Zagreb International Review of Economics & Business, Vol. 9, No. 2, pp. 95-116, 2006
© 2006 Economics Faculty Zagreb
All rights reserved. Printed in Croatia
ISSN 1331-5609; UDC: 33+65

The Resource-based Approach to the Internationalisation of SMEs: Differences in Resource Bundles between Internationalised and Non-Internationalised Companies

*Mitja Ruzzier**

*Bostjan Antončič**

*Maja Konečnik**

Abstract: The resource-based approach is a new promising theoretical framework that is applied to the internationalisation of SMEs. Derived from strategic management it provides value-added theoretical propositions about the uniqueness of certain resources that have turned out to be critical for the internationalisation process of SMEs. This paper examines the differences in resource bundles (organisational, financial, and human and social) between internationalised and non-internationalised Slovenian SMEs. The findings are also controlled for the control variables of firm size and age from which valuable propositions and implications are derived for the entrepreneur and those policy-makers who want to increase the number of internationalised SMEs.

Key words: internationalisation, SMEs, resources, international entrepreneurship

JEL Classification: F23, M13, O15

Introduction

The resource-based view ('RBV') of the firm is starting to become accepted as a strong theoretical base and framework for understanding strategic management (Barney et al., 2001) and entrepreneurship (Alvarez, Busenitz, 2001). Since the predominant theoretical background to the internationalisation of small and medium-sized enterprises (SMEs) has mostly proposed models and theories (e.g. the stage theory of internationalisation, the network approach to internationalisation)

* Mitja Ruzzier, Bostjan Antončič and Maja Konečnik are at the Faculty of Economics, University of Ljubljana, Ljubljana, Slovenia.

which to a certain extent neglect the strategic view of decision-makers and their companies, the RBV could be a useful theoretical framework for expansion to encompass the internationalisation of SMEs and their specific resources representing competitive advantages allowing SMEs to develop so as to successfully enter and operate in international markets.

The RBV of strategic management focuses on the sustainable and unique costly-to-copy attributes of the firm as the sources of economic rents, i.e., as the fundamental drivers of the performance and sustainable competitive advantage needed for internationalisation. A firm's ability to attain and retain profitable market positions depends on its ability to gain and defend advantageous positions with regard to relevant resources important to the firm (Conner, 1991). Resource-based models recognise the importance of intangible knowledge-based resources in providing a competitive advantage. They address not only the ownership of resources but also the dynamic ability for organisational learning required to develop new resources. This has led to an improved understanding of firms' diversification strategies (Montgomery, Wernerfelt, 1997), with internationalisation being one of them.

This paper investigates SME internationalisation from the resource-based perspective. It explores past theoretical findings regarding the RBV from the aspect of SME internationalisation and integrates them with a new framework. In particular, it seeks to explore the differences in resource bundles between Slovenian internationalised and non-internationalised SMEs. Its main purpose is to identify the critical resources each SME needs to develop to craft an effective and successful internationalisation strategy to enter and operate in international markets. What are the critical resources for internationalisation that differ between Slovenian internationalised and non-internationalised companies? In addition, how do they differ between small and medium-sized companies or between younger and older SMEs?

The Resource-based Approach to Internationalisation

Given the heterogeneity of small firms and their operating environment, fundamental difficulties arise when seeking to identify and define the critical resources needed for internationalisation. By focusing on the attributes that resources should possess to sustain a long-term competitive advantage, authors have proposed various characteristics (Barney, 1991; Peteraf, 1993; Wernerfelt, 1997; Mahoney, Pandian, 1997; Grant, 1991). Barney (1991), for example, argued that resources must be valuable, rare, imperfectly imitable and not substitutable, while Grant (1991) proposed that resources must capture durability, transparency, transferability and

replicability. This shows that these attributes are 'often relatively broad and hazy' (Winter, 1995) and that there are 'not clear boundaries between them' (Andersen, Kheam, 1998).

Resources in general can be considered stocks of available tangible or intangible factors that are owned or controlled by the firm and converted into products or services by using a variety of other resources and bonding mechanisms. Different resource classifications have been proposed (e.g. Hall, 1993; Grant, 1991). Amit and Schoemaker (1993) suggested seven main categories of resources: (1) financial (size and type of capital); (2) physical (location, plant, access to raw materials, transportation etc.); (3) human (personnel and management); (4) technological (product and process-related); (5) reputation (image, brands, loyalty, trust, goodwill); and (6) organisational resources (management systems). Proponents of the network perspective have added a seventh category, namely, the relationships of the firm. Some of the firm's relationships, for example those with foreign customers, suppliers, authorities etc., constitute some of the firm's most valuable resources during the process of internationalisation. Wernerfelt (1997) reduced resource classification to three groups: physical, financial and intangible resources. The latter have also been referred to as tacit knowledge (Peng, 2001) or organisational routines and skills (Nelson and Winter, 1982).

Collins (1994) proposed an alternative classification of resources. The first category includes resources related to the firm's ability to perform basic functional activities, such as production or marketing. The second category comprises those resources that enable the dynamic development of the firm's activities. Thus, for instance, the capabilities of product development, manufacturing flexibility or innovation management support the firm's ability to learn, adapt, change and renew over time. The third category of resources, although closely related to the second category, accounts for the firm's ability to ex ante recognise the intrinsic value of resources. This is especially important when it comes to developing new strategies ahead of the competition.

