The role of Entrepreneurial Orientation and Dynamic Capabilities during Internationalization - A comparative case study of Swedish SMEs

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Hampus Lundqvist
Naseef Kamal
Supervisor: Desirée Holm
Abstract

This study explores the relationship of entrepreneurial orientation and dynamic capabilities as organizations grow beyond country borders and into international markets. Through an extensive literature review of internationalization, entrepreneurial orientation and dynamic capabilities, a theoretical framework is developed that allow us to answer our research question. The study takes an abductive, comparative case study approach and is conducted on three Swedish SMEs in regard to their internationalization activities related to South Korea. The study proposes that there is an area in research that still contain a high degree of ambiguity which makes an understanding of the relationship between these two constructs difficult to define. The study’s findings report that the two constructs have complementary narratives of the same phenomenon which concedes a variety of possible relationships. The study then argues in support and rebuttal of five propositions of relationships.

**Keywords:** Internationalization, entrepreneurial orientation, dynamic capabilities, opportunity development
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1. Introduction

1.1 Background

The past few decades have seen a rather unprecedented expansion of organizations into foreign markets to achieve competitive advantage in today’s increasingly competitive business environment (Zahra et al. 2001; Arndt, Buch & Mattes, 2012; Suzuki & Okamuro, 2016). Due to benefits of diversification, economies of scale and learning advantages that internationalization provides, organizations that are able to internationalize effectively are more likely to achieve faster growth, increased competitiveness and accelerated performance. (Ruzzier, Hisrich & Antoncic, 2006; Coviello, McDougall & Oviatt, 2011; Lee et al. 2012).

However, internationalization also presents challenges with regard to barriers to entry such as difference in culture, consumer behaviour and regulations which are important for organizations to manage (Barkema, Bell & Pennings, 1996; Zahra et al, 2001; Brouthers & Nakos, 2004).

Researchers have attempted to understand how internationalization occur as well as how performance can be improved during the internationalization process. Two prominent approaches in this endeavor have been to examine the role of entrepreneurship and dynamic capabilities (Weerawardena et al. 2007; Schweizer, Vahlne & Johanson, 2010; Al-Aali & Teece, 2013; King & Tucci, 2002; Prange & Verdier, 2011; Cavusgil & Knight, 2015; Mudalige, Ismail & Malek, 2018).
1.2 Problem statement

Researchers in the field of international business have explained how internationalization occurs as a result of entrepreneurial exploration and exploitation of opportunities (Johanson & Vahlne, 2009; Schweizer, Vahlne & Johanson, 2010). Furthermore, research in the field of entrepreneurship has shown that organizations take advantage from having an entrepreneurial orientation during their internationalization process as this aid to cope with uncertainty in new markets. This is due to that having an entrepreneurial orientation enables management to sense and exploit opportunities before others (Kirzner, 1997; 1999; Miller, 1983; Hamel and Prahalad, 1994; Sathe, 2003) as well as promoting agility, flexibility, creativity, and continuous innovation essential for continued adaptation (McGrath & MacMillan, 2000; Zahra et al. 2001; Kraus & Kauranen, 2009; Covin & Slevin, 2009).

Meanwhile, researchers in the field of strategic management have similarly shown how the creation and utilization of dynamic capabilities enable organizations to efficiently perceive of opportunities in uncertain environments and to provide the adaptability and agility to exploit them (Teece, Pisano & Shuen, 1997; Griffith & Harvey, 2001; Zahra, Sapienza, & Davidsson, 2006). This perspective has thereby in a similar way been described how organizations succeed in their internationalization process (Prange & Verdier, 2011; Cavusgil & Knight, 2015).

Although entrepreneurial orientation and dynamic capabilities have evolved independently, they exhibit similarities in regard to described functions and significance for internationalization. Researchers from across the aisles have indicated an intimate relationship between entrepreneurship and dynamic capabilities (Teece, 2007; Schweizer, Vahlne & Johanson; 2010); Zahra, Sapienza & Davidsson, 2006;). The nature of this interconnectedness is not clear and there is a lack of consensus regarding both origins and mechanisms. Despite this, an assumption of a relationship is often taken for granted by researchers in several fields.

Researchers have argued for the potential of including an entrepreneurial dimension in the development and the maintenance of dynamic capabilities since they have recognized that they seem to correspond to each other (Zahra & George, 2002; Zahra, Sapienza & Davidsson, 2006; Teece, 2009). Previous empirical research has argued that organizations with both
entrepreneurial orientation and dynamic capabilities increase performance during their internationalization process (Jantunen et al. 2005). However, empirical research exploring the relation between these two constructs, in the regard to how this relationship functions, is limited.

Furthermore, research on dynamic capabilities in particular have tended to focus on larger organizations. However, researchers have argued that the development of dynamic capabilities is just as vital for small and medium-sized (SMEs) in order for them to adapt successfully and to flourish (Zahra, Sapienza, & Davidsson, 2006; Sapienza et al. 2006). Previous research on internationalization has also tended to focus on multinational companies (MNCs), whereas internationalization of SMEs has been described to be neglected (Korsakienė & Tvronavičienė, 2012; Kazlauskaitė et al. 2015).
1.3 Purpose statement and research question

Due to similar claims on function and significance for internationalization, yet lacking research on inter-relation, this study aims to explore the relationship between the two constructs of entrepreneurial orientation and dynamic capabilities during the internationalization process of SMEs.

Research question:

- What is the relationship between entrepreneurial orientation and dynamic capabilities in the internationalization process of organizations?

The context of internationalization in which these phenomena are studied is narrowly defined to establish a precise and consistent perspective through which the study investigates the research question. The two constructs, entrepreneurial orientation and dynamic capabilities are outlined before conceivable relationships are discussed. Employing a comparative case study of Swedish SMEs who have recently undergone an internationalization process, we explore how manifestations of these two constructs can be identified in the empirical setting and how they can be understood to be interrelated in the internationalization process.

The main purpose of this study is not to explore the constructs themselves in greater detail than how they have already been depicted, rather how they can be viewed to relate to each other. In this, it would aim to further reconcile two constructs which can be perceived to treat the same phenomenon whilst applying different labels. Therefore, this study is not mainly intended for practitioners, rather an attempt to add to the effort of bringing research in these two fields closer to an understanding. Or at least state the need for clearer categorization between these fields regarding their descriptions of the same phenomenon.
2. Theoretical Framework

This chapter shows how internationalization has been explained to be an incremental process of exploration, recognition and exploitation of opportunities. The chapter further highlights the entrepreneurial attributes where internationalization is viewed as an outcome of having an entrepreneurial orientation. Lastly, this chapter show how dynamic capabilities have been described and how they are relevant during internationalization.

2.1 Internationalization

Many organizations operate beyond the borders of the country of origin. Internationalization is relevant not only to Multinational corporations (MNCs) but also to many small and medium-sized firms (SMEs). While some organizations have faced more challenges than others, it is certain that an international expansion can be lucrative (Zahra et al. 2001; Schmid, 2009). Hence, it is not so much a question of why firms cross borders. Indeed, plausible answers to this question already exist. However, a more interesting question concerns how firms can expand abroad most efficiently.

2.1.1 Internationalization of SMEs

Previous research on internationalization has tended to focus mostly on Multinational Companies (MNCs), whereas internationalization of Small and medium-sized enterprises (SMEs) remains less explored (Korsakienë & Tvaronavičienė, 2012; Kazlauskaitė et al. 2015). It is relevant to explore the internationalization process of SMEs since the survival rate, competitiveness and performance usually are lower than MNCs (Ropega, 2011; Mudalige, Ismail & Malek, 2018;). Lee et al. (2012) have further argued that internationalization is a key factor for SMEs to accelerate growth and to stay competitive. It also increases the likelihood for survival due to benefits of diversification and economies of scale (Zhou & Wu, 2014).

In addition, much extant research reveals that neither traditional models of internationalization, network perspective or international new venture literature are enough to explain the phenomenon of SME internationalization adequate and thus, theoretical
frameworks should be better integrated to assist in developing new explanations and multi-theoretical perspectives (Andersson, Evers & Kuivalainen, 2014; Cavusgil & Knight, 2015).

2.1.2 Internationalization as an opportunity development process

The Uppsala Model of internationalization depicted how firms gradually increase their international involvement (Johanson & Vahlne, 1977). The firm’s engagement in the foreign market is incremental and is described as a chain of developments. At the outset, it may be the case that no regular business activities are carried out. Subsequently, export sales may take place before eventually establishing an own subsidiary or a joint-venture through partnerships. In the last stage, own production units in the foreign market may be established when experience and knowledge have increased to a certain level in the specific market (Johanson & Vahlne, 1977; Johanson & Vahlne, 1990).

The Uppsala model, which has its roots in the behavioral theory of the firm in Cyert and March (1963) recognized that firms are rationally bounded when making decisions. As consequence, several factors must be considered due to uncertainty when conducting business between firm’s domestic markets and foreign markets regarding cultural adaptation, differences in languages and regulatory environments. This is referred to as “psychic distance” and explained by Johanson and Vahlne (1977) how firms tend to start their internationalization journey by entering those markets which are similar to the firm’s domestic markets and are most easily understood, where as aforementioned barriers are low. The fundamental assumption of the Uppsala Model is that when firms tend to intensify their market commitment (e.g. more investments) towards the foreign market, their knowledge and experience grows incrementally (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977).

