International Business Review 21 (2012) 667–681

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

Complementary effect of entrepreneurial and market orientations on export new product success under differing levels of competitive intensity and financial capital

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ARTICLE INFO

Article history:
Received 24 September 2010
Received in revised form 24 July 2011
Accepted 27 July 2011

Keywords:
Competitive intensity
Export entrepreneurial-oriented behavior
Export market-oriented behavior
Export new product performance
Financial capital

ABSTRACT

The literature implies that entrepreneurial and market orientations are market-based resources that are essential for securing business success, but their performance impacts are unclear. In the specific field of export research, there is limited information on the interactive effect of these two market-based resources on export new product performance. Accordingly, the current study investigates the joint impacts of these two resources on export new product performance under differing levels of competitive intensity and financial capital. Using a survey of 212 British exporters, the study shows that seeking complementarity between entrepreneurial-oriented and market-oriented behaviors is a useful strategy for export new product success, especially when there is a suitably high level of competitive intensity in the export market environment, and when the export unit has greater access to financial capital. Theoretical and managerial implications of the results are discussed.

1. Introduction

Exporting is an important economic activity that is critical for the success of business organizations and nations (Morgan, Kaleka, & Katsikeas, 2004). Given its importance in contemporary world business, exporting has become a major means for entering international markets, sales expansion and profitability (Morgan et al., 2004). In this respect, export researchers have tried to understand key determinants of export success (e.g. Balabanis & Katsikea, 2003; Dimitratos, Lioukas, & Carter, 2004; Katsikeas, Leonidou, & Morgan, 2000; Robertson & Chetty, 2000). Focusing on the determinants of export success, there has been a rise in the number of variables that have been studied in recent years, and among these are export entrepreneurial and market orientations (e.g. Cadogan, Kuivalainen, & Sundqvist, 2009; Kuivalainen, Sundqvist, & Servais, 2007; Murray, Gao, & Kotabe, 2011).

With respect to export entrepreneurial orientation, the broader international business literature recognizes that firm entrepreneurial behavior is a potentially critical determinant of international business success (e.g. Kuivalainen et al., 2007). However, in testing the notion that entrepreneurial orientation is associated with export success among firms operating in

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doi:10.1016/j.ibusrev.2011.07.009

turbulent environments relative to firms operating in benign environments, Robertson and Chetty (2000) report that while entrepreneurial exporters outperform conservative[1] exporters in turbulent environments, the reverse is true in benign environments. Yet, other researchers (e.g. Balabanis & Katsikea, 2003; Kropp, Lindsay, & Shoham, 2006) have been unable to find evidence to support the view that entrepreneurial posturing is more beneficial in turbulent environments. Thus, it remains unclear what the exact nature of the relationship between entrepreneurial orientation and export success is. Regarding export market orientation, the traditional view is that the construct is related to export success (e.g. Cadogan, Diamantopoulos, & Siguaw, 2002; Kirca & Hult, 2009), although recent evidence suggests a non-linear relationship (e.g. Cadogan et al., 2009), indicating that the true nature of the relationship between export market orientation and export success is still not fully known. Thus, by resolving these deficiencies, we seek to contribute to the literature in three ways.

First, we contribute to the international business literature by drawing on organizational ambidexterity logic, the resource-based view and the dynamic capability perspective to theorize that export entrepreneurial-oriented behavior (henceforth export EOB) and export market-oriented behavior (henceforth export MOB) are complementary market-based resources that offer firms a capability to leverage existing competences to explore new possibilities in export markets (Kwon, 2010). To the best of our knowledge, no study has examined the complementarity between the two market-based resources in export markets. In this respect, we define export EOB as a market-driving behavior that gives exporters a capability to differentiate themselves from export competitors by taking calculated risks to proactively and aggressively introduce innovative products using unique knowledge and technology (Lau & Bruton, 2011; Lumpkin & Dess, 1996). In contrast, export MOB connotes a market-driven adaptive behavior that enables firms to respond to export customer needs and preferences by offering superior value propositions relative to their less market-oriented export market competitors (Jaworski, Kohli, & Sahay, 2000; Murray et al., 2011). In fact, scholars argue that the value of the two market-based resources must not be viewed in isolation, and that there may be a need for firms to combine the two resources to achieve synergistic outcomes (Atuahene-Gima & Ko, 2001; Hult & Ketchen, 2001; Jaworski et al., 2000). The logic backing this suggestion is three fold. Firstly, traditional market-oriented and entrepreneurial-oriented capabilities on their own are not enough for firms to address the continuous challenges of export operations – entrepreneurial capacity is required to build and nurture market-driven capabilities and exploitation of existing market intelligence is required to explore new entrepreneurial capabilities (Hughes, Hughes, & Morgan, 2007). Secondly, entrepreneurial- and market-orientation levels that are too high might be dysfunctional to export success (Cadogan et al., 2009; Hughes et al., 2007). Under very high levels of entrepreneurial orientation, for example, while firms may become proficient in creativity and proactive activities, they may also chase opportunities that are uncertain and risky and whose failure could disrupt existing competences (He & Wong, 2004). Likewise, under very high levels of market-driven behavior, while firms can harvest existing market knowledge to exploit current market opportunities, they may also develop structural inertia, ultimately reducing their capacity to pursue new and inventive ideas in export markets (Cadogan et al., 2009). Finally, firms may be able to achieve synergy and strategic balance from an integration of the two capabilities (O'Reilly & Tushman, 2008).

Second, we argue that the success of this integrated approach might depend on the nature of the external environment confronting firms. We contend that an export strategy involving an integration of EOB and MOB might not be ideal for new product performance in all export market environment conditions. While some environment conditions might require greater levels of both capabilities, other environments might demand greater levels of one capability and moderate or low levels of the other (Bhuian, Menguc, & Bell, 2005). However, empirical information on the external environment conditions that foster or hinder effective implementation of a dual export strategy involving export EOB and export MOB is limited in the export literature. Yet, one could argue that greater competitive rivalry might force exporters to explore new export market opportunities as a way of leveraging their existing market knowledge base. Thus, a highly competitive environment provides a trigger for firms to harness existing market-driven competences to explore new and emerging market-driving possibilities (such as finding new ways of winning in new markets). Thus, this study contributes to the literature by investigating external environment conditions that are conducive for the implementation of a joint export EOB and export MOB strategy.

Third, it is conceivable that firms require greater access to financial capital if they are to be successful in creating an organization that has a strong blend of export EOB and export MOB in a highly competitive environment. Indeed, Levinthal and March (1993, p. 105) suggest that "The basic problem confronting an organization is to engage in sufficient exploitation to ensure its current viability and, at the same time, to devote enough energy to exploration to ensure its future viability". We argue that the performance outcome of such a dual strategy in a competitive global market environment will depend on the level of finance accessible by export managers (Lin & Liu, 2011). We propose that greater access to financial capital provides firms with the flexibility to explore and support future opportunities without necessarily killing existing products or taking resources away from existing markets that are performing well. Accordingly, we also contribute to the literature by examining the moderating effect of financial capital on the relationship between export EOB and MOB interaction, and export new product performance.

In our conceptual model, discussed next, we argue that an interaction between export EOB and export MOB will positively predict export new product performance when implemented in strongly competitive environments and when there is

[1] Note that conservative behavior is the converse of entrepreneurial behavior, and involves not innovating, not taking risks, and being passive and reactive.