Conference Paper

The Role of Strategic Orientations and Ambidextrous Innovation in the Accelerated Internationalization of INVs: Conceptual Framework and Research Agenda

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Abstract

Over the past two decades, the growth of international new ventures (INVs) has stimulated a great deal of interest among international entrepreneurship (IE) scholars to understand how these entrepreneurial start-ups internationalize rapidly and navigate turbulent environments given their resource deficiencies. While the IE domain and INV phenomenon have developed an extensive body of knowledge with rich insights, the literature has been characterized as fragmented and lacking in theoretical development. Employing a collection of key strategic orientations which provide a holistic operationalization of IE, we develop a conceptual framework to better understand how INV’s innovation capabilities impact their pace of internationalization. Building on the dynamic capabilities view (DCV), we attempt to explain how INVs develop capabilities necessary for successful internationalization. Our conceptual framework compliments IE literature, as fostering a culture within the firm that advances ambidextrous innovation capabilities necessary for resource-constrained INVs to succeed in turbulent global markets. The study develops propositions and concludes with the directions for future research and implications for managers who seek to expand their operations internationally.

Keywords: international new ventures, strategic orientations, ambidextrous innovation, environmental dynamism, accelerated internationalization

1. Introduction

In the era of an integrated global economy, scholars and practitioners alike have witnessed the rise of new and small firms that have manifested striking characteristics with regards to entry and expansion in the international market. Small and medium enterprises (SMEs) are increasingly active in international markets, so much...
that some countries have implemented policies aimed at SME internationalization to boost economic growth [1]. As a result, the growth of SME internationalization has become a compelling global trend; which has stimulated interest among international entrepreneurship (IE) researchers to understand how these global entrepreneurial start-ups exhibit early and rapid internationalization, given their resource deficiencies [2]. Thus, the role and contribution of SMEs as international market actors has received widespread attention in the IE literature. These young entrepreneurial SMEs are often referred to as international new ventures (INVs); which are defined as entrepreneurial start-ups that, from inception, seek to derive significant competitive advantages from the use of resources and sale of outputs in international markets [3]. While these young resource-constrained firms must successfully internationalize, they must also survive turbulent international markets.

The IE research emerged from international business (IB) and strategic entrepreneurship to study, in part, the dynamic nature of new and rapid internationalization of firms that pursue innovative activities across borders regardless of their age and size. IE has been more recently defined as “the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services” [3: p.540]. The notion of opportunity discovery and exploitation is a critical element to the field of IE, as this paves the way for the integration of rapidly internationalizing SMEs into IE research. INVs are unique in that they effectively bypass internationalization as a process, as they start and operate from day one in global markets, servicing potential customers all over the world. Despite the recent interest and examination of scholars, the INV literature is characterized by unsystematic and fragmented research, lacking in theoretical development [4]. Therefore, IE scholars call for more research to further build the IE field as it relates to INVs entrepreneurial activities leading to accelerated internationalization [5].

This research seeks to develop a framework to examine how INVs’ entrepreneurial behaviors of opportunity-discovery and -exploitation and ambidextrous innovation affect the rapid internationalization across national borders. Ambidextrous innovation refers to the integration of explorative and exploitative innovation that can complement each other and strengthen firms’ competitiveness in international markets [6]. We draw from the dynamic capabilities view (DCV) to broaden our understanding of how INVs develop internationalizing capabilities necessary to sense and seize international market opportunities. The DCV proposes a focus on resources that are non-stationary and more dynamic, mainly knowledge inventories, capabilities and resources as sources of competitive advantage and firm growth. Extant literature
examines the structures and processes that enable firms to build, integrate and reconfigure internal and external resources to meet the demands of complex and rapidly changing environments [7]. Said another way, dynamic capabilities reflect the firm’s entrepreneurial ability to explore and explore opportunities in unpredictable markets. Teece [8] disaggregated dynamic capabilities into the capacity to (a) sense and shape opportunities and threats, (b) seize opportunities and (c) to maintain competitiveness through enhancing, combining, protecting and, when necessary, reconfiguring the firm’s intangible and tangible assets. This theoretical perspective is fitting to explain INV-accelerated internationalization phenomenon as opportunity alertness across international borders and internationalization capabilities represent emergent themes in INV research.

