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TABLE OF CONTENTS

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From the Editor

The *Journal of Small Business Strategy* is pleased to present to you another collection of high-quality research articles in the area of small business, entrepreneurship, and family business. In this issue we present five articles that cover various aspects of strategy that relate to these distinct firm types.

The first contribution by Kilenthong, Hultman and Hills, "Entrepreneurial orientation as the determinant of entrepreneurial marketing behaviors," examines how the entrepreneurial orientation of a firm drives the entrepreneurial marketing behaviors of the firm. Through empirical analysis, the authors determine that innovativeness is the leading essence of entrepreneurial marketing behavior.

In their article, "Customer-firm interaction and the small firm: Exploring individual firm, and environmental level antecedents," Srivatava and BarNir examine how customer-firm interaction is used in a strategic approach to support market position.

Collins, Worthington, and Schoen take a look at retirement well-being expectations in their article, "Family business CEO succession: Examining Personal retirement expectations." Their study of 256 family firms show a strong connection between retirement well-being expectations and firm performance.

We revisit entrepreneurial orientation once again in Pett and Wolff's "Entrepreneurial orientation and learning in high and low performing SMEs." Their paper, drawing from a sample of manufacturing SMEs, supports the idea that small and medium sized firms with high levels of entrepreneurial orientation are able to capitalize on opportunities that yield higher levels of performance for the firm.

We conclude this issue with another article focusing on the strategy of a firm for SMEs through the lens of internationalization. Bose's article, "Critical success factors of SME internationalization" contributes towards the development of a model for a successful internationalization framework through a review of the literature in this area.

We do hope that you enjoy this issue. As always, the future and success of the *Journal of Small Business Strategy* lies with you and your research in the areas of small business, entrepreneurship and family business. Please continue to consider JSBS as an outlet for your high quality submissions.

I hope to hear from you in the near future.

William C. McDowell,

Editor-in-Chief

JOURNAL OF SMALL BUSINESS STRATEGY

ENTREPRENEURIAL ORIENTATION AS THE DETERMINANT OF ENTREPRENEURIAL MARKETING BEHAVIORS

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ABSTRACT

Although entrepreneurial marketing (EM) behaviors are widely reported, there is little discussion on what determines the level of a firm's behaviors. This study contributes to the knowledge in the fields of entrepreneurship and entrepreneurial marketing by proposing EO, entrepreneurial orientation, as an antecedent of EM behaviors and arguing that EO acts as a multidimensional construct when affecting EM behaviors. The relationships between EO and EM behaviors are empirically investigated using multi-group confirmatory factor analysis and structural equation modeling techniques. Results from the analyses support the hypothesis that EM behaviors are driven by EO. Firms with a higher level of EO engaged in EM behaviors more than firms with a lower level of EO. At the dimension level, innovativeness, proactiveness, and risk-taking are found to independently affect EM behaviors. With innovativeness having the strongest impact, this study concludes that innovativeness is the leading essence of EM behaviors. The results support a new consensus among entrepreneurship research scholars who suggest a direction toward multidimensional EO.

Keywords: Entrepreneurial orientation, Entrepreneurial marketing, Marketing behavior, Structural equation model, Multi-group confirmatory factor analysis, Multidimensional

INTRODUCTION

Firms today operate in a rapidly changing environment with fierce competition and increasingly demanding customers. Firms have a limited ability to forecast customer demand and their market boundaries are hard to define (Day & Montgomery, 1999). Entrepreneurial marketing (EM), an interface between marketing and entrepreneurship, has emerged as a marketing practice for firms operating in highly dynamic environments. Entrepreneurial marketing integrates marketing and entrepreneurship through the concepts shared by the two fields (Morris, Schindehutte, & LaForge, 2002). Those concepts are innovativeness in their approach to management, having customers as an intense focal point, and a requirement to cope with risk and uncertainty (Hills & LaForge, 1992). Accordingly, researchers suggest that EM can help firms to cope with change, identify viable opportunities, and develop their innovative skills (Collinson, 2002). Prior research identified several characteristics of EM behaviors, such as calculated risk-taking (Carson & Grant, 1998), decisions based on intuition and experience (Siu & Kirby, 1999), inherent focus on recognition of opportunities (Hills & Singh, 1998), flexible approaches to markets (Sashittal & Jassawalla, 2001; Shaw, 1999), and exploitation of smaller market niches (Stasch, 1999).

Although EM behaviors are widely reported, there is little discussion on what determines the level of firms' EM behaviors and why EM behaviors are more evident in one firm than another. Evidence from prior literature seems to suggest that EM behaviors are more evident in smaller firms than in larger firms and in younger firms than in older firms. Researchers have identified several differences between marketing practices in small firms and large firms (Bjerke & Hultman, 2002; Carson, Cromie, McGowan & Hill, 1995; Coviello, Brodie, & Munro, 2000) and claimed that firm age is an important factor in firms' marketing strategy and practices (Schwartz, Teach, & Tarpley, 1993). Therefore, the researchers seem to suggest that firm size and age are determinants of EM. Results from a recent study, nonetheless, have shown that firms' characteristics alone may not be a good measure for identifying the level of a firm's EM behaviors (Kilenthong, Hultman, & Hills, 2016).

This study argues that EM behaviors were evident in small or young firms (as reported in extant research) because those firms have a high level of entrepreneurship. The argument is based on the findings from prior studies illustrating that the level of firms' entrepreneurship (represented by entrepreneurial orientation, or EO) is not only correlated to firms' general business activities, but also to specific marketing activities. Researchers find that EO affects firms' capacity to innovate (Carrillat, Jaramillo, & Locander, 2004), ability to create new product applications (Covin & Slevin, 1991), marketing strategy making process (Menon, Bharadwaj, Adidam & Edison, 1999), intention to enter new markets (Atuahene-Gima & Ko, 2001), and ability to cope with complex market environments (Knight, 2000). As a result, it is an aim of this study to examine a systematic relationship between the level of firms' entrepreneurship, represented by EO, and EM behaviors. In particular, this study proposes that firms with a higher level of EO are expected to engage more in EM behaviors than firms with a lower level of EO.

In addition to the systematic relationship between EO and EM behaviors, this study also investigates the relationship at the level of the EO dimensions. Prior entrepreneurship literature does not always have a consensus on

the dimensionality of EO when examining the relationships of interest. Some studies treat EO as a unidimensional concept (Covin, 1991; Covin & Slevin, 1989; Miller, 1983), while others treat EO as a multidimensional concept (Dai, Maksimov, Gilbert, & Fernhaber, 2014; Kreiser, Marino, Kuratko, & Weaver, 2013; Venkatraman, 1989; Zahra, 1996). This study investigates in detail whether EO acts as a multidimensional construct, where all three dimensions of EO can independently affect EM behaviors, or as a unidimensional construct, where all three dimensions of EO simultaneously affect EM behaviors. To our knowledge, this study is the first to empirically investigate the relationship between EO and EM behaviors at the dimension level.

This study proceeds as follows. The next section briefly elaborates on the EM and EO constructs. Then the models illustrating relationships between EO and EM are proposed. In the methodology section, we introduce our data source and measurements and then conduct the analysis. In testing our hypotheses, the relationship between EO and EM is initially investigated using multi-group confirmatory factor analysis by treating EO dimensions as observed variables. Then, structural equation modeling (SEM) is used to investigate the relationship by treating EO dimensions as latent variables. In examining the dimensionality of EO, the SEM model depicting EO as a multidimensional construct is compared with SEM model depicting EO as a unidimensional construct. This study determined the best model by comparing how they fit with the empirical data. In the final section, we discuss our findings and their implications.

THEORETICAL BACKGROUND AND HYPOTHESES

Entrepreneurial Marketing: Marketing at the Interface Entrepreneurial marketing (EM) originates from an interface between marketing and entrepreneurship. The EM concept has evolved significantly over the past three decades. In the early days, EM primarily focused on marketing practice in small firms, young firms, and entrepreneur-operated firms. Later on, the EM concept was expanded to cover several types of marketing activities, such as marketing that deviates from mainstream marketing (Morris et al. 2002), marketing activities in firms aiming toward growth (Bjerke & Hultman, 2002), marketing activities in highly successful firms (Buskirk & Lavik, 2004), and entrepreneurial marketing activities in larger firms (Miles & Darroh, 2006). With these developments, Hills and Hultman (2006) proposed that EM should be viewed as an umbrella strategy which acknowledges three broad areas of research including marketing in new ventures or SMEs, entrepreneurship activities within larger organizations, and innovative and cost-effective marketing strategies that provoke market change.

In recent years, there has been an increasing number of studies empirically investigating EM dimensions and the literature can be categorized into two research streams. Studies in the first stream of research have focused on confirming the seven dimensions of EM proposed by Morris et al.'s 2002 study (Fiore, Niehm, Hurst, Son, & Sadachar, 2013; Kocak, 2004; Schmid, 2012). To date, however, no study has confirmed a construct that fully corresponds with Morris et al.'s framework. The EM dimensions confirmed by the researchers varied across studies. While Kocak (2004) confirmed five dimensions of EM in a study of small firms in Turkey, Schmid (2012) confirmed four dimensions in a study of SMEs in Austria, and Fiore et al. (2013) confirmed four dimensions in a study of the US firms, respectively.

Studies in the second stream of research have developed new EM frameworks by analyzing data from various contexts such as born global firms (Mort, Weerawardena & Liesch, 2012), and SMEs (Jones & Rowley, 2009). The EM dimensions identified in this research stream also differ in terms of number and content. While Jones and Rowley (2009) developed a framework called "EMICO", which comprises fifteen EM dimensions based on firms' levels of entrepreneurial orientation (EO), innovation orientation (IO), market orientation (MO), and customer orientation (CO), Mort et al. (2012) identified four dimensions of EM in Australian firms that are not categorized by such orientations.

With the lack of consensus on the number of EM dimensions and an increasing number of studies suggesting that a firm's level of entrepreneurship can affect the firm's marketing activities, this study does not include EO as an EM dimension. This study investigates the impact of EO on the six dimensions of EM behaviors that were conceptually identified based on a review of empirical studies published in marketing and entrepreneurship journals, and were then empirically tested using a large survey data set (Kilenthong, Hills, & Hultman, 2015). The dimensions include growth orientation, opportunity orientation, total customer focus, value creation through networks, informal market analysis, and closeness to the market. All dimensions are closely related and they encompass all important elements that were suggested in prior research as essential elements of EM behaviors.

Entrepreneurial Orientation and its relationship with Entrepreneurial Marketing Behaviors

Entrepreneurial orientation (EO) originates from the literature in strategic management as strategic postures that explain a firm's behavior (Khandwalla, 1977; Mintzberg, 1973). Researchers categorize firms according to their strategic postures by placing them along a continuum ranging from conservative to entrepreneurial (Covin, 1991; Covin & Slevin, 1989; Miller, 1983). Miller (1983) defined an entrepreneurial firm as the "one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch." (p.771) According to this definition, an entrepreneurial firm can be described using three strategic postures: innovativeness, risk-taking, and proactiveness. These three strategic postures have become important dimensions of EO.

In the literature, researchers usually use the level of firm's EO to represent the level of firms' entrepreneurship. Prior research suggested that EO could have an influence on how firms perform their general business and marketing activities. Firms with different strategic types were reported to have different views regarding the marketing mix and market research (McDaniel & Kolari, 1987). Researchers acknowledged that an organization culture with a high level of EO could encourage the flow of innovative ideas in the firm's marketing strategy-making process (Menon, Bharadwaj, Adidam, & Edison, 1999) and enable firms to adopt a proactive marketing practice during times of recession (Srinivasan, Rangaswamy, & Lilien, 2005).

Specifically to marketing activities, extant research have both empirically and conceptually identified that the marketing behaviors of firms with a higher level of EO are different from the marketing behaviors of firms with a lower level of EO. Empirically, researchers reported that a higher level of EO is related to a higher intention to enter new

markets (Atuahene-Gima & Ko, 2001) and a higher level of marketing capabilities, such as marketing research and promotion (Qureshi & Kratzer, 2011).While Morris and Paul (1987) and Davis, Morris, and Allen (1991) found that a higher level of firm's EO was correlated with a higher level of firms' marketing orientation, Knight (2000) also found that firms with a higher level of EO emphasized more on innovative marketing techniques in their marketing strategy.

Conceptually, Covin and Slevin (1991) proposed that EO is positively correlated with the firm's ability to bring new products to market, identify opportunities for product-market development, and create new product applications from generic technologies (p.16). In a framework developed by Carrillat et al., (2004), a high level of EO was projected to increase firms' ability to create market-driving innovation. Covin (1991) had reported that several EM behaviors were evident in entrepreneurial firms than in non-entrepreneurial firms. Those behaviors includes offering more extensive customer support, paying more attention to product quality, and being more concerned with industry and market trends (p.451). Accordingly, Hills and Hultman (2006) had explicitly proposed that EM behaviors are driven by EO.

Based on the above mentioned empirical and conceptual evidence, this study proposes that a higher level of EO leads to a higher level of engagement of EM behaviors. That is, EM behaviors are driven by EO. Therefore, the first hypothesis is as follows.

Hypothesis 1*: *Firms with a higher level of entrepreneurial orientation are more likely to engage in entrepreneurial marketing than firms with a lower level of entrepreneurial orientation.

Entrepreneurial Orientation: Unidimensional or Multidimensional

Entrepreneurship literature has no consensus regarding how researchers should operate the EO construct at its dimension level. Some studies treat EO as a unidimensional concept (Covin, 1991; Naman & Slevin, 1993), while some studies treat it as a multidimensional concept (Venkatraman, 1989; Zahra, 1996).

On the one hand, researchers followed the idea of Miller (1983), who suggested that an entrepreneurial firm needs to have a high level of all the dimensions of EO at one time, and they used an aggregated or average score of sub-dimensions of EO to measure EO. The examples of such studies were a study by Covin (1991) who used an average scores of innovativeness, risk-taking, and proactiveness to measure EO when examining a firm's strategies and performance, and a study by Naman and Slevin (1993) who used an aggregated score of innovativeness, risk-taking, and proactiveness to investigate entrepreneurship and the concept of fit in small and medium high-tech firms. In addition, Rauch, Wiklund, Lumpkin, and Frese (2009) had also suggested that an aggregated score of EO dimensions could be reasonably used to explain firm performance, because they did not find the difference in the magnitude of the relationship between EO and performance, whether EO was measured as an aggregated measure or by its sub-dimensions.

On the other hand, researchers have indicated that the sub-dimensions of EO may vary independently (Lumpkin & Dess, 1996; Stetz, Howell, Stewart, Blair, & Fottler, 2000; Kreiser, Marino, Kuratko, & Weaver, 2002). Lumpkin and Dess (1996) suggested that the idea that entrepreneurial behaviors should be restricted to reflect only the case in which all dimensions of EO are high may prevent researchers from being able to explain types of

entrepreneurship. They suggested that entrepreneurial orientation dimensions may occur in different combinations depending on the environment and organizational context, and the type of entrepreneurial opportunities a firm pursues.

Empirical results from prior studies also suggested that firms do not necessarily have all dimensions of EO high (or low) at one time. Brockhaus (1980) found that a firm's risk-taking tendency may vary depending on the duration it has been in business. A study by Santos and Eisenhardt (2009) showed firms using a proactive but non-innovative marketing strategy to define their market boundaries. Researchers also reported that innovativeness, proactiveness, and risk-taking had different effects on SME performance (Kreiser et al., 2013) and on the ability of firms to broaden its scope across international markets (Dai et al., 2014). Moreover, Morris et al. (2002) suggested that innovativeness, proactiveness, and risk-taking can occur in different combinations and indicate that "not all the dimensions of entrepreneurial marketing need to be operating at once for entrepreneurial marketing to occur."

More recently, researchers have increasingly recognized a need for alternative approach to measuring EO (Covin, Green, & Slevin, 2006; Dai et al., 2014; Rauch, Wiklund, Lumpkin, & Frese, 2009). In his 2011 article, Miller (2011) also suggested that researchers should not always treat EO as an aggregated construct, but may treat it as a multidimensional construct because different dimensions of EO may have different relationships with variables that the researchers examine. In addition, Rauch et al. (2009) indicated that a multi-dimensional measure of EO might be more appropriate in a study examining antecedences and consequences of EO.

Since this study focuses on EM as an outcome of EO, we believe that it is appropriate to treat EO as a multidimensional construct. Accordingly, based on prior empirical and conceptual evidence, we set up the next hypothesis as follows.

Hypothesis 2: *Proactiveness, innovativeness, and risk-taking can independently affect entrepreneurial marketing behavior.*

METHODS

Data

This study is from a sample developed under the direction of the authors. The dataset collected was sponsored by the National Federation of Independent Business (NFIB) Research Foundation, by the executive interviewing group of The Gallup Organization. Individual interviews were conducted from a national sample of 752 business owners in the US. Business owners were defined as those that employed at least one individual in addition to the owner(s) and no more than 249. A sampling frame was drawn for the survey from the files of the Dun and Bradstreet Corporation (not NFIB members). A random stratified sample was used to compensate for the highly skewed distribution of business owners by employee size of firm. Using a list-wise (casewise) missing data deletion, 545 observations remained for our analysis. Key characteristics of the sample are shown in Table 1.

Table 1
Key characteristics of the sample.

Item	Category	Percentage
a. Size	1 - 9 employees	43.9
	10 - 250 employees	56.1
b. Age	< 1 year old	1.3
	1- 6 years old	23.4
	> 6 years old	74.9
c. Growth Rate (change in sales over 3 years)	Decreased	10.2
	1- 10 percent growth	18.7
	> 10 percent growth	66.2
d. Sector	Commodity/Construction/Transportation	17.1
	Wholesale/ Retail	17.8
	Professional Services	12.1
	Accommodation/Food	11.4
	Manufacturing	9.5
	Financial/ Insurance/ Real Estate	9.3
	Other Services	22.4

Note: The percentage is based on the sample of 545 observations and may not sum up to 100 due to missing values.

Measures

Dependent Variable. Entrepreneurial marketing behaviors are dependent variables in this study. They are measured by 20 variables. Five-point Likert scales anchored by "Strongly disagree" (1) and "Strongly agree" (5) were used for these variables. Each question was framed as follows: "Please tell me if you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree with the following statements about marketing as it is done in your business." The variables are categorized according to the EM dimensions that they measure. Growth orientation, closeness to the market, value creation through networks, and informal market analysis are each measured by 3 variables, while opportunity orientation and total customer focus are each measured by 4 variables.

Independent Variable. Entrepreneurial orientation is an independent variable in this study. It is measured by variables that have been extensively validated in prior research. Innovativeness is measured by two items, asking how much firms place an emphasis on innovative products and how much they make drastic changes to their products. Proactiveness is measured by two items, asking how often firms initiate actions to which competitors respond and how often they are the first to introduce their products. Risk taking is measured by two items, asking how inclined firms are toward behaving cautiously and how inclined they are toward taking high-risk projects. The response options for each item range from 1(low level) to 3 (high level). A complete list of the variables measuring all EM and EO dimensions is given in the Appendix.

Data Analysis

Relationships between each dimension of EO and each dimension of EM behaviors are investigated in two steps. In the first step, we investigate the relationships by conducting three multi-group confirmatory factor analyses (multi-group CFA), treating EO as an observed variable. In the second step, we investigate the relationships using structural equation modeling (SEM), treating EO as an unobserved variable. Since conceptually EO should be treated as a latent variable, we expect results from the second step of the analysis will give a clearer picture of the relationship between EO and EM behaviors.

In the first step of the analysis, firms are categorized into two groups according to the summated scores of the two measurement items measuring the same EO dimension. For each EO dimension, firms with a summated score of 2 or 3 are considered to be firms with a low level of EO, while firms with a summated score of 4, 5, or 6 are considered to be firms with a high level of EO. With this categorization, we obtain 221 more innovative firms versus 324 less innovative firms, 202 more risk-taking firms versus 343 less risk-taking firms, and 371 more proactive firms versus 174 less proactive firms.

In the second step of the analysis, the relationships are examined under two models including a model examining EO as a unidimensional construct, and a model examining EO as a multidimensional construct. The fit indices from both models are later compared in order to determine which model fits better with the data.

RESULTS

Entrepreneurial Orientation's Impact on Entrepreneurial Marketing: The First Look

This section is a preliminary investigation of the impact of EO on EM behaviors. Three multi-group confirmatory factor analyses are conducted to test whether the latent means for factors underlying EM behaviors in the group of firms with a higher level of innovativeness, proactiveness, or risk-taking are higher than the latent means for factors underlying EM behaviors in the group of firms with a lower level of innovativeness, proactiveness, or risk-taking. Results from the analyses are shown in Table 2 below.

Table 2

Mean differences in two-group confirmatory factor analysis by EO dimension, using a group of firms with a lower level of EO as a reference [a]

EM dimension	EO dimension		
	Innovativeness	Risk-taking	Proactiveness
Growth Orientation	0.18***	0.14***	0.18**
Opportunity Orientation	0.35***	0.31***	0.36***
Total Customer Focus	0.04**	0.07	0.18**
Value Creation through Networks	0.05	0.10*	-0.13**
Informal Market Analysis	-0.24***	-0.05	-0.11
Closeness to the Market	-0.02	0.03	0.07

[a] Note: *** =$p < 0.01$, ** = $p < 0.05$, * = $p < 0.10$.

What we know now.

Results from our multi-group CFA analysis suggest that there is a systematic relationship between the level of a firm's EO and the level of a firm's EM behaviors. Out of the five dimensions of EM behaviors investigated, firms with higher levels of innovativeness, proactiveness, or risk-taking behaviors are found to have higher means for the factors underlying two dimensions of EM behaviors, including growth orientation and opportunity orientation.

The results show that all three dimensions of EO have a positive relationship with the growth orientation and opportunity orientation dimensions of EM behaviors. This is empirical evidence confirming a proposal in the previous literature that entrepreneurial firms aim to grow and expand their customer base rather than starting out small and staying small (Bjerke & Hultman, 2002). The results also confirmed the suggestion that entrepreneurial firms look to exploiting opportunities and lead customers through their innovations (Christensen, Johnson, & Rigby, 2002; Hamel & Prahalad, 1991).

In more detail, the group of more innovative firms scores 0.35 units higher in factor underlying opportunity orientation, and 0.18 units higher in factor underlying growth orientation dimension than the group of less innovative firms. The group of more risk-taking firms scores 0.31 units higher in the factor underlying opportunity orientation, and 0.14 units higher in the factor underlying growth orientation dimension than the group of less risk-taking firms. Similarly, the group of more proactive firms scores 0.36 units higher in the factor underlying opportunity orientation, and 0.18 units higher in the factor underlying growth orientation dimension than the group of less proactive firms.

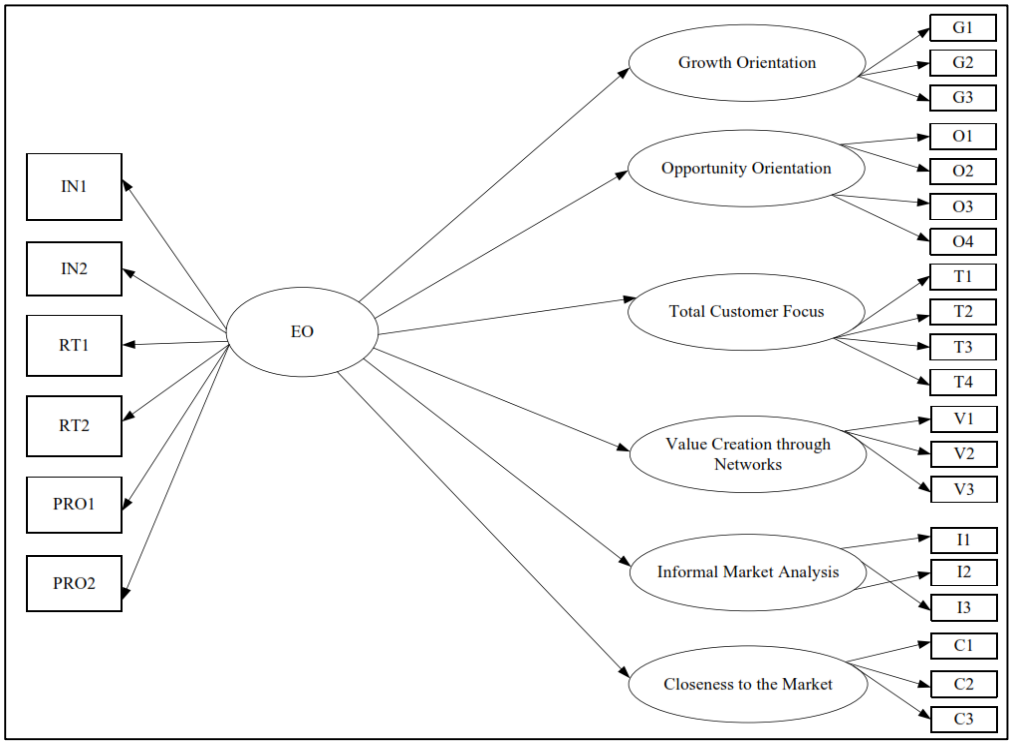
Nonetheless, results also show that the group of more innovative firms scores 0.24 units lower than the group of less innovative firms in factor underlying informal market analysis dimension of EM behaviors. In a similar manner, the group of more proactive firms also scores 0.13 units lower than the group of less proactive firms in factor underlying value creation through networks dimension. Based on these results, we concluded that Hypothesis 1 is supported.