In their revised paper from 2009, Johanson and Vahlne came to include new concepts and insights into their model, which better were able to explain company behavior when changes in economic and regulatory environments are considered. In comparison, this new model more distinctly acknowledged the opportunity dimension of internationalization by explaining business networks, insights of entrepreneurship and the combination of these in the application of the Uppsala Model.
The Uppsala Model can be viewed as the recognition and exploitation of opportunities in conjunction with foreign expansion. As increased operations and commitments are made in foreign markets in conjunction with perceived opportunities, there is also an increased risk that follows due to uncertainties (Johanson & Vahlne 1977; 2009). This opportunity development process has previously been shown to have similarities with the internationalization process, as in both processes, knowledge and commitment are intertwined in order to discover opportunities (Ghauri, Hadjikhani & Johanson, 2005; Holm, Johanson & Kao, 2015). In some cases, organizations recognize an opportunity by identifying needs of others as they observe the open market. In other cases, organizations identify opportunities through the interaction with other organizations (ibid). This demonstrates that organizations that are embedded in networks with other have a tendency to better recognize opportunities in foreign markets (Johanson & Vahlne, 2009; Holm, Johanson & Kao, 2015). In addition, this type embeddedness in networks is crucial for the ability to exploit opportunities underpinned by mutual dependence, learning, trust and the transfer of knowledge (ibid).

Strong relationships enable reduced risk. This in turn facilitate a stable position in a foreign business network to exploit opportunities (Johanson & Vahlne, 2009; Moran, 2005). Moving on, Shane (2000) further emphasized the importance of prior knowledge which tends to make parties involved in a network to discover opportunities even better by focusing on their core competencies. Hence, organizations should focus their analysis on opportunities by starting to look within their own resources, where they seemingly have some advantageous knowledge which is difficult for others to imitate, in particular for those who are outside the network (ibid). Similarly, Johanson and Vahlne (2009) have further argued that there are various types of knowledge which are not available to everyone. Those organizations involved in the network extend their knowledge base and thereby discover and create opportunities. Therefore, internationalization has much in common with entrepreneurship. More precisely, it can be described as corporate entrepreneurship in terms of incremental development, an emphasis on cooperative strategies and strengthened positions within networks (ibid).

In their revised and extended version of the original model, Johanson and Vahlne (2009) view business networks as a structure in which the firm is ingrained. They then argue that in this environment, the opportunity development process assembles that of the internationalization process. Therefore, the discovery and pursuit of opportunities are considered to be fundamental elements that drives internationalization within a network (ibid).
2.1.3 Internationalization as a result of entrepreneurship

As a further extension of Johanson and Vahlne’s (2009) model, Schweizer, Vahlne and Johanson (2010) more distinctly emphasized the role of entrepreneurship where internationalization is seen as a by-product of entrepreneurial actions and not as an outcome of intentional efforts to expand abroad. In line with Kirzner (1973), entrepreneurial activities may involve decisions and actions taken to establish an international organization. Opportunities are identified as an outcome of differences in experience, creativity and knowledge that individuals or organizations have obtained. Due to their particular set and configuration of these entrepreneurial attributes, individuals or organization exploit certain opportunities better than others (Schweizer, Vahlne & Johanson, 2010). In other words, entrepreneurial efforts aimed directly to achieve efficiency and growth may indirectly lead to internationalization. Thereby, Schweizer, Vahlne & Johanson (2010) depict how internationalization is better understood as a result of entrepreneurial opportunities rather than as the output of a strategic decision to expand abroad.

Johanson and Vahlne (2009) include elements of entrepreneurship in the analysis of the internationalization process of organizations, particularly in relation to discovering opportunities. They refer to Kirzner (1973) who offers a view regarding critical elements of entrepreneurial alertness, boldness and imagination in the analysis of discovering opportunities. Opportunity recognition is seen as “accidental” instead of as a consequence of
opportunity seeking activities. It is based on alertness and a readiness to be surprised (Schweizer, Vahlne & Johanson 2010).

Inspired by Sarasvathy (2001), Schweizer, Vahlne and Johanson (2010) emphasize the notion of effectuation. A central approach (though not restricted) to entrepreneurship which entails that the entrepreneurial journey is more than taking the most efficient path to an easily defined future. It consists of processes of exploration. Therefore, when entrepreneurially oriented organizations explore, objectives change along the way due to new insights and facts gained from the market they have entered. The fundamental aspect of the effectuation approach is that individuals balance decisions with resources at hand to improve efficiency and growth (Sarasvathy, 2001). Effectuation rationality is therefore best described as what can be done with given resources rather than to decide what ought to be done from a predictive rational view (Sarasvathy, 2001). According to Sarasvathy (2001), there are also several reasons why the effectuation approach turns uncertainty into opportunity. Decision makers evaluate opportunities based on whether the affordable loss is acceptable instead of the attractiveness on expected return. However, Brown, Davidsson and Wiklund (2001) argue that organizations with an entrepreneurial orientation tend to have lower risk aversion in favor of faster growth plans and thereby seek to maximize opportunities.

Effectuation approach also entails that managers with a less strict definition of desired goals can handle surprises in uncertain environments and remain flexible, rather than being constrained to defined goals (Sarasvathy, 2001). This eventually leads to the formation of partnerships with external parties (e.g. venture capitalists, suppliers, customers and partners) willing to make a commitment to make the product, services or the business venture without much emphasis on long-term strategic planning (Dew & Sarasvathy 2002; Schweizer, Vahlne & Johanson, 2010). This type of co-optation of skills and processes from external parties depict an entrepreneurial resource orientation (Starr & MacMillan, 1990). Managers can then use contingent information as a resource for constructing goals and focus on those aspects of the uncertain environment which are, at least to a certain degree, within their control (Dew & Sarasvathy, 2002). Based on the effectuation approach, Schweizer, Vahlne and Johanson (2010) agree that entrepreneurial actions are highly significant and major driving forces in order to identify and develop business opportunities in conjunction with an expansion abroad.

Previous research in the field of entrepreneurial orientation has also been able to contribute to theoretical development in the field of internationalization. First, it has brought forward with a
redefinition of internationalization as an entrepreneurial process, defined as the discovery and exploitation of opportunities in international markets (Schweizer, Vahlne & Johansson 2010). Second, through identifying underlying factors which influence the opportunity development process regarding internationalization (Johanson & Vahlne, 2009; Schweizer, Vahlne & Johanson, 2010).

As seen in their model (Figure 2), Schweizer, Vahlne and Johanson (2010) depict internationalization as an entrepreneurial process of discovering and exploiting opportunities in foreign markets where the outcome is uncertain. The discovery and development process of opportunities depends on a firm’s circumstances in terms of prior knowledge, how well it is positioned within its networks and relationships with other partners and the firm’s ability of commitment of time and resources to international market opportunities that could yield uncertain outcomes (Schweizer, Vahlne & Johanson, 2010). Lastly, Schweizer, Vahlne and Johanson (2010) include the importance of dynamic capabilities. An essential capability of the entrepreneur is to develop and maintain important relationships and make use of contingencies in those relationships to discover and exploit opportunities. As expressed by themselves: “In our model, we include such dynamic capabilities in the concept of entrepreneurial capability. An important part of that capability is learning and creating new knowledge, for example, of opportunities” (Schweizer, Vahlne & Johanson, 2010).

Figure 2. Internationalization as an entrepreneurial process (Schweizer, Vahlne & Johanson, 2010).
<table>
<thead>
<tr>
<th>Internationalization Process</th>
<th>The Uppsala Model of Internationalization</th>
<th>Business Network Process Model</th>
<th>Entrepreneurial Process Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>International involvement occurs in small, incremental steps. Increased international commitment as knowledge and experience grows.</td>
<td>Opportunity development through exploration and exploitation of opportunities to strengthen the firm’s position within foreign networks.</td>
<td>Through entrepreneurial attributes, recognized in the level of experience, creativity and knowledge to better exploit opportunities.</td>
</tr>
<tr>
<td>Sampling/Type of research</td>
<td>Study of four Swedish manufacturing firms in steel, engineering, pulp and paper industry.</td>
<td>Study of a Swedish industrial MNC involved in steel production which relied on external resources.</td>
<td>Study of a rapidly growing Swedish family-owned pharmaceutical company.</td>
</tr>
<tr>
<td>Managerial implications</td>
<td>Adaptation and experiential learning are important in foreign markets due to uncertainty. Liability of foreignness gives rise to internationalization difficulties.</td>
<td>Internationalization is seen as a by-product of efforts to strengthen a position in a foreign network. Liability of outsidership instead of liability of foreignness gives rise to internationalization difficulties.</td>
<td>Internationalization is seen as a by-product of entrepreneurial acts in terms of identifying and exploiting opportunities.</td>
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</table>
2.2 Entrepreneurial Orientation

2.2.1 Entrepreneurial Orientation

Entrepreneurial orientation has widely been described as an orientation towards entrepreneurial activities and has been labeled in different ways. Early works from Mintzberg (1973) and Khandwalla (1976) emphasize managerial acts such as in decision-making on an individual level. More recent studies involve an organizational-level activity involving decisions made by the entire organization. An entrepreneurial orientation has been a major driving force of organizations that aspire to engage in entrepreneurial activities, not least in the midst of an international expansion (Lumpkin & Dess, 1996; Schweizer, Vahlne & Johanson, 2010). In terms of internationalization, Lumpkin and Dess (1996) argue that when firms enter a new market, it is by definition an entrepreneurial act. An entrepreneurial orientation on the other hand describes the processes, practices and decision-making activities that lead to that new market entry (ibid).

