

*Full Length Research Paper*

# The effect of entrepreneurial orientation on the internationalization of SMEs in developing countries

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The increasing globalization of markets and businesses is playing a major role on the pace at which small and medium enterprises (SMEs) internationalize. Within this context, the relationship between entrepreneurial orientation and the internationalization of SMEs in developing countries is an important area of academic research. This paper reviews the literature in an effort to provide an understanding of this relation. It proposes a conceptual model of the relationship between entrepreneurial orientation and the internationalization activity of exporting, and advances a number of propositions for additional research. The paper concludes by presenting areas for future research regarding the entrepreneurial orientation–internationalization (export performance) relationship.

**Key words:** Developing countries, entrepreneurial orientation, export performance, internationalization, innovativeness, pro-activeness, risk taking and SMEs

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## INTRODUCTION

Many countries, particularly developing ones, have recognized the value of small and medium sized enterprises (SMEs<sup>1</sup>) (Matthews, 2007; Okpara, 2009). These firms are responsible for the majority of economic growth and new-job creation through their participation in untapped markets (Lyon et al., 2000; Fairoz et al., 2010). Moreover, researchers have noted that promoting these businesses is one of the best strategies for achieving national development and competitiveness (Kazem and Van der Heijden, 2006; Quince and Whittaker, 2003).

Entrepreneurial orientation (EO) is a significant factor for a firm's success (Wang, 2008). In a dynamic business environment, future profit streams are uncertain and businesses need to continuously seek out new opportunities and efficiently exploit them (Zhou et al., 2007b). EO refers to the strategy making processes that key decision makers of a firm use to enact their firm's organizational purpose, sustain its vision, and create

competitive advantage(s) (Frese and DeKruif, 2000; Lumpkin and Dess, 1996; Wiklund and Shepherd, 2003). Prior research has suggested that an EO is a key component for organizational success and profitability (Kuhn et al., 2010; Rauch et al., 2009). Some researchers have noted that for market entry to result in high performance, firms must have a strong EO (Covin and Slevin, 1991; Zahra, 1993). Others have found that firms that adopt a strong EO perform much better than those that do not (Covin and Slevin, 1986; Hult et al., 2003; Ireland, et al., 2003; Rauch et al., 2009; Wiklund and Shepherd, 2003).

Internationalization, or the act of businesses increasing involvement in international operations (Welch and Luostarinen, 1988), can take many forms, such as licence/franchise, indirect export, direct export, overseas subsidiary, joint venture, and foreign direct investment (Calof and Beamish, 1995; Lage and Montgomery, 2004; Li et al., 2013; López-Duarte and Vidal-Suárez, 2010). At the firm level, internationalization increases international market opportunities to SMEs (Omar, 2009). By reaching

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<sup>1</sup>For the purposes of this paper, a SME is defined as having a workforce of up to 200 employees (Matthews, 2007).

new customers overseas through exporting, for example, a firm may also exploit economies of scale and thereby achieve lower production costs, (Moghaddam et al., 2012), and gain experience for other forms of internationalization (Lages and Montgomery, 2004). This paper focuses on exporting as a primary form of internationalization that is undertaken by SMEs, particularly those in developing countries, such as Jamaica.

While a number of studies have investigated the EO–performance relationship, there exists a paucity of research which investigates the EO–internationalization (export performance) relationship within the context of SMEs in developing countries (Fairoz et al., 2010; Okpara, 2009). This study extends the entrepreneurship and internationalization/exporting literature by focusing on the effects of EO on the export performance (that is, export involvement and intentions) of SMEs in small, open, developing island states, like Jamaica.

In this context, the following research question is posed: Does entrepreneurial orientation (EO) explain SMEs internationalization in developing countries? To address this question, a model is developed for testing, and related propositions presented.

The remainder of this article is organized as follows: The next section reviews the literature on EO and internationalization of SMEs. A theoretical model is then proposed, followed by discussion and the presentation of research propositions. A brief discussion of the research methodology then follows. The article ends with avenues for further research and concluding comments.

