements. First of all, UBC helps students and alumni to create and develop their skills, competencies and opportunities (table 3). Many international projects like HEGESCO, DEHEMS, EMCOSU support this assumption, delivering evidence that career success depends on the linkages between academia and business.

**Table 3. An overview of skills, competencies and opportunities developed owing to UBC**

The type of the skill	Insights into the benefits
Communication skills	Improving the ability to understand, express and interpret concepts, thoughts, feelings, facts and opinions in both oral and written form
Presentation skills	Improving the set of techniques and skills that are required to successfully present information to others
Self-management skills	Improving the ability to control or redirect disruptive impulses and moods and to suspend judgement – to think before acting
Foreign language skills	Improving the ability to understand oral messages, to initiate, sustain and conclude conversations and to read, understand and produce texts that are appropriate for the person's needs in a foreign language
Project management skills	Improving the ability to plan and manage project tasks and resources, and communicate the progress and results within a defined period of time
Problem-solving skills	From a relational perspective: Improving the ability to find a common ground and build rapport. From a task-oriented perspective: Improving the the ability to define and outline problems and to seek the necessary information for its resolution
Teamwork skills	Improving the ability to collaborate with others in diverse group settings
Experience	Acquiring more practical experience in a real-life project tasks
Knowledge	Acquiring new special knowledge
Learning by doing	Developing concrete concepts applicable in business practice
Intercultural skills	Improving the ability to adopt oneself in an intercultural environment
Thesis development	Making contacts for the final thesis
CV development	Gaining an official practice partner certificate for project participants
Career development	Making contacts for a future job

Source: own work based on: (Rossano et al., 2016).

Evidence to the assumption that UBC contributes to lifting student competences and graduate attractiveness in the labor market was provided also by the HEGESCO project (Allen, Pavlin & Van der Velden, 2011). The studies on a large group of over 43 thousand graduates proved that their professional success and careers were closely linked to their *alma mater's* cooperation with its surrounding social and commercial environment. The

opportunity to demonstrate professional experience (in the form of a record of practical placements and traineeships in enterprises), a stronger motivation and talent management skills are the outcomes that students involved in UBC projects during their studies can count on. Nevertheless, the conclusions drawn from this project were not optimistic: while almost every entrepreneur claimed that the practical orientation of university curricula was a must, only one in ten academics shared this opinion (Pavlin & Svetlik, 2009).

A similar message was conveyed by research reports based on the long-term DEHEMS project, which covered the process of graduates entering the labor market and which subsequently followed their professional paths (Dehems Project, 2015). Problem-based learning, practical placements and student mobility and internationalization were found to increase postgraduate employability. Moreover, the research carried out within the DEHEMS consortium identified career success factors and influencing factors. The former group included satisfaction with one's work, career development opportunities, job security, compatibility of the graduate's qualifications with those expected by the employer, work autonomy and work-life balance. The latter group included the graduate's earlier professional experience, the type of their course of study, curriculum, teaching methods, their conduct in the course of their study, their country of origin and the characteristics of their position and of the employer. The general conclusion of this research was, however, that employers, trade unions and students alike voiced the expectation that universities should adopt a strategic orientation towards participatory management. Within this perspective, cooperation with various surrounding stakeholders is expected and desirable. It should be based on trustful relationships, public finance stability and institutional leadership promoting common research (Borrell-Damian, Morais & Smith, 2014).

Similar conclusions were drawn by the researchers participating in an international consortium of Bulgaria, Hungary, Poland, Slovenia, Spain, Italy, Russia, Croatia and the Scandinavian countries. They studied a total of 397 businesses in the period between November 2013 and June 2014 (Emcosu Project, 2015). The analysis of their results reveals the existence of three approaches to UBC. The first one is related to support for the development of students' skills and professional careers by: cooperating with academic career services centers, entrepreneurs' participating in the work of alumni clubs and societies, and practitioners' contributing to the teaching process (by participating in developing the curricula, in lectures and in research).

The second one is related to strategic cooperation in respect of management, and could take the form of practitioners' involvement in HEI boards, or scientists' involvement in the supervisory boards of enterprises.

The third approach is oriented towards inciting innovation and creativity on both sides of such cooperation. This could take the form of operating business incubators, creating spin-offs and developing new businesses (Pavlin, 2016). The reports published by the EMCOSU researchers supported the assumption justifying university-business cooperation that is based on mutual benefits and knowledge transfer between the education sector and the business sector.

The revision of the results of the above mentioned projects let us confirm that the benefits of UBC lies within three areas: education, research and valorisation. University-business cooperation is first and foremost based on carrying out various sorts of educational training courses and traineeships in reputable companies with a possibility of further developing

one's skills in the given enterprise under stable employment conditions. It can also entail the broadening and improving of knowledge by taking advantage of the operations of enterprises which are, in turn, interested in expanding their own knowledge at the higher education institution. Thanks to their active involvement in the work offered by enterprises, the students and young scientists often acquire practical skills and confront their knowledge with practice. For the enterprises, the students' knowledge and creativity are added value that may bring favourable benefits supporting the development of their businesses.

### PRACTICAL EXAMPLE OF UBC IN POLAND

Putting into action one of the mentioned above mode of university-business cooperation, University of Szczecin introduced the project "Creative 2018". It focused on PhD student mobility and has been carried out under the program of the Minister of Science and Higher Education. The ministerial call "Dialogue" envisaged co-financing of measures undertaken within three domains, namely: "Scientific excellence", "Science for Innovation" and "The humanities for development" (Ministerstwo Nauki i Szkolnictwa Wyższego [MNiSW], 2018). Its purpose was to support measures contributing to the building of lasting relationships and cooperation between scientific bodies on the one hand and entities from the socio-economic environment on the other. Its originators planned the "Creative 2018" project to last for 21 months, and defined its main objective as "to increase the practical R+D project management skills of 40 young social sciences researchers (including a minimum of 50% of women and a minimum of 5% of disabled persons) and to commercialize their knowledge by organizing a comprehensive training and traineeship program adapted to the needs of the young scientists and the needs of the surrounding socio-economic environment entities of the West Pomeranian region", corresponding to the first two domains of action.

Young members of the University's academic staff (up to the age of 35) representing social sciences, i.e. economics, management, finance, political science, sociology, psychology and law, and willing to continue their career at an HEI, made up a direct target group of 40 members. Each project participant was responsible for drawing up an individual program for traineeship in a reputable enterprise from the West Pomerania region that had earlier expressed its readiness to join the project. Such traineeship programs were then assessed by the Competition Jury composed of highly-regarded members of the University's academic staff, as well as chairpersons and directors from selected companies. The purpose of this cooperation was to establish ties between the academic environment and business.

