

# Internationalisation of SMEs: does entrepreneurial orientation matter?

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## Abstract

**Purpose** – The purpose of this paper is to investigate entrepreneurial orientation (EO) as a predictor of internationalisation of small- and medium-sized enterprises (SMEs). The key research question is “to what extent do the dimensions of EO (innovativeness, proactiveness and risk taking) predict internationalisation of SMEs?”

**Design/methodology/approach** – The study adopts a cross-sectional survey to collect data from 282 SMEs, with the use of a multi-dimensional self-administered questionnaire. All the measures in this study were adopted from existing instruments from previous studies and all showed a CVI above 0.8. Data were analysed quantitatively using descriptive statistics, correlations and hierarchical regression. The nature and strength of the relationships between the variables was tested using the zero-order bivariate correlation analysis.

**Findings** – The study establishes a significant relationship between the dimensions of EO and internationalisation of SMEs.

**Research limitations/implications** – This paper contributes to the corpus of literature on internationalisation of SMEs. Future research should consider the major constructs from a longitudinal point of view given that cross-sectional studies sometimes fail to examine the interaction effect of the variables.

**Practical implications** – The paper illustrates how EO dimensions can influence an entrepreneur's decision to go international especially handling the process of internationalisation and its dynamics.

**Originality/value** – The paper provides contextual evidence from a developing country to the effect that as local investors get more inclined to EO, they in the process ease their way to joining the international business arena.

**Keywords** SMEs, Innovativeness, Strategy, Internationalisation, Risk taking, Proactiveness

**Paper type** Research paper

## 1. Introduction

Small- and medium-sized enterprises (SMEs) are responsible for creation of most jobs, products, tax revenues, welfare and poverty alleviation in developing economies (Ahimbisibwe *et al.*, 2016; Kandasaami, 2004; Ntayi *et al.*, 2011; Kwesiga, 2006; Kasekende and Opondo, 2003). They provide the economy with a continuous supply of ideas, skills and innovations necessary to promote competition and the efficient allocation of scarce resources (Ahmed and Nwankwo, 2013; Kasekende and Opondo, 2003). It is thus not surprising that varied studies continue to be conducted to develop strategies for enhancing SME performance (see, e.g. Sari *et al.*, 2008; Lussier *et al.*, 2016; Beyene, 2002). The OECD (2009) emphasises that the internationalisation of entrepreneurship among SMEs embodies considerable relevance principally owing to the observed growth effects of cross-border venturing, and their demonstrated capacity to drive economic development at national, regional and global levels. In this regard, the internationalisation of SMEs has continued to be embraced as a conduit for enhancing economic and social transformation of developing nations within African (Ibeh, 2005). In Uganda, for example, SMEs are found in all sectors ranging from manufacturing, construction, hotels and restaurants, education, banking and finance, wholesale and retail trade. There is an estimated 1,069,848 number of SMEs that account for 90 per cent of Uganda's private sector. This sector employs between 2.5 and 4 million people in Uganda.



When an SME decides to engage in international activities, regardless of its nature, it has to follow some pattern of activity that is most likely to be consistent or logical over time. This pattern can be called the internationalisation development strategy. Prior empirical investigations have alluded that there is a significant relationship between entrepreneurship orientation and business performance (Mahmood and Hanafi, 2013), and that firms that adopt proactive orientation (PO) achieve higher performance, profitability and growth compared to those that adopt a conservative orientation (Okpara, 2009). Entrepreneurial orientation (EO) seems to have a predictive value on firm's growth (Ferreira and Azevedo, 2007). While studies on entrepreneurship orientation are evident, findings from these studies do not sufficiently link EO to internationalisation of SMEs.

The internationalisation notion has received abundant and keen audience in the research circles from various vantage points, including organisation theory, marketing, strategic management, international management and small business management. For both large and small businesses, attention has been on concerns like international decision making and management, the development of international activities and antecedents of SME internationalisation (Ruzzier, Hisrich and Antoncic, 2006). Research on internationalisation has mainly focussed on large companies especially multinational companies. Studies on internationalisation of SMEs in developing countries remain sparse (Sari *et al.*, 2008). It thus becomes critical to understand the entrepreneurial dynamics that affect the internationalisation of SMEs from the behavioural point of view. The entrepreneurial dynamics are viewed from the firm's EO, reflecting a firm's commitment and capability to pursue entrepreneurship activity. In this study EO is based on risk taking, innovation and proactiveness as recommended by Miller (1983). The study is uncured on the McClelland's need for achievement theory (McClelland, 1961).