This article provides two important contributions to the IE literature. First, the IE literature lacks integration as to the various behavioral and decision-making processes that shape INVs’ organizational culture, and how they enhance the development of INVs’ innovation capabilities. Therefore, we explore the impact of key strategic orientations towards the ambidextrous innovation development of INVs. Second, this article aims to contribute to the understanding of INVs internationalization by developing a framework which examines the strategic orientation-accelerated internationalization. While INVs lack many of the resources and skills of larger firms, their organizational culture enables them to identify and exploit market opportunities across national borders, and subsequently develop capabilities necessary to create international success. Accordingly, there is a need to integrate DCV into the accelerated internationalization research to examine the relationship between INVs ambidextrous innovation and their internationalization activities. This has been overlooked in existing studies which often examine how dynamic capabilities improve INV performance [9]. Additionally, despite the significance of environmental turbulence in international markets, within the IE literature, less is known about its effect on the internationalization antecedents of INVs. Therefore, we examine the moderating role of environmental dynamism between the relationship of capabilities and accelerated internationalization.

The remainder of the article is organized as follows: Section 2 discusses a conceptual model propositions, and Section 3 concludes with a discussion of potential academic and practical implications.
2. Conceptual Framework and Research Propositions

Figure 1: Conceptual model of accelerated internationalization.

2.1. International entrepreneurial orientation and ambidextrous innovation

International entrepreneurial orientation refers to the behavioral elements of a global orientation that reflects firms’ propensity to engage in innovation and proactive, risk-seeking behaviors in effort to achieve competitive and strategic objectives [10]. Although intuitively it may seem that IEO is mainly a forerunner to discovery-led activities, it can also facilitate the deployment of exploitative capabilities. With respect to exploitative capabilities, IEO motivates the broadening and refining product development in overseas markets [11]. Innovativeness refers to a tendency to support creativity in the research and development processes [11]. This is likely to give rise to INVs’ incremental product and service improvement. Proactiveness relates to responsiveness in local markets, such as anticipating and acting on expressed or latent customer needs and preferences [13]. This trait enables INVs to better anticipate customer needs in competitive markets and continuously improve offerings. Risk-taking reflects firms’ willingness to pursue projects in which the cost of failure may be significant, or the potential outcomes are unknown [14]. INVs’ ability to modify existing offerings to meet the needs of new markets is a result of their willingness
to take risk in launching foreign ventures results. Given these issues and that INVs need to survive, yet generate revenue, they may exploit incremental product and service enhancements to internationalize in multiple markets. The exploration dimension of ambidextrous innovation is based on the development of new capabilities and is characterized by risk-taking and innovativeness \[15\]. INVs typically support experimentation and creative thinking in developing novel products that are not only superior to the competition but also fit the changing demands of customers \[11\]. This perspective allows these entrepreneurial start-ups to venture into the unknowns by implementing activities that have a high level of risk and uncertainty regarding outcomes. Taken together SMEs exploitation and exploration innovation capabilities can benefit from IEO. Therefore, their IEO is positively related to their ambidextrous innovation.

*Proposition 1: International entrepreneurial orientation is positively related to ambidextrous innovation of INVs.*

### 2.2. International market orientation and ambidextrous innovation

International market orientation (IMO) is an organizational behavior that consists of customer orientation, competitor orientation and inter-functional coordination; each of which involves intelligence generation, dissemination and managerial action \[16\]. This cultural trait enables INVs to gather market information as to the wants and needs of customers, as well as the strategic moves of competitors; and disseminate accordingly for various departments to utilize in further enhancing their internationalization activities. IMO may enhance new product development in that it fosters a continuous incremental orientation towards meeting customer needs by emphasizing more effective use of market information. Additionally, these entrepreneurial start-ups’ abilities to uncover consumers’ needs can be strengthened by placing the most advanced technology in the hands of sophisticated consumers, which can lead to the discovery of new innovations \[17\]. Some studies indicate that many breakthrough innovations are generated from consumers’ insights \[18\]. Most recently, the empirical work of Hult and colleagues \[19\] suggests that IMO contributes to INVs’ magnitude of innovativeness. Such insights are beneficial for developing radical innovations. Taken together, IMO can impact both incremental and exploitative innovations as well as
explorative innovations. Therefore, their IMO is positively related to their ambidextrous innovation.