As part of this cooperation, training courses in "Design thinking" for the participants were planned in order to improve their skills and shape their future professional career paths. The project contributed to the exchange of views and experience between the University and business, allowed for a confrontation with the commercial practice and facilitated future relationships between the scientific community and business, thus bringing mutual benefits. In the competition, the participants were able to show the skills they had acquired by preparing their individual traineeship programs to be implemented in the enterprise of their choice. As a result, the employer had the opportunity to choose to use the ideas of the ambitious participant, add his or her own vision to it and organize the young scientist's working time for a period of 6 months.

Based on the experience gained from implementing the project “Creative 2018” the authors listed some new modes of university-business cooperation reflecting the specifics of PhD student mobility:

- promoting the idea of university-business cooperation: development by the project team of rules for the recruitment of young scientists for the training and traineeship program, development of rules for the operation of the project’s Competition Jury taking into account the duties, tasks and assessment criteria, development of training and traineeship documentation including young scientist evaluation forms and individual forms concerning the training program, creation of a website for placing promotional and information materials concerning the project,
- practical workshop aimed at improving PhD students’ soft skills in creative thinking; the workshop intends to provide a total of 1,920 hours of training to 40 young scientists of the University (48 hours per person) and makes use of the FRIS technique employing self-diagnosis of the participants’ thinking and behavioral styles. This solution is devised to contribute to the merging of theory and practice,
- acquiring partners: thanks to the project manager’s long-term experience and participation in various research grants the opportunity to cooperate with 6 reputable regional enterprises willing to join the program emerged,
- creative work on the individual traineeship program: out of the overall number of individual traineeship programs submitted by the training participants (40 persons), the Competition Jury selected 10 most creative ones that scored the most points; the winning authors commenced program implementation in the enterprises, and received an additional support in the form of 6 hours of coaching sessions,
- planning, implementing and monitoring of 10 traineeships: ultimately, 10 contracts for 6-month paid traineeships were signed with the program partners.

This example of a UBC project demonstrates numerous benefits to be gained. This type of exchange creates opportunities for working out extraordinary solutions and acquiring proven, trained and qualified employees, which as a result will contribute to lasting cooperation between students and enterprises, whereas the ties so established will facilitate both the parties’ commitment to further projects and strengthen their mutual trust for any future purposes.

## CONCLUSIONS

The literature review suggests that the sector of higher education is in constant pursuit of development, looking out for new initiatives that provide opportunities for the widening of operation range, the overcoming of barriers, and the creating of joint innovative solutions in cooperation with business sector.

The rationale behind UBC is to foster benefits for both engaged parties. For universities it means mainly enrichment of education, curriculum design and delivery, as well as upgrading students’ employability skills. For companies in turn, it basically refers to knowledge transfer from academia and access to professional expertise. Moreover, for businesses, the students’ creativity is seen as an added value that may bring advantages supporting the development.

The overview has revealed several crucial insights on the factors that facilitate or hinder university-business cooperation. Most of the studies highlight the importance of trustful relationships, that positively impact all cooperation activities. It is in line with previous research that shows that personal relationships are the most important factor in developing UBC (Siegel, Waldmann & Link, 2003; Plewa, 2009), no matter the environmental conditions such as funding, institutional mechanisms and favourable law. UBC proves to have a humanistic basis, depending on mutual trust, commitment and shared goals (Davey et al., 2011). Moreover, all examined projects stress out the importance of the access to complimentary resources, what has been previously confirmed in the literature (Bekkers & Bodas Freitas, 2008; Tartari & Breschi, 2011). On the other hand, the review identified several barriers on the path of UBC development, focusing on connections, funding, organizational culture and internal characteristics.

The conducted review gave also insights into common understanding of UBC activities. They can be divided into three main domains: research, education and valorisation. The first one encompasses mostly professional and student mobility as well as R&D. The second one: curriculum design & delivery and lifelong learning. The last one deals with commercialisation and entrepreneurship. The conducted synthesis revealed the evolution on the modes, towards commercialisation and entrepreneurship. The similar findings have been obtained by Plewa, Korff, Baaken & Macpherson, (2013).

The review suggests that UBC is still in early stage of development in Europe, facing barriers to be overcome and a burning need to attract business interested in specific activities with mutual benefits. The science world is in constant pursuit of development, looking out for new initiatives that provide opportunities for the widening of horizons, the overcoming of barriers and the creating of joint innovative solutions in cooperation with enterprises. This result coincides with that obtained by Nowaczyk and Sobczak (2016).

The paper summarizes the current state of the university-business cooperation at European Union level. The contribution here is opening the mind concerning the possible modes of university-business cooperation, the barriers that need to be overcome and key drivers that stimulate the transfer of knowledge.

The paper has crucial implications for several stakeholders within the UBC system, especially in the emerging markets. The review stresses out the importance for HEIs managers and policy makers of taking a comprehensive approach to UBC. The presented discussion may be useful for improving educational policy, forming a higher education institutions' strategy, and making managerial decisions in HEIs. At all levels (European, national, as well as a regional) this means setting priorities that stimulate key drivers and reduce the barriers.

The review limits emerge from the self-selection of the projects and the scale of their implementation. Future research could concentrate on developing an objective measure of UBC and also focus on the perception of all UBC stakeholders. The perspective of academics could be enriched by the perspective of business people. This would enable comparative analysis, and as a result, better support managerial actions and policy development focused on comprehensive UBC portfolio.