## 2. Motivation of the study

Research by Kandasaami (2004) shows that many economies around the globe are thriving on the internationalisation potential of their SMEs. For example, according to McKinsey Report (1993) as cited in Kandasaami (2004), four-fifths (80 per cent) of the recent breed of emerging exporters in Australia are small- and medium-sized firms. Existent studies show that the significant positive impact that internationalisation of SMEs exerts on an economy is ubiquitous in various industries and economies (see, e.g. Crick, 2007; Cavusgil, 1984; Ibeh, 2005). Internationalisation of businesses comes with added advantage to the entrepreneur such as increased revenue. However, SMEs in Uganda have not taken advantage of the internationalisation opportunities including those provided within the East African Community region. While extant literature has demonstrated that the strongest predictors of SME internationalisation are investment capital, access to credit information and ownership of fixed assets (Wamono *et al.*, 2012), there is little empirical evidence on the role of EO on the internationalisation of SMEs in Uganda. This study intends to investigate the effect of EO on internationalisation of SMEs.

The study contributes to the advancement of internationalisation of SMEs research in several significant ways. First of all, the findings of the study would help the policy makers in the Government of Uganda and other related economies especially through the ministry of trade and investment to come up with appropriate policies that can enhance internationalisation of SMEs. There is also a contribution made to the body of knowledge about EO and internationalisation of SMEs with contextual evidence from a low-resourced country – Uganda.

## 3. Theoretical underpinning of the study

This study uses McClelland's need for achievement theory to explain the influence of EO components on internationalisation of SMEs (McClelland, 1961; Miller, 1983). Need for

achievement is a behaviour directed towards competition with a standard of excellence (McClelland and Winter, 1969; Sinha, 2016). The theory postulates that entrepreneurs are highly achievement oriented and thus will strive to ensure that their enterprises excel, advance and grow to produce new products and capture new markets among other related efforts. It argues that the entrepreneurs are oriented towards making decision under conditions of uncertainty (risk taking), and also proactively take actions with an innovative approach (Miller, 1983; Murray, 1938). This theory argues that profits are merely a measurement of success and the competence of the enterprise rather than a key target of the entrepreneurs with high achievement (N-Ach). The need for achievement theory argues that excellent achievers also possess characters like taking calculated risks, setting moderate realistic and attainable goals, preferences for situations wherein they can take personal responsibility, and have need for concrete feedback. Within a given SME, the aggregated desire of the entrepreneurs to produce new products and take up new markets beyond the boundaries of the country of origin explains the firms' level of internationalisation. Taken as a process, internationalisation entails the sustained developing of networks of business relationships in other countries through extension, penetration and integration (Johanson and Mattsson, 1993; Ruzzier, Hojnik and Lipnik, 2006).

#### 4. Literature review

##### *Contextualising the concept of SME and internationalisation*

There is no universally accepted definition for an SME. However, SMEs are widely defined in terms of their characteristics, which include the size of capital investment, the number of employees, the turnover, the management style, the location and the market share (Tumwine *et al.*, 2015; World Bank, 2011). There has been a contentious debate about a general definition of an SME by characterisation. This has generated mixed conclusions depending on the country, sector and purpose of the definition. A country context definition plays a major role in determining the nature of these characteristics, especially the size of investment in capital accumulation and the number of employees (Kasekende and Opondo, 2003).

This study adopts the Government of Uganda's definition of the SMEs as business firms that employ between 5 and 50 people (as small scale) and those that employ between 51 and 500 people (as medium scale), with the value of assets, excluding land, buildings and working capital of less than Uganda Shillings 50 million (US\$16,600). SMEs in the Ugandan definition should also have an annual income turnover of around Uganda Shillings 10-50 million (US\$33,000-16,500) (Kasekende and Opondo, 2003). In the perspective of this study, internationalisation of SMEs is measured by product and market dimensions (Luostarinen, 1979), scope of operations (Chetty, 1999; Welch and Welch, 1996) and time (Ruzzier and Konečnik, 2006).

##### *Internationalisation of SMEs*

Turnbull (1987) defines internationalisation as the outward movement in a firm's international operations, while Johanson and Vahlne (1977) conceptualise internationalisation as a sequential and orderly process of increased international involvement and associated changes in organisational forms. In a network context, Johanson and Mattsson (1993) described internationalisation as a cumulative process in which relationships are continually established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm. This view, however, seems somewhat fragmented as it focusses exclusively on relationships. Assuming that SMEs operate within their natural context, the view of Johanson and Vahlne (1990) developed from (Johanson and Mattsson, 1993) appears more promising. They define internationalisation as the process of developing networks of business relationships in other countries through extension, penetration and integration.