## **THEORETICAL UNDERPINNINGS**

### **Entrepreneurial orientation (EO)**

Entrepreneurial orientation has emerged as an important concept in the internationalization and entrepreneurship literature over the past two decades (Huang et al., 2010; Ibeh and Young, 2001). Originally proposed by Miller (1983), EO involves an organization's willingness to innovate and rejuvenate its market offerings (innovativeness); to take risks by trying out new and uncertain products and services (risk taking); and to be more proactive than its competitors in seeking out new marketplace opportunities (proactiveness). Miller (1983), therefore, considers an entrepreneurial firm to be one that participates in product market innovation, undertakes risky ventures and develops proactive innovations ahead of competitors (Baker and Sinkula, 2009; Liu et al., 2011; Runyan, et al. 2008). In like manner, Lumpkin and Dess (1996), EO is the processes, practices, and decision-making activities that lead to new entry or new venture

launch and support of business activities (Basile, 2012). While EO is reflected at the individual and firm levels (Miller, 1983; Verhees and Meulenbergh, 2004), this study primarily looks at EO at the firm level.

### ***Operationalization of the EO construct***

There has been some controversy as to how best to represent and measure the entrepreneurial construct. Miller (1983) and Covin and Slevin (1989) suggest that the dimensions of an EO co-vary. Lumpkin and Dess (1996) consider EO as a multidimensional construct, which characterizes firm's entrepreneurial behaviour. According to these researchers, each of the five variables which constitute the EO construct, namely autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness, describes only a single dimension of the construct, and cannot be taken alone.

Although, Lumpkin and Dess (1996) and Hughes and Morgan (2007) consider EO as consisting of five dimensions, a number of other scholars have settled on measuring EO employing the three core dimensions of innovativeness, proactiveness and risk taking. They merge these three dimensions in a gestalt construct of EO and then analyze its effect on business performance (Covin and Slevin, 1989; Miller, 1983; Naman and Slevin, 1993; Tayauova, 2011; Wiklund and Shepherd, 2005). Covin and Slevin (1989), for example, investigated the performance of entrepreneurial firms in hostile and benign environments by studying 161 small manufacturers. These researchers measured "entrepreneurial strategic posture" using a scale that ranked firms as entrepreneurial if they were innovative, risk taking, and proactive.

While the operationalization of EO as a unidimensional construct has shown high levels of reliability and validity (Becherer and Maurer, 1997; Naman and Slevin, 1993); multi-dimensional measures, reflecting each of the sub-dimensions of EO (Lee and Lim, 2009), reflect the unique contributions that each sub-dimension offers to the entrepreneurial process. Moreover, in addressing the interdependence of the sub-dimensions, proponents of multi-dimensional operationalizations of EO highlight the potential for each sub-dimension to have a differential impact with key outcome variables such as firm performance (Kreiser et al., 2002; Lumpkin and Dess, 2001). Given the plethora of studies within the developed and developing world contexts that have operationalized EO as a multidimensional construct, which consists of the three dimensions of innovativeness, risk taking and proactiveness, with high levels of reliability and validity; this paper adopts this conceptualization of EO.

### ***Innovativeness***

Innovativeness is an important component of an EO because it reflects an important means by which firms pursue new opportunities (Lumpkin and Dess, 1996). Innovativeness reflects a fundamental willingness to depart from existing technologies or practices and venture beyond the current state of the art (Baker and Sinkula, 2009). Innovativeness refers to a SME's propensity to creatively initiate and support new ideas, experimentation and creative processes that may result in new products, services or technological processes, or the exploitation of new markets (Kropp and Zolin, 2005; Li, 2012; Li et al., 2008; Mengue and Auh 2006; Miller and Friesen, 1982).

According to Lumpkin and Dess (1996) innovativeness may take several forms ranging from a willingness to try a new product line or experiment with a new advertising medium, to a focused effort to master the latest products or technological advances. Schumpeter (1934, 1942) was among the first to emphasize the role of innovation in the entrepreneurial process. Schumpeter (1942) noted that wealth was created when existing market structures were disrupted by the introduction of new goods and services, which caused new firms to emerge. In this process, Schumpeter (1934) saw the entrepreneur as an innovator who drove the evolution of the economy, while Miller and Friesen (1982) noted that entrepreneurial firms were characterized by their willingness to boldly and regularly innovate, whilst taking considerable risks in their product-market strategies.

### ***Proactiveness***

Proactiveness refers to an SME anticipating and acting on future wants and needs in the marketplace, in order to create a first-mover advantage ahead of the competition (Kropp et al., 2005; Lumpkin and Dess, 2001). It is an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services before the competition, and ahead of future demand (Okpara, 2009). Miller (1983) described an entrepreneurial firm as one that is first to develop proactive innovations (Baker and Sinkula, 2009).