In addition, the results above show that not all dimensions of EO affect the same EM behaviors in the same direction. While more risk-taking firms were found to utilize their networks and alliances more than less risk-taking firms (the difference between the two groups is 0.10 units), it is the opposite in the case of more proactive firms versus less proactive firms (the difference between the two groups is - 0.13 units). This implies that each EO dimension can affect EM behaviors differently and that EO may be treated as a multidimensional construct. In the next section, we investigate further whether EO should be treated as a multidimensional construct when affecting EM behaviors.

Relationship between Entrepreneurial Orientation and Entrepreneurial Marketing: Unidimensional or Multidimensional

With the results from the preliminary analysis suggesting that there is a systematic relationship between the level of a firm's EO and the level of a firm's EM behaviors, this study further analyzes the relationship between EO and EM behaviors by treating EO as an unobservable construct. In this section, we test whether EO acts as a multidimensional or unidimensional construct affecting EM behaviors. The analysis is conducted using two structural equational SEM models.

Figure 1. *Structural equation model with EO as a unidimensional construct*

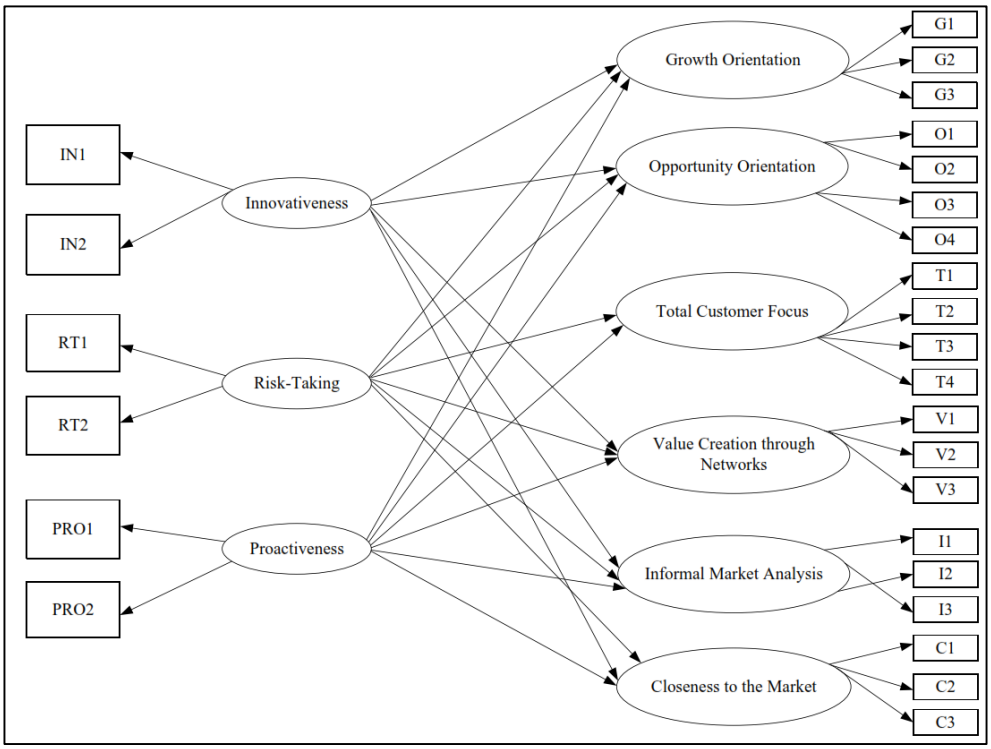


In the first SEM model, EO is treated as a unidimensional construct in which risk taking, innovativeness, and proactiveness are projected to simultaneously affect EM behaviors. In this model, six items measuring the three EO dimensions are designed to affect all dimensions of EM behaviors through one latent factor called "EO". Figure 1 displays the schematic representation of the model.

In the second SEM model, EO is treated as a multi-dimensional construct, in which innovativeness, risk-taking, and proactiveness are projected to independently affect each dimension of EM behavior. In this model, six items measuring EO are designed to affect all dimensions of EM behaviors through three latent factors called "innovativeness", "proactiveness", and "risk-taking", respectively. The schematic representation of the model is shown in Figure 2.

The objective of SEM analysis is to determine the extent to which the hypothesized model is supported by the sample data. The proposed SEM models are estimated using the maximum likelihood procedure, which is the most widely used. AMOS reports several goodness-of-fit indices which are used to determine the model's fit; these include the chi-square statistic, the Tucker Lewis fit index (TLI), the root mean square error of approximation (RMSEA), and the Comparative Fit Index (CFI). The models also allow for an assessment of path loadings and whether or not they are significantly different from zero. The multidimensional EO will be supported if the goodness-of-fit indices indicate that the SEM model depicting three sub-dimensions of EO has a better fit with the data than the SEM model with one EO dimension. Conversely, the unidimensional EO will be supported if the goodness-of-fit indices indicate that the SEM model depicting EO as an aggregate measure has a better fit with the data.

Figure 2. *Structural equation model with EO as a multidimensional construct*



Unidimensional Entrepreneurial Orientation and Entrepreneurial Marketing Behaviors.

The path coefficients from the SEM model with unidimensional EO are shown in Table 3. The results show that EO, as a latent variable, has a statistically significant positive impact on all dimensions of EM behaviors. This confirms the argument that firms with a higher level of EO engage more in EM behaviors that firms with a lower level of EO.

Table 3

Path coefficients in the structural equation model with unidimensional EO [a]

EM dimension	Coefficient
Growth Orientation	1.78***
Opportunity Orientation	2.76***
Total Customer Focus	0.96***
Value Creation through Networks	1.17***
Informal Market Analysis	0.36*
Closeness to the Market	1.56***

[a] Note: *** =$p < 0.01$, ** = $p < 0.05$, * = $p < 0.10$

Multidimensional Entrepreneurial Orientation and Entrepreneurial Marketing behaviors.

Treating EO as a multidimensional construct gives a clearer picture of how EO affects EM behaviors. Results in Table 4 shows that innovativeness dominates the other EO dimensions in terms of its effects on EM behaviors. The argument that EO is a multidimensional construct seems to be supported by the path coefficients in this model. The path coefficients illustrating the impact of innovativeness, proactiveness and risk-taking on EM behaviors do not always follow the same direction. While all the path coefficients from innovativeness to EM behaviors are positive, this is not the case for risk-taking and proactiveness. The two EO dimensions have both positive and negative path coefficients to EM behaviors.

Table 4
Path coefficients in the structural equation model with multidimensional EO (All) [a]

EM dimension	EO dimension		
	Innovativeness	Risk-taking	Proactiveness
Growth Orientation	3.33***	0.11	0.64***
Opportunity Orientation	4.93***	0.29**	0.68***
Total Customer Focus	2.51**	-0.07	-0.08
Value Creation through Networks	3.06**	0.08	-0.32*
Informal Market Analysis	1.38**	-0.12	-0.33
Closeness to the Market	4.18**	-0.05	-0.38

[a] Note: *** =$p < 0.01$, ** = $p < 0.05$, * = $p < 0.10$.

Although the majority of these negative path coefficients are not statistically significant, the fact that the multidimensional model gives both positive and negative path coefficients is evidence suggesting that each dimension of EO can independently affect EM behaviors. That is, all dimensions of EO do not always have to affect EM behaviors simultaneously.

Note also that the size of the impact of innovativeness dimension of EO on EM behaviors is larger than the impact of the risk-taking and proactiveness. The average size of the coefficients for innovativeness dimension is 3.23, while it is 0.12 for the risk-taking dimension and 0.40 for the proactiveness dimension. This underscores the importance of innovativeness on EM behaviors.

By treating EO as a latent factor, we can also see the impact of EO dimensions on EM behaviors more clearly. Innovativeness was shown to give mixed results when it was examined in the CFA analysis, but it was shown to have statistically significant and positive impact on all dimensions of EM behaviors under the SEM analysis. This may imply that the treatment of the variable and the use of different statistical techniques can significantly affect the results.

Models comparison. The fit indices of the two SEM models are shown in Table 5. The majority of the fit indices suggest that the

model with multidimensional EO fits the data better than the model with unidimensional EO. The CFI index for the multidimensional model was 0.77, while it was 0.74 for the unidimensional model. The RMSEA index for the multidimensional model was 0.044, while it was 0.047 for the unidimensional model. In addition, the TLI index for the multidimensional model was 0.74, while it was 0.71 for the unidimensional model. Nonetheless, the BIC index is found to favor the unidimensional model (with a value of 1003.68) rather than the multidimensional model (with a value of 1015.99). The standard RMR (SRMR) values for both models are also equal. Based on the results, a clear-cut conclusion cannot be made whether EO acts as a multidimensional construct or a unidimensional construct when it affects EM behaviors.

It is widely claimed that the BIC index gives larger penalties to models with more parameters, meaning that models with more parameters get higher values of BIC. This may be the reason why the BIC value is lower for the unidimensional EO model. In order to justify the EO dimensionality in regards to EM behaviors, therefore, a third SEM model called partial multidimensional EO is created.

Table 5
Fit indices of SEM models with multidimensional EO versus unidimensional EO [a]

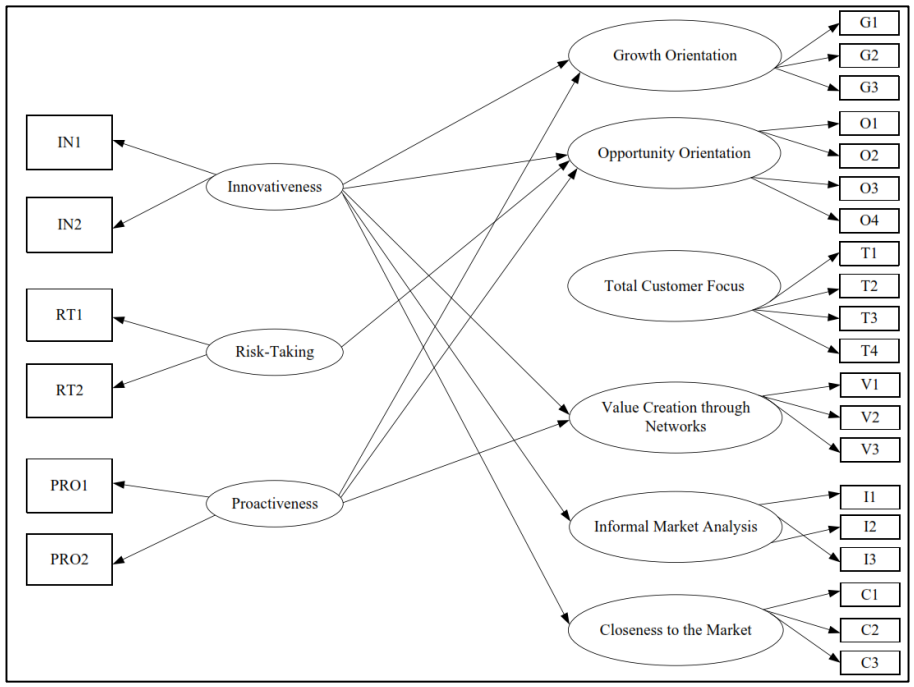
Fit Index	Structural Equation Model with		
	Multidimensional EO all	Unidimensional EO	Multidimensional EO partial
CFI	0.77	0.74	0.78
RMSEA	0.04	0.05	0.04
SRMR	0.06	0.06	0.06
TLI	0.74	0.71	0.75
BIC	1015.99	1003.68	967.09

[a] Note: $n = 545$.

The model is based on the significant relationships between some EO dimensions and some dimensions of EM behaviors in the original multidimensional model. The schematic representation of the third model is shown in Figure 3. With fewer numbers of parameters to be estimated, the partial multidimensional model should win over the unidimensional model according to the BIC criteria. If that is the case, the argument that EO should be treated as a multidimensional construct will be supported.

The goodness-of-fit indices identifying the fit of the third SEM model with the data are shown in the fourth column of Table 5. The indices show that this partial multidimensional model fits best with the data, compared to the original multidimensional model (where each EO is anticipated to affect all EM behaviors) and the SEM model with unidimensional EO. As a result, the argument that researchers should treat EO as a multidimensional construct when they investigate EO's impact on EM behaviors is supported. As a result, this study concludes that Hypothesis 2 is supported. That is, EO acts as a multidimensional construct, where all three dimensions of EO can independently affect EM behaviors**.**

Figure 3. *Structural equation model with EO as a multidimensional construct (Partial)*



DISCUSSION AND CONCLUSIONS

Although entrepreneurial marketing (EM) behaviors are frequently reported, there is little evidence of research identifying factors influencing firms' adoption of EM behaviors. This study closes the gap in the literature by empirically examining the relationship between entrepreneurial orientation (EO) and EM behaviors and testing the hypothesis stating that firms' EM behaviors are driven by EO. Relationships between three dimensions of EO and EM behaviors are investigated using multi-group confirmatory factor analysis (CFA) and structural equation modeling (SEM).

Results from both analyses supported the hypothesis that EM behaviors are driven by EO. Firms with a higher level of EO were found to engage in EM behaviors more than firms with a lower level of EO. Based on the results, this study concludes that firms' EM behaviors do not just happen randomly, but they are systematically related to the level of firms' EO.

In addition, this study test the relationship between EO and EM behaviours at the dimension level and found that innovativeness, proactiveness, and risk-taking dimensions of EO can independently affect EM behaviors at different magnitudes. Accordingly, this study concludes that EO acts as a multidimensional construct when affecting EM behaviors. That is, firms do not have to have higher level of all EO dimensions in order to adopt EM behaviors. Our findings support a seemingly new consensus among entrepreneurship research scholars who seem to suggest a new movement toward multidimensional EO when researchers want to clarify relationships between each EO dimension and the variables of interest (Covin & Wales, 2012; Miller, 2011).

This study also finds that innovativeness dimension of the EO has the strongest impact

on EM behaviors, compared to proactiveness and risk-taking. This result implies that innovativeness is a leading essence of EM behaviors and may also be a justification for why this dimension of EO receives so much attention from marketing scholars. Prior studies have suggested that innovativeness is a source of growth (Christensen et al., 2002) and it makes firms search for new innovative product concepts (Hamel & Prahalad, 1991). Accordingly, this study concludes that innovativeness is a factor distinguishing entrepreneurial marketing from non-entrepreneurial marketing.

The fact that EM behaviors are largely driven by innovativeness also suggests that EM is inherently innovative. The result has a significant implication for non-innovative firms who want to establish EM behaviors in their organizations. An optimum strategy for those firms might be to foster innovativeness in their firms. This suggestion is in line with a prior study stating that innovativeness could help firms to form a foundation for success in a market-driving strategy, and the marketing-driving process could be started by several activities, such as establishing competitive teams to develop innovative ideas, and offering multiple channels for approval of new ideas (Kumar, Scheer, & Kotler, 2000).

This study is not without limitations. Firstly, due to limited availability of the data, this study investigates only three dimensions of EO. Since the results show that different EO dimensions can have different effects on different dimensions of EM behaviors, future research might want to investigate the impacts of competitive aggressiveness and autonomy dimensions as well. Secondly, this study focuses only on firms in the US. Since it is often suggested that marketing practice is affected by national differences (Clark, 1990; Nakata & Sivakumar, 1996), firms in different countries may behave differently than US firms. Future research should expand the scope of this study to replicate the results found in this study using cross-national data. Such a study would benefit the field of entrepreneurial marketing substantially. Thirdly, this study does not take into account the impact of firms' environmental conditions on the relationship between EO and EM behaviors. Prior studies had reported that environmental changes can have a major impact on firms marketing activities (Deleersnyder, 2003), and that different levels of environmental hostility can have different impact on firms' use of marketing research (Khandwalla, 1977). As a result, moderating factors, such as the level of environment hostility, could be taken into account when examining the relationship between EO and EM behaviors in the future.

Despite the limitations, this study contributes to the knowledge in the field of entrepreneurship and entrepreneurial marketing by linking EO, a widely used construct of entrepreneurship, to EM behaviors and identifies EO as an antecedent of EM behaviors. To our knowledge, this study is the first attempt to explicitly address and quantify the impact of EO on EM behaviors. Also, by suggesting that EO should be treated as a multidimensional construct when affecting EM, this study expands the knowledge about the EO construct in the field of entrepreneurship. Since this study investigates the hypotheses using a large survey dataset, the results from this study should be able to confirm the robustness of findings in prior empirical studies, which usually examine EM behaviors using qualitative methods. We believe that this study contributes important new knowledge regarding the entrepreneurship and marketing interface.

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Appendix: Questionnaire items.

A. Entrepreneurial Marketing Behavior.

Growth Orientation

(G1) Long-term growth is more important than immediate profit.
(G2) Our primary objective is to grow the business.
(G3) We try to expand our present customer base aggressively.

Opportunity Orientation

(O1) We constantly look for new business opportunities.
(O2) Our marketing efforts lead customers, rather than respond to them.
(O3) Adding innovative products or services is important to our success.
(O4) Creativity stimulates good marketing decisions.

Total Customer Focus

(T1) Most of our marketing decisions are based on what we learn from day-to-day customer contact.
(T2) Our customers require us to be very flexible and adapt to their special requirements.
(T3) Everyone in this firm makes customers a top priority.
(T4) We adjust quickly to meet changing customer expectations

Value Creation through Networks

(V1) We learn from our competitors.
(V2) We use our key industry friends and partners extensively to help us develop and market our products and services.
(V3) Most of our marketing decisions are based on exchanging information with those in our personal and professional networks.

Informal Market Analysis

(I1) Introducing new products or services usually involves little formal market research and analysis.
(I2) Our marketing decisions are based more on informal customer feedback than on formal market research.
(I3) It is important to rely on gut feeling when making marketing decisions.

Closeness to the Market

(C1) Customer demand is usually the reason we introduce a new product and/or service.
(C2) We usually introduce new products and services based on the recommendations of our suppliers.
(C3) We rely heavily on experience when making marketing decisions.

B. Entrepreneurial Orientation (Recoding scores are in parentheses)

Innovativeness

(IN1) My business places a strong emphasis on

Tried and tested practice, equipment, and products/services (1)
Innovation, technological leadership, and R&D (3)
Equally, the same (2)

(IN2) In the last 3 years, changes in my products/services have been

Mostly of a minor nature (1)
Usually quite dramatic (3)
Equally, the same (2)

Risk-Taking

(RT1) My business is inclined toward

Low risk projects with certain and normal rate of return (1)
High risk projects with chance of very high returns (3)
Equally, the same (2)

(RT2) Due to the nature of my business environment, it is best to

Explore potential opportunities gradually, through cautious behavior (1)
Take wide-ranging bold actions to achieve the firm's objectives (3)
Equally, the same (2)

Proactiveness

(PRO1) My business typically

Responds to initiative my competitors take (1)
Initiates action to which my competitors respond (3)
Equally, the same (2)

(PRO2) My business is—the first to introduce new products/services

Often (3)
Seldom (1)
Equally, the same (2)

JOURNAL OF SMALL BUSINESS STRATEGY

CUSTOMER-FIRM INTERACTION AND THE SMALL FIRM: EXPLORING INDIVIDUAL, FIRM, AND ENVIRONMENTAL LEVEL ANTECEDENTS

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ABSTRACT

Customer-firm interaction (CFI) has been extensively studied in the past for its effects on customer satisfaction, new product success, and firm performance. Research on the factors that facilitate or inhibit firms from interacting with their customers, however, is sparse. In this paper, we explored individual, product/service, and environmental factors that influence customer-firm interaction. Analyses are based on data from 172 small firms. Findings suggest that significant association exists between CFI and numerous individual, firm, and environmental factors, supporting the notion that in entrepreneurial and small firms CFI is used in a strategic fashion, to support market position. A set of post-hoc analyses showed that CFI antecedents vary by context such as entrepreneurs' gender, experience, or firm performance. Results, their implications, and future research opportunities are discussed.

INTRODUCTION

Customer- firm interaction (CFI) is considered a communication process through which firms and customers share information and knowledge (Gales & Mansour-Cole, 1995). CFI has been considered the core of customer-firm relationship (Gronroos, 2004) that plays a crucial role in building trust and relationship through communication (Anderson & Narus, 1990). The relationship between a firm and its customers creates a competitive setting through which firms can enjoy long term success (Gotlieb, Levy, Grewal, & Lindsey-Mullikin, 2004, Lehmann & Neuberger, 2001; Mills & Margulies, 1980).

Over the past decade, much research has been done on the interaction between firms and their customers (Bonner, 2010; Foss, Laursen, & Pedersen, 2011; Huffman & Skaggs, 2010; Ramani & Kumar, 2008; Song, Wang, & Parry, 2010). The research revolved around the nature, characteristics, and effects of those interactions. Overall, research supports the notion that interaction between a firm and its customers yields positive outcomes for the firms (Gruner & Homburg, 2000; Foss, Laursen, & Pedersen, 2011).

The research on customer-firm interaction has been conducted in a variety of contexts. CFI has been extensively studied in the past for its effects on customer satisfaction (Ramani & Kumar, 2008; Wang & Feng, 2012), new product success (Bonner, 2010; Grumer & Homburg, 2000; Narver, Slater, & MacLachlan, 2004), and firm performance (Moorman, 1995; Ramani & Kumar, 2008; Skaggs & Galli-Debicella, 2012). However, current research is lacking in two respects. First, only little attention has been given to the antecedents of customer interaction or to the factors that facilitate or inhibit firms from interacting with their customers. Second, not much research exists that focuses specifically on entrepreneurial and small firms, especially on the role that the entrepreneur's/owners and the firm's characteristics play in customer-firm interaction. This paper addresses those gaps. In this paper we argue that CFI is a strategic and deliberate action of a firm, and therefore, the extent to which it is used can be affected by certain factors that are unique to the firm. We specifically analyze CFI in entrepreneurial and small firms because the orientation of such firms is different from that of large firms (Coviello, Brodie, & Munro, 2000). Entrepreneurial / small firms are an ideal candidate to study antecedents of CFI because for entrepreneurs and small business owners, customer interaction is a primary source of customer information and knowledge that leads to strategic decision making. Because entrepreneurs and small business owners tend to experience greater resource constraints compared to larger and established firms, interaction with customers is of special importance in that it allows for direct and easy way to gain information and knowledge (Carson, Cromie, McGowan, & Hill, 1995; Hisrich, 2005).

