Effect of International Entrepreneurial Orientation on the Internationalization of SMEs: The Contingent Effect of Export Promotion Programs

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Received: October 20, 2021   Accepted: November 15, 2021   Online Published: November 25, 2021

doi:10.5539/ibr.v14n12p121   URL: https://doi.org/10.5539/ibr.v14n12p121

Abstract
The study argues that the role of export promotion programs (EPPs) is indirectly exhibited by enhancing the influence of managerial and organizational resources on the internationalization of SMEs. This study proposes that the dimensions of international entrepreneurial orientation (innovativeness, pro-activeness and risk-taking) will show varied strengths as predictors of the internationalization of SMEs’ with the influence of EPPs. Using structural equation modeling, data collected from 266 exporting SMEs in Nigeria were analyzed and it is concluded that SMEs’ risk-taking in internationalization increases with participation in EPPs. Similarly, there was an increase in innovativeness among internationalizing SMEs with increased participation in EPPs. Finally, participation in EPPs did not show any impact in pro-activeness attribute towards internationalization of SMEs. This study demonstrates the supportive role of institutions in SMEs’ managerial capacity building in overcoming internationalization challenges by developing the culture of risk taking and innovativeness.

Keywords: Internationalization of SMEs, export promotion programs, international entrepreneurial orientation, innovativeness, pro-activeness, risk-taking.

1. Introduction
Rapid growth of international SMEs symbolizes its importance and role in international trade transactions. This study focuses on the influence of export promotion programs (EPPs) in moderating international entrepreneurial orientation (IEO) dimensions as antecedents to the internationalization of SMEs. Previous literature reviews show that the discussion of entrepreneurship scholars on EPPs have mainly been drivers of organizational resources (Leonidou, Palihawadana, & Theodosiou, 2011) and their effects on export performance (Durmu, Apfelthaler, Zamantili, Alvarez, & Mughan, 2012; Gençtürk, & Kotabe, 2001; Sraha & Sraha, 2015). Such studies mostly focus on direct estimation of entrepreneurial orientation (EO) dimensions and performance of firms (Kuivalainen, Sundqvist, & Servais, 2007; Ajayi, 2016). This shows that previous studies paid little attention to the EPPs’ influence on managerial resources of a firm in strengthening them for international competitiveness. To bridge this gap, the current study discusses the moderating effects of EPPs on each of the dimensions of IEO to show how they enhance firms’ capacity for successful and efficient internationalization. Furthermore, this study provides an overview of related literature to show evidences from previous studies on the importance of IEO in achieving internationalization of SMEs, and the influence of EPPs on the dimensions of IEO in developing a firm’s international potential in value creation. The paper begins with a discussion of internationalization of SMEs, international entrepreneurial orientation and its influence on SMEs’ internationalization. The study further discusses EPPs’ impacts on the dimensions of IEO through a moderation effect on internationalization of SMEs. Discussion of implications for theory, industry and policy were also presented.

2. Literature Review
INTERNATIONALIZATION OF SMES

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Theory of internationalization asserts that internationalization is a process involving development of business relationships in a network for international transactions through the attitude of management (Johanson, 1990; Mbura & Rutashoby, 2004) which subsequently impact on export performance. Johanson and Vahlne (1977) and Daszkiewicz and Wach (2012) affirm that internationalization is any sort of undertaking involving cross-border activities of firms, indicating entrepreneurial potential of a firm in “identification and exploitation of entrepreneurial opportunities” with a focus on innovation, newness and value creation. Thus, international entrepreneurship is conceptualized as “the discovery, evaluation and exploitation of opportunities – across national borders – to create future goods and services” (Oviati & Mcdougall, 2005).

INTERNATIONAL ENTREPRENEURIAL ORIENTATION (IEO)

Scholars in the field of international entrepreneurship paid attention on IEO as a potential driver for expanding international market (Coviello, Mcdougall, & Oviatt, 2011; Covin & Miller, 2013; Dai, Maksimov, Gilbert, & Fernhaber, 2014). IEO is the central strategic pose of firms competing in foreign markets, and are attributes that help in overcoming constraints in the process of internationalization (Jones & Coviello, 2005). Entrepreneurial orientation (EO) explains the ability of a firm to be innovative, risk taking and proactive in trying new things (Khalili, Nejadhussein, & Fazel, 2013). IEO is very essential in attaining foreign market success through aligning factors that are internal and external to the firm (Hermannsdottir, 2008).