Lieberman and Montgomery (1988) stressed the importance of first-mover advantage as the best strategy for taking advantage of market opportunities by firms, such as SMEs. Lumpkin and Dess (1966) noted that the first mover can earn huge profits and get a head start on established brands by exploiting market asymmetries. This observation aligns with Porter's (1980) view that in certain situations, businesses could utilize proactive behaviours to enhance their competitive positioning in relation to other firms. Accordingly, a proactive entrepreneurial SME is a leader because such a firm has the will

and foresight to seize new opportunities (Chandler and Jansen, 1992).

### ***Risk taking***

The concept of risk taking is a quality that is associated with entrepreneurship (Lumpkin and Dess, 1996). Kreiser et al. (2002) noted, for example, that entrepreneurial firms tend to take more risks than other types of businesses and were more proactive in searching for new business opportunities. Risk taking refers to a tendency of an SME to take bold steps such as entering unknown new markets, committing a large portion of the firm's resources to undertakings with uncertain outcomes and/or borrowing heavily (Coulthard, 2007; Keh et al., 2007; Wiklund and Shepherd, 2005; Baker and Sinkula, 2009). SMEs with strong EO are often typified by high risk taking behaviour, such as incurring heavy debt or making large resource commitments, in the interest of obtaining high returns by seizing opportunities in the marketplace (Knight, 2000).

### ***Internationalization - exporting***

Studies of internationalization of firms have been devoted to the factors that cause internationalization (Omar, 2009), and/or the processes by which firms become increasingly involved in international marketing activities (Fletcher, 2001). Similarly, researchers have noted that SMEs in developing countries engage in exporting as a primary and predominant form of internationalization activity (Ibeh and Young, 2001; Omar, 2009; Williams, 2009).

### ***Uppsala model (u-model)***

The literature and studies on internationalization, from the perspective of export development, seek to answer such questions as what factors determine the advancement of the firm along the path of internationalization; what phases characterise the export process; and what are the ingredients of a typical export behavioural pattern (Morgan and Katsikea, 1997). Arguably, the Uppsala model has had the most significant impact on our understanding of international business and internationalization in particular.

Some 38 years ago, Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) at Uppsala University published two seminal papers that conceptualized the internationalization process of the firm which came to be known as the Uppsala Model or the U-Model. Essentially, the Uppsala model of internationalization generally suggests that the process of internationalization

is founded on an evolutionary and sequential build-up of foreign commitments over time. The model views the international involvement of the firm as a gradual and sequential expansion, driven by the interplay between market commitment and market knowledge. The model argues that with increased knowledge of foreign markets, there will be increased commitment of resources, thus advancing the firm's internationalization process (Williams, 2009). Firms proceed along the internationalization path in the form of logical steps, based on their gradual acquisition and use of intelligence from foreign markets and operations, which determine successively greater levels of commitment to those overseas destinations (Morgan and Katsikeas, 1997). For example, Williams' (2008) empirical investigation of export stimulation behaviour of Jamaican micro and small locally owned firms found that export initiation is a result of a planned systematic approach to international market, in line with the U-model or stages perspective, rather than a mere response to fortuitous circumstances. Within this context, a number of scholars have argued that due to their resource constraints, SMEs, particularly those in developing countries, generally export to markets that are geographically and psychically close to their home market (Johanson and Vahlne, 1977; Leonidou and Katsikeas, 1996; Williams, 2009).

### ***I-Model***

Rees (2011) indicated that export initiation is a form of innovation of the firm because of the development of a new market for the firm. Several innovation-related internationalization taxonomies have been posited in the literature including;

- (1) Firms proceed along the internationalization continuum through a number of steps; and
- (2) Firms consolidate and generate appropriate resource base to respond to opportunities which allow them to undertake the next internationalization phase.

Essentially, innovation-related internationalization models argue that there are discrete stages of international expansion and compares them to innovation adoption. These models see internationalization as an innovation of the firm (Williams, 2009). The premise of the innovation-related models is that internationalization is seen as an organization innovation adoption (Rogers, 2003). Proponents of the innovation-related internationalization approach include: Samiee et al. (1993), and Wickramasekera and Oczkowski (2006).