SME internationalisation is composed of multiple elements related to product, time, market and operations (Chetty, 1999; Luostarinen, 1979; Welch and Welch, 1996; Ruzzier, Hojnik and Lipnik, 2006). Internationalisation is an intricate strategy that any firm can embark on (Fernández and Nieto, 2005). Small business internationalisation is an important element of economic development and firm growth because it is helpful for economic growth (Jaffe and Pasternak, 1994). The literature indicates that more firms are becoming involved in international activities and exuding behaviour not previously seen (Bell, 1995) partly due to competition and inter-firm business rivalry (Abdullah and Zain, 2011). In the last few decades, many SMEs have successfully set up activities beyond their home markets and their role is increasingly crucial in contributing to future growth (Gjellerup, 2000). A company's involvement in internationalisation arises when it sells its products to foreign markets, buys products from abroad or starts to cooperate in some area with a foreign firm. This implies that international operations can be divided into inward, outward and cooperative operations, which shows the holistic nature of internationalisation (Korhonen, 1999).

Kandasami (2004) argues that the internationalisation process takes place within the framework of what is called born global firms. Kandasami suggests that the internationalisation process should be studied in four dimensions, namely, the speed of entry, pattern of entry, mode of entry and the market coverage in terms of the number of countries covered. This researcher points out that some small businesses internationalise from inception and the factors that may influence the internationalisation process of born global firms are categorised as firm characteristics, environmental characteristics and global orientation of the key decision maker(s) as supported by Kaur and Sandhu (2014). In line with the study by Deakins *et al.* (2013) and Turnbull (1987), this study focusses on the outward perspective and on the speed and pattern of entry into the internationalisation. It supports the view that SMEs typically use models that involve an outward perspective in describing the market selection and servicing decisions of the SMEs. Internationalisation is thus assumed to start at a point where the SMEs serve their domestic markets (pre-export) and move through various processes until they are committed to serving geographically dispersed markets beyond the boundaries of their countries of origin.

### EO

In line with existing studies, this study refers to EO as the specific organisational-level behaviour to perform risk-taking, self-directed activities engaged in innovation and react proactively and aggressively to outperform the competitors in the marketplace (Jalali *et al.*, 2014; Lumpkin and Dess, 1996; Zahra and Garvis, 2000). Innovativeness reflects a firm's ability to engage in new ideas and creative processes that may result in new products, markets or technological process (Rauch *et al.*, 2009). Calantone *et al.* (2002, p. 515) define "[...] innovation as the generation, acceptance and implementation of new ideas, processes, products, or services". From a management context, innovation is a crucial part of strategy and that entrepreneurship cannot exist without it (Covin and Miles, 1999). In contrast, proactiveness involves taking initiative by anticipating and pursuing new opportunities related to future demand and by participating in emerging markets (Lumpkin and Dess, 1996, p. 146). According to Rauch *et al.* (2009), proactiveness is an opportunity-seeking, forward-looking perspective characterised by the introduction of new products and services ahead of competition and acting in anticipation of future demand. It manifests itself by a firm's awareness and responsiveness to market signals (Hughes and Morgan, 2007). The key point here seems that innovation mainly focusses on improvement especially process, product and systems.

Lumpkin and Dess (2001) conceptualise risk taking as the willingness of a firm to take calculated business opportunities in the marketplace, even when their consequences are uncertain. Risk-taking behaviour of firms is concerned with the pursuit of aggressive approaches in searching and seizing of business opportunities that are surrounded by debt,

making resource commitments in view of attaining high returns by taking advantage of opportunities provided by the environment (Lumpkin and Dess, 1996). Lucio and Tommaso (2011) use the media sector in Italy to argue that EO helps in capturing entrepreneurial dynamics which are relevant to hyper-growth.

### *EO and internationalisation of SMEs – past studies' suggestions*

Researchers have long been interested in understanding the behaviour of firms, which is a central and essential element in the entrepreneurial and internationalisation processes. It has been argued that under globalisation, SMEs with an EO are more likely to internationalise and perform better in the international arena than those that lack such an orientation. SMEs that are endowed with substantial resources and lack capabilities have to possess EO to survive or even to outperform their competitors in global markets (Knight, 2000). Based on this, numerous investigators have had the audacity in investigating EO (Covin and Slevin, 1991).