## REFERENCES

- Allen, J., Pavlin, S., & Van der Velden, R. (Eds.). (2011). *Competencies and early labour market careers of higher education graduates in Europe*. Ljubljana: University of Ljubljana, Faculty of Social Sciences.
- Arvanitis, S., Woerter, M. (2015). Exploration or exploitation of knowledge from universities: does it make a difference? *Economics of Innovation and New Technology*, 24 (6), 596-623.
- Audretsch, D., Aldridge, T. & Mark, S. (2011). Social capital building and new business formation: a case study of the Silicon Valley. *International Small Business Journal*, 29 (2), 152-169.
- Baran, G., & Bąk, G. (2016). Społeczności i innowacje wibrującego uniwersytetu: Communities and innovation of Vibrant University. *Przedsiębiorczość i Zarządzanie*, 1 (17), 129-144.
- Bathelt, H., Kogler, D. F. & Munro, A. K.A (2010). A knowledge-based typology of university spin-offs in the context of regional economic development, *Technovation*, 30 (9-10), 519-532.
- Bekkers, R., & Bodas Freitas, I.M. (2008). Analysing knowledge transfer channels between universities and industry: to what degree do sectors also matter? *Research Policy*, 37 (10), 1837-1853.
- Boardman, P. & Ponomarev, B.L. (2009). University researchers working with private companies. *Technovation*, 29 (2), 142-153.
- Borrell-Damian, L., Morais, R., & Smith, J.H. (2014). *University-business collaborative research: goals, outcomes and new assessment tools*. The Eulma collaborative research project report, Brussels, EUA publications.
- Bramwell, A. & Wolfe, D. A. (2008). Universities and regional economic development: the entrepreneurial University of Waterloo. *Research Policy*, 37 (8), 1175-1187.
- Clark, B.R. (1998). *Creating entrepreneurial universities: organizational pathways of transformation*. Bingley: Emerald Group Publishing Limited.
- Cohen, W.M., Nelson, R.R., & Walsh, J.P. (2002). Links and impacts: the influence of public research on industrial R&D. *Management Science*, 48 (1), 1-23.
- D'Este, P., & Perkmann, M. (2011). Why do academics engage with industry? The entrepreneurial university and individual motivations. *Journal of Technology Transfer*, 36 (3), 316-339.
- Davey, T. (2015). *Entrepreneurship at Universities – Exploring the Factors Influencing the Development of Entrepreneurship at Universities*. Amsterdam: University-Industry Innovation Network Publishing.
- Davey, T., Baaken, T., Gal\_an-Muros, V., & Meerman, A. (2011). *Study on the Cooperation Between Higher Education Institutions and Public and Private Organizations in Europe*. Brussels, Belgium: European Commission, DG Education and Culture.
- Dehems Project (2015). Project Dehems: Network for the development of higher education management systems. International Consortium.
- Emcosu Project Research Group (2014/2015). *Emerging modes of cooperation between private sector organisations and universities*. Ljubljana, University of Ljubljana, Centre for spatial sociology (coordination 2014). Slovenia, Ljubljana: University of Ljubljana, Social Science Data Archives.
- Enkel, E., Gassmann, O., & Chesbrough, H. (2009). Open R&D and open innovation: exploring the phenomenon. *R&D Management*, 39 (4), 311-316.
- Epure, M. (2017). University-business cooperation: adapting the curriculum and educational package to labor market requirements, Proceedings of the 11th International Conference on Business Excellence, De Gruyter Publishing, 11 (1), 339-349.
- Etzkowitz, H., & Leydesdorff, L. (2000). The Dynamics of Innovation: From National Systems and "Mode 2" to a Triple Helix of University-Industry-Government Relations. *Research Policy*, 29(2), 109-123.

- European Commission (2010). Europe 2020. A strategy for smart, sustainable and inclusive growth. Retrieved from: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex:52010DC2020> on September 02, 2018.
- Galán-Muros V., & Plewa, C. (2016). What drives and inhibits university-business cooperation in Europe? A comprehensive assessment. *R&D Management*, 46 (2), 369-382.
- Gibney, M., Lanham-New, S., Cassidy, A. & Vorster, H. 2009, *Introduction to human nutrition*, 2nd ed. San Francisco: Wiley-Blackwell.
- Gibbons, M., Limoges, C., Nowotny, H., Schwartzman, S., Scott, P., & Trow, M. (1994). The new production of knowledge: the dynamics of science and research in contemporary societies. London, England, Sage. Retrieved from: <https://eurlex.europa.eu/legal%20content/PL/TXT/PDF/?uri=CELEX:52010DC2020&from=EN>. on August 23, 2018.
- Guerrero, M. & Urbano, D. (2010). The Development of an entrepreneurial university. *Journal of Technology Transfer*, 37 (1), 43-74.
- Gulati, R. (1998). Alliances and networks. *Strategic Management Journal*, 19 (4), 293-317.
- Healy, A., Perkmann, M., Goddard, J., & Kempton, L. (2014). *Measuring the Impact of University-Business Cooperation*. Luxembourg: Publications Office of the European Union.
- Hemmert, M., Bstieler, L., & Okamuro, H. (2014). Bridging the cultural divide: trust formation in university research collaborations in the US, Japan, and South Korea. *Technovation*, 34 (10), 605-616.
- Howells, J., Ramlogan, R., & Cheng, S.L. (2012). Universities in an open innovation system: a UK perspective. *International Journal of Entrepreneurial Behaviour & Research*, 18 (4), 440-456.
- Koch, T. (2011). Drivers and challenges in university industry collaborative research. EUIMA Workshop. Cambridge, United Kingdom, December 5-6.
- Landry, R., Saihi, M., & Amara, N., & Ouimet, M. (2010). Evidence on how academics manage their portfolio of knowledge transfer activities. *Research Policy*, 39 (10), 1387-1403.
- Makieła, Z. J. (2017). Model uniwersytetu trzeciej generacji XXI wieku - przedsiębiorczy, innowacyjny uniwersytet. *Folia Oeconomica Cracoviensia*, 58, 23-37.
- Mars, M. & Rhodes, G. (2012). Socially oriented student entrepreneurship: a study of student change agency in the academic capitalism context. *Journal of Higher Education*, 83 (3), 435-459.
- Ministerstwo Nauki i Szkolnictwa Wyższego. (2018). Programy i inicjatywy. Retrieved from: <https://www.gov.pl/web/nauka/dialog> on August 22, 2018.
- Mora-Valentin, E.M., Montoro-Sanchez, A., & Guerras-Martin, L.A. (2004). Determining factors in the success of R&D cooperative agreements between firms and research organizations. *Research Policy*, 33 (1), 17-40.
- Muscio, A., & Pozzali, A. (2012). The effects of cognitive distance in university-industry collaborations: some evidence from Italian universities. *The Journal of Technology Transfer*, 37 (3), 1-23.
- Nelson, R. (Ed.). (1993). *National innovation systems. A comparative analysis*. New York, Oxford: Oxford University Press.
- Nowaczyk, G., & Sobczak, A. (2016). Role of entrepreneurship education in higher education institutions in the process of business development in Poland. *International Entrepreneurship / Przedsiębiorczość Międzynarodowa*, 2 (2), 43-52.
- Pavlin, S. (2016). Considering university-business cooperation modes from the perspective of enterprises. *European Journal of Education*, 58 (1), 25-39.
- Pavlin, S., & Svetlik, I. (2009). Future development of higher education. In Pavlin, S. (Ed.), Report on the qualitative analysis of higher education institutions and employers in five countries: Devel-

