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The Impact of International Entrepreneurial Orientation on Strategic Adaptation

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Abstract

The paper explores the relationship between international entrepreneurial orientation and strategic adaptation. Data was collected from owners and top managers of 114 companies operating in Kazakhstan and Kyrgyzstan. International entrepreneurial orientation was analyzed using three dimensions; innovativeness, risk-taking, and proactiveness. Strategic adaptation was measured using an instrument developed by Zajac and Shortell (1989) based on Miles and Snow's typology (1978). The study revealed that prospector organizations were more likely to have higher innovativeness, risk-taking, and proactive orientation than defenders and analyzers.

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Keywords: International entrepreneurship; international entrepreneurial orientation; strategic adaptation; Miles and Snow's typology

1. Introduction

With the globalization of world economy, international entrepreneurship has become one of the most important research perspectives. To date, the bulk of research has focused on studying the nature and effect of international entrepreneurship. However, there are a few studies that have explored the relationship between international entrepreneurship and outcomes with inconclusive and contradictory results. Moreover, existing studies mostly relies on US and high-tech western firms^[1]. Similarly, little is known about how these firms remain entrepreneurial in their approach and survive after entering to new markets. The importance of these issues is that they require an overlap with strategy literature. Drawing from international entrepreneurship and strategy literature, this paper examines the impact of international entrepreneurial orientation on strategic adaptation of Turkish firms operating in two Central Asian countries, namely Kazakhstan and Kyrgyzstan. The article proceeds in the following manner. First, brief review of the literature regarding international entrepreneurial orientation and strategic adaptation will be

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presented. Then I develop hypothesis concerning the effect of international entrepreneurial orientation on strategic adaptation. Next, I test hypothesis using data from 114 Turkish firms operating in Kazakhstan and Kyrgyzstan. I explain in detail the data collection method and analytical procedures. Finally, I provide the research findings and discuss their managerial and theoretical implications.

2. Theory and hypothesis

International entrepreneurship research reflects the confluence of the entrepreneurship, strategic management, and international business literatures. Yet, so little is known about the process, context, and outcomes of such internationalization. Currently, the nature of the relationship between international entrepreneurship and strategic adaptation is far from clear. The present study examines an influence of international entrepreneurial orientation on strategic adaptation typologies provided by Miles and Snow (1978).

2.1. *International Entrepreneurship*

International entrepreneurship was first introduced in 1988 by Morrow as a new growth opportunity for both new ventures and established firms. Early research on this field mainly focused on international new ventures or “born global” firms. McDougall (1989), who is a true pioneer in this field, focused on “the development of international new ventures or start-ups that, from inception, engage in international business, thus viewing their operating domain as international from the initial stages of firm’s operation”^[2]. Zahra (1993), however, suggests that the study of international entrepreneurship should include both new and established firms since entrepreneurial activities are an ongoing process that unfolds over time^[3]. McDougall and Oviatt (2000) defined international entrepreneurship as “a combination of innovative, proactive, and risk-seeking behavior that crosses or is compared across national borders and is intended to create value in business organizations”^[4].

2.2. *International Entrepreneurial Orientation*

The concept of international entrepreneurial orientation encapsulates the firm-level processes, practices, decision-making style^[5], and strategic orientation^[6] of firms operating across national borders. Prior researchers focused mainly on three dimensions of international entrepreneurial orientation: innovativeness, risk-taking and proactiveness^{[7][8]}. Innovativeness reflects a firm’s tendency to enter into experimentation, support new ideas and depart from established practices. Innovation generates new products, processes, and organizational systems that set the company apart from its rivals as it expands its international operations^[9]. Innovation also revises the firm’s knowledge base, allowing it to develop new competitive approaches, which can be exploited in new foreign markets and achieve growth and profitability^[10]. Pro-activeness can be defined as a process of anticipating and acting on future needs by the firm’s seeking new opportunities that may or may not be related to its present line of operations, by introducing new products or brands ahead of competition, and by eliminating operations that are in a mature or declining life cycle stage^[11]. It is a firm’s propensity to take initiative actions to compete aggressively with other firms^[12]. Risk-taking can be defined as the degree to which managers are willing to make large and uncertain resource commitments that have a substantive chance of costly failure^[13]. From a strategic viewpoint, risk-taking is a firm’s propensity to take business-related chances with regard to strategic actions in the face of uncertainty^[14]. Thus, international entrepreneurial orientation involves a willingness to innovate to rejuvenate market offerings, to be more proactive than competitors toward new market place opportunities, and to take risks to try out new and uncertain products, services, and markets^{[15][16][17]}. International entrepreneurial orientation used to be examined primarily at an individual level of analysis; however, it recently has been investigated as a firm-level behavior emphasizing an

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