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A rational normative model of international expansion: Strategic intent perspective, market positions, and founder CEOs/family-successor CEOs ☆

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ABSTRACT

Ever since Hamel and Prahalad propose the importance of the strategic intent perspective, understanding the relationship between entrepreneurial ambitions and an international expansion strategy becomes a key issue in the fields of international business and strategic management. However, most previous studies focus on the strategic behaviors of the CEOs of large public firms. This study incorporates upper echelons theory and entrepreneurship research to build up a rational normative framework of strategic intent perspective, market leader/follower positions, and founder CEOs/family-successor CEOs for the international expansion strategy of small- and medium-sized enterprises and family firms. By applying an experimental design method, the results show that the rational analyses of the strategic intent perspective and market positions affect a firm's international expansion strategy. However, different generations of CEOs might have different perspectives on international expansion in a specific industry. These findings broaden entrepreneurship and the upper echelons theory's explanations of international expansion decision-making.

1. Introduction

Since the international business literature identifies strategic intent as one of the most important motivations for firms to set up ambitious strategic objectives like entering new markets or investing abroad (Barkema & Vermeulen, 1998; Hamel & Prahalad, 1989; Luo & Tung, 2007; Rui & Yip, 2008; Zahra, Ireland, & Hitt, 2000), understanding the relationship between entrepreneurial ambitions and an international expansion strategy becomes a key theoretical and empirical issue in the fields of international business, leadership and strategic management. One strand of this literature focuses on the rational analysis or rational normative model (Rui & Yip, 2008). The rational analysis of the strategic intent perspective argues that the chief executive officer (CEO)'s characteristics and external environment affect a firm's international expansion strategy (Hitt & Tyler, 1991; Rui & Yip, 2008; Souder, Simsek, & Johnson, 2012). Although the rational normative model addresses the main issues of the effects of the environment, organization, and strategic choice perspectives on international expansion, disputes about these relationships arise among different emphases on the roles of strategic objective criteria, CEOs, or external constraints such as a firm's market position in recent decades (Hitt & Tyler, 1991; Rui & Yip, 2008). In other words, the relationship between the strategic intent perspective, CEOs, a firm's market position and international expansion strategy needs further investigation.

International expansion initiatives are the challenging strategic decisions to replicate the firm's existing business model in international markets that usually require substantial investment in new infrastructure, and change the firm's scale and structure–all of which are under the purview of the CEOs (Souder, Simsek, & Johnson, 2012). Besides the strategic intent perspective, international expansion requires that the CEOs possess appropriate knowledge, power and credibility about what, how and where the replication should occur (Souder, Simsek, & Johnson, 2012). Theoretically, upper echelons research explains the influence of CEOs on international expansion decision-making and the initiatives of the firms they lead (Henderson, Miller, & Hambrick, 2006; Miller, 1991).

One strand of the upper echelons research focuses on how CEO influence evolves differently for founders and their successors (Pitcher, Chreim, & Kisfalvi, 2000; Souder, Simsek, & Johnson, 2012). In addition, agency theory and entrepreneurship research also find that founder CEOs differ fundamentally from successors (Jayaraman, Khorana, Nelling, & Covin, 2000). For example, Mitter, Duller, Feldbauer-Durstmüller, and Kraus (2014) investigate the impact of family influence and various governance factors on internationalization due to family-successor CEOs' better education and international knowledge, and find that no incumbent generation effect exists between founder

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CEOs and family-successor CEOs for manufacturing and non-manufacturing sectors. In other words, whether the CEOs impact of different generations on international expansion strategy remains less explored for specific industries.

Most previous studies based on agency theory, entrepreneurship and upper echelons perspectives focus on the strategic behaviors of the CEOs in large public firms (Hambrick & Quigley, 2013; Pitcher et al., 2000), and however, large and publicly-traded firms represent only a small slice of the full population of firms (Carland, Hoy, Boulton, & Carland, 1984; Daily & Dalton, 1992). In other words, small and medium-sized enterprises (SMEs) and family-run companies are typically the dominant business startups in many countries (Chung & Luo, 2013). With respect to the key international expansion strategy, whether or not founder CEOs and family-successor CEOs of SMEs and family-run companies have the same interests, perspectives and strategic behaviors becomes the main research objective of this study.

A second strand of the upper echelons research literature focuses on the characteristics of a firm's external environment as being crucial to understand the influence of CEOs on international expansion (Rui & Yip, 2008; Thornton & Ocasio, 1999). The characteristics of a firm's external environment include the market competitive positions, which refer to the dissimilarity of market elements and the extent of their interconnectedness (Souder, Simsek, & Johnson, 2012). Child and Rodrigues (2005) investigate whether the pattern of international expansion initiatives reflect a strategic choice by the market leader of the firms. In addition, from the perspective of rational analysis, Rui and Yip (2008) demonstrate that the CEOs of market leading firms exhibit more willingness and desire than those of followers when it comes to engaging in an international expansion strategy. Thus, following the studies of Child and Rodrigues (2005) and Rui and Yip (2008), this study incorporates upper echelons theory and rational analysis to investigate the effects of leaders/followers of market competitive positions on international expansion.