Exploring the Antecedents of CFI in Entrepreneurial and Small firms

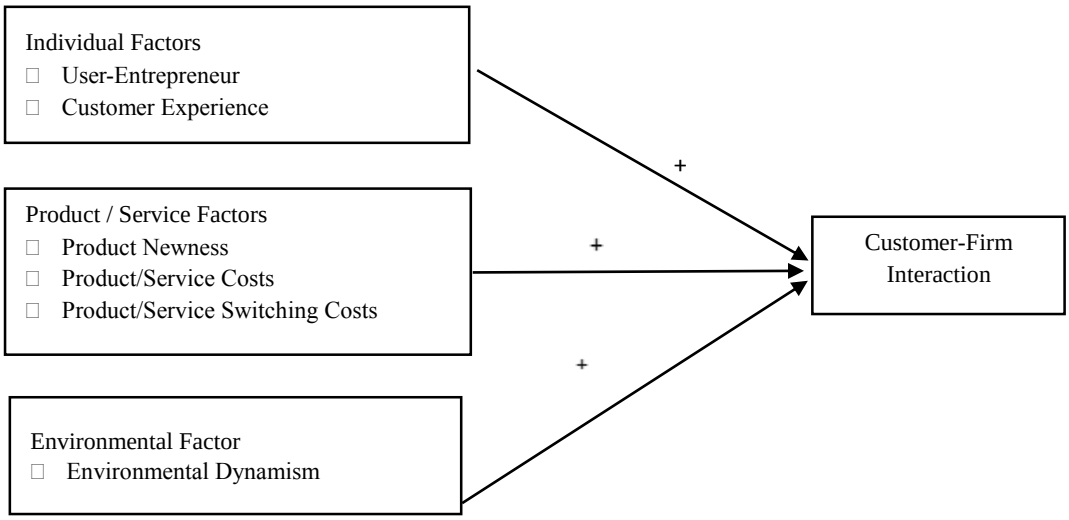
As a starting point, we propose that the antecedents of CFI be grouped into individual, firm, and environmental level factors. Entrepreneurs often mold the structure and system of their firms. They identify their business as an extension of their beliefs and personality, and make strategic decisions accordingly. Since CFI is strategic in its disposition, it is highly influenced by the entrepreneur's individual characteristics. Firm level characteristics such as the product

or service provided by the firm are another central factor around which firms weave their strategic decisions. As such, a firm's product or service is a critical link between a firm and its customers. Lastly, the environment is also a key factor affecting strategic decisions that constitute a third category in the framework.

The paper thus addresses the following general research question: a) do entrepreneurs' individual experiences affect the degree to which their firm engages in interaction with its customers? b) what is the relationship between the specific characteristics of the product/service offered and the degree of customer-firm interaction? and c) do perceptions of external environment affect the degree to which firms engage in customer interaction? A pictorial display of the research model is presented in Figure 1.

Figure 1

The Research Model



The paper is organized as follows: first, the literature on customer-firm interaction is discussed, followed by the development of testable hypotheses. The method section is then introduced, and results are presented. Post hoc analyses are then reported to shed further light on the antecedents. The discussion of the results follows along with the implications and suggestions for future research.

THEORETICAL BACKGROUND AND HYPOTHESES

Customer-Firm Interaction

The relationship of a business with its customer is a decisive factor in the success of a business. In turbulent markets, entrepreneurs / small business managers need to be in constant and direct contact with existing and potential customers to identify rapidly changing customers' needs and demands. The

firm's interaction with its customers is extremely important in order to receive information that is utilized to identify customers' requirements, needs, feedback etc. Furthermore; through interacting with customers, entrepreneurs can gain information about new business opportunities, as well as on competitors or other critical players in the industry. Indeed, past research on CFI and customer relationship provides extensive support for its importance in firm performance and success (Gruner & Homburg, 2000). The relationship between a firm and its customers helps with customer retention and satisfaction (Ennew & Binks, 1996) and long term success (Gotlieb et al., 2004, Lehmann & Neuberger, 2001; Mills & Margulies, 1980), while communication through interaction plays a crucial role in building trust and cooperation among partners (Anderson & Narus, 1990). Other studies show that interaction is the core of customer-firm relationship and that such interaction bears directly on the type of information and knowledge the firm has of its customers (Gronroos, 2004; Mills & Margulies, 1980), as well as on the information customers have on the firm (Mills & Margulies, 1980; Durkin, McCartan-Quinn, O'Donnell, & Howcroft, 2003). Interaction is associated with high quality and reliability of information exchanged and improved ability to effectively target customers by tailoring products and services to customers' needs, identifying new opportunities for products and services, or improving customer satisfaction (Hagel & Rayport, 1997). CFI has also been found to be directly related to the degree of service innovation and innovation success (Martin & Horne, 1995) and to the reduction of uncertainties associated with the firms' products and services (Jones, Mothersbaugh, & Beatty, 2000). Lastly, researchers also found that high customer-firm interaction is positively related to the various performance aspects of the firm (Ramani & Kumar, 2008).

Researchers dealing with the interaction between firms and their customers define the interaction patterns in various ways. Bonner defined customer interactivity as "the degree to which interactions between potential customers and project team members are bidirectional, participative and involve joint problem solving" (2010, p. 486). Huffman and Skaggs mentioned that "customer-firm interaction occurs when there is direct face-to-face contact between the consumer and the service firm" (2010, p. 152). Williams, Rice, and Rogers referred to interactivity with customers as "the degree to which participants in a communication process have control over, and can exchange roles in, their mutual discourse" (1988, p. 10). Drawing on the existing research, in this work customer–firm interaction is defined as the direct interaction between firm and its customer for the purpose of improving products or services.

Some of the entrepreneurship and small firm literature also addresses the role of CFI (Song et al., 2010). For example, Chrisman, McMullan, and Hall (2005) found that CFI has a significant positive effect on new venture success. Entrepreneurial and small firms experience limited resources, different scope of operation and management practices, and different operational and structural patterns (Schollhammer & Kuriloff, 1979), which allow greater influence of the entrepreneur on firm activities (Carrier, 1994; Carson et al., 1995). Indeed, research showed that entrepreneurs and small business owners have higher tendency towards developing direct relationships with their customers (Coviello et al., 2000). Given that the small business owners face high resource constraints and are

low on flexibility and opportunity (Hisrich, 1992), they rely on personal contacts and face-to-face interactions in order to be closer to their customer base (Carson et al., 1995). Marketing practices of such firms are also most likely based on interpersonal relationships at individual level (Coviello et al., 2000).

Given the theoretical justifications and existing evidence supporting the importance of CFI (e.g., Biemans, 1991; Parkinson, 1982; Ramani & Kumar, 2008; Shaw, 1985), in this paper we focus on customer-firm interaction itself as an outcome variable and argue that factors influencing CFI are as important as its consequences, especially in the entrepreneurship/small business literature. Accordingly, CFI is conceptualized as a deliberate activity that is performed by an entrepreneur or his firm strategically, to gain information and improve the firm's products or services, and ultimately enhance the firm's performance (Moorman, 1995).

Individual Level Antecedents of CFI

User entrepreneurs. Entrepreneurs often start their venture based on an unfulfilled need or based on some unsatisfactory experience with a product or service. This type of personal experience underlies the emergent and personal nature of new venture startup. Shah and Tripsas (2007) coined the term *accidental entrepreneurs* in reference to individuals who were users of a product or service and transformed it into an entrepreneurial venture. Such users realize an idea through their own use and then share that idea with other users (Shah & Tripsas, 2007). Similar to past definitions, in this work we identify user entrepreneurs as an individual or a group of individuals who commercialize a new or modified product or service that they use / have used in their day to day life.

User entrepreneurs are commonly distinguished into two categories; end-users and professional-users. End-user entrepreneurs use the product or service in their daily life and feel a need for improvement or identify beneficial improvements. Such entrepreneurs start commercializing their own product or services. In contrast, professional-user entrepreneurs use the product or service in professional context or at their job, and leave their job to make changes in the product and service and commercialize it. In this study, we considered user-entrepreneur as an overarching category, reflecting both types, because the motive of an end-user or a professional-user is same – to build on a previous user experience – and once they decide on developing a product or service, their course of action will be similar (e.g., Huefner & Hunt, 1996; Liang & Dunn, 2007). Past research has provided an array of evidence for effects of user entrepreneurship, and end-user research has recorded the success of end-user entrepreneurship in such areas as automobile (Franz, 2005), mountain bicycle (Luthje, Herstatt, & Von Hippel, 2005), or rodeo kayaking (Baldwin, Hienerth, & Von Hippel, 2006). Similarly, professional-user entrepreneurship research documented its role in ice harvesting industry (Utterback, 1994), typesetting (Tripsas, 2008), and probe microscopy (Mody, 2006).

Consistent with past research, it is proposed that this individual level factor will affect customer-firm interaction. Specifically, CFI level will be higher in firms started or managed by a user-entrepreneur because the personal experience associated with end-user

renders the entrepreneur more open to and appreciative of input from customers. Further, former end-users turned entrepreneurs are more likely to recognize the potential benefits associated with listening to customers and incorporating their input into the firm's existing products or services. Finally, given the relatively large impact that entrepreneurs have on their firm's processes, it is likely that those personal experiences will translate into established processes and mechanisms in the firm that encourage user productive and continuous customer and firm interaction. Therefore,

Hypothesis 1: *CFI is higher in firms started or managed by user-entrepreneurs compared to firms started or managed by individuals who were not user-entrepreneurs.*

Entrepreneur's/owner's work experience. A second factor that likely affects the extent of CFI is the decision maker's prior experience with customer interaction. Prior experience affects perceptions of success feasibility and the ease with which one can engage in a behavior, making a behavior more habitual and easy to perform (Ajzen, 1991; Ajzen & Fishbein, 2000). Familiarity with the process of customer interaction will likely lead to confidence and self-efficacy towards the behavior (Bandura, 1977a; Bandura & Wood 1989), which will influence the intentions to engage in it. Further, situations that emerge and that are similar to ones experienced in the past likely trigger habitual response sequence further enhancing the likelihood of engaging in behavior in question (Ouellette & Wood, 1998; Ajzen, 2002).

It is thus posited that an entrepreneur's / owner's past experience in interacting with customers enhances the self-efficacy regarding managing the CFI process. Entrepreneurs who have job experience specifically in areas where they come in direct contact with the customers such as customer service, sales, retail etc. will be more inclined to interact with customers. Prior customer experience also provides knowledge and skills in handling the variability in CFI. Since in entrepreneurial / small firms- the entrepreneur / owner carries much influence on the policies and procedures carried by the firm, it is expected that the pattern of interaction with customers will be consistent with and reflect the interaction orientation of the key managing individual Therefore,

Hypothesis 2: *CFI is positively related to the customer experience of the firm's key manager.*

Firm Level Antecedents

Product/service newness. When a product/service is new and not familiar to the potential customers, it is associated with ambiguity and uncertainty regarding its features and benefits, its overall quality and usefulness, and its application. In fact, Veryzer noted that resistance could develop in part, due to "products not fitting with the customers' knowledge structure or schema for products or current consumption patterns"(1998, p. 144). The degree of incompatibility of a new product with customers' current life or business situation increases customer resistance, and the greater the adjustment required for the new product/service on behalf of customers, the lower will be its acceptance rate (Veryzer, 1998). Further, when products or services are new, not only is it difficult to predict the product's true and practical applicability but it is also difficult for the customer to provide the accurate feedback. The lack of feedback

information from the customer further increases the difficulty of understanding the use of the product in actual customer environment (Narver et al. 2004).

The reality of resistance and ensuing lack of communication in face of product/service newness underscores the importance and potential benefits of effective customer-firm interaction. CFI facilitates communication and sharing of feedback, and allows customers to provide input to improve and enhance new product/service development and refinement. Further, CFI contributes to increasing customers' familiarity with the new product/service and facilitates its acceptance. CFI not only enhances the validity of the new product, but also provides customers' feedback and reaction towards the product which in turn can be used by the firm to modify and align the product based on customers' need. Accordingly, it can be argued that, because the benefits embodied in effective CFI become even more important when products or services are new, greater degrees of customer-firm activities will be expected.

Hypothesis 3: *CFI is positively related to product/service newness.*

Costs and investments. When firms invest a high amount of capital in producing or generating a product or service, their risk in case of failure is also greater. Usually, entrepreneurs use their equity to fund their product or service. However, most of them need resources from external stakeholders at some stage of the development of their ventures (Zott & Huy, 2007), and when the cost of production or operation is high, the resources from external stakeholders are also at risk. When risk is high, there would be increased pressure to mitigate the risk, and it is likely that firms will seek means to lower the risk, such as by increasing interaction with potential customers to share information and product details. In other words, CFI becomes a strategic tool for entrepreneurs/owners to lower risk and increase chances for positive returns on invested costs in that it facilitate the dissemination of product or service information to the customers. Accordingly, the greater the costs (and risks), the more important it is to inform customers about the associated benefits and potential value from the products/services. Notably, because customers acquire a good amount of knowledge about a firm or business through CFI (Mills & Margulies, 1980; Durkin et al., 2003), CFI alleviates the perceived uncertainties associated with the firms' products and services (Jones et al., 2000). Lastly, it is expected that the knowledge disseminated through interaction will facilitate the purchase decision and may reduce customer's hesitation due to uncertainty or prices. Therefore,

Hypothesis 4: *CFI is positively related to the cost of the firm's product/service.*

Switching costs. Entrepreneurial/small firms face great challenges associated with drawing customers, especially when the customers already have a relationship with another competitor. Consumers' switching cost from existing product/service to the firm's product/service can be a considerable hindrance for firm success. When consumers incur considerable costs by switching from existing provider to a new one, the costs may serve as "an indicator of consumers' reluctance to switch from one brand to another" (Lee & NG, 2007, p, 330). When consumers' switching cost is high,

entrepreneurs/managers trying to launch product/services will have to exert extra efforts and resources to persuade buyers to buy their product (Lieberman & Montgomery, 1988). In such instances, entrepreneurs/managers will seek means to convey the benefits of their products by interacting with the potential customers. For instance, firms can offer training and free presentations to new users in order to familiarize with the product or service, reducing learning costs. CFI constitutes such a means to facilitate information and potentially reduce the switching costs that customers encounter.

Hypothesis 5: *CFI is positively related to the switching cost associated with the firm product/service.*

External Antecedents

Environmental Dynamism. The volatility of external environment affects the nature and scope of information available to decision makers. From a decision making perspective, when making decisions in contexts of stable environments, decision makers can make optimal decisions even if few alternatives and limited information is available (Mintzberg, 1973). However, environmental dynamism or volatility threatens the rationality in decision making process, and predictions become more challenging while causality becomes more ambiguous (Dess & Beard, 1984; Priem, Rashid, & Kotulic, 1995). In order to make sense of the environment, decision makers must invest greater resources in studying the environment (Miller & Friesen, 1983). Eisenhardt (1989) found that in dynamic environments, firms accentuate the cognitive processing of comprehensive decision making by collecting and using more information and seek more alternatives. Using higher levels of information increases the chances of recognizing environmental changes (Sutcliffe, 1994) which in turn enhances the sense of controllability over the environment (Thomas, Clarke, & Gioia, 1993). Personal contacts and face-to-face interaction with customers further become highly important in dynamic environment because of the resource constraints and low flexibility faced by entrepreneurs (Hisrich, 1992). Due to constantly changing customer preferences in the dynamic environment, resource orchestration becomes critical (Sirmon, Hitt, & Ireland, 2011) hence firms need higher level of information to effectively channel the resources to the relevant activities that are crucial in a dynamic environment. Therefore, we argue that CFI will increase in entrepreneurial / small firm if they perceive that the environment is highly dynamic.

Hypothesis 6: *CFI is positively related to the dynamism of the environment in which the firm operates.*

METHOD

Sample

The data were obtained from 172 entrepreneur / small business owners. Gender distribution of the participants was 122 males and 50 females. The average age of respondents was 43 years and the average work experience in their firm was 11 years. Participants stated that they were owners of the business and that they were involved in the day to day operations of their business.

Twenty one percent of the businesses were from the retail sector, 51% were from the personal and business services sector, and 13% were from manufacturing,

construction, transportation, or technology. The remaining participating businesses were spread across various other industries such as music, healthcare, media, or multi-sectors. Please see the respondents demographic in Table 1.

Data Collection Procedure

Students in an upper level undergraduate entrepreneurship class at a large southwestern university in the United States were given a class assignment that included as one of its components interviewing entrepreneurs/small business owners. The snow ball sampling technique was used to identify the relevant respondents (Heckathorn, 2011). Past research, specifically entrepreneurship and small business research has used snowball sampling technique to collect the data from entrepreneurs (e.g., Peake, Davis, & Cox, 2015; McGee, Peterson, Mueller, & Sequeira, 2009; Schindehutte, Morris, & Brennan, 2003). In this technique, individuals that fall under a specified criteria are identified and are approached to get information for similar individuals. Despite of lacking the randomness in the sampling, the snowball sampling technique allows to reach more diverse sample (McGee et al., 2009). Accordingly, the students were instructed to arrange for interviews with individuals who are business owners. Part of the assignment was to interview an entrepreneur / small business owner and administer a survey. The interview involved going through a structured interview document that included open-ended questions as well as close-ended, scaled questions. The close-ended questions in the survey consisted of demographic and business profile questions and questions about business practices, whereas the open-ended questions pertained to the respondent's personal experience as an entrepreneur and business

Table 1

Respondent Demographic

	Frequency	Percentage
Gender		
Male	122	71
Female	50	29
Ethnicity		
Caucasian, Hispanic	28	16
Caucasian, Non-Hispanic	106	61
African American	22	12.6
Asian or Pacific Islander	7	4
Other	11	6.3
Education		
High School or less	13	7.5
Some college or technical training	53	30.5
Associate's degree	17	9.8
Bachelor's degree	64	36.8
Master's degree	17	9.8
Doctorate	9	5.2
Age		
19 - 34	48	27.6
35 - 49	56	32.2
50 - 64	59	33.9
65+	7	4
Entrepreneurial Experience		
Novice	101	58
Experienced	71	32
Strategic Orientation		
Growth	102	58.9
Family Business	67	39.9
Industry		
Retail	36	21
Service	88	51
Manufacturing, construction, transportation, or technology	22	13
Other	26	15

owner. The typical process was one where the student contacted the interviewee, introduced him/herself and the purpose of the interview, and arranged for a meeting. In the course of the meeting the student went over the structured interview document. The interviewee either answered/completed all questions at that time, or another meeting was arranged with the student. Students had approximately 4 weeks from the time the assignment was given to complete it. Once due, the student turned in the assignment along with a copy of the structured interview document. The data from the survey instrument was reviewed and entered, and was then used for statistical analyses. All businesses were in the United States, and the vast majority was in the southwest. The structured interview documents were completed by an individual only if he/she fulfilled the criteria of being an owner of the business, typically a founder or co-founder of the business, and who was involved in the day-to-day operation of the business.

Measures

Dependent variable. The dependent variable was *Customer-Firm Interaction (CFI).* This measure is based on the Customer-Firm interaction scale used by Huffman and Skaggs (2010) and consisted of five items asking the respondent about the extent to which she/he agrees with statements regarding the firm's interaction with its customers (see Appendix). The five items were rated on a 7-point Likert type scale. The five items had a reliability of Cronbach $\alpha = .84$, and were averaged to create the CFI indicator.

Independent variables. Six independent variables were used, two reflecting individual characteristics, three reflecting product characteristics, and one reflecting the environment. Individual characteristics were gauged by a) whether respondent is a user-entrepreneur, and b) the respondent's prior experience interacting with customers. The *user-entrepreneur* indicator was measured by asking the respondent to think about the product or service around which the company was founded and to indicate a) whether a close variation of the product/service was used by the respondent or other founders for personal use – personal end user, and, b) whether a close variation of the product/service was used by the respondent of other founders at previous business or job – professional end user (Shah, Winston Smith, & Reedy, 2012). Answers were coded as 1, *yes* and 0, *no.* Forty seven respondents (27%) indicated yes to being an end-user, 52 respondents (29.9%) indicated yes to being a professional-user, and 7 respondents (4%) indicated yes to being both. Given the distribution of the responses, *user-entrepreneur* was defined as a respondent who answered yes to one or both of the items, which reflected 81 individuals or 46.6% of the respondents, while a non-user-entrepreneur was an individual who did not indicate being either an end-user or professional-user (92 individuals or 52.9% of the respondents. The second individual level indicator was based on the extent to which the respondent had prior experience with customer interaction. A measure was created asking the respondent to think about their work experience over the past 5 years and indicate the extent to which their work experience involved six types of behaviors associated with working with customers (see Appendix). Answers were coded on a 7-point Likert type scale. The six items (Cronbach $\alpha = .83$) were averaged to create the *Customer Experience* measure.

Three variables were used to gauge the effect of product/service characteristics.

Product/service switching costs were measured using the scale introduced by Yang and Peterson (2004). This scale is based on 5 items that ask respondents to indicate their agreement with various manifestations of high switching costs (see Appendix). The scale was based on a 7-point Likert type scale, where higher values suggest higher switching costs from competitors to the firm's product/service. The five items (Cronbach α = .77) were averaged to create the *Switching Costs* measure. *Product newness* measure was assessed based on a measure used by the Panel Study of Entrepreneurial Dynamics. This is a single item measure where respondents were asked to indicate their agreement (on a 7-points scale) with the statement "*When we target new customers, they typically consider our product/service to be completely new and unfamiliar." Product/service costs* is a newly developed measure which was assessed by asking respondents to assess how their firm compares to its close competitors on three items indicating the financial product or service investments (see Appendix).The three items (Cronbach α = .73) were averaged to create a single indicator of product costs. *Perceived Environmental Dynamism* is measured using a scale developed by Schilke (2014). The scale was modified in the context of present study. This scale is based on 5 items that ask respondents to indicate whether they perceive external environment highly dynamic (see Appendix). The scale was based on a 7-point Likert type scale, where higher values suggest higher environmental dynamism. The five items (Cronbach α = .75) were averaged to create the *Perceived Environmental Dynamism* measure.

Control variables. Five demographic control variables were included. a) respondents' work experience in the industry was assessed, measured in years; b) respondents' highest education level was included, coded as 1, *high school or less*, 2, *some college, or technical training*, 3 *Associate's degree,* 4 *Bachelor's degree*, 5, *G=Master's degree / professional,* and 6 - *doctorate.* c) Company size was controlled for, measured as the number of full time employees in the firm. Lastly, to control for possible industry effects, the type of venture was coded as being in the retail, service, product based sectors, or other. A dummy variable was created and was included in the analyses as control. Descriptive statistics and correlations of study variables are presented in Table 2.

RESULTS

Means, standard deviation, and correlations of all the variables used in this study are presented in Table 2. It is evident from the correlation table that there is merit to further evaluate the antecedents for the CFI. For example, the individual level variables *customer experience* and *user-entrepreneur* have significant correlation with *CFI* ($p<0.01$ and $p<.05$ respectively). Also, *product newness* is significantly correlated with *CFI* ($p< 0.05$). Although we do not see very high correlation between individual variables we examined the variance inflation factor (VIF) for all the regressions, just to ensure that there are no potential multicollinearity issues. Among all regressions, the range of VIF values was 1.03 to 2.28 which is well within acceptable range and suggests that there are no serious problems of multicollinearity.

Table 2

Intercorrelation and Descriptive Statistics for Study Variables

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1 Industry Experience	17.23	12.31	_											
2 Education	3.27	1.33	.07	_										
3 Firm Size	24.45	110.63	.33**	-.05	_									
4 Sector - Retail	0.21	0.41	.06	-.04	.03	_								
5 Sector - service	0.51	0.50	.06	.03	-.13	-.52**	_							
6 Sector - Production	0.14	0.35	.07	-.04	.21**	-.20**	-.40**	_						
7 User-Entrepreneur	0.53	0.50	-.07	.02	-.16*	.00	-.09	.07	_					
8 Customer Experience	5.75	1.25	-.05	.01	-.08	-.05	.04	.00	.10	_				
9 Product/Service Newness	3.36	1.93	-.15	.12	-.05	.11	-.07	-.04	.00	.10	_			
10 Product/Service Costs	3.70	1.27	.16*	.06	.06	.06	.01	-.05	-.05	.06	.00	_		
11 Product/Service Switching Costs	2.34	1.17	.00	-.04	.02	-.09	.00	.09	.14	-.02	.27**	.11	_	
12 Environmental Dynamism	4.26	1.35	-.13	.09	-.09	-.05	-.16*	.07	.11	.17*	.22**	.09	.14	_
13 Customer-Firm Interaction	5.38	1.44	-.07	.11	-.04	.07	.02	.01	.18*	.21**	.17*	.14	-.01	.22**

*p<.05, **p<.01. ***p<.001.