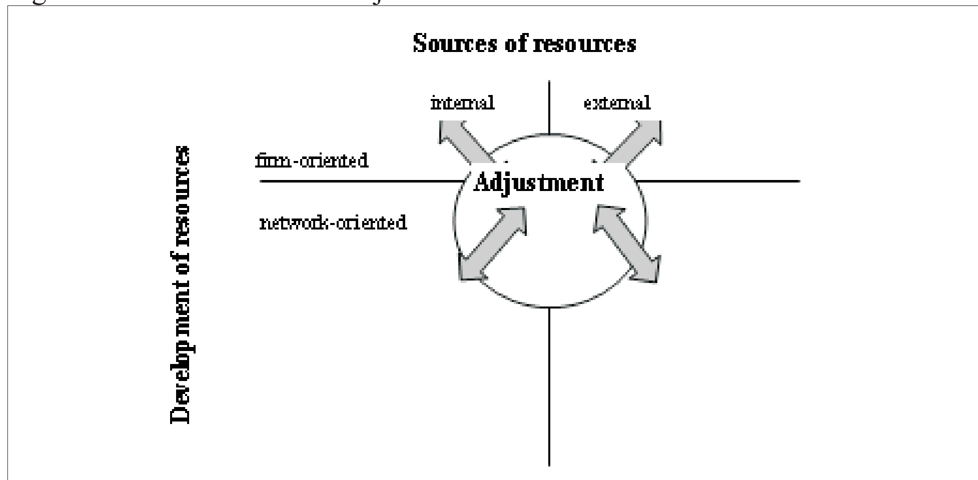
An important conceptual distinction with regard to resources is the difference between stock and flow resources, i.e., resources and capabilities. In principle, although often considered conceptually different, capabilities can also be viewed as resources: if resources are stocks, then capabilities are flows (Penrose, 1959; Mahoney, Pandian, 1997) since they refer to a firm's capacity to deploy resources, using organisational processes to influence a desired end (Chandler, Hanks, 1994; Hall, 1993). Capabilities link resources in complex patterns of co-ordination between multiple agents (between people, and people and resources) (Grant, 1991; Foss, Eriksen, 1995). Perfecting such co-ordination requires learning through repetition and this leads to organisational routines (Nelson, Winter, 1982; Winter, 1995). Routines are to the organisation what skills are to the individual. Just as the

individual's skills are carried out semi-automatically, without conscious co-ordination, so organisational routines involve a large component of tacit knowledge which influences the extent to which the organisation's capabilities can be articulated (Grant, 1991). A limited repertoire of routines can be performed highly efficiently and represents an advantage of an established firm over a newcomer, but the same firm may find it extremely difficult to respond to novel situations (Grant, 1991). Here the dynamic aspect of capabilities becomes important, which involves organisational learning and the acquisition of knowledge, new combinations of resources, or establishing new activities (routines) in an environment of dynamic markets (Teece et al., 1997; Eisenhardt, Martin, 2000; Lockett, Thompson, 2001; Kylaeheiko et al., 2002; Luo, 2000). The dynamic capabilities approach 'or simply capabilities that are dynamic' (Barney et al., 2001) in any case poses a challenge to the static approach of RBV, operating in market equilibrium (Foss et al., 1995) as a stable concept that can be identified at a point in time and will endure over time (Wright et al., 2001).

The literature offers few examples of resource-based or capabilities-based studies of small firms' internationalisation. They include models of Roth (1995), Luo (2000) and, the most promising of them all, the model of Ahokangas (1998). The model concerns the resource development and strategic internationalisation behaviour of small firms combining the strategic and network perspectives of resources. Ahokangas (1998) assumed that SMEs are dependent on the development potential of key internal and external resources, which can be adjusted/developed within the firm and between firms and their environments. This adjustment behaviour is analysed along two dimensions: (1) Where do the resources reside; i.e., what is their source – are they internal or external to the firm? (2) Does the development of resources take place in a firm-oriented manner (inward orientation) or in a network-oriented manner (outward orientation)? From the perspective of the firm, these two dimensions lead to four hypothetical modes of resource adjustment (see Figure 1): the adjustment of: (1) internal and (2) external resources in a firm-oriented mode; and the adjustment of (3) internal and (4) external resources in a network-oriented mode. The key issues concerning these modes of resource adjustment include control over and interdependence between the critical resource stocks. This is predicated on the assumption that the accumulation of interdependent resource stocks at the firm level is based on shared control.

The first kind of resource adjustment (internal firm-oriented) can be seen as the development strategy of a firm that tries alone to develop the critical resources needed for internationalisation by entering into international activities and learning from experience, without a dependence on externally available resources.

Figure 1: Modes of resource adjustment



Source: Ahokangas, 1998

External resources in the development of the firm's internal resources, such as relationships with various expert organisations, research institutions or universities, represent the second mode of adjustment (external firm-oriented). The adjustment of internal resources in a network-oriented mode involves development activities traditionally associated with co-operation in any field from R&D to international after-sales services (usually in the form of alliances between firms) where both partners share an interest in developing resources jointly, but for their own purposes. The last adjustment mode (external network-oriented) comprises networking behaviour that is taken a step further, from sharing only resource stock interdependencies to also sharing control over the firm's resources. Such examples are mergers between two firms or joint ventures. Any kind of resource adjustment realised through an interaction with other firms may involve any of the firm's activities.