The study offers three contributions. First, the research builds on three foundations, namely, the life cycle pattern of CEO (Hambrick & Fukutomi, 1991), the CEO's strategic intent perspective (Hamel & Prahalad, 1989), and the importance of a CEO's decision environment (Ocasio, 1997). Second, this study broadens the upper echelons theory's explanation of international expansion decision-making to encompass founder CEOs and family-successor CEOs perspectives. By considering the distinction between founder CEOs and family-successor CEOs from the entrepreneurial literature (Jayaraman et al., 2000), this study enriches the understanding of influences on international expansion—the strategic intent perspectives of CEOs over their time in office. Third, by integrating the upper echelons theory and rational normative model, we build up a framework for the strategic intent perspective, market leader/follower positions, and founder CEOs/family-successor CEOs in relation to international expansion, and then demonstrate the validity of the framework by providing evidence from our experimental research on SMEs and family-run CEOs.

2. Conceptual development and research hypotheses

Upper echelons research highlights the role of complex and ambiguous market conditions in relation to the firm's international expansion strategy (Hambrick, Finkelstein, & Mooney, 2005; Ocasio, 1997). Such complexity limits the CEO's discretion to pursue new initiatives (Hambrick & Finkelstein, 1987) and represents an important aspect of the decision environment in which the CEO faces (Hambrick et al., 2005; Ocasio, 1997). While upper echelons research identifies the key factors of a CEO's influence on international expansion, little research pays attention to the thesis that CEO influence evolves differently for founder CEOs and family-successor CEOs. Meanwhile, the rational normative model suggests that executives set up strategic objectives, conduct the analysis of a firm's internal and external environments, and then make a strategic decision and deliberately implement it (Barkema & Vermeulen, 1998). Thus, by incorporating the upper echelons perspective, this study develops the following hypotheses to build up a rational normative model of the combined influences of strategic intent perspectives, founder CEOs/family-successor CEOs, and market positions in association with an international expansion strategy.

2.1. Strategic intent perspectives and international expansion

A strategic intent perspective is an executive's active and rational management process that leads the entire organization to pursue a certain long-term strategic objective such as international expansion (Hamel & Prahalad, 1989). Since an international expansion strategy involves a series of sequential, rational, and analytical processes (Luo & Tung, 2007; Rui & Yip, 2008; Zahra, Ireland, & Hitt, 2000), the question of how entrepreneurial ambitions influence international expansion captures researchers' attention (Hamel & Prahalad, 1989; Pitt, 2001; Rui & Yip, 2008).

In fact, the strategic intent perspective pushes multinational enterprises from developing countries to catch up with incumbents in international markets by taking a series of aggressive and risk-taking actions (Luo & Tung, 2007; Rui & Yip, 2008), which means that CEOs make an international expansion decision to leverage the firm's competitive advantage based on the need for a strategic intent perspective. Thus, by incorporating such a strategic intent perspective into a rational normative model, this study expects that for firms led by CEOs with a strategic intent perspective will more likely to adopt an international expansion strategy. Specifically:

Hypothesis 1. *For firms led by CEOs with a strategic intent perspective will more likely to adopt an international expansion strategy.*

2.2. Market positions with international expansion

The market leader's experience has the advantage of efficiently leveraging existing knowledge to achieve success in new markets relative to market followers that lack this expertise (Porter, 1980; Rivkin, 2001). For example, Rui and Yip (2008) demonstrate that Lenovo with its market leader position in its homeland of China implements an international expansion strategy by acquiring the loss-making IBM PC unit to leverage Lenovo's strength in the domestic market and the IBM PC's strength in advanced countries.

Why does a firm with the position of market leader need to engage in international expansion initiatives? The previous literature provides the two most important answers to this question (Child & Rodrigues, 2005; Rui & Yip, 2008). First, even with its market leader position, the increasingly fierce competition in its backyard impels the firms to "go out" or replicate a business model in new markets (Luo & Tung, 2007). Second, international expansion is an important growth-oriented goal of the firm (Barkema & Vermeulen, 1998; Zahra, Ireland, & Hitt, 2000). Thus, by incorporating market positions in a rational normative model, this study expects that the firm with the market leader position will have more willingness and desire than market followers to implement an international expansion strategy. Specifically:

Hypothesis 2. *A firm with a market leader position will more likely to adopt an international expansion strategy than market followers.*

2.3. Founder CEOs vs. family-successor CEOs

Following the founder CEOs' characteristic predictions of upper echelons research, Nelson (2003) and Souder, Simsek, and Johnson (2012) suggest that founder CEO-led firms may attain higher performance by transitioning to a successor as their initial burst of expansion dissipates. Except studying the strategic behavior of different CEOs in large public firms (Souder, Simsek, & Johnson, 2012), how the leadership transitions