In this regard, Reid (1981) purported an explicit innovation adoption sequence of exporting. He conceived the innovation to follow the stages of a firm's export awareness, export intention; export trial, export evaluation, and

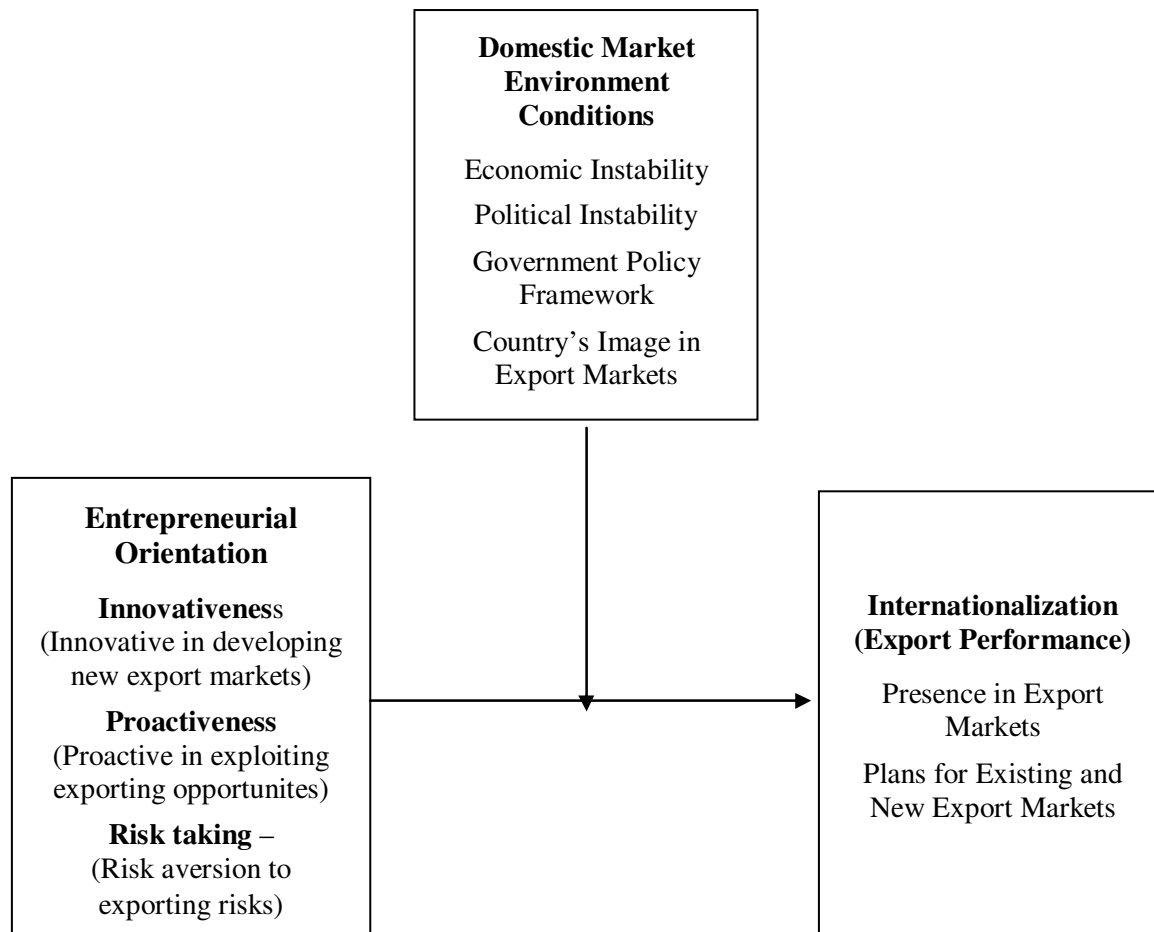
export acceptance. In this context, export adoption was believed to require a favourable management attitude to exporting, an available foreign market opportunity and the presence of spare resource capacity within the firm. Lim et al. (1991) expanded on the work of Reid (1981) and identified four levels of export innovation, these being export awareness; export interest; export intention and export adoption. Strong evidence of support for this framework was found which suggested that innovation adoption does have considerable applicability in the context of export decision making. Wickramasekera and Oczkowski (2006) undertook a similar study to that of Lim et al. (1991), with a four level model including awareness, interest, trial and adoption, while Samiee et al. (1993) offered an alternative view of innovation. They determined that export is an innovative behaviour only if it was internally induced through an initiative of the firm.