- opment of competencies in the world of work and education. Hegesco project. Ljubljana, University of Ljubljana. Retrieved from: [http://www.decowe.org/static/uploaded/htmlarea/finalreportshegesco/Qualitative\\_Analysis\\_of\\_HEIs\\_and\\_Employers\\_in\\_Five\\_Countries.pdf](http://www.decowe.org/static/uploaded/htmlarea/finalreportshegesco/Qualitative_Analysis_of_HEIs_and_Employers_in_Five_Countries.pdf). on August 23, 2018.
- Perkmann, M., Tartari, V., McKelvey, M., Autio, E., Brostroem, A., D'Este, P., Fini, R., Geuna, A., Grimaldi, R., Hughes, A., Krabel, S., Kitson, M., Llerena, P., Lissoni, F., Salter, A., & Sobrero, M. (2013). Academic engagement and commercialization: a review of the literature in university industry relations. *Research Policy*, 42 (2), 423-442.
- Plewa, C. (2009). Exploring organizational culture difference in relationship dyads. *Australasian Marketing Journal*, 17 (1), 46-57.
- Plewa, C., Gala'N-Muros, V. & Davey, T. (2014) Engaging business in curriculum design and delivery: a higher education institution perspective. *Higher Education*, 70, 1-70.
- Plewa, C., Korff, N., Baaken, T., & Macpherson, G. (2013). University-industry linkage evolution: an empirical investigation of relational success factors. *R&D Management*, 43 (4), 365-380.
- Polt, W., Rammer, C., Gassler, H., Schibany, A., & Schartinger, D. (2001). Benchmarking industry – science relations: the role of framework conditions. *Science and Public Policy*, 28 (4), 247-258.
- Poszewiecki, A. (2010). Budowa strategii współpracy jednostek naukowych z biznesem. Analiza wybranych przypadków. In Poszewiecki, A. (Ed.), *Budowa współpracy nauki z biznesem w Województwie Lubelskim* (pp. 73-86). Warszawa: Instytut Badań nad Demokracją i Przedsiębiorstwem Prywatnym.
- Röigas, K., Seppo, M., Varblane, U., & Mohnen, P. (2018). Which firms use universities as cooperation partners? – the comparative view in Europe. University of Tartu. Retrieved from <https://majandus.ut.ee/sites/default/files/mtk/dokumendid/febawb93.pdf>. on August 23, 2018.
- Rossano, S., Meerman, A., Kesting, T. & Baaken, T. (2016). The Relevance of Problem-based Learning for Policy Development in University-Business Cooperation. *European Journal of Education*, 51 (1), 40-55.
- Siegel, D.S., Waldmann, D., & Link, A. (2003). Assessing the impact of organizational practices on the relative productivity of university technology transfer offices: an exploratory study. *Research Policy*, 32 (1), 27-48.
- Smilor, R., O'Donnell, N., Stein, G., & Welborn, R. S., III (2007). The research university and the development of high-technology centers in the United States. *Economic Development Quarterly*, 21 (3), 203-222.
- Snow, C.C., Miles, R.E., & Coleman, H.J., Jr. (1993). Managing 21st century network organizations. *Organizational Dynamics*, 20 (3), 5-20.
- Sułkowski, Ł., & Seliga, R. (2016). Przedsiębiorczy uniwersytet – zastosowanie zarządzania strategicznego. *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu*, 444, 478-489.
- Tartari, V., & Breschi, S. (2011). Set them free: scientists' evaluations of the benefits and costs of university industry research collaboration. *Industrial and Corporate Change*, 21 (5), 1117-1147.
- Wonglimpiyarat, J. (2010) Commercialization strategies of technology: lessons from Silicon Valley. *Journal of Technology Transfer*, 35 (2), 225-236.

### Authors

Contribution share of authors amounts to 70% I. Rudawska and to 30% J. Kowalik.

#### Iga Rudawska

Head of the Department of Economics, Institute of Economics and Finance. Her research interests include entrepreneurship, health economics and health care management.

**Correspondence to:** Prof. dr hab. Iga Rudawska, Faculty of Economics, Finance and Management, University of Szczecin, 71-101, Poland, e-mail: [iga.rudawska@usz.edu.pl](mailto:iga.rudawska@usz.edu.pl)

**ORCID**  <http://orcid.org/0000-0002-2173-931X>

#### Joanna Kowalik

PhD student at the Department of Economics, Institute of Economics and Finance. Her research interests include health economics and Economic analysis.

**Correspondence to:** Mgr Joanna Kowalik, Faculty of Economics, Finance and Management, University of Szczecin, 71-101, Poland, e-mail: [joanna.kowalik@usz.edu.pl](mailto:joanna.kowalik@usz.edu.pl)

**ORCID**  <http://orcid.org/0000-0002-5152-554X>

### Acknowledgements and Financial Disclosure

The article is financed within the framework of the program of the Minister of Science and Higher Education under the name “Regional Excellence Initiative” in the years 2019-2022, project number 001/RID/2018/19, the amount of financing PLN 10,684,000.00.

Legal Notice: Part of this work has been presented during the 11th ICEBE & 7th ICIE & PEESA III International Conference on Engineering and Business Education, Innovation and Entrepreneurship and Capacity Building in Higher Education on October 15-18, 2018 (Szczecin, Poland) and has been available in conference proceedings.

### Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License  
<http://creativecommons.org/licenses/by-nd/4.0/>

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland



# International trade in services: Some evidence on the influence of international servicification of manufacturing

Elżbieta Bombińska

## ABSTRACT

**Objective:** The aim of the article is to discuss the impact of international servicification of manufacturing on international trade in services and its modes.

**Research Design & Methods:** The article is of a descriptive character, based on comprehensive literature review. It presents an analytical frameworks of international servicification of manufacturing (i.e. its concept, constituents and measuring methods) as well as an overview of main findings of selected empirical research on this phenomenon carried out by WTO, National Board of Trade and OECD.

**Findings:** The analysis shows that services as inputs, outputs as well as in-house activities within manufacturing firms constitute a key component of manufacturing process and manufacturing products. As the globalization progresses, the international dimension of the servicification of manufacturing, i.e. international servicification, increases. International servicification means that manufacturing sector strongly affects trade in services and this influence goes far beyond the scope of GATS' modes of supplying services. In addition to cross-border transactions and rendering services through the movement of labour and capital this trade encompasses services embodied in exported or imported goods which are traded indirectly across borders.

**Contribution & Value Added:** An added value of this paper is the description of mechanisms and channels of international servicification' impact on modes of service supply.

**Article type:** conceptual paper

**Keywords:** services; servicification of manufacturing; trade in services; global supply chain; modes of services supply

**JEL codes:** F23, F60, L80

Article received: 15 January 2019

Article accepted: 17 March 2019

### Suggested citation:

Bombińska, E. (2019). International trade in services: Some evidence on the influence of international servicification of manufacturing. *International Entrepreneurship Review* (previously published as *International Entrepreneurship | Przedsiębiorczość Międzynarodowa*), 5(2), 107-117. <https://doi.org/10.15678/IER.2019.0502.07>

## INTRODUCTION

Services have occupied a dominant place in most economies for a long time and they are indisputably perceived as an important feature of the global economic landscape (Francois, Manchim, & Tomberger, 2015). The recent research on measuring trade in terms of the value added to products has highlighted an even more significance of services in home economies as well as in international trade. It has also thrown a light on the growing interrelationship between services and manufacturing activities described in the term of 'servicification of manufacturing'. Essentially, the servicification of manufacturing can be defined as the fact that manufacturing companies increasingly buy, produce and sell services. All these activities could either be run at home or internationally which gives the basis for distinguishing a specific type of servicification - international servicification.

