

Internationalization Strategies of SMEs under the Aspect of Entrepreneurial Orientation

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Abstract

A large body of research on multinational corporations (MNCs) has evolved over time, due to the ease of accessible information and data (Oviatt & McDougall, 1994). Contrary, only in the last two to three decades the changes in the global economy as well as recognition of importance of SMEs have led to an emergence of research in the respective area (e.g.: Liesch & Knight, 1999; Ruzzier, Hisrich, & Antoncic, 2006). Accordingly, Filatotchev, Liu, Buck, & Wright (2009) call for more research in the field of SME internationalization and their strategic approaches to enter international markets. In fact, although international experience is known as a central determinant for internationalization, few studies have analyzed the link between international experience, addressed in this paper as part of the entrepreneurial orientation, along the process of internationalization and its effect on international performance (De Clercq, et. al., 2012)

Aside from Knight's (2000) call for more research on the topic of SME performance, many authors have contributed to specific aspects of SME performance research. For example, market orientation has been identified as a legitimate guiding model for business success (Noble, et al., 2002). By performing a cluster analysis, Slater & Olsen (2001) were able to group different strategic types of firms and match them with the original Miles & Snow (1978) business strategy types and confirmed that performance is heightened, when business strategy and a certain type of marketing strategy is linked. Several other studies have found support for the relationship between market orientation and performance. Those include a positive and significant relationship between market orientation on performance measures such as marketing effectiveness, sales growth, market share and profitability (Pelham, 2000). Even though the body of research on SMEs is growing, Hollenstein (2005) concludes that the generalizability of the results is rather difficult, for two reasons, first: most studies are limited to one specific industry or sector and thus cannot be generalized for all SME industries; and second: most studies neglect the importance of the service sector and focus mainly on manufacturing industries. Similarly, Bell, McNaughton, Young, & Crick (2003) argue that there is a lack of empirical research on internationalization dynamics and its effects on international performance.

Thus, the aim of the paper is to explore how entrepreneurial orientation (EO) affects international strategy and performance. By grouping SMEs into strategic clusters by mean of the concept of EO, the authors aim to empirically assess and answer the research question, if SMEs that have a clear and consistent business strategy for internationalization perform better than SMEs that lack one.

A unique primary data collected from 305 SMEs is used for empirical analysis. The SMEs in the dataset are grouped into four strategic clusters considering the concept of EO. The results show a positive relationship between internationalization strategy and international performance, proving that a consistent business strategy leads to a superior performance of SMEs. This result challenges existing research that sees internationalization as a static process rather than a result of different strategic orientations.

Keywords: Small and medium enterprises, SME, entrepreneurial orientation, performance, strategy, internationalization, international strategy, international performance, cluster analysis

JEL classification: F00, F10, F23, L21, L22, L25, L26

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