### **Internationalization and EO**

Internationalization (in this case exporting) is an entrepreneurial act which is being increasingly observed in SMEs (Zahra, 2005). According to McDougall and Oviatt (2000), internationalization behaviour may be described as entrepreneurial in that it is innovative, proactive and risk-taking (Covin and Slevin, 1991), and is characterized by the speed and scope of the firm's international endeavors from the outset (Knight and Cavusgil, 1996; Madsen and Servais, 1997). McDougall and Oviatt (2000) suggested that SMEs' Owners and other entrepreneurs do conduct business internationally, while Sapienza et al. (2006) observed that internationalization is an entrepreneurial strategic choice. In this regard, research has shown that SMEs with a high EO have had better export performance than firms with low EO (Mostafa et al., 2005, Yeoh and Jeong (1995). According to Yeoh and Jeong (1995), the adoption of an EO is likely to result in superior export performance under hostile environmental conditions. This moderating role of environmental conditions on export performance is important in studies involving SMEs in developing countries. This is so in light of the business environment problems and resource deficiency which these and other firms similarly situated must deal with (P. Taylor, University of the West Indies, Mona, property management).

### **Research framework**

Based on review of the extant literature, and using the conceptual framework posited by Lumpkin and Dess (1996), a conceptual model and a series of propositions, regarding the relationship between EO and internationalization were developed. The various constructs reviewed are shown in Figure 1, which also displays the expected



**Figure 1.** Conceptual model of the entrepreneurial orientation–internationalization relationship (Paul Taylor, 2012).

relationships between the dependent variable, export performance, and the independent variables, EO and market environment conditions, which form the basis of the propositions.

According to the literature, Figure 1 suggests that the relationship between EO and internationalization is a positive one and that domestic market environmental conditions moderate this relationship. In this regard, internationalization is seen as providing opportunities for SMEs in developing countries to increase the number of export markets they participate in and thereby grow their export sales volume, and export market share (Weerawardena et al., 2007; Yeoh, 2004) (Figure 1).

## PROPOSITIONS

### Innovativeness

A number of studies have found a positive correlation between innovation and performance measures for

example, profitability, sales, growth and performance (Swierczek and Thai, 2003). Frese et al. (2002) noted that the EO is related to entrepreneurial success, while Wiklund and Shepherd (2005) and Covin and Slevin (1989) observed that the more SMEs adopt an EO, the more likely they are to achieve competitive advantage and enhanced performance. In investigating the impact of high and low EO on the export performance of SMEs in Nigeria, Okpara (2009) found that SMEs that adopted proactive (high) orientation achieved higher performance, profitability and growth, compared to those that adopted a conservative (low) orientation. Moreover research by Ibeh and Young (2001) revealed that high export-entrepreneurial SMEs were typically more innovative in undertaking opportunities, less averse to export risks, and had more proactive motivations for exporting.

SMEs in developing countries are often constrained by limited resources, experience and skills. They have to learn to innovate by developing novel and attractive products and services for export markets. They also have to be creative in forging networks with other participants

in the requisite export markets in order to increase their presence in such markets. It is therefore proposed that:

*Proposition 1a: SMEs with high entrepreneurial orientation (innovativeness) are more likely to increase their presence in export markets than SMEs with low EO.*

### **Proactiveness**

Okpara (2009) and Yeoh and Jeong (1995) noted that proactiveness is of particular importance to export oriented SMEs in the developing world. In fact, researchers have found that SMEs that aggressively and proactively pursue export market information and activities often gain first-mover advantages and were able to capitalize on local foreign market opportunities and achieve better financial results (Eshghi, 1992; Wiklund, 1999). Huang et al. (2010), Fairouz et al. (2010), and Yang (2008) suggested that owing to their nature, proactive SMEs tend to perform better because they largely pursue new market opportunities ahead of competitors. Similarly, Ibeh and Young (2001) noted that some exporters tended to be proactive and aggressive in their pursuit of opportunities in overseas markets, while others tended to be reactive (conservative).