The main objective of the papers is to discuss the impact of international servicification of manufacturing on international trade in services. Because the article is mainly of a theoretical and conceptual nature, the basic research method is a comprehensive literature review. The paper consists of two main parts devoted successively to: analytical frameworks of international servicification of manufacturing (i.e. its concept, constituents and measuring methods) and on overview of main findings of selected empirical research on this phenomenon carried out by WTO, National Board of Trade and OECD. The paper concludes in the recapitulation of the main findings resulted from the conducted study.

## ANALYTICAL FRAMEWORKS OF INTERNATIONAL SERVICIFICATION OF MANUFACTURING

### Servicification of manufacturing: the concept and constituents

The term of 'servicification of manufacturing' has been introduced by National Board of Trade (2010) and it has been developed in a number of studies in recent years (such as Baldwin, Forslid, & Ito, 2015; Lodefalk, 2013, 2014, 2016; National Board of Trade, 2012, 2016; Nordås, 2010; Nordås & Kim, 2013). In general the servicification means the growing importance of services in manufacturing activities resulting in the fact that the manufacturing companies became ever more dependent on services and many manufacturing products, especially high value ones, can now be perceived '*as complex bundles or hybrids of goods and services interactions*' (Cernat & Kutlina-Dimitrova, 2014, p.7). Servicification is defined briefly and simply by National Board of Trade (2016) as the fact that manufacturing increasingly buys, produces and sells services. Hence the phenomenon of servicification covers three constituents displayed in table 1.

The first component of the servicification – buying services – is more intensive use of services inputs by manufacturing firms. Services are (and always have been) a central part of manufacturing operations in every stage of production. Case studies show that even relatively small manufacturing companies use about 40 types of external services to carry out their activities (National Board of Trade, 2010). The observed increase in the use of services inputs by manufacturing firms has its two primary causes. First, it is closely connected to the continuing trend of outsourcing that aims at the separation of services functions in manufacturing from core production functions. As a result services previously produced in-house by manufacturing companies are now purchased externally as inputs. For Baldwin (Baldwin et al., 2015) observation of this trend became the

basis for the statement that that servicification may partly be a ‘statistical phenomenon’. Secondly, more intensive use of services inputs by manufacturing enterprises is associated with the development of global value chains (Baldwin & Lopez-Gonzalez, 2015). Services are perceived as the ‘glue’ in global value chains (Low, 2013) as geographically split companies need services such as transport, communication, logistics, finance, etc. which could link their manufacturing operations across countries.

**Table 1. Components of servicification of manufacturing**

<b>Buying services</b>	<ul style="list-style-type: none"> <li>- the growth in the use of services inputs by manufacturing firms</li> <li>- services as external inputs</li> <li>- services embodied in products</li> </ul>
<b>Producing services</b>	<ul style="list-style-type: none"> <li>- the increase in provision of support services (such as R&amp;D, design, distribution, logistics, marketing, sales, after-sale services, IT, back-office and management) within manufacturing firms</li> <li>- services as in-house inputs</li> <li>- services embodied in products</li> </ul>
<b>Selling services</b>	<ul style="list-style-type: none"> <li>- the growth of services sold bundled with goods</li> <li>- services as outputs</li> <li>- services embedded in products</li> </ul>

Source: own study.

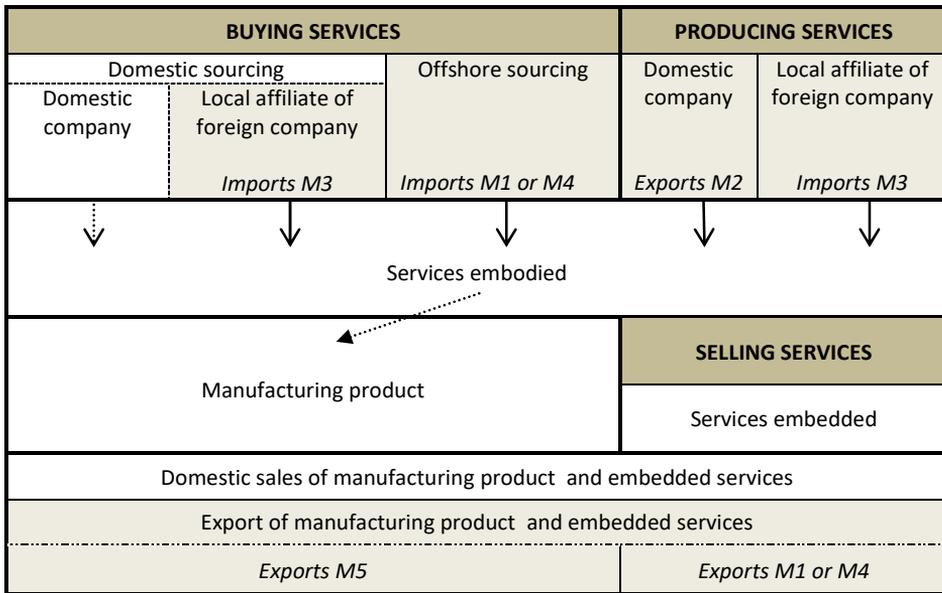
The second component of servicification is in-house provision of services within manufacturing firms. It can generally be seen as an alternative to buying services as the same service can either be outsourced or performed in-house. The way the firm servicifies – makes or buys – depends on its decisions on whether to internalise a particular activity or keep it external. Among the main factors influencing this decision can be mentioned i.a.: costs factors, the will to have core strategic functions in the firm (e.g. R&D, sales and operations planning, strategic procurement), the need of having service on a continuous basis and with a certain degree of control over its supply, access to qualified employees.

The last component of servicification in manufacturing – initially textualized by Vandermerwe and Rada (1988) as “servitisation” – is the growth of the sales of services which are bundled with goods. Manufacturing companies use services as outputs for many reasons, e.g. to increase the value of products to consumers, to differentiate products from competitors, customize, upgrade and prolong offers (Baines & Lightfoot, 2013; Cusumano, Khal, & Suarez, 2015; Oliva & Kallenberg, 2003). They do it at different stages of sales and after-sales relations with the customer (e.g. installation services, repair services, maintenance services), usually using service as a complement but also as a substitute for a manufacturing product (e.g. firms lease products rather than sell them).

