THE CONCEPT OF INTERNATIONAL ENTREPRENEURIAL ORIENTATION IN COMPETITIVE FIRMS: A REVIEW AND A RESEARCH AGENDA

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ABSTRACT

To date, there are no studies on the effect of IEO on firms' competitiveness. By reviewing the literature on IEO we understand that most of the previous studies have dealt with three concepts of risk-taking, innovation and pro-activeness and these studies are very similar to the studies of EO that have used dependent variables of internationalization. In these studies, IEO is a construct that does not differ from EO and internationalization is a context for studying EO. Thus, this paper builds on previous researches and adopts a philosophical conceptualization method to render a novel approach to study IEO. We conclude that IEO should be conceptualized again, rather than considering it as EO in an international context. Our contribution is that we have regarded IEO and EO different from each other, as independent constructs.

Keywords: Competitiveness, Entrepreneurial Orientation, International Entrepreneurial Orientation, Internationalization.

INTRODUCTION

Increased national competitiveness following firms’ competitiveness is an important factor of economic development. Food industry which is dependent on agricultural products is one of the most important industrial groups that play an important role in developing countries' economic development. Thus, food industries' competitiveness enhances the added value of agricultural products and increases their exporting abilities a lot. So, apart from an entrepreneurial attitude in managing food-related enterprises, economic activists must have an international attitude to the foreign markets as well as international consumers’ preferences (Athukorala & Sen, 2000; Jeffee & Hensen, 2004). Therefore, to survive and progress, firms need to sell their products and services to foreign customers. Although this is facilitated by Entrepreneurial Orientation (EO), unless all the firms' parts are based on attending in the foreign markets, no success would be guaranteed. This is necessary to ensure the firm's competitiveness in the international arenas. Entrepreneurial orientation is a developing concept in the field of entrepreneurship which has attracted a lot of academic, experimental and conceptual attention. EO deals with selecting and implementing organizational strategies which are the base of organizational entrepreneurial decisions and activities (Lumpkin & Dess 1996; Wiklund &
Shepherd, 2003). In addition, International Entrepreneurial Orientation (IEO) is a developing concept that deals with factors such as senior manager’s risk-propensity, innovativeness as well as pro-activeness (Freeman & Cavusgil, 2007; Tat Keh et al., 2007). In fact, this definition is an implicit three-dimensional conceptualization of entrepreneurial orientation which has been put forward by Miller (1983). On the other hand, Sundqvist, Kylaheiko, and Kuivalainen (2012) define IEO as a combination of behaviors related to value creation which are in forms of innovative methods, risky and independent activities, and emphasize better performance in relation to the competitors that result in identifying, recognizing, evaluating as well as exploiting lucrative opportunities outside of the one’s country (Sundqvist et al., 2012). This definition of IEO is in line with the five-dimensional conceptualization proposed by Lumpkin and Des (1996).

By reviewing the literature on IEO, it is easily understandable that most of the previous studies have dealt with three concepts of risk-taking, innovation, and pro-activeness. These studies are very similar to the studies of EO that have used dependent variables of internationalization. In these studies, IEO is a construct that does not differ from EO. In other words, internationalization is a context for studying EO (Dimitratos et al., 2004; Jantunen et al., 2005; Knight, 2001; Kuivalainen et al., 2004; Mostafa et al., 2012, Thanos et al, 2017, Bosco et al, 2017, Mattos & Salciuvieneb, 2017; Calabrò et al., 2017; De Mattos & Salciuviene, 2017). Other scholars have studied IEO and EO distinctively and have studied IEO related to dimensional like innovativeness, risk-taking and autonomy Knight & Cavusgil, 2004, 2005; Kuivalainen et al., 2007; Sundqvist et al., 2012; Zhang, Sarker, & Sarker, 2012; Zhou, 2007, Dimitratos et al., 2012, Carbario et al., 2016; Deligianni et al., 2016).

Thus, this paper builds on previous researches and adopts a philosophical conceptualization method (Meredith, 1993) to render a novel approach to study IEO. Our contribution is that we have regarded IEO and EO different from each other, as independent constructs.

