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Cooperative internationalization of SMEs: Self-commitment as a success factor for International Entrepreneurship

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Summary Self-commitment is the willingness of individuals to commit to cooperation with a partner without the safety net of controls or sanction mechanisms. This article shows the unique performance contribution of self-commitment in the context of cooperative internationalization of SMEs in several ways: First, we use a multiparadigmatic approach to cooperation theory to argue why self-commitment as a coordination mechanism is particularly relevant in the context of cooperative internationalization. Second, we develop a new operationalization of self-commitment which takes the context of international cooperations into account. Third, we show empirically that self-commitment is particularly important in international cooperations by applying a PLS analysis to a sample of 146 Austrian, Czech, and Slovenian cooperating SMEs.

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Introduction

Internationalization is an issue that – until recently – was in most cases only relevant for large companies (Wright et al., 2007). A major reason for this was their advantage in re-

source access. Increased pressure on the home market coming from international competitors is now, however, being felt by small- and medium-sized enterprises (SMEs) as well, moving them to seek opportunities in international markets (Dana et al., 1999; Zahra and George, 2002). Due to the key characteristics of small- and medium-sized enterprises (SMEs), e.g. their *liabilities of smallness* and/or *newness* (Westhead et al., 2001), cooperative internationalization,

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i.e. cooperation with international partners, is becoming an increasingly attractive option for them (Brouthers, 2002). In light of the relatively lower transaction volume of SME cooperations when compared to large companies, effective and efficient coordination mechanisms in the cooperative internationalization of SMEs are accordingly of particular importance.

The current literature discusses the effectiveness of *trust-based behavioral coordination* in inter-company cooperative relationships. Several authors show that for international cooperations, *self-commitment* and *trust* assist the operation and therefore the performance of the cooperation (Cullen et al., 2000; Lavie, 2006; Carson et al., 2006). *Self-commitment* is the willingness of individuals to commit to cooperation with a partner without the safety net of controls or sanction mechanisms. In an international cooperation, self-commitment means that the partners work together based upon mutual trust to achieve a common (economic) advantage (Johnson et al., 1996). *Trust* builds the basis for self-commitment. For understanding its coordinative power, two types of trust must be differentiated: *instrumental* (extrinsically motivated) and *maxim-based* (intrinsically motivated) trust. *Instrumental trust* relates to the exogenous behavioral compliance of cooperation partners with the explicit and implicit regulations existing within the cooperation. This kind of trust obtains its behavior-standardizing effect via sanctions and control. The awareness that the cooperation partner would suffer disadvantages in the case of improper behavior motivates the actor to trust him instrumentally. Actors who are instrumentally trusted are accountable to those trusting them. Content-wise, instrumental trust falls under the same category as hierarchical control when it comes to behavioral coordination. In contrast to this, *maxim-based trust* draws its coordination power from the behavior-standardizing effect of the actors' self-commitment to a maxim (Kant, 1998). Actors who are trusted based upon a maxim are accountable to themselves; your obligation is to you. In the case of cooperative relationships, self-commitment draws on the maxim of "thou shalt conduct thyself cooperatively". The emergence of maxim-based trust begins with the actors seeing themselves as self-committed to a cooperative behavior when dealing with each other. This way of looking at things is primarily based on the cooperation partners' reputation, and can allow the actor to give the cooperation partner a kind of "advance" on trust (Pidduck, 2006).

A large number of empirical studies on internationalization focus on large companies, whereas SMEs are only rarely investigated or only as sub-groups thereof, such as "born globals" or high-tech/growth enterprises, although companies in different development phases are also characterized by different management requirements (e.g. Dimitratos and Jones, 2005). The critical role of self-commitment for SMEs that participate in cooperative internationalization has until now hardly been researched. This is surprising, particularly when considering the attractiveness of internationalization for these enterprises, as well as the favorable conditions in SMEs that allow trust to evolve. To investigate the operation and the expected performance contribution of these kinds of cooperations in the internationalization of SMEs, we will compare national with international cooperations

among 146 enterprises from Austria and Central and Eastern Europe.

In this context, the following research questions will be investigated:

- (1) What is the effect of the cooperating parties' self-commitment on the communication and structure of maxim-based cooperations in SMEs?
- (2) What impact do self-commitment, maxim-based communication, and maxim-based cooperation structures have on performance in these kinds of cooperations?
- (3) What differences are found when comparing international with national cooperations?

This study contributes to the theoretical and empirical development of IE and trust research, as well as to an understanding of tools for management and for corporate training and education by

- Complying with calls for continued refining of the empirical instruments of *trust research* (e.g. Möllering et al., 2004) by conceptualizing and operationalizing the construct *self-commitment* and by linking it to research on international entrepreneurship.
- Showing that self-commitment on the part of actors in international cooperations by SMEs is no utopia, but instead a widespread phenomenon common to real business life. Thus, findings on this particular coordination mechanism gain practical relevance and, with this, establish it as a credible research topic in the field of economics and business administration, and by
- Showing that abilities relevant for building trust-based relationships must come increasingly to the forefront of corporate training and education so as to strengthen both the economic and internationalization potential of SMEs.

Theoretical basis

Cooperations allow SMEs to participate in internationalization opportunities that they would otherwise not be able to take on by themselves. Nonetheless, the characteristics of SMEs create particular challenges in the internationalization process (Fernandez and Nieto, 2006). Recently, cooperative arrangements have received increased attention as a means to meet these challenges (Robson et al., 2006). First, liabilities of newness (in the case of young enterprises) can be alleviated through cooperating with a company having a stronger reputation. By joining competencies, cooperative internationalization requires a lower amount of internationalization know-how on the part of the cooperation partners than would be needed, for example, with direct investments. And, should the SME enter the international market together with a partner from the target market, this can also often help to overcome legal hurdles. Second, a new SME can compensate for its liabilities of smallness through the establishment of inter-firm cooperations, i.e. resources can be bundled together to achieve a "critical mass" for internationalization (Welge and Borghoff, 2005). Even when creating a cooperation relationship requires specific investments, these nevertheless tend to be lower than those found in *greenfield* or *brownfield investments*, implying a

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