International Business Review 25 (2016) 244–254

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

# Drivers of export entrepreneurship

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ARTICLE INFO

*Article history:*
Received 15 February 2014
Received in revised form 7 January 2015
Accepted 10 May 2015
Available online 23 May 2015

*Keywords:*
Export commitment
Export entrepreneurship
Intensity competitive
Market distances
Resources

ABSTRACT

The existing knowledge concerning the determinants of exporting entrepreneurship – conceived to be the speed, degree and scope with which the exporting activity is developed – is both scant and scattered. In order to cover this research gap, the main aim of this investigation is to get to know the drivers of export entrepreneurship from the resource-based view – RBV – and the contingency approach. A conceptual model that is verified with a multi-sectorial sample of 212 Spanish exporting companies is proposed. The results reveal that export entrepreneurship positively depends on internal factors, such as export commitment and resources associated with experience and structure. It likewise depends on contingency factors linked to the external environment, such as competitive intensity and the distances between the export firm's different markets. The results produce academic and managerial contributions for the field of export activities.



## 1. Introduction

The study of entrepreneurship in international businesses (IB) has been a topic of great relevance in the last two decades. For example, Jones, Coviello, and Tang (2011) counted in their review 323 articles in the 1989–2009 period. However, their study is fragmented, inconsistent and lacking in unifying paradigms and theory (Keupp & Gassmann, 2009). These weaknesses are due to two main causes: (a) the different types of businesses (venture type) (e.g., export/import start-up, multinational trader, geographically focused start-up and global start-up; Oviatt & McDougall, 1994) or '*entry mode*' (Gallego, Ramos, Acedo, Casillas, & Moreno, 2009) that the firm can develop in their internationalization process has not been taken into account, and this conditions the orientation, the commitment, the speed and the pace of the firm's internationalization (Jones et al., 2011); (b) a myopic viewpoint about entrepreneurship in IB has been adopted (Evangelista, 2005), there being few studies which have jointly included variables from inside and outside the firm. To avoid both weaknesses and adopting an entrepreneurial perspective, the current work is centered on exports as the main form of entry into foreign markets. In this context, we aim to know the drivers of export entrepreneurship (EE), considering them to be a strategic behavior associated with the degree, scope and speed with which the firm develops its exporting activity. In order to do so, we adopt an inclusive approach, incorporating both factors of the firms itself – or of its decision makers – and factors which are external to the organization, associated with the industry and the environment in which the firm operates.

Entrepreneurship and exports are two essential elements in the economic growth process of countries through the creation or development of new businesses (Acs, Audretsch, Braunjerhelm, & Carlsson, 2006; Hessels, 2007). Entrepreneurship contributes to economic growth via the generating and transmitting of knowledge, and the increase of competitiveness and diversity (Audretsch & Keilbach, 2004). Exports have a positive impact on the national quantity of currency reserves and the increase of national prosperity, contributing to the expansion of the domestic industry, and to the improvement of productivity and employment (Hessels & van Stel, 2011). They also generate learning processes, from the point of view of both human and technological capital (Blalock & Gertler, 2004; Yeoh, 2004). Individually, both topics – entrepreneurship and exports – recur in the economic, management and marketing literature. However, the extant knowledge about EE is very limited (Hessels & van Stel, 2011). This can be due to having considered the time that passes between the firm's foundation and the start-up of export activity – *speed* or *timing of entry* – as a factor that in itself is decisive of EE. This means, for example, contemplating as equivalent terms – in a confusing manner as Gallego and Casillas (2014) point out – early exporting and

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http://dx.doi.org/10.1016/j.ibusrev.2015.05.007

international new ventures – INVs. However, INVs are "organizations that, from their inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt & McDougall, 1994, p. 49), accepting their entrepreneurial orientation (EO) regardless of their way of entering foreign markets. This implies that, along with the speed or entrance time, the *scope* (number of countries to which the firm exports) will be a factor to be taken into account in the entrepreneurship level of the export firms. They will be catalogued as INVs when they are early exporters (starting their export activity in their first years) and commercializing their products and/or services in multiple countries simultaneously. In any case, the very orientation of the export firm in its international expansion must not be overlooked – market concentration vs. market diversification (Ruzo, Losada, Navarro, & Díez, 2011). Moreover, the intensity to which the export firm is achieving its sales in foreign markets cannot be disregarded, as this is decisive of its entrepreneurial capability (Zhang, Tansuhaj, & McCullough, 2009). This leads to the consideration of a third aspect, interrelated to the speed and international scope to determine the export firm's entrepreneurial level: *degree*. This is evaluated by the ratio (%) between the export sales and the total sales. The key is what percentage is taken as a reference, assuming that 25% can be a good cut-off point (Jones et al., 2011). This has led to the consideration that exporters which achieve at least 25% of their sales in foreign markets – normally developing a market diversification strategy – and which have begun their exporting in their first years of existence (early exporters) can be catalogued as *export born globals* (*BG*). This case is defined as the greatest level of EE.