**LITERATURE REVIEW**

**Competitiveness**

Competitiveness in the national scope is the country’s capability to produce such products that are able to compete internationally. A country’s competitiveness defines that country’s position in the international markets among similar countries (Moon et al., 1998). A firm or an industry’s level of competitiveness depends on a lot of macro and micro factors. A combination of factors defines international competition dynamics (Benzler & Hokkanen, 1995). Porter also presented a national diamond framework in this area (Porter, 1985, 1947). Bucklet et al. (1998) define an industry's competitiveness based on an applied framework including competitive performance, potential as well as the managerial process. According to Porter, two factors define market profitability including the industrial structure and the firm’s competitive position in that industry. These are two strategic factors that lead to the firm’s strategy (Hax & Wilde, 2001). A firm could be competitive and create value in the market more than its rivals when it has harmony with national environmental factors and has a good position in its internal determinants (Dess & Lumpkin, 2003). While Porter (1979) regards the structure of industries emanated from 5 different factors, in the last two decades two distinctive schools of thought have emerged which are Technology-Driven and Competency-Driven approaches. According to Technology-Driven approach, information technology improves efficiency and strategic abilities. While, on the other hand, based on Competency-Driven approach, firms can identify and manage
their unique competencies by internal and external stability (Booth & Philip, 1998). An economy’s competitiveness depends on its firms’ competitiveness. Competitiveness is discussed in three levels of national, industrial and firm-related (Webster, 2002; Porter & Miller, 1985). Table 1 presents the competitiveness studies.

<table>
<thead>
<tr>
<th>Group</th>
<th>Factors</th>
<th>Authors</th>
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<tbody>
<tr>
<td>Internal resources of the</td>
<td>Organizational capital (human resources, structure, culture, process,</td>
<td>Jiang et al. (2016); Carney et al. (2017); Giuliano et al. (2017);</td>
</tr>
<tr>
<td>organization</td>
<td>management capabilities)</td>
<td>Bess (2005)</td>
</tr>
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<td></td>
<td>Technology and manufacturing power</td>
<td>Carney et al. (2017); Xia et al. (2016); Lii &amp; Kuo. (2016); Scott (1989)</td>
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<tr>
<td></td>
<td>Internal resources</td>
<td>Porter (2001); Story et al. (2015)</td>
</tr>
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<td></td>
<td>Competitive strategy</td>
<td>Porter (1990 &amp; 1991); Wagner (2004); Stoever &amp; Weche (2015)</td>
</tr>
<tr>
<td>The market position of the</td>
<td>Flexibility and versatility</td>
<td>Rothaermel (2016)</td>
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<tr>
<td>firm</td>
<td>Quality</td>
<td>Xia et al. (2016)</td>
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<td></td>
<td>Productivity</td>
<td>Bamoul (1985); Story et al. (2015)</td>
</tr>
<tr>
<td></td>
<td>Market share and marketing capabilities</td>
<td>Lii &amp; Kuo (2016); Carney et al. (2017)</td>
</tr>
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<td></td>
<td>Profitability</td>
<td>Porter (1990); Story et al. (2015)</td>
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<td></td>
<td>Cost and price</td>
<td>Whisenant &amp; Willenborg (2016)</td>
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<tr>
<td></td>
<td>Product diversity and differentiation</td>
<td>Sachitra &amp; Chong (2016); Story et al. (2015)</td>
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<td></td>
<td>efficiency</td>
<td>Pereira-Moline (2016)</td>
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<tr>
<td>Creativity and innovation</td>
<td>Creating added value</td>
<td>Lii, Kuo (2016); Carney et al. (2017)</td>
</tr>
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<td></td>
<td>Customer satisfaction</td>
<td>Chaharbaghi &amp; Nugent (1994); Rothaermel (2016)</td>
</tr>
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<td></td>
<td>Business environment</td>
<td>Stoever &amp; Weche (2015); López &amp; Molina (2016)</td>
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<td></td>
<td>Competency</td>
<td>Whisenant &amp; Willenborg (2016); Wagner (2004)</td>
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<tr>
<td></td>
<td>Design and implementation of the plans</td>
<td>Arvanitis et al. (2016)</td>
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<td></td>
<td>Innovation</td>
<td>Mankasingh &amp; Ramsoomair (2017; Singh &amp; Mahmood, 2013)</td>
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<td></td>
<td>Information technology</td>
<td>Xia et al. (2016); Kumar &amp; Pansari (2016)</td>
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<td></td>
<td>knowledge management</td>
<td>Delery &amp; Roumpi (2017); Lii &amp; Kuo (2016)</td>
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<td></td>
<td>Research and development capabilities</td>
<td>Xia et al. (2016); Lii &amp; Kuo (2016)</td>
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<td>information technology implementation</td>
<td>Carney et al. (2017); Lii &amp; Kuo (2016)</td>
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<td></td>
<td>flexibility</td>
<td>Stoever &amp; Weche (2015); López &amp; Molina (2016)</td>
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|                              | New product development                                                  | Wagner (2004); Mankasingh &
Entrepreneurial Orientation