### *Innovation orientation (IO) and internationalisation of SMEs*

Innovation is considered to be an important source of competitive advantage for firms to compete in the global market (Barber and Alegre, 2007; Agndal and Chetty, 2007; Ruzzier, Hojnik and Lipnik, 2006). Competitiveness through innovation provides a better and a stable position in the marketplace (Ramadani and Gerguri, 2011). Jolanda and Hessels (2006) examined the relationship between investing in innovation and firm internationalisation among the Dutch SMEs. Results from that study indicate that firms which had invested in product innovation had recorded a significant positive impact on their international involvement. Meliá *et al.* (2010) used evidence from Spanish internationalised firms operating in the service sector to stress that IO accelerates the internationalisation of firms and allows them to implement more activities and opportunities for entry in foreign markets. Thus we hypothesise as follows:

*H1.* There is a positive relationship between IO and internationalisation of SMEs.

### *PO and internationalisation of SMEs*

A quantitative research that investigated the impact of EO on the export performance of SMEs in Nigeria applying *t*-tests and correlation tests showed that firms that adopted PO achieved higher performance, profitability and growth compared to those that adopted a conservative orientation. Such firms are expected to internationalise faster than their competitors (Okpara, 2009). Taylor (2013) in a study about SMEs in Jamaica showed that entrepreneurial proactiveness is a fundamental aspect of competitive advantage and innovation output on the international market. Proactive firms find more opportunities ahead of their competitors, create initiatives that give them advantages in the market and charge higher prices than their rivals. The study concludes that such firms can govern the market by capturing the dispensation channel and establishing brand recognition in international markets than other firms that act otherwise. Wiklund and Shepherd (2006) in their study among Swedish companies suggested that proactiveness positively influences small business activities both locally and beyond the borders. The study conclusion was that proactiveness is not the luxury of firms in high growth industries with abundant financial capital, rather it can be used to overcome environmental and resource constraints. It is therefore hypothesised that:

*H2.* There is a positive relationship between PO and internationalisation of SMEs.

### *Risk-taking orientation (RO) and internationalisation of SMEs*

In an investigation on how risk taking relates to the ability of Italian SMEs to enter international markets, Basile (2012) found a strong link between entrepreneurs' risk taking

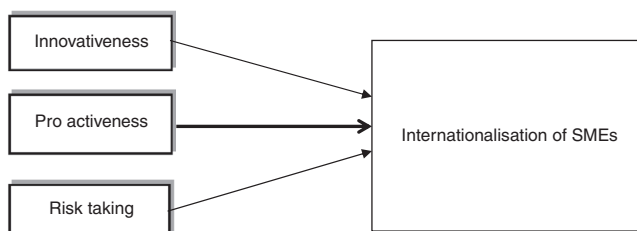
and the ability to enter international markets. Ainuddin and Junit (2001) studied the characteristics of entrepreneur-owned firms by focussing on firm's propensity to risk taking and business internationalisation. Based on the research findings of 64 SMEs in Malaysia, the international engagement of these companies varies with their willingness to take risks. In that study, results indicated a positive significant relationship between management attitude towards risk and internationalisation. It was therefore hypothesised that:

*H3.* There is a positive relationship between RO and internationalisation of SMEs.

After reviewing the theoretical and empirical literature, the following conceptual framework is derived (Figure 1).

## 5. Methodology

This study was quantitative and cross-sectional in nature. Quantitative studies provide more objective results and are thus more replicable compared to qualitative studies (Saunders *et al.*, 2007). Cross-sectional design was preferred as it allowed the team to conduct the study within limited time and at less cost yet still provides plausible results (Neuman, 2007, 2011). Since most SMEs in Uganda operate informally without registration, a comprehensive list of all SMEs could not be found. We therefore worked with the maximum sample size of 384 SMEs going by Krejcie and Morgan (1970), who also posit that as the population increases the sample size increases at a diminishing rate and remains relatively constant at slightly more than 380 cases. This sample was drawn from a population of various SMEs operating in different industry groupings. The SMEs selected for the final analysis comprised those from manufacturing, construction, hotels and restaurants, education, banking and finance, wholesale and retail trade. The clustering of SMEs was purposively done in a mode that ensured that all the above types of SMEs were represented in the study. Thus, the finally used study sample was a cross-industry sample. The SMEs that formed part of this study were selected using the snowballing method, where each SME owner manager helped identify and recommend the researchers to the next SME that had some degree of involvement in internationalisation activities, and whose owner manager could comprehend the study. The degree of involvement in internationalisation activities was based on whether or not a firm was engaged in any of the following activities: import, direct export, export through an intermediary, solo venture direct investment, joint venture direct investment, licensing of a product or service, contracting, franchise, or any other international activity (Manolova *et al.*, 2002). SMEs that had engagement in at least one of the above activities were considered. From each SME three respondents were selected purposively to include the owner manager (who is often the managing director) and two other employees. This helped minimise common methods bias like the leniency biases (Podsakoff *et al.*, 2003) which were feared to occur if only the owner managers were selected. Owner managers could potentially and subjectively rate highly those