Frese et al. (2000), on the one hand, indicated that a lack of proactiveness reduced the chances of SMEs to be successful, while on the other, Kazem and Van der Heijden, (2006) suggested that proactive entrepreneurs were more likely to develop new products or services for overseas markets, than their conservative counterparts. The propensity of SMEs to secure first-mover advantage in international niche markets also testifies to their proactiveness (Keh et al., 2007; Li et al., 2009). In fact, researchers have noted that the extent to which entrepreneurs see foreign markets as an opportunity and their proactive pursuits of such markets, have been linked to export success (Stevenson and Jarillo, 1990). Therefore;

*Proposition 1b: SMEs that have high entrepreneurial orientation (proactiveness) are more likely to enter export markets than low-EO SMEs.*

### **Risk taking**

Leko-Šimi and Horvat (2006) found that firms that have better export performance tend to have a higher level of risk taking propensity. In the same breath, researchers such as Mostafa et al. (2005) have noted a moderate to strong association between risk taking and SMEs' overall performance, while Kropp et al. (2008) found the decision of SMEs to internationalize from inception (e.g., international new ventures and born global SMEs) was

positively related to the proactiveness and risk taking components of an EO (See Oviatt and McDougall (2005) for an updated discussion on international new ventures). This also suggests a positive relationship between risk taking and the internationalization process. Moreover, Ellis (2000) reasoned that if an SME's owner is satisfied that exporting to a particular location will benefit the firm; then that SME will export to that location, irrespective of other variables. Ellis (2000) also indicated that risk taking is positively associated with the internationalization activity of exporting. In a real sense, SMEs in developing countries such as Jamaica, must deal with several risks associated with exporting their products and services. These firms are required to learn the rules and requirements for exporting to designated markets, as well as implement effective and transparent payment processes that will ensure that the proceeds from overseas sales are transmitted safely and in a timely manner. Each of these activities poses potential risk for these exporters, who often do not have access to cutting-edge technologies to facilitate efficiency and effectiveness in the exporting process, as their developed world counterparts. In this context, then, SMEs who are not risk averse and, as such, more inclined to manage export risks are likely to benefit from the inherent opportunities to profit from such undertakings. Notwithstanding, and in light of their resource deficiency, a number of SMEs in developing countries are hesitant, while others remain cautious to seize potential export opportunities because of the possible financial losses that could result from poor export decision making. Thus;

*Proposition 1c: SMEs with low entrepreneurial orientation (risk taking) are more cautious when entering new export markets, and thus are less inclined to pursue new exporting opportunities as compared to high-EO SMEs, who are more inclined to do so.*

*Proposition 1d: SMEs with low entrepreneurial orientation (risk taking) will increase export activities in existing export markets as high entrepreneurial oriented SMEs.*

### **The moderating role of market environmental conditions**

A number of studies have been proposed and empirically supported which have suggested that SMEs are affected by their environments. For example, Omar (2009) and Rialp et al. (2005) indicated that such firms' external environmental conditions (for example cultural, industrial, national, technological, competitive, social) provide opportunities and threats, which moderate firms' ability to compete in the international marketplace. Child et al. (2003) and Zhou et al. (2007a) also found that environmental uncertainty have a negative impact on firms'

international performance, Huang et al. (2010) found that environmental conditions affect firms' entrepreneurial-performance relationship.

Frese et al. (2002) noted a clear and consistent moderator effect of environmental difficulty on the relationships of EO with small enterprise success, from a developing country perspective. Other researchers, found that firms with a high EO were more successful in environments perceived as difficult, than those with a low degree of EO (Yusuf, 2002). For their part, Covin and Slevin (1989) found statistically significant empirical results for the role of environmental hostility as a moderator in the entrepreneurial-performance relationship. Defining hostile environments as characterized by intense competition, harsh business climates and the relative lack of exploitable opportunities, these researchers found that in hostile environments, the relationship between a firm's EO and performance will be affected adversely due to resource constraints; while intimating that the opposite would occur in favourable environments.

Zahra and George (2002) identified environmental factors as moderators that explain the firm's international behavior, in the sense that different environments are more or less conducive to entrepreneurship and SME. In their study of 78 Nigerian manufacturing SMEs, Ibeh and Young (2001) found that high export-entrepreneurial oriented SMEs perceived domestic environmental problems as other firms. Notwithstanding, high export-entrepreneurial SMEs appear better able to adapt, and initiate exporting. Essentially, business environments with an unstable political climate, low technology level; a country's poor image abroad; poor state of local infrastructure; and poor government policy framework create disincentives for the export performance of SMEs, in general, in developing countries. Therefore;

*Proposition 2: When compared with low-EO SMEs, high-EO SMEs will have superior export performance irrespective of the domestic business environmental conditions which confront them.*

