



Entrepreneurial competence in managing partnerships and partnership knowledge exchange: Impact on performance differences in export expansion stages



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ABSTRACT

Research is lacking on the role of international entrepreneurship when the focus is on management's efforts in external organization and firm level dissemination of knowledge from partners after a foreign market entry. The theoretical framework fills this gap and analyses the relationship between entrepreneurial competence and two relational capabilities of partnership knowledge exchange and partnership management. It further investigates their influence on firms' performance at the initial and subsequent export expansion stages using a sample of 100 firms from ICT industry. The results indicate a positive relationship between entrepreneurial competence and the relational capabilities. However, relational capability of partnership knowledge exchange is only found to influence the initial export expansion stage. The overall theoretical model provides more support for the effects of entrepreneurial competence at the subsequent export expansion stage. For managerial purposes, the results demonstrate that different capabilities are needed at different stages of export expansion and that capabilities do not always provide competitive advantage.

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1. Introduction

Entrepreneurship has been associated with a firm's propensity to engage in the internationalization process (Aharoni, Tihanyi, & Connelly, 2011; Coviello & Martin, 1999; Jones & Coviello, 2005; Knight, 2000; Lu & Beamish, 2001). Other studies have linked entrepreneurial activity with an accelerated internationalization of born global firms (Efrat & Shoham, 2012; Knight & Cavusgil, 1996; O'Cass & Weerawardena, 2009; Oviatt & McDougall, 2005). These studies analyze the impact of international entrepreneurship's decision-making styles, and the effect of globalization on entrepreneurship and SME internationalization. Although the phenomenon of early and accelerated internationalization manifests entrepreneurial ability to exploit opportunity, the role of international entrepreneurship in penetrating a foreign market after entry is not well understood. In particular, for small and medium-size enterprises (SMEs) that have limited resources and

experiential knowledge during the early phases of internationalization, it is pertinent to know how international entrepreneurship contributes to the survival of such firms after international market entry. Another pertinent question for our study is how international entrepreneurship's various formal organizational efforts to understand, integrate and share new market knowledge affect firm performance at initial and subsequent export expansion stages. It is also of interest to discover the role international entrepreneurship plays in the development of collaborative advantage with foreign partners in managing and accessing knowledge of the new market at the two stages of expansion after foreign market entry.

Several definitions of international entrepreneurship can be found in literature (c.f. Jones & Coviello, 2005; McDougall & Oviatt, 2000). Lado, Boyd, and Hanlon (1997), in a study of competitive and cooperative strategy, emphasize the development of collaborative advantage and propose a syncretic understanding of firms' behaviour. This behaviour explains that firms achieve economic rents and superior, long-run performance through simultaneous cooperation and competition when they effectively and efficiently exchange, allocate and utilize firm-specific resources. Instead of competition, the present article focuses only on the collaborative rent-seeking behaviour of entrepreneurial activity after international market entry. Teece, Pisano, and Shuen (1997) posit that,

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if control over scarce resources is the source of economic profit, then skill acquisition, the management of knowledge, know-how and learning become fundamental strategic issues. Foundation approaches to dynamic capabilities' perspective such as the resource-based view (RBV) also stress on building competitive advantage through capturing entrepreneurial rents which rise from a fundamental firm-level efficiency advantage (Teece, 2014). Teece (2007), however, identifies that intensely entrepreneurial firms, with strong dynamic capabilities, attempt to shape their business environment through collaborations with other firms and institutions (Bojica & Fuentes, 2012; Hatani & McGaughey, 2013). Collaboration with other firms is one way to gain unique organizational skills that a firm is unable to readily assemble through factor markets (Kogut & Zander, 1995). This study discusses the role of entrepreneurs and emphasizes their efforts in developing and maintaining an internal environment at firm level which facilitates partnership knowledge sharing.

Prior studies on international entrepreneurship concentrate on antecedent factors – such as institutional, industry, organizational and characteristics of founding entrepreneurial teams – leading to early internationalization of born global and new venture firms (Autio, Sapienza, & Almeida, 2000; Kaczmarek & Ruigrok, 2013; Zahra, Ireland, & Hitt, 2000). For example, Autio et al. (2000) in their seminal study on the subsequent international growth from an international entrepreneurship perspective, analyze a framework limited to only two factors of knowledge intensity and the inimitability of technology. Other studies have analyzed entrepreneurs' role in internationalization and focused only on their opportunity-seeking behaviour (Jones & Coviello, 2005). Present work in international entrepreneurship has associated greater knowledge intensity with faster international growth. It suggests that knowledge and learning impact on international growth as internationalizing firms must understand, share, and assimilate new knowledge to compete and grow in markets in where they have little or no previous experience (Autio et al., 2000; Patriotta, Castellano, & Wright, 2013).