**Sources:** Developed from the literature by McClelland (1961), Miller (1983), Turnbull (1987) and Ruzzier and Konečnik (2006)

**Figure 1.**  
Conceptual framework

statements that depict the firm as doing better even if actually they were not which could have adversely affected the robustness of the results. Their responses were later aggregated during the analysis to the unit of analysis level – the SME. For the final analysis, the study utilised the responses from 282 SMEs, representing a response rate of 73 per cent. The operational definition of the variables was based on extant literature. All the measures in this study were adopted from existing instruments from previous studies as indicated in Table I.

#### *Instrument pre-testing, validity and reliability*

The study instruments were pre-tested on a purposively selected sample of 60 SMEs. To ensure internal consistence, the scales were tested for reliability using Cronbach's  $\alpha$  coefficients both at the pre-test and final study. After the pre-test, the instrument was fine-tuned for the final study. Some items were re-worded while others were dropped. Validity of the scales on the other hand was tested using the content validity index (CVI). The validity and reliability results are indicated in Table II. Respondents were assured that there are no right or wrong answers. This was aimed at enabling them to answer questions as honestly as possible. The questionnaire items were subjected to volunteer evaluators' (four academic experts who have published in the areas of management sciences and two chief executive officers of SMEs whose routine work involves making strategic decisions). Each rated the questions on a two-point rating scale of relevant and not relevant. The computation of CVI was done by summing up the judges' rating on either side of the scale and dividing by two to obtain the average using the following formula:

$$CVI = \frac{n}{N}$$

where  $n$  is number of items rated as relevant, and  $N$  total number of items in the instrument.

The Cronbach values for the main study were above the recommended cut off of 0.7 (Nunnally, 1978), while the CVIs were also within the acceptable range.

#### *Data collection and analysis*

Data for this study were collected by the use of a self-administered pre-coded questionnaire with the help of a team of well-trained research assistants. The data were entered in the SPSS data editor, sorted, edited, cleaned and explored for assumptions of parametric data to determine whether it was fit for parametric tests (Hair *et al.*, 2006; Tabachnick and Fidell, 2007). Simple frequency runs were used to screen the data to identify the missing values. The few missing values were estimated and filled using the mean score as recommended by Mertler and Vannata (2002). Data were analysed quantitatively using descriptive statistics, correlations and regressions. The nature and strength of the relationships between the variables was tested using the zero-order bivariate correlation analysis. The hierarchical regression approach, a more elaborative approach which enters the variables according to their order of importance (Field, 2006) was conducted. This helped to explain what happened to the model as different variables were introduced in the model one at a time, and to determine the contribution of the independent constructs to the explanatory power of the model. To rule out confounding effects, the sample characteristics were entered in the first model, and then the other components of entrepreneurship orientation were entered one at a time, creating four models.

### **6. Results**

The results of this study are reported and discussed following the hypothesised relationships. The bivariate correlation in Table III shows the correlation results.

Variable	Variable meaning	Measure	Definition	Source(s)
Entrepreneurship orientation	A firm's commitment and capability to pursue entrepreneurship activity (Miller, 1983)	Innovation	A firm's ability to engage in new ideas and creative processes that may result in new products, markets or technological process	Rauch <i>et al.</i> (2009)
		Proactiveness	An opportunity-seeking, forward-looking perspective characterised by the introduction of new products and services ahead of competition and acting in anticipation of future demand. It manifests itself by a firm's awareness and responsiveness to market signals	Hughes and Morgan (2007)
		Risk taking	Willingness of a firm to take calculated business opportunities in the marketplace, even when their consequences are uncertain	Lumpkin and Dess (2001), Barney (1991)
		Operation mode	It measures whether or not a firm was engaged in any of the following activities: import, direct export, export through an intermediary, solo venture direct investment, joint venture direct investment, licensing of a product or service, contracting, franchise or any other international activity (Manolova <i>et al.</i> , 2002)	Luostarinen (1979), Chetty (1999), Welch and Welch (1996), Ruzzier and Konečnik (2006)
Internationalisation of SMEs	The outward movement in a firm's international operation (Turnbull, 1987)	Market	Number of trading countries and measured the geographical scope of foreign sales by asking which regions the SME made sales to (Reuber and Fischer, 1997)	
		Product	Whether a product meets local and international standards (Manolova <i>et al.</i> , 2002)	
		Time	Time of starting international activities from the inception of SME (Reuber and Fischer, 1997)	

