

Internationalization of entrepreneurial activities: innovation to entrepreneurial competitiveness

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Key Words

Internationalization of entrepreneurial activities, innovation, competitiveness, competitive advantage, tourism

Abstract

The internationalization of entrepreneurial activities can be understood as an innovation for the company. The internationalization of entrepreneurial activities is represented by geographic expansion of entrepreneurial activities cross national borders. Internationalization theory subsumes to two diverse approaches – stage approach and global approach. According to the stage approach, companies start selling products in their home markets and then they sequentially look at new countries. Three main models can be identified within the stage approach: the Product Life Cycle Theory by Raymond Vernon, the Uppsala Internationalization Model (U-model) and the Innovation-Related internationalization Models (I-models). The Innovation-Related Internationalization Models explaining the internationalization process from an innovation-related perspective. The models are derived from Roger's stages of the adoption process. Innovation cannot be divided from strategy and competitiveness. Innovation strategies are one of the key success factors for sustainable competitive advantage. The objective of this paper is to present an overview of the internationalization process as an enhancing the competitiveness of business innovation. The paper is based on data collected in interviews with managers and founders of 204 Czech entrepreneurial subjects of the selected Czech companies from area tourism. The internationalization of the entrepreneurial subjects has been researched using the method of questioning. Issues such as the development of international activities, and factors favoring or disfavoring internationalization have been studied for large as well as small and medium enterprises.

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Introduction

The increase of the competition in the world is a great opportunity for Czech entrepreneurial subjects to improve both their efficiency and effectiveness resulting in better competitiveness. Tourism has undergone a dramatic change. Increasing globalization, communication development and the knowledge-intensive trend due to IT development lead to greater economic integration that is usually associated with higher quality and lower prices (Zemanová & Simová 2011). Changing conditions and market structures demand that many companies devise new strategies, as they search for a competitive place in their home markets and take advantage of emergent market opportunities. So a firm may succeed, its strategy must be consistent with the new environment in which it will operate. The company concept emphasizes that companies must consider both their customers and their competitors when developing a strategy. Successful companies satisfy the needs of customers in their target market

better than the competition does. Any business activity that a company engages in can be a basis for a competitive advantage. Establishing a competitive advantage means that a company builds a wall around its position in the market. A sustainable competitive advantage is an advantage over competition that can be maintained over a long time. This wall makes it hard for competitors outside the wall to contact customers in the company's market. If the company has built a wall around an attractive market, competitors will attempt to break down the wall.

Over time, all advantages will be eroded due to these competitive forces: but by building high walls, company can sustain their advantage, minimize competitive pressure, and boost profits for a longer time. Thus, establishing a sustainable competitive advantage is the key to long-term financial performance. To build a sustainable advantage, company typically don't rely on a single approach such as low cost or excellent service. They need multiple approaches to build as high a wall around their position as possible. The problems of the internationalization of entrepreneurial activities as an innovation have attracted a considerable interest among a number of significant economists such as Johanson, J., Vahlne, J.-E., Andersen, Porter, Rogers and other.

In the first part of the paper will be explained the definition of innovation and competitiveness. Also will be in the first part of the paper described impact innovation to competitive advantage. In the second part of the paper will present the results of the survey realized between Czech entrepreneurial subjects from area tourism.

The Innovation-Related Internationalization Models

The Innovation-Related Internationalization Models, focusing on internationalization as an innovation for the firm. The internationalization process of the individual firm is most closely associated with the research of Johanson and Vahlne (Johanson & Vahlne 1977). Their work has probably also been the inspiration for the development of the Innovation-Related Internationalization Models (Andersen 1993). The models are derived from Roger's stages of the adoption process (Rogers 1962).

Innovation adoption describes the selection of an innovation as the most acceptable alternative, among a series of options, at a given point in time (Zaltman & Stiff 1973). The utilization of the innovation adoption framework in export decision making was first considered by Simmonds and Smith (Simmonds & Smith 1968) but significant advances were made by Bilkey and Tesar (Bilkey & Tesar 1977). These authors concluded that the process of export development was depicted by several distinct stages and that various different factors affected decision making at each stage.

An extensive volume of research has examined the way in which firms progress along the internationalization continuum and suggests that a sequence of discrete stages exists which proxy the "stop and go" (Dalli 1994), stepwise process exemplifying the evolution of international involvement. Implicit between each set of stages is the notion that fairly stable periods exist in which firms consolidate and generate an appropriate resource base to respond to fortuitous environmental conditions which allow them to proceed to the next internationalization stage. Table 1 summarizes the most well-known models explaining the internationalization process from an innovation-related perspective.