The recent advancement in international entrepreneurship literature, however, does not identify the entrepreneurial strategic choices for knowledge creation and exploitation at initial and subsequent export expansion stages after entry into a foreign market. The topic of subsequent expansion after foreign entry (market penetration) has been barely touched upon in the internationalization literature, but is an emerging phenomenon in the international entrepreneurship literature (Autio et al., 2000). Yet, studies express concern about how entrepreneurship explains firms' behaviour when they lack the organizational capacity to develop capabilities quickly in a foreign market. Despite this present knowledge on entrepreneurship, entrepreneurial market knowledge-seeking behaviour per se and through the development of strategic partnerships after foreign market entry is yet to be explored extensively within the international entrepreneurship literature.

The contribution of our study rests on advancing the role of international entrepreneurship of young firms into foreign markets. Zahra, Sapienza, and Davidsson (2006) observe there is scant attention to younger firms in the literature as they create, discover and exploit opportunities. Our study adds to this scant knowledge specifically in the context of expansion after entering into a foreign market. Within the international entrepreneurship literature, our framework expands entrepreneurship into the domain of inter-firm relations. We propose to analyze entrepreneurial ability in managing relational capability at the entry and subsequent market expansion stages. In the next section we discuss this entrepreneurial ability as an entrepreneurial competence and develop its relationships with two types of relational capabilities of the firm – first, with a partnership management and

then with the partnership knowledge access capability. Following this, we analyze the effects of both of these capabilities at the initial and subsequent foreign market expansion stages of entry.

2. Theory development

2.1. Entrepreneurial competence

Lado et al. (1997, p. 125), define entrepreneurial competence as the managerial capability of a firm's leaders to create and communicate a strategic vision for structuring inter-firm relations. Examining the roots of the constructs of entrepreneurship and entrepreneurial orientation, it is found that entrepreneurial competence is well grounded in entrepreneurship literature. Entrepreneurial orientation (EO) refers to the strategic processes that entrepreneurs undertake to enhance the performance of the firm, such as introducing new products, capturing markets, building new relationships and new market entry (Lumpkin & Dess, 1996). A new market entry is a consequence of certain procedures which managers carry out to fulfil their objectives. Thus EO refers to *how* (process) aspects of managerial activities as carried out by the entrepreneurs and entrepreneurship can be referred to as identifying a specific activity (content). For example, new entry in this view can be considered as entrepreneurship whereas entrepreneurial orientation would describe the activities through which new entry is followed up (Lumpkin & Dess, 1996). Entrepreneurial competence on these grounds is the capability specifically geared towards structuring inter-firm relations and as Lado et al. (1997) suggested, solely relates to specific activities which emphasize the beliefs, values and activities of top management that are instrumental in creating an organizational culture that fosters knowledge sharing. As this conceptualization emphasizes entrepreneurial vision in structuring inter-firm relationships which coincides with the objective of the study, we adopt this definition. Thus, entrepreneurial competence brings the domain of inter-firm relations into the entrepreneurial orientation.

One could argue that creating and communicating a strategic vision for structuring inter-firm relations is critical for success in foreign markets. We advance the idea that firms may adopt the same entrepreneurship activities but the processes to achieve the objectives of these entrepreneurship activities undertaken by managers may vary from firm to firm. A strategic vision allows entrepreneurs to deliberately focus on some resources and ignore others. For instance, many firms take up new entry; however, the processes to enter a new market will be organized differently by each of these firms. Some will be successful and some may not be. Lumpkin and Dess (1996) also draw our attention to a purposeful enactment – the intentions and actions of key players in the process of seeking new entry – which may bring success to the entrepreneurial activity. Entrepreneurial competence is precisely concerned with the entrepreneurial purposeful consent in creating a vision, beliefs and values of top management for structuring inter-firm relationships. When managers purposefully plan to structure inter-firm relations, they anticipate future problems, needs and changes and attempt to be innovative regarding new opportunities. Thus, firms shape their own inter-firm relational environment.

Here we explain the link between entrepreneurial competence and success of the firm after foreign market entry. Earlier studies have documented the importance of the positive relationship between inter-firm relations and firm performance (Sarkar, Echambadi, & Harrison, 2001). Our argument develops along similar lines, however we acknowledge that the relationship between inter-firm relations and firm performance is not straightforward. In a cross-border environment, entrepreneurs need to

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