Covin and Wales (2012) attempts to portray how entrepreneurial orientation has been described through the years to encapsulate how the construct has been used to depict its function in the acts of individuals as well as of organizations. Definitions selected by Covin and Wales (2012) in this endeavor are shown in Table 2. Entrepreneurial orientation has been be summarized as a means-to-an-end framework, containing risk-taking activities and a bold approach to continuously innovate. In essence, entrepreneurially oriented organizations tend to be forward-looking and consequently manage to discover and recognize opportunities before others (Knight & Cavusgil, 2004).
## Table 1. Summary. Definitions of Entrepreneurial Orientation

<table>
<thead>
<tr>
<th>Definitions of Entrepreneurial Orientation</th>
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<tr>
<td><strong>Mintzberg (1973)</strong></td>
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<td><strong>Khandwalla (1976)</strong></td>
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<td><strong>Miller &amp; Friesen (1982)</strong></td>
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<tr>
<td><strong>Miller (1983)</strong></td>
</tr>
<tr>
<td><strong>Morris &amp; Paul (1987)</strong></td>
</tr>
<tr>
<td><strong>Lumpkin &amp; Dess (1996)</strong></td>
</tr>
<tr>
<td><strong>Covin &amp; Slevin (1998)</strong></td>
</tr>
</tbody>
</table>
2.2.2 The Effects of Entrepreneurial Orientation

The field of strategic management focus on choices with respect to the direction of the evolution of the business enterprise and have risen out of the need for frameworks that can help managers think through which decisions enable the organization to survive and prosper (Teece, 2009). The varying strategic choices regarding different matters such as selection of products and services, market segments, business models and organizational structure are interrelated and should therefore not be made in isolation (Teece, 2009) Furthermore, these strategic choices are made in a landscape in which innovations in technology as well as change in customer taste is to be anticipated (Teece, 2009). In this endeavor, the field of strategic management views organizations as adapting to its environment, and in some cases even shaping their environment (Teece, 2009). Contrary to claims in organizational ecology, Teece (2009) argue that managers can affect outcomes and that this is particularly true when there exist positive feedback situations and there are opportunities to make value-enhancing cospecialized investments.

It is important to recognize that entrepreneurship has been described in a large variety of ways (Peneder, 2009) and there have been difficulties in establishing a consensus of a definition of entrepreneurship (Low & MacMillan, 1988). Gartner (1990) defined two distinct clusters for the meaning of entrepreneurship that have been presented over the years. One cluster focus on the various characteristics of entrepreneurship, such as innovation, and growth. Another cluster focus on the outcomes, such as the created values.

Entrepreneurial management sense or even create new opportunities before other and are therefore able to exploit them ahead of other (Kirzner, 1973; Miller, 1983; Hamel & Prahalad, 1994; Sathe, 2003; Teece, 2009). In addition, the culture found in organizations with an entrepreneurial orientation have been argued to encourage and stimulate the generation of new ideas (Brown, Davidsson & Wiklund, 2001). Similarly, Brown, Davidsson & Wiklund (2001) argue that this has in part been derived to be due to that the organizational structure in entrepreneurially oriented organizations tend to be rather flat and informal which provide flexibility for employees to pursue perceived opportunities. This flexibility thus enables organizations to better adjust to their environment (Starr & MacMillan, 1990).

Furthermore, strategic orientations of organizations are described by themes in thoughts and actions that altogether amount to a strategy. How managers perceive and react to opportunities are then defining for the entrepreneurial orientation of the organization (Mintzberg, 1973; Khandwalla, 1976; Covin & Slevin, 1989; Brown, Davidsson & Wiklund, 2001; Anderson, Covin & Slevin, 2009). Entrepreneurially oriented organizations perform better in recognizing and exploiting opportunities in their environment (Stevenson & Jarillo, 2007) and usually exhibits a sustained pattern that is characterized by innovativeness, proactiveness and risk-taking elements (Wales, 2016).
2.2.3 Components of Entrepreneurial Orientation

For the past few decades, the phenomenon of entrepreneurial orientation has received much attention in entrepreneurship literature and the understanding of the concept lies within its ability to address entrepreneurial activities pursued by organizations. (Covin & Slevin, 2012). According to Miller (1983) and Covin & Slevin (1989), three dimensions have been emphasized within entrepreneurial orientation - innovativeness, risk-taking and proactiveness. Following Lumpkin and Dess (1996), Hughes and Morgan (2007) additional dimensions have been included as key components of an organization’s entrepreneurial orientation as they expand to international markets - competitive aggressiveness, which is the organization's effort to outperform its competitors and autonomy which entails independent actions undertaken by the entrepreneurial manager or leader.

Several scholars (e.g. Rauch et al. 2009; Covin and Wales 2012; Wales, Gupta, & Mousa 2013) have argued that prior researchers have most commonly used the Miller, Covin and Slevin (1989) scale of measuring entrepreneurial orientation by focusing on innovativeness items, proactiveness items and risk-taking items which in turn have been divided into sub-dimensions.

By risk-taking, Miller (1983) state the willingness to commit resources to projects and ideas where the outcome is uncertain and the cost of failure could be high. On the same note, Miller, Covin and Slevin (1989) emphasize the tendency of managers to take on high-risk projects with chances of high returns but also significant losses due to uncertain outcomes. Given the nature of the environment, bold actions need to be taken in order to achieve the organization's objectives. In addition, the organization seeks to maximize the possibilities of exploiting opportunities (ibid). Lastly, Hughes and Morgan (2007) emphasize the ability for people within an organization to take calculated risks with new ideas and the exploration and exploitation for opportunities, similar to how Miller, Covin and Slevin (1989) argue.

By innovativeness, Miller (1983) refers to the exploration of creative acts as reflected in new products or services, new ways of operation and business strategies. Similarly in their scale, Miller, Covin and Slevin (1989) highlight a strong emphasis on product development and changes in product or service lines. Hughes and Morgan (2007) emphasize improvements and creative methods of operation in the business and new ways to do things.
By proactiveness, Miller (1983) argue that the organization should be engaged in forward-looking activities to capture opportunities in regard to future challenges. Miller, Covin and Slevin (1989), Hughes and Morgan (2007) continue by emphasizing new initiatives that the organization takes on. Consequently, the organization will excel at finding opportunities and initiate actions to which other organizations then respond.

In summary, organizations are increasingly applying entrepreneurial approaches like innovative, risk-taking and proactive actions to deal with uncertainty. In addition, it enables organizations to scan, monitor and visualize international markets with intentions to exploit new opportunities for understanding customer needs, meeting organizational objectives and strengthening competitive positions (Schweizer, Vahlne & Johanson, 2010; Smith & Jambungilam, 2018).

2.3 Dynamic Capabilities

It has been claimed that internationalization research, which previously has been focusing on the definition and analysis of the international activities, now gradually turned towards focusing more on what resources organizations seem to need to be successful in the internationalization process (Ruzzier, Hisrich & Antoncic, 2006).

Scholars have from a resource perspective studied how organizations take advantage of their innate strengths while neutralizing threats and minimize innate weaknesses, thus providing the organization with sustainable competitive advantage (Penrose, 1959; Wernerfelt, 1984; Barney, 1991; Day & Wensley, 1988; Dierickx & Cool, 1989). This perspective lead to the resource-based view strategic framework of organizations (Wernerfelt, 1984; Barney, 1991. However, the highly dynamic business environment of the 90’s led to questioning of the original propositions of the resource-based view, considering them inert, rendering organizations too static in the reality of market dynamism (Leonard-Barton, 1993; Eisenhardt & Martin 2000; Priem & Butler 2001). The resource-based view has also been accused for not being able to adequately define the mechanisms that proclaim how organizations resources are transformed into competitive advantage (Williamson, 1999; Priem & Butler 2001).
The notion of dynamic capabilities built on the resource-based view recognized how organizations can achieve competitive advantage in competitive environments featuring uncertainty and rapid change though purposefully adapting their resource base (Teece, Pisano & Shuen, 1997; Helfat, 1997; Eisenhardt & Martin, 2000). Thereby, dynamic capabilities have refined the resource-based view to address the evolutionary nature of organization resources and capabilities in relation to environmental changes and enabled an identification of organization or industry-specific processes that are essential to firm evolution (Wang & Ahmed, 2007).

Dynamic capabilities in internationalization context have been described as the ability of the organization to sense, learn and transform itself regarding complex and changing market environments (Teece et al. 1997; Teece, 2007, Sapienza et al. 2006).

Some researchers have proposed that dynamic capabilities cannot be a source of sustained competitive advantage since the only way that dynamic capabilities can be a source of competitive advantage is if they are applied “sooner, more astutely, and more fortuitously” than competition to create resource configurations (Eisenhardt & Martin 2000 p.1117). In this view, dynamic capabilities are then really nothing more than another type of a rather traditional capability (Eisenhardt & Martin, 2000). However, in another way to view dynamic capabilities, it has been argued that the ability to apply capabilities sooner, more astutely, and more fortuitously is actually in itself what dynamic capabilities is (Wang & Ahmed, 2007). If an organization is viewed as the sum of its resources and capabilities, then dynamic capabilities is what power the processes of transforming those into outputs, such as products or services that deliver superior value to customers. In that light, dynamic capabilities do provide a source of sustained competitive advantage (Wang & Ahmed, 2007).

Teece (2009) describes the distinct skills, processes, routines, structures, disciplines which enable an organization to sense and seize opportunities, as well as the reconfiguring of capacities in a way that is difficult to develop and deploy, these are what is defined as microfoundations of dynamic capabilities (Teece, 2009). Teece (2009) describes three categories of microfoundations within organizations from which dynamic capabilities originate. These are categorized as sensing of opportunities, seizing of opportunities and configuration of assets. Teece (2009) as well as Zahra, Sapienza and Davidsson (2006) also argue that organizations with strong dynamic capabilities are in nature intensely entrepreneurial, and as such they do not only adapt to their environment, but also shape the
environment through innovation and collaboration with other enterprises, entities, and institutions. As well as the management’s perception of opportunities and the ability and willingness to productively adapt routines or resource configurations.