**Table I.**  
Measurement and  
operationalization of  
the variables



Table III indicates the correlations between the constructs, as well as the descriptive statistics. All constructs were measured on a five-point scale, thus a mean value tending towards five (5) is considered high in this case, while a mean value tending towards one (1) is considered low. The means indicate low levels of risk taking among the SMEs (mean = 2.96). The levels of internationalisation among the SMEs is also low (mean = 2.73). The levels of innovativeness and proactiveness are average. Overall, the entrepreneurship orientation among the SMEs in Uganda is average (mean = 3.10).

The correlation results showed a positive significant relationship between innovativeness and internationalisation ( $r = 0.348$ ,  $p$ -value  $< 0.01$ ), supporting *H1*. This means that as innovativeness increases among the SMEs, the level of internationalisation also increases. Proactiveness and risk taking also significantly and positively correlated with internationalisation ( $r = 0.380$ ,  $p$ -value  $< 0.01$  and  $r = 0.359$ ,  $p$ -value  $< 0.01$ , respectively), supporting *H2* and *H3*, respectively. Thus as an SME becomes more proactive, the degree or level of internationalisation of the SME increases. In the same way, the degree or level of internationalisation of an SME will increase with an increase in the risk-taking behaviour of the SME. Overall, entrepreneurship orientation significantly and positively correlated with internationalisation ( $r = 0.446$ ,  $p$ -value  $< 0.01$ ), implying that as the entrepreneurship orientation increases among the SME, the internationalisation levels of the SME are also likely to increase.

The hierarchical regression approach in Table IV was used to determine the effect of each individual component of entrepreneurship orientation on internationalisation. Four hierarchical models were created. In model 1, the sample characteristics (considered as confounds in this study) were entered to determine their effect on SME internationalisation.

These included business size, numbers of years in operation and the enterprise/SME type. These confounds were found not to have any significant effect on the internationalisation of SMEs (insignificant  $\beta$  values of 0.707, 0.132 and 0.359 for business size, years of operation and SME type, respectively; adjusted  $R^2$  of 0.000 for the three in model 1). The model 1 was not significant (sig. = 0.388,  $p > 0.01$ ,  $F = 1.012$ ). This finding deviates from the findings by some scholars like Schwens and Kabst (2006) and Zahra *et al.* (2003) who found firm size and experience to be important determinants of firm internationalisation. However, these earlier studies were conducted in different industry settings, specifically service firms and larger enterprises as opposed to SMEs. In any case, SMEs by definition are small and medium enterprises so the concept of firm size may not apply to them. Indeed, in line with our finding,

**Table II.**  
Validity and  
reliability results

Construct	Number of scale items	Pilot study $\alpha$	Main study $\alpha$	Content validity index
Innovativeness	12	0.814	0.820	0.860
Proactiveness	10	0.624	0.813	0.830
Risk taking	6	0.736	0.833	0.800
Internationalisation	15	0.522	0.822	0.900

**Table III.**  
Correlation  
coefficients

	Mean	SD	1	2	3	4	5
1. Innovativeness	3.30	0.60	1.00	–			
2. Proactiveness	3.04	0.71	0.381**	1.00	–		
3. Risk taking	2.96	0.76	0.322**	0.716**	1.00	–	
4. Entrepreneurial orientation (1+2+3)	3.10	0.56	0.665**	0.880**	0.867**	1.00	–
5. Internationalisation	2.73	0.42	0.348**	0.380**	0.359**	0.446**	1.00

Variable	Model 1		Model 2		Model 3		Model 4		Entrepreneurial orientation
	<i>B</i>	Sign	<i>B</i>	Sign	<i>B</i>	Sign	<i>B</i>	Sign	
Constant	2.718	0.000	1.927	0.000	1.698	0.000	1.679	0.000	
Business size	0.016	0.707	0.016	0.696	0.004	0.945	0.012	0.842	
Years in operation	0.042	0.132	0.044	0.099	0.120	0.051	0.110	0.074	
Enterprise type	0.045	0.359	0.041	0.372	0.040	0.520	0.029	0.644	
Innovativeness			0.348**	0.000	0.237**	0.000	0.228**	0.001	
Proactive					0.294**	0.000	0.199*	0.029	
Risk taking							0.159*	0.044	
<i>F</i>	1.012		8.315		11.126		9.729		
Sig. <i>F</i>	0.388		0.000		0.000		0.000		
<i>R</i>	0.118		0.367		0.456		0.477		
<i>R</i> <sup>2</sup>	0.014		0.135		0.208		0.227		
Adjusted <i>R</i> <sup>2</sup>	0.000		0.119		0.189		0.204		
<i>R</i> <sup>2</sup> change	0.014		0.121		0.073		0.019		
Sig. <i>F</i> -change	0.388		0.000		0.000		0.012		