Entrepreneurial orientation is a combination of organizational processes, methods, and decision-making activities that lead to entrepreneurial risky businesses (Dess & Lumpkin, 1996). This issue has been introduced and studies from thirty years ago and has been very popular among entrepreneurship scholars (Wales et al., 2013). Entrepreneurship literature regards EO as a concept involving innovativeness, competitiveness, pro-activeness as well as risk-taking (Covin & Slevin, 1989, 1991; Lumpkin & Dess, 1996; Dess et al., 1997; Zahra & Garvis, 2000). Simply put, EO develops an active strategic structure based on the firm's capability to create continuous innovations, pro-active measures as well as high risk-taking despite high probability of loss (Covin & Slevin, 1989; Stam & Elfring, 2008; Boso et al., 2013; Wang, 2008). According to Miller’s (1983) conceptual framework, three dimensions of EO have been discussed in the literature profusely. Innovativeness points to creativity and experience by producing new products and services as well as technological leadership by means of research and development in novel processes. Risk-taking includes bold measures in uncertain environments, acquiring finances and allocating remarkable finances to invest in uncertain situations. Finally, pro-activeness is a forward-looking attitude to produce and create products and services even before the emergence of any competition, thus creating future demands. According to Lumpkin & Dess, EO includes two extra dimensions of competitive aggressiveness as well as autonomy. The first one is a firm’s level of effort to face its rivals and is measured through aggressive responses to the competitors and conducting an aggressive approach towards rivals’ threats in the markets. On the other hand, autonomy deals with the autonomous actions of entrepreneurial teams or entrepreneurs who want to create new investment. Table 2 shows the dimensions of entrepreneurial orientation.

<table>
<thead>
<tr>
<th>Dimensions of Entrepreneurial Orientation</th>
<th>Author</th>
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<tr>
<td>analysis and innovation</td>
<td>Miller &amp; Friesen (1983)</td>
</tr>
<tr>
<td>competitive aggressiveness</td>
<td>Covin &amp; Slevin (1990)</td>
</tr>
<tr>
<td>risk-taking, innovativeness, pro-activeness</td>
<td>Covin &amp; Slevin (1991)</td>
</tr>
<tr>
<td>risk-taking, innovativeness, pro-activeness</td>
<td>Miles &amp; Arnold (1993)</td>
</tr>
<tr>
<td>risk-taking, innovativeness, pro-activeness</td>
<td>Naman &amp; Slevin (1993)</td>
</tr>
<tr>
<td>risk-taking, innovativeness, pro-activeness, competitive aggressiveness and autonomy</td>
<td>Lumpkin &amp; Dess (1996)</td>
</tr>
</tbody>
</table>
risk-taking, innovativeness, pro-activeness & Becherer & Maurer (1997)

pro-activeness, innovativeness & Knight (1997)

risk-taking & Covin & Slevin (1998)

risk-taking, innovativeness, pro-activeness, competitive aggressiveness and autonomy & Lumpkin & Dess (2001)

risk-taking, innovativeness, pro-activeness & Morris & Kuratko (2002)

pro-activeness, risk-taking & Kreiser, Marino & Weaver (2002)

risk-taking, innovativeness, pro-activeness & Hult & Hurley & Knight (2003)


risk-taking, innovativeness, pro-activeness & Knight & Cavusgil (2004)

Export Market Orientation (EMO)

