



# Entrepreneurial orientation and export intensity: Examining the interplay of organizational learning and innovation



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## ABSTRACT

Nowadays how to be a successful exporter has reach great importance. Some studies on the entrepreneurial orientation literature highlights the attitude of the manager to make risky strategies such as strategies toward exports. But might the CEO's attitude toward entrepreneurship be sufficient to achieve greater SMEs export performance? Through an analysis of a database of Spanish and Italian SMEs, we find that entrepreneurial orientation is a managerial attitude that enhances exports when managers also make efforts in organizational learning and innovation. Being entrepreneurially oriented is important, but it might not be sufficient for increasing export performance if the company is not able to learn and to innovate.

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## 1. Introduction

In an increasingly globalized environment, exporting plays a vital role in the strategies of Small and Medium Enterprises (SMEs) (Golovko & Valentini, 2011). Exporting is a straightforward internationalization initiative widely used by SMEs. It allows them to sell their products in foreign markets and, as a result, benefit from some economies of scale. Moreover, exporting can be done with a less resource-laden approach as compared with alternative foreign market entry modes (Morgan, Katsikeas, & Vorhies, 2012). As a result, exports greatly affect SMEs overall performance. In fact, it has been used as a proxy of SMEs general performance (Stoian, Rialp, & Rialp, 2011).

Firms' survival and expansion is strongly dependent on a better understanding of the determinants that influence their export performance (Sousa, Martínez-López, & Coelho, 2008, p. 344). The key issue is how to be a successful exporter. In response to this question, an influential research stream has explored the factors that are critical to SMEs' export success (Morgan et al., 2012; Sousa et al., 2008). In this context, we find the entrepreneurial orientation (EO) literature that highlights the attitude of the chief executive officer (CEO) to make risky strategies, such as strategies toward

exports. It claims that most export operations are set in motion by entrepreneurship as its core elements (i.e., ability to innovate, acceptance of risk, and adoption of a proactive stance) can explain a firm's decision to pursue foreign market opportunities (Balabanis, Theodosiou, & Katsikea, 2004; Dimitratos & Jones, 2005; Omri & Becuwe, 2014; Oviatt & McDougall, 2005). This entrepreneurship role in a firm's decision to engage in exporting activities has been reported in research on new ventures (e.g., Yiu, Lau, & Bruton, 2007), SMEs (e.g., Javalgi & Todd, 2011) and born-global firms (e.g., Knight & Cavusgil, 2004). But might the CEO's attitude toward entrepreneurship be sufficient to achieve greater SMEs export performance? This paper's main contribution is based on an in-depth analysis of the relationship between EO and SMEs export intensity by examining the steps between both. We argue that EO on its own might not enough to give rise to exports and we propose a model in which entrepreneurial orientation (EO) increases export intensity through the mediation of organizational learning capability (OLC) and innovation performance. Both organizational learning and innovation have recently been shown to have a close connection with EO (Blackburn & Kovalainen, 2009; Cope, 2003; Ireland & Webb, 2007; Wang, 2008) and export intensity (Knight & Cavusgil, 2004).

Innovation can be defined as the successful implementation of new ideas (Amabile, Conti, Coon, Lazenby, & Herron, 1996). This understanding includes novelty and usability as two indispensable conditions. Thus, innovation requires new ways to solve problems and achievement of commercial success. The importance of innovation for firms' long-term outcomes has been widely

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reported in the EO literature and exports. In fact, Schuler (1986) understands entrepreneurship as the practice of innovating, and claims that what distinguishes entrepreneurial from non-entrepreneurial firms is the rate of innovation. And, some previous studies have found that innovation increases export performance (Nassimbeni, 2001; Lachenmaier & Wößmann, 2006; Lages, Silva and Styles, 2009).

With regard to organizational learning, it consists of the acquisition, dissemination and use of knowledge (Argote, McEvily, & Reagans, 2003), and is therefore an extremely useful process for generating new ideas. It is understood that a manager with entrepreneurial orientation is capable of creating a learning organization (Hurley & Hult, 1998; Wang, 2008). And, an organization with high capacity to learn outperforms export performance (Johanson & Vahlne, 2009; Villar, Alegre, & Pla-Barber, 2014).

So, our study tries to contribute to the on-going research stream linking entrepreneurial orientation with SMEs export performance showing that organizational learning and innovation mediates this relationship. We aim to shed light on the SMEs export performance literature: being entrepreneurially oriented is important, but it might not be sufficient for increasing export performance if the company is not able to learn and to innovate.

The paper is structured as follows. The next section sets out a conceptual framework and a theoretical review of the connection between entrepreneurial orientation, organizational learning capability, innovation and export intensity. In line with this theoretical review, a number of research hypotheses are put forward in the context of SMEs. In the following section, we explain our methods. We then describe the design of the survey, addressed to SMEs in the Italian and Spanish ceramic tile industry, and the measures and the analyses used in this study. Finally, the results and conclusions are presented in the last two sections of the paper.