Researchers refer to dynamic capabilities as a wide range of resources, processes and capabilities. As a result, the literature contains a mixed use and interpretation of terminologies (Thomas & Pollock 1999). Furthermore, a debate is taking place revolving how to interpret and understand dynamic capabilities. Several scholars argue for a micro-level perspective of dynamic capabilities on either micro-foundations or on routines (Teece, 2007, 2009; Winter, 2003; Zollo & Winter, 2002). Meanwhile, much of the empirical research have instead viewed dynamic capabilities from a macro-level perspective (Anand, Oriani & Vassolo, 2010; King & Tucci, 2002; Wiklund & Shepherd, 2009). The concept is still evolving and is still in need for theoretical and empirical development (Ambrosini, Bowman & Collier, 2009; Helfat et al. 2007) As can be seen in table 3, dynamic capabilities are defined in varying but similar ways, treating the capability of an organizations to purposefully adapt.
### Table 3. Summary: Definitions of Dynamic Capabilities

<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teece, Pisano &amp; Shuen (1997)</td>
<td>The firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments.</td>
</tr>
<tr>
<td>Helfat (1997)</td>
<td>The subset of the competences/capabilities which allow the firm to create new products and processes and respond to changing market circumstances.</td>
</tr>
<tr>
<td>Eisenhardt &amp; Martin (2000)</td>
<td>The firm’s processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match or even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resources configurations as market emerge, collide, split, evolve and die.</td>
</tr>
<tr>
<td>Griffith &amp; Harvey (2001)</td>
<td>A global dynamic capability is the creation of difficult-to-imitate combinations of resources, including effective coordination of inter-organizational relationships, on a global basis that can provide a firm a competitive advantage.</td>
</tr>
<tr>
<td>Zahra &amp; George (2002)</td>
<td>Dynamic capabilities are essentially change-oriented capabilities that help firms redeploy and reconfigure their resource base to meet evolving customer demands and competitor strategies.</td>
</tr>
<tr>
<td>Zollo &amp; Winter (2002)</td>
<td>A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness.</td>
</tr>
</tbody>
</table>
2.3.1 Component factors of dynamic capabilities and absorptive capacity

Dynamic capabilities is a broad construct with many component factors. Wang and Ahmed (2007) draw on existing empirical findings to identify three main component factors of dynamic capabilities. Adaptive capacity, absorptive capacity and innovative capacity. Together these three component factors explain organizations mechanisms of linking internal resource advantage to external competitive advantage. Wang and Ahmed (2004) had previously depicted innovative capability as an organization's ability to develop new products and/or markets through aligning strategic innovative orientation with innovative behaviours and processes (Wang & Ahmed 2004). Chakravarthy (1982) defined adaptive capability as he distinguishes it from adaptation. Whereas adaptation as such describes an optimal end state of survival for an organization, adaptive capability instead focuses on continuous effective search and balancing of exploration and exploitation strategies.

Absorptive capacity refers to the ability to take in external information, integrate this information and transforming this into knowledge embedded in the organization before finally exploiting that knowledge as an opportunity on the market. The importance of having absorptive capacity have been emphasized in several fields such as strategic management (Lane & Lubatkin, 1998; Nahapiet & Ghoshal, 1998; Teece, 2009a.), technology management (Schilling, 1998; Gambardella, (1992) and international business (Kedia & Bhagat, 1988).

Absorptive capacity is important because it enables the knowledge creation and development which provides organizations with competitive advantage (Lane, Koka & Pathak, 2006; Zahra & George, 2002). Furthermore, flexibility and innovativeness which are both important for organizations, have been argued to be critical outcomes of absorptive capacity (Lane, Koka & Pathak, 2006; Zahra & George, 2002).

Woiceshyn and Daellenbach (2005) argued in their empirical study that organizations with higher absorptive capability demonstrate stronger ability to learn from partners, integrate external information and transforming this into knowledge embedded in the organization. They demonstrated that these organizations are stronger to adapt when they are faced with external change, leading to positive performance in comparison to organizations with comparatively lower absorptive capability, who instead encounter significant difficulties in similar situations. They also showed how absorptive capability across organizations is
exhibited in a variety of aspects. Such as being more efficacious adopters. Having the ability to commit resources long-term even in the face of uncertainty. As well as an ability to learn from partners, research and experience so that they develop their own knowledge, leading to the opportunity to be first to exploit that knowledge the market (Woiceshyn & Daellenbach 2005).

Absorptive capacity, as dynamic capabilities at large, have been argued to be path dependant. As to say, the investments and processes leading to a prior level of knowledge is a condition for the ability to recognize, evaluate and utilize outside knowledge (Cohen & Levinthal, 1990; Mowery, Oxley & Silverman, 1996). There are various definitions of absorptive capacity, as illustrated in table 4. However, as can be perceived, there is relative consensus in regard to what it practically enables organizations to achieve. There is also a common focus in the elements of identify, learn and subsequent exploitation of knowledge.

Table 2. Summary: Definitions of Absorptive Capacity

<table>
<thead>
<tr>
<th>Definitions of Absorptive Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cohen &amp; Levinthal (1990)</strong></td>
</tr>
<tr>
<td>The ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends</td>
</tr>
<tr>
<td><strong>Lane &amp; Lubatkin (1998)</strong></td>
</tr>
<tr>
<td>The ability of an organization to learn from others</td>
</tr>
<tr>
<td><strong>Van Den Bosch (1999)</strong></td>
</tr>
<tr>
<td>Includes evaluation, acquisition, integration, and the commercial utilisation of new external knowledge</td>
</tr>
<tr>
<td><strong>Zahra &amp; George (2002)</strong></td>
</tr>
<tr>
<td>A dynamic capability pertaining to knowledge creation and utilization that enhances a firm's ability to gain and sustain a competitive advantage</td>
</tr>
</tbody>
</table>
2.4 Propositions of inter-relations of the two constructs

The gap in empirical studies regarding the relationship between entrepreneurial orientation and dynamic capabilities leaves many possible relationships to be explored. Three main themes containing five different propositions of possible relationships were identified during and for this study. This does not proclaim that the actual nature of said hypothesized relation must be found among these. Nor is it claimed that there is only one possible answer to be found. Arguably, it is more likely that there are several possible views of this relation, or lack relation, depending on which definitions of these abstract constructs one chooses. Both constructs are still, even separately, black boxes where exact ascendentes and mechanisms are argued and debated over to this day. Therefore, until the constructs of entrepreneurial orientation and dynamic capabilities are better understood and defined so that a consensus can form, a multitude of positions can be equally defendable.

Lack of inter-relation

It could be possible that while both constructs entrepreneurial orientation and dynamic capabilities have an impact on processes such as internationalization, the two have limited or none impact on each other. This is how previous research regarding either of these two constructs have tended to employ them. Not in the sense that researchers have attempted to show how these constructs do not have a relationship to each other. However, when the constructs have been researched simultaneously, they have been so in a way that describes if the aggregate outcome of their simultaneous existence in organizations correlate with higher performance, rather than their interrelation. Still, it is difficult to prove what that the increase in internationalization was not due to the added benefits of the separate constructs, rather than a synergy effect. Also, as different researchers have applied one or the other of these constructs to explain internationalization, they have demonstrated that either one of these two constructs can be described to increase internationalization without ever involving the other in the discussion. Although, considering the seemingly similar claims on function and effect on internationalization, it could be considered unlikely that these constructs have no relation to each other. Perhaps one could argue more successfully that they do not affect each other directly, that these constructs operate at different levels and/or affect each other only in extension through intermediates (see proposition 4 and 5). Although, for the purpose of this study, that would not be a predicament as no claims are made regarding the exact nature of the relationship, only that there seem to be one and attempt to add to the exploration of it.
Proposition 1 & 2 - One construct enabling the other

The relation could be viewed as dynamic capabilities as an enabler for the entrepreneurial orientation or vice versa. Viewed in these relations, the constructs interaction would consist of a one way directed enabling function to the other. If true, these would be the least complicated relationships. However, this simplicity and required differentiation of the constructs may not be able to encapsulate the similar claims on function argued for the two constructs in previous research.

Figure 3 (Proposition 1): Dynamic Capabilities as enabler for Entrepreneurial Orientation

Figure 4 (Proposition 2): Entrepreneurial Orientation as enabler for Dynamic Capabilities
Proposition 3 - Intricate relationship

More likely, there is an intricate back and forth relationship where both constructs enable each other. Then, somewhere in between it is likely that the dividing line where one mechanism ends and the other (or an intermediate) begins becomes blurry. This is arguably a probable than a one-way relation, considering the interconnectedness we tend to find in reality as we venture beyond the boundaries of our encumbersome language and its definitions. However, in this view the constructs are still independent of each other and not in a hierarchical relationship.

Figure 5 (Proposition 3): Intricate relationship
Proposition 4 & 5 - Hierarchical relationship

Lastly, the relationship can be perceived as a hierarchy in which entrepreneurial orientation is a part of dynamic capabilities or vice versa. The hierarchical perspectives (propositions 4 and 5) differs from the relationship as enablers for each other (propositions 1, 2 and 3) in that it treats them as being on different levels where one construct is a part of the other.

Figure 6 (Proposition 4): Entrepreneurial Orientation is a part of Dynamic Capabilities

Figure 7 (Proposition 5): Dynamic Capabilities is a part of Entrepreneurial Orientation
3 Method

This chapter describes how this study was designed, operationalized and conducted.

3.1 Research Design

In this study, which is supremely explorative in nature, we draw inspiration from Brunsson (1982) who has claimed that one of the fundamental characteristics of social science analysis lies in how scholars carry out various perspectives into the phenomena that are being observed and that the major difference rarely lies in what is described, but more likely how it is described. After all, an essential part in social science research is to apply various perspectives on a specific element of the reality which enable previously unrecognized patterns emerge so that it can give rise to new explanations (ibid).