Servicification of manufacturing causes that manufacturing merchandise can no longer be seen as only tangible product, but rather as a mix of goods and services. For analytical and measurement purposes the key is the ability to extract the value of services from this ‘manuservice box’. Research on these issues led to development of the concept of ‘embodied’ and ‘embedded’ services (Drake-Brockman & Stephenson, 2012; Pasadilla & Wirjo, 2014). Embodied services are those that constitute an input into the manufacture of a good meanwhile the embedded services pose an input into the sale of a good. The key difference between these two groups of services is the possibility to separate them from the product: it only occurs in a case of embedded services.

**International servicification**

The servicification of manufacturing is not a purely domestic phenomenon but it also has international dimensions that occur in all of its three components (Figure 1). International servicification in terms of ‘buying’ takes place if services inputs are purchased abroad (offshore sourcing) or they are derived from a locally established affiliate of a foreign company. In a case of ‘producing’ component international attribution of servicification occurs in two cases, too. First, when a domestic manufacturing company processes goods inputs sent by a foreign company. Secondly, if in-house provision of services takes place within manufacturing affiliate of a foreign company. Finally international servicification occurs in its ‘selling’ component, when manufacturing products together with embedded services are exported.



**Figure 1. Trade in services effects of international servicification**

Notes: Grey shaded cells – international servicification components. In italics – trade direction (ex-ports/imports) and modes of service supply (M1 – cross border supply; M2 – consumption abroad; M3 – commercial presence; M4 – presence of natural persons; M5 – indirect trade in services).  
Source: own elaboration.

International servicification strongly affects trade in services – all of the four modes of service supply set down by GATS (Figure 1). But, additionally, it results in a new mode of international trade in services, indirect trade, named ‘Mode 5’ (Antimiani & Cernat, 2018). In this mode services are provided through the cross-border movement of manufacturing goods and it encompasses services which are inseparable part of manufacturing good i.e. services embodied (both external and in-house inputs) as well as part of embedded services which are not charged for directly but sold in a package with a product.

### **Methods of measuring international servicification**

The international servicification of manufacturing measurement methods are based on the assessing the value of services both embodied and embedded in manufacturing products. For 'buying' and 'selling' components of servicification – which encompass services supplied on contractual basis – this value is evaluated with the use of inter country input-output tables (ICIO) by looking at the share of value-added originating in services industries. In recent years this method has been widely applied and developed to a high degree due to numerous research on trade in value-added terms and studies on global value chains (such as Bohn, Brakman, & Dietzenbacher, 2018; Johnson & Noguera, 2012; Koopman, Wang, & Wei, 2014; Los, Timmer, & de Vries, 2016; Miroudot & Ye, 2018; Nagengast & Stehrer, 2016).

Notwithstanding this method has some limitations resulting primarily from the lack of current data (the most recent statistics available are those for 2011) and the table's sectoral classification which is based on industrial and not product classification – it could lead to inaccuracy of servicification measurement (Sturgeon, Nielsen, Linden, Gereffi, & Brown, 2013). Another limitation, especially important for international servicification, arises from the fact that transactions recorded in ICIO tables are on domestic basis which means that domestic value added comprises the value originating from companies of both domestic and foreign ownership. One of the proposed way of solving this problem – newly displayed by Miroudot and Ye (2018) – is the accounting framework for the decomposition of value-added into domestic, foreign and double counting terms in domestic sales.

Though, the biggest challenge in measuring international servicification remains its 'producing' component because of the statistical shortcomings relating to the value of in-house provision of services within manufacturing firms (Lodefalk, 2014). To assess this value the share of service employees in manufacturing is often employed (Falk & Peng, 2013; Miroudot & Cadestin, 2017; National Board, 2016; Veugelers, 2013).

### **INTERNATIONAL SERVICIFICATION: SOME EMPIRICAL RESEARCH RESULTS**

Numerous empirical studies on servicification on manufacturing have been carried out in recent years and most of them have taken into account the international dimension of this process, i.e. international servicification. Below are presented the results of three studies conducted by WTO, OECD and Swedish National Board of Trade. The studies have covered differentiated: components of servicification, research groups and researched periods (but not longer than to 2011); also the employed measuring methods and databases have been different however service value-added analysis has posed the common essential research method. Although the previously mentioned limitations of the existing measuring methods and above all – despite huge data scarcity all the research lead to the conclusion that international servicification increases and, consequently, services embodied or embedded in manufacturing products play a systematically growing role in international trade in services.

## WTO

The research of Lanz and Maurer (2015), conducted for the years 1995-2008, cover only one element of international servicification of manufacturing, namely foreign services value added content of gross domestic merchandise exports. The research results prove that servicification of manufacturing is substantial both in developed and developing countries: in 2008 services value added content in manufacturing exports of these groups of countries amounted to 33% and 26% respectively. Although in both groups domestic sourcing of services made up the majority of the total services value added content, international servicifiacton component share was meaningful, adding up to, on average, about 33% in developed countries and about 46% in a case of developing countries. From 1995 to 2008 international servicification of manufacturing exports had increased by more than 4 pp. and 2 pp. in developed and developing countries respectively. This growth was accompanied by a smaller increase in domestic sourcing of services in developed countries (1 pp.) and the decline of this component in developing countries' group.

### National board of trade

Compared to Lanz and Maurer, National Board of Trade (National Board, 2016) studies have covered more components of international servicification, longer research period (1995-2011) and the studied group of countries has been limited to EU countries. The main research findings are as follows:

1. Service inputs on average constitute 27% of the cost share in EU manufacturing of which almost half (13%) is imported. Thus the EU average import share is low, however there are relatively large differences between individual countries: ranging from 75% in Ireland and 37% in Lithuania to 5% and 8% in Latvia and UK respectively. Between 1995 and 2000 the share of imported service inputs increased by 5 percentage points, from 8 to 13%.
2. About 42% of employees in EU manufacturing work in service occupations. Most of them (more than 70%) are high-skilled service suppliers (managers, professionals and technicians) which means that manufacturing, to a great extent, consist of skill-intensive service production. These research results concern the whole group of manufacturing enterprises, without separating the foreign affiliates from it. Therefore they cannot be considered a precise description of 'producing' component of international servicification.
3. Manufacturing companies are important service exporters: country evidence (there is no EU-level data available) show that service exports coming from manufacturers represents in Germany and Sweden 25%, in Italy 35% and in Austria and Czech Republic 16% of total service exports.
4. In 2011 the EU average share of service value added in manufacturing exports amounted to 39% and it was higher by 3 pp. comparing to 1995. Cross-country differences in this share were significant, reaching values from 46% (France) and 44% (Ireland) to 29% (Romania) and 33% (Greece).