Market orientation shows itself through market creation, propagation as well as market intelligence (Kohli & Jaworski, 1990). That is to say, market-driven firms with the ability of understanding market trends and events can outrival their competitors by designing measures to attract and retain customers, improve channel relations, and contain their rivals. The more the Market Orientation, The better the firm’s performances (Kohli & Jaworski, 1990; Narver & Slater, 1990; Bhuian et al., 2005). Generally speaking, market orientation (MO) includes creating and disseminating market information, and response to market information (Kohli & Jaworski, 1990). Cadogan et al. (1999) introduced the export market orientation (EMO) by applying the concept of market orientation initiated by Kohl & Jaworski (1990). Cadogan et al. (2002) explain in detail that all the EMO activities could be simply defined as gathering export-related information, presenting the gathered information to the decision-makers in the firm, and persuading the customers to export. Export market orientation enhances firm’s export performances (Akyol & Akehurst, 2003; Cadogan et al., 2002; Dodd, 2005; French, 2006; Cadogan et al., 2009; Miocevic & Crnjak-Karanovic, 2012). Thus, firms must outperform their competitors by specializing in EMO activities. This, in turn, enables them to anticipate and act upon the present and future customer demands and design their solutions to outperform their rivals and improve their export performances (Cadogan, et al., 2002; Dickinson et al., 1986).

Internationalization, International Entrepreneurship and Entrepreneurial Orientation

International entrepreneurship is the answer to explain that to succeed in the international markets, firms need to have dual, external responsibilities (McDougall & Oviatt, 2000; Zahra & George, 2002; Dess et al., 2003; Dimitratos & Jones, 2005). So many firms are active in international entrepreneurship and use it as a competitive advantage (Narula & Hagedoor, 1999). To put it differently, international entrepreneurship is identifying, assessing and exploiting lucrative opportunities to create future products and services (Oviatt & McDougall, 2005). Given
the high levels of uncertainties a firm faces as well as the needed efforts to overcome foreign customers’ biases and the necessity to make one’s product recognizable and distinguished to the customers, international entrepreneurship could be expensive for the firms (Zahra et al., 2001). On the other hand, any new market could enhance a firm’s competitive ability by providing it with new opportunities (Bloodgood et al., 1996; Wiklund & Shepherd, 2003). By increasing new markets in new countries, both the benefits as well as the expenses increase. In short, internationalization and seeking opportunities in the foreign markets indicate a firm’s abilities to develop its markets, improve its resilience and organizational flexibility as well as exploiting foreign opportunities (De Clercq et al., 2005; Ripollés-Meliá et al., 2007). On the other hand, the internationalization literature has mainly ignored the concept of intention and this serious research gap has limited our ability to understand how the values are created in spite of international challenges (Coviello & McAuley, 1999).

International strategy theories were developed to explain the behaviors of large, multinational companies. By mid-1990s, so many scholars studied small international companies, despite their limited resources (Madsen & Servais, 1997; Oviatt & McDougall, 1994; Rennie, 1993). Internationalization of small and medium-sized enterprises (SMEs) is a risky effort which demands innovativeness, pro-activeness, and entrepreneurial behaviors (Ciravegna et al., 2013; Covin & Slevin, 1989, 2011; McDougall & Oviatt, 2000; Rauch et al., 2009; Wood et al., 2011). A lot of evidence indicate that entrepreneurial firms, no matter how small and under-developed, with the goal of rapid internationalization, are severely influenced by customer demands. These enterprises use novel communications and transfer technologies as well as necessary networks to reduce the internationalization charges (Knight & Cavusgil, 1996, 2004; Moen, 2002; Mesquita & Lazzarini, 2008). Building relationships with internal and external partners is an organizational-dependent variable that has attracted a lot of attention from SME internationalization scholars (Felzensztein et al., 2014; Felzensztein et al., 2014; Prashantham, 2011). From a conceptual point of view, EO has been regarded as the precursor of phenomenons like export (Ibeh & Young, 2001), international manufacturing (Jantunen et al., 2005; Mostafa et al., 2005), global technologies, new product development as well as cooperation with foreign distributors (Knight & Cavusgil, 2004). EO is the core of the firm’s activities because of both the antecedent and the outcome of internationalization efforts (Ripollés-Meliá et al., 2007). Conceptual explanations indicate that EO results in better firm performances. So as to assess the kind of performance, a lot of factors have been examined and introduced (Combs, 2005; Venkatraman & Ramamujam, 1986), which indicate that there is indeed a correlation between a firm’s EO and the performances of those firms which perform better in internal as well as the international markets (Dimitratos & Plakoyiannaki, 2003; Knight, 1997; Kuivalainen et al., 2007; McDougall & Oviatt, 2000; Robson et al. (2012); Wiklund & Shepherd, 2005; Wood et al., 2011). Especially for small firms, entering the new markets is combined with risk-taking, innovativeness, and entrepreneurial pro-activeness.

