Entrepreneurial Orientation of Internationalized Firms and Their Export Performance: Evidence from Surgical Instruments Industry of Sialkot

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Abstract

All over the world, particularly developing countries have understood the importance of SMEs as responsible for accommodating many unemployed, thus acting as an income generating platform. In SMEs, exporting is a way to get quick access to markets abroad and provides opportunity to achieve valuable international exposure. The objective of this study is to detect the relationship between entrepreneurial orientation (EO) of internationalized SMEs (born international) and their export performance in the surgical instruments manufacturing and exporting industry in Pakistan. Survey questionnaire is used to collect data from the firms. Entrepreneurial orientation was measured using five dimensions and export performance is measured using three dimensions. Purposive sampling is used to draw sample from population where the unit of analysis is born international firms. The findings of the study show that entrepreneurial orientation exists in the born international firms. Regarding measuring export performance, the result shows that the firm exhibit export performance to a good extent. It has been concluded that there is correlation between entrepreneurial orientation and export performance.

Keywords: Entrepreneurial Orientation; Export Performance; Born International SMEs.

Introduction

All over the world, particularly developing countries have understood the importance of SMEs as responsible for accommodating many unemployed, thus acting as an income generating platform and play a boosting role in economy by bringing in foreign exchange that helps in improving balance of trade and economic growth (Lee & Habte-Giorgis, 2004) when engaged in export activities. A plethora of researches have paid attention on the role of entrepreneurship within SMEs and its ability to boost both performance and success of SMEs. Research scholars (Covin, Green, & Slevin, 2006) observe that entrepreneurial endeavors can strengthen enterprises particularly small businesses yet some other researches gave contradictory results showing that entrepreneurial activities provide no benefit to SMEs. In SMEs, exporting is a way to get quick access to markets abroad and provides opportunity to achieve valuable international exposure (Zahra, Neubaum, & Huse, 1997).

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In previous researches, enterprises operating in domestic markets have often garnered much attention while those involved in business activities of cross national boundary or international business especially exporting have not been considered (Zahra, 2007). This has led to creating vacuum in domain of entrepreneurship knowledge pool as smaller business firms have achieved a considerable presence in international business markets and trade systems. In addition, later researches of scholars, (Oviatt & McDougall, 2005) pertaining to entrepreneurship of SMEs in international perspective have suggested that examining EO of intentional operating firms will create knowledge beneficial for the society at large.

Further, in past EO has empirically been studied only in the context of Western developed economies (Swierczek & Ha, 2003), which do not justify the existence of this concept in other economies and countries like Pakistan which is less-developed Asian country. Even in the Western and developed nations, the concept of EO has focused the large businesses and the researches relating to EO and export performance in the SME context are less than the large firms. Although small firms are considered to have lack of internal resources and low market impact but entrepreneurial management style which may pose specific challenges or present opportunities during internationalization (Carson, Cromie, McGowan, & Hill, 1995) , which makes these promising to be studied. Traditionally, the process of internationalization is deemed risky and demand resources to initiate cross national trade, therefore, lack of resources is considered international trade barrier (Gurău & Merdji, 2008). Yet research literature presents a category of SMEs that overcome their resource constraints to initiate the process of internationalization. Such SMEs not only engage in exporting activities, being widely used by SMEs, but also get involved in internationalization from very start of their businesses and are referred to as “born international” (Oviatt & McDougall, 1994). “Born-international” SMEs start exporting from inception mostly or till three years from inception. The studies focusing manufacturing concerns are scarce both in developed and developing economies, to the best of the researcher’s knowledge. This seems more challenging as well as promising to study such firms that exist in the city of developing country like Pakistan. This city known world over with the name of Sialkot and has a history of working for more than 100 years in the field “surgical instruments manufacturing” and serving the needs of health industry both internationally through exporting and domestically (Sandhu, 2011).

The Sialkot surgical instruments manufacturing industry is connected with the global world through global firms of western origin (Humphrey & Schmitz, 2000) and contribute a substantial amount to the overall export earnings of Pakistan. This makes it important to study the performance of such firms as well. Hence, studying orientation towards entrepreneurship in relation to export performance of born international SMEs dealing in the surgical instruments industry is much promising and would help policy makers to determine the role of EO for exports and its inclusion in policy schemes for development of export SMEs in the future. The main focus of this study is to investigate the relationship of entrepreneurial orientation (EO) with the export performance of born-international SMEs.