## OECD

OECD studies (Miroudot & Cadestin, 2017) are probably the most comprehensive research so far, complementing the value-added trade analysis with the less investigated components of servicification such as in-house services and bundles of goods and services. They have covered 1995-2011 as research period, mainly OECD countries as studied group and have used three major data sources i.e.: TIVA database, labour force surveys and ORBIS dataset. The main research findings are as follows:

1. In 2011 services amounted to 35% of the value added in the world gross manufacturing exports. In all manufacturing industries except from coke and petroleum this share was above 30% and the highest level (38.4%) was achieved by chemicals and motor vehicles.
2. All manufacturing industries relied on the same mix of services inputs: distribution and business services represented about one third each share meanwhile the last third was split between transport, finance and other services.
3. Between 1995 and 2011 the services value added in the world gross manufacturing exports had only grown by less than 1 pp. More significant increases had such industries as utilities (8pp.), wood products, paper, print and publishing (5pp.). The aggregate results were determined by China and the US, where the services value added had not relevantly changed (a minor decrease for China and slight increase for the US). Nevertheless, there were many countries in which an increase in the share of service value added had been recorded; it was especially impressive in Turkey, Latvia, Iceland (above 10 pp.), Luxembourg, Finland, Russia, New Zealand (above 8pp.).
4. Manufacturing exports tend to rely to a larger degree on services sourcing from abroad. In 2011 all manufacturing industries had higher shares of foreign services value added with meaningful (above 4 pp.) increases in industries such as chemicals, rubber and plastics, ICT and electronics. At the same time domestic services value added in most of the industries was decreasing. With the exception of China and Philippines, all other countries shifted towards foreign services inputs. Particularly high growth (above 8 pp.) of foreign services value added in gross manufacturing export was recorded in Ireland, Luxembourg, Poland and Turkey.
5. In 2015 across countries, between 25% and 60% of employees in manufacturing firms carried out service support functions and not core manufacturing activities. What's important, since 1995 the share of services employment within manufacturing companies in the researched countries has tended to increase. Core manufacturing activities had a larger share in employment in traditional low-tech manufacturing sectors such as textiles and apparel, wood or non-metallic minerals. Estimates show that – expressed in value added – in-house services account on average for about 15% of gross exports of manufacturing products.
6. Firms involved in the sales both goods and services account for share of total sales and exports up to 69 per cent.

## CONCLUSIONS

The analysis shows that services as inputs, outputs as well as in-house activities within manufacturing firms constitute a key component of manufacturing process and manufacturing products. As the globalization progresses, the international dimension of the servicification of manufacturing, i.e. international servicification, increases. This trend is evidenced by a numerous empirical research although international servicification measuring encounters large limitations resulting from statistical data shortcomings and research methods that are still being developed and improved.

International servicification means that manufacturing sector strongly affects trade in services, which goes far beyond the scope of GATS' modes of supplying services. In particular, in addition to cross-border transactions and rendering services through the movement of labour and capital this trade encompasses services embodied in exported or imported goods which are traded indirectly across borders. On the other hand, an adequate supply of services affects the functioning of the manufacturing sector and its export competitiveness.

These interdependencies are important for economic policy, especially industrial as well as trade policies. They cannot consider neither manufacturing nor service activities in isolation but as strongly connected and mutually interacting elements. As the empirical studies show that there are large cross-country differences in international servicification and one common pattern of this phenomenon cannot be found, there is a huge field for further research. They could explore the reasons of the cross-country and industry differences as well as the impact of trade in services liberalisation on competitiveness of manufacturing industries and manufacturing exports.

The issue of servicification of manufacturing and its impact on international trade in services in Poland is relatively rarely studied. To some extent, it is undertaken by publications devoted to value added trading and Poland's participation in global value chains (Ambroziak, 2018a, 2018b; Chilimoniuk-Przeździecka & Kuźnar, 2016; Kuźnar, 2014, 2017; Nessel, 2015). However, these studies require significant deepening, in particular in terms of the branches of services and directions of trade in services embodied in goods. This would allow an assessment of the real role of services in Polish economy and foreign trade, allowing politicians to more precisely stimulate the development of service industries that have the greatest impact on the competitiveness of industrial exports. This knowledge is also difficult to overestimate in negotiations regarding barriers to trade in goods, which - due to the servicification of manufacturing – constitute barriers to trade in services too.

## REFERENCES

- Ambroziak, Ł. (2018a). *Wartość dodana w handlu zagranicznym nowych państw członkowskich Unii Europejskiej*. Warszawa: Oficyna Wydawnicza SGH.
- Ambroziak, Ł. (2018b). Znaczenie usług w globalnych łańcuchach wartości krajów Europy Środkowej i Wschodniej. *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu*, 523, 11-22.
- Antimiani, A., & Cernat, L. (2018). Liberalizing Global Trade in Mode 5: How Much Is It Worth? *Journal of World Trade*, 52(1), 65-83.
- Baines, T., & Lightfoot, H. (2013). *Made to Serve: How Manufacturers Can Compete Through Servitization and Product Service Systems*. Wiley.

- Baldwin, R.E., Forslid, R., & Ito, T. (2015). *Unveiling the Evolving Sources of Value Added in Exports*. Chiba, Japan: Japan External Trade Organisation, Institute of Developing Economics.
- Baldwin, R.E., & Lopez-Gonzalez, J. (2015). Supply-chain trade: A portrait of global patterns and several testable hypotheses. *World Economy*, 38(11), 682-1721. <https://doi.org/10.1111/twec.12189>
- Bohn, T., Brakman, S., & Dietzenbacher, E. (2018). The role of services in globalisation. *World Economy*, 41(11), 2732-2749. <https://doi.org/10.1111/twec.12640>
- Cernat, L., & Kutlina-Dimitrova, Z. (2014). Thinking in a box: A 'Mode 5' Approach to Service Trade. *Journal of World Trade*, 48(6), 1109-1126.
- Chilimoniuk-Przeździecka, E., & Kuźnar, A. (2016). Znaczenie usług w globalnych łańcuchach wartości. *Gospodarka Narodowa*, 5 (285), 141-156.
- Cusumano, M.A., Khal, S.J., & Suarez, F.F. (2015). Services, Industry Evolution, and the Competitive Strategies of Product Firms. *Strategic Management Journal*, 36(4), 559-575. <https://doi.org/10.1002/smj.2235>
- Drake-Brockman, J., & Stephenson, S. (2012). Implications for 21st Century Trade and Development of the Emergence of Services Value Chains. International Centre for Trade and Sustainable Development Working Paper.
- Falk, M., & Peng, F. (2013). The increasing Service Intensity of European Manufacturing. *The Service Industries Journal*, 33(15-16), 1686-1706. <https://doi.org/10.1080/02642069.2011.639872>
- Francois, J., Manchim, M., & Tomberger, P. (2015). Services Linkages and the Value Added Content of Trade. *World Economy*, 38(11), 1631-1808. <https://doi.org/10.1111/twec.12307>
- Johnson, R.C., & Noguera, G. (2012). Accounting for intermediates: Production sharing and trade in value added. *Journal of International Economics*, 86(2), 224-236. <http://dx.doi.org/10.1016/j.jinteco.2011.10.003>
- Koopman, R., Wang, Z., & Wei, S.-J. (2014). Tracing value-added and double counting in gross exports. *American Economic Review*, 104(2), 459-494. <http://dx.doi.org/10.1257/aer.20140883>
- Kuźnar, A. (2017). Udział Polski w globalnych łańcuchach wartości. *Horyzonty Polityki*, 8 (22), 49-67.
- Kuźnar, A. (2014). Wartość dodana w międzynarodowym handlu usługami. In A. Budnikowski & A. Kuźnar (Eds.), *Nowe procesy w gospodarce światowej. Wnioski dla Polski* (pp. 121-134). Warszawa: Oficyna Wydawnicza SGH.
- Lanz, R., & Maurer, A. (2015). *Services and global value chains: Some evidence on servicification of manufacturing and services networks*. WTO Staff Working Paper, no. ERSD-2015-03. Geneva, Switzerland: WTO. <http://dx.doi.org/10.30875/cb789e31-en>
- Lodefalk, M. (2013). Servicification of manufacturing – Evidence from Sweden. *International Journal of Economics & Business Research*, 6(1), 87-113. <http://dx.doi.org/10.1504/IJEBR.2013.054855>
- Lodefalk, M. (2014). The role of services for manufacturing firm exports. *Review of World Economics*, 150(1), 59-82. <http://dx.doi.org/10.1007/s10290-013-0171-4>
- Lodefalk, M. (2016). Temporary expats for exports: micro-level evidence. *Review of World Economics*, 152(4), 733-772. <http://dx.doi.org/10.1007/s10290-016-0254-0>
- Los, B., Timmer, M.P., & de Vries, G.J. (2016). Tracing Value-Added and Double Counting in Gross Exports: Comment. *American Economic Review*, 106(7), 1958-1966. <https://doi.org/10.1257/aer.20140883>
- Low, P. (2013). *The role of services in global value chains*. Real Sector Working Paper. Hong Kong: Fung Global Institute.

