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Top Management Teams and the Internationalization of SMEs: The Importance of Team Composition and Strategic Orientations

CHAPTER 3 in “Entrepreneurial Internationalization in an Increasingly Digitized and Networked World Economy”

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ABSTRACT

The purpose of this chapter is to explore how top management team (TMT) size, diversity and experience are associated with strategic orientations and internationalization in small and medium-sized enterprises (SMEs) and thus to provide additional insight concerning upper echelon issues in such firms. Specifically, we will look closer at the strategic consequences of size, diversity and experience of TMTs. An empirical study among Norwegian exporting SMEs indicates that international growth expectations as well as strategic orientations (growth, learning, international) are significantly higher in firms in which top management teams are larger, more diverse and more experienced. Such firms also reach out to more markets internationally and perform better. TMT size and composition seems to be important not only for international new ventures, but also for more established SME exporters.

Key words: *TMT characteristics, International orientation, Learning orientation, Growth orientation, Exporting SMEs, Performance*

INTRODUCTION

Firms are made up of individuals with unique knowledge, experiences and identity. This uniqueness affects how individuals see the environment, how they reason and make decisions, and how they learn, in their personal as well as professional lives. The workings of individual minds within an organization affect the way it does business through the influence on opportunity perception, on reasoning and intentions for action and ultimately this affects behaviour. It is, for example, explored and well documented that founder and entrepreneurial characteristics play a decisive role for the international development of International New Ventures and Born Global firms (e.g., Cesinger et al., 2012, Rialp et al., 2005, Andersson, 2000, Andersson and Evangelista, 2006, Madsen and Servais, 1997, McDougall et al., 1994).

The pursuit of new opportunities necessitates the building of novel knowledge structures (Mainela et al., 2014) from a “unique synthesis of information” (Casson, 2014) with the use of prior knowledge and experiences, new information from social networks (Johanson and Vahlne, 2009), or both. Pursuing opportunities abroad pose increased uncertainty, complexity and challenges for entrepreneurs and small business leaders (e.g., Stinchcombe, 1965, Zaheer, 1995, Johanson and Vahlne, 2009, Hohenthal et al., 2003) as managers of internationally exposed SMEs regularly encounter ambiguous situations where information overload and time restrictions are prevalent. International opportunities therefore open up for more human errors being made due to bounded rational thinking (Simon, 1947) in such dynamic and ambiguous environments (Mainela et al., 2014). However, executives' interpretation and understanding of ambiguity is perhaps also what makes unforeseen incidents into business opportunities (Daft and Weick, 1984, Hohenthal et al., 2003) Weick, Sutcliffe and Obstfeld (2005) accentuate ambiguity as the genesis of sensemaking (Weick, 1979, Weick, 1995). When we are faced with unexpected contexts, chaos or “...when there is no obvious way to engage the world” (Weick et al., 2005), we try to find meaning and to make sense. In their review on international opportunities, Mainela et al. (2014) emphasize the role of cognition in understanding how managers make sense of and approach ambiguous environments abroad.

In accordance with Andersson and Evers (2015), we define cognitions as “a forward-looking form of intelligence that is premised on an actor's beliefs about the linkage between the choice of actions and the subsequent impact of those actions on outcomes” (Gavetti and Levinthal, 2000). Baron describe the cognitive perspective as emphasizing “the fact that everything we think, say, or do as human beings is influenced by mental processes” (Baron, 2004).

The dual-process theories of cognition propose that we have two ways of thinking and reasoning, basically we have “two minds in one brain” (Evans, 2003). System 1 encompass our intuitive insights, whilst system 2 concerns with our more deliberate reasoning and abstract thinking (Evans, 2003). Dual-process theories have received criticism but has also been supported by recent research (see e.g., Evans and Stanovich, 2013 for a reply to the criticism). All individuals, including executives, have limited processing capacity to analyse and handle information (system 2), therefore heuristics or managerial intuition (Kahneman, 2003, Akinci and Sadler-Smith, 2012) are oftentimes used to be able to make speedy inferences from a small sample of observations (system 1). The latter also assist in executive decision making but may be “intervened” by the “higher reasoning order” of system 2 (Evans and Stanovich, 2013). In addition, the rational activity of optimizing in organizations is frequently replaced with satisficing (March and Simon, 1958/1993) due to limitations in capacity and capability, and reflecting time restrictions and goal ambiguity (Schweizer, 2012).

Aharoni's work from 1966 was the first to introduce the behavioral element into international business literature (Aharoni et al., 2011), and since then there has been an increasing recognition of the role firms' decision makers' play in influencing the development path of their companies. Nevertheless, closer interpretations of the role decision makers play in deciding the strategic orientations for firms are lacking (Aharoni et al., 2011). Thus, greater awareness of managerial cognition will provide insight into SMEs' strategic development and deeper understanding of their behaviour in foreign environments (Zahra et al., 2005, Mainela et al., 2014, Coviello, 2015, Peiris et al., 2012).

Observations of an organization's environment are ultimately done by individuals, but human interactions are of importance for collectively interpreting and attaching meaning to the organizational context, including international business opportunities (Daft and Weick, 1984, Cornelissen and Clarke, 2010). Many organizations focus on developing team-based forms of collaboration in business activities from product development to marketing and sales. Teams are significant because they often appear in new venture formation (Gartner, 1985), and because they play a significant role in firms' performance (Kamm et al., 1990, Cooney, 2005).