Literature Review

Over the past few decades, EO has been studied with a number of variables like performance, export performance, organization learning, organization structure, strategy, networking, mangers or CEO personality traits, environment and many more. Some of these are antecedents of EO, moderating relation of EO with others variables or consequences of EO

(Wales, Gupta, & Mousa, 2011). The most widely studied variable with EO is firm performance. (Marino, Strandholm, Steensma, & Weaver, 2002) also studied the relationship between strategic alliance formation and EO in the presence of national culture as moderator. Various studies conducted in past (Lumpkin and Dess 1996; Becherer and Maurer 1997) have investigated EO - performance relationship and found support in favor of the relationship. Ireland et al. (2009) points out that researcher have widely acclaimed that EO is an effective way to improve firm financial performance. Becherer and Maurer (1997) found direct relation between EO and profit change while investigating the linkage among marketing orientation, Entrepreneurial orientation and firm performance. Lumpkin and Dess (1996) established an integrative framework to investigate the linkage between performance and EO and pointed out that EO-firm performance connection is context specific. Zampetakis, Vekini, & Moustakis, (2011) identified that EO is strongly and directly linked to the performance.

Covin and Slevin's (1989) observed EO and performance among small firm operating in hostile environment. The results showed that EO is linked to performance (Anderson & Eshima, 2013). While examining EO-performance relationship in a longitudinal research, Wiklund (1999) found the relation between performance and EO is not only positive but also increasing over time.

EO is taken and accepted as an antecedent to firm performance and its growth in domestic as well as foreign markets (Kuivalainen, Sundqvist, & Servais, 2007).

Since exporting provides additional revenue to firms and lower the financial risks (Okpara, 2009). Small businesses that are operating in the developing economies consider the significance of exporting activities as a source of economic growth and revenue generation (Ibeh, 2003). Knight, (2001) observed that EO is an key driving force behind several factors including strategic competence, internationalization efforts, and latest technology acquisition that lead to international performance. The core elements of EO not only help firms to identify but also pursue many lucrative opportunities (Fatoki & Asah, 2011). Javalgi and Todd, (2011) refer all international activities as entrepreneurial because a combination of risk and innovation which are core elements of entrepreneurship.

Jalali (2012) investigates the relationship between entrepreneurial orientation (EO) and export performance while taking uncertainty, environmental dynamism and hostility as antecedents to EO. The Studied showed positive relation of EO with Export performance. Various dimensions of EO have been used to investigate the performance of SMEs in the international context (McDougall, Oviatt, & Shrader, 2003). With scarce empirical research evidence, the existence of linkage between EO and export or international performance is confirmed. Munyoki, Ogutu, & Kabagambe, (2012) studied export performance of manufacturing exporters in Uganda in relation to firm competencies. The results show significant positive impact of only marketing and sales competencies on export performance. Cavusgil & Zou, (1994) defined export performance as the outcome of activities carried out by firms in export markets.

Export performance is considered as "the accomplishment of a firm's goals or outcomes of a firm's business activities in export markets" (Prasad, Ramamurthy, & Naidu, 2001). Export performance is defined as the extent to which firms are satisfied with their sales and market share performance in export markets. Export performance is the consequence of actions taken by firm in foreign markets (Shoham, 1996). The export performance concept is critical to firms and also to nations but the task of dealing with this construct is too complex. Literature about export marketing shows that researchers have assessed export performance using several different ways and this is attributed to lack of consensus about unified framework for export performance (Lages, 2000) particularly of SMEs (Munyoki, et al., 2012). Although the significance of export performance is widely agreed upon (Ural, 2009) yet no conceptual and operational definition is evenly accepted even after this issue has been addressed in growing literature (Cavusgil & Zou, 1994). According to Shoham and Kropp (1998) export performance of firms is the combination of profitability, international sales and growth in exports. After identifying 50 different dimensions to measure export performance Sousa (2004) categorized these into both objective and subjective measures of export performance. Knight and Cavusgil (2004) defined born international as firms that get involved in exporting activities within three years from the start of their business activities. According to Gabrielsson, Kirpalani, Dimitratos, Solberg, & Zucchella, (2008), born international firms are recognized and accepted as entrepreneurial as well as international in their business dealings. According to Andersson, (2000), the entrepreneur's actions at individual level are critical for internationalization strategies of small businesses.