Covin and Miller (2014) stated that “IEO is treated as a construct the same as EO”. The ‘international’ reflects the context that EO studies are undertaken. Knight (2001) identified three-dimensional IEO as the major success factor determining the international performance of the firm. Greater number of empirical studies used the EO scale proposed by Miller (2011) measuring three dimensions of EO. Lumpkin and Dess (1996) found that various levels of the three dimensions can equally shape EO of a given firm.

DIMENSIONS OF IEO

Covin and Miller (2013b) identified the dimensions of IEO as consisting of international product innovativeness, international market-specific risk-taking and pro-activeness to exploit opportunities in international markets and be aggressive on competitors in international markets. The current study, however, focuses on the three IEO dimensions - international pro-activeness, international innovativeness, and international risk-taking (Covin & Steven, 1989; Miller & Breton-Miller, 2011) - and the examination of moderating effects of EPPs relating to each of the IEO dimensions on internationalization of SMEs.

EXPORT PROMOTION PROGRAMS (EPPs)

Government and policy makers around the world engage in strategies of promoting export in an effort to boost national economic development to attain global competitiveness (Griffith & Czinkota, 2012) and to also enhance domestic firms’ international competitiveness (Lages & Montgomery, 2015). Therefore, governments design a range of programs to offer export support to SMEs to trigger growth of an economy (Ali & Shamsuddoha, 2012). In most controlled economies, institutions have an important role in the process of internationalization of firms (North, 2016; Sun, Peng, Lee, & Tan, 2015) through programs such as EPPs.

Institutional theory suggests that government agencies are supportive to firms by engaging them in programs such as EPPs to enhance firms’ performance in internationalization (Kibler & Kautonen, 2016; Sambharya & Musteen, 2014; Szylowicz & Galvin, 2010). External resource such as government EPPs could be a means for firms’ resources acquisition for export competitiveness. Government EPPs enable firms to acquire competencies, skills and export knowledge which will subsequently enhance the perception of management, their commitment and attitude which ultimately influence the performance of firm and export strategy (Haddoud, Jones, & Newbery, 2017; Jones & Newbery, 2017; Shamsuddoha & Ali, 2006). EPPs are kinds of favorable policies and assistance which make SMEs realize an effective production process for global market competitiveness.

In this study, EPPs are considered as a proxy for institutional influence in enhancing the capacity of SMEs to export by strengthening their entrepreneurial orientation. Thus, EPPs are influential in enhancing capabilities and resources of an organization and consequently contribute to performance in export (Leonidou et al., 2011; Ali & Shamsuddoha, 2012). The next paragraph discusses the effect of EPPs on specific dimensions of IEO.

3. Hypotheses Development

INFLUENCE OF EPPS ON THE DIMENSIONS OF IEO

The dimensions of IEO in this study consist of international innovativeness, international pro-activeness and international risk-taking. They are discussed below together with specific components of EPPs that enhance them.
INTERNATIONAL INNOVATIVENESS

International innovativeness is a firm’s inclination to offer new developed products or services in international markets (Balabanis & Katsikea; Bosco, Story, Cadoan & Ashie, 2015). International innovativeness also explains the intensity of innovation in production and launching of new products in international markets. EPPs provide opportunities for firms to develop their innovativeness in international markets through network development with local firms and institutions by enhancing entrepreneurial orientation (Owusu-Frimpong & Martins, 2010). These opportunities are embedded in the program components that are developed purposely to enhance innovation capacity of entrepreneurs. Kaleka (2002) and Morgan et al., (2006) opined that adoption of new approaches and concepts in the process of production, development of products that are innovative for international markets, commencing innovative marketing methods and techniques are the skills required by entrepreneurs to be innovative in international markets. Once such EPPs components are successfully delivered to firms, their ability to develop international innovative capabilities will be achieved. Thus, the study argues that basic skills that firms can receive from EPPs are new ideas and techniques in the process of production, innovation in export marketing, detecting trends of competitors’ new ideas, and innovations in export marketing.

Therefore, the following hypothesis is proposed:

H1: The relationship between international innovativeness and internationalization of SMEs will be stronger with participation in export promotion programs.