**Table IV.**  
Hierarchical  
regression with  
internationalisation  
as the dependent  
variable

other scholars like Ngoma and Ntale (2014) and Freeman and Sandwell (2008) found that firm size and experience do not matter in firm internationalisation. Hohenthal (2007) indeed indicates some confusion in international business studies on the relationship between experience and internationalisation, while Schwens (2008) cautioned against a universal interpretation of the finding that firm size affects internationalisation. This finding therefore rules out the possibility of confounding effects, thus any effects that entrepreneurship orientation would have on internationalisation would not be in anyway (wholly or partly) attributed to confounds.

In model 2, we entered innovativeness, and the results indicated that innovativeness is a significant predictor of SME internationalisation ( $\beta = 0.348^{**}$ ). Innovativeness accounts for 12.1 per cent of the variation in internationalisation of SMEs ( $R^2$  change = 0.121). Model 2 is statistically significant (sig. = 0.000,  $p < 0.001$ ,  $F = 8.315$ ). In model 3, proactiveness was added, and the results indicate that proactiveness is a significant predictor of SME internationalisation ( $\beta = 0.294^{**}$ ). Proactiveness accounts for 7.3 per cent of the variation in internationalisation ( $R^2$  change = 0.073). Model 3 is statistically significant (sig. = 0.00,  $p < 0.001$ ,  $F = 11.126$ ). In model 4, we entered risk taking, and the results indicated risk taking to be a significant predictor of SME internationalisation ( $\beta = 0.159^*$ ). When risk taking was entered, the  $R^2$  changed from 20.8 to 22.7 per cent in the last model. Risk taking accounts for 1.9 per cent variation in SME internationalisation ( $R^2$  change = 0.019).

The overall model is statistically significant (sig. = 0.000,  $p < 0.001$ ,  $F = 9.729$ ). The three components of entrepreneurship orientation (innovativeness, proactiveness and risk taking) are all significant predictors of SME internationalisation, and account for or explain 22.7 per cent of the variation in SME internationalisation. In the final model, a unit increase in innovativeness increases SME internationalisation by 0.228 ( $\beta = 0.228$ ), a unit change in proactiveness increases internationalisation by 0.199 ( $\beta = 0.199$ ) and a unit increase in risk taking increases internationalisation by 0.159 ( $\beta = 0.159$ ). Thus innovativeness has the largest effect on internationalisation followed by proactiveness and then risk taking.

## 7. Discussion

A positive significant relationship between innovativeness and internationalisation is established. This means that the higher the innovativeness among the SMEs, the higher the degree or level of internationalisation of that SME. This is consistent with Lecerf (2012, p. 2) who stressed that “innovative and technologically capable SMEs have greater potential for

geographic market enlargement". Earlier on, it had been established and argued that indeed innovation through new product designs and marketing strategies is a strong antecedent of competitive advantage for firms to compete in the global market (Barber and Alegre, 2007; Ramadani and Gerguri, 2011).

From the practical point of view, firms should invest more in innovation in order to have a leveraged position in the global business. Such views are supported by Jolanda and Hessels (2006) and Meliá *et al.* (2010) who find innovation to be a significant "influencer" of firms in international involvement. Similar findings are seen in Ruzzier, Hojnik and Lipnik (2006) among Slovenian internationalized companies and Spanish internationalised firms operating in the service sector, respectively. Theoretically, when an SME engages in innovative activities it starts to open up for new customer suggestions. In the international business arena, a firm of an SME size can only move much faster if the rate of customer responsiveness is high because this attracts new markets. Of course the principles of innovation may not change a lot but the context will vary. This implies that SMEs that focus on how to implement innovation in a multicultural environment are likely to easily make decisions to join multinational operations than those who keep their innovation levels at the most basic.

Proactiveness positively correlated with internationalisation. This finding supports previous research that has also established a positive correlation between proactiveness and internationalisation. For example, Andersson (2011) tested the effectuation theory in understanding "early internationalisation" alias born global firms. It was established that through effectuation, firms and owners apply proactiveness. The way of proactiveness according to Anderson is that in establishing international operations, a firm co-operates with local people to establish networks and avoids the challenge of language and cultural differences. This saves the cost of market research and network creation.