*Proposition 2: International marketing orientation is positively related to ambidextrous innovation of INVs.*

2.3. International learning orientation and ambidextrous innovation

Learning orientation is the propensity to develop new knowledge in foreign markets [17]. Learning orientation can potentially influence the values of an organizational culture [20], and can impact INVs’ ability to discover opportunities abroad [21]. This international learning orientation is the mindset of global start-ups’ capacity to be open-minded, and challenge old assumptions about markets and how firms should be organized.

Learning creates an atmosphere for sharing new ideas that diverge from existing knowledge. INVs develop a higher-order-adaptive learning behavior that leads to breakthrough innovations, and the exploration of new markets [22]. Learning also helps entrepreneurial SMEs exploit their existing proprietary assets and make existing operations more efficient; by better understanding current operations, existing products and markets, which in turn provides insights into how to exploit existing knowledge and skills [23]. Learning is positively related to exploratory and exploitative innovation [24]. Scholars find that learning orientation is positively related to innovativeness in SMEs operating in emerging markets [25]. Therefore, their international learning orientation is positively related to their ambidextrous innovation.

*Proposition 3: International learning orientation is positively related to ambidextrous innovation of INVs.*

2.4. International network orientation and ambidextrous innovation

Young entrepreneurial firms tend to be resource poor and can only cover a portion of their value chain; therefore, they critically depend on their environment [26]. INVs outsource certain parts of the value chain and transact with other firms that have complementary resources. Those with a strong network orientation are able to
develop a dense global network. Network contacts can procure critical resources and identify innovation opportunities. INVs can integrate and reconfigure resource combinations to exploit foreign market opportunities. Networks are vital to the exploration of opportunities as they offer critical and valuable market-experiential knowledge [27]. As networks provide knowledge benefits, these entrepreneurial start-ups are better positioned to find opportunities for innovation. Their networks provide information in the local markets which enable INVs to exploit new opportunities [28]. Through their networks, INVs can also explore potential relationships with third parties which further facilitate development of strategic alliances in foreign markets. This enhances entrepreneurial start-ups’ abilities to further exploit opportunities in foreign markets. Therefore, their international network orientation is positively related to their ambidextrous innovation.

Proposition 4: International learning orientation is positively related to ambidextrous innovation of INVs.

2.5. Ambidextrous innovation and accelerated internationalization

Scholars suggest firms should conduct exploitative and explorative activities simultaneously, which means pursuing contradictory goals that improve INVs’ growth potential.

Explorative innovation is characterized by experimentation and discovery for the purpose of generating new and radical forms of advanced products that increase the tendency of INVs to engage in disruptive change, thereby inducing continued growth. Exploitative innovation, on the other hand, is the gradual refinement and extension of existing innovations; implying that firm behaviors are characterized by incremental yet consistent product improvement [6, 29]. In contrast, scholars have increasingly argued that high-performing firms compromise these divergent perspectives to a large degree [30]. INVs can only sustain their competitive advantage by balancing their incremental and radical innovation efforts. They must manage existing markets by exploiting efficiency gains and incremental innovations, while they simultaneously radically innovate for future markets [31]. The integration of explorative and exploitative innovation can complement each other and strengthen INVs’ competitiveness in international markets.

Scholars argue that the implementation of ambidextrous activities significantly fosters entrepreneurial SMEs’ success in terms of overseas market expansion [32].
Additionally, studies find contemporary SMEs show a tendency towards ambidextrous innovation, in that they strive to integrate exploitative and explorative strategies to survive and grow in foreign markets [15]. Developing incremental innovations is a strategy that attempts to increase revenue by investing efficiently to increase profitability. This implies that INVs need not require the resources and time to elaborate a breakthrough innovation, which may take years, in order to internationalize; but that this internationalization is feasible by incremental innovation. The presumption that INVs must sell products and services that are radically different from existing products is not necessary for internationalization [33]. Developing ‘new to the world’ innovations is a strategy that aims to grow market share by leveraging innovations in multiple locations. Expanding these innovations into many countries is problematic as entrepreneurial start-ups often lack financial resources to file a large number of patents. INVs can overcome these concerns by way of patent-sharing agreements with local partners or continuous upgrading of output [34], and these radical innovations have been found to be positively associated with accelerated internationalization [33]. Therefore, SMEs’ ambidextrous innovation is positively related to their accelerated internationalization.