The models in Table 1 focus on the learning sequence in connection with adopting an innovation. The taxonomies highlighted in Table 1 share many of the same characteristics. However, the main differences include the number of stages in each model. For example, Bilkey and Tesar (Bilkey & Tesar 1977) and Czinkota (Czinkota 1982) recognized six stages, while Rao and Naidu (Rao & Naidu 1992) were only able to identify four stages in their research.

Bilkey and Tesar (Bilkey & Tesar 1977) conceptualized the process of export development on the basis of firms' increasing involvement in exporting to psychologically more distant markets. Their taxonomy was composed of six export development stages with the extremes rating from firms whose management had no interest in exporting to those whose management explored the feasibility of exporting to perpetually greater psychologically more distant countries.

Cavusgil (Cavusgil 1980) proposed a taxonomy with five stages which were described as firms' activities in: domestic marketing; pre-export involvement; active export involvement; and committed export involvement. This export development process was founded on management's successive decisions regarding exporting over a period of time. Furthermore, it was suggested, on the basis of empirical evidence that several firm-specific characteristics and managerial factors acted as determinants in the process of facilitating or inhibiting the progress of firms from one internationalization stage to the next.

Reid (Reid 1981) purported an explicit innovation adoption sequence of exporting. He conceived the innovation to follow the stages of a firm's: export awareness; export intention; export trial; export evaluation; and export acceptance. In this context, export adoption was believed to require a favourable management attitude to exporting, an available foreign market opportunity and the presence of spare resource capacity within the firm.

Wortzel and Wortzel (Wortzel & Wortzel 1981) were able to identify five stages of international market entry and expansion. Each of these stages was distinguished by the extent of control exercised by the exporter concerning its activities in overseas markets. That is, each successive stage was signified by a greater internationalization of marketing, production and administrative functions previously performed by foreign market-based intermediaries. Underlying this taxonomy is the significance of contingency issues which influence the determination of appropriate and desirable levels of international involvement.

Czinkota (Czinkota 1982) attempted to segment firms on the basis of an internationalization taxonomy so as to be able to target government export assistance requirements effectively. Six distinct groups of firms emerged, which ranged from those completely uninterested in exporting, and restricted to the domestic market, to those that could be described as experienced large exporters. An empirical investigation revealed that firms, at various stages, significantly differed in terms of their organizational and managerial characteristics.

Lim *et al.* (Lim, Sharkey & Kim 1991) expanded on the work of Reid (Reid 1981) and identified four levels of export innovation, these being: export awareness; export interest; export intention and export adoption. Strong evidence of support for this framework was found which suggested that innovation adoption does have considerable applicability in the context of export decision making. Rao and Naidu (Rao & Naidu 1992) analysed groups of firms according to an a

priori assignment of firms classed as: non-exporters; export intenders; sporadic exporters; and regular exporters. This taxonomy was empirically tested and validated on the basis that each stage captured the distinct attributes of firms' internationalization activities.

Tab. 1 The Innovation-Related Internationalization Models

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Bilkey and Tesar (1977)					
Management is not interested in exporting	Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting	Management actively explores the feasibility of active exporting	The firm exports on an experimental basis to some psychologically close country	The firm is an experienced exporter	Management explores the feasibility of exporting to other more psychologically distant countries.
Cavusgil (1980)					
Domestic marketing	Pro-export engagement	Experimental export involvement	Active export involvement	Committed export involvement	
Reid (1981)					
Export awareness	Export intention	Export trial	Export evaluation	Export acceptance	
Wortzel and Wortzel (1981)					
Importer pull	Basic production capacity marketing	Advanced production capacity marketing	Product marketing - channel push	Product marketing - consumer pull	
Czinkota (1982)					
The completely uninterested firm	The partially interested firm	The exporting firm	The experimental firm	The experience small exporter	The experienced large exporter
Lim et al. (1991)					
Export awareness	Export interest	Export intention	Export adoption		
Rao and Naidu (1992)					
Non-exporters	Export intenders	Sporadic exporters	Regular exporters		

Source: adapted from Morgan (Morgan & Katsikeas 1997)

Both the U-models and the I-models can properly be regarded as behaviorally oriented. Based on the arguments by the authors, the gradual pattern of the firm's internationalization process can mainly be attributed to two reasons: (1) The lack of knowledge by the firm, especially "experiential knowledge," and (2) Uncertainty associated with the decision to internationalize. The arguments for the gradual pattern are discussed in length in the article of Johanson and Vahlne (Johanson & Vahlne 1977). The other authors explicitly or implicitly build on Johanson and Vahlne's contribution.