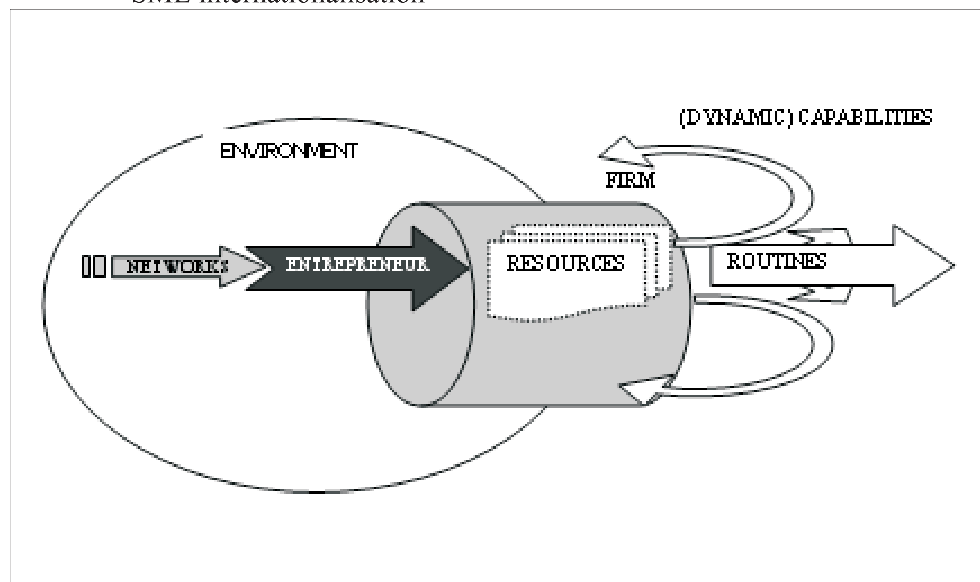
The practical application of the resource adjustment model is that firms may pursue different internationalisation development strategies with different international activities over time. They can be either firm- or network-oriented resource development strategies or a combination utilising internal and external resources.

The development of the resource-based theory and the network perspective seems to have gone hand in hand. In both theories, internal and external resources available to the firm are seen as constituting the total set of resources available to the firm. In order to gain access to strategic resources, firms may co-operate vertically, with respect to the product flow, or horizontally with competitors, in other words by

entering into network relations. To some extent, the network and resource-based approaches also seem to be merging, with an example being the model proposed by Ahokangas (1998).

The network perspective claims that the network (and the actors within the network) provides the resources for internationalisation and also offers another point of view with regard to the available resources. From the entrepreneurial perspective, networks of individuals and the tacit knowledge they integrate (the social capital of entrepreneurs) can themselves be seen as resources. Individual entrepreneurs (and their firms) are connected through networks with other entrepreneurs (companies) in the same industry and the wider (international) environment. Further, it is through networks that entrepreneurs gain access to resources and information for their entrepreneurial actions (see Figure 2).

Figure 2: Integration of different elements and models within the RBV in the light of SME internationalisation



Source: own figure

Resource-based models and traditional models of internationalisation (the Uppsala and innovation-related models) can be further distinguished by the way in which the theoretical underpinnings are made explicit in research derived from the resource-based theory (Andersen, Kheam, 1998; Ahokangas, 1998). The central construct of the models rests on (organisational) experimental learning that increases (market) knowledge and leads the firm to increased (market) commitment. Market

knowledge is based on Penrose's (1959) definition of experimental knowledge, which can be learnt only through personal experience and will therefore be unique. In experimental learning we can also recognise the organisational capabilities of firms as well as within a dynamic nature of a model, a dynamic capabilities version. Since the theoretical foundations of the resource-based approach are still in an early stage of development, it is sometimes difficult to discern to what degree researchers are relying on internationalisation research or the resource-based theory. The absence of research on SMEs here is, however, striking.

Developing the Hypotheses

The resource-based perspective discussed above is an appropriate framework for understanding the differences in resource bundles between internationalised and non-internationalised firms. Further, it can provide an explanation for the internationalisation processes pursued by smaller firms. Adopting this framework, the following section derives hypotheses relating to differences in the amounts of resources that differentiate internationalised SMEs from those companies not engaged in international activities.

Organisational Resources

Organisational resources are referred to as the structure, processes and systems in organisations which permit flows of information and training and which motivate organisational members (Andrews, 1971). In a small company, organisational resources include the employees' expertise, systems and policies, management systems, financial structures, planning and control systems and the culture and employee skills of the firm. Presumably management systems, the skills of employees and routines are essential for reaching customers or providing superior levels of service. Efficient small firms are more capable of providing quality customer services, while those that develop human capabilities in the form of skilled employees are better able to respond to customer and market needs. Hence, we propose:

Hypothesis 1: Internationalised firms have significantly greater bundles of organisational resources than non-internationalised firms.