International Entrepreneurial Orientation (IEO)

In the international entrepreneurship literature, some scholars have developed EO to the internationalization and have studied the impact of International Entrepreneurial Orientation (IEO) on international performance (Covin & Miller, 2014). According to the experimental evidence, there is a positive relationship between international performance and IEO, although the knowledge on boundary conditions are limited and superficial (Child & Hsieh, 2014). Covin & Miller (2014) propose that traditional EO for international performance and separated
operation for IEO are fundamental for the success of IEO. Hence, internationalization needs getting knowledge about the standards of the products, industrial norms, customers’ needs, as well as internal rivals’ methods (Sapienza et al., 2005). Given that innovation helps the firms to evaluate their foreign markets, to acquire a high level of innovation, firms must improve the flexibility of their products for several foreign markets. It must be noted that as necessary as innovation, it could be costly, as well (Ornsby et al., 2009). So as to attend the foreign markets, the firms must identify opportunities proactively (Knight & Cavusgil, 2004). This pro-activeness indicates the firm’s propensity to take bold actions introducing products and services before rivals, forecasting future demands, or/and changing the business environments (Keh et al., 2007). This aggressive nature enables firms to better enter foreign markets and compete (érez-Luño et al., 2011). It should be noted that international pro-active activities can be costly. In the initial phases, the firms may lack the needed market knowledge to recognize foreign market opportunities (De Clercq et al., 2005; Peng & York, 2001). These firms prefer to have the option of evaluating foreign markets before their entry (Autio et al., 2000). An independent firm in foreign markets could face a lot of dangers. These firms face various challenges such as new organizational environment, uncertainty as well as the power of foreign competitors. Especially risk-taking is very important for these firms (Zahra et al., 2001; Alabrò et al., 2017), while a limited amount of risk-taking is necessary for entry into the foreign markets, the costs of high levels of risk-taking must definitely be taken into considerations (Pérez-Luño et al., 2011).

**DISCUSSION AND CONCLUSION**

To date, there are no studies of the effect of IEO on firms’ competitiveness. Even the construct of IEO is a novel issue which is not well-studied. On the other hand, its relationship with other constructs is also unknown (Covin et al., 2014; Bosso et al., 2017). Although there are some studies on entrepreneurial competency and its impacts on the firms’ competitiveness (Man & Chan, 2002), there are no studies on other factors emanating or resulting in IEO, and one of the challenges of research in this field is the definition of an appropriate dependent variable (for the independent EIO variable) that is theoretically meaningful and be an appropriate measure for determining internationality (Covin et al., 2014, Ioannis Thanos et al., 2017; Emöke-Szidónia, 2015). On the other hand, the impacts of factors like culture, kind of ownership, firm age and size, industrial clusters, intellectual properties as well as foreign investment have remained under-studied (Swoboda & Olejnik, 2016; Dimitratos et al., 2012; Li et al., 2010; Liu et al., 2011; Miller & Lester; 2011). On the other hand, the effects of contextual and environmental factors are unknown and there are very few qualitative studies of the matter because most of the studies have been quantitative (Ioannis Thanos et al., 2017; Covin & Miller, 2014).

In this paper by reviewing the literature on IEO, it is understandable that most of the previous studies are very similar to the studies of EO that have used dependent variables of internationalization. In these studies, IEO is a construct that does not differ from EO. In other words, internationalization is a context for studying EO. We can conclude that IEO should be conceptualized again, rather than considering it as EM in an international context. We suggest Qualitative research can be adapted in future researches for understanding IEO Dimensions and dependent variables.

**REFERENCES**