## 2. Conceptual background and hypotheses

A firm's strategic posture can be established along a continuum ranging from conservative to entrepreneurial (Covin, 1991). "Conservative firms" tends to be risk-averse, non-innovative, and reactive, whereas "entrepreneurial firms" tend to be risk-takers, innovative and proactive. This conservative-entrepreneurial conceptualization is consistent with earlier conceptualizations developed in the management and organization theory literature. For example, *prospector* firms are strategically similar to *entrepreneurial firms* (Miles & Snow, 1978) and *defender* and *adapter* firms resemble conservative firms (Miles & Snow, 1978; Mintzberg, 1973).

Yeoh and Jeong, (1995, p. 99) argue that the conservative-entrepreneurial dichotomy also shares similarities with some of the dichotomies developed in the export literature: active-reactive (Piercy, 1981), aggressive-passive (da Rocha, Christensen, & da Cunha, 1990; Tesar & Tarleton, 1982), proactive-reactive (Johnston & Czinkota, 1982), active-passive (Eshghi, 1992) and innate-adoptive (Ganitsky, 1989). Following Covin and Slevin (1989), we consider entrepreneurial orientation (EO) as a managerial attitude with three key dimensions: the incorporation of frequent or radical innovation, competitive orientation, and aggressive or proactive decisions that involve high risk. We argue that, in the current context of globalization, SMEs need more and more to be proactive in their pursuit of opportunities in overseas markets. Entrepreneurially oriented SMEs are more able to detect export opportunities, thereby achieving superior levels of export intensity. Considering the above, we put forward the following hypothesis:

**H1.** EO positively affects export intensity of SMEs.

On the other hand, it is generally accepted that the ability to innovate is one of the main factors contributing to create competitive advantage, especially in terms of exports

(Lachenmaier & Wößmann, 2006; Nassimbeni, 2001; Pla-Barber & Alegre, 2007; Roper & Love, 2002; Wakelin, 1998). In fact, Rogers (2004) claims that innovative firms will tend to enter foreign markets in order to increase sales volume and spread the fixed costs of innovation over a larger number of units. Moreover, innovation confers market power and, as a consequence, facilitates exports (Quintás, Vázquez, García, & Caballero, 2009). In the case of SMEs that normally face significant disadvantages in the marketplace in terms of managerial expertise, access to capital, and experience curve effects, managerial efforts should focus on a specific growth strategy. In this vein, Golovko and Valentini (2011) recently found that the adoption of an innovative strategic posture by SMEs positively influences the adoption of an exporting strategy. Therefore;

**H2.** Innovation performance positively affects exports intensity of SMEs.

However, we find support to argue that this positive effect might be directly influenced by EO. In fact, a deeper look into the relationship between EO and exports reveals that the common thread running through many of the studies on corporate entrepreneurship is innovation (Rauch, Wiklund, Lumpkin, & Frese, 2009). Innovation is a crucial factor in the firm's outcomes as a result of developments in the competitive environment (Newey & Zahra, 2009). The importance of innovation for SMEs' long-term outcomes has been widely reported in the literature. In fact, Schuler (1986) understands entrepreneurship as the practice of innovating, and claims that what distinguishes entrepreneurial from non-entrepreneurial firms is the rate of innovation. EO could therefore be considered as an antecedent of innovation performance in the context of SMEs.

Considering the above, innovation performance may represent one important trigger, influenced by EO that could have a boosting effect on exports. Therefore, we suggest that:

**H3.** Innovation performance mediates the effect of EO on export intensity of SMEs.

Further still, firms that are able to learn about other organizations (customers, suppliers and competitors), market evolution and technological changes stand a better chance of detecting and acting upon dynamic environments (Wu & Fang, 2010). Organizational learning consists of the acquisition, dissemination and use of knowledge (Argote et al., 2003), and is therefore an extremely useful process for generating new ideas. Previous research suggests that organizational learning affects positively export intensity (Bengtsson, 2004). A number of previous studies have viewed exporting as a process of learning and knowledge accumulation during which the company identifies and exploits opportunities abroad (Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009; Li, Nicholls, & Roslow, 1998). Knowledge renewal and exploitation regarding foreign markets may increase exports (Balabanis et al., 2004) because firms that learn efficiently from their experience are able to export faster and with fewer mistakes. In fact, following the Uppsala model which explains the characteristics of the internationalization process of the firm we meet the term commitment; firms change by learning through the commitment decisions that they make to strengthen their position in the foreign market (Johanson & Vahlne, 2009). Experience build firm's knowledge of a market, and that body of knowledge influences decisions about the level of commitment and the activities that subsequently grow out of them: this leads to the next level of commitment, which engenders more learning still (Johanson & Vahlne, 2009, p. 1412). So, the more learning generated through the internationalization process, the more committed a firm will be.

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