## METHODOLOGY

This study adopted Covin and Slevin's (1986) approach, and included all three dimensions of EO (innovativeness, risk taking and proactiveness) in the conceptualization of SMEs' exporting performance. For this study, primary data will be collected using questionnaire survey and depth interview methods. The study population will be defined as comprising Jamaican based SMEs which will meet a number of criteria such as manufacture/export furniture, agricultural products, crafts, food and beverages and so on. These SMEs that are expected to participate in the study will come from listings in the most recent edition of the Jamaica Exporters Association (JEA) Directory and the Jamaica Trade and Invest (Jamaica Promotions' Directory). SMEs with a minimum annual turnover of US\$100,000 and a staff complement of 200 or less will comprise the study sample. Key respondents such as the owners/ entrepreneurs, CEOs and other senior manager of these

SMEs will be invited to complete the research survey, and comprise the sample of respondents who will be interviewed.

Ten Likert-scale statements will be used in measuring firms' EO. These operational measures will seek respondents' assessment (rating) of their SMEs' EO in relation to export as per the three dimensions of innovativeness (i.e. the extent to which they pursue new product ideas for export, consider new export markets, seek new information on exporting); proactiveness (nature of motivations regarding exporting, search for export information, attendance at local/foreign trade fairs); and risk taking (perceptions of exporting risks versus opportunities, relative focus on domestic versus export markets, relative emphasis on current export returns versus long-term marketing objectives). The validity of these operational measures will be evaluated using coefficient alpha for the entrepreneurial orientation and its three sub-scales (innovativeness, proactiveness and risk taking).

To identify categories of exporting SMEs that reflected different levels of entrepreneurial orientation, the cluster analysis procedure will be employed. This appears to be the most appropriate statistical tool, given the need to identify how responding SMEs relate to/differ from one another, based on a simultaneous analysis of several interdependent variables. The (discriminant) validity of the resulting high and low EO clusters will be subsequently assessed using both quantitative and qualitative (in-depth interview) data. These data will relate to responding SMEs' characteristics and competitive competencies, environmental factors, and export performance indicators. Both descriptive and inferential statistical analysis will be undertaken subsequent to the collection of the relevant data.

## DISCUSSION

SMEs are seen as the engine of growth for any economy (Wu and Leung, 2005). These firms also play an important role in global commerce (Kropp et al., 2006). In a dynamic business environment, future profit streams are uncertain, SMEs therefore need to continuously seek out new opportunities and efficiently seize them (Zhou et al., 2007b). Accordingly, SMEs may profit from adopting an EO (Rauch et al., 2009), which prior theory and research has also suggested is a key component for firm success (Kuhn et al., 2010). EO represents the policies and practices that provide a basis for entrepreneurial decisions and actions (Rauch et al., 2004).

While Lumpkin and Dess (1996) have conceptualized EO has a multidimensional construct consisting of autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness, other researchers such as Miller (1983), Tayauov (2011) and Wiklund and Shepherd (2005) have used the three core dimensions of the EO construct namely, innovativeness, proactiveness and risk taking, to measure EO. In fact the literature provides several examples of studies conducted concerning SMEs in developing countries that have shown that SMEs that possess high EO, or are innovative, exploit overseas markets ahead of their counterparts and are willing to take on export risks, tend to achieve higher levels of export performance than SMEs with low EO (e.g., Ibeh and Young, 2001; Mostafa et al., 2005; Okpara, 2009;

Yeoh and Jeong 1995).

Unlike their developed world counterparts, SMEs in developing countries often experience serious resource constraints. For example they often do not possess the level of technology or skilled workforce to compete on the same levels as their counterparts in the developed world. Hence, these SMEs are often not able to successfully compete with their peers in the developed world, while those who do usually operate in niches are not easily or readily penetrated by competitors. It is largely due to the ability of SMEs in developing countries to proactively create novel products and services for export niche markets, which has enabled them to do business internationally (Chandler and Jansen, 1992; Lumpkin and Dess, 2001).

Moreover, Williams (2008) for example, observed that small firms in developing countries, given their resource limitations, often export to markets closer to their home countries. He indicated that these firms usually increase their internationalization activities when they acquire more experience from exporting (see also, Johanson and Vahlne, 1977, 1990). Essentially then, the export activities of SMEs in developing countries predominantly mirrors the Uppsala Model, where international business is approached in a stepwise, incremental manner, as more experience and knowledge of international markets are had (Armario et al., 2008; Bilkey and Tesar, 1977; Buckley and Ghauri, 2006; Johanson and Wiedersheim-Paul, 1975).