Financial Resources

Cooper et al. (1994) suggested that the availability of capital allows a firm to pursue a broader range of activities as well as more ambitious projects. Financial resources can be invested in capital-intensive projects that may enable firms to secure existing markets as well as enter new markets for the first time. Further, the financial barrier to exporting may be removed if a principal founder has been able to secure external sources of finance based on their experience (and/or the experience of the team of partners) (Westhead et al. 2001). Based on the above discussion, we propose:

Hypothesis 2: Internationalised firms have significantly greater bundles of financial resources than non-internationalised firms.

Human and Social Capital Resources

The human and social capital of organisations usually results from international business skills acquired through the entrepreneur's and managers' professional experience in foreign markets while, in terms of previous occupations and schooling, it has also been associated with internationalisation and exporting. This was based on the assumption that such accumulated experience exposes the decision-makers to information and contacts relating to foreign markets and enhances the likelihood of export engagement and expansion (Reid, 1983). This is particularly true when professional experience has been attained in an international setting through an involvement, for example, in multinational corporations or international organisations. International experience, organisational, and personal networks have been proposed as important predictors of internationalisation (Antoncic, Hisrich, 2000). This leads to the following hypothesis:

Hypothesis 3: Internationalised firms have significantly greater bundles of human and social resources than non-internationalised firms.

Research Methodology

The methodology used in this research to test the hypotheses is discussed in terms of data collection, measurement instruments and data analysis.

Data Collection

To test the hypotheses and determine the nature of the relationships, data were collected using a postal survey of Slovenian firms. The questionnaire was addressed to the top executive of the selected firms with anonymity being guaranteed. Firms in the sample were selected using a three-step process from the most recent IPIS database which includes all businesses in Slovenia. First, since many Slovenian firms are dormant firms or have few employees these firms were excluded from the population leaving just SMEs with 10 to 250 employees. In order to meet the criteria of the Slovenian Companies Law (1993, 2001), the second step involved excluding firms whose annual turnover exceeded SIT 4 billion (about USD 19.3 million).

Since response rates for postal surveys in Slovenia vary from 10% to 25%, due to the length of the questionnaire in this study a more conservative response rate of 10% to 15% was expected. To avoid additional costs of follow-up mailings and to ensure an adequate number of responses for the structural equation modelling, the questionnaire was mailed to a random sample of 1,006 companies with international sales from the firms identified in step two. The companies were randomly selected from the population of 4,050 companies (companies with 10 to 250 employees and annual revenues of less than SIT 4 billion).

The Sample

The postal survey resulted in 86 responses from non-internationalised companies and 165 responses from internationalised companies. After analysing the extent and pattern of missing data, the whole sample of 247 usable responses was compensated for by using the combined method of imputation. Non-response bias for the whole sample of respondents was assessed based on the notion that ‘later respondents’ would be more like non-respondents (Armstrong, Overton, 1977); the analysis showed that the non-response bias in this study is minimal.

The average firm in the sample had 20-49 employees, had SIT 100 million (about USD 483,000) up to SIT 500 million (about USD 2.41 million) in sales, was 17.5 years old, operated in the manufacturing industry, and was located in the central geographical area of the country (the Slovenian capital of Ljubljana and its surroundings). This reflected the database population in terms of firm size, industry and geographical location.

Operationalisation of the Variables

Following previous research (Greene et al., 1997), four resource types were measured (organisational, financial, human, and social). Organisational resources include systems, policies, culture and the knowledge of organisation members (other than the founders) as well as routines and structures. Following this definition, procedures, firm routines and capabilities were measured using a five-item scale covering the following items: customer service capabilities; operating efficiencies; cost structure; and up-to-date computers and technology. Financial resources were measured by a three-item scale: access to debt financing; access to equity financing; and domestic profitability. Human resources at the firm level were measured with a two-item scale: multilingual staff and employees with international experience. Following other researchers and their operationalisation of social resources at the firm level as networks and alliances (Brush, Edelman, Manolova, 2002), these were operationalised with a single-item measure asking entrepreneurs about their company's strategic or contractual alliances. In all cases, resource types were measured with a five-point Likert-type scale, the same as for the environmental characteristics.

Data Analyses

The data were analysed using univariate and multivariate statistical methods. Hypotheses testing differences in resource bundles of organisational, financial and human & social capital resources between internationalised and non-internationalised companies were tested by analyses of variance (ANOVA), Chi-square and t-tests for group differences. For grouping different items into groups representing different bundles of resources (organisational, financial, and human & social) the exploratory factor analyses was performed. All analyses were performed using the SPSS statistical package.

Findings

Resource profiles were controlled for internationalised and non-internationalised firms. First, exploratory factor analyses were run to determine the specific resource types, and then analyses of variance were performed to determine whether resource types differ between internationalised and non-internationalised firms. As a result of the exploratory factor analyses, three factors were extracted that represent three types of resources: financial resources (consisting of access to equity capital, access to debt

financing, and high domestic profits), organisational resources (operating efficiencies, cost structure, up-to-date equipment and computer technology, and customer service capabilities) and human and social resources (they were extracted together as one factor that comprised employees with international experience, multilingual staff, and strategic alliances and linkages) (see Table 1).

Table 1: Resource categories with item factor loadings

Items	Factors		
	ORGRES	FINRES	HCSCRES
Organisational resources (ORGRES)			
Operating efficiencies	1.02		
Cost structure	0.77		
Up-to-date equipment & computer technology	0.40	0.27	
Customer service capabilities	0.36		0.28
Financial resources (FINRES)			
Access to equity capital		0.90	
Access to debt financing		0.80	
High domestic profits		0.64	
Human and social resources (HCSCRES)			
Employees with international experience			0.90
Multilingual staff			0.87
Strategic alliances and linkages	0.28	0.21	0.41

N=247
Extraction Method: Maximum Likelihood.
Rotation Method: Oblimin with Kaiser Normalisation (absolute factor loadings equal to or higher than 0.20 displayed)
Bartlett Test of Sphericity: Chi-square 1567.14; 45 df, sig. 0.000
Keiser-Meyer-Olkin measure of sample adequacy = 0.898
Variance explained = 76%

Resource types were further compared with other firm characteristics between internationalised and non-internationalised firms. Our expectation that resource profiles would differ between internationalised and non-internationalised firms, with internationalised firms having significantly greater resource profiles was confirmed.

All four types of resources – organisational, financial, human and social – differed significantly between internationalised and non-internationalised firms, with internationalised firms scoring significantly higher (all significant at $p<0.001$, except equity capital and domestic profits which were significant at $p<0.05$).

In Hypothesis 1, we posited that internationalised companies would have greater organisational resource bundles comprised of operating efficiencies, cost structure, up-to-date equipment & computer technology and customer service capabilities than non-internationalised companies. Our analyses showed that all four items were significantly higher for internationalised companies, indicating that Hypothesis 1 is fully supported (see Table 2).

Hypothesis 2 investigated the differences in financial resources between internationalised and non-internationalised companies. ANOVA confirmed that all three items measuring financial resources (access to debt financing, access to equity capital and high domestic profits) were significantly higher for internationalised companies, which means that Hypothesis 2 is fully supported (see Table 2).

We came to similar findings when testing Hypothesis 3, which explored the differences in human and social capital resources between the two groups of companies. Significantly greater bundles of human and social capital resources (employees with international experience, multilingual staff and strategic alliances and linkages) were found for internationalised companies in comparison to non-internationalised companies; therefore Hypothesis 3 is also fully supported (see Table 2).

Table 2: Comparison of firm characteristics between internationalised and non-internationalised firms

Variable	NON-INT (N=86)	INT (N=161)	Univariate F-tests		
	Mean	St. Dev.	Mean	St. Dev.	
Organisational resources					
Operating efficiencies	3.20	1.57	3.86	1.00	16.231***
Cost structure	2.92	1.54	3.53	1.06	13.433***
Up-to-date equipment & computer technology	3.26	1.17	4.08	1.00	22.043***
Customer service capabilities	2.84	1.70	3.58	1.20	15.629***
Financial resources					

Access to debt financing	2.32	1.62	2.83	1.46	6.068*
Access to equity capital	2.19	1.15	2.86	1.40	12.180***
ghtHigh domestic profits	2.32	1.55	2.71	1.30	4.378*
Human and social resources					
Employees with international experience	2.22	1.62	3.50	1.14	51.869***
Multilingual staff	2.75	1.60	3.92	1.06	46.946***
Strategic alliances and linkages	2.74	1.63	3.71	0.99	34.085***

*significant at $p < 0.05$; ** significant at $p < 0.01$; *** significant at $p < 0.001$
NON-INT- non-internationalised firms, INT – internationalised firms

Control variables of firm age and size were also developed for internationalised and non-internationalised companies to check the differences in resource bundles between the two groups of companies (see Table 3). Respondents were asked to write in the year of establishing their company. By subtracting this year from 2003 the age of the company was obtained. Both groups of companies – internationalised and non-internationalised –were further divided into two groups based on their age: younger internationalised firms (12 years old or less, N= 72) and younger non-internationalised firms (12 years old or less, N= 40); older internationalised firms (13 years old or more, N= 89) and older non-internationalised firms (13 years old or more, N= 46). Respondents ticked the appropriate boxes for the size of their companies in terms of employees, which was the second control variable. Internationalised and non-internationalised companies were divided into smaller companies (50 employees or less; internationalised N = 118, non-internationalised N=66) and medium companies (51 to 250 employees; internationalised N = 43, non-internationalised N = 20).

When controlling the differences in resource bundles between non-internationalised (N=40) and internationalised (N= 72) younger companies (12 years old or less), we discovered that all items measuring financial resources were found not to be significantly different between the two groups of companies. Therefore, Hypothesis 2 for smaller companies (12 years old or less) cannot be supported. Even though there are some differences, we can see that on average internationalised companies had more financial resources compared to non-internationalised companies. On the contrary, internationalised small companies (12 years old or less) had significantly ($p<0.05$) greater organisational resources (except up-to-date equipment & computer technology) and human and social

Table 3: Comparison of resource bundles between internationalised and non-internationalised firms for the control variable of firm age

	YOUNGER COMPANIES	OLDER COMPANIES								
Variable	***NON-INT*** *(N=40)*	***INT*** *(N=72)*	***Univaria te F-tests***	***NON-IN T*** *(N=46)*	***INT*** *(N=89)*	***Univariate F-tests***				
	Mean	St. Dev.	Mean	St. Dev.		Mean	St. Dev	Mean	St. Dev	
Organisational resources										
Operating efficiencies	3.34	1.49	3.85	0.89	5.13*	3.09	1.66	3.88	1.09	11.12**
Cost structure	2.98	1.44	3.43	0.97	3.80*	2.87	1.64	3.63	1.14	9.81**
Up-to-date equipment & computer technology	3.53	1.72	4.00	1.03	3.28	3.04	1.69	4.15	0.98	23.02***
Customer service capabilities	2.88	1.74	3.50	1.14	5.04*	2.81	1.68	3.64	1.25	10.71**
Financial resources										
Access to debt financing	2.21	1.49	2.65	1.44	2.36	2.19	1.55	3.04	1.35	11.05**
Access to equity capital	2.49	1.63	2.70	1.43	0.49	2.19	1.62	2.94	1.50	7.12**

High domestic profits	2.33	1.52	2.52	1.18	0.55	2.33	1.59	2.88	1.39	4.32*
Human and social resources										
Employees with internat. experience	2.18	1.62	3.59	0.99	32.87***	2.26	1.65	3.44	1.26	21.18***
Multilingual staff	2.90	1.55	3.92	1.00	17.79***	2.63	1.66	3.93	1.12	29.19***
Strategic alliances and linkages	2.78	1.53	3.75	0.87	18.16***	2.70	1.74	3.70	1.09	16.50***

*significant at $p < 0.05$; ** significant at $p < 0.01$; *** significant at $p < 0.001$

NON-INT- non-internationalised firms, INT – internationalised firms

Table 4: Comparison of resource bundles between internationalised and non-internationalised firms for the control variable of firm size

	SMALL COMPANIES	MEDIUM COMPANIES								
Variable	***NON-INT*** *(N=66)*	***INT*** *(N=118)*	***Univariate F-tests***	***NON-INT*** *(N=20)*	***INT*** *(N=43)*	***Univariate F-tests***				
	Mean	St. Dev.	Mean	St. Dev.		Mean	St. Dev	Mean	St. Dev	
Organisational resources										
Operating efficiencies	3.09	1.66	3.83	1.06	13.84***	3.60	1.23	3.96	0.82	1.88
Cost structure	2.76	1.53	3.44	1.13	11.84**	3.45	1.50	3.79	0.83	1.34
Up-to-date equipment & computer technology	3.20	1.8	4.00	1.00	19.95***	3.5	1.4	3.89	1.03	2.31
Customer service capabilities	2.68	1.80	3.51	1.27	13.49***	3.40	1.19	3.77	0.97	1.69

Financial resources										
Access to debt financing	2.03	1.55	2.79	1.43	11.21**	2.75	1.29	3.09	1.31	0.95
Access to equity capital	2.15	1.67	2.92	1.44	10.79**	2.93	1.32	2.60	1.55	0.69
High domestic profits	2.12	1.56	2.74	1.29	8.34**	3.00	1.34	2.65	1.38	0.88
Human and social resources										
Employees with internat. experience	1.93	1.56	3.42	1.19	53.18***	3.20	1.47	3.98	0.15	2.76
Multilingual staff	2.58	1.61	3.92	1.10	44.51***	3.35	1.50	3.95	0.95	3.77*
Strategic alliances and linkages	2.51	1.64	3.72	0.99	38.87***	3.50	1.43	3.72	1.01	0.50

*significant at $p < 0.05$; ** significant at $p < 0.01$; *** significant at $p < 0.001$
NON-INT- non-internationalised firms, INT – internationalised firms

resources (p<0.001) than the non-internationalised small companies. Therefore, Hypotheses 1 and 3 are fully supported for smaller companies.

When older companies (13 years old or more) were controlled for differences in their resource bundles, all three groups of resources (organisational, financial and human and social) were found to significantly differ between internationalised and non-internationalised companies, with internationalised companies having greater bundles of resources. Accordingly, all three hypotheses are also confirmed for older companies.

When using the control variable of firm size for controlling the differences in resource bundles between non-internationalised (N=66) and internationalised (N= 118) small companies (50 employees or less), all types of resources turned out to be significantly different between small internationalised and small non-internationalised companies, with internationalised companies having greater bundles of resources. Therefore, for small companies (50 employees or less; N= 184), all three hypotheses turned out to be confirmed.

For medium-sized companies (51 to 250 employees; N=63), the situation was totally different. Except for one item, multilingual staff which measured human and social capital, no significant differences were found between medium-sized internationalised (N=43) and medium-sized non-internationalised firms. Hence, for medium-sized companies no hypothesis predicting differences in resources bundles between internationalised and non-internationalised can be confirmed. Even though the differences are not significant, we can see that on average internationalised medium-sized companies have for most items greater bundles of resources than non-internationalised medium-sized companies.

Conclusions and Implications

The objective of the study was to examine differences in the resource profiles of internationalised and non-internationalised firms. The analyses we performed on the selected sample of Slovenian SMEs confirm our expectations that resource profiles would vary between the two groups of companies, with internationalised companies having greater resource bundles. All threes types of resources – organisational, financial, human & social – differed significantly and, of these resource types, all except two (ability to access debt financing and high domestic profits; significant at p<0.05) were highly significant (p<0.001) which allows us to support all three research hypotheses.

Such findings imply that those entrepreneurs wanting to expand their businesses in international markets need to develop greater bundles of different resources compared to entrepreneurs doing business in their home markets. Due to the tougher

competition in international markets, the critical resources also need to fulfil the criteria internationally to become long-term competitive advantages of firms, compared to those companies which just operate nationally and obtain their resources only nationally. Nevertheless, for many small and medium-sized companies which have developed very niche businesses the question whether to start international operations must be posed early on their lives or almost at their start. Because of the globalisation of economic environments and the increasing number of internationally experienced entrepreneurs who are able to recognise the required amount and type of critical resources for international activities, the number of internationalised SMEs that are from their early beginnings 'born global firms' is growing (McDougall et al., 1994, 1996).

We can summarise that small firm owners/managers planning to internationalise require a strong resource base before starting with international activities. Our findings about critical resources for international activities are especially valuable for entrepreneurs seeking to start with internationalisation but who do not have international experience, albeit we should not forget that the decision to internationalise is clearly multi-faceted and a successful internationalisation strategy should be based on more resources that just the experience, education and personal knowledge of the owners/founders.

Similar findings were made by other researchers in different economic environments, predominantly the USA. Brush et al. (2002) performed a similar investigation of American SMEs. They also found that different resource profiles such as social, organisational, financial, physical and human profiles differed between internationalised and non-internationalised firms.

When we controlled our results for the control variables, some very interesting findings emerged. The control variable of firm age showed that there were almost no differences between younger (12 years old or less) and older (13 years old or more) internationalised and non-internationalised small and medium-sized companies, except for financial resources where small internationalised companies were found not to be significantly different from non-internationalised small companies. All other resource types – organisational, human & social, including financial for medium-sized companies – were found to be significantly different between internationalised and non-internationalised small and medium-sized companies, with internationalised companies having greater bundles of resources. Therefore, all three hypotheses for both types of companies were confirmed (except Hypothesis 2 for small companies).

We interpret this to mean that such findings derive from the general problem of younger companies which do not have any reputation allowing them good access to financing or simply no history during which they could have accumulated some profits (in domestic or foreign markets) for their growth. These differences mean that

financial resources are still one of the most difficult resources to develop for younger companies. This finding is also relevant for governmental institutions and policy-makers putting their efforts into entrepreneurship development and is not merely relevant for those policies aiming to accelerate the internationalisation process. Financial resources also seem to be critical for small companies operating in domestic markets. If we want to increase entrepreneurship at initial levels we must put in greater effort especially to help younger companies gain access to financial resources.

The control variable of firm size (in terms of the number of employees) was much more significant when comparing the results between small (50 employees or less) and medium-sized (51 to 250 employees) companies. Small internationalised companies were found to have significantly greater bundles of all kinds of resources compared to non-internationalised small companies, with this result therefore confirming all three hypotheses. On the other hand, medium-sized internationalised companies had on average greater bundles of resources, yet none (except for multilingual staff) was found to be significantly different from non-internationalised companies. In commenting on these results, we can speculate that once the companies reach certain levels of size they mostly develop the resources they need for their everyday business operations and there are no big differences between those which are involved in international operations and those which are not. In other words, with an increase in size the differences slowly decrease or disappear.

We can summarise that the owners/managers of SMEs planning to start and develop their international activities need a strong resource base. The initial decision to start with international activities is very complex and multidimensional. To craft a successful internationalisation strategy they should include and develop all kinds of resources and not just one type where the company is strongest in its home business, for example the experience, education and personal knowledge of the owners/managers.

To conclude, we should name just a few possible extensions to this research. First, expanded measures of organisational, financial, human & social resources should be utilised. To verify our interpretations of the results, a longitudinal study with a follow-up survey would also give us more insights into resource development and necessity. Second, our study investigated only small and medium-sized companies located in Slovenia. Our findings are therefore generalisable to this population of SMEs. Additional research using a sample derived from an international population would both enhance the generalisability of the findings and add a much-desired comparative element to the study.

REFERENCES

Ahokangas, P., (1998), Internationalization and resources: An analysis of processes in Nordic SMSs, Doctoral dissertation, (Vaasa: Universitas Wasaensis).

Alvarez, S., Busenitz, L. (2001), 'The entrepreneurship of resource-based theory', Journal of Management, 27(6): 755-775.

Andrews, K.L. (1971), The concept of corporate strategy.

Amit, R., Schoemaker, P.J.H. (1993), 'Strategic asset and organizational rent', Strategic Management Journal, 14(1): 33-46, (Homewood IL: Dow Jones Irwin).

Andersen, O., Kheam, S.L. (1998), 'Resource-based theory and international growth strategies: An exploratory study', International Business Review, 7(2): 163-184.

Antoncic, B., Hisrich, R.D. (2000), 'An integrative conceptual model', Journal of Euro-marketing, 9(2): 17-35.

Armstrong, J.S., Overton, T.S. (1977), 'Estimating nonresponse bias in mail surveys', Journal of Marketing Research, 14(3): 396-402.

Barney, J. (1991), 'Firm resources and sustained competitive advantage', Journal of Management, 17(1): 99-120.

Barney, J., Wright, M., Ketchen, D.J. (2001), 'The resource-based view of the firm: Ten years after 1991', Journal of Management, 27(6): 625-641.