Table 3 presents the regression results for the antecedents of CFI. We tested four different models. The purpose of the different models was to analyze and gain information separately on individual antecedents, product related antecedents, and environmental antecedents, as well as on all antecedents in combination. We used hierarchical OLS regression, where the control variables were entered in the first block, and the independent variables entered in the second block.

Individual Level Variables

The first two hypotheses dealt with the effects of individual level variables – user-entrepreneur and customer experience and results are presented in Table 3 Model 2. Hypothesis 1 states that user-entrepreneurship will be positively associated with the CFI. Results show that the coefficient for user-entrepreneur is positive and significant (Table 3, Model 2, β = 0.16, p <.05). This predictor remains significant in the full model when all independent variables are included (Table 3, Model 5: β = 0.17, p <.05). These results support hypothesis 1. Hypothesis 2 proposed that the entrepreneur/manager's customer experience is positively related to the CFI. Results show that this predictor is positive and significant (Table 3, Model 2: β = 0.19, p <.05). This predictor remains positive and significant in the full model as well (Table 2, Model 5: β = 0.13, p <.05), supporting hypothesis 2. Notably, Model 2 shows that the unique contribution of the individual level variables to explaining CFI variance is 10%, lending support to the research model proposing individual level variables as a relevant antecedent for CFI.

Table 3

Regression Analyses for Effects of Independent Variables on CFI

	Model 1	Model 2	Model 3	Model 4	Model 5
Step 1: Control variables					
Industry experience	-0.10	-0.09	-0.10	-.08	-.08
Education level	0.12	0.12	0.09	.10	.08
Firm size	0.01	0.03	-0.02	-.01	.03
Industry – retail	0.20†	0.21*	0.17	.25*	.22
Industry – service	0.18	0.19†	0.18	.26*	.25
Industry – Production	0.14	0.12	0.15	.15	.15
Step 2: Independent variables					
User entrepreneur		0.16*			.17*
Customer experience		0.19*			.13*
Product newness			0.16*		.12†
Costs			0.15*		.13*
Switching costs			-0.07		-.09
Environmental dynamism				.25**	.18*
Equation F	1.16	2.45*	1.69†	2.48*	2.82**
R^2	.04	0.10	.08	.09	0.17
R^2 Change		.06	.04	.06	0.13
F change		6.13**	2.69*	10.10**	4.35**

N=172 Entries are βs, standardized regression coefficients.

†p < .1, *p<.05, **p<.01. ***p<.001.

Product/Service Level Variables

The next three hypotheses dealt with the effects of product/service related factors (product newness, product/service cost, and switching cost) and results are presented in Table 3 Model 3. Hypothesis 3 proposed that product newness is positively related to the CFI. As shown in Model 3, the coefficient for product newness is positive and significant (Table 3, Model 3: $\beta = 0.16$, $p < .05$).

This result remain moderately significant in the full model (Table 3, Model 5: $\beta = 0.12$, $p < 0.1$). Therefore, hypothesis 3 is supported. Hypothesis 4 proposed that product/service cost is positively related to the CFI. Results show that the regression coefficient for product/service cost is positive and significant (Table 3, Model 3: $\beta = 0.15$, $p < .05$). This predictor remains positive and significant in the full model, (Table 3, Model 5, $\beta = 0.13$, $p < .05$). Hypothesis 4 is thus supported. Hypothesis 5 posited that switching costs will be positively related to CFI. Results show that the coefficient is not significant (Table 3, Model 3, $\beta = -0.07$, n.s., and Table 3, Model 5, $\beta = -0.9$, n.s.). Hypothesis 5 is therefore not supported. Observing Model 3, we note that the variance of CFI explained uniquely by product/service predictors is 8%, which lends support to the research model proposing product/service factors as relevant predictors for CFI.

Environmental Variable

The last hypothesis deals with environmental dynamism. Hypothesis 6 proposed that environmental dynamism is positively related to the CFI. Results show that the regression coefficient for environmental dynamism is positive and significant (Table 3, Model 4: $\beta = 0.25$, $p < .01$). This predictor remains positive and significant in the full model, (Table3, Model 5, $\beta = 0.18$, $p < .05$). Hypothesis 6 is thus supported.

POST HOC ANALYSES

In attempt to shed further light on why and when different antecedents play a role in the decision to engage in customer-firm interaction, we conducted a series of analyses in which the sample was parsed based on specific variables and compared the degree to which the antecedents identified indeed have an effect. We chose four variables: two individual – gender and start-up background – and two firm related factors – strategic orientation and performance. The analyses are post hoc, and are therefore exploratory in nature. They are appropriate in the present context which is characterized by paucity of research on antecedents of CFI, and are intended to provide further insights that can explain the role of the antecedents and to trigger further research.

Gender

Customer-firm interaction draws on the relationship and ongoing interaction and collaboration between two firms. In entrepreneurial/small firms, the inclination of the entrepreneur/owner likely affects the overall openness towards establishing an ongoing interaction process with partner firms. As such, the relational tendencies of the entrepreneur /owner play a role, and such relational abilities may differ as a function of gender. Further; men and women differ in their business abilities and come into the business context with different sets of skills. According to the social feminist theory, a key explanation for gender differences has to do with differences in socialization processes between the genders. The implication is that men and women can develop equally effective

yet different traits (Fischer, Reuber, & Dyke, 1993). Men and women were found to have different experience and background, their objectives of starting and running a business are different, and the process of entrepreneurship is also different (Verheul, Van Stel, & Thurik, 2006). Additionally, female entrepreneurs are found to be more risk-aversive as compared to their male counterparts especially when it comes to the personal assets (Coleman, 2007). Studies have also suggested that men and women differ in their propensity to grow the business and attitudes toward failure such that men tend to pursue a more competitive-fast pace growth whereas women tend to grow their business at slower rate (Grilo & Irigoyen, 2006; Jennings & Cash, 2006). Accordingly, it is expected that different business or personal factors will affect the tendency to engage in CFI across the genders.

Hypothesis 7a: *Different antecedents of CFI will be observed in firms run by male and female entrepreneurs/owners.*

Start-up Background

We wanted to explore whether the personal entrepreneurial capital and knowledge plays a role in moderating the effects of the antecedents on CFI. We suspected, for example, that experienced entrepreneurs will have greater appreciation for CFI due to their past experience. Therefore, it is expected that among individuals with less entrepreneurial experience (novice entrepreneurs), CFI will be driven mainly by their personal individual experience, whereas among more experienced entrepreneurs the business and environmental factors may play a more important role in driving the CFI.

Hypothesis 7b: *Different antecedents of CFI will be observed in firms run by individuals who have started a business in the past and those who have not.*

Strategic Orientation

We split the sample based on whether the firm was intended to become a growth firm focused on great profit, or whether it was primarily to provide family income. One hundred and three of the firms indicated founding purpose of high profit and growth, whereas 68 indicated the purpose of providing family income. We suspected that the factors that drive entrepreneurs/key manager to engage in CFI may differ, for example, due to increased pressures to innovate in growth oriented firms, or due to increased importance of the personal capabilities and experience of the entrepreneur/owner in the small firm. Further, it may be that growth oriented firms deploy a more aggressive strategy in attempt to capture markets and because of that make different decisions regarding the nature of their interaction with their customers.

Hypothesis 7c: *Antecedents of CFI will be different between firms with growth orientation and firms with family/small business orientation.*

Performance

The last factors we explored are the performance factors. We wanted to see if high and low performing firms utilize CFI to different degrees and if the relationship between antecedents and CFI is different between high and low performing firms. Our focus was on perceptions of strategic performance. We suspected that it is possible that different antecedents will have stronger effect on the firm, depending on its overall performance, and that entrepreneurs will have different pressures driving their decision

depending on the strategic and financial performance of their firms.

Hypothesis 7d: *Antecedents of CFI will be different between high and low performing firms.*

Measures

Individual level factors. Gender was measured by asking the respondent to indicate their gender. The sample consisted of 123 men (70.7%) and 51 women (29.3 %). *Personal entrepreneurial Experience* was measured by asking the respondent to indicate if they have ever started a business. One hundred and two respondents (58.6%) indicated they have never started a business (*novice* entrepreneurs), while 72 respondents (41.4%) indicated that they had started a business.

Firm level factors. Performance was measured by three items to which the respondent indicated their agreement to on a 7-point Likert type scale adapted from Schilke (2014). The three items had a reliability of 0.726, and were averaged to create the *performance* measure. The sample was split at the median (4.51) to create the high strategic performance group (average = 5.33) and the low strategic performance group (average = 3.33). *Strategic orientation* was measured by asking the respondents about the primary purpose for establishing the business. It was measured as a dichotomous variable with "1" representing the purpose of profit and growth and "2" represents the purpose of providing family income.

RESULTS

Results for the post hoc analyses are presented in Table 4. Model 1 presents the results for the gender factor, showing that different antecedents of CFI are prevalent among men and women entrepreneurs. For males, product newness and environmental dynamism are significant predictors of CFI ($\beta = 0.22$, $p < .05$ and $\beta = 0.20$, $p < .05$, respectively) whereas, among female entrepreneurs, being a product user and higher product costs positively predict CFI ($\beta = 0.43$, $p < .05$ and $\beta = 0.26$, $p < .10$, respectively). It was also hypothesized that antecedents for CFI will be different depending on the respondents' experience. Results (Table 4 Model 2) show that the regression model is not significant for novice entrepreneurs, whereas for experienced entrepreneurs, having a product/service that is new is typically positively associated with increased CFI ($\beta = 0.30$, $p < .05$).

Analysis of the antecedents' effects as a function of the firm's strategic orientation (Table 4 Model 3) show that among businesses oriented towards profit and growth, being a user-entrepreneur, having higher product costs, and experiencing dynamic environment is positively associated with higher levels of CFI ($\beta = 0.22$, $p < .05$, $\beta = 0.21$, $p < .05$, and $\beta = 0.17$, $p < .10$, respectively) while switching costs is negatively associated with CFI ($\beta = -0.27$, $p < .05$). The model for businesses oriented as a family business is not significant. Lastly, when analyzing the antecedents as a function of firm performance (Table 4 Model 4). Results show that a positive association between costs and CFI and between environmental dynamism and CFI in the high performance firms ($\beta = 0.21$, $p < .05$ and $\beta = 0.27$, $p < .05$ respectively) but no significant association in the low performance firms.

A summary of the hypotheses and the findings is presented in Table 5.

Table 4
Post Hoc Analyses for Effects of Independent Variables on CFI

	Model 1 Gender		Model 2 Entrepreneurial experience		Model 3 Strategic Orientation		Model 4 Firm Performance	
	Males (N=122)	Females (N=50)	Novice (N=101)	Experienced (N=71)	Growth business (N=102)	Family business (N=67)	Lower half (N=86)	Upper half (N=86)
Step 1: Control variables								
Industry experience	-.01	-.23	-.08	-.10	-.05	-.11	-.02	-.08
Education level	.18*	.02	-.02	.21†	.12	-.11	.03	.17
Firm size	.01	.23	.08	.03	.00	.01	-.01	.05
Industry – retail	.19	.26	.10	.52**	.18	.41*	.31*	.14
Industry – service	.11	.48†	.13	.47**	.23	.43*	.33*	.15
Industry – Production	.17	-.01	.03	.34**	.19	.14	.35*	-.07
Step 2: Independent variables								
User entrepreneur	.11	.43*	.19†	.06	.22*	.16	.14	.15
Customer experience	.06	.14	.20†	.02	.15	.07	.15	.13
Product newness	.22*	-.02	.02	.30*	.10	.12	.18	.05
Costs	.08	.26†	.14	.02	.21*	.05	-.01	.21*
Switching costs	-.20*	-.11	-.07	-.02	-.27*	.17	-.13	-.03
Environmental dynamism	.20*	.07	.18	.17	.17†	.23†	.09	.27*
Equation *F*	2.55**	1.89†	1.37	2.55*	2.17*	1.42	1.30	2.28*
R^2	0.22	.37	0.16	.34	0.23	.24	0.17	.27

Entries are βs, standardized regression coefficients.
†$p < .1$, *$p<.05$, **$p<.01$. ***$p<.001$. 2-tailed.

Table 5
Summary of Hypotheses and Findings

Hypothesis	Independent Variable & expected effect	Finding
H1	User-entrepreneur positively related to CFI	Supported
H2	Prior customer experience positively related to CFI	Supported
H3	Product newness positively related to CFI	Supported
H4	Product/service cost positively related to CFI	Supported
H5	Switching costs positively related to CFI	Not supported
H6	Environmental dynamism positively related to CFI	Supported
	CFI to a significantly greater extent than the	
H7a	Antecedents will defer by entrepreneur's gender	Supported
H7b	Antecedents will differ by entrepreneurial experience	Supported
H7c	Antecedents will differ by venture's strategic orientation	Supported
H7d	Antecedents will differ by firm performance	Supported

DISCUSSION & IMPLICATIONS

Our research questions dealt with the factors that influence customer-firm interaction (CFI). The results support the notion that CFI is used by entrepreneurs and small business managers in a strategic fashion, to promote strategic goals and positions. The findings from our research contribute to the overall literature on CFI by developing and testing the hypotheses that connect CFI with individual, firm, and environmental factors, and have implications for management and strategy.

As expected, firms owned or managed by user-entrepreneurs were found to engage in firms started or owned by individuals that are not end-users. This finding supports the idea that user-entrepreneurs are more open to CFI and are possibly more appreciative of its potential benefits. This result also validates the positive relationship found between prior experience in customer related jobs and CFI, and is consistent with research that shows the relationship between prior experience and managerial decision making.

Results for the product related variables supported the notion that firms that introduce new products or services and that firms that incur greater production costs engage in CFI to a greater degree. We hypothesized that this would occur due to the higher risk associated

with investments and uncertainty in new and high-cost products, and that the risk will drive firms to try and mitigate it through customer interaction. Results support this logic, and suggest that CFI may be a way for risk mitigation for small businesses. Interestingly, the notion that firms may consider CFI a way to mitigate risk is consistent with the positive association between CFI and environmental dynamism. Our hypothesis was based on research that showed that in turbulent and fast changing environments it is critical for firms to be proactive and dynamic in responding to the changes in order to sustain competitive advantage (Rapp, Trinor, & Agnihotri, 2010), and we posited that CFI will facilitate environmental understanding and responsiveness on the part of the firm. The positive effects found between CFI and environmental dynamism supports the notion that, when information is changing rapidly, CFI is perceived as an effective tool for collecting information and responding to customers. As such, CFI can be perceived as a means for facilitating efficient responsiveness to market changes, and as delivering responsiveness that is critical to business success especially in dynamic and competitive contexts.

We did not find support for the hypothesis that the firms whose products'/services' switching cost is high will have higher CFI. The logic behind the hypothesis was that in instances where the costs for consumers to switch to the entrepreneurial firm are high, the firm will engage in more CFI in attempt to lower the cost to the consumer and to make it easier for them to switch. Results did not support this hypothesis. It may be that the respondents in our sample considered customer commitment to established brands a strong bond to break and found no merit in trying to use CFI to win such customers. Alternatively, it may be that in our sample, respondents are using methods other than CFI to overcome the barriers of switching cost. For instance, benefits to encourage switching include welcoming perks, contract termination fees, or various online activities and marketing tactics (Bakos, 1997; Lynch & Ariely, 2000; Yang & Peterson, 2004). Clearly, the above explanations have not been directly tested, but do warrant further research.

Results from post hoc analyses lend support to the notion that CFI is not universal and that its antecedents vary as a function of context. The exploratory investigation showed that CFI is triggered by different antecedents in firms run by men versus women entrepreneurs and that the effect is different for novice and experienced entrepreneurs. Post hoc analyses also show that the antecedents are more predictive of CFI among firms pursuing growth orientation (compared to firms focused on lifestyle/family orientation) and that costs and environmental antecedents drive CFI among the higher performance firms compared to lower performance. These findings suggest that CFI may be related to firm outcomes such as performance or growth, and further research is needed to establish the processes underlying such effects.

Normative Implications

Individual experience. Our results show that prior exposure to customer interaction and that being a user entrepreneur is positively associated with CFI. Both these factors are essentially characteristics of individuals who had an opportunity to gain insight on business activity from the customer perspective, either by interacting with customers or by being a user of the product/service. It appears that openness toward CFI increases among

entrepreneurs who had been in the role of customers/users in the past, and who are more aware of practical input that a firm may obtain from its customers. In other words, personal experience with customers and as user-entrepreneurs likely leads to greater appreciation of the value of engaging with customers to enhance product/service value, and perhaps even provides personal skills that facilitates such interaction. This finding not only correspond to other research on the effects of prior experience (Barnir, 2014; Shane, 2000; Venkataraman, 1997), but is also consistent with research on the value of managerial experience and its contribution to strategic decision making.

From practitioners' standpoint, the relationship between executives' personal background and CFI can shed light on why some firms choose to engage in CFI and others do not. Further, to the extent that personal experience is associated with CFI, it may also explain resistance to this process, and may suggest appropriate interventions, if CFI is a desirable strategic outcome. Lastly, practitioners may wish to explore if other personal experience related factors are associated with CFI and how they can be utilized in the business context.

Hiring and training. Evidence of the relationship between founders' and owners' previous user-entrepreneur and customer experience and firm CFI can be utilized by small businesses when making hiring decisions as well as for training purposes. For example, to the extent that a firm wants to promote CFI, it may want to boost its human resources with customer service experience. As such, this experience may become a factor in hiring and selection, or, alternatively training may be initiated to support such practices. Further, it may be useful to explore in research or experimental fashion the source of the effect of user-entrepreneur and customer experience on CFI. Does the effect stem from increased relational skills that enable improved communication and trust, or is it based more on informational resources and input received? Those issues were not the focus on this investigation, but can be valuable for practitioners and managers who wish to implement CFI.

Innovation and product design. Findings of the positive relationship between product/service novelty and CFI suggest the possibility that CFI may be a means for diffusing of innovations and facilitating new product acceptance. It is logical to assume that novelty comes with uncertainty for firms and customers, and when new products/services are being developed, a high degree of customer interactivity becomes an important factor in facilitating understanding and acceptance of the new product/service. Further, high CFI also enhances understanding of customer related issues, and increases the likelihood of effective market targeting and fit between a firm's products/services and customer needs. CFI can thus become an effective means for assisting in the introduction of new products of services. Firms should thus be made aware that enhancing CFI becomes especially important when the firm is attempting to introduce new products or services, and that CFI efforts may have direct effect on the successful acceptance of innovations and innovative products or services.

Risk and uncertainty. The positive association between CFI and innovation, CFI and product costs, and CFI and environmental dynamism suggests that CFI may be used as a means to

mitigate risks associated with volatile environment or product related uncertainties. Those effects support the notion that firms see CFI as a strategic tool that can be used to promote specific objectives. Those results have managerial implications as they suggest that when new products are introduced, when costs are high, and when the environment is volatile, CFI can become a useful resource for firms. For example, when the product/service is new to the market or when the environment is volatile, firms can create more customer oriented jobs where the focus is information and feedback, or train employees to be more receptive and analytical to sift useful information.

Inter-firm variation. Overall, findings from the post hoc analyses suggest that CFI is associated with specific characteristics of individual managers such as their gender or entrepreneurial experience, and that some individuals are more comfortable and are more likely to use it than others. Similarly, the variability found in CFI as a function of firms' strategic orientation or profitability suggests that CFI can serve strategic purposes and can be used to support strategic objectives. However, from a practical perspective, it is important for managers to recognize that CFI is not triggered by and is not associated with the same strategic factors in all firms. Further research is clearly needed that provides more information as to how and why firms differ as well as to the effects of CFI, and once this information is available it could be a useful tool for managers as they make strategic decisions.

LIMITATIONS AND FUTURE RESEARCH

The study explored an area that has not been studied as of yet, and has several limitations. First, in this study the focus was on main effects, to identify those categories of antecedents that affect CFI. We did not explore secondary effect of those antecedents, because our focus was on identifying the relevant antecedents. Exploring indirect effects is warranted to provide a more comprehensive understanding of the effects of the predictors. Second, our focus in this study was on specific factors that we considered especially relevant to understanding the construct. Clearly, those factors were found to play an important role in CFI, however, other factors such as other firm or individual factors, technology, or resources may also play a role. Lastly, our study focused on entrepreneurial / small firms. Such firms are different from larger more established ones, and the results therefore are not generalizable beyond the scope of the types of firms investigated. It may be that the individual factors identified, carry more weight in entrepreneurial / small firms given the central role of the entrepreneur/founder compared to larger firms. Those and such issues should be the focus of future studies.

This study provides initial results to a model that investigates the antecedents of customer-firm interaction. Our focus was on three categories of predictors – individual level, product/service level, and environment. Overall, results of the study support the model. Results suggest that, in entrepreneurial / small firms, the degree of a firm's interaction with its customers is affected by the entrepreneur's prior personal experience with customers as well as by the experience as user-entrepreneur. Results also suggest that certain product/service characteristics – namely

newness and costs – are associated with enhanced CFI.

The study suggests several avenues for future research. First, given that we included individual factors that explain a relatively large portion of the variance (R^2 = 0.11) of CFI, it is appropriate to further explore the role of additional individual factors. For example, are other individual factors such as abilities, attitudes, or other demographics important? Or, what role do relational and interpersonal skills play, if any, in affecting the extent of the firm's CFI? Second, it would be interesting to explore moderating factors to the effects of personal and product factors. For example, does industry volatility or uncertainty affect the way in which firms use CFI given personal and product characteristics? Third, results from post-hoc analyses suggest that different antecedents are prevalent among men and women entrepreneurs. Future research should explore these differences to see why these differences exist. For example, men may be more outward oriented and focus on market and environment whereas, women are more inward oriented and rely on their own experience. Lastly, future research should expand the model used in the present study to include not only additional predictors but also additional outcomes. For example, including firm performance as a final outcome would place CFI as a possible mediating variable. In such instances, researchers could explore both the direct effects of predictors such as user-entrepreneurs or product newness on performance as well as their mediated effect through CFI. Such studies will provide greater understanding of the role that CFI play is in firm performance. Hopefully, these research streams will be carried out in future.

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APPENDIX

Measures

Measure	Items	Measurement
Customer Firm Interaction	*Please indicate the extent to which the following statements are correct and accurately depict your firm and its interaction with its key customers.* In comparison to our competitors… a) …our employees responsible for producing/providing the service/product spend the majority of their daily working time in face-to-face contact with customers; b) …our company's employees spend a lot of time dealing directly with customers; c) …our employees often meet directly with our customers to exchange information when producing the product/service; d) …the service/product we provide requires that our key customers work closely with our employees; e) …in order for our firm to produce high quality product/service, it is very important that close interaction be maintained between our company and our key customers.	7-point Likert type scale ranging from *not at all accurate* to *very accurate*
Customer experience	*To what degree has your work experience to date entailed the following activities?* a) Explaining product/service details to customers/potential customers; b) Working with customers to develop/improve products/services, c) Acting as a liaison between my company and its customers, d) Handling and dealing with customer complaints, e) Being involved in gathering customer feedback, f) Negotiating sales and terms with customers	7-point Likert type scale ranging from *minimal degree* to *very high degree*
Switching costs	*Please indicate your agreement with the following statements*: a) It is usually quite a bit of hassle for another firm's customer to change to our product/service; b) It takes a great deal of time and effort for customers to get used to our products/services; c) The cost, in terms of time, money, and effort, to change to our products is high for the customers; d) When new customers currently working with the competition switch to our company, they have to change costly ancillary processes (or products/services) associated with the main product/service; e) Customers are required to abandon many of their existing contracts in order to use our product/service.	7-point Likert type scale ranging from *strongly disagree* to *strongly agree*
Product / service costs	*To the best of your knowledge, please indicate how your firm ranks in comparison to its close competitors* on a) financial investment made in the company, b) costs of tools and equipment, c) costs of operation / manufacturing	7-point Likert type scale ranging from *much lower* to *much higher*

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FAMILY BUSINESS CEO SUCCESSION: EXAMINING PERSONAL RETIREMENT EXPECTATIONS

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ABSTRACT

Retirement well-being expectations of incumbent family owned business CEOs are a critical precursor to successful succession events. The significant antecedents to retirement well-being expectation are family relationships, wealth management and transfer, leadership succession and development, and continuity and viability of the firm. Using data from a survey of 256 family firm CEOs we demonstrate those relationships and show a very strong connection between retirement well-being expectation and firm performance. Study results support our premise that antecedents to retirement well-being expectation are indirectly tied to the overall health and performance of the family firm.