Contribute of Innovation to Entrepreneurial Competitiveness

Innovation is the process of generating something new that has a significant value to an individual, a group, an organization, and industry, or a society. The result of the innovation process is an innovation – a creation that has significant value (Cingula & Veselica 2010). Innovation is the use of new knowledge to offer a new product or service. It is invention plus commercialization. It is according to Porter, a new way of doing things that is commercialized. The process of innovation cannot be separated from firm's strategic and competitive context. New market and new market knowledge contribute to firm competences and their assets. Firm competence and asset contribute to improve attributes but also to create new attributes which will help firm in competitiveness. Firm need to struggle in high competitive environment and face with many challenges if they aim to survive in business market (Cingula & Veselica 2010). Companies can choose between innovate or imitate others. If firm chooses innovation as their strategy it is more visible and possible the can gain and sustain competitive advantage.

Competitive strategy focuses on what firm wants to achieve on the market and its basic options to it. Competitive advantage addresses the issue of how it carries out those options. After firm faced with globalization and worldwide market but also competition, gain a sustainable competitive advantage become critical for success. Increasing the world market by globalization process firm must take a global perspective and find their advantage among global competition. The process of innovation cannot be separated from firm strategic and competitive context. If a firm wants to be competitive it needs to be proactive and to innovate themselves.

Methodology

This paper presents the results of research that was focused on approach to the process of internationalization entrepreneurial activities as an enhancing the competitiveness of business innovation. Therefore, in an approach to international entrepreneurial activities context, author propose:

Hypothesis 1: Majority of respondents understand to enter foreign markets as an opportunity to increase their competitive advantage. Increase the competitive advantage is a primary incentive for entering foreign markets.

Hypothesis 2: Primary incentive relates positively to the size company.

Hypothesis 3: Target foreign market knowledge relates positively to the decision-making process regarding the beginning of entrepreneurial activities on international markets.

Hypothesis 4: The level of costs connected with the realization of foreign entrepreneurial activities relates negatively to the decision-making process regarding the beginning of entrepreneurial activities on international markets.

Hypothesis 5: The level of knowledge and skills of managers relates positively to the decision-making process regarding the beginning of entrepreneurial activities on international markets.

Hypothesis 6: The character of product relates positively to the decision-making process regarding the beginning of entrepreneurial activities on international markets.

Hypothesis 7: Total available resources of firm relates positively to the decision-making process regarding the beginning of entrepreneurial activities on international markets.

Hypothesis 8: The desire for trying entrepreneurial activities on international markets relates positively to the decision-making process regarding the beginning of entrepreneurial activities on international markets.

The companies included in the study are those that have undertaken internationalization activities and are incorporated in the Czech Republic. There were a total of 204 enterprises that participated in the research. And the entrepreneurial subjects included in this research were from area tourism. The internationalization of the entrepreneurial subjects has been researched using the method of questioning. The research method was an oral questioning and the main instrument was a questionnaire. In order to ensure a representative sample, the questionnaire was submitted to the selected top managers or directors of enterprises. The total of 204 valid questionnaires was collected, which provided the response rate of 100 per cent. The research was carried out between February 2012 and March 2012 in the Czech Republic.

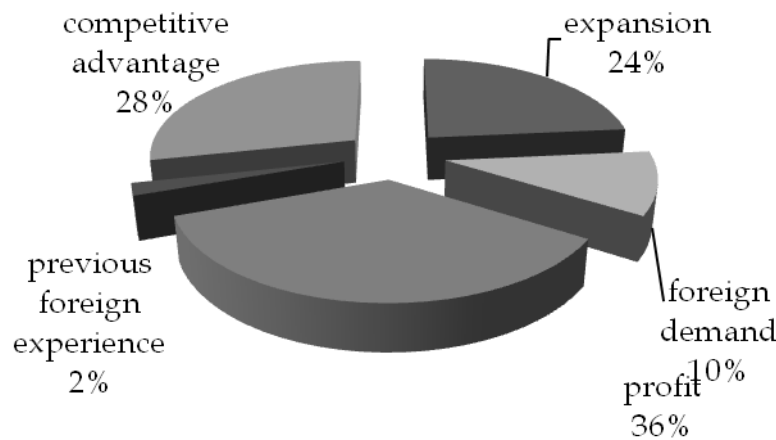
The dependent variable in this study is the approach to the entrepreneurial activities on foreign markets. The independent variables in this study are: primary incentive for international entrepreneurial activities, the target foreign market knowledge (coefficient alpha = 0,85), the level of costs connected with the realization of foreign entrepreneurial activities (coefficient alpha = 0,78), the level of knowledge and skills of managers (coefficient alpha = 0,78), the character of product (coefficient alpha = 0,75), total available resources of firms (coefficient alpha = 0,84) and the desire for trying entrepreneurial activities on international markets (coefficient alpha = 0,75). All questions were asked using the five-point Likert Scale (5 = strongly agree to 1 = strongly degree).

Findings and Discussion

All variables were screened to reveal their distribution through Pearson correlation coefficients.

The primary incentive for most firms to initiate entrepreneurial activities on international markets is the profit. Only 28% companies perception of internationalization of entrepreneurial activities as a competitive advantage. The Hypothesis 1 is not supported, as show Chart 1.

Chart 1 Primary incentives to initiate international entrepreneurial activities



Source: personal research

The hypothesis 2 was tested through Categorical Data Analysis. Table 2 presents the results of the analysis. I hypothesized (H2) that primary incentive relates positively to the size company. This hypothesis is not supported, as shown in Tab. I.

Tab. 2 Categorical Data Analysis for Hypothesis 2

	Pearson Chi-Square	Cramer's V	Asymp. Sig.
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	Value	df	Value	
Hypothesis 2	36.355	30	0.244	0.197

Source: personal research

Tab 3. Factors significantly contributing to the decision-making process with the respect to the beginning of entrepreneurial activities on international markets

	mean	rank
Target foreign market knowledge	4,36	1.
Level of costs connected with the realization of foreign entrepreneurial activities	4,31	2.
Character of product	4,1	3.
Level of knowledge and skills of managers	4	4.
Total available resources of firm	3,99	5.
Desire for try entrepreneurial activities on international markets	2,84	6.

Source: personal research

The hypotheses 3 - 8 were tested through factor analysis of the multi-item scales related to five independent variables. Varimax rotation was performed. It was extracted 3 factors with eigenvalues greater than 1. Factor loadings greater than 0,5 are shown in bold. In Table 4 is present the results of the factor analysis.

Tab. 4 Factor analysis results for multi-item scales

Scale items	Mean	s.d	Factors		
			1	2	3
Knowledge of target foreign market	4,36	0,69	0,831	-0,128	0,112
Costs level for realization of foreign entrepreneurial activities	4,31	0,87	0,026	0,209	0,903
Character product for foreign market supply	4,00	0,90	0,659	0,099	-0,171
Knowledge level of managers responsible for realization of foreign entrepreneurial activities	4,10	0,99	0,379	0,427	-0,471
Total disponibilities sources	3,99	0,99	0,044	0,768	0,109
Longing for try new	2,84	1,38	-0,515	0,605	0,067
Eigenvalue			1,678	1,148	1,012
Percentage of variance explained			27,975	19,137	16,860
Cumulative percentage of variance explained			27,975	47,112	63,972

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in 6 iterations

Source: personal research

The data in Table 3 and 4 indicate that the most important factors are the target foreign market knowledge and the level of costs connected with the realization of foreign entrepreneurial activities.

Hypothesis 3 claims that a level of target foreign market knowledge leads to the decision-making process regarding the beginning of entrepreneurial activities on international markets. This hypothesis is supported. According to Hypothesis 4 the high level of costs connected with

the realization of foreign entrepreneurial activities leads to the decision-making process regarding the beginning of entrepreneurial activities on international markets. This hypothesis is supported. The influence of the level of knowledge and skills of managers, Hypothesis 5, on the decision-making process regarding the beginning of entrepreneurial activities on international markets is not supported. Hypothesis 6 claims that the character of product leads to the decision-making process regarding the beginning of entrepreneurial activities on international markets is supported. Hypothesis 7 claims that a total available resources of firm lead to the decision-making process regarding the beginning of entrepreneurial activities on international markets. This hypothesis is supported. Hypothesis 8 claims that the desire for trying entrepreneurial activities on international markets leads to the decision-making process with the respect to the beginning of entrepreneurial activities on international markets. This hypothesis is not supported.

Conclusion

In global competitive environment it is become crucial to be innovative. Firms adopt their own innovation strategy and try to maintain their profits from innovating. Once firm obtain competitive advantage, innovation strategies can help to gain a sustainable competitive advantage. Innovation and innovation strategies are crucial in the attempt to sustain the competitive advantage. If a firm wouldn't do any innovation in business or its process wouldn't be much competitive among others which do innovate.

Most of entrepreneurial subjects are becoming aware of the necessity of the development of international entrepreneurial activities. Firms are faced with global market and global competition. Each of them try to find its own way to be competitive but in today's changing market, they need to be fast. Innovation has a key role in achieving competitive advantage. By innovating process firms is always ahead of its competition. Internationalization is a phenomenon that has been intensively researched over the last few decades from a variety of viewpoints and by a number of significant economists. The entrance and activities of entrepreneurial subjects on the markets can be complicated owing to a number of factors that are given by the environment on one hand and the position and situation of the entrepreneurial subject itself on the other hand. Factors that significantly contribute to and influence the process of entering international markets are the target foreign market knowledge and the level of costs connected with the realization of foreign entrepreneurial activities.

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