- Miroudot, S., & Cadestin, C. (2017). *Services In Global Value Chains: from Inputs to Value-Creating Activities*. OECD Trade Policy Papers, no. 197. Paris, France: OECD Publishing. <http://dx.doi.org/10.1787/465f0d8b-en>
- Miroudot, S., & Ye, M. (2018). *Tracing value-added and double counting in sales of foreign affiliates and domestic-owned companies*. MPRA Paper, no. 85723. Munich, Germany: University Library of Munich.
- Nagengast, A.J., & Stehrer, R. (2016). Accounting for the Differences Between Gross and Value Added Trade Balances. *World Economy*, 39(9), 1276-1306. <http://dx.doi.org/10.1111/twec.12401>.
- National Board of Trade (2010). *Servicification of Swedish manufacturing*. Stockholm, Sweden: National Board of Trade.
- National Board of Trade (2012). *Everybody is in Services – The Impact of Servicification in Manufacturing on Trade and Trade Policy*. Stockholm, Sweden: National Board of Trade.
- National Board of Trade (2016). *The Servicification of EU manufacturing. Building Competitiveness in the Internal Market*. Stockholm, Sweden: National Board of Trade.
- Nessel, K. (2015). Internacjonalizacja usług z perspektywy globalnych łańcuchów wartości. Co mówią liczby?. *Studia Ekonomiczne. Zeszyty Naukowe Uniwersytetu Ekonomicznego w Katowicach*, 226, 95-108.
- Nordås, H. (2016). Services Trade Restrictiveness Index (STRI): The Trade Effect of Regulatory Differences. *OECD Trade Policy Papers*, No. 189, Paris: OECD Publishing. <http://dx.doi.org/10.1787/5jlz9z022plp-en>
- Nordås, H., & Kim, Y. (2013). The role of services for competitiveness in manufacturing, *OECD Trade Policy Papers*, No. 148, Paris: OECD Publishing. <https://doi.org/10.1787/18166873>
- Oliva, R., & Kallenberg, R. (2003). Managing the Transition from Products to Services. *International Journal of Service Industry Management*, 14(2), 160-172. <http://dx.doi.org/10.1108/09564230310474138>
- Pasadilla, G.O., & Wirjo, A. (2014). *Services and Manufacturing: Patterns of Linkages* (Policy Brief APEC). Singapore: APEC Policy Support Unit.
- Sturgeon, T., Nielsen, P.B., Linden, G., Gereffi, G., & Brown, C. (2013). Direct Measurement of Global Value Chains: Collecting Product- and Firm-Level Statistics on Value Added and Business Function Outsourcing and Offshoring. In: Mattoo, A., Wang, Z., & Wei, S.-J. (Eds.), *Trade in Value Added: Developing New Measures of Cross-Border Trade* (pp. 291-321). London: Centre for Economic Policy Research and the World Bank.
- Vandermerwe, S., & Rada, J. (1988). Servitization of business: Adding value by adding services. *European Management Journal*, 6 (4), 314-324.
- Veugelers, R. (2013). Trends, Challenges and Prospects for Manufacturing in Europe. In: R. Veugelers (Ed.), *Manufacturing Europe's Future* (pp. 7-44), Bruegel Blueprint Series, Vol. 21, Brussels: Bruegel.

---

**Author**

---

**Elżbieta Bombińska**

Associate professor, Ph.D. in economics. Works at the Department of International Trade, Cracow University of Economics (Poland). Her research interests focus on international economics, international trade in services, foreign direct investments and multinational corporations.

**Correspondence to:** Elżbieta Bombińska, PhD, Cracow University of Economics, Department of International Trade, ul. Rakowicka 27, 31-510 Kraków, Poland, e-mail: bombinse@uek.krakow.pl  
**ORCID**  <http://orcid.org/0000-0002-0929-0150>

---

**Acknowledgements and Financial Disclosure**

---

This article is financed from the funds allocated to the Cracow University of Economics in the framework of grants for maintaining research potential.

---

**Copyright and License**

---



This article is published under the terms of the Creative Commons Attribution – NoDerivs (CC BY-ND 4.0) License  
<http://creativecommons.org/licenses/by-nd/4.0/>

---

Published by the Centre for Strategic and International Entrepreneurship – Krakow, Poland

---



## The publisher:

Department of International Trade  
Centre for Strategic and International Entrepreneurship  
Cracow University of Economics  
ul. Rakowicka 27, 31-510 Krakow, Poland  
phone +12 293 5929, -5376, fax +12 293 5037  
e-mail: [ier@uek.krakow.pl](mailto:ier@uek.krakow.pl)  
<http://ier.uek.krakow.pl>



CRACOW  
UNIVERSITY  
OF ECONOMICS



**INTERNATIONAL  
TRADE  
DEPARTMENT**

ISSN 2658-1841