Keywords: family business, retirement, well-being, succession

INTRODUCTION

Popularly quoted research suggests that only 30 percent of family owned businesses survive the transition from founder to second generation leadership (Grassi Jr & Giarmarco, 2008) and an even smaller number survive into the third generation (Chrisman, Chua, Sharma, & Yoder, 2009; Kets de Vries, 1993). In fact, despite a growing number of studies of cross-generational survival rates (Knowlton, 2010; Parrish, 2009; Sharma & Irving, 2005), researchers have yet to resolve many issues pertaining to transition. Although the many causes of business failure also apply to family businesses, failed succession events can be even more devastating for a family owned business (FOBs). Thus, attention to the process of family business succession is warranted.

Like other scholars, we hold the view that leadership succession is a process, not an event (Longenecker & Schoen, 1975, 1978; Davis & Harveston, 2001; Chittoor & Das, 2007). That process incorporates several distinct phases including initiation, integration, joint reign, then withdraw (Cadieux, 2007) (for a detailed review of succession literature, see Le Breton-Miller, Miller, & Steier, 2004). Further, many agree that a slow succession process is considered wise (Brenes, Madrigal & Molina-Navarro, 2006).

Within the succession literature, predecessor-related factors previously investigated include the incumbents' anxiety regarding mortality, his/her ability to trust the successor, openness to new ideas, quality of relationship with successor prior to, during, and post succession (Chittoor & Das, 2007). Given the relationship barriers naturally in place during such events, the satisfaction of the retiree is of prominent importance (Klein & Kellermanns, 2008). In this study we seek insights into retiree satisfaction and well-being expectations prior to retirement. Next we review the family business literature with respect to succession broadly and retiree well-being specifically. We then develop our related hypotheses. We test those hypotheses using a sample of family owned businesses in India. Finally, we discuss our findings and their implications before offering concluding remarks and suggestions for future research.

LITERATURE REVIEW

Personal Retirement Expectations

Few business owners like to think about the time when they won't be at the helm of their companies. This frequently leads them to postpone the succession planning process. Many family firm owners are unwilling to plan for eventual leadership changes, making such transitions less likely to be successful (Cabrera-Suarez, De-Saa-Perez, & Barcia-Almeida, 2001; Miller, Steier & Le Breton-Miller, 2003; Putney & Sinkin, 2009). Incumbent concerns can lead to succession stagnation or even sabotage of the process (Sharma & Irving, 2005; Ward, 1987). To better understand this particular piece of the succession process, we investigate concerns of the potential retiree. Although several variables impact the succession process, we seek insights into concerns that incumbents have regarding their own well-being (herein we refer to the incumbent, predecessor, or retiree interchangeably).

Although some family business research has focused on the founders in lieu of successor consideration (Cater & Justis, 2009), a considerable body of literature pertains to

successors. In their review of succession literature LeBreton-Miller et al. (2004) demonstrated that the majority of empirical research concentrates on successor motivations as opposed to incumbent motivations; with 40% of the literature on successor, 25% on the incumbent. While we feel that neither consideration has been neglected, and that both are important, our focus centers on incumbents considering succession.

Incumbent considerations of and subsequent hesitations to retire due to discomfort dealing with their own mortality are well established. For example, Cadieux used semi-structured interviews of 10 Canadian firms to develop a qualitative typology of predecessor roles governing the joint management phase of succession (Cadieux, 2007) showcasing that incumbents are suffering from role shift as their new roles replace old ones. Other incumbent qualities investigated as antecedents to successful succession include motivation and willingness to let go; quality of relationship with successor (measured as respect, understanding, trust, cooperation), and incumbent needs (capacity to trust and share vs. tendency to control or be aggressive) (Le Breton-Miller et al., 2004).

While other research efforts have investigated the requirements for appropriate successor choice as well as the training required to ensure their success, our research focuses on the potential retiree. The vast majority of the decision-making power lies within the control of the incumbent considering retirement, not the successor. Thus, we focus where the decision-making power resides. Our orientation is from the view of the incumbent considering exit from the firm and specifically their perception of what a successful succession event would entail. His/her concerns and desires are notably different than the incoming leadership and those differences are of important consideration. For harmony to be in place, the predecessor must be satisfied as well as the successor and other members of the family and firm.

CEO personal retirement expectations have been found in prior studies to directly influence the succession planning in family firms (Gagne, Worsch & De Pontet, 2011). We pull heavily from Potts and colleagues (Potts, Schoen, Loeb & Hulme, 2001a, 2001b), primarily their work with financial planners who cater to family business owners. In their work, several elements of retirement well-being were explored. The primary dependent variable for financial planners is an effective retirement, thus the authors were seeking insights into individual retirement plan effectiveness.

Our research differs as our ultimate focus is on family business performance and survival. We surmise that botched succession events are a leading cause of family firm mortality. Literature confirms that several elements are important for successful succession and each of those elements deserves a detailed exploration. One of those elements is incumbent satisfaction with the overall succession process (Davis & Harveston, 2001) and their expectation of well-being post-succession (Gagne, et al., 2011). If an incumbent does not expect an acceptable quality of life post retirement, they might hinder the succession process or fail to give their full effort. Either way, an incumbent lacking expected well-being may jeopardize the succession event.

We propose that successful family owned businesses can overcome resistance to succession. They know that family and business are not mutually exclusive and therefore spend the time, resources and attention necessary to ensure the internal family issues are in good keeping just as they ensure the business is functioning smoothly. We explore antecedents to family firm CEO personal retirement well-being expectations. We also argue that personal retirement expectations are significant antecedent to firm performance.

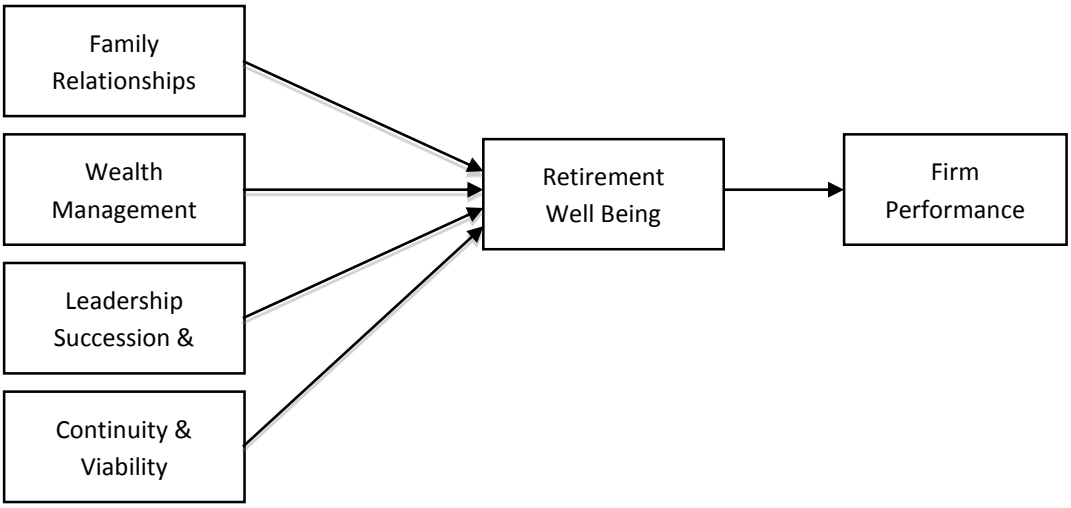
Family business CEOs approaching retirement are more likely to let go and to facilitate rather than impede the succession process when they expect personal well-being following their retirement. Further, we predict that for retirees to expect well-being, several relational and environmental issues must be resolved. High levels of retiree well-being will be associated with good family relationships starting with their spouse and extending to their immediate family before extending to other family members then eventually towards other communities. Additionally, retirees require an orderly transition of their wealth in a manner that enables them to enjoy their retirement years then smoothly transition their remaining assets to their posterity. They have spent a great deal of time and effort building a business that has become synonymous with their individual identity and they wish to find, train and mentor a worthy successor. The combination of these factors provides the basis for our model and proposed hypotheses as proposed below. Figure 1 contains the conceptual model.

Family Relationships

Given the complexities of family business in combining the strategic necessities of business with the relational complexities of family (Wrosch, Scheier, Miller, Schulz & Carver, 2003, Wrosch, Amir, & Miller, 2011), it makes sense that retirees would seek familial harmony in their later years. In particular, it stands to reason that CEOs of family owned businesses recognize that business issues and family harmony are inter-related. Relationships with the successor, other family members, and key non-family players within the firm all influence key choices made by the incumbent CEO (Chrisman et al., 1998; Lester & Cannella, 2006; Sirmon & Hitt, 2003). In order for incumbent CEOs to feel good about leaving the position that likely defines their legacy, they want to know that their family relationships are healthy and in tact. Previous research has demonstrated that relationships with their spouse, children, grandchildren, siblings, and other family members are of key importance to family business owners (Potts et al., 2001). Since family harmony is a key component to successful leadership succession (Chrisman et al., 1998), all parties need to be considered. Transitions are smooth when relationships are trust-based and affable (Morris, Williams, Allen & Avila, 1997). Moreover, trust-based relationships produce low levels of inter-personal conflict, greater personal satisfaction with the relationships, as well as greater intimacy between individuals (McFadyen & Cannella, 2004; Perrone, Zaheer & McEvily, 2003; Rust & Chung, 2006). Each of these contributes to a heightened sense of personal well-being. Thus, incumbent CEO expectations of achieving retirement well-being are proposed to be positively influenced by their inter-personal relationships. Therefore, it is hypothesized that

H1: *Family business CEOs with healthy family relationships are more likely to expect higher levels of retirement well-being.*

Figure 1 – Theoretical Model



Wealth Management & Transfer

Given the average number of years that CEOs spend working in their field (27 years in our sample) and the quantity of time spent at the helm (19 years in our sample), it is reasonable to believe that family firm CEOs want to secure their financial positions prior to departure. CEOs are especially concerned about their ability to maintain their lifestyle with their spouse during their active retirement period and long-term care provisions if that active period is cut short. They are also likely to be concerned about issues of inheritance involving the equitable and/or equal distribution of assets to heirs in a manner that does not reduce the incentive or motivation of those heirs.

Significant financial risk is involved in transitioning leadership responsibilities to a new family business leader. Incumbents therefore seek to secure their financial status prior to the completion of the succession process. They also are likely to desire to be proactive regarding the conditions under which they will transfer substantial wealth to their heirs. Addressing their long-term financial needs and having a plan in place for ultimately disseminating their wealth is expected to increase incumbent CEOs' anticipated level of well-being upon retirement. Therefore, it is hypothesized that

H2: *Family business CEOs who have secured higher levels of wealth management and transfer of their personal finances are more likely to expect higher levels of retirement well-being.*

Leadership Succession and Development

In addition to solid family relationships and strong measures in place to ensure the appropriate amounts and vehicles for wealth transfer, incumbents must believe that their firm is in good hands. Given the legacy of their commitment to industry, firm, and position,

CEOs want to know that they have turned the reigns over to effective successors. Since CEOs of family owned businesses tend to have greater influence over matters of succession than do CEOs of non-family firms, their reputational legacy will be based, on part, on how the firm did after their departure.

Successor-incumbent relationship dyads have been considered in previous works (Longenecker & Schoen, 1975, 1978; Howorth, Westhead, & Wright, 2004). Sharma, Chrisman and Chua (2003) demonstrate that successors and incumbents view succession success differently in their investigation of the alignment of successors and incumbents in Canadian FOBs. For example, the approach to business risk may differ significantly between founder and manager-builder (incumbent and successor) (Cater & Justis, 2009). Therefore successors' motivations to enter the family firm and their attributes with respect to leading the family firm (DeNoble, Ehrlich & Singh, 2007) are of key importance to succession events. Venter and colleagues demonstrate that trust and cooperation between parties were the significant antecedents to post-succession profits and to the perception of succession success (Venter, Boshoff, & Maas, 2005). Likewise, the continued involvement of predecessors beyond a reasonable time decreases successor discretion (Mitchell, Hart, Valcea, & Townsend, 2009), reduces successor satisfaction with the process (Sharma, Chrisman & Chua, 2003), and increases the conflict within family firms (Davis & Harveston, 2001; De Massis, Chua & Chrisman, 2008).

Family businesses are abnormally dependent upon the owner manager single decision maker within the firm (Feltham, Feltham & Barnett, 2005); thus, the primary role of an incumbent during the succession process is to be a mentor to the successor (Cadieux, 2007), but then move on. Incumbent CEOs feel strong bonds towards their organization. As such, they may want to continue functioning as an active member of the leadership team of the firm, or at least act as a mentor to ensure the successor has the appropriate education to maximize the chances for a smooth transition. S/he may also want to maintain active relationships with customers, suppliers, and employees in an ongoing effort to ensure continuity and successful coordination with and acceptance of the new CEO. If these elements are in place, we predict that CEOs are more likely to let go. Therefore, it is hypothesized that:

H3: *Family business CEOs with established leadership succession and development programs in place are more likely to expect higher levels of retirement well-being.*

Continuity and Viability

Although the incumbent's roles during the succession event include sole operator, king, supervisor, and consultant (Handler, 1992), ultimately the incumbent must face the loss of control that comes with succession along with loss of identity within the community (Potts et al., 2001a, 2001b). Research demonstrates that incumbents may be wise in their reluctance to enact a succession event as many family firms experience post-succession stagnation. CEOs want to see their operations continue long after their departure. Transfer of controlling interest in the firm is critical for successful succession events, so the phase out period is critical but unlikely to occur without the retiree feeling good about her/his future. The capital needs of the firm are important to the incumbent but that must be balanced with his/her retirement

needs and those of their spouse. Successor CEOs are expected to increase the size, scope and market value of the firm post succession as validation that the incumbent was diligent in his/her preparation of that successor. Therefore, it is hypothesized that

H4: *Family business CEOs who have secured the continuity and viability of the family business are more likely to expect higher levels of retirement well-being.*

Retirement Well-Being Expectation and Firm Performance

Although numerous antecedents exist for performance (Barnett, Eddleston & Kellermanns, 2009; Chittoor, & Das, 2007; Milton, 2008), our focus is on what influence various constructs have on retirement well-being expectation and, in turn, the role retirement well-being expectation has in shaping firm performance. Within the setting of family business, and specifically our focus on retirees, we argue that retirement well-being expectation provides tangible benefits for the firms. There are legitimate strategic reasons to ensure the well-being of retiring CEOs (Gagne, et al., 2011). Given that CEOs who lack feelings of well-being might seek to delay retirement, it may be in the best interest of all concerned to ensure retirees are well prepared to let go. Retirees with high levels of well-being are more likely to look forward to the succession event, and are therefore more likely to assist in its successful conclusion. Therefore, it is hypothesized that:

H5: *Retirement well-being expectation is positively associated with firm performance in the setting of family owned businesses.*

H6: *Retirement well-being expectation mediates the relationship between A)Family relationships; B) Wealth management and transfer; C) Leadership succession and development; and D) Continuity and viability and firm performance.*

METHODS

Sample

To ascertain the status of family businesses in India, we contracted an India based research firm to assist our efforts. A small team of interviewers were trained in our survey instrument fundamentals. Due to the fact that English is one of India's official languages, is typically the language of choice for business, is taught to all schoolchildren, and the language in which business contracts are written in India, the survey was written in English. Pretests of the survey involved a total of nine senior executives from Indian firms. Moreover, we had our survey evaluated for face validity by three business school faculty members in India and four graduate students in India. In the U.S., feedback was gathered from a total of five business professors (including two from India). Input regarding the instrument was also solicited from 3 Indian graduate students studying in the US. To overcome any residual issues of language, the interviewers were all native to India. Semi-structured interviews were used to convey the intention of the survey and to clearly understand the responses. The sample population was simplified to CEOs of family owned and operated firms within India. Participants had to have direct executive authority for their respective firms to be included in the research study. These participants represented a cross-section of industries and represented numerous geographic regions – the interviews were conducted primarily in major cities of several different states within India. We originally contacted 700 entrepreneurs requesting their

participation in this project. These CEOs were identified by our research partner in India who used government tax rolls and employment databases of businesses registered with their respective state governments. After two rounds of telephone contact and subsequent face-to-face interviews with each willing participant, our response rate for this survey was 36.6%.The survey was a combination of convenience sample plus snowball, meaning that CEOs interviewed were then asked to recommend any other family owned business CEOs they may know that we could contact for interviews. The resultant sample size of useable surveys was 256.

Construct Validation

Exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) construct validation procedures were conducted using SPSS 16.0 (Klein, Astrachan, & Smyrnios, 2005) with Varimax rotation and Kaiser normalization. EFA searches the family of measures to report their correlation behavior into form factors. Though only theory can differentiate causality from correlation, form factors demonstrate discretion between measure groupings. Measures that move more tightly together are more likely to be 'birds of a construct feather'. When eigenvalues of 1.0+ were chosen within the analysis, SPSS reported up to nine possible factors. A scree plot visually suggested the accurate number was between 4 and 7 measures.

To explore further, convergent and divergent validity was assessed. Groupings of measure holdings were reported on a rotated component matrix where individual loadings below .4 were excluded. The rotation converged in fifteen iterations, identifying nine components. Most construct measures remained true to their intended, with minor cross-loading; thus, discriminate validity was demonstrated. However, some measures loaded on isolated components. Of the 37 original measures, 11 loaded on isolated constructs (though never more than two per) and were removed from the analysis. The 26 remaining measures loaded onto five unique constructs (representing our focal independent and dependant variables) that were used in the study. Appendix A includes a complete list of the retained measures and their individual loadings for each construct used in the analysis. Harman's one-factor test for common-method bias was performed (Bruneel, Yli-Renko, & Clarysse, 2010) which yielded nine factors with eigenvalues greater than 1. The first factor accounted for only 22.98% of the variance, thus common-method bias is not an issue in our data.

Once factor constructs are isolated and their corresponding measures are identified, specific tests for internal reliability are rendered. The more the measures move in synch, the higher their reliability as measured by Chronbach's alpha (0.7 was considered the hurdle). The one dependent variable construct and four independent variable constructs are explained below.

Dependent: The dependent variable *Retirement Well-Being Expectation* is comprised of five items drawn from Potts et al (Potts, et al., 2001a,b) who pulled measures scattered across the FOB literature to address the construct. Measures were designed from previous literature to develop an overall sense of retirement well-being in multiple categories enveloping self image, legacy concerns, and retirement activities leading to fruitful experiences after leadership succession. A 7-point Likert scale was used for each item. (Alpha=.752).

Independent: *Family Relationships* is an index variable measured as the average of five measures dealing with family relationships, each determined with a 7-point Likert scale (Alpha=.887). *Wealth Management* is the average of four items dealing with financial condition of the CEO and spouse, each on a 7-point Likert scale (Alpha=.719). *Successor Development* is the average of eight items each on a 7-point Likert scale (Alpha=.826). *Continuity* is the mean of four items of firm continuity and viability, each measured with a 7-point Likert scale (Alpha=.756). Descriptive statistics and bi-variate correlations for the construct variables are presented in Table 1.

Controls: *Firm size* which we measured as the number of full-time employees. Given the distribution of firm sizes and the resultant kurtosis impact, we followed the empirical norm of transforming the size variable via natural log. *FirmAge* is often considered a control variable due to history effects inherent within firms of maturity. Older firms may be more settled in their ways and have less anxiety about their future and are therefore considered a potential confounder of variable relationships worthy of control. Firm age was calculated by subtracting the year of origin from the current year. Given the differences identified in literature between those who start firms and those who acquire them (Davis & Haverston, 2001), we control for *generation*al influence by asking the responder what generation of family ownership they represent.

Performance. We measured performance using perceptual performance measures commonly seen in the literature. On a five point Likert scale ranging from 1 – lowest 20% to 5 – highest 20%, we asked respondents how they rate their firm with respect to other firms in their industry in five performance areas: total assets, profits, sales growth, overall performance, and competitive position. We averaged the five responses.

RESULTS

Descriptive Statistics

The tables in Appendix B contain results of our statistical analyses. Descriptive statistics and correlations are presented in Table 1. Responders to our survey were overwhelmingly male (91.3%). They ranged in age from 24 to 82 years old, with an average of 49.3. Appendix C presents graphs regarding the demographics of the respondents and their firms. Respondents have been in their industry a long time (average of 18.6 years) and have served in their current leadership capacity for 15 of those years. A large portion of our sample represent the first (46.8%) or second (42.8%) generation but ranged to fifth. 64.6% of respondents considered themselves founders, 32.9% as successors. Number of full time employees averaged 86 but ranged to 540. Average number of family members working in the business full time averaged 4.2 but ranged to 27; part time averaged 3 but ranged to 52. Number of generations working at the same time averaged 2.6 but ranged to 7 (actually one respondent claimed 25 and another 40; we discarded both responses). Negative press regarding the nature and attitude of family business succession abounds and our sample displays evidence supporting that uncertainty. While only 12.5% of our sample said they do not want to see continued family involvement, only 43.9% said yes, and 43.5% said they were unsure.

The firms represented in our sample pull from a wide range of industries, but the most represented include retail (19%), professional

services (14.2%), wholesale distribution (12.4%), and non-professional services (12.4%). Average age of our firms is 25 years, but ranged from 1.5 to 200 years. Most of our firms are privately held, only 9.2% trade on a publically listed stock exchange.

Hypothesis Testing

Results for the regression analysis are detailed in Table 2. To test the hypotheses, ordinary least square regression was employed (Olson, Zuiker, Danes, Stafford, Heck, & Duncan, 2003). Models 1 and 3 demonstrate the impact of the control variables on their respective DVs. No issues of multicolinearity were observed when testing for variance inflation (VIF levels were all below 2).

Model 2 includes the impact of the focal independent variables towards the retirement well-being expectation variable. Hypothesis 1 predicts that family relationships will be positively associated with retirement well-being expectation. Model 2 demonstrates that although the variable is highly significant, the relationship is in the opposite direction predicted. Thus, hypothesis 1 is not supported. Model 2 also demonstrates the relationships between wealth management and transfer, leadership succession and development, and continuity and viability towards retirement well-being respectively. All three are significant, thus hypotheses 2, 3 and 4 are all supported.

Model 3 demonstrates the relationship between the control variables and the dependent variable of firm performance. Model 5 demonstrates the relationship between retirement well-being and performance when controlling for the antecedents to well-being expectation. The coefficient is significant, thus hypothesis 5 is supported; demonstrating a positive relationship between retirement well-being expectation and performance.

Hypotheses 6A through 6D claim that retirement well-being mediates any relationship between family relationships, wealth management and transfer, leadership succession and development, and continuity and viability respectively towards firm performance. For each hypothesis, three confirmations are required. First, a relationship between the focal variables and the dependent variable (firm performance) must be significant. Second, a relationship must exist between the mediating variable (retirement well-being expectation) and the dependent. Third, the relationships between the focal variables and the dependent variable must be reduced (Baron & Kenny, 1986) when the mediator is controlled.

Model 4 demonstrates significant relationships between the family relationships, wealth management and transfer, and continuity and well-being variables towards firm performance; thus satisfying the first requirement for hypotheses 6A, 6B, and 6D. The coefficient for leadership succession and development is not significant; thus, hypothesis 6C is not supported.