Although previous studies regarding internationalization has its broad scope and received wide attention in international business research, we are interested to explore the unknown nature of the relationship between entrepreneurial orientation and dynamic capabilities of organizations during their internationalization process. As we aim to investigate Swedish organizations during their internationalization journey, our ambition is to contribute to the literature by emphasizing the dynamic capabilities and the entrepreneurial nature of organizations and managers in terms of identifying, developing and exploiting business opportunities during an international expansion. Not only do we make an effort to provide novel insights from a theoretical point of view but also attempt to provide a potential piece of the puzzle and a point of departure for further research on this subject.

With earlier reference to Brunsson (1982), we argue that an abductive reasoning is deemed most relevant as there are many possible explanations for this phenomenon and therefore, this study involves selecting the most probable explanation. Which would, if true, contribute to make the phenomena less puzzling and turn the unexpected findings into a natural outcome (Mantere & Ketoviki, 2013). In addition, we seek to explore our research question to explain the phenomenon with varying levels of depth as new data and insights are revealed rather than to provide conclusive solutions to the problems in the phenomenon being observed (Ghauri & Gronhaug, 2010; Bryman & Bell, 2015). This is something which corresponds to the overall
purpose of the study and enable us to enhance credibility through back-and-forth interaction with the data and our pre-understandings (Bryman & Bell, 2015). On that note, Alvesson and Kärreman (2007) suggest that researchers should remain open to the possibility of being surprised by the data instead of using it to confirm their pre-understandings.

3.1.1 Selection

The area of interest in this study derives from an entrepreneurial orientation of Swedish firms during their internationalization process. To our best knowledge, no prior studies on this topic have been conducted in the empirical context of South Korea. This was recognized as one of the authors of this paper enrolled an internship at Business Sweden in Seoul during fall 2018. In terms of sampling, there are various methods such as multi-stage or other types of probability sampling in order to make sure that the sample is relevant while at the same time as randomly selected as possible (Bryman & Bell, 2015). Practically speaking, in our case it would be more of a fiction than reality since we have got access to necessary background information from Swedish organizations in South Korea, which arguably leads to a non-probability, purposive sampling such as snowball sampling as this is also more common in qualitative research (Bryman and Bell, 2015). With that in mind, our sample population consists of Swedish firms that have extended operations to include South Korea. During the initial contact with our case companies, we were referred to the most suitable persons who had knowledge regarding the topics that we sought to discuss and explore.

Table 3. Overview of case companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Position of Respondent</th>
<th>Employment History</th>
<th>Interview Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>BabyBjörn</td>
<td>Expansion Specialist (Asia)</td>
<td>2012-Present</td>
<td>Personal, face-to-face</td>
</tr>
<tr>
<td>Lovak</td>
<td>CEO</td>
<td>2013-Present</td>
<td>Personal, face-to-face</td>
</tr>
<tr>
<td>Mediolyn AB</td>
<td>CEO</td>
<td>2002-Present</td>
<td>Personal, face-to-face</td>
</tr>
</tbody>
</table>

We investigated three case companies that have different types of operations in South Korea; from export sales, partnerships through joint-venture to having established an own subsidiary. This enabled us to compare how entrepreneurial orientation and dynamic capabilities could be found to manifestate in various environments related to the organizations operations in South Korea.
3.1.2 Selection Criteria

This study has been performed from a point of departure in Swedish SMEs that have undergone phases of their internationalization process and established market presence in South Korea. Our selection criteria is based on the following:

- Must represent SMEs, defined by the European Union as organizations with less than 250 employees and below €50 million in annual revenue or a balance sheet less than €43 million (OECD, 2005).
- Organizations that have recently undergone an internationalization process and have ongoing operations in South Korea, recently being defined as during the last fifteen years.
- Organizations should have different types of operations in South Korea.
- Organizations that could provide access to individuals with pertinent knowledge of the sequence of events during the internationalization process.

3.1.3 Data Collection

Interviews

The data with regard to entrepreneurial orientation and dynamic capabilities were collected through interviews with individuals with self-proclaimed knowledge of their organization’s internationalization process. As to say, the events, thoughts and actions that lead to, and shaped, their internationalization process. During the interviews, we had an interview guide with questions relevant to the phenomenon we were investigating. However, we did not ask the questions outlined in the interview guide to the respondents. Instead, we asked open questions which encouraged the respondents to tell us a story of their journey of internationalization. During the respondents storytelling, our interview guide then only acted as a reminder of the topics for us and provided direction for follow-up questions. Most often, this amounted to us asking the respondent to tell us more regarding a topic which was mentioned in passing but not thoroughly explored. Or topics that were not tapped into at all by our respondents and we thought that they were more likely to have forgotten to talk about it than to not have anything at all to say regarding the topic.
We then listened carefully for manifestations of the constructs of entrepreneurial orientation and dynamic capabilities in the form of thoughts and actions of these organizations as they described their internationalization process. We wanted to learn not only the outcomes but also the actions that led to them as well as their thoughts in those moments. In this endeavor, it was also important for us to understand the context in which they acted.

To obtain a general understanding of the empirical context in which our case companies operated within, an interview regarding the market outlook in South Korea was conducted with Yeonyoon Choi (Consultant at Business Sweden in Seoul). The interview was held on-site at Business Sweden’s office in Seoul, South Korea and allowed the respondent to talk openly regarding market trends and insights from South Korea.

All interviews, except for one, were recorded with the consent of the respondents. In addition, all interviews were conducted on-site, face-to-face in Swedish. Especially in qualitative research, face-to-face interviews have long been a prominent interview technique that takes its advantage of dealing with social cues, like tone on the voice and body languages which enable the participants to react on what the other says or does compared to other interview techniques (Wengraf, 2001). Particularly for our study, face-to-face interviews deemed most relevant. As aforementioned, our intention was to carefully listen to the respondents storytelling in an effort to understand the manifestations of the constructs. In addition, the geographical distance to our case companies allowed us to conduct interviews at their offices. To further promote that we were able to obtain in-depth and detailed data, we called our respondents two weeks in advance and asked them about our research topic related to their activities in South Korea. This gave our respondents time to reflect so that they could be more prepared during the interviews.

Survey

The data regarding internationalization was gathered employing a survey. The dependent variable, internationalization, was measured through subjective questions of international performance in regard to the respondents internationalization journey to South Korea. Employing a subjective measure of performance has been debated from concern of being more susceptible to bias. However, subjective measures of performance have been shown to be highly correlated with objective performance measures (Dess & Robinson, 1984; Dawes,
Therefore, when objective measures are unavailable, insights on performance can be gained employing subjective measures.

The questions regarding every measure were each divided into three sub-questions to take into account intrinsic contexts of performance, namely the organization's respective goals, market and competition. For example, an organization could have performed ill comparatively to its goals, yet, well in relation to the state of the market and its competitors.

Our respondents organizations were quite diverse in regard to operation, size, sales volumes, goals and time inside the South Korean market. To enable the same survey to be relevant and representative for all three organizations, the questions were intentionally abstract, leaving it to the respondents to make the computing required to take their unique conditions into account when evaluating their performance in their internationalization process. This decision was based on the scope of this study in combination with the diverse nature of the respondents conditions and stages in internationalization process.

3.1.4 Data Presentation and Comparative Case Analysis

First, we present our empirical findings employing a storytelling perspective similar to that of how our respondents described their journey to us during the interviews. This is then summarised in a table where also the respondents performance in South Korea, provided through our survey, is presented. The context of internationalization in which they are interpreted is described. We do this to have a consistent frame of perspective as we identify the manifestation of constructs.

We then employ a comparative case study analysis which according to Bryman and Bell (2015) incorporates a logic of comparison and is used to explore the phenomenon through examining three cases. We examine possible relations of entrepreneurial orientation and dynamic capabilities as we compare and contrast the actions and outcomes of three Swedish SMEs during their internationalization process which is aligned to our research purpose.
3.1.5 Critical Reflections

Practical considerations like the time frame, scope of study and confirmation of date and time with necessary organizations and respondents have had a significant influence on the overall empirical setting of this study. We delimited our sample to three case companies in order to obtain rich data so that it could be applicable to our comparative case study analysis. Although it could be argued that our empirical findings may be drawn from a restricted amount of data, we view that extending this limit could result in an abundance of data that possibly would have a significant impact on our ability to discern what is to be considered irrelevant data and thus affect the quality of the results and complicate our analyses, a predicament that have been described by Bryman and Bell (2015).

3.2 Operationalization

3.2.1 The constructs in a context

This study attempts to investigate the constructs of entrepreneurial orientation and dynamic capabilities, as well as their inter-relation, in the context of their internationalization process. As these constructs are explored, they will be so in regard of process connected to opportunity development. As to say, in the context of thoughts and actions emanating from opportunities as they have been depicted (see chapter 2.1). Creating suitable indicators, the constructs were deconstructed in accordance to identified key concepts.

3.2.2 Entrepreneurial Orientation

The dimensions of entrepreneurial orientation have been referred to Miller, Covin and Slevin’s (1989) scale of of risk-taking, innovativeness and proactiveness activities. Most of the empirical studies have employed this scale of measuring entrepreneurial orientation. Other notable scholars also serve as fundamental and valuable reference points for deconstructing entrepreneurial orientation in the context of internationalization (e.g. Miller, 1983; Covin & Slevin, 1989; Lumpkin & Dess, 1996; Hughes & Morgan, 2007).