In countries like Nigeria, it has been reported that firms that adopt PO record higher profitability and growth in international markets compared to those that have a conservative orientation (Okpara, 2009). In Jamaica, Taylor (2013) established that entrepreneurially proactive firms find more opportunities ahead of their competitors, create initiatives that give advantages in the market and charge higher prices than their rivals. From a developed country context, similar results have been established. For example, in Sweden, Wiklund and Shepherd (2006) found that proactiveness positively influences the international operations of small businesses. Thus a proactive firm that is responsive and aware of market signals (Hughes and Morgan, 2007) is likely to move much faster into the international market than those that do not.

Risk taking also significantly and positively correlated with internationalisation. Thus the level of internationalisation of an SME will increase with an increase in its risk-taking behaviour. Risk as an aspect of EO involves a great deal of working under uncertainty. This implies that firms that take the risk of entering international markets with limited certainty of the business culture, language and sometimes the market dynamics are likely to succeed because everyone else fears to make the first move. What we find in the current study is a contextual extension of the evidence that there is a relationship between risk taking and internationalisation. From Italy, Basile (2012) found a strong link between entrepreneurs' RO and the ability to enter international markets. Therefore, considering the diverse literature and evidence, a contextual conclusion is drawn that indeed with willingness to enter international markets under incomplete certainty and fewer network contacts, there is a high probability of such SMEs participation in international markets.

Overall, EO significantly and positively correlates with internationalisation implying that as the EO increases among the SME, the internationalisation levels of the SME are also likely to increase. This corresponds with Taylor (2013) who contends that while the area of

EO and internationalisation of SMEs has not received sufficient and exhaustive scholarly attention, there are contextual conclusions that have been made in the subject area. More specifically, Taylor argues that SME EO through an SMEs' willingness to innovate, take risks and be more proactive than its competitors in seeking out new marketplace opportunities, there is better ability out-play competition and successfully service customers in international markets than their counterparts with low EO.

It is also reported in the literature that the relationship between SME EO may not necessarily be linear (Dai *et al.*, 2014). Thus, while examining this relationship, the research must take into consideration the individual dimensions. It is acknowledged in this paper that a cross-sectional approach in examining EO may not sufficiently explain the phenomenon. Future studies can thus explore a longitudinal and/or ethnographic point of view by comparing those SMEs with less EO and those with a high EO as well as examining the nature of interaction between business processes, strategy and entrepreneurial aspects of the business. This will help in the development of a grounded theory and comprehensive conclusions. We suggest that while EO may have a strategic influence in the internationalisation from an SME view, there are more questions that need to be answered. Such include whether the consideration of contextual differences in business profiles such as the strategic choice of an SME, the resources available and the business environment can present different results. The suggested model can be used in future research to provide an elevated comprehensive debate about internationalisation. In a similar way, the current study focusses on willingness to participate in international operations by SMEs. However, there is a lot that can be examined. The model suggests a number of variables (those in the oval diagrams).

## 8. Conclusions

The results indicate a significant positive relationship between EO and internationalisation of SMEs. All the components of entrepreneurship orientation significantly and positively correlated with internationalisation. There is a growing body of evidence to suggest that a positive relationship exists between EO and performance over time at investment levels. The findings suggest that the more local investors get inclined in terms of greater use of EO, the more the likely conditions for internationalisation of SMEs are laid in place. The findings are consistent with a study by Wang (2008) which found significant effect of EO on firm's success.

The empirical findings of this research provide evidence that EO plays an important role in the SMEs' internationalisation process. Based on these findings, it can be concluded that EO (innovativeness, proactiveness and risk taking) are key determinants for the SMEs' business performances at an international level.

Based on the above conclusion, it is recommended that if SMEs are to take part in internationalisation process, there is a dire need to impute and implement in their operations and business strategic plans, the EO constructs of innovativeness, proactiveness and risk-taking dimensions.

### *General implications arising from the study*

This study contributes to the international business literature as well as management practices of SMEs in relation to internationalisation. To begin with, this study explains the inputs of EO of SMEs. Drawing on this, the study provides empirical evidence to suggest the key factors that facilitate SMEs' internationalisation. This study reports findings of a study in a least developed country and can be generalised for other least developed countries.

### *Suggested areas for research*

Future researches should consider studying the major constructs from a longitudinal point of view given that the cross-sectional studies suffer from time constraints that limit them from establishing critically the causal-effect link. Future studies could also consider applying the structural equation modelling technique in the fitting of data into the structural model of internationalisation process of SMEs. This could be of help in explaining the path coefficients and establishing the significant directions.

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