



Entrepreneurial orientation and international scope: The differential roles of innovativeness, proactiveness, and risk-taking



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ABSTRACT

This research integrates the international business and entrepreneurship literatures by examining the independent influences of innovativeness, proactiveness, and risk-taking on the ability of a firm to broaden its scope across international markets. For each dimension of entrepreneurial orientation, a cost–benefit framework is applied to highlight the trade-offs associated with different levels in the internationalization context. Based on a unique dataset of 500 SMEs spanning 10 industries, the results reflect the consequences of being “stuck in the middle” with respect to their strategic posture on innovativeness and proactiveness, but reveal a nuanced role for risk-taking behavior. The non-uniform and non-linear relationships from the findings contribute to a better understanding of when the individual dimensions of entrepreneurial orientation help or hinder entrepreneurial firms in the internationalization process.

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1. Introduction

Firms are increasingly finding it important to generate sales abroad. In fact, internationalization across multiple foreign markets, more commonly known as international scope, is a significant achievement that reflects a firm's ability to navigate environments that often differ from each other in terms of resources, institutions, and levels of competition (Zahra and George, 2002). The successful pursuit of international scope has the potential to produce benefits including economies of scale, greater returns on investment, and an improved competitive stance (Autio et al., 2000; Sapienza et al., 2006). However, entering foreign markets also entails significant challenges in terms of identifying and developing opportunities (Shrader et al., 2000). A set of attributes commonly acknowledged as helpful for overcoming obstacles in the internationalization process is a firm's entrepreneurial orientation (Jones and Coviello, 2005).

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Entrepreneurial orientation reflects a firm's innovativeness, proactiveness, and willingness to undertake risks⁴ (Lumpkin and Dess, 1996). Many studies have examined the relationship between entrepreneurial orientation – as a uni-dimensional construct – and various indicators of internationalization, generally finding support for its influence (e.g., De Clercq et al., 2005; Knight, 2000). However, the sub-dimensions of entrepreneurial orientation comprise resource-intensive postures with unique cost–benefit trade-offs (Covin and Slevin, 1991), which have the potential to differentially influence how firms internationalize (Kreiser and Davis, 2010). Indeed, the prevalent treatment of entrepreneurial orientation as a uni-dimensional construct does not show how strategic decisions surrounding each dimension may affect a firm's entry into new foreign markets, which constrains our ability to understand the precise role of entrepreneurial orientation in helping firms achieve outcomes such as international scope.

Accordingly, in this research we develop a cost–benefit framework to examine how the individual dimensions of entrepreneurial orientation may exert separate influences on firm international scope. Using a sample of 500 small and medium-sized enterprises (SMEs) spanning 10 industries, our study contributes to extant research in several ways. First, we integrate the international business and entrepreneurship literatures by illustrating the multifaceted role of entrepreneurial orientation in firm internationalization. Second, we apply the cost–benefit framework to show the importance of incorporating multi-dimensional and non-linear assumptions in the international entrepreneurship context (Zhou, 2007). Lastly, we move beyond the traditionally studied variables of international intensity and speed to provide insights on the drivers of international scope, which, despite being an important indicator of a firm's international activity (Jones and Coviello, 2005), remains under-examined (Jantunen et al., 2005).

2. Theory & hypotheses

Many firms engage in international entrepreneurship to bolster their competitiveness (Narula and Hagedoorn, 1999). International entrepreneurship is the “discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt and McDougall, 2005: 540). As an inherently entrepreneurial process involving various resourceful behaviors to create value beyond domestic boundaries (McDougall and Oviatt, 2000), the development of international scope shapes to a large extent the costs and benefits firms experience in venturing abroad. Specifically, internationalization for a firm involves significant costs that arise from increased uncertainty in obtaining adequate returns (Zahra et al., 2001), as well as pressures to understand customers and overcome its foreignness in newly entered countries (Shrader et al., 2000). At the same time, each newly entered market has the potential to improve a firm's competitive position by facilitating the recognition and exploitation of opportunities (Bloodgood et al., 1996; Wiklund and Shepherd, 2003). While these benefits increase with each country entered, so too do the associated costs.

The pursuit of international scope, i.e., seeking opportunities across a large number of countries, is an exceptional achievement that reflects a firm's ability to develop global geographic diversification, organizational flexibility, and overseas opportunities (De Clercq et al., 2005; Ripollés-Meliá et al., 2007). Yet, international scope has often been overlooked in empirical inquiries (Zahra and George, 2002), which generally seek to explain international market entry (e.g., Oviatt and McDougall, 2005; Sapienza et al., 2006), sales intensity (e.g., Autio et al., 2000; Preece et al., 1999), learning capabilities (e.g., Sapienza et al., 2005; Zhou, 2007), or intent (e.g., De Clercq et al., 2005). This gap in the literature limits our ability to understand how firms create value while overcoming various challenges associated with operating in multiple country contexts (Coviello and McAuley, 1999). To explore this dynamic indicator of firm internationalization, we theorize on several characteristics that affect the extent to which firms can continually extend their international reach in spite of the obstacles inherent to this process.

2.1. A cost–benefit view of entrepreneurial orientation for international scope

Firms commonly broaden their international scope through entrepreneurial actions (McDougall and Oviatt, 2000), such as those engendered by an entrepreneurial orientation. Entrepreneurial orientation refers to a set of behaviors – namely innovativeness, proactiveness, and risk-taking – that have been found to influence international learning (De Clercq et al., 2005), speed of entry (Zhou, 2007), and performance (Zhang et al., 2012). Often deemed important in the internationalization process (Knight and Cavusgil, 2004, 2005), entrepreneurial orientation should help foster international scope in firms. However, due to their resource-intensive nature (Covin and Slevin, 1991), each dimension of entrepreneurial orientation has the potential to generate significant costs (Wales et al., 2013). For example, innovativeness involves upfront investments (Kreiser et al., 2013), proactiveness entails high search, learning, and retaliation costs (Bell, 1995), and risk-taking requires greater slack for potential losses (Shrader et al., 2000).

Prior research has generally assumed uniformity across these sub-dimensions of entrepreneurial orientation, without considering their distinct influences (Hughes and Morgan, 2007). However, because each sub-dimension may be characterized by cost–benefit trade-offs (Wales et al., 2013), a firm that assumes all three entrepreneurial postures to the highest extent may become hampered in the pursuit of international scope due to increasing strains on its resources. Given that even firms with limited resources still manage to continually venture abroad (Oviatt and McDougall, 1994; Zahra et al., 2001), it is important to explore the possibility that expansion into multiple countries may be accomplished by adopting different levels of the three entrepreneurial orientation behaviors. Moreover, there is evidence showing low correlations – and even lack of co-variation – between

⁴ Covin and Miller (2013) and Rauch et al. (2009) found that the three-dimension measure of entrepreneurial orientation dominated the use of the five-dimension measure in the literature. More importantly, they showed that the use of three rather than five dimensions did not affect the validity of the entrepreneurial orientation scale. For parsimony and in accordance with George and Marino's (2011) epistemological espousal of the three-dimension definition of entrepreneurial orientation as a family of constructs, we adopt the three-dimension measure in this study.

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