*Proposition 5: Ambidextrous innovation is positively related to accelerated internationalization of INVs.*

2.6. Environmental dynamism

Research suggests that contextual factors can affect firm’s internationalization activities [35]. The basis of this research is that firms must assess the turbulence of the environment in which they operate and fit their resources and capabilities to the environmental dynamism. Dynamism refers to the rapid market and technology change associated with uncertainty or unpredictability [36], and consists of market turbulence, technological turbulence and competitive intensity in the market [37]. In turbulent environments where there is a need for strategically planned actions, the effects of strategic orientations are likely to be more pronounced. Market- and technological-turbulence have been found to positively moderate the relationship between learning orientation and firms’ internationalization [38]. Cadogan, Kuivalainen and Sundqvist [39] find that market turbulence positively moderates the relationship between market
orientation and international success. Also, the relationship between network orientation and internationalization has been found to be positively moderated by environmental dynamism [40]. Additionally, a review of the literature suggests that dynamism may positively influence the relationship between IEO and international growth [41]. Given the competences necessary to engage in accelerated internationalization, INVs that possess key strategic orientations may well be prepared to address issues presented by these dynamic environments. Therefore:

Proposition 6: Environmental dynamism positively moderates the relationship between ambidextrous innovation and INV accelerated internationalization.

3. Discussion and Implications

Despite the growing interest in the early and rapid internationalization activities of entrepreneurial SMEs, the literature has been characterized as unsystematic and fragmented. In this article, we employ a collection of key strategic orientations to explain the accelerated internationalization of INVs. If firms possess strong organizational decision-making processes, they are more likely to engage in entrepreneurial ventures seeking opportunities abroad. Strategic orientations encompass the wide range of behavioral aspects of IE, and may capture the various facets of an organizational culture of pursuing opportunities abroad.

DCV states that firms need to augment and develop new capabilities to identify and exploit opportunities [42]. This necessitates the ability to exploit current capabilities, while exploring the development of new capabilities for sustained performance. There is a need to balance the dynamic tension between a firms’ well-coordinated resource deployment to exploit opportunities abroad, while utilizing exploration to enhance organizational learning and new capability development. Therefore, firms must develop the capacity to change processes and integrate them into their operations. Dynamic capabilities, such as ambidextrous innovation, are higher-order capabilities in that they guide how INVs enhance and strengthen existing competences. The emphasis on opportunity identification and exploitation within dynamic environments is a fit in the IE literature as it has gained increasing acceptance from scholars that examine explanations of early and rapid internationalization [2, 15].
Due to the importance of IE towards the international success of firms, managers must develop and nurture their strategic behaviors that impact internationalizing capabilities such as innovation, recognizing uncertainty in the global marketplace. The histories of small young firms are filled with high rates of failures, particularly at the early stages of establishment as these firms are constrained by resource poverty that restricts strategic options. That said, managers of entrepreneurial global start-ups that see innovation as important to their growth may wish to consider the implications of the conceptual model presented in this article. As INVs continue to internationalize at an increasing pace, and competition in global markets intensifies, the ability to meet foreign market needs more effectively than competitors becomes even more important. By creating conditions within the firm that advance their innovation capabilities to facilitate competence to attract customers, managers may be able to position the firm to achieve competitive advantage compared to its competitors. Our article suggests that the INVs’ ability to sense international market opportunities during growth stages are based on a bundle of international learning orientation, international entrepreneurial orientation, IMO and international network orientation [43]; while their capacity to exploit the international opportunities is based on harnessing ambidextrous innovation [44]. As globalization drives ever more intense competition, it will be more important than ever for INVs to foster an organizational culture to develop capabilities innovatively in order to grow and succeed internationally.

References