Model 5 demonstrates that the mediating variable (retirement well-being expectation) is significant on firm performance, thus meeting the second requirement. Finally, model 5 demonstrates the relationship between the focal variables while controlling for the mediator. For the hypothesis to be supported, the coefficient for the focal variable must be reduced when comparing model 5 with model 4. For hypothesis 6A, the coefficient for family relationships in model 4 was -.095, in model 5 the coefficient became non-

significant; demonstrating mediation. Thus, hypothesis 6A is fully supported. For hypothesis 6B, the coefficient for wealth management and transfer in model 4 is .116; in model 5 the coefficient is not significant; demonstrating perfect mediation. Thus, hypothesis 6B is fully supported. For hypothesis 6D, the coefficient for continuity and viability in model 4 is .189, in model 5 the coefficient reduces in magnitude to .146; thus, hypothesis 6D is supported.

DISCUSSION AND CONCLUSION

One of the most interesting finding in this study was that Indian family firm CEOs had a negative expectation of post-retirement well-being when they had high levels of expected family relationship involvement. This suggests that CEOs of family firms in India may continue to carry the burden of being family patriarch after they have left the family firm. This role is demanding in terms of resources (time and money). Wealth management and transfer, leadership succession and development, and continuity and viability are each positively related to retirement well-being expectation. When family firm CEOs believe they have adequate wealth management plans established they are also likely to have high expectations of well-being after retirement. When these same CEOs have confidence that they will have an ability to shape the development of the chosen successor for their leadership position they are also likely to report high levels of retirement well-being expectations. Moreover, when family firm CEOs have confidence in the continuity of their firm after they retire, their retirement well-being expectations are higher.

Results also demonstrate support of a positive relationship between retirement well-being expectation and firm performance. Family firms in which CEOs report high levels of expected well-being after retirement have higher levels of overall performance. CEOs who have a positive outlook regarding their upcoming retirement likely have a more positive outlook in general, more willing to pursue opportunities, embrace input from others in the organization, and increasingly empower their employees to make relevant decisions for the organization. Each of these characteristics can improve the quality of decision making in a firm and positively impact firm performance.

The significance of the retirement well-being expectation antecedents is consistent with prior research (Potts, et. al, 2001a, 2001b) with US family owned businesses, with one exception. Given that our data collection consists of Indian CEOs, the differential relationship between family relationships and retirement well-being are noteworthy and consistent with past research. Although both groups of CEOs rank relationship with family as their primary value requirement for successful retirement, deeper investigations uncovered differences between the two. Specifically, US CEOs valued relationships with their children and spouse (in that order) but valued issues of lifestyle, long-term care needs, mission completion, and identity higher. In contrast, Indian CEOs valued relationships with their spouse as their primary concern, followed by children, grandchildren, employees, other family members well above lifestyle issues. In other words, US CEOs are clearly more interested in addressing their personal retirement issues before addressing issues of family. Indian CEOs are family centric first and place their own self-interests subordinate to familial concerns.

To further explore the dynamic of Indian family owned business CEOs' predominantly negative relationship to retirement well-being, we performed an interaction post-hoc analysis to explore the relationships in greater depth. To do so, we median split the sample based on the family relationship variable. We then re-ran the regressions of remaining focal independent variables (wealth management and transfer, leadership succession and development, and continuity and viability) on the retirement well-being expectation variable to see if differences arose between the low/high groupings. Table 3 offers the resulting differences between the below median sample versus the above median sample.

Several interesting results can be seen in the post-hoc analysis in Table 3. In particular, results suggest respondents from above-median family relationship firms have lower concerns regarding leadership succession. We posit that leaders of this type of firm have a greater generalized positive view that leadership succession will be successful for their firm, owing to the positive expectations regarding their familial relationship post retirement. Moreover, results from the post-hoc analysis suggest that respondents from below-median family-relationship firms are not particularly concerned at all about continuity of the firm. We posit that this may be due to the potential for individuals without satisfactory family relationships to psychologically disconnect from personal interactions with family members as well as simultaneously ceasing to have concerns for the continuity of the family firm.

The influence of wealth management and transfer on retirement well-being is robust between groups, no discernable difference was found between the high vs. low median groups. However, the remaining variables of leadership succession and development and continuity and viability interchanged. Indian family business CEOs who value family relationships below the median value leadership succession and development but are not concerned about issues of continuity and viability which is non-significant. In contrast, Indian family business CEOs who value family relationships above the median value continuity and viability but are not concerned about issues of leadership succession and development.

Understanding the dynamics between incumbent and incoming CEOs is vital for successful family business succession events. When retirees are assured that the various antecedents to well-being are in place, it is more likely they will support and assist the succession events rather than consciously or unconsciously sabotage the process. The succession process can therefore be a positive experience for the individuals involved as well as for the family firm.

Limitations

Given that our survey sample was a combination of convenience plus snowball methodology, issues of generalizability are of ample concern. Although a purely randomized sample of Indian family owned businesses would improve generalizability, practical constraints make this quite challenging. As highlighted by Sharma, Chrisman & Gersick (2012), surveys play an important continuing role in family business research. Prior researchers have successfully employed survey research in family business (Litz, Pearson, Litchfield, 2012). Moreover, this approach has a history in management

research in emerging markets such as India (Collins, Uhlenbruck & Rodriguez, 2009). As Naude (2010) notes, survey research is often essential in developing nations.

Future Research

Our primary unit of analysis in this paper is incumbent CEOs. In the future, we seek insights into the interactive effects between incumbent and incoming CEO before, during and immediately post succession. Collecting data across such levels is difficult to manage but will ultimately test the field's understanding of the succession process beyond antidotal case analysis.

Determining causal relationships between retirement well-being and its antecedents to performance is left for future research. Our focus in this research effort was to confirm antecedent relationships and test their correlation with current FOB performance. Future efforts may implement a lag between variables and performance to explore causality.

Contributions to Practice

This study compliments prior work in this area from Potts and colleagues (2001a, 2001b) pertaining to the self-defined interests of US based family business CEOs. Our observations are significant in that advisors to family owned businesses must understand the motivations of clients in order to deliver value to those clients. Recognizing that executives have multiple possible motivations is an important consideration in determining what is required for incumbents to follow through on succession plans. For US based firms, the advisor may focus on the self-interests of the incumbent as the most important element (even if the incumbent would normally not want to admit that his/her own interests are foremost in their mind). For India based firms, advisors may focus on the on-going family relationship dynamic as the primary influencer of post succession plans. Ignoring these strong and clearly significant influences can lead to botched succession plans and unhappy clients. The survey instrument developed for this study can be useful to family business advisors as a tool for identifying specific motivations of their clients as they contemplate retirement.

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Appendix A: Survey Items
Your Perceptions Regarding Effective Retirement

Picture yourself *at the time you are leaving the CEO position*. Utilizing the following 7-point scale, please indicate the extent to which you agree or disagree that the following statements are necessary for your successful retirement. Answers may range from a "7" which means you "strongly agree" with the statement to a "1" which indicates you "strongly disagree."

Strongly Agree	Agree	Moderately Agree	Neither Agree Nor Disagree	Moderately Disagree	Disagree	Strongly Disagree
7	6	5	4	3	2	1

Retirement Well-Being Expectation (alpha=.752)
[.644] You are comfortable with your self-image and accept your new identity as non-CEO
[.785] You have a sense of accomplishment and completion of personal mission
[.710] You are satisfied with the legacy conveyed to younger generations
[.638] You are satisfied with the vision of the future of the business
[.521] You have a sense of significance and new life after leaving the CEO position
Continuity (alpha=.756)
[.496] The family firm continues as an on-going enterprise after you leave the CEO position
[.801] The successor CEO and leadership team increase the size (revenue) and scope of the family firm
[.799] The successor CEO and leadership team maintain or enhance the market value of the family firm

Family Relationships (alpha=.887)
[.781] You maintain or improve the quality of your relationship with your spouse
[.775] You maintain or improve the quality of your relationship with your siblings
[.877] You maintain or improve the quality of your relationship with your children
[.695] You maintain or improve the quality of your relationship with your grandchildren
[.742] You maintain or improve the quality of your relationship with other family members

Wealth Management (alpha=.719)
[.588] You and your spouse are able to maintain your lifestyle during your active retirement period
[.707] You and your spouse have sufficient income to meet your long-term care requirements
[.681] You and your spouse reconcile your retirement income needs with the capital needs of the firm
[.660]The capital needs of the firm are balanced with the retirement needs of you and your spouse

Successor Development (alpha=.819)
[.603] You continue to function as an active member of the leadership team of the firm
[.572] You act as a mentor for family members who are employed in the business
[.527] You play an informal, consultative role with successor(s)
[.601] You maintain an active role in the financing activities of the firm
[.762] You consider leadership development / education programs important for successor candidates
[.808] You maintain an active relationship with customers and suppliers
[.764] You maintain an active relationship with employees
[.462] You act as a coach/mentor to the successor CEO

Appendix B – Tables

Table 1 *Descriptive Statistics and Correlations*

	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Firm Age	26.4	16.1									
2. Firm Size	86.2	88.5	.591								
3. Industry	7.1	3.4	.212	.286							
4. Founder	1.4	.54	.378	.144	-.014						
5. CEO Age	49.3	13.5	.342	.359	.157	-.065					
6. Family Relationships	6.1	.77	.040	.084	.144	-.186	-.040				
7. Wealth Management	5.5	.79	.224	.207	.075	.167	.167	.176			
8. Leadership Succession	5.3	.73	.390	.272	.219	.080	.264	.325	.362		
9. Continuity	5.5	.77	.268	.285	.112	.131	.059	.279	.605	.568	
10. Retirement Well Being Expectation	5.0	.94	.364	.311	.144	.162	.240	.006	.492	.575	.535

n=256

Table 2 *Hypothesis Testing Model Results*

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Firm Age	.009†	Ns	Ns	Ns	Ns
Firm Size	.279**	.129†	.222***	.161**	.141†
Industry	Ns	Ns	-.033**	-.032**	-.034**
Generation	.276***	Ns	ns	Ns	Ns
Family Relationships		-.272***		-.095†	Ns
Wealth Management and Transfer		.251***		.116†	Ns
Leadership Succession / Development		.443***		Ns	Ns
Continuity and Viability		.288***		.189**	.146*
Retirement Well Being Expectation					.151**
F	13.926***	24.126***	8.325***	8.826***	9.076***
Adjusted R^2	.195	.464	.120	.226	.254
Dependent Variable	Retirement Well Being Expectation		Firm Performance		

Values are unstandardized regression coefficients

†p<.1 * p<.05 **p<.01 ***p<.001

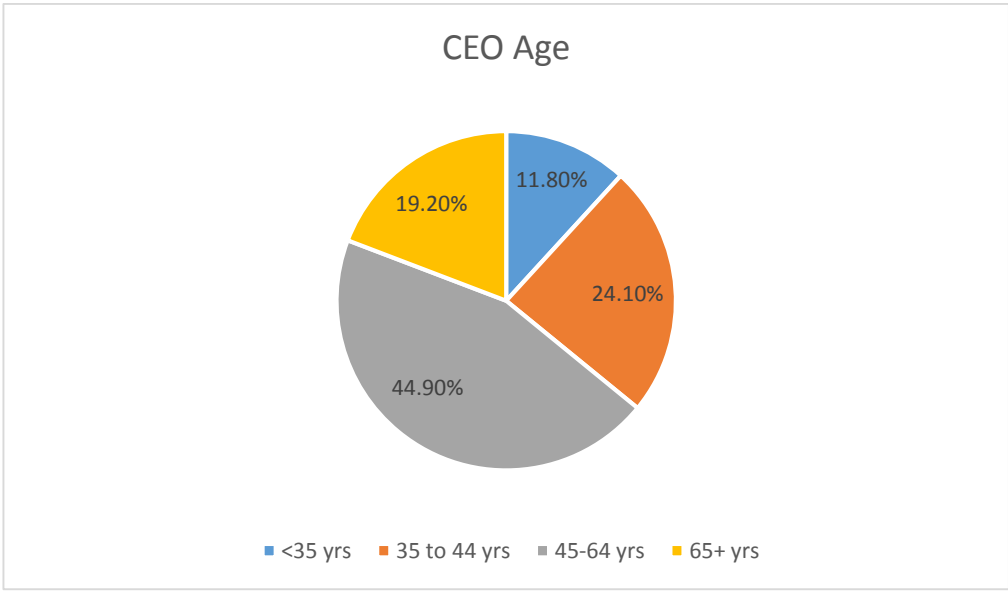
Table 3 *Post Hoc Analysis*
Median Split of Family Relationships

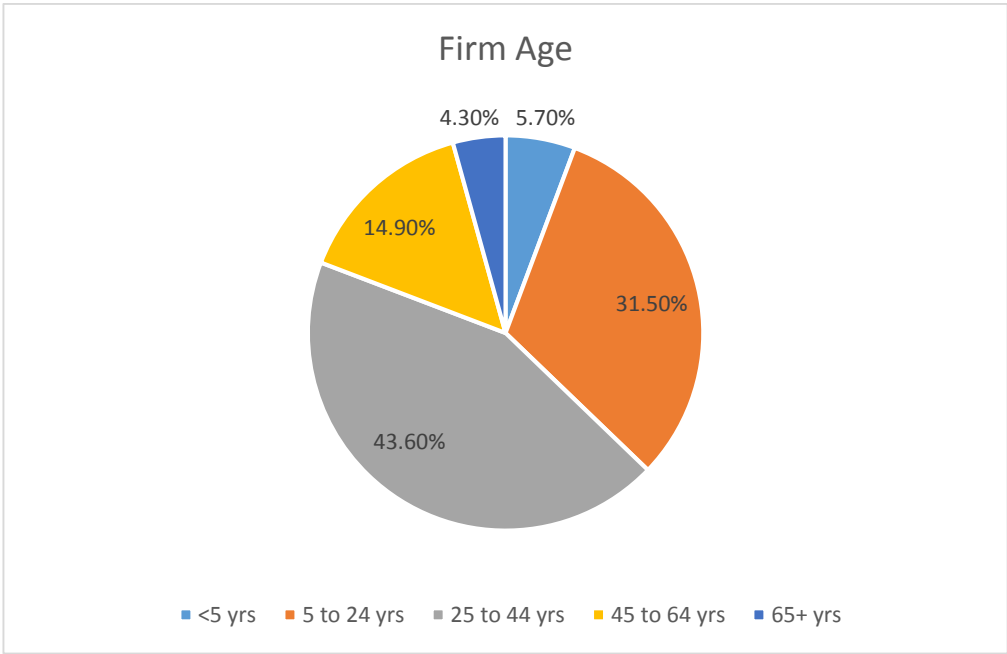
Variable	Below	Above
Firm Age	n.s.	n.s.
Firm Size	.214†	n.s.
Industry	n.s.	.038†
Generation	n.s.	.283**
Wealth Management and Transfer	.252†	.231†
Leadership Succession / Development	.278†	n.s.
Continuity and Viability	n.s.	.516**
F	5.46***	19.11***
Adjusted R^2	.240	.527
Dependent Variable	Retirement Well-Being	

Values are unstandardized regression coefficients
†p<.1 * p<.05 **p<.01 ***p<.001

Appendix C

Demographics of Survey





JOURNAL OF SMALL BUSINESS STRATEGY

ENTREPRENEURIAL ORIENTATION AND LEARNING IN HIGH AND LOW-PERFORMING SMES

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ABSTRACT

This paper examines the relationship between an organization's learning orientation, its information technology competency and entrepreneurial orientation. It is proposed that a commitment to learning and a culture of learning coupled with the tools and capabilities to gather and compile information and knowledge from outside organizational boundaries facilitates the identification of opportunities. Small and medium-sized firms with high levels of an entrepreneurial orientation in turn are able to capitalize on opportunities yielding higher performance levels for the firm. Data from a sample of manufacturing SMEs tends to support these propositions. Conclusions and recommendations for SME management practice is discussed.

Key Words: Small and Medium-sized enterprises; Entrepreneurial Orientation; Learning Orientation; Information Technology Competency

INTRODUCTION

Small firms when compared to their larger counterparts have been described as resource constrained (Acs & Audretsch, 2003). The liability of smallness (Freeman, Carroll, & Hannan, 1983) presents unique challenges with which small firms must cope to survive, grow, and prosper. Yet every year we are provided evidence from various sources (for example the Deloitte Technology Fast 500) that small firms and start-ups are able to overcome the liability of smallness and grow at amazing rates. Since the inception of the Deloitte Technology Fast 500 the average growth rate of these high performing firms exceeds 4000%. Clearly these are exceptional firms that perform well beyond the expectations for the average small and medium-sized enterprises (SMEs) that make up the vast majority of firms. However, these exceptional firms give rise to the question about what factors might distinguish higher performing SMEs from those with lower performance levels.

Academic researchers (e.g., Covin & Slevin, 1991) and the popular press (e.g., Peters & Waterman, 1982) have argued that an essential element for the presence of high performing firms is entrepreneurship or entrepreneurial behavior. It is a self-evident premise that high performing firms of the nature discussed above are able to exploit significant opportunities in the marketplace to achieve such levels of growth. If one accepts that the recognition and exploitation of opportunities represent essential acts of entrepreneurship (Shane & Venkataraman, 2000), then following the logic of Lumpkin & Dess (1996) high performing SMEs will exhibit the characteristics of an entrepreneurial orientation (EO). The EO construct is a multidimensional notion consisting of innovativeness, risk taking, and proactiveness on the part of firms (Covin & Slevin, 1991; Miller, 1983). "An EO refers to the processes, practices, and decision-making activities that lead to new entry" (Lumpkin & Dess, 1996: 136).

The notion of a high performing firm having an orientation toward acting entrepreneurially is likely a necessary condition, however, an EO may not be the only characteristic related to high performance (Brettel & Rottenberger, 2013). The willingness and capability of a firm to be proactive, risk taking and innovative to exploit opportunities in the marketplace may require the firm and its decision makers be able to gather information about potential opportunities and translate information into new knowledge (i.e., to learn) about potential opportunities(Vora, Vora, & Polley, 2012). Hence, two additional characteristics may work with EO to contribute to high performance levels in SMEs: Information technology competency (ITC) (Tippins & Sohi, 2003) and a learning orientation (LO) (Lonial & Carter, 2013; Sinkula, Baker & Noordewier, 1997).

The purpose of this paper is to examine the relationship between EO, LO, and ITC in the context of SMEs to provide managers suggestions and guidance in balancing these dimensions within their firms to yield higher levels of firm performance. Specifically the paper presents arguments for the presence of a positive relationship among the constructs of interest and the performance levels of SMEs. Through this examination and the analysis of data derived from a sample of SME manufacturing firms the paper adds to the understanding of the entrepreneurial process in higher performing SMEs. The organization

of the paper is as follows. The first section discusses the background of the constructs used in this study and develops the arguments for the hypothesized relationships that are ultimately tested. Next is discussed the research methodology and analytical method employed to test the hypotheses. The third section presents the results of the data analysis and the last section provides a discussion of the study's outcomes, the practical implications for high-level SME managers, and conclusions and recommendations that can be drawn from this study.

BACKGROUND AND HYPOTHSES

Entrepreneurial Orientation

The fundamental proposition that underpins entrepreneurial orientation (EO) as a significant theoretical construct is that entrepreneurial firms behave in ways different from other types of firms. Within the field of entrepreneurship and, to a somewhat lesser extent, strategic management research, EO has come to be an important construct in the study of entrepreneurial firms or corporate entrepreneurship and performance (Wang, 2008). Miller's (1983) conceptualization of EO was operationalized (Covin & Slevin, 1989), refined and developed (Lumpkin & Dess, 1996) and has a substantial literature taking shape around the construct (e.g., Covin, Green, & Slevin, 2006; Lumpkin & Dess, 2001; Wiklund & Shepherd 2003; 2005; Entrepreneurship Theory and Practice 2011 dedicated issue). Indeed, the EO notion and its component dimensions has been one of the most researched theoretical and empirical topics within entrepreneurship over the past 30 years. The dimensions most closely associated with the EO construct—those at the heart of Miller's (1983) original conceptualization of the notion of entrepreneurial firms—are risk taking, innovativeness, and being proactive.

Risk Taking. Entrepreneurs are generally regarded as risk takers in terms of their decision-making and business activities. Brockhaus (1980) described entrepreneurs as willing to take calculated business risks that non-entrepreneurs viewed as higher risk. Later research on risk taking proposes that entrepreneurs view certain business situations more optimistically and with more confidence than do non-entrepreneurs (Busenitz, 1999) leading to the contention that entrepreneurs may view risk differently than non-entrepreneurs. However, consistent with Miller (1983) and Covin and Slevin (1989), firm-level entrepreneurial characteristics are exhibited by a pioneering pattern of decision making under uncertainty reflective of risk at a level greater than that exhibited by a conservative, follower pattern.

Innovativeness. A fundamental element of entrepreneurship is innovation which is captured in the form of creating new products or processes (Covin & Miles, 1999; Schumpeter, 1934). Lumpkin and Dess (2001) define entrepreneurial innovation as ". . . creativity and experimentation in introducing new products/services, and novelty, technological leadership and R&D in developing new processes" (p.431). With respect to corporate entrepreneurship, Covin and Miles (1999) argue that innovation is central without which the notion does not exist. Hence, to be entrepreneurial or exhibit an EO, firms must exhibit behavioral actions that are exemplars of innovation irrespective the presence of other dimensions of entrepreneurial behavior.

Proactiveness. Being proactive implies behaviors that can be interpreted as taking the

lead *vis-a-vis* competitors and perceived business opportunities. Covin and Slevin (1989) related proactiveness to aggressive action toward competitors when trying to gain or maintain competitive advantage. They compared this stance to that of a passive and reactive approach that might be taken by a more conservative firm. In a similar way Lumpkin and Dess (2001) articulated that proactiveness exhibits characteristics of leadership in the market place working to influence the task environment. Venkatraman (1989) defined proactiveness as opportunity seeking related or not to existing business activity, new product or brand introductions before competitors, and strategic discontinuance of operations in the face of declining markets. Entrepreneurs act ahead of non-entrepreneurs and entrepreneurial firms are similarly proactive.

This paper adopts the notion that EO is a behavioral action construct (Wolff, Pett, & Ring, 2015). Miller's (1983) seminal work on EO proposed that specific firm-level behaviors captured the essence of entrepreneurship within established firms. Extending and building on Miller's work, Covin & Slevin (1986, 1989, and 1991) developed and refined a survey scale with which to measure a firm's EO. The Covin and Slevin scale has been used by researchers to examine EO in the context of a varied set of firm-level objectives including performance. The relationship to performance (Brettel & Rottenberger, 2013) will be discussed further in the development of the hypotheses in a subsequent section.

Learning Orientation

Organizational scholars have devoted significant attention to the topic of learning at the organization level during the last several decades. Since the seminal work of Argyris and Shön (1978) research into organizational learning has grown exponentially with many significant contributions occurring in the latter half of this period. One of the key beliefs driving this interest is the importance that learning has to a firm's adaptability in dynamic environmental or competitive conditions (Moingeon & Edmundson, 1996). "Organizational learning occurs when members of the organization act as learning agents for the organization, responding to changes in the internal and external environments of the organization by detecting and correcting errors in organizational theory in use, and embedding the results of their inquiry in private images and shared maps of the organization" (Argyris & Shön, 1978: 23).

Conceptually, organizational learning is a meta-construct comprised of three constituent elements: a pre-disposition to learn; learning facilitation; and exploitation of learning through organizational adaptation (Sinkula et al., 1997). A pre-disposition to learn at the organization level is expressed by the philosophy-in-use and culture regarding learning (Lonial & Carter, 2013). Sinkula et al. (1997) articulated this predisposition as a values-based cultural construct and termed it a 'learning orientation' (LO). In this paper the pre-disposition to learn is the focal notion of the research. Organization-level learning begins with the commonly held firm values of open-mindedness and commitment to learning that Sinkula, et al. (1997) articulated as the elements of LO. Open-mindedness is a precondition to the learning process because firms must be willing to question routines and assumptions that comprise mental models (Senge, 1990) driving thought and action. The willingness to question deeply held assumptions and beliefs may facilitate

heuristics and non-routine mechanisms to divine insights and counter-intuitive patterns that solve ambiguous challenges, i.e., double-loop learning (Lei, Hitt, & Bettis, 1996).