Brush, C., Edelman, L., Manolova, T. (2002), 'The impact of resources on small firm internationalization', Journal of Small Business Strategy, 13(1): 1-17.

Chandler, G.N., Hanks, S.H. (1994), 'Market attractiveness, resource-based capabilities, venture strategies and venture performance', Journal of Business Venturing, 9(4): 331-349.

Collins, D. (1994), 'Research note: how valuable are organizational capabilities?', Strategic Management Journal, 15 (Winter Special Issue): 143-152.

Conner, K.R. (1991), 'An historical comparison of resource-based theory and five schools of thought within industrial organization economics: Do we have a new theory of the firm?', Journal of Management , 17: 121-154.

Cooper, A.C., Gimeno-Gascon, F.J., Woo, C.Y. (1994), 'Initial human and financial capital predictors of new venture performance', Journal of Business Venturing, 9(5): 371-395.

Eisenhardt, K.M., Martin, J.A. (2000), 'Dynamic capabilities: What are they?', Strategic Management Journal, 21(10/11): 1105-1121.

Foss, N.J., Eriksen, B., (1995), 'Competitive advantage and industry capabilities' in Montgomery Cynthia A. (ed.), Resource-based and evolutionary theories of the firm: Toward a synthesis, (Boston: Kluwer Academic Publishers): 43-69.

Foss, N.J., Knudsen, K., Montgomery, C., (1995), 'An extrapolation of common ground: Integrating evolutionary and strategic theories of the firm' in Montgomery Cynthia A. (ed.), Resource-based and evolutionary theories of the firm: Toward a synthesis, (Boston: Kluwer Academic Publishers): 1-17.

Grant, R.M. (1991), 'Resource-based theory of competitive advantage: Implications for strategy formulation', California Management Review, 33(3): 114-135.

Greene, P.G., Brush, C.G., Brown, T.E. (1997), 'Resources in small firms: An exploratory study', Journal of Small Business Strategy, 8(2): 29-40.

Hall, R. (1993), 'A framework linking intangible resources and capabilities to sustainable competitive advantage', Strategic Management Journal, 14(8): 607-618.

Kylaeheiko, K., Sandstrom, J., Virkkunen, V. (2002), 'Dynamic capability view in terms of real options', International Journal of Production Economics, 80(1): 65-83.

Lockett, A., Thompson, S. (2001), 'The resource-based view and economics', Journal of Management, 27(6): 723-754.

Luo, Y. (2000), 'Dynamic capabilities in international expansion', Journal of World Business, 35(4): 355-378.

Mahoney, J.T., Pandian, J.R., (1997), 'The resource-based view within the conversation of strategic management' in Foss Nicolai J. (ed.), Resources, firms and strategies: A reader in the resource-based perspective, (Oxford: Oxford University Press): 204-231.

McDougall, P.P., Oviatt, B.M. (1996), 'New venture internationalization, strategic change, and performance: A follow-up study', Journal of Business Venturing, 11(1): 23-40.

McDougall, P.P., Shane, S., Oviatt, B.M. (1994), 'Explaining the formation of international new ventures: The limits of theories from international business research', Journal of Business Venturing, 9: 469-487.

Montgomery, C.A., Wernerfelt, B., (1997), 'Diversification, Ricardian rents and Tobin's q' in Foss Nicolai J. (ed.), Resources, firms and strategies: A reader in the resource-based perspective, (Oxford: Oxford University Press): 173-186.

Nelson, R., Winter, S., (1982), An evolutionary theory of economic change, (Cambridge: Harvard University Press).

Penrose, E., (1959/272), The theory of the growth of the firm, (Oxford: Oxford University Press).

Peteraf, M. (1993), 'The cornerstones of competitive advantage: A resource-based view', Strategic Management Journal, 14(3): 179-191.

Reid, S.D. (1983), 'Firm internationalization, transaction costs, and strategic choice', International Marketing Review, 1(2): 45-56.

Roth, K. (1995), 'Managing international interdependence: CEO characteristics in a resource based framework', Academy of Management Journal, 38(1): 200-231.

Slovenian Companies Law (Zakon o gospodarkih družbah), (1993): N. 001-06/92-1/3.

Slovenian Companies Law (Zakon o gospodarkih družbah), (2001): N.001-03/92-1/42.

Teece, D., Pisano, G., Shuen, A. (1997), 'Dynamic capabilities and strategic management', Strategic Management Journal, 18(7): 509-533.

Wernerfelt, B., (1997), 'A resource-based view of the firm' in Foss Nicolai J. (ed.), Resources, firms and strategies: A reader in the resource-based perspective, (Oxford: Oxford University Press): 117-130.

Westhead, P., Wright, M., Ucbasaran, D. (2001), 'The internationalization of new and small firms: A resource based view', Journal of Business Venturing, 16(4): 333-358.

Winter, S.G., (1995), 'Four Rs of profitability: Rents, resources, routines and replication' in Montgomery Cynthia A. (ed.), Resource-based and evolutionary theories of the firm: Toward a synthesis, (Boston: Kluwer Academic Publishers): 147-178.

Wright, P.M., Dunford, B.B., Snell, S.A. (2001), 'Human resources and the resource based view of the firm', Journal of Management, 27(6): 701-721.