In this study, risk-taking activities have been deconstructed into components of low risk-aversion and risk appraisal. These components are based on the works of (Miller 1983; Covin
& Slevin 1989; Lumpkin & Dess, 1996; Sarasvathy 2001). Moving on, we deconstructed innovativeness into components of creativity and organizational culture with roots in (e.g. Kirzner 1973; Miller 1983; Morgan & Hughes, 2007). Lastly, proactiveness has been divided into initiative and resources which is best understood by the works of (e.g. Miller, 1983; Morgan & Hughes, 2007; Sarasvathy 2001; Starr & Macmillan, 1990). Although there are several ways of measuring entrepreneurial orientation, it is important to point out that it can mean different things to researchers. Hence, care must be taken when considering which measurement to employ to fit according to a specific research purpose (Covin & Wales, 2012). Depending on the number of dimensions entrepreneurial orientation has, it will have strong measurement implications (ibid).

3.2.3 Dynamic Capabilities

Dynamic capabilities are, as have been discussed in chapter 2.3, a broad concept with several definitions and component factors. The broadness and level of abstraction of the concept is likely a reason that no established measurement mode of dynamic capabilities have been developed (McKelvie & Davidsson, 2009).

For measuring, the component factor absorptive capacity was chosen to represent dynamic capacity in this study. It was so due to it arguably being the component factor of dynamic capabilities closest in nature to entrepreneurial orientation. This is because absorptive capacity so closely encapsulates the process of gathering information of the outside world and utilize it to see and exploit opportunities that is so intimately associated with the entrepreneur. Therefore, if a relationship was to be tested this seemed like a natural place to start. This decision is also supported by empirical studies showing that the functions of absorptive capacity is an important factor of dynamic capabilities, thus, the level of absorptive capacity have been shown to correspond with the level of dynamic capacity (Verona & Ravasi 2003; George 2005). Therefore, although the measurement of dynamic capabilities was based on the component factor of absorptive capacity, this does not limit the analysis and discussion of this study to absorptive capacity.
The dimensions of absorptive capacity were based on Cohen and Levinthal's (1990) compartments of absorptive capacity; identification, assimilation and exploitation. Continuing, based on Cohen and Levinthal (ibid.) deconstruction of the construct, the components of value recognition, understanding and utilization of knowledge were chosen. Although they were based on Cohen and Levinthal, they were also built upon, supported and nuanced by depictions from subsequent research which have employed the same components (see table 6). The nature of these components also made them a good fit to the aforementioned context of opportunities.

While exploring the operationalized components, themes from previous research in absorptive capacity as well as in dynamic capabilities (see chapters 2.3 and 2.3.1) were inquired. This included described outcomes that have been prescribed to dynamic capabilities (eg. assimilation) as well as the described mechanisms and ascendants (eg. the role of experience).

3.2.4 Internationalization

As previous researchers have observed, obtaining objective performance data of international subsidiary operations is difficult (Brouthers, 2002; Nitsch, Beamish & Makino, 1996). A primary obstacle, particularly regarding SMEs, is the reluctance to disclose financial data (Brouthers & Nakos, 2004). This obstacle was encountered during this study. Instead, a subjective measure of performance was employed, as have been done in previous international entry studies (Brouthers & Nakos, 2004).

Employing established items (see Brouthers & Nakos, 2004) the respondent’s satisfaction of firm performance with regard to sales volume, growth, profitability and market share was measured on a 5-point Likert scale. The questions regarding each measure were each divided into three sub-questions to take into regard intrinsic contexts of performance, namely the organization's respective goals, market and competition. For example, an organization could have performed ill comparatively to its goals, yet well in relation to the state of the market and its competitors.
Table 6. Operationalization

<table>
<thead>
<tr>
<th>Reference to Literature</th>
<th>Question (Research Question)</th>
<th>Dimension</th>
<th>Conceptual</th>
<th>Methodology</th>
<th>Theoretical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schon (1963)</td>
<td>12, 13</td>
<td></td>
<td>Explanation</td>
<td>Utilization of Resources</td>
<td>Theory</td>
</tr>
<tr>
<td>North, et al. (1999)</td>
<td>10, 11</td>
<td></td>
<td>Innovation</td>
<td>Innovation</td>
<td>Theory</td>
</tr>
<tr>
<td>Brown, et al. (2007)</td>
<td>7, 8, 9</td>
<td></td>
<td>Innovation</td>
<td>Innovation</td>
<td>Theory</td>
</tr>
<tr>
<td>Brown, et al. (2007)</td>
<td>5, 6</td>
<td></td>
<td>Innovation</td>
<td>Innovation</td>
<td>Theory</td>
</tr>
<tr>
<td>Kwon, et al. (2006)</td>
<td>1, 2</td>
<td></td>
<td>Innovation</td>
<td>Innovation</td>
<td>Theory</td>
</tr>
</tbody>
</table>

Operationalization
4 Empirical Findings

In the following sections, we present a brief overview of the market outlook in South Korea which describes the empirical context for the internationalization activities of the selected case companies in this study. We further present our case companies’ backgrounds and their descriptions of the journey to South Korea. In the subsequent table, the respondents description of events are summarized.

4.1 Market Overview

South Korea has established itself as one of the fastest growing economies and is the 11th largest economy according to OECD. With a population of more than 50 million, it is among the most innovative and developed countries in the world. With free trade agreements (FTAs) that spans across the globe, it is a central hub for international trade and attracts investments from all over the world.

In a recent assessment, South Korea ranked 4 in World Banks ”Ease of doing business index”. The overall measure of the index gives an indication of business-friendly reforms and policies in countries who have eliminated high costs of business investments, reducing the time to register a company and eased the business registration process. As a result, trade barriers have been simplified which makes it easier and more cost-effective for Swedish companies to expand their businesses to South Korea. The country has still not reached the economic maturity on the level of high-developed countries in Europe or for instance Japan, in terms of quality, safety and welfare of their employees. South Korea is catching up in these areas. However, the language is still one of the major barriers for Swedish companies.

Compared to Sweden, South Korea has a larger population. This enables Swedish companies to reach for a larger target group. In addition, South Korean consumers have come to search for products and services that have a meaning behind them. Earlier, South Korean consumers focused mostly on high-end products from brands in United States, France or Italy as these products symbolized high-status. However, there has been a notable shift in consumer behaviour among the South Korean consumers as they have higher requirements behind their purchasing decisions in terms of value for money.
Since 2013, Swedish exports to South Korea have increased consecutively each year (Kommerskollegium, 2018) and is currently the fourth largest export market in Asia (Business Sweden, 2018). Swedish products generally have a good reputation in South Korea and are considered to be competitive, innovative and of high quality. In addition, Sweden is perceived as a reputable country in terms of the sustainable way of living which is ingrained in Swedish culture and this is something that South Koreans look up to. Due to the rapid development and strong purchasing power in South Korea, there are numerous possibilities of international collaborations and opportunities in different industries.

4.2 Case Study Overview

4.2.1 BabyBjörn

BabyBjörn was founded in 1961 as a traditional Swedish family-owned business by Björn and Lillemor Jakobson. The company offers innovative, functional and high-quality products for toddlers and infants and is widely known for its world-famous baby carriers. Today, BabyBjörn operates in 50 countries throughout the world and has around 40 employees that work in the areas of sales, product development and design in their headquarters in Stockholm. Their Distribution and Logistics center consists of 67 employees and is located in Lanna in Småland.

Almost since its inception, BabyBjörn started to expand overseas through export sales but with no established subsidiaries in their markets. The largest share of their revenue derives from global sales and less than 10% is accounted for sales in Sweden. Having worked with distributors for a long time, BabyBjörn decided that it was time to establish its own subsidiaries to have greater control of the markets.

One major event that occurred which have come to play an important role during the establishments of subsidiaries was when a distributor in Japan faced economic challenges and there was a likelihood that it would go bankrupt. This would economically damage BabyBjörn since a major part of the revenues derived from Japan. BabyBjörn then made the decision to establish its own subsidiary to better oversee the market and gain control. There was a similar situation in South Korea. Since 2006, BabyBjörn has sold products to South Korea after being approached by two distributors.
The experience of working with the first distributor did not go as planned and similar experiences were encountered with the second distributor. With many ups and downs, the decision to establish a subsidiary in South Korea was made to have a greater control of the market. BabyBjörn has extensive knowledge of the potential in every market where the company is present with its own subsidiaries. This knowledge has been gained through the experience working with agents and distributors. For instance, in the case of Japan, many employees from their distributor were transferred to BabyBjörn’s own subsidiaries, which have resulted in them bringing with the knowledge they have gained prior to joining BabyBjörn. In addition, when BabyBjörn perceived that they could not control and steer its distributors in the direction they wanted, they felt a need to establish its own subsidiary in order to gain control of their brand. This was exemplified when the distributors agreement was about to expire and consequently, BabyBjörn’s products faced the scenario in which the products could be sold at a discounted price. In that case, it would conflict with the brand reputation. By establishing an own subsidiary in South Korea and being actively present in the market, BabyBjörn not only a gained a strengthened position of the market but also an increased understanding.

Decisions to enter new markets depends on available resources in conjunction with ongoing projects in nearby countries like China, Taiwan, Singapore and Malaysia. For BabyBjörn, China was an interesting case for a market entry as it represents a huge potential market due to the size of the population. However, since it was much easier to do business in South Korea in terms of business regulations, BabyBjörn experienced that South Korea was depicted as an overlooked market and the hype surrounding China was immense.

In their headquarters in Stockholm, BabyBjörn has a small section that works with matters concerning the markets in Asia. The decision to establish their own subsidiary in South Korea was made in an open, informal dialogue between three employees working with foreign market expansions. The decision of entering South Korea and that it would turn out to be a success was based on a “gut feeling” rather than a strategic decision.

With a long-term commitment and after a few years from the initial contact with Business Sweden in South Korea, the company has grown its business year by year but there is still much potential to grow in this dynamic market. Although the urban planning and
infrastructure in South Korea do necessarily not make it suitable or convenient for strollers, South Korea has one of the largest markets for baby carriers in the world which is a tremendous opportunity for BabyBjörn to consider.