While studying entrepreneurship and performance, Dimitratos, Lioukas, & Carter (2004) point out that though entrepreneurship is considered as the driving force that help in the value creation in both domestic and international markets, yet there are lack of empirical evidences relating to entrepreneurship-performance and entrepreneurship-international performance relationships. In the same year, Balabanis and Katsikea (2003) studied EO-international performance relationship and his results showed positive effects of EO on export performance. Thus, the researcher hypotheses that:

H1: There is a relationship between Entrepreneurial orientation and Export performance

Methodology

The prime purpose of the study is to examine the entrepreneurial orientation of internationalized SMEs.The present study is descriptive in nature with non-contrived study setting. This study takes the "born international firms" as the unit of analysis that have started exporting within three years of inception are taken as unit of analysis. In this cross-sectional study, purposive sampling technique has been applied to select sample for collecting data. The questionnaire was distributed among 80 respondents out of which 68 questionnaires were received back. In total, 60 useable responses were available after removing the questionnaire with missing values and crooked responses. For measuring entrepreneurial orientation (independent variable), Morgan and Hughes (2007) scale was used and for performance (dependent variable) was measured, Zou, Taylor, and Osland (1998) scales was used. The responses were gathered on Likert scale ranging from strongly disagree to strongly agree. For doing data analysis, SPSS software has been used in this study. Correlation is used for finding the relationship between the variables.

Findings and Discussion

This research study consists of two variables; Entrepreneurial orientation and Export performance. To judge this relationship between both the variables, correlation analysis has been used for this research. Correlation being a statistical measure used to study the relationship, linkage or association of two variables.

Table 1
Correlation analysis of Entrepreneurial orientation with Export performance

		EP	EO
1. (EP)	Correlation Coefficient	1.000	
	Sig. (1-tailed)		
2. EO	Correlation Coefficient	.507	1.000
	Sig. (1-tailed)	.00	

*EP represents Export performance and EO represents Entrepreneurial Orientation

Table 1 indicates the correlation between Entrepreneurial orientation and Export performance of born international firms operating in the surgical instruments industry, Sialkot. Entrepreneurial orientation has significant and positive correlation with Export performance (r=.507). This value shows that the correlation between Entrepreneurial orientation and Export performance of this data is significant but it is moderate level of correlation. It can be said that the correlation results support the hypothesis.
Many firms with high EO seek larger profits and expand faster as EO support firms to target lucrative market segments, skim the business market before their competitors by charging high prices (Zahra & Covin, 1995). In another study Callaghan and Venter (2011) find that the performance of the firms having more EO is better than the firms that have not. (Beamish, Craig, & McLellan, 1993) study identified a positive relationship between financial export performance of Canadian SMEs and technological innovativeness.
Covin and Slevin's (1989) observed EO and performance among small firm operating in hostile environment. The results showed that EO is linked to performance. Even when Anderson and Eshima (2013) studied young and old firms by conceptualizing growth as change in market share , employees and sales and EO as innovation, proactiveness and risk-taking found linkage between EO-growth. Business organizations in order to be competitive and strengthen their market and strategic position concentrate on their performance and its improvement (Uddin, Bose, & Yousuf, 2014).

Conclusion and Implications

It is concluded that the entrepreneurial orientation is related to export performances and works to improve the performance of exporting firms. Similar finding are obtained by past researches (Wiklund, 1999; Okpara & Kumbiadis, 2008). Thus, the correlation results support the hypothesis. Researchers and practicing mangers both focus and search the ways to improve performance and aslo what contributes to obtain better performace. The results hold implication for them. Examining the entrepreneurship of SMEs from an international perspective help the owner manager to focus on those dimensions of EO that significantly affect the firms export performance. The entrepreneur will be able to understand its strength and the key dimension of EO to focus on in order to achieve the success of the firm

Limitations

This study has some limitations, which are as follows:

This study measured the relationship of EO with EP from sample of one industry. Other industries may be included into the study to improve the generalizability of the findings.
Secondly, gender differences may impact the results. The current study was based on male respondents as it was difficult to find and contact the female entrepreneurs. This industry is male dominated but special effort can be made to contact female respondents for exploring the gender differences.
Lastly, due to time constraint certain other variables which might have impact on the relationship between entrepreneurial orientation and export performance are not included in this study. These variables can moderate or mediate the relationship of entrepreneurial orientation and SMEs' export performance. These variables were not analyzed in this study.

Directions for Future research

This research study has focused on the born international firms of one city and one industry. In future researches data can be collected from different cities where born international firms exist. Data from different industries like sports and leather good industry of Sialkot can be collected to make a comparative study to determine if the EO and performance findings of this study match with those industries or not. Such efforts will enhance the generalizability of the findings.
Another research area would be to make a comparative study of the traditional international firm and born international firms operating in the same surgical instruments manufacturing Industry of Sialkot.

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