The literature has also provided empirical evidence which indicate that SMEs in developing countries, like those in the developed world, are affected by the business environments in which they operate (Huang et al., 2010). Yeoh and Jeong (1995) indicated that SMEs with high EO were more successful in environments perceived as difficult, in comparison to SMEs with a low degree of EO. Notwithstanding, Ibeh and Young (2001) found that while high export-entrepreneurial oriented SMEs perceived domestic environmental problems as other firms, they nevertheless appear better able to adapt and initiate export activity than low export-entrepreneurial oriented SMEs.

Also in examining international performance within the context of revenue growth, Rasheed (2005) indicated that when times are good domestically, taking investment risks in a foreign market may not be prudent, particularly for SMEs, and recommended that higher degrees of risk associated with foreign market should encourage modes of entry that provide control of resources. Indeed, Rasheed's (2005) recommendation favours exporting as a viable entry mode for SMEs and may help to explain why this form of foreign entry mode is often adopted by SMEs in developing countries. To be sure, the state of the local environment in which the SMEs operate can seriously thwart their export activities. Inhibiting factors such as unstable political climate; macro-economic

instability, as reflected in unstable exchange rates, interest and inflation rates, unfavourable debt dynamic; low technology level; a country's poor image abroad; and poor government policy framework, can create serious disincentives for the export performance of SMEs in developing countries.

It is therefore important that strategies be developed to remove such impediments in order to promote increased participation of SMEs in export activities. In this regard, export tradeshows, training in export management, product and service quality improvement and financial management are just some of the important initiatives that should be undertaken on a continuous basis to spur export growth among SMEs in developing countries. Moreover, government should ensure that an efficient and effective export development policy framework exists that is geared towards reducing, and ultimately eliminating, the bureaucracy, inefficiency and corruption that hamper the participation of SMEs in export markets. In this regards, governments in the developing world should create the tax incentives and export-friendly licensing and permit systems to make it easier for SMEs to export.

## Conclusion

Undoubtedly, SMEs play an important role in the economic development of developed and developing countries. SMEs in developing countries are often constrained by insufficient resources, know-how and experience to successfully participate in various forms of internationalization activities including exporting. Notwithstanding, SMEs in developed and developing countries with high EO are better able to innovate, leapfrog competitors and make calculated export risks to successfully service customers in international markets, than their counterparts with low EO. These SMEs develop the organizational capabilities and international experience to do well in export markets irrespective of the challenges that may seek to constrain their efforts in their domestic market environment. Indeed, they confront the challenges and surpass them to grow and prosper.

Indeed, the relationship between EO and the internationalization activity of exporting by SMEs in developing countries is an important area of academic research. This is so given the major role that SMEs play in economic development and the fact that EO is a significant factor for the success of such firms (Kropp et al., 2006; Wang, 2008; Wu and Leung, 2005). By building on previous research, this paper examined the relationship between EO and the export performance of SMEs, and offers a number of propositions for testing regarding this relationship. Review of the literature indicates a positive relationship between EO and the internationalization of SMEs, as well as suggests that domestic environmental conditions moderate the relationship



between EO and export performance of SMEs (Lee and Chu, 2011). In other words, SMEs with a high EO are likely to achieve superior export performance irrespective of the business environment with which they are confronted. Empirical research will be undertaken to investigate the propositions, and the implementations for academic research, policy and management practices will be shared subsequently with research and business communities.

In light of the fact that a number of SMEs in developing countries who once engaged in exporting, no longer do so, future research is recommended to examine if there is any difference in the level of EO between both types of SMEs and whether the EO dimensions found in each type of SME differ. Prior research has highlighted the important role that the entrepreneur, owner, or CEO of SME play in the firms' emergence and development, particularly within a developing world context (see, for e.g., Miller and Toulouse, 1986). Avenues for further research should accordingly investigate the EO of owners and/or managers of successful export SMEs in developing countries. This should be done to ascertain the extent to which owners' and/or managers' personal EO affect the EO of these successful SMEs. Moreover, the organisational and environmental factors that enables or inhibits;

- (1) the infusion of the owners or managers' personal EO in these SMEs, and
- (2) the EO of SMEs themselves should also be examined.

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