In this context, in the current research we will use speed, scope and degree together to define the exporting firm's EO. Its antecedents are also analyzed from the resource-based view (RBV) and the contingency approach, setting out from the premises established in the work of Keupp and Gassnann (2009). They consider that there are four antecedents of entrepreneurship in IB: (a) personal factors – in our study, export commitment; (b) business factors – here, structure and experience; (c) factors associated with the industry – in this case, competitive intensity; and (d) factors connected to the country – in this study, market distances.

The paper has three main contributions. Firstly, the degree, the international scope and the speed can be jointly used to define the exporting firm's EO. Secondly, taking the RBV as a reference, it is shown that the level of entrepreneurship is conditioned by internal factors, both personal – export commitment – and those of the firm itself – experience and structure. Thirdly, from the contingency approach, it is shown that the factors of the export firm's external environment also condition EE. In this way, in this study competitive intensity and, surprisingly, the market distances between the countries in which the exporter works, increases the export firm's level of entrepreneurship.

To achieve the aims proposed, the paper has the following structure. First, the conceptual model is set out and the drivers of EE are modeled using the RBV and the contingency approach. This allows the defining of the research hypotheses. Then, the research method used is explained from a multisectorial sample of 212 Spanish exporters. Finally, the results are discussed and the main conclusions and the study's contributions are presented, both academic and from the management practice point of view. The work finishes with its limitations and suggestions for future lines of research.

## 2. Literature review

To be an entrepreneur implies creating or developing a new business – in this case exports. Exportation vs. non-exportation centered the initial debate on entrepreneurship and export activity, trying to get to know the business or personal factors which lead a firm to initiate – entrepreneurially – external trade operations compared to those that do not (e.g., Katsikeas, 1996; Leonidou, 1995; Ursic & Czincota, 1984). In this way, some authors conceived that firms which decide to export develop a business innovation process – entrepreneurship – which influences its business performance (Samiee, Walters, & DuBois, 1993; Simmonds & Smith, 1968). However, the literature on EE has progressively centered itself on export firms. The work of Yeoh and Jeong (1995) helped to concentrate the debate. They pointed out that export firms can be differentiated according to their EO. This can be moderated by the structure of the export channel and by the environment in which the firm works. Thus, while some exporters tend to be proactive, innovative and have less risk aversion in the search for business opportunities in foreign markets, others tend to be reactive or conservative.

In line with Yeoh and Jeong (1995), Ibeh and Young (2001) define EE as "the process by which managers, either by themselves or within organizations, take advantage of market opportunities – foreign – taking into account the resources available and the environmental factors which affect them". This definition highlights that EE depends on internal (e.g., resources) and external (e.g., environment) factors. However, the definition of Ibeh and Young (2001) considers that an entrepreneurial exporter is any firm which starts its export activity. This raises an important question. Are there different levels of entrepreneurship between firms which already export? Trying to answer this question leads Ibeh (2003) adds to the definition of Ibeh and Young (2001) that export entrepreneurs are those who show themselves to be proactive and aggressive in the search for export opportunities related to products-markets innovations. This description opened the debate, in the EE area, about what should be understood as export proactivity. This is a debate which does not seem to be resolved in the literature on exportation, as it has centered on the attitudes and orientations of the export managers and not on the organization's own behavior (Navarro, Acedo, Losada, & Ruzo, 2011). In the current work, we consider that this debate can be resolved taking into account three key aspects associated with entrepreneurship in IB (Keupp & Gassnann, 2009; Jones et al., 2011): speed, scope and degree, using the necessary nuances associated with exportation, such as the way of entering foreign markets.

Speed refers to the time that the firm takes to start up its export activity (Acedo & Jones, 2007), as well as the pace at which the export firm grows and develops in the foreign markets (Kuivalainen, Saarenketo, & Puumalainen, 2012). In this context, the most entrepreneurial will be those firms which start exporting early on, as they reflect a clear international orientation (Gallego & Casillas, 2014). The key is what cut-off point is considered in the speed or timing of entry into foreign markets to determine the exporter's EO, as there is not a consensus about this in the literature. In this respect, Acedo and Jones (2007), based on the contributions of Coviello and Jones (2004), consider that taking 6 years to begin the export activity can be a good starting point.

Scope determines the number of foreign markets – countries – in which the export firm generates international sales. This is referred to in the literature as export extension or diversification (Beleska-Spasova, Glaister, & Stride, 2012; Ruzo et al., 2011). As with speed, scope also raises the problem of what cut-off point to consider when measuring it. In this respect, five is the number of countries which Ruzo et al. (2011) consider must be taken into account to distinguish between when a firm is tending to market concentration (it exports to $\leq$5 countries) or to market diversification (it exports to $>$5 countries).