4.2.2 Mediroyal

Mediroyal was founded in 1999 as DeRoyal Sweden AB which was a fully owned subsidiary to DeRoyal Industries Inc in USA. Later, the staff of DeRoyal Sweden acquired the company and named it Mediroyal in 2002. The rationale behind the acquisition was based on the fact that the products manufactured in United States were of low quality. Mediroyal decided to put much emphasis and resources on product development to produce the best products in the orthopedic devices market. The company now offers innovative and high-quality orthopedic products and covers mainly the European market. Mediroyal has a range of products which are all quality-labeled according to European standards (CE-marked). In their headquarters in Stockholm, the company currently has 16 employees.

During a trade fair in Düsseldorf, Germany, Thomas (Export and Product Manager of Mediroyal) stumbled upon a Korean company who happened to produce similar orthopedic products for rehab and therapy. They started talking at their showcase and the immediately felt that they knew that they were going to cooperate in some way, even if they could not say exactly how at that moment. Mediroyal imagined that they could develop designs which combined their own products with the products of the Korean organization to create new, innovative, functional and high-quality orthopedic products. The Korean organization in turn saw this as a springboard to the previously untapped European market where they now would be able to distribute and market their products. Eventually, this dialogue led to a collaboration to both produce and distribute products, even establishing a joint-venture together.

Mediroyal is active in the European market with different distributors. In Asia, Mediroyal is present with production units in Taiwan. Mediroyal has also established a joint-venture with a South Korean company. However, due to barriers to entry which have involved differences in cultures and language difficulties, these barriers have been primary reasons why Mediroyal has perceived South Korea as difficult market to operate within.
Since the establishment of the joint-venture, Mediroyal has been the driving force behind product development and implementation of new solutions as they had the expertise and the drive to success. Mediroyal has been recognized as a top producer of high-quality and innovative orthopedic products in a niche industry.

Moreover, Mediroyal’s ownership structure consists of 51% Swedish ownership and 49% Taiwanese. As a direct consequence of collaborating with a South Korean company, this opened new doors of opportunities to directly sell products from Taiwan to South Korea and further extend collaborations. This has resulted in many occasions where several companies with large financial resources wanted to acquire Mediroyal. However, Mediroyal showed no interests in being acquired as they feel that they are “not done yet”. They think that they have the ambition and creativity to continue to grow and deliver the best orthopedic products in the market for many years to come.
4.2.3 Lovak

Lovak is a small management consultancy firm with five employees based in Västerås, Sweden. Since 2016, the organization has offered education programs regarding Swedish corporate culture, change management and leadership which have included meetings and workshops with the management board of many South Korean companies. Clients in South Korea have shown interests in understanding how Swedish corporate culture is based on different personalities and strengths to create effective groups and to develop their knowledge. This is where Lovak has now found a niche market and opportunities to do business with client assignments through exporting “Swedish corporate culture”.

The South Korean government realized that there was a great need to tackle the issues with high suicide rates, well-being of employees and working conditions among workplaces in South Korea. An investigation was carried out by the South Korean government to evaluate countries that had potential of good leadership, work-life balance and business culture which could be adapted to South Korea. The Embassy of Sweden in South Korea was contacted, particularly Lars Danielsson who at that time was the Ambassador of Sweden in South Korea. Lars happened to know an acquaintance who worked at Lovak and contacted him.

Lovak was then appointed to work with assignments that dealt with Swedish corporate culture and leadership programs and how it could be applied to South Korean companies. In the beginning, there were several concerns in order to find the right partner to work with. The language and cultural difficulties were evident as none spoke English and it seemed impossible.

During a taxi ride, the driver recommended a book to read for Lars Svorse (CEO of Lovak) regarding the company culture in South Korea. Lars Svorse took the chance to contact the author of that book. This author turned out to be a very preoccupied person, however, after a long discussion with the authors assistant, they were granted a brief twenty minutes appointment with the author of the book. However, when they met, this turned out to a five-hour meeting. It was the spark of an ensuing collaboration with the partner Paul & Mark in South Korea.
What Lovak has been doing since is educating and developing South Korean corporate executives within leadership development and particularly, “Swedish corporate culture”. The initial idea was to work with SMEs but there was a great demand from larger enterprises like Samsung, LG, Korean Air and Hyundai which opened up many doors of opportunities. This would not have been possible without Paul & Mark, a valuable partner for Lovak.

In Sweden, titles are of less important and the members of Lovak are viewed as equals. However, due to the business culture in South Korea, Lars Svorse is the acting CEO in South Korea. The decision to work with assignments and projects related to South Korea was initiated by three Partners at Lovak. One of the key assumptions which formed that decision was that everyone in the organization had some kind of a built-in endeavour to actively influence the work process to make the best out of it. The rationale behind the decision was about testing ideas in the hope of not to make any major losses. Should there have been a situation in which Lovak would reach a break-even point, the CEO articulated this way "In the worst case we will have had a lot of fun!". Everyone in the organization share ideas. Once a month, strategy meetings are held to further discuss and realize some of the ideas. Sometimes, Lars Svorse could think about an idea on a Friday night when his family had gone to bed. In the middle of the night, Lovak found the right partner to work with. This enabled not only a greater network and enhanced relationships in South Korea but also eased their internationalization journey. Having had the opportunity to be featured in Asia’s equivalent to TED talks called Sabesi, this enabled Lovak to gain a significant exposure as two of their workshops have been watched by millions of Koreans and eventually, more opportunities started to unfold. Lastly, much of the work done by Lovak has also been a mutual learning process by the fact that Lovak has gained knowledge about South Korean corporate culture which then have been used for education purposes back home in Sweden. The upcoming plan for Lovak is to establish a joint venture with Paul & Mark, should the regulations and formalities in South Korea allow.

A summary of the empirical findings including the organizations internationalization performance is found in table 7.
### Summary of Empirical Findings

<table>
<thead>
<tr>
<th>Love</th>
<th>Medical</th>
<th>Education</th>
<th>Summary</th>
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In summary, the findings highlight the importance of evaluating love, medical education, and education. These factors significantly impact the overall performance and outcomes.
5 Discussion

This chapter first shows how internationalization can be viewed as the result of opportunity development is described. Secondly, how entrepreneurial orientation and dynamic capabilities were identified in this study. Thirdly, it shows how events, thoughts and actions in the opportunity development process can be described as manifestations of entrepreneurial orientation and dynamic capabilities. These are also discussed in relation to the study's research question. Lastly, findings from the study is debated with the propositions of relationship.

5.1 Internationalization as the result of opportunity development

None of the respondents described themselves to have had strategic meetings on a topic of expansion. There was not a plan made in advance of how to execute an investment in a foreign market. Instead, the respondent’s descriptions of events portrayal how decisions were made as a response of finding themselves in a situation that had not been foreseen, in a manner better understood as individuals’ impulses rather than board meetings. Therefore, in this study the internationalization can be seen as a circumstantial result of an explorative process of opportunity development, rather than intentional efforts or a strategic decision to expand abroad. This is in line with what prior research have described (see chapter 2.1.2). As to say, there were no motives of internationalization in the opportunity development process that ultimately lead to internationalization.

In this way, the internationalization of the respondents can be described through stages of opportunity development in how individuals think and act, differing only in the specific challenges and possibilities which is unique for the foreign market.

Babybjörns journey started when they were contacted by a distributor who wished to sell their products in South Korea. Mediroyal happened to take notice of another organization with similar products during a trade fair and Lovaks journey started as they were contacted by the Swedish Ambassador to South Korea, on initiative from the South Korean government. After these initial unintentional interactions with the outside world, the organizations journeys can be viewed as a step by step, incremental, process.
In this incremental process, every unforeseen situation which presented itself for the organizations induced a responsive action, which in turn lead the organization into an unforeseen situation. Eventually, this incremental process had developed internationalization into South Korea. In this way, the internationalization process of our respondents were also intensively exploratory in line with previous research (see 2.1)

In every such situation which present itself to our respondents, there were a variety of actions available for the organization in response. At a minimum, it seems apparent that it was among the cards to initially choose to not invest them self in these projects, or at any moment abandon the pursuit. Which action was chosen can then be interpreted as a result of their entrepreneurial orientation or dynamic capabilities through they way these two constructs have been described and applied in previous research (see chapter 2.2 and 2.3). In this way the events, thoughts and actions (e.g. steps in the opportunity development process) can be perceived as manifestations of having an entrepreneurial orientation and/or dynamic capabilities, depending on which construct can be reasoned to have had influence.

5.2 Identifying Entrepreneurial Orientation and Dynamic capabilities

In table 8 we summarize how manifestations of having an entrepreneurial orientation in the organization were identified during interviews by presenting examples of quotes from the respondents, categorized according to indicators for entrepreneurial orientation. As shown in table 8, all three organizations were found to demonstrate a level of entrepreneurial orientation through their thoughts and actions in the presented context of opportunity development. The subsequent table 9 summarize how manifestations of possessing dynamic capabilities in the organizations were identified during interviews by presenting examples of quotes from the respondents, categorized according to indicators of dynamic capabilities. As shown in the table, all three organizations can be viewed to demonstrate having a level of dynamic capabilities through their thoughts and actions in the presented context of opportunity development.
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<th>Table 5. Entrepreneurial Orientation</th>
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<tr>
<th>Summary</th>
<th>Recourse</th>
<th>Perceive</th>
<th>Evaluate</th>
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<th>Cognize</th>
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Entrepreneurial Orientation
<table>
<thead>
<tr>
<th>Summary</th>
<th>Identification of Knowledge</th>
<th>Description</th>
<th>Identification of Attraction</th>
<th>Description</th>
<th>Identification of Location</th>
<th>Absorptive Capacity</th>
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**Table 9: Absorptive Capacity**
5.3 Manifestations of the constructs

In the situations which presented themselves to our respondents during their opportunity development, their entrepreneurial orientation as well as dynamic capabilities can be described as to have influenced the actions taken in response to being in that specific situation. As to say, the actions and outcomes taken correspond to what literature would describe as the results of the constructs. Examining specific events or even single actions could be pinpointed and evaluated to be manifestation of only one or the other of the constructs, where also a following event was determined as a necessary precondition for the actions taken in response to being in that specific situation. To this can be added that the presence of entrepreneurial orientation can be described as having influenced the actions taken in response to being in that specific situation. As to say, the actions and outcomes taken correspond to what literature would describe as the results of the constructs. Examining specific events or even single actions could be pinpointed and evaluated to be manifestation of only one or the other of the constructs, where also a following event was determined as a necessary precondition for the actions taken in response to being in that specific situation.