INTERNATIONAL PRO-ACTIVENESS

International pro-activeness is a firm’s inclination to identify and exploit opportunities in international markets ahead of competitors in the foreign market (Knight, 2001; Sundqvist, Kyläheiko, Kuivalainen & Cadogan, 2012). Thus, the government role as a change agent supports firms by facilitating their ability to be more pro-active and have well-planned exporting techniques (Leonidou et al., 2011). Managerial, production/research and development and intellectual resources (Kaleka, 2002; Morgan, Vorhies & Schlegelmilch, 2006) enable entrepreneurs’ to possess better attitude towards foreign markets. Pro-activeness is realized by developing various skills provided in the EPPs components by enhancing managerial resources, commitment, and technology and export requirement skills. SMEs that benefit from EPPs are more pro-active in attaining internationalization. Hence the following hypothesis is formulated:

H2: The relationship between international pro-activeness and internationalization of SMEs will be stronger with participation in EPPs.

INTERNATIONAL RISK-TAKING

International risk-taking is the tendency of a firm to involve in foreign market transactions in an uncertain situation (Covin & Miller, 2013b). The aim of EPPs is to reduce negative perception of international risk, cost and associated complexities regarding export (Leanidou et al., 2011). Assistance offered to exporting domestic firms gives them an opportunity to be involved in foreign market networks to enhance their international business development (Owusu-Frimpong & Martins, 2010). Moreover, such assistance from EPPs creates open, partnered or networked innovation in which network members’ pool knowledge resources and share innovation risks. Furthermore, information provided by EPPs enhances firms’ knowledge about the destination country’s culture which minimizes risk arising from cultural conflicts with foreign distributors (Haddoud, Jones & Newbery, 2017). Hence information is crucial for exporting firms to reduce foreign market uncertainties (Leonidou & Theodosiou, 2004) and as such, EPPs’ information enables firms to manage risk more effectively. Based on these assertions, the following hypothesis is formulated:

H3: The relationship between international risk-taking and internationalization of SMEs will be stronger with participation in EPPs.

4. Research Methods

The researchers designed a quantitative study and collected data by means of survey questionnaires from entrepreneurs of exporting SMEs in Nigeria. The procedure for measuring instruments used and sampling techniques are discussed as follows.

MEASURES

A seven-point Likert scale questionnaire was utilized for the collection of data for all the constructs of the study. The instruments used were sourced from previous studies and were adapted to measure internationalization of SMEs in Nigeria. The construction of the questionnaire was based on previous studies such as Felzensztein, Ciravegna, Robson and Amorós, (2015) and Knight, Kim and Knight, (2015) who also used multiple items
measurement scale (see Appendix). Five managers were selected to pre-test the questionnaire to provide an assessment of its face validity. Slight modifications in wordings were done based on the observations and inputs received.

INTERNATIONAL ENTREPRENEURIAL ORIENTATION (IEO)

Entrepreneurial orientation of a firm explains a firm’s attributes in engaging in innovativeness, undertake fairly risky ventures and involvement in proactive innovations (Khalili et al., 2013). This measure is adopted from the work of Covin and Steven (1989) with a total of nine (9) items. Entrepreneurs were requested to evaluate to what level they agree or disagree with the items with regard to their entrepreneurial activities and perceptions of foreign markets. It measures how a firm is proactive and aggressive in pursuing an opportunity in international markets and is associated with managerial vision, innovativeness, risk taking and pro-active competitive positions.

INTERNATIONALIZATION OF SMEs (ISMEs)

Percentage of international sale to total sale is the most regularly used measurement to capture international performance effectiveness (Yoeh, 2004). It has been a viable proxy for degree of internationalization (Kumar & Singh, 2008).

EXPORT PROMOTION PROGRAMs (EPPs)

Export Promotion Programs (EPPs) adopted a scale developed by Leonidou et al., (2011). Ten items were used with a seven (7) point scale having options of 1= “not adopted” to 7 = “fully adopted”. It measures ways of establishing network and enhancing contact activities such as trade fairs in foreign markets, by providing export counseling to support SMEs’ inadequate experience on international markets and through assisting SMEs in arranging visits to enable managers connect with other stakeholders (networks) abroad.

DATA COLLECTION AND SAMPLE

The data for this study was obtained from the Nigerian exporting SMEs listed in the Nigerian Export Promotion Council (NEPC), a database of exporting businesses in Nigeria. The researchers administered questionnaires in track with earlier studies on network and knowledge acquisition (Simonin, 1997). CEOs of SMEs were the main source of information for the study. It was based on the assumption that CEOs can provide information about their firms better. However this study provides for the subordinate of the CEO to respond on the CEO’s directives. Consent letters stating the research aims with assurance of respondents’ anonymity were mailed or dispatched to the CEOs of the 529 targeted SMEs; however, one hundred and twelve (112) letters returned undelivered. The researchers therefore emailed the questionnaires to the remaining potential respondent firms with the option of filling the questionnaires online via prepared Google form. A follow-up letter was sent after two weeks and subsequently again with another follow-up letter after another two weeks. Total of 272 responses were received, representing 65% response rate. Six firms were excluded from the data file because of significant missing data, more than 15% (Joseph F. Hair, Hult, Ringle, & Rstedt, 2017). This gave the study a final sample of 266 SMEs.

The profiles of the exporting SMEs in Table 1 show that 41% are involved in manufactured goods followed by petrochemicals with 21% and rubber and gum was 10%. The SMEs that generate employment for 11-50 people were 47%, up to 10 people was 38 % and only 1% of the SMEs provide employment to more 200 people. The ownership structure reveals that 41% were partnership businesses, 31% limited liability and 28% were sole proprietors. The exporting experience was not much because 59% of the SMEs were having 5 years and less experience. SMEs with 6-14 years were 40 % and those with more than 15 years exporting experience constitute only 1%. Most SMEs export were within Africa, with 41%, those exporting to Europe were 28%. SMEs exporting to America and Asia were 14% each, and 4% to Australia.

Table 1. Profile of the respondent firms

<table>
<thead>
<tr>
<th>Industry of the Firm</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and drinks</td>
<td>12</td>
</tr>
<tr>
<td>Rubber and gum</td>
<td>10</td>
</tr>
<tr>
<td>Manufactured goods</td>
<td>41</td>
</tr>
<tr>
<td>Solid minerals</td>
<td>16</td>
</tr>
<tr>
<td>Petrochemical and cosmetics</td>
<td>21</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td><strong>Percentage (%)</strong></td>
</tr>
<tr>
<td>Up to-10 people</td>
<td>38</td>
</tr>
<tr>
<td>11-50 people</td>
<td>47</td>
</tr>
</tbody>
</table>
51-100 people 12
101-150 People 5
Above 200 People 1

Ownership Structure
Sole proprietors 28
Partnership 41
Limited liability company 31

Exporting experience
Up to 5 years 59
6-15 years 40
More than 15 years 1

Exporting regions
Africa 41
America 14
Asia 14
Australia 4
Europe 28

DATA ANALYSIS, INTERPRETATION AND RESULTS

In analyzing the data, the study employed partial least squares (PLS) technique for analysis with SPLS 3.2.7 software (Ringle & Sarstedt, 2015). The study tested the measurement model involving reliability and validity measures, followed by the structural model to test the hypothesized relationships (Hair, Sarstedt, Hopkins & Kuppelwieser, 2014). Bootstrapping was run to test the significance of the loading and the path coefficient. Blindfolding was also tested to determine the model predictive accuracy (Hair et al., 2017).

MEASUREMENT MODEL EVALUATION

The study examined the measurement model reliability and validity by assessing both composite reliability, convergent and discriminant validities. Discriminant validity explains the extent to which items measure dissimilar concepts from one another and was examined based heterotrait-monotrait (HTMT) ratio. Convergent validity was determined by assessing the average variance extracted (AVE), loadings and composite reliability (Hair et al., 2017). In this study, HTMT ratio values were found to be below the threshold of 0.85 and all the loadings were found to be above 0.7. The composite reliabilities were all above 0.7 and the AVE values were above 0.5 as proposed by Hair et al. (2017) (see Table 2).

Table 2. Convergent Validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Loadings</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Promotion Programs</td>
<td>EPP1</td>
<td>0.876</td>
<td>0.773</td>
<td>0.968</td>
</tr>
<tr>
<td></td>
<td>EPP2</td>
<td>0.865</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPP3</td>
<td>0.904</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPP4</td>
<td>0.896</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPP5</td>
<td>0.857</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPP6</td>
<td>0.906</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPP7</td>
<td>0.86</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPP8</td>
<td>0.887</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EPP9</td>
<td>0.861</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IEO-Innovativeness</td>
<td>IEO-INV1</td>
<td>0.885</td>
<td>0.823</td>
<td>0.933</td>
</tr>
<tr>
<td></td>
<td>IEO-INV2</td>
<td>0.933</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IEO-INV3</td>
<td>0.902</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IEO-Pro-activeness</td>
<td>IEO-PRO1</td>
<td>0.857</td>
<td>0.721</td>
<td>0.886</td>
</tr>
<tr>
<td></td>
<td>IEO-PRO2</td>
<td>0.866</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IEO-PRO3</td>
<td>0.824</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IEO-Risk taking</td>
<td>IEO-RIS1</td>
<td>0.861</td>
<td>0.732</td>
<td>0.891</td>
</tr>
<tr>
<td></td>
<td>IEO-RIS2</td>
<td>0.862</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IEO-RIS3</td>
<td>0.844</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internationalization of SMEs</td>
<td>ISME</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

AVE= Average Variance Extracted, CR= Composite Reliability

This study assessed the heterotrait-monotrait ratio (HTMT) to examine discriminant validity (Hair et al., 2017). The criterion rate used in assessing the correlation is 0.85 (HTMT 0.85 ) (Henseler, Ringle, & Sarstedt, 2015). In Table 3 and Figure 1, the HTMT results show that all the correlations are less than 0.85 and therefore
discriminant validity of the model was established.

Table 3. Heterotrait-Monotrait (HTMT)

<table>
<thead>
<tr>
<th></th>
<th>EPP</th>
<th>EPP*IEO_INV</th>
<th>EPP*IEO_PRO</th>
<th>EPP*IEO_RIS</th>
<th>IEO_INV</th>
<th>IEO_PRO</th>
<th>IEO_RIS</th>
<th>ISME</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPP*IEO_INV</td>
<td>0.132</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPP*IEO_PRO</td>
<td>0.051</td>
<td>0.647</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPP*IEO_RIS</td>
<td>0.05</td>
<td>0.806</td>
<td>0.697</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IEO_INV</td>
<td>0.239</td>
<td>0.449</td>
<td>0.457</td>
<td>0.416</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IEO_PRO</td>
<td>0.219</td>
<td>0.436</td>
<td>0.445</td>
<td>0.378</td>
<td>0.555</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IEO_RIS</td>
<td>0.323</td>
<td>0.436</td>
<td>0.416</td>
<td>0.274</td>
<td>0.813</td>
<td>0.754</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISME</td>
<td>0.263</td>
<td>0.412</td>
<td>0.475</td>
<td>0.324</td>
<td>0.636</td>
<td>0.455</td>
<td>0.776</td>
<td></td>
</tr>
</tbody>
</table>

Figure 1. HTMT (Pictorial display)

EVALUATION OF STRUCTURAL MODEL

Structural model assessment in PLS-SEM involves evaluation of the significance of the path coefficient (t-values) and the level of R² (Hair et al., 2017). Bootstrapping procedure with 5000 resamples to obtain t-values for determination of significance is to be performed. Besides the basic procedures, it is also required that scholars assess the predictive relevance (Q²) as well as effect sizes (f²) (Hair, et al. 2017). The current study assessed the moderation effects of EPPs on international entrepreneurial orientation (IEO)’s dimensions as predictors to internationalization of SMEs.

RESULTS

The result is presented in Figure 2, Figure 3 and Table 4. The R² was 0.498 suggesting that 49% variance in internationalization of SMEs could be explained by innovativeness, pro-activeness and risk taking dimensions of IEO. The blindfolding result also shows that Q² is 0.485, indicating that the model predictive relevance has been achieved.

The study tested for moderation effect of EPPs on the relationship between dimensions of IEO (Innovativeness, Pro-activeness and Risk taking) and internationalization of SMEs. In testing the three moderation hypotheses, the researchers used two-stage approach, standardized product term generation and automatic weighing mode. The researchers formed the interaction between export promotion programs and each of the IEO dimensions. There was R² increase to 0.534 when the interacting effect was formed, giving an R² change of 3.6%. The interaction effect was found to be significant (negative) for export promotion program and innovativeness (β=0.086; t=2.165; p<0.03) and export promotion program and risk taking (β=0.074; t=2.895; p<0.004). However, there was no significant effect on the interaction between export promotion program and pro-activeness. Therefore, H₁ and H₃ were supported while H₂ was not supported (see Table 4).
Table 4 also shows the effect size ($f^2$) as suggested by Cohen (2012) which were 0.020 for Innovativeness and EPP, 0.012 for pro-activeness and EPP as well as 0.033 for risk taking and EPP which showed small effect sizes for innovativeness and risk taking with no effect for pro-activeness. Furthermore, in line with the suggestion made by Dawson (2014), interaction effects were plotted to determine how EPP (moderator) changes the relationship between innovativeness, pro-activeness, risk taking and internationalization.

![Path model showing beta values in the relationships between IEO, EPP and Internationalization of SMEs](image1)

**Figure 2.** Path model showing beta values in the relationships between IEO, EPP and Internationalization of SMEs

![Bootstrapping Of Path Coefficient Of International Entrepreneurial Orientation, Export Promotion Programs And Internationalization Of Smes](image2)

**Figure 3.** Bootstrapping Of Path Coefficient Of International Entrepreneurial Orientation, Export Promotion Programs And Internationalization Of Smes
Table 4. Testing Hypothesis

<table>
<thead>
<tr>
<th>Dependent= ISMEs</th>
<th>Effect size</th>
<th>Std Beta</th>
<th>Std Beta</th>
<th>Std Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IEO-INV</td>
<td>0.046</td>
<td>0.307***</td>
<td>0.085***</td>
<td></td>
</tr>
<tr>
<td>IEO-PRO</td>
<td>0.001</td>
<td>-0.041</td>
<td>0.096</td>
<td></td>
</tr>
<tr>
<td>IEO-RIS</td>
<td>0.088</td>
<td>0.356***</td>
<td>0.08***</td>
<td></td>
</tr>
<tr>
<td>Export Promotion Programs (EPP)</td>
<td>0.008</td>
<td>-0.148</td>
<td>0.049</td>
<td></td>
</tr>
<tr>
<td>EPP* IEO-INV</td>
<td>0.016</td>
<td></td>
<td>0.086</td>
<td></td>
</tr>
<tr>
<td>EPP* IEO-PRO</td>
<td>0.012</td>
<td></td>
<td>0.087</td>
<td></td>
</tr>
<tr>
<td>EPP* IEO-RIS</td>
<td>0.033</td>
<td></td>
<td>0.074**</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td></td>
<td>0.534</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q²</td>
<td></td>
<td>0.485</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: ***p< 0.01, **p<0.05, *p<0.1, f2 of 0.02, 0.15 and 0.35 are interpreted to be small, medium and large size effects respectively. IEO-International Entrepreneurial Orientation, EPP-Export Promotion Programs, INV-Innovativeness, PRO-Pro-activeness, RIS-Risk taking

The interaction plot in Figure 4 shows that IEO-Innovativeness and internationalization relationship was significant with negative effect. At higher levels of EPP, innovativeness was lower indicating reverse impact on internationalization. Figure 5 indicates export promotion program did not have any impact on the relationship between IEO-Pro-activeness and internationalization of SMEs. However, in Figure 6 the relationship between IEO Risk-taking was stronger with high EPP while there was no impact on the relationship with low EPP.

Figure 4. Interaction Plot Showing Moderating Effect Of Export Promotion Program On The IEO-Innovativeness-Internationalization Of Smes Relationship

Figure 5. Interaction plot showing moderating effect of export promotion program on the IEO- Pro-activeness - Internationalization of SMEs relationship
Figure 6. Interaction plot showing moderating effect of export promotion program on the IEO-Risk taking-Internationalization of SMEs relationship

Figure 7. Framework showing interaction beta values, $f^2$, $R^2$, and $Q^2$,

Figure 7 shows the beta values of the interaction model. It also indicates the effect sizes of all the predictors and the interaction variable as well as the $R^2$ and the predictive relevance of the endogenous construct.

5. Implications and Conclusion

IMPLICATIONS FOR THEORY

This study extends institutional and dynamic capability theories. The former is extended by examining the supportive role of government and institutions in capacity building for SMEs to enhance their competitive positions in global value chain through policies of favorable market incentives and creation of new ventures (Hsu, Chen & Cheng, 2013). The latter is stretched by employing export support programs through integrating and configuring firms’ managerial, innovative and relational resources to enhance the performance of SMEs’ by promoting IEO to achieve international market competitiveness.

The fact that IEO has been a strategic construct in managerial successes in internationalization, this study developed a framework with its dimensions; innovativeness, pro-activeness and risk taking, to ascertain the extent of impact each dimension makes on internationalization of SMEs when interacted with export promotion programs (EPPs) as a moderator. The analysis in the current research context reveals that SMEs have potential of being innovative at all levels of EPPs while firms’ pro-activeness might not be affected by either high or low EPPs. In the case of risk-taking, however, higher EPPs improves the risk perception of managers of firms (Leonidou, Constantine, & Piercy, 1998; Leonidou et al., 2011) and hence enable SMEs to engage in international transactions in uncertain environments. This result reflect on previous findings that firms with higher risk taking propensity have shown better performance in export and risk taking was also found to moderate the relationships with SMEs export performance (Okpara & Okpara, 2009). From the inception of SMEs, the decision to internationalize has been found to be related positively to risk taking (Kropp, Lindsay, & Shoham, 2008). Similarly, Taylor (2013) found that the relationships between internationalization process and internationalization activity of exporting and risk taking were positive.
Assessing the effect of EPPs on each dimension of IEO is also an extension of knowledge component of internationalization theory with regards to enhancing entrepreneurial decision making (Lumpking & Dess, 1996). It brings to light how the IEO dimensions interact with EPPs to give varied outcomes which add to literature insights on such variation at different levels of moderator-antecedent interactions. If the IEO dimensions were aggregated into a single measure as done in previous studies, such independent effect could not be determined (Jantunen, 2005). Thus, this investigation of IEO dimensions as antecedents of SMEs internationalization extends the literature of international entrepreneurship.

IMPLICATIONS FOR PRACTITIONERS AND POLICY MAKERS

This study could be a guide to designing policies regarding contents of EPPs. Managers of enterprises could develop their entrepreneurial skills for effective decision making by carefully appraising the contents of EPPs and selecting specific programs that will enhance their managerial capacity and support their internationalization efforts. Policy makers especially, within the government, need to identify those EPPs component that will effectively impact on firms’ entrepreneurial development. This can easily be achieved through assessment of training needs of the firms and support them in areas of weaknesses. Such support should consider important components of EPPs and their implications in the program contents. The program should be able to develop entrepreneurial skills to cover managerial, innovativeness, risk taking and pro-active skills in achieving efficient internationalization.

The study also guides the policy makers on the success and weaknesses of the EPPs. As the findings in the current study demonstrate that participation in EPPs has significantly affected innovativeness and risk taking’s outcomes on internationalization, the policy makers must enhance and develop the delivery pattern of the program. The outcome of this study further indicates the need for government’s commitment in supporting SMEs to internationalize by developing export assistance programs to create an opportunity for firms to have access to foreign markets and other stakeholders abroad.

CONCLUSION AND FUTURE RESEARCH

Based on the moderation results, evidence is presented on the influence of EPPs on the relationships between IEO dimensions and internationalization of SMEs. The study also provides evidences from previous studies on how specific components of EPPs enhance the dimensions of IEO to achieve SME internationalization success. This study further adds some insights on internationalization by identifying how EPPs affect IEO dimensions towards successful internationalization of SMEs in a way previous studies have less considered. These, therefore, add to the knowledge of adoption of EPPs in the process of managerial skill enhancement and export development.

Future research can extend this work by using the specific EPP components in moderating the IEO dimensions to ascertain their specific effects on each of the antecedents. This study also recommends that further studies look at SMEs based on their industry to determine how interactions can vary with the type of industry being investigated.

References


APPENDIX

IEO

Innovativeness
1. The top management of our firm place importance on research and development, technological leadership, and innovations
2. Our firm introduced new lines of products/services since its establishment
3. There have frequent changes in products/service lines in our firm

Pro-activeness
1. My firm comes up with new ways/products which our competitors imitate
2. My firm very often the first business to introduce new products/services, administrative techniques, operating technologies etc.
3. My firm engage in competitive activities with other firms

Risk-taking
1. The management of my firm take low risk project with normal and certain returns
2. Due to the nature of business environment, the management of my firm take gradual and incremental behavior to achieve firm’s objectives
3. In decision-making, my firm wait to see the decisions of other firms in order to minimize the chances of making costly decisions

EXPORT PROMOTION PROGRAMS
1. Information about foreign market opportunities
2. Specific information about doing business with a particular firm
3. General information about doing business in a specific country
4. Provision of marketing information/advice
5. Organization of export seminars/conferences
6. Training programs specializing in exporting
7. Training on export documentation
8. Assistance in participating in trade shows/exhibitions
9. Participation in trade missions in foreign markets
10. Support by trade offices abroad

INTERNATIONALIZATION OF SMES
1. Percentage of foreign sales to total sales

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