

Chapter 11

Encouraging Internationalization and Entrepreneurial Orientation in Small and Medium Enterprises

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ABSTRACT

This chapter explains the overview of internationalization; the aspects of internationalization in Small and Medium Enterprises (SMEs); internationalization, social capital, and Foreign Market Knowledge (FMK) in SMEs; internationalization and marketing capability; internationalization, innovation, and Research and Development (R&D); the implications of internationalization in SMEs; the overview of Entrepreneurial Orientation (EO); EO and firm performance; EO, organizational learning, and knowledge management; and the current trends and issues with EO in SMEs. Encouraging internationalization and EO is essential for SMEs that seek to serve suppliers and customers, increase business performance, strengthen competitiveness, and achieve continuous success in SMEs. The chapter argues that encouraging internationalization and EO has the potential to enhance organizational performance and reach strategic goals in SMEs.

INTRODUCTION

Small and medium enterprises (SMEs) now have access to new technology and their ability to embrace risk and uncertainty allows them to take advantage of their entrepreneurial and human capabilities, improving their ability to enter challenging new business environments (Javalgi & Todd, 2011). The internationalization of SMEs has attracted growing attention as a subject of academic inquiry and a goal of public policy (Child & Hsieh, 2014), and is a major perspective for sustaining innovation, employment, and economic renewal (Greene & Mole, 2006). The institutional network relationships have a positive effect

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on the internationalization process of SMEs (Oparaocha, 2015). Business growth and knowledge-related perspectives are the most influential factors in driving SMEs toward internationalization (OECD, 2009).

Entrepreneurial orientation (EO), learning orientation, and market technology have attracted major scholarly interest within their specific streams of literature for some decades (Hakala, 2011). With today's complexity in conducting business transactions, EO can be considered as a critical factor to ensure the success of a business (Arshad, Rasli, Arshad, & Zain, 2014). EO is representative of a strategic organizational posture that encourages the acquisition, structuring, and exploitation of organizational resources that facilitate competitive advantage (Wiklund & Shepherd, 2011). SMEs can capitalize on business-related scanning and planning processes because of their international EO (Swoboda & Olejnik, 2016).

SMEs play an important role for national economies. Internationalization can have implications for SMEs as for any companies in terms of cost reduction (relocation), market differentiation (export), and development of key strengths, such as competitive advantages. Internationalization is the significant factor for entrepreneurial success and business growth. Despite trade barriers and technical difficulties, internationalization represents an essential step to grow the businesses and secure the market demand toward promoting the growth of SMEs. In order to excel in innovativeness, SMEs should be market-oriented, proactive, and willing to take risks, as well as have access to superior technological assets and capabilities (Renko, Carsrud, & Brännback, 2009).

This chapter aims to bridge the gap in the literature on the thorough literature consolidation of internationalization and EO in SMEs. The extensive literatures of internationalization and EO provide a contribution to practitioners and researchers by explaining the current issues and approaches of internationalization and EO in order to maximize the business impact of internationalization and EO in SMEs.

BACKGROUND

The research regarding SMEs internationalization began in the early 1970s in the Nordic countries and produced gradualist models (Johanson & Vahlne, 1977). The main output is the Uppsala model (Johanson & Vahlne, 1977). Regarding Uppsala model, the internationalization of the firm is considered as a process of the firm's international involvement increasing as a result of different types of learning (Ruzzier, Hisrich, & Antoncic, 2006). SMEs are able to internationalize more rapidly than the gradualist models predict (Oviatt & McDougall, 2005). The two major sources in such a rapid internationalization process are knowledge and international networking (Oviatt & McDougall, 2005). The international network helps the entrepreneurs in emphasizing the opportunities, establishing the international relationships, and accessing the information (Kalinic & Forza, 2012).

Nowadays, competition among firms is becoming fiercer (Félício, Caldeirinha, & Ribeiro-Navarrete, 2015). SMEs make sizeable contributions to the economic success of nations (Javalgi & Todd, 2011). Traditional SMEs are able to expedite their internationalization process by rapidly catching up with the increasing global competition (Kalinic & Forza, 2012). Internationalization of the firms significantly concerns the relationship among the firms and their international environments, derives its origin from the development and utilization process of the individual's cognitive and attitudinal readiness, and is exhibited in the development process of different international activities (Lehtinen & Penttinen, 1999). The significant role played by decision makers in SMEs means that their personal characteristics and interpretations are likely to affect their strategic decisions, including those on internationalization (Hsu, Chen, & Cheng, 2013).

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