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Manifestation of Entrepreneurial Orientation</th>
<th>Manifestation of Dynamic Capabilities</th>
<th>Situation</th>
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</thead>
<tbody>
<tr>
<td>Initial investment</td>
<td>Increase in market share</td>
<td>Increase in market share</td>
<td>Increase in market share</td>
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<tr>
<td>Low risk aversion</td>
<td>High risk aversion</td>
<td>High risk aversion</td>
<td>High risk aversion</td>
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<td>Increase in market share</td>
<td>Increase in market share</td>
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<td>Increase in market share</td>
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</table>

Table 10: Manifestations of the constructs
what happened next, the sequence in which these manifestations unfold could be considered a pattern for enablement. This could then be a clue for the nature of the relationship.

However, which construct that map on better in explaining the event, action or thought in the organization’s opportunity development is not always obvious. For example, in the case of BabyBjörn and Mediroyal, the role of personal relationships constituted a mitigating role for risk appraisal in their opportunity development process. This is rather straightforward described through the risk-taking perspective of having entrepreneurial orientation. However, it could also be viewed through dynamic capabilities employing the organization's ability to gather information regarding other organizations motives and intents, understanding how those motives are aligned with one’s own and then exploit that understanding to choose a partner.

The hardship lies not in describing the constructs separately. The hardship lies in describing exactly how they are different. Previous research does not provide a clarity of how to best interpret these situations applying both constructs simultaneously, which can be argued to be of concern when they both describe the same action. The level of ambiguity involved in these interpretations based on previous research could perhaps to a degree be described as a result of the lacking clarity in classification. Although, even more so due to lacking clarity of the relationship between the two. As to say that further isolated inquiry into one or the other construct might not help to understand the relationship. This is to a degree a limitation of this study although more so it is the reasons for, and a purpose of, the exploration of this study’s research question.

Since both constructs can be viewed to describe the same situations as have been described, proving or disproving what mechanisms either entrepreneurial orientation or dynamic capabilities can explain becomes less informative. As an alternative then, emphasis can be placed on how each construct describe the event, thought and action. As to say, the differences in perspectives each construct assumes as they represent the manifestations of the constructs. Returning to table 8, the construct of entrepreneurial orientation can then be argued to first explain what happened, to then refer to how this event can be see as the product of the organization having certain characteristics. This is in line with what have been described in previous theory, portraying a focus on the characteristics and outcome of activities (see chapter 2.2). Meanwhile, the construct of dynamic capability explains how (in
this context as indistinguishable from why) the event happened and focuses more on the steps involved to pair capabilities with outcomes (see chapter 2.3). In this perspective, the two constructs discuss the same event on different levels.

5.4 Propositions revisited

(For figures of the propositions see chapter 2.4)

Proposition 1 and 2 - One of the constructs as enabler for the other

Applying the findings to relate to proposition 1 and 2 both face the same challenge in that it would require to describe in what ways the manifestations of one construct was a prerequisite for a subsequent manifestation of the other construct. Such a division should be able to specify in what order the manifestations appear, for example chronologically, in order to treat them as independent enough for these propositions. This is however not what this study found eligible. Rather, the manifestations appear to often occur simultaneously, making it difficult to explain empirical results through these relationship models.

Proposition 3 - Intricate relationship

An intricate back and forth relationship where the constructs impact each other and where exact boundaries are blurred does not have the same challenge to explain the simultaneous nature of the construct’s manifestations. Also, such a relationship would still allow the constructs to be perceived as separate and yet lead to jointly produced outcomes. However, the relationship defined in this proposition employ, though its language, the same vagueness that this study aims to discourage. As to say, the ability to view the constructs in this relationship provides little new insight into how specific mechanisms in these constructs can be understood to relate to each other. Another disadvantage of this relationship model compared to the hierarchical models is that is has no innate capacity to account for the layering of the manifestations which were perceived in this study.
Proposition 4 and 5 - Hierarchical relationship

Both hierarchical relationship views could serve to explain how the two constructs explain the same phenomenons in the organizations, on different levels, although simultaneously. However, a problem that would arise with these propositions is that it leaves little room for mechanics of the subordinate (below in the hierarchy) construct which would not also be considered as a part of the superior construct (above in the hierarchy). Similarly, it places demands on the superior construct to be able to encompass everything inside the subordinate construct. Therefore, these propositions would place limitations and demands on the constructs in ways which could be difficult to reconcile inside the context of their respective field of research.

6 Conclusion

This study is to be viewed as a contribution to the discussion on the existence and nature of relationship between entrepreneurial orientation and dynamic capabilities in the context of internationalization. It makes no claim to contain a full explanation of said relation, only explore the existence of a relation while also claiming that said relation would be of relevance for more than one field to explain. This study then attempted to provide a potential piece of the puzzle and a point of departure for further research on this subject. In this study, the context for exploration took the form of the opportunity development process. It was found that in the empirical setting, certain phenomenon can be described applying either of the constructs entrepreneurial orientation as in dynamic capabilities. It is proposed that there is an area in research that still contains a high degree of ambiguity which makes an understanding of the relationship between these two constructs difficult to define. Therefore, this study proposes further research in this area to amount to increased understanding and consensus in these fields of research that treat a similar phenomenon. As to say, to continuously talk past each other across these fields makes little sense in the endeavor to understand and explain how organisations functions in practice.
References


## Appendices

### Appendix A. Interview Guide

<table>
<thead>
<tr>
<th></th>
<th>Interview guide</th>
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<tbody>
<tr>
<td><strong>Enterprise</strong></td>
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<tr>
<td><strong>Risk-taking</strong></td>
<td>Low Risk Aversion How do you reason in regard to decisions of high commitment?</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>How have you mitigated risks associated with international expansion?</td>
<td>2</td>
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<tr>
<td></td>
<td>Risk Appraisal What challenges did you expect to encounter?</td>
<td>3</td>
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<tr>
<td></td>
<td>Was there any sense of uncertainty?</td>
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<tr>
<td><strong>Creativity</strong></td>
<td></td>
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<tr>
<td></td>
<td>What was new about this journey?</td>
<td>5</td>
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<tr>
<td></td>
<td>How did you reinvent and or adapt your products or services?</td>
<td>6</td>
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<tr>
<td><strong>Organizational Culture</strong></td>
<td>How would you describe your company?</td>
<td>7</td>
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<tr>
<td></td>
<td>What allowed you to do this?</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>How does management support acting on new ideas?</td>
<td>9</td>
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<tr>
<td><strong>Proactivity</strong></td>
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<td></td>
<td>Initiative In relation to your competitors, would you claim that your firm is often the one to introduce new products/services?</td>
<td>10</td>
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<td></td>
<td>In what ways would you describe that your organization is forward-looking?</td>
<td>11</td>
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<tr>
<td></td>
<td>Resources Once a decision has been made, how is it acted upon?</td>
<td>12</td>
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<tr>
<td></td>
<td>How are resources allocated to projects?</td>
<td>13</td>
</tr>
<tr>
<td><strong>Identification</strong></td>
<td>Value Recognition Do you actively look for new information?</td>
<td>14</td>
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<tr>
<td></td>
<td>Where and how do you look for new information?</td>
<td>15</td>
</tr>
<tr>
<td><strong>Absorptive Capacity</strong></td>
<td>Understanding How did you interpret the situation?</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>What was your thoughts of this opportunity?</td>
<td>17</td>
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<tr>
<td></td>
<td>How did you know this to be an opportunity?</td>
<td>18</td>
</tr>
<tr>
<td><strong>Exploitation</strong></td>
<td>Utilization of knowledge How did you go forward once you had identified this opportunity?</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>What made your organization able to exploit this opportunity?</td>
<td>20</td>
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<tr>
<td></td>
<td>How were resources mobilized?</td>
<td>21</td>
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Appendix B. Survey

Please rate the **success** of your organization's operations related to South Korea.

<table>
<thead>
<tr>
<th>How satisfied are you with the effect on Sales Volume:</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
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<td>1: With regard to your goals?</td>
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<td>2: With regard to the state of the market?</td>
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<tr>
<td>3: With regard to the competition?</td>
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<table>
<thead>
<tr>
<th>How satisfied are you with the effect on Growth:</th>
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<tr>
<td>4: With regard to your goals?</td>
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<td>5: With regard to the state of the market?</td>
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<td>6: With regard to the competition?</td>
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<th>How satisfied are you with the effect on Profitability:</th>
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<tr>
<td>7: With regard to your goals?</td>
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<td>8: With regard to the state of the market?</td>
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<td>9: With regard to the competition?</td>
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<tr>
<th>How satisfied are you with effect on your Market share:</th>
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<td>10: With regard to your goals?</td>
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<td>11: With regard to the state of the market?</td>
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<td>12: With regard to the competition?</td>
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