The present study will focus on a distinct type of team, namely the top management team (TMT). These teams consist of the individuals making up the formal leadership of an organization, being its key interpreters and decision-makers (Daft and Weick, 1984). Accordingly, such group formations gather the most powerful persons within an organization's daily operations. The team members are usually managers who are responsible for different departments within the organization, all of which have specific goals, budgets and its own skilled personnel.

According to the upper echelons (UE) perspective (Hambrick and Mason, 1984), knowledge about team members' individual attributes may be attained by proxy measures such as demographic, experience, and other characteristics of the TMT. Each individual brings his/her unique features to the executive table, representing the person's cognition, values and perceptions. Following the UE-perspective, firms' strategic orientations and performance may be seen as a reflection of the organization's TMT due to bounded rationality (Carpenter et al., 2004). The UE-perspective has achieved great attention from the scholarly community (Carpenter et al., 2004), and several studies have looked at the link between top team characteristics and small firm activity that crosses borders (e.g., Sambharya, 1996, Reuber and Fischer, 1997). Carpenter and Fredrickson (2001) called for more international research on upper echelons to explore the impacts of different contexts around the world. Also, research on different strategic profiles' impact on the internationalization processes of small and medium sized firms have been lacking (Bell et al., 2004, Hagen et al., 2012). Indeed, likewise has the relationship between top management team composition and strategic orientations been limitedly explored. Nummela, Puumalainen and Saarenketo (2005) noted that even though growth is known as one of the key performance measures of firms, "in the literature on SME internationalization the concept of growth has been rather neglected" (Nummela et al., 2005).

Scholars have achieved deeper insight into managerial cognition (e.g., Holyoak and Morrison, 2005, Acedo and Jones, 2007, Hodgkinson and Healey, 2008, Grégoire et al., 2011, Akinci and Sadler-Smith, 2012, Maitland and Sammartino, 2015), but much is still to be investigated when it comes to how characteristics of the TMT are related with strategic orientations and international performance in exporting SMEs.

The aim of the present paper is to explore and discuss how TMT composition co-vary with other characteristics of SME exporters. More specifically we will identify clusters of SMEs that are similar regarding TMT size, experience, and diversity and test whether significant differences occur across the clusters regarding strategic orientations (growth, learning, international) and international performance. We apply cluster analysis as an exploratory and iterative data mining technique that aims to identify patterns that will be explored further in the discussion section. We will highlight possible relationships between components of team characteristics and the strategic orientations, and provide suggestions for future research. We thus aim to contribute to the development of the field by providing a research agenda to propel forward research on managers' role in internationalization. These topics have not attracted enough attention (Jones et al., 2011, Coviello, 2015, Coviello et al., 2017).

The chapter is organized in the following manner; the next section presents the theoretical framework for our study. We then explain the methods used to collect empirical data, the findings of which are reported in a separate results section. After a discussion, including the formulation of future research paths, the paper wraps up with implications and conclusions.

THEORETICAL FRAMEWORK

Managerial Cognition and Top Team Interaction

The upper echelons (UE) perspective laid out by Hambrick and Mason (1984) propose that the way top managers think, their beliefs and how they see the world affects an organizations' strategic choices and its performance. However, since cognitive activity, individual value sets and perceptions are hard to accurately measure, UE propose that observable characteristics of the TMT can be used as proxies to measure the variance of deeper psychological constructs. Characteristics such as age, education, functional background and career experiences are therefore suggested to shape the way top executives perceive and evaluate their surroundings and accordingly affect the firms' behaviour and performance. In short, diversity in proxies will indicate diversity in deeper cognitive approaches and perceptions.

We may illustrate this by perceiving the brain as a black box and the UE-perspective as an imperfect way of opening up and peeking inside. However, UE only infers what actually happens inside the mind from the relationship between the antecedents and the behaviour. It is important to stress the imperfection noted above. In today's world of neuroscientific techniques, we are actually, to some degree, able to peek inside the heads of individuals. However, the techniques available so far have their limits when it comes to accurately measuring activity as individuals go about their daily lives. Also, what we want to understand about organizational decision making often happens outside the minds of individuals and rather in the interactions between the team members in a contextual setting. Prashantham noted in 2005 "internationalization represents an innovation of the firm and often entails decision-making under conditions of uncertainty, for both of which knowledge is vital". When some of this knowledge is stored with different people as it would be in a TMT, interaction becomes key.

Scholars have indeed recognized that bringing people together to grow a business is beneficial (e.g., Kamm et al., 1990), and in their review on diversity in organizational groups Milliken and Martins (1996) identified research that found that heterogeneous teams examine both more, and different viewpoints, and that they frequently propose more inventive alternatives and higher quality solutions than homogenous teams do. In Horwitz and Horwitz' review on team demography (2007) they found literature supporting that diverse teams are able to handle more complexity – a requirement that is advantageous in an international setting. As stated by Adler (1991) in relation to cultural

diversity: “By integrating and building on the different perspectives of the various members of a team, solutions and strategies can be developed that produce greater results and are more innovative than the simple addition of each contribution alone”.

Nevertheless, high diversity between the team members can also be a source of conflict by its influence on communication (e.g., Eisenhardt and Schoonhoven, 1990). Milliken and Martins (1996) comment that “diversity appears to be a double-edged sword, increasing the opportunity for creativity as well as the likelihood that group members will be dissatisfied and fail to identify with the group”. Furthermore, members of the TMT are not usually on the team because they possess needed or necessary skills in solving particular problems faced by the team, instead they are chosen because of their professional position, reflecting the internal power balance of the different departments in the organization. TMT-members are often loyal to their departments and each has individual agendas, which can make it challenging to find a beneficial solution for the firm with shared agreement across the TMT.

Still, conflicts and joint efforts at sensemaking in TMTs are often a necessity to be able to navigate in ambiguous and uncertain environments. Eisenhardt and Schoonhoven (1990) note that different backgrounds will contribute to increased conflict levels in the TMT, but if the team still manages to work together, it will lead to better performance. As an example, Simons, Pelled and Smith (1999) have found that TMTs that cultivated debate practices were better at reaping the benefits of heterogeneous teams, and that such teams developed expansive strategies leading to higher performance. Cognitive diversity springing out of experiential variation and demographic heterogeneity therefore seem to have distinct impacts on the dynamics within a team and the strategic orientations they develop. In other words, if we want to understand how SMEs design and execute their internationalization strategies, we need to dig deeper into the management teams' unique composition and behaviour. Different perspectives may increase performance of teams, and firms – if managed well.

Managerial Cognition and Strategic Orientations

One of human beings' essential cognitive mechanisms is that we always relate to new information by connecting it to our previous experiences (Helstrup and Kaufmann, 2000). We rely on ‘reasoning by comparison’ (Gentner, Holyoak and Kokinov, 2001; as cited in Jones and Casulli, 2014), or the aforementioned heuristics, to make quick evaluations of novel data. Scholars have accentuated the role managerial experience and knowledge have for the internationalization processes of SMEs.

Sambharya (1996) reported that foreign experience of the TMT was positively associated with firms' international involvement. Reuber and Fischer (1997) showed that amongst Canadian software firms, management teams with international experience delayed less in reaching foreign sales after founding and they were more likely to develop foreign market strategies. Further, Gleason, Madura and Wigenhorn (2006) found that born global firms that pursued rapid internationalization had founders, board members and managers with more international experience. Also, Carpenter and Fredrickson (2001) found that American multinational companies showed better performance when they were led by CEOs with international assignment experience. Nummela, Saarenketo and Puumalainen (2004) discovered that managerial experience was one of the drivers of the global mindset, which in turn was “one of the key parameters of international performance”. It seems that previous international experience provides TMT members with new worldviews, inimitable knowledge and networks that

help them overcome liabilities to internationalization, and which increases their firms' international orientation (Knight and Cavusgil, 2004). However, for firms to be able to grow at all, their managerial teams also need a motivation to grow (Delmar and Wiklund, 2008).

An orientation towards growth may be dependent on the prospects of possible economic gains, but also on "noneconomic concerns" (Wiklund et al., 2003). A strategic growth orientation can stimulate firms to widen their search for opportunities, and managerial experience may guide decision makers in performing "structural alignments" (Grégoire et al., 2010) to "connect the dots" (Baron, 2006) between prior knowledge and new information. Such "mental leaps" (Holyoak and Thagard, 1996) are of high relevance for opportunity recognition abroad, as international contexts imply increased uncertainty, ambiguity and need for managerial sensemaking. In this paper, we understand the concept of an international opportunity in accordance with Mainela and colleagues (2014) as "a situation that both spans and integrates elements from multiple national contexts in which entrepreneurial action and interaction transform the manifestations of economic activity". The authors accentuate that this definition allows for the study of both innovation and arbitrage opportunities, as well as combining the two views of opportunity creation and discovery.

To be able to reap benefits from extant experience and knowledge, and to either discover or create opportunities, it is important for managers to communicate, reflect and learn from each other. An orientation towards learning involves strategic efforts at capturing and creating new knowledge. Internationalization is a complex and uncertain process, and therefore the integration of knowledge may precede the learning from such endeavors (Zahra et al., 2000), and could be vital for firms future success. In this paper we define learning as "the development of insights, knowledge, and associations between past actions, the effectiveness of those actions, and future actions" (Fiol and Lyles, 1985), and we agree with Cope (2003), in that "challenges and problems can be rich sources of learning".

The empirical study presented in the next section is designed based on the upper echelon thinking. By obtaining information about firm size, TMT experience and proxies for TMT diversity the purpose is to examine how these characteristics are associated with firms' orientations and international development.

METHODOLOGY

We performed a survey of exporting SMEs to be able to collect the data for this study. Our questionnaire was developed following the recommendations of Fowler (1988), and a pilot study was performed to ensure the survey's validity. The study's population was identified through the KOMPASS database and consists of 2,262 Norwegian internationalizing SMEs. In 2014, respondents received the questionnaire in paper through post, and got an email-link to an electronic version, they could choose to answer either one. Reminders were also sent to the respondents' email addresses. Additional financial and industry data was added through publicly available sources relating to the organizations' annual accounting statements and statutes. The survey was addressed to the CEO of the firm, or if not the CEO, the most knowledgeable individual of the firm's international activities. We chose the top management team and no other work teams as this was in line with Hambrick & Mason's (1984) original work, also it builds upon the notion that there are some people in an organization that will be more powerful than others. We obtained 380 fully and mostly completed questionnaires, the response rate being 17%.

We analyzed that resulting data by means of cluster analysis (Aldenderfer & Blashfield 1984; Hair et al, 2006). Cluster analysis is a technique that groups a set of objects in such a way that objects

in the same group are more similar to each other than to those in other groups. It is an exploratory and iterative data mining technique that aims to identify patterns or taxonomies of firms that may be explored more in depth in future research.

To develop the taxonomy in our case, TMT characteristics with regard to size, diversity and experience were used to form groupings of firms in cluster analysis. A hierarchical technique, Ward's method with squared Euclidian distances, was applied to establish the appropriate number of clusters and the cluster solution. The final number of clusters was determined by examining the dendrogram and agglomeration distance coefficients generated by the hierarchical method. The distance coefficients revealed pronounced changes in cluster tightness, suggesting the most efficient number of clusters (Aldenderfer & Blashfield 1984; Hair et al, 2006). The two-, three-, and four-cluster solutions were assessed for interpretive clarity. Based on these criteria, the three-cluster solution was chosen.

To be able to investigate for cluster differences on each construct of interest, ANOVA was used for the test of significance of overall differences between clusters. Levene's test was applied for test of homogeneity of variances. In case of variance heterogeneity, F-values were tested according to the Brown-Forsythe test. In case of homogeneity of variances, Scheffe's test was applied in the post hoc test of pairwise differences of clusters; in case of heterogeneity, Dunnett's test was used. Results showed that, on each construct, at least two clusters were different at the .001 level. Results of these tests are summarized in Table 1.

Measurement

To ensure validity of the measures included, the survey builds upon previous scholarly work. Questions on size (number of TMT members), diversity and experience of the members of the TMT were developed based on Hambrick & Mason (1984) and following studies on upper echelons (see Carpenter et al., 2004). Items related to TMT diversity include international and educational background, educational degree, age and type of personality. Items related to experience include previous entrepreneurial, management and industry experience. These variables were used to cluster firms into groups that were similar with regard to these descriptive characteristics of the TMT, as mentioned in the theoretical background section. The resulting clusters' international growth expectations, their strategic orientations (growth, learning, international) and international performance were examined to better understand the associations between TMT characteristic and the firms' international activities.

Growth orientation was measured by five items asking whether growth and international development is a strong driver for management and owners, and whether growth and international development is necessary for the firm's survival (Cronbach's Alpha = .854). Growth expectations was measured by one item, soliciting the answer to a question to which extent the respondent expected the firm to be larger than its present size. Learning orientation was measured by six items tapping into whether the firm would use different methods and tools (information sharing in meetings or face-to-face; formal analyses of successes and failures; formal discussions about how to gain from previous experiences) to learn from previous international activities (Cronbach's Alpha = .831). This strategic orientation was based on the work by Zahra, Ireland and Hitt (2000). International orientation had six items related to proactivity and scope in international strategies as well as the development of human resources targeted to international markets (Cronbach's Alpha = .868). The questions relating to

international orientation were based on Knight and Cavusgil (2004). All of the above-mentioned constructs were measured on a 7-point Likert scale.

FINDINGS

In the following, we will present the identified clusters and their descriptive characteristics. To understand the underlying reasons why the clusters differ, we will explore possible antecedents that may indicate why these differences in diversity and experience appear. The question is to what extent TMT characteristics co-vary with other characteristics of the firms. We will analyse the possible consequences that differences in TMT characteristics may have for firms' strategy and performance. In this part, we explore the co-variation of top management team characteristics with firm orientations and behaviour, and we connect with performance.

Table 1: Cluster portrayal

Description	Cluster 1: <i>Born and stuck Nordics</i>	Cluster 2: <i>Agile Exporters</i>	Cluster 3: <i>Established Internationals</i>	Significance between clusters
# Firms	101	178	48	
#TMT members	3.40	3.88	8.56	3 from 1, 2
Diversity – Education***	3.77	5.52	5.25	1 from 2,3
Diversity - Education level ***	3.42	5.01	4.44	1 from 2,3
Diversity - Int. experience***	2.26	4.45	3.63	All different
Diversity – Personality***	4.00	5.42	5.27	1 from 2,3
Diversity – Age***	3.45	4.43	4.73	1 from 2,3
Experience - Entrepreneurship***	2.75	4.78	4.00	All different
Experience – Industry***	4.15	5.49	5.40	1 from 2,3
Experience –Management***	3.93	5.68	5.75	1 from 2,3
Other descriptive features of the clusters				
Average # employees***	28	32	80	3 from 1,2
% in high tech industries***	37	47	74	3 from 1,2
# board members***	1.7	1.7	2.8	3 from 1,2
# board meetings**	3.8	4.5	5.3	3 from 1

*Significant differences at .001 level (***), at .01 level (**) or at .05 level (*)*

Born and Stuck Nordics: Cluster 1

Compared to the other two groups, firms in cluster 1 have fewer members on their TMTs, and the members show less experience and diversity within their teams (table 1). Firms in cluster 1 also report their products and services to be less technologically advanced and less complicated in comparison with the two other clusters. However, they still feel less effective than the other groups, as perceived TMT effectiveness in handling new challenges and change is significantly lower than for clusters 2 and 3. The firms in cluster 1 are mainly selling to nearby markets with over 70% sales to Nordic countries (including their domestic market) and exporting only 13% outside Europe (table 2).

We name the firms in cluster 1, *Born and stuck Nordics* because this group of firms seem to be exporting to mainly Nordic countries nearby and unable to get out of this path. In comparison with the other clusters, they are the least open to new ideas through external members of the board. They are to a smaller degree internationally oriented in terms of decision making and development of human resources. In comparison with cluster 3 their business culture and communications are also significantly less internationally focused, and they display the lowest average of international orientation in total (table 2). The Born and stuck Nordics have significantly lower growth orientation and international ambitions than firms in the two other clusters. In addition, these firms expect to grow to a smaller extent (organic

growth as well as acquisitions), which strengthens the picture of a group of inactive and stagnating firms. Also in terms of learning orientation, the Born and stuck Nordics are performing significantly lower than the other firms, illustrated by a less dynamic approach to knowledge acquisition and development. Even though this group is in fact the most experienced exporters, they still report that they are the least satisfied with their international endeavours.

Established Internationals: Cluster 3

Whilst the Born and stuck Nordics scored lower than the other groups on nearly all measures, we now move to the cluster that scores the highest on nearly all measures. In terms of size, cluster 3 is significantly larger than the other clusters, which are very similar to each other. Cluster 3 firms also have the largest executive teams with significantly more diversity and experience than the Born and stuck Nordics. The firms in this cluster report more complicated and technologically advanced products and services than clusters 1 and 2.

We name the firms in cluster 3, the *Established Internationals*, as they are the most successful organizations on international markets in this data set. Here, we find a more aggressive goal orientation leaning towards acquisitions and a high growth orientation for the future. In addition, they do have the highest learning orientations of all firms – sharing information in meetings, having discussions across teams and attending to formal analysis of failed projects internationally. The Established Internationals report significantly higher growth expectations and international orientation than the other two clusters, and they also report substantially higher growth and learning orientation than the Born and stuck Nordics. The Established Internationals exhibit the largest share of export worldwide, and the highest perceived performance internationally.

Agile Exporters: Cluster 2

The firms in cluster 2 are in the middle ground since this group consists of small companies like the Born and stuck Nordics, but their products reach about the same complexity and knowledge intensity as the Established Internationals. Their TMTs are also as diverse and experienced as the managerial teams in the group of Established Internationals – in some cases even significantly more diverse (international experience) and experienced (entrepreneurship).

We name the firms in cluster 2, *Agile Exporters*, as they seem to be internationals on the move, and a promising group of SME exporters. The Agile Exporters have the most flexible TMTs who feel they are effective in handling new challenges and changing behaviour to external demands, and they invest in human resources to facilitate export. This group reports that they motivate employees to undertake risky projects where possibilities for failure are higher. On the other hand, they do seem to be significantly more risk averse than the Established Internationals, as they expect more collaborations with other companies in the future as their primary way of growth – compared to organic or acquisitioned growth which the Established Internationals aim for. Whilst the latter group also report the highest growth orientation and learning orientation, the Agile Exporters are not significantly different, although slightly 'behind' in all respects. This reveals a picture of the Agile Exporters as 'being on their way' towards growth and perhaps becoming Established Internationals in the future.

Table 2. Strategic orientations and internationalization characteristics of the firms

	Cluster 1: Born and stuck Nordics	Cluster 2: Agile Exporters	Cluster 3: Established Internationals	Significance between clusters
Strategic orientations				
Growth orientation**	4.39	4.93	5.19	1 from 2, 3
Growth expectations***	4.09	4.80	5.48	All different
Learning orientation**	2.92	3.43	3.60	1 from 2, 3
International orientation**	3.99	4.50	4.97	3 from 1, 2
Internationalization characteristics				
Year of first foreign sale*	1978	1986	1984	1 from 2,3
Number of export markets***	12	11	22	3 from 1,2
Export share*	37	42	54	3 from 1
Sales outside Europe in %*	13	18	26	3 from 1
Satisfaction with exports*	3.79	4.26	4.51	3 from 1

*Significant differences at .001 level (***), at .01 level (**) or at .05 level (*)*

DISCUSSION

As demonstrated in the results section we have identified several links between the TMT characteristics in each cluster and the products, conduct, and performance of the firms. All firms are SME exporters, but their approach to international markets as well as their performance are quite different. This section will discuss the findings and make suggestions for future research. Our hope is that the scholarly community will find the proposed research directions useful and develop the field further.

Team composition and international orientation

SMEs' internationalization is known to include uncertainty and unexpected events. However, such novel environments for the firm may be the very origin of opportunities and trigger problem solving that might develop into competitive advantages over time (Weerawardena, 2003). Several scholars have found a link between managers' education and/or experience, especially international experience, and firms' international orientation and performance abroad (e.g., Carpenter and Fredrickson, 2001, Sambharya, 1996, Reuber and Fischer, 1997, Ganotakis and Love, 2012). Our empirical findings support this view since the Established Internationals are significantly different from the other two clusters when comparing their international orientation, and they also have high levels of experience and diversity in their management teams. In addition, these firms show significantly higher satisfaction with their international endeavours, they export to more markets, have greater sales outside Europe, and generate a higher share of revenue from their exporting activities.

Individuals who are exposed to a broader set of contexts and experiences involving new cultures, different climates and novel contexts create a larger experience portfolio and seem to be more competent in connecting the dots between different knowledge pools (Baron, 2006, Grégoire et al., 2010). In their review of the concept "global mindset", Levy, Beechler, Taylor and Boyacigiller (2007) note that the literature predominantly believes more international experience to be better. Based on the year of their first foreign sale, the Born and stuck Nordics are in fact the most experienced exporters in our dataset, but they are still the least satisfied with their international activities. As managerial experience is one of the key drivers of an international orientation and a global mindset (Nummela et al., 2004), it is reasonable to ask if the Born and stuck Nordics are lacking an international drive due to their lower levels of education and experience at managerial level.

Executives' human capital influence their decision making through both system 1 and system 2 of the mind. Increased levels of education and experience may benefit managers who are performing

analytical strategic thinking, but it may also influence managers' internationalization heuristics – their mental shortcuts based on proven ways of venturing abroad which enable faster strategic decision making. Originating from a small country with a limited domestic market, the Born and stuck Nordics group seem to have lost international momentum – with 40 years since inception, they have an export share of 37%. This could reflect that their internationalization heuristics are simply not evolving, meaning that they keep doing what they have always done due to the recurring use of the same rule-of-thumb. Or they may be bound by their previous strategic decision making, unable to break out of their path determined growth trajectory, and in what seems to be a maturing international market they have become less satisfied with their international performance. If they were able to hire more experience or if their executives were upgraded in other ways, this could increase their ability to spot growth opportunities, heighten their agility and possibly help them become 'born-again' globals (Bell et al., 2001). An international environment will always be rich with ambiguous clues and novel learning opportunities, but firms will need to learn and capture such knowledge generated through individual experiences. To be able to grow at all firms also need an orientation towards growth.

Team composition and growth orientation

To be able to recognize opportunities for growth, managers need information and knowledge. The cognitive ability to put the two together in a unique way is often obtained from education, experience and interaction with others. Experience and knowledge of the top management team will enable executives to better make sense of their context and resources, and growth orientation is important because it leads managers to identify opportunities, meaning new ways of creating value. Researchers have found a positive relationship between executives' orientations towards growth and firms' realized growth (Moen et al., 2016, Delmar and Wiklund, 2008, Wiklund and Shepherd, 2003, Kolvereid, 1992, Davidsson, 1991). Scholars have also observed a favorable relationship between increased levels of managerial knowledge and growth orientation. Wiklund & Sheperd (2003) found that business managers' education and experience were among the factors that enhanced the effect of their growth aspirations on the achieved growth of the company. Further, Grégoire et al. (2010) discovered that managers with more inter-industry experience applied structural alignments at deeper levels, and therefore saw opportunities by connecting seemingly separate experiences.

From our empirical findings, we see that the Born and stuck Nordics lag behind the other two clusters in all regards when it comes to experience and diversity. They are also significantly behind the others when it comes to growth orientation and growth expectations. As mentioned, we interpret this as a signal that the Born and stuck Nordics are stagnating or at least are less oriented towards development. The Agile Exporters on the other hand, display the same high growth orientations as the Established Internationals, possibly illustrating that they are on their way to develop into larger firms.

The idiosyncratic nature of growth implies that there are numerous ways for firms to grow (Delmar et al., 2003). Orientation towards growth will therefore entail increased attention towards ways to grow, i.e. towards utilizing opportunities. Top management teams encompassing diverse educational and experiential backgrounds will be better able to interpret ambiguous environments abroad due to diverse reasoning and the ability to draw on an increased number of viewpoints. This may further lead to the identification of a higher number of opportunities for growth. Previous research has found that teams that are more diverse produce more ideas and alternatives and that this increases the level of innovation in the firm's solutions to its challenges (Milliken and Martins, 1996,

Horwitz and Horwitz, 2007). Milliken and Martins (1996) nicely summed up “diversity in organizational decision-making groups may lead to higher quality decisions being made because the group thinks in more realistic and complex ways about its context”. Lacking knowledge on the other hand, may imply that the team members simply fail to understand how to do it, when to do it and not least, what to do (Delmar and Wiklund, 2008).

A link between team diversity and team size has been demonstrated, so that larger teams will imply more diversity (Allison, 1978). Diversity may also have more destructive effects on the decision making in teams (Horwitz and Horwitz, 2007). Large and more diverse teams have more managerial knowledge and resources, and the teams will have a higher potential to achieve more, but this diversity may contribute to increased levels of tension and conflict as well. This suggests a complex relationship between TMT diversity and executives' growth ambitions for their firms.

The Agile Exporters show high diversity and levels of experience even though they have fewer members on their executive teams. This group actually report the most diversity overall (with the exception of age), and significantly more than the Established Internationals when it comes to entrepreneurial and international experience. In this way, the Agile Exporters seem to incorporate more heterogeneity amongst the members they have, whilst the Established Internationals have more members, and therefore have diversity within their teams. Even though there statistically is no difference between the growth orientations of the Established and Agile groups, the latter do have significantly lower expectations to grow. Could this be reflected by their teams being more different from each other internally? In other words, is there an optimal level of diversity on management teams? Or is this a reflection of their current resources needed to grow? The Agile Exporters do seem to be significantly more risk averse than the Established Internationals, as they expect more collaborations with other companies in the future as their primary way of growth – compared to organic or acquisitioned growth which the Established Internationals aim for. This could also be a sign that they are more entrepreneurial in their internationalization endeavours.

The initially developed orientation towards growth often follows firms over time due to imprinting effects. Such path dependency influences which opportunities the managers are able to perceive and pursue – and which they avoid pursuing. As Saarenketo and colleagues explain, “path-dependency, i.e. the history of the firm and its effect on the firm's future development is an important concept when analysing the firm's growth. The window of opportunity for the firm is constrained by its existing routines and capabilities” (Saarenketo et al., 2004). In their latest retrospective on the Uppsala model, Vahlne and Johanson (2020) emphasize that path dependency is one of the reasons why managers do not evaluate all alternatives available. Even though the Uppsala model so far primarily has been concerned with the firm level, its authors also point out that both evolutionary development and revolutionary adaption is made possible through managerial decision making (Vahlne and Johanson, 2017). A central question is if the Born and stuck Nordics have in fact stagnated due to their small, homogeneous and less experienced top management teams. Alternatively, if the effect is the opposite – are these firms unable to attract more proactive management members due to their low growth orientation inherited through organizational routines?

Cassar (2006) found that “opportunity costs significantly influence the intended growth of new ventures, with individuals with higher current household incomes and supervisory experience intending on being involved in ventures with larger future sales revenue”. As we might expect individuals with more education to have higher revenues, the opportunity cost perspective might

explain why managers with more education chose employment in or establish firms with higher growth orientations.

On the other hand, the research of Wiklund, Davidsson and Delmar (2003) found that there are several non-economic considerations affecting managements' attitudes towards growth that may in fact be more important to them than financial concerns. Amongst these concerns are employee wellbeing and control of the firm. Beliefs that employee wellbeing will decline due to growth of the firm may be justifiable due to limited managerial and financial capacity, and such a concern will affect managerial perceptions of opportunities and their decision making on behalf of the firms. If business managers achieved knowledge on how to overcome these concerns in a satisfying way, the firms' orientation towards growth could be higher overall. However, for that they would need a learning orientation.

Team composition and learning orientation

It is generally acknowledged that firms that venture abroad encounter heightened uncertainty levels and liabilities due to limitations in their current knowledge (Hohenthal et al., 2003). To prosper it is therefore necessary to be able to learn. Huber (1991) describes five types of organizational learning; *congenital* (learning inherited and acquired through the firms' founders), *experiential* (learning through experience), *vicarious* (learning from others), *grafting* (learning through recruitment) and *searching* (learning through exploration of the firms' context). Madsen and Servais (1997) explained that congenital learning, meaning founders' prior knowledge and their general background, are essential for the chosen pattern of internationalization. "Factors like education, experience from living abroad, experience from other internationally oriented jobs, etc. mould the mind of the founder and decrease the psychic distances to specific product markets significantly".

The Uppsala model (Johanson and Vahlne, 1977), builds on experiential learning as the vehicle for firms to handle uncertainty in their internationalization process. Johanson and Vahlne further extended their model to take into account vicarious learning through networks in 2009, and recently took on an evolutionary view of knowledge development as a process that develops over time (Vahlne and Johanson, 2017). A recent paper by Pellegrino and McNaughton (2017) investigates the different learning techniques utilized by eight early and late internationalizes. They discuss how the current literature on small firm internationalization views learning as depending on whether the firms venture abroad in a rapid (Oviatt and McDougall, 1994) or incremental manner (Johanson and Vahlne, 1977). The authors uphold that "a logical proposition drawn from this literature is that incrementally internationalizing firms rely heavily on experiential learning, while rapidly internationalizing firms, lacking time to gain experience, substitute other modes of learning". They found that congenital learning indeed was highly important for rapid internationalizes in their pre-internationalization phase as predicted by Madsen and Servais (1997), but that experiential learning and searching were most common for both types of firms in their later internationalization phases. The authors also found that vicarious learning was of less importance than what has been predicted earlier (Johanson and Vahlne, 2009). Further, they discovered that firms utilize a combination of learning techniques, but most importantly, that not having a learning orientation is negatively for the internationalization process and in one instance led to a firm having to retract from an international market.

From our data, we see that the Born and stuck Nordics display a significantly lower learning orientation than the Agile Exporters and Established Internationals. The latter two groups have more

diverse top team members when it comes to education which may imply a more conscious view of learning as a vehicle to success, or even as a necessity in adapting to new contexts. We may ask if it is the heightened diversity among executives in these firms that contribute to a view that capturing knowledge is necessary to be able to navigate complex environments abroad.

The Born and stuck Nordics encompass small firms with products and services, which are neither very complex nor knowledge intensive. These characteristics indicate relatively low competence requirements and may explain why their TMTs are small and have low diversity and experience. The Established Internationals are on the other end of the scale, large firms with complex and knowledge-intensive products and services that are accompanied by larger executive teams with higher diversity and experience. The Established Internationals have a significantly higher number of external board members and a greater number of board meetings than the Born and stuck Nordics, and thus seem to be more open to the inflow of new information and the capturing of ideas. From extant literature, it is clear that “continuous improvement requires a commitment to learning.” (Garvin, 1993) and that “in the absence of learning, companies – and individuals, simply repeat old practices”, which indeed could be what is happening for the Born and stuck Nordics. Thus, if firms’ and managers do not consciously make an effort to change their organizational routines, their firms’ path dependence will most likely keep them on their current growth trajectory.

Suggestions for Future Research

In light of the discussion presented so far and the questions outlined above, we see interesting avenues for further research to extend upon our work. In this section we will outline three areas for future research to explore in order to obtain richer knowledge about the relationships between managerial characteristics and firm outcome, they are (1) *Evolution of growth trajectories*, (2) *Reverse causality*, and (3) *Aggregate effects*.

Evolution of growth trajectories

In the discussion section, we have so far presented several questions suitable for research and we have seen that the relationships between the characteristics of the top management teams and firms’ strategic orientations not necessarily are straight-forward. From our findings, we discovered that the Born and stuck Nordics were significantly behind the other two clusters in all regards when it came to experience, education, and diversity within the executive team. This group also displayed a significantly weaker strategic profile when it came to growth, learning, and international orientation. Future research could explore why firms seem to get stuck in their current growth trajectories. Is it the less diverse tenure of the managers that reduce the flexibility in their strategic development, is it due to path dependency where previous decisions regarding resource allocation determine which opportunities the management teams are able to see, or could it be the repeated use of the same internationalization heuristics?

The upper echelons theory posits that managers’ characteristics shape the strategies of an organization, and as such, an increase in human capital on the management team could heighten international performance, but such additions to the team could also complicate communication through the double-edged sword of diversity. Managerial expectations related to growth trajectories could be even harder to change than lacking knowledge, as some managers are found to assume detrimental effects of growth, such as lower employee wellbeing, and therefore have a lower growth orientation overall. Closer investigations of these effects are needed to be able to provide a holistic picture of the

evolution, and possible revolution, of firms' growth trajectories. For the firms in our study, there is also the potential that stronger strategic orientations may provide firms with the tools needed to break out of their current clusters, shift their development paths and increase the scope of their growth trajectories. This indicates a reverse effect of strategy on the managerial level.

Reverse causality

Due to the research design in our study, we are unable to establish causality, and furthermore, we cannot exclude the possibility that causality might be reverse. We have discussed how strategic orientations are subject to path dependency in that managers imprint their knowledge, values, and perceptions of the world on the firms' strategic orientations. Managerial understandings of the firms' environments are found to be influenced by their background, education and experiences. Empirically, we found that rich human capital was observed in the Established Internationals, and this group also showed the greatest levels on all strategic orientations. The Born and stuck Nordics, on the other hand, had the lowest levels of both human capital and strategic orientations. In this way TMT size, experience, and diversity seems to be associated with stronger strategic orientations in general. However, the relationship between managers' human capital and firms' orientations could also be the opposite, meaning that it is the firms' strategic orientations that influence which managers are attracted to the firms in the first place.

Above we asked if the Born and stuck Nordics were stagnating due to their management teams being relatively small, homogenous and less experienced, or if we rather could turn the problem on its head and ask if these firms were unable to attract a more proactive TMT due to their less ambitious strategic orientations inherited through previous organizational decision making? The founding individuals could be argued to pre-date a venture's development of strategic orientations, but organizational routines and capabilities will also influence how the recruiting to the top management team unfolds. These two approaches need not be exclusive, and in a dynamic firm environment they are likely to influence each other so that there exists a reciprocal relationship between team composition and strategic orientations – a relationship in which they both affect each other. Future research could examine the causality in this relationship using dynamic models based on longitudinal data.

Aggregate effects

This research direction relates to how strategic orientations may influence the international performance of the firm. Hagen et al. (2012) infer from their summary of various research streams that strategic orientations do influence performance, but that “there also seems to be a common understanding that no single strategic orientation leads to superior performance in all situations”. When managing an organization, the ability to adjust the strategic profile to fit the current context is important. However, our discussion indicates the importance of the similarities as well as interconnectedness of the three strategic orientations mentioned in this study. This leads us to focus on how they can be used as complementary strategies for internationalization.

In the discussion, we have touched upon the positive influences of having a growth orientation on achieved growth, the advantageous relationship between having a learning orientation and adapting to new contexts, and the favourable connection between international orientation and realized performance abroad. An orientation towards growth combined with interest in exploring foreign

markets through internationalization and not least, learning from international experiences seems important to succeed. We challenge future research to delve more deeply into the antecedents and outcomes of strategic orientations, to investigate the degree to which their independent and joint effects will allow for shifts in growth trajectories, and to examine the aggregate effects of them working simultaneously together on firm performance.

CONCLUSIONS AND IMPLICATIONS

The aim of the present study was to explore the organizational consequences of diversity and experience of TMTs. Based mainly on the theoretical framework of the upper echelons perspective, we utilized an exploratory technique to develop three clusters of firms with varying top management team characteristics. As demonstrated, the three clusters also differed in many other respects such as industry, export degree, board composition, orientations, and performance. The three clusters with unique team profiles were named (1) Born and stuck Nordics, (2) Agile Exporters, and (3) Established Internationals, based on their strategic orientations and performance.

Since our study is cross-sectional, we cannot infer any causal effects, but there seems to be quite valuable implications from our study. Our theoretical contribution provides insight into the upper echelons of SMEs as we explore the role of top managers and the degree to which their experience and diverse backgrounds are related to strategic orientations (growth, learning, and international) on firm level. Additionally, we provide the scholarly community with directions and suggestions for future research.

Implications for practitioners will be to increase the size, diversity, and experience of their TMT if they aspire to increase firm growth, internationalization and learning. In combination, this may result in better performance internationally. The recommendation to policy makers will be to focus on the Agile Exporters since this group seems to have a high potential in terms of export growth, but that they may need support in this process. Further, policy makers might focus on the most agile Born and stuck Nordics since they may be motivated to enter the Agile Exporter-group. The Established Internationals should be able to be self-driven in their further development of export activities.

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