Concomitant with open-mindedness is the value that the collective of individuals comprising a firm places on learning, in other words a commitment to learning (Sinkula, et al., 1997). Just as firms are not homogeneous with respect to structural organization they are likely to have very different views with respect to learning. Morgan (1986) conceptualized the culture dimension as a continuum anchored by hierarchical mechanistic organizations on one end and heterarchical network organizations at the other. The cultural values with respect to learning in a machine organization are likely much weaker than in the more organic network organization. Absent the values that reflect a commitment to learning, learning and adaptation is not likely. Hence, LO, at minimum, requires the elements of open-mindedness and a commitment to learning as a precursor for organizational learning and ultimately successful adaptation.

Information Technology Competency

ITC is a multidimensional construct comprised of three co-varying measures—IT knowledge, IT operations and IT objects (Tippins & Sohi, 2003). Previous research suggests that appropriate application of information technology promotes collaboration and information sharing both inside the organization and across organizational boundaries that ultimately may improve firm performance (Celuch, Bourdeau, Saxby & Ehlen, 2014; (Pett, Wolff, & Perry, 2010); Pickering & King, 1995). Thornhill (2006) proposes that the understanding and implementation of knowledge assets (e.g., technologies) are critical elements that can assist management in disseminating the information flows for the firm. From these perspectives it can be concluded that the creation and use of an ITC (Tippins & Sohi, 2003) may facilitate information gathering, analysis, and dissemination crucial for SME growth and performance success.

IT Knowledge. Knowledge, as a concept, implies knowing about something. Some types of knowledge can be articulated and codified as the content of documents. Other types of knowledge are tacit, difficult to articulate and, hence, difficult to measure (Davenport, DeLong & Beers, 1998). IT knowledge is relatively context specific and implies knowledge of and about information technology, its tools and processes; or as Tippins and Sohi (2003) articulate, IT knowledge is "contextually based know-how" (p. 748). Therefore, this paper adopts the Tippins and Sohi (2003) conceptualization of IT knowledge as the technical knowledge that a firm possesses with respect to its computer-based systems.

IT Operations. While IT knowledge represents the know-how that resides in firms, IT operations represent the processes that a firm uses in the application of its know-how. IT operations are the firm's techniques, systems and/or processes undertaken to complete a task to achieve a desired outcome (Granstrand, 1982). Tippins and Sohi (2003) articulate IT operations "as the extent to which a firm utilizes IT to manage market and customer information" (p. 748). As such, IT operations represent the capability to manage external and internal information flows, analyze information, and direct information to the appropriate decision makers in a form that generates effective action.

SMEs are resource constrained and so must make effective choices with regard to the processes they develop. In turn they may have a difficult time pursuing all the systematic approaches available that are related to IT operations. However, working to capture or possess only the critical elements for the firm based on a specific industry's related needs, given the limited resources and budget, may prove to be an effective strategy for SMEs to reap the benefits of IT operations.

IT Objects. The final dimension of an ITC is referred to as IT objects. IT objects are the tools with which IT knowledge is processed through IT operations. Minus the appropriate tools, a knowledge-based system will accomplish little. Tools are enablers used to acquire, process, store, disseminate, and use information (Martin, 1988) coming into a firm. Tippins and Sohi (2003) specified IT objects as a firm's computer-based hardware, software, and the associated technical personnel necessary to complete information processing and knowledge creation through the firms IT operations.

Hypotheses

As was indicated above a recurring theme in the research literature is EO's relationship to various dimensions of firm performance (Lee, Lee & Pennings, 2001; Wiklund, 1999; Zahra & Covin, 1995). The expectation of a positive link between EO and performance derives primarily from the recognition that globalization, technological change, shortened product life-cycles and competitive dynamics have driven firms to be more creative, innovative, and entrepreneurial in their approach to markets (Ireland & Hitt, 1999). Therefore, firms that undertake the actions represented by EO may be able to negotiate environmental dynamics more successfully which should yield higher levels of firm performance.

Following this logic and the results of many studies that have empirically examined the relationship between EO and performance (Brettel & Rottenberger, 2013; Covin, Green, & Slevin, 2006), this paper assumes a positive relationship between EO and performance. This assumption is tested in our data analysis by dividing the sample along the dimensions of high performing firms and low performing firms. There is an expectation that higher levels of EO will be positively associated with performance in that the subset of higher performing firms will exhibit higher levels of EO. However, the primary hypotheses that we seek to test are the relationships between EO, LO, and a firm's ITC. The premise of this examination is that learning is a prerequisite for opportunity recognition and LO in conjunction with ITC represent elements of learning in the organizational setting. In the presence of opportunity an EO is necessary to act on the opportunity which in turn may yield higher levels of performance (Brettel & Rottenberger, 2013). In the following discussion we develop this underlying rationale.

Given the globalization of markets and the pace of technological change (Ireland & Hitt 1999), firms face the very real prospect of trying to outpace, keep abreast of, or fall behind competitors. In the strategic management literature environmental scanning or understanding industry dynamics (Porter, 1980) has been part of the foundation of research in the field. The process of information gathering, analysis and gaining insight into changing conditions is organization learning (Fiol & Lyles, 1985). Researchers propose that organization learning in various configurations is an

essential antecedent to opportunity recognition (e.g., Dutta & Crossan 2005; Lumpkin & Lichtenstein 2005) by entrepreneurs or entrepreneurial firms. Recognized opportunities provide options for strategic renewal or growth (Lumpkin & Lichtenstein 2005), both of which may provide a firm the path to enhanced performance (Wang, 2008).

Therefore, SME firms exhibiting an active orientation to learning (Sinkula et al., 1997) will likely reveal and recognize opportunities. Because SMEs in general may be more susceptible to the liability of smallness (Freeman et al., 1983) they may be open to learning. The "razor's edge" analogy applies requiring SMEs to absorb information and knowledge quickly to reasonably assure continued survival if not growth. Due to resource constraints in SMEs, knowledge acquisition through learning may be a critical element in their continued existence (Vora, Vora, & Polley, 2012). Further, SMEs must be able to act on the learning that they experience (Wang, 2008). To act requires a willingness to take risks, innovate by thinking differently, and be proactive in the face of daunting competition. Thus, learning may require an orientation to act entrepreneurially.

Hypothesis 1: *A learning orientation will be positively related to an entrepreneurial orientation in SMEs.*

Information technology is viewed as a crucial resource useful to gather, store, and analyze information helpful to the strategic management of firms (Bharadwaj, 2000). Implicit in this view of information technology, as a crucial resource—and consistent with the resource-based view of the firm (Barney, 1991)—is that the gathering, storing and processing of information will yield some contribution to a firm's competitive effectiveness and potentially to competitive advantage. A firm's ability to use information technology effectively to obtain, store, analyze and convey meaningful information necessary for effective decision making has implications for the performance of the firm (Pett, Wolff, & Perry, 2010). As discussed above Tippins and Sohi (2003) termed this ability ITC.

Though theoretically appealing, the connection between IT activities and enhanced performance outcomes may be weakened by what Lucas (1999) termed the technology productivity paradox. Tippins and Sohi (2003) hypothesized and found support for the proposition that the connection between ITC and performance was indirect through organizational learning. In other words the mechanisms and capabilities to gather and analyze information require gaining a different perspective concerning the actions necessary for moving an organization forward. Like the idea expressed above with respect to LO, information gathering and analysis need action or a willingness to take action to affect the prospects of an organization. Thus, a capability to gather information may require and orientation to act entrepreneurially.

Hypothesis 2: *Information technology competency will be positively related to entrepreneurially orientated SMEs.*

It is apparent from the discussion above that LO and ITC may be complementary elements that together are necessary for learning to take place in an organization. Each of these requisite elements for learning in an organization may be mutually reinforcing. In

other words the presence of these dimensions in greater amounts within a firm may exhibit a multiplier effect for each other. This multiplier effect can be demonstrated as an interaction of the two elements.

Hypothesis 3: *The interaction between learning orientation and information technology competency will be positively related to entrepreneurial orientation in SMEs.*

METHODOLOGY

Research Design

The research design employed the survey method for data gathering in this study. A random sample of 700 small- and medium-sized manufacturing firms were identified and selected, all from a mid-western state. The random sample represented a broad cross-section of firms from a wide array of industries. A cover letter soliciting a response to an enclosed questionnaire was addressed to the owner, CEO or president from each firm in the sample. A total of 138 key-informants responded to the survey, 117 of which provided complete information. This provided an approximate overall usable response rate of 17 percent, which is consistent with similar studies that survey top management (Hambrick, Geletkanycz, & Fredrickson, 1993).

Measures

Performance. With respect to the performance measures in this study we followed the caution of Lumpkin and Dess (1996) regarding the multidimensionality of the performance construct. "In investigating the EO-performance relationship, it is essential to recognize the multidimensional nature of the performance construct (Cameron, 1978; Chakravarthy, 1986). That is, entrepreneurial activity or processes may, at times, lead to favorable outcomes on one performance dimension and unfavorable outcomes on a different performance dimension (p. 153).

Small- and medium-sized private firms are often reluctant to provide specific information regarding performance. Because of the sensitive nature of the performance construct and following prior research (e.g. Chandler & Hanks 1994; Zahra & George 2000) in this area, we employed a categorical approach to assess firm performance. We asked respondents to answer three questions each on two performance dimensions (growth and profitability) concerning their firm's performance level when compared to similar firms in their industry. Each item used a five-point Likert scale format ranging from 1 'lowest 20 percent' to a 5 representing the 'highest 20 percent' which was used as a measure of relative performance levels. The profit dimension questions asked respondents to compare their firm to the industry for growth in gross profit over the past three years, average gross profit over the past three years, and average after-tax return on sales over the past three years. We labeled this construct "profitability" and deemed it a valid measure because of the single factor loading from a confirmatory factor analysis and because it had a high degree of reliability (α = .93).

The growth dimension questions asked respondents to compare their firm to the industry for growth in sales during the past three years, growth in assets over the last three years, and growth in number of employees during the last three years. This construct was labeled "growth" and deemed it a valid measure because of the single factor loading

from a confirmatory factor analysis and because of the high coefficient alpha ($\alpha = .82$).

Entrepreneurial Orientation. Entrepreneurial orientation was measured using a modified version from Covin and Slevin (1991) and based on prior works of Miller (1983) and Covin and Slevin (1989). The construct was measured by asking respondents twelve (12) questions relating to each dimension - proactiveness, innovativeness and risk-taking. Each dimension included four items. For example in the case of the innovativeness dimension, we asked respondents 'compared to others in the industry our company emphasizes': 'being first to the market with innovative new products/services'; 'developing new processes'; 'recognizing and developing new markets'; and 'being at the leading edge of technology.' Each of the twelve items used a seven-point Likert scale with 1 representing 'strongly disagree' to 7 representing 'strongly agree'. A confirmatory factor analysis was utilized to establish the presence of the multidimensionality of the construct. As expected and similar to past research (e.g. Covin & Slevin 1991) three dimensions emerged from the analysis with an overall scale reliability of $\alpha = 0.86$. This construct was labeled "entrepreneurial orientation."

Learning Orientation. Similar to Baker and Sinkula (1999), we measured two dimensions of the learning orientation construct, commitment to learning and open-mindedness. The respondents were asked whether they either agreed or disagreed with eight (each of the two dimensions had four) response items each. For example 'commitment to learning' was composed of the following: 'the ability to learn is the key to our competitive advantage'; 'learning is a basic value throughout our organization'; 'employee learning is viewed as investment, not an expense'; and 'learning is seen as a necessity to guarantee the firm's survival.' A seven-point Licker scale ranging from 1 – 'strongly disagree' to a 7 'strongly agree' was used. Confirmatory factor analysis yielded two dimensions as expected with an overall reliability of $\alpha = 0.93$. We labeled this construct "learning orientation."

Information Technology Competency. Respondents were asked fourteen (14) questions concerning the computer-based technology used in their firms following the approach used by Tippins and Sohi (2003). ITC is based on three dimensions: knowledge (4 items), operations (6 items) and objectives (4 items). Each item used a seven-point Likert type scale ranging from 1 representing 'strongly disagree' to a 7 'strongly agree.' Respondents were asked how each statement applied to their firm's use of computer-based information technology. For example the knowledge dimension was comprised of the following four statements: 'our technical support staff is knowledgeable about computer-based systems'; 'our firm has a high degree of computer-based technical expertise'; 'we are knowledgeable about new computer-based innovations'; and 'we have the knowledge to develop and maintain computer-based communication links.' A confirmatory factor analysis provided the expected three-factor solution with a high degree of reliability ($\alpha = 0.93$). We labeled this construct "information technology competency."

Firm Size. Firm size was measured by asking the number of employees currently employed by the firm and the log was used as a control variable.

RESULTS

The means, standard deviations and correlations are reported in Table 1. Analysis of the data with respect to skewness and kurtosis in the dependent variables fall within the boundaries of normality (Shapiro & Wilk, 1965) and thus allow for parametric tests of significance. The hypotheses in this study were analyzed using hierarchical regression analysis because an interaction effect exists only if the interaction term yields a significant explanation of variance over and above the direct effects of the independent variables.

Table 1

Means, Standard Deviations and Correlations of Variables

Variable (number of items)	Mean	S.D.	1	2	3	4	5
Size (log emp)	3.99	1.04					
Growth	3.63	0.85	0.18*				
Profitability	3.53	1.01	0.23**	0.57**			
Entrepreneurial Orientation	4.75	0.88	0.15	0.28**	0.12		
Learning Orientation	5.73	0.97	0.01	0.26**	0.08	0.51**	
IT Competency	4.80	1.31	0.34**	0.21*	0.11	0.44**	0.43**

$N = 115$. *$p < .05$; **$p < .01$.

To test the above hypotheses a mean split for both the growth and profitability performance measures were calculated. The results are reported in Table 2, this process resulted in the creation of low and high groups for growth as well as a low and high groups for profitability. These groupings were used for further analysis and are displayed in Tables 2 and 3. Table 2 provides the results concerning the assumption of a positive relationship between EO and the performance of SMEs. Interesting and as cautioned by Lumpkin and Dess (1996) analysis may sometimes yield different results on different dimensions of the performance construct. In this study there is a strong positive relationship between EO and the growth dimension and no evidence for a relationship between EO and profitability. Further analysis reveals, with respect to the growth dimension that proactiveness and innovation are the significant contributors to the EO construct. On the profitability dimension of performance there is not a significant difference between low and high profitability firms for the EO construct or any of its dimensions. Our assumption of an overall positive relationship on the performance dimension is only partially substantiated by the data.

The hierarchical regression results displayed in Table 3 provide the results of the hypotheses tests in this study. All three hypotheses are generally supported by the data, though there are some unexpected outcomes that can be considered interesting. On average the LO construct is directly and positively related to EO in a significant way in all analyses with varying levels of significance ($p < .05$ - $.001$).

Table 2

Comparison of SME Performance Measures on Entrepreneurial Orientation

Dimension	Low Growth (*n*=51)	High Growth (*n*=66)	*F*
Entrepreneurial Orientation	4.26	4.76	8.17**
Proactiveness	4.46	4.92	19.21**
Risk Taking	3.83	4.13	1.02
Innovation	4.32	4.85	4.94*
Dimension	**Low Profitability (*n*=55)**	**High Profitability (*n*=62)**	***F***
Entrepreneurial Orientation	4.66	4.87	1.19
Proactiveness	4.94	5.21	2.67
Risk Taking	4.22	4.34	0.32
Innovation	4.83	4.98	0.48

*$p < .05$; **$p < .01$.

The direct effects for the relationship between ITC and EO are also positive and significant except in the case of low growth firms and high profit firms. When the interaction effect is entered into the analysis the direct effects of LO and ITC disappear (except in the case of high profit firms) confirming hypothesis 3. The increase in *R2* is significant ($p < .05$) in all cases (except low growth firms). Notable also the variance explained in each of the models. Most of the results explain 30-40% of the variance in the EO construct.

DISCUSSION AND IMPLICATIONS

The primary contribution of this article is to illustrate the relationship between EO and the elements of organization learning that were examined in this study: LO and ITC. Wiklund and Shepherd (2003) effectively linked the EO construct with knowledge based resources. This study further examines and links the notion of learning (closely related to knowledge resources) through LO and ITC with EO. In addition this study adds to the evidence of a relationship between EO and firm performance in SMEs (Brettel & Rottenberger, 2013).

These outcomes are consistent with Barney's (1991) articulation of the resource-based view of the firm. ITC, LO, and EO are organizationally embedded constructs having to do with the philosophies in use, values, and culture of small and medium-sized firms (Vora, Vora, & Polley, 2012). Such resources that are organizationally embedded lend themselves to the possibility of creating competitive advantage and higher levels of performance. For SME managers the findings indicate that attention devoted to espoused positive values regarding learning, supported by information processing tools and infrastructure and combined with entrepreneurial behaviors higher levels of SME performance are likely to be the result.

Table 3 *Regression Results for Learning Orientation and IT competency on Entrepreneurial Orientation*

Variables	EO		EO (Low Growth)		EO (High Growth)		EO (Low Profit)		EO (High Profit)	
Constant	1.66***	3.94***	1.69**	3.16*	2.01***	4.16***	1.17	6.99	2.27***	4.61***
Log of Employees	.05	.06	.19	.18	-.09	-.06	.11	.17	-.03	-.01
Learning Orientation	.35**	-.03	- .26***	.02	- .37**	.01	.25*	-.77	-.41***	.01
IT Competency	.18*	-.49	.14	-.31	.22*	-.43	.35**	-.08	.07	-.68*
Learning Orientation x IT Comp.		.12*		.08		.11*		.23*		.14**
F	18.29***	16.04***	5.10**	4.15*	13.91***	11.58***	10.65***	9.04***	10.73***	11.14***
Adjusted R^2	.31	.35	.20	.20	.37	.40	.35	.38	.33	.40
Change in R^2		.04*		.001		.03*		.03*		.07**

While any one of the elements of this study may enhance organizational performance independently, the combination adds a significant level of organization-level social complexity that competitors find difficult to imitate or for which they may find effective substitutes. Thus, the combination of EO, LO, and ITC fulfill conditions for Barney's (1991) resource-based sustainable competitive advantage.

Another contribution made concerns the direct relationship to EO of each of the constructs considered. The idea that LO and ITC are complementary is demonstrated. When examined independently there seems to be a relationship but when considered together the direct relationship disappears. The implication of this for research and practice is that it takes both LO and ITC in conjunction combined with EO within the firm. Simply having an orientation to learning is insufficient without the tools to facilitate that learning. Conversely, having the tools to provide information to decision makers in the firm without the concomitant philosophy, values and culture may be a poor investment.

The third contribution from this study is that the elements of learning embodied in ITC and LO are linked in a significant fashion to the orientation of a firm to act entrepreneurially. The link to higher levels of performance demonstrates that the learning elements complement entrepreneurial action yielding higher levels of performance. It is hoped that this will further encourage research into the linkage of organizational learning, entrepreneurial action and the ultimate performance of firms. In the case of this study there is evidence to support this linkage in small and medium-sized firms.

The findings of this study offer a number of practical implications for owners or leaders of SMEs with respect to the entrepreneurial orientation, learning orientation and information technology competencies as these relate to performance. The findings suggest leaders can certainly implement any one of these activities and experience some improvement in performance. However taken

together, when leaders of SMEs take a holistic approach with decision-making and enhancing firm's learning culture, the findings suggest improvement in performance in a multiple areas. In this study, both growth and profitability improved when leader's actions were broadly implemented (EO, LO, and ITC). Further, our findings suggest for those who work with small business not only is it important to create a risk-taking, innovative and proactive environment (EO) but they should also focus on creating an environment of shared learning (LO) and embraces technology know-how (ITC). These approaches will result in improved performance levels for the businesses over time.

The limitations of this study must be noted. Conclusions drawn are valid if the conditions at the time of data collection persist through time. Also a variety of different industry segments are represented in our response group but the sample was limited to small manufacturing firms. This restricts generalizability of our results and their interpretation. Lastly, the data is self-reported questionnaire responses from a key informant. Careful attention was given to the selection of the key informants from which responses were solicited. Owners and CEOs that are very knowledgeable about the issues in the survey and directly involved in operations of the firm received the solicitation. Our checks of the data revealed similar reliabilities and factor loadings to those of previous published research on which our instrument was based. Though this is the currently accepted standard methodology in SME and entrepreneurial firm research, common method variance may be an issue that cannot be ruled out. However, beyond the limitations noted we believe the paper makes several important contributions as described above.

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CRITICAL SUCCESS FACTORS OF SME INTERNATIONALIZATION

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ABSTRACT

This study was directed towards investigating the critical success factors of SME internationalization. Qualitative and explorative research work have been carried out to detect the key underlying variables existing in the context. Thorough review of literature reveals four important variables as key success factors. Those are: the current internationalization scenario, future internationalization prospects, internationalization competencies, and strategies for internationalization. A conceptual networking model was established from the literature which describes the multidimensional and networking relationship among the main variables and underlying constructs. This study contributed toward developing a model for successful internationalization framework by covering important literature in the field of SME internationalization.

Keyword: SME, internationalization, success factors, model of internationalization

INTRODUCTION

Internationalization has been defined as the process of going beyond domestic operation and operating internationally. SME internationalization is one of the highly discussed issues in the modern literature of international business. Internationalization of SME operation is certainly not a new phenomenon and it is a quite common practice among Western business organizations. The firms in third world countries are striving to put their name on that list. Few firms from developing countries like China, Malaysia and Thailand have been successful with internationalization. As everything is becoming globalized, the traditional idea of international operation solely applicable for larger corporations is no longer valid. Smaller firms particularly from the West are obtaining remarkable success beyond the conventional domestic territory. Modern communication and transportation tools have further enhanced internationalization. With globalization, greater opportunities are provided internationally as the domestic market is continuing to shrink. With this trend, almost every country view domestic market as insufficient for ensuring business growth and sustainability. This scenario has opened diversified fields of research areas for exploring and thus presents numerous scopes to develop theories for the best possible method of SME internationalization. This study has tried to uncover the most important success factors for SME internationalization. To accomplish this, it has adopted the literature review method and also builds a conceptual model for describing the multidimensional relationship among different variables which plays important and determining roles for successful internationalization of small and medium sized enterprises.

REVIEW OF RELEVANT RECENT LITERATURES

Theories and Approaches of SME Internationalization

Internationalization of different types of business organizations including SMEs is a popular subject of research in international business (Buckley & Casson, 1976; Buehner, 1987; Geringer, Beamish, & da Costa, 1989; Bloodgood, Sapienza, & Almeida, 1996; Coviello & McAuley; 1999, Zahra, Ireland & Hitt, 2000; Geringer, Tallman & Olsen, 2000; Denis, Denis, & Yost, 2002; Bae & Jain, 2003; Suarez-Ortega & Alamo-Vera, 2005; Ruzzier, Hisrich, & Antonic, 2006, and Salahuddin, Kahn, & Akram, 2008). Different approaches have been developed over the years to explain the pattern of internationalization including the stage approach, network approach, international entrepreneurship approach, and integrated approach (Suarez-Ortega & Alamo-Vera, 2005).

The Stage Based Approach

The Stage Based approach of internationalization has been defined as a linear and sequential process which constitutes a group of unique stages. There are mainly two approaches under this theory which are Uppsala model (Johanson & Vahlne, 1977) and Innovation related model (Bilkey & Tesar, 1977, Cavusgil, 1980). The Uppsala model has described internationalization as a process of gradual learning through experiences gained from foreign markets (Ruzzier et al., 2006). It is comprised of two basic concepts- the learning process and psychic distance (Collinson & Houlden, 2005). According to the theory

developed by Uppsala model, the internationalization is the process of acquisition, integration, and utilization of both knowledge and expertise in international operations with incremental participation in international markets. By integrating the knowledge gained from international experiences it becomes easier for the enterprises to make decisions (Pett, Francis, & Wolff, 2004). In this way, internationalization can be regarded as the result of a series of incremental decisions. This model is also constructed on two essential elements: the amount of resources committed and the degree of commitment. The interaction between those essential elements also results in two effects known as the static effect and the dynamic effect. The static aspect refers to the resources committed to the target market and the related knowledge. The dynamic aspect is relevant with the influence of the resources on timely decision making and the decisions related to on-going activities (Khayat, 2004). Finally, four steps were developed by the Uppsala model which serve as the main ingredients in the sequential process of internationalization: irregular export activities, export through independent agents, establishment of an overseas sales subsidiary, and overseas production or manufacturing units (Collinson & Houlden, 2005). The Innovation-Related Internationalization Model views internationalization as a process in which the steps are identical to new product introduction and development (Dhanaraj & Beamish, 2003). The foundation of this ideology is that the internationalization process requires innovation for enterprise continuously, and therefore it should be an incremental development process. I-Models can be essentially catergorized into three main stages: pre-export stage, export trail stage and advanced export stage (Coviello & Munro, 1997). In these stages, the degree of innovation is normally higher in later stages compared to the earlier stages.

