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# Organizational entrainment and international new ventures from emerging markets[☆]

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A B S T R A C T

Organizational entrainment captures the temporal fit in the activity cycles between exchange partners. We argue that organizational entrainment between international new ventures (INVs) and their most important international customers positively moderates the relationship between the degree, scope, and speed of internationalization and performance of INVs. We test our hypotheses on INVs from China, India and South Africa. The results support the contingent role of entrainment for degree and scope of internationalization but not for speed. Findings suggest that, when INVs attain temporal fit with their most important international customers, they can implement their strategic goals in international markets more effectively.



## 1. Executive summary

Time is the "invisible language" of international business, yet cultures differ in their treatment of time. As a result, one of the most important challenges for international new ventures (INVs) involves the synchronization of their activity cycles with those of their most important customers based abroad. Such synchronization, known as *organizational entrainment,* captures the temporal fit between firms and their environments. In this paper, we bring organizational entrainment to the center stage of the international entrepreneurship literature. We argue that organizational entrainment is a neglected but critical contingency that moderates the relationship between the degree, scope, and speed of internationalization and the performance of INVs. Although researchers have offered numerous contingencies to tease out heterogeneity among internationalizers, no one has directly considered how the level of organizational entrainment with international customers alters the internationalization-performance equation. Internationalization is a growth strategy that managers of INVs undertake to improve performance. As such, we hypothesize that as INVs increase their degree, scope, and speed of internationalization, their performance should improve. In addition, we argue that entrainment with their most important international customers will create positive synergies as INVs internationalize extensively, broadly, and rapidly.

Although entrainment is relevant in many contexts, we argue that entraining with international customers represents a particularly important and challenging issue for INVs from emerging markets. When they cross international boundaries, new

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ventures change their task environments, and challenge their previously established routines, including those that determine their level of synchronization with customers. Where timing is concerned, INVs from emerging markets often face substantial disconnects between the accepted norms at home and abroad; hence, entrainment with international customers requires greater effort but also assumes greater importance.

We test our hypotheses on a multi-country sample of independent INVs from China, India, and South Africa. The firms in our sample are on average 4.9 years old and derive approximately half of their revenues from international sales. We selected China, India, and South Africa because each country has undergone economic reforms over the last decade that have spurred an ever-increasing number of new ventures to enter international markets. We operationalize entrainment in terms of four indicators that capture temporal fit and find support for our theoretical arguments. As INVs increase the degree and scope of internationalization, performance improves, and organizational entrainment enhances these effects. However, neither the speed of internationalization nor its interaction with entrainment appear related to new venture performance. Although our results do show the positive synergistic effect between organizational entrainment, degree, and scope of internationalization, they also suggest that entrainment is not costless. INVs realize the synergistic effects between internationalization and entrainment as the degree and scope of their involvement in international markets increase.

Our study extends the boundaries of organizational entrainment to the international entrepreneurship literature, and supports theoretical arguments that advocate a temporal fit between exchange partners. As future studies in international entrepreneurship consider how to explain differences in performance between new ventures when they enter the global economy, the moderating role of organizational entrainment should be viewed as an important contingency. A more complete understanding of the internationalization process should include measures of how well INVs are synchronized with their most important international customers. Likewise, the role of organizational entrainment has implications for entrepreneurs and managers of INVs as they consider to what degree and how broadly to internationalize. Our results should provoke a managerial discussion about the level of entrainment that the firm can be expected to achieve relative to its strategic goals in international markets. Finally, the pace of internationalization from emerging markets is increasing, yet the nexus of international entrepreneurship and emerging markets research remains sparsely addressed. We use multi-country data because we believe it affords us a broader exploration of international entrepreneurship phenomena.

## 2. Introduction

Internationalization presents multiple challenges to new ventures (Autio et al., 2000; Fan and Phan, 2007; Oviatt and McDougall, 1994, 2005; Zahra, 2004; Sapienza et al., 2006). One of the most important challenges involves synchronizing the new venture's activities with those of its international customers. Such synchronization, or *organizational entrainment,* reflects a temporal fit between the firm and its environment—a fit that can enhance organizational performance (Ancona and Chong, 1996; McGrath et al., 1984; Pérez-Nordtvedt et al., 2008; Standifer and Bluedorn, 2006). Entrainment is relevant in many contexts (e.g., Ancona and Chong 1996; Bluedorn and Martin 2008); however, entraining with foreign customers represents a particularly important issue for INVs from emerging markets. Most international new ventures face the twin liabilities of newness (Stinchcombe, 1965; Singh et al., 1986) and foreignness (Zaheer, 1995). However, particularly where timing is concerned, new ventures from emerging markets face additional reputational hurdles associated with their origins in emerging markets especially when they internationalize into developed economies (Rindova et al., 2005; Yamakawa et al., 2008). For both institutional and cultural reasons, customers in developed economies often have time requirements that are more exacting than those of traditional customers in emerging economies. First, historically weak infrastructure in emerging markets presents challenges in the predictability and the reliability of on-time delivery of goods and services (World Bank, 1994). Second, even though the clock-time business norms (Landes, 1983) are slowly diffusing, cultural dispositions towards the value of timeliness still vary. As such, in the context of institutional constraints and embedded cultural norms, timeliness is more likely to be subject to negotiation in emerging markets. However, in developed markets, short-lead times are the norm; delivery on time is *sine qua non*; and rapid service anytime is a minimum competitive requirement. Hence, for INVs from emerging markets achieving high levels of entrainment with international customers not only requires greater effort but also assumes greater importance.

In this paper, our goal is to bring entrainment theory to the center stage of the international entrepreneurship literature and to initiate a test of its theoretical propositions in a context that suits the task well. We argue that organizational entrainment between INVs and their most important international customers will positively moderate the relationship between the degree, scope, and speed of internationalization (Zahra and George, 2002) and performance of INVs. That is, INVs, which attain a temporal fit with their most important international customers, would see more significant improvements in their performance as a result of internationalization. In order to make the case for the moderating role of organizational entrainment explicit, we test our hypotheses in the context of three emerging markets: China, India, and South Africa. Internationalization of INVs from emerging markets serves as both an appropriate and important context in which to showcase entrainment and to test its moderating effects on the central relationships in international entrepreneurship. In the past, international expansion came relatively late in the growth trajectory of a firm. Economic liberalization and technology have decreased the cost of internationalization; as a result, an increasing number of new ventures are internationalizing early and some are even born global (Knight and Cavusgil, 1996; Oviatt and McDougall, 1994). This phenomenon is spreading to emerging markets as well, and it is likely to accelerate (Mathews, 2006; Yamakawa et al., 2008). However, we know relatively little about how INVs from emerging markets internationalize and why some are more successful than others (Luo and Tung, 2007; Yiu et al., 2007). Numerous scholars have signaled that in the nexus of international entrepreneurship and emerging markets an important gap in the literature exists (Wright et al., 2005; Mathews and Zander, 2007; Bruton et al., 2008).