Network Theory

Network theory of internationalization places importance on the intra and inter-organizational networks for successful internationalization process. Research on network theory is widespread and this concept touches many aspects of business. In explaining the internationalization process of SMEs, Coviello and Munro (1997) pointed out that SMEs show a pattern of externalizing their activities during the internationalization process by depending heavily on establishing network relationships to select the market and the entry mode. In addition, they have argued that rapid internationalization is mostly possible with building relationships and networks. On the other hand, Johanson and Mattson (1988) have argued that internationalization is a process which develops inside the network through commercial relationships with other countries and constitutes three steps-extension, penetration and integration. The network is defined by Cook and Emerson (1978) as a junction of relationships. Coviello and Munro (1997) have also stated that the degree as well as the form of internationalization is influenced by different types of relationships that are developed in the networks. By building financial, technological and market relationships with other members of the networks, the enterprise extends its connection with other enterprises and slowly increases its activities across national borders until they become international.

The concept of international entrepreneurship

The concept of international entrepreneurship is primarily defined as new international operational activities by newly developed enterprises (Ruzzier et al., 2006). In contrast to the stage theory of internationalization, this approach focuses more on rapid internationalization. In addition, this theory asserts has described that as internationalization becomes a passion of new entrepreneurs, they possess immense inclination towards learning and adopting supportive viewpoints, such as innovative ideas, concepts, knowledge, and mechanisms (Collinson & Houlden, 2005). Resource and competency based theories of internationalization are an important addition in this area of literature. According to this theory, resources and competency play key roles in internationalization in all kinds of firms including SMEs. Resources and competencies play an important role in the selection of internationalization strategies. Factors such as financial capability, material capability, and in relation to others, learning capability are determining factors of internationalization. Eventually, the process of internationalization requires the mobilization of resources and competences in the enterprise (Ruzzier et al., 2006; Pantin, 2005). For SMEs to capture the opportunities in the international markets, the entrepreneurial resources, namely the financial and technological resources of the entrepreneur, are important (Dhanaraj & Beamish, 2003).

IMPORTANT FACTORS OF SME INTERNATIONALIZATION

Network, Alliance, Clusters

Business linkages such as networks, joint ventures, and subsidiaries play an important role in increasing the probability of export (Gumede & Rasmussen, 2002). Networks can be used in developing countries to encounter export-marketing problems (Ghauri, Lutz, & Tesfom, 2003). Availability of opportunities arising from globalization, availability of collaborative networks and availability of the sources of funds not only influence, but also dictate the terms in SME internationalization (Zahra, Korri, & Yu, 2005). Anderson (2006) developed a model for interpreting the importance of personal networks for collecting information for the sake of internationalization of firms. Networking capability enables the identification and exploitation of market opportunities, which facilitates the development of knowledge-intensive products and firm international market performance (Mort & Weerawardena, 2006). The involvement of a strategically-focused supplier may strengthen and integrate the resources and capabilities as well as improvement with the international network development and positioning (Johnsen, 2007). There is strong evidence to suggest that a cluster policy brings additional positive effect to existing SME policy in industrialized economies (Karaev, Koh, & Szamosi, 2007). Due to both internal and external constraints, SMEs should use partnerships or strategic alliances to overcome resource and capability deficiencies and to spread investment costs and related risks among partners (Li & Qian, 2007). Agndal and Chetty (2007) have investigated the importance of relationship in various aspects of internationalization. For manufacturing SMEs, building a relationship through networks and alliances is the key to growth in international markets (Sinha, Akoorie, MIEM, Ding, & Wu, 2011). Cluster supply chain plays an important role for acheiving success in the international market (Huang & Xue, 2012). Inter-personal networking and inter-organizational

networking have a strong positive impacts on SME internationalization and marketing (Eberhard & Craig, 2012). Haskell and Pons (2012) explain how smaller enterprises benefit from strategic alliances when they go for internationalization. Varga, Vujisic, and Zdravkovic (2013) have emphasized on building innovation clusters for SMEs to improve the competitiveness in international business.

Capacity Building

Daniel and Wilson (2002) recognize the importance of adopting and utilizing e-commerce for international business. Four constructs (competitive scope, organizational capabilities, entrepreneurial competencies and performance orientation) have a strong influence for acheiving success in an overseas territory (Man, Lau, & Snape, 2002).The adoptions of e-business and e-marketing have had varing impacts for countries with a different cultural, technological and social set-up (Fillis, Johannon, & Wagner, 2004). Furthermore industry and sectorial factors play key roles in the development of e – business and its success for small and medium sized firms' internationalization and overseas operations (Fillis et al, 2004). Financing strategies and the commensurate finance management capabilities play dominant roles in the sustainable success of international business particularly for small and medium enterprises (Gabrielsson, Sasi, & Darling, 2004). For better performance in exporting business, companies need to provide technical and practical trainings (Ko¨ksal, 2006). The decision makers of all internationally successful companies possess a better understanding of the international orientation skills needed which include language and cultural norms (Knowles, Mughan, & Lloyd-Reason, 2006). Firms that share a common language with their international counterparts are able to internationalize faster and these geographically diverse networks contribute to superior performance in international markets (Musteen, Francis, & Datta, 2010). Kenny and Fahy (2011) finds that there is a positive relationship between a firm's network of human capital resources and international performance. Sinkovics, Sinkovics, and Jean (2013) put forth, that online channel support positively enhances export performance for SMEs.

Policy

Rutashobya and Jaensson (2004) articulated that export performance of developing countries' SMEs need to be bolstered by their respective governments to create an environment that will stimulate small firms' competitiveness. Which in turn highlights the importance of policy prescriptions and executions. Balananis, Theodosiou, and Katsikea (2004) place emphasis on few other factors such as standardization and customization, export development processes, rapid technological, institutional, legislative, economic and attitudinal changes for the internationalization of all kinds of firms. Neupert, Baughn, and Dao (2006) found differences in the problems faced by the SMEs in transitional and developed economies. While SMEs from transitional economies encountered export problems related to product quality acceptance and logistics management; the SMEs from developed economies faced issues such as differences between countries, general business risks, and logistics. Ahmed, Julian, Baalbaki, and Hadidian (2006) measured the importance of export incentives for successful internationalization. Export capabilities among small and medium-sized enterprises tend to depend on some key components of

marketing management and also on the blending of processes, practices, and activities (Doole, Grimes, & Demack, 2006).Several factors must be addressed before the SME can achieve international growth including specifically the utilization of technology and domestic infrastructure (Todd & Javalgi, 2007). Shamsuddoha, Ali, and Nbudisi (2009) found that market development-related government assistance significantly influences internationalization. Altintas, Vrontis, Kaufmann, and Alon (2011) investigated the impact of micro and macro-environmental forces on SME internationalization. Interaction of SMEs with the Government also can be a major factor for successful internationalization particularly for the firms of developing and under developed countries (Fornes, Cardoza, & Xu, 2012).

Innovations

International experience, the ability to innovate, understanding growth potentiality and market-specific knowledge are the keys for successful internationalization (Pinho, 2007). Strategic orientations are related to a firm's international performance. This relationship is moderated by its international growth strategy (Jantunen, Nummela, Puumalainen, & Saarenketo, 2008). In addition, international trade shows play a significant role in the internationalization process of small exporting firms (Evers & Knight, 2008). Man, Lau and Snape (2008) pointed out that both direct and indirect contributions of the entrepreneur's opportunity, relationships, ability to innovate, and strategic competitiveness all affect the long-term performance of an SME via competitive scope and organizational capabilities. Karra, Phillips, and Tracey (2008) proposed that three entrepreneurial capabilities which are particularly important for successful international new venture creation are international opportunity identification, institutional bridging, and a capacity and preference for cross-cultural collaboration. Entrepreneurial orientation coupled with a strong desire to seek growth in international markets, always instigate rapid internationalization of small company (Ruokonen & Saarenketo, 2009). Casillas, Moreno, Acedo, Gallego, and Ramos (2009) has described the role of knowledge for the successful internationalization process. Organizational structure, the entrepreneurial processes adopted in creating firms, as well as marketing and learning orientations all are important elements for better internationalization of firms particularly from emerging economies (Kocak & Bimbola, 2009). There is an empirical relationship between organizational learning and organizational performance. In practice, this means that organizations reaching higher levels of organizational learning probably achieve higher performance (Michna, 2009). The factors which dictate the performance of international SMEs differ from non-international SMEs in terms of international entrepreneurship, organizational innovation intensity and firm size (O'Cass & Weerawardena, 2009). Chetty and Stang (2010) also find out that innovation is also a key ingredient of internationalization of smaller firms. Dimitratos, Plakoyiannaki, Pitsoulaki and T*ü* selmann (2010) have outlined international SMEs as global smaller firms and described these firms as more strongly entrepreneurial-oriented than normal ones. Strategic variables for international business, such as R&D intensity have significant impacts for successful internationalization (Li, Qian, & Qian, 2012).

Benefits and Barriers

Altintas, Tokol, and Harcar (2007) measured the impact of existing impediments on internationalization. Profiling and benchmarking the capabilities is an important area of competency for small and medium-sized enterprises (SMEs) to compete internationally (Grimes, Doole, and Kitchen, 2007). Lages and Montgomery (2004) have argued that past performance plays a pivotal role in building SMEs' commitment to exporting and also in determining their current marketing strategy. Long-term orientations on financial export performance and strategic export performance have long term impacts on sustainable success in international business particularly for SMEs (Ural, 2009). Hutchinson, Fleck, and Lloyd-Reason (2009) detected some internal and external barriers which create serious impediments for both internationalization and successful operations in international business. These barriers are primarily related to management and include lack of vision, fear of losing control, lack of knowledge, lack of resources, lack of consolidation in domestic market, and the external environment-legislation, currency, cultural differences and logistics. Psychic distance plays an important role in the internationalization of family SMEs, mainly because of their general cautiousness as a result of family presence (Kontinen & Ojala, 2010). Hewapathirana (2011) studied women entrepreneurs of Srilanka and concluded that the social identity of women entrepreneurs not only enabled them to break glass ceilings but also emerge as competent entrepreneurs who have potential to be successful internationally. Zthis also supported by Al-Hyari, Al-Weshah, and Alnsour (2012) who identified the barriers to internationalization of SMEs from the evidence of Jordan.

Future Prospects

Cort, Griffith, and White (2007) investigated the importance of motivating factors for managers for international business operation. Babakus et al. (2006) focused on a few important factors for internationalization including perceived uncertainty, networking and export performance. Chandra, Styles, and Wilkinson (2009) tried to mitigate the gap of existing internationalization theories by placing importance on the fast recognition of the international entrepreneurship opportunity for successful internationalization. Cognitive complexity acts as a platform for successful processing of foreign market intelligence which is found to have a value-added impact on the SME's export performance (Miocevic & Karanovic, 2011). Mort, Weerawardena, and Liesch (2012) identified four fundamental strategies for entrepreneurial marketing and for acheiving success in international business. Those are opportunity creation, customer intimacy-based innovative products, resource enhancement and legitimacy. Modern internationalization patterns of SMEs are determined by international orientation, growth orientation, communication capability, intelligence generation capability and marketing-mix standardization. The interaction and inter linking relationship among resources availability, goal congruence, entrepreneur's desire to internationalize seem to have a combined impact on international business performance of SMEs (Rocha, Mello, Pacheco, and Farias, 2012). Those small firms tend to perform well in the overseas markets which have prior international business experience and networks which help building knowledge competencies (Park & Rhee, 2012). Hitt, Beamish, Jackson, and Mathieu (2007) identified opportunity creation as one of the

critical success factors for SME internationalization.

Timing of Internationalization

The importance of objective and subjective characteristics of management is vital for not only the initial decision to expand and the support of overseas operations, but the subsequent path and pace of international development (Hutchinson Quinn, & Alexander, 2006). Williams (2006) articulated that only ambitious SMEs will gain rapid success in international market. Ambitious SMEs are those which are active with marketing and information-gathering activities, and tend to dedicate specific financial and human resources to exporting. Hermel and Khayat (2011) emphasized the importance of leveraging between internal and external resources for rapid internationalization of micro-firms. Clercq, Sapienza, Yavuz, and Zhou (2012) portrayed the importance of learning and knowledge in the process of early internationalization. Meanwhile, D'Angelo, Majocchi, Zucchella, and Buck (2013) measured the different geographical pathways and the applicability of those for successful international operations. Success in an international set-up depends heavily upon by the process through which managers or organizations go about internationalization. Sometimes re-internationalization and de-internationalizations are essential as an entry and exit should not be universal, rather should be based on situations and facts (Freeman, Deligonul, & Cavusgil, 2013).

Modes of Internationalization

Interaction and balance between the instruments of control for subsidiaries abroad are also important to success for international operations (Jaussaud & Schaaper, 2006). Mtigwe (2005) identified four micro processes that shape the internationalization process and thus have influences on performance. Those are accelerators, export barriers, selectors of intra-stage foreign market development, and foreign market outcomes. Acedo and Jones (2007) studied the rate of internationalization and focused on four aspects of managers in international operations. Those are risk perception, proactivity, tolerance for ambiguity, and international orientation. Trust based coordination and cooperative arrangements can also be major ingredients for successful exporting and international operations of different types of firms (Fink & Kraus, 2007). Miocevic and Karanovic (2012) have outlined that a global mind-set and broader attitude have a direct positive relationship with export performances. Ripolle´s, Blesa, and Moferrer (2012) outlined that firms choose relatively low-resource commitment entry modes to operate in foreign markets, and thus have significant impact on operations. Firms which presume greater risks by committing higher resources also increase their chances of getting far quicker results.

Destinations of Internationalization

Managing cultural distances, a supportive local industry and positive customer response will be the key to success in international business for SMEs the coming century (Sakarya, Eckman, & Hyllegard, 2007). On the other hand Agndal, Chetty, and Wilson (2008) have detected the importance of social capital in the internationalization process. Critical networks as well as actors and stakeholders in those networks play critical roles in the successful entry of foreign firms especially in the emerging markets (Elg, Ghauri, & Tarnovskaya, 2008). Opportunities exploitation and success gained in international business may be associated with

cross-border combinations of resources and markets (Gregorio, Musteen, & Thomas, 2008). Lan and Wu (2010) concluded that the degree of success in international business largely depends on the risk taking attitude, diversification capabilities and competing aggressively with the firms who are already established in the market place. Management, products, experience and geographical location all have an indirect effect on the SME internationalization (Su & Adams, 2010). Hutchinson and Quinn (2012) identified five traits of small specialist international retailers. Those are possession of a strong company brand image with market appeal, niche strategy, dual strategy of expansion, ownership characteristics defined by the entrepreneurs and vertical integration from manufacturing to retailing. Dimitratos, Voudouris, Plakoyiannaki, and Nakos (2012) added another dimension to the context of international entrepreneurship and business by pointing out the importance of the entrepreneurship culture among the small and medium firms when establishing successful offshore operations. Sandberg (2013) highlighted the importance of accumulated societal, business network and customer-specific experiential knowledge for SME internationalization.

Operational Decisions of Internationalization

Corporate culture particularly in the overseas operation always enables all types of firms including SMEs to gain significant operational, strategic and competitive advantages as this culture is key for ensuring synergy in the organizational process (Gray, Densten, and Sarros, 2003). Ibeh (2003) has identified a number of factors that drive positive international business performances. These include: decision makers' previous experience, international contacts and orientation, and firm-specific competencies relating to planning orientation, adoption of innovative technologies, foreign market information search, and managing channel relationships. There is also profound relationship among risk, operation characteristics and international business performance (Gleason, Madura, and Wiggins, 2006). Product quality, rationalization of operations and capital cost rationalization, and less focus on system integration are important for SME internationalization particularly for manufacturing SMEs (Vaaland & Heide, 2007). Andersson and Flore´n (2008) studied the importance of managerial behavior in international small firms. Zeng, Xie, Tam, and Wan (2008) have found that-technology level, cost control, and brand consciousness are the top three factors affecting the competitiveness of internationalization of manufacturing SMEs. The marketing capability of a firm plays the most important role in improving the performance of firms that embrace internationalization (Zeng, Xie, Tam, and Wan, 2009). Maurel (2009) divided export performance into internal and external strategy related variables and concluded that business partnership, innovation, greater size, and an effective export commitment are linked to better export performance. Atristain and Rajagopal (2010) investigated the importance of operational efficiency for successful internationalization of Mexican SMEs. Ethnic workforce diversity plays a key role in increased internationalization of SMEs and also has greater impact on performance (Mohr and Shoobridge, 2011). The ownership structure has an important role in defining the pathway to internationalization followed by the family-owned SMEs (Kontinen & Ojala, 2012). Shirokova, Verga, and Sokolova, (2013) identified entrepreneurial values,

investments in internal resources, knowledge management, and developmental changes as key components for SME internationalization.

RESEARCH METHODS

The evaluation of critical success factors of SME internationalization has considerable significance and is an important addition to the existing scientific literature in international business. It is important to evaluate factors comprehensively so that every important variable is covered. Along with that it is vital to demonstrate the relationship among those variables and how they can contribute to reaching success in international business if utilized properly. To serve both of these purposes, I used the literature review methodology for this research. First of all, a thorough review of literature took place, and afterwards critical variables considered to be important for SME internationalization were detected. Finally, a conceptual model incorporating the networking relationship among these variables was developed to show the sequencing and multi-dimensional nature of this relationship. This model is particularly applicable for SMEs, not for other businesses, as it is developed from the literature review on SMEs. The studies which were taken into consideration conducted field work and empirical research works on SMEs. Therefore, the proposed model is only applicable for SMEs.

Critical Success Factors

The term "critical success factors" was first introduced by John F. Rockart in 1979 for helping senior executives describe the vital information they needed for successful management of their respective organization. This term, "critical success factors," is the extension of "success factors" developed by Ronald Daniel in 1961. Over the years the term "critical success factors" has been widely used in a variety of fields from hospitality to business and implied as important factors for gaining success in any operation.

RESULTS

Critical Success Factors of SME Internationalization

After reviewing the literature thoroughly and evaluating the multidimensional relationship among different variables, the first thing I did was develop a conceptual networking model for showing and interpreting the relationship. In the literature the scientists in the field of international business have detected and highlighted a few factors which are the key ingredients of SME success in the international arena. My task was just to develop a model with those variables and establish a relationship for showing the sequence as well as the multi-dimensional relationship among those variables.

Current Internationalization to Future Internationalization-Few Key Lessons to Learn and Exploit:

As shown in figure 1, the success factors and key prerequisites of SME internationalization are actually rooted in the domestic set-up where firms start their internationalization process by observing the success stories of the SMEs from the same territories. The current internationalization scenario triggers future internationalization as it exposes the potential benefits and impediments for the SMEs. I have observed that this process is similar to that of traditional marginal analysis in economics, the common process of evaluating benefits and impediments.

"The Current internationalization scenario exposes the existing spectrum for SMEs to do a Marginal Analysis for evaluating future internationalization prospects"

Such old-fashioned marginal analysis which exists in every human action allows the SMEs to see the broader picture. After seeing the broader picture, they are well informed about their potentialities in an international set-up. Through that process the firms also find themselves in a suitable position of listing the existing benefits and impediments. They can make a list of different KPIs (Key Performance Indicators) that are important indicators for success. In addition they also can estimate the probabilities of those KPIs occurring. Sales, profits, growth, market share, risks-the scenario of every business parameters are to be evaluated. Afterwards the summative picture of internationalization prospects is in the hands of the firms for decision making. Now, the key point here is that the success stories of the SMEs depends on two factors: a. How comprehensively and flawlessly they evaluate the prospects and b. How effective and efficient their internationalization decision making is after evaluating such a scenario. The gist of the discussion is the current internationalization picture and it's in ascertaining future internationalization prospects. The success of the SMEs depends on thoughtful, well-timed, and proper utilization of these variables for gaining success in international set-up, which is always more challenging than gaining success in well-known domestic business territory.

Internationalization Prospects Coupled with Internationalization Competencies-A Deadly Combination:

Future internationalization prospects trigger SME internationalization. But as old theories said-potentials are nothing if not explored and utilized in proper ways. For proper utilization of future internationalization it is essential to build competencies among SMEs.

"Turning potentials into reality is the key-Internationalization competencies are the important moderating variables in that context."

According to many international business as well as SME experts, competencies among SMEs cannot be ensured unless both administrators and SME owners act jointly. It is a dual role that can ensure successful enhancement of SMEs and make them competent to face the music in international business operations. In my model I have developed four key ingredients which are essential competencies for SMEs which are going to operate internationally. Those are developed from the concepts and evaluation of relevant literatures in international business and SME internationalization. Those KPIs of internationalization competencies are capacity building, policy development and implementation, building cluster or strategic networking, and innovation development.

Capacity building means making the local SMEs capable of facing international competition. It also means enabling SMEs to progress. In this category, I envisage three categories; the exporter, the potential exporters, and the SMEs who have not identified exporting as an internationalization strategy. These three groups will have different needs and support with regard to capacity building. Therefore, the managerial and organizational determinants will differ. Utilizing the Stages Theory to explore the development and the need for capacity

building as the SME progresses from a domestic operation to internationalization would be appropriate. The process of capacity building can be enhanced by government assistance. Some countries directly empower their domestic firms so that they can go for early internationalization and thus can contribute to the economic development in better ways. ***Clusters Development or Strategic Networking*** among business firms is widely defined as the process by which those firms came together to form a strategic partnership in various aspects of their business (Bari, Heema, and Haque, 2005). Those include setting uniform prices, sharing important machineries, forming joint projects, creating lobbying groups, devising areas of operation, carrying out joint advertising and promotional campaign, sharing important technological and infrastructural tools, and so on (Barnett & Storey, 2000). Such networking is widely accepted and used mostly by firms within the same industry (Greenaway, Girma, and Kneller, 2004). Business clustering, sharing, and networking helps firms to establish more competitive advantages and also minimize risks. ***The SME development policy*** can be categorized as policies that include stimulatory, supporting, and sustaining activities enacted by a policy maker to accelerate the growth and development of SMEs. These policies reflect the stages that the SMEs progress through to achieve internationalization. Stimulatory activities involve acts for motivation to start a business (Greenaway et al., 2004). Supporting includes acts that help the SMEs in doing their business. Finally, sustaining acts include those activities which are directed towards ensuring that SMEs will be able to survive in the marketplace to achieve maturity and capability for competing with larger firms and other rivals. ***Innovation*** is the process of altering something from its current composition or introducing something completely new. Innovation is normally of two types -radical or incremental (Barnett & Storey, 2000). It has its widespread application in the areas of products, processes, or services and in any organization. Innovation can take place at all levels of organizations or sometimes can be in few areas where it is most important. Innovations are hugely important for international firms as competition is intense and customers are demanding and educated. The term innovation is complementary with few concepts like change, creativity, design, and invention, but certainly not the same as those.

Now, all of these internationalization competencies not only makes SMEs more competitive in an international market but also increases their chances to survive. The important discussion point here is that the ultimate success of SMEs in an internationalization process vastly depends on how they build themselves and also how the policy makers or relevant government back them by incorporating proper policies comprising both institutional and infrastructural supports. When a large potential market is served by the SMEs after gaining suitable competencies success is definitely imminent. Otherwise the story can be the opposite, which normally happens to large number of firms across the world.

Internationalization Prospects Coupled with Internationalization Competencies and backed by a Viable and Proper Internationalization Strategy-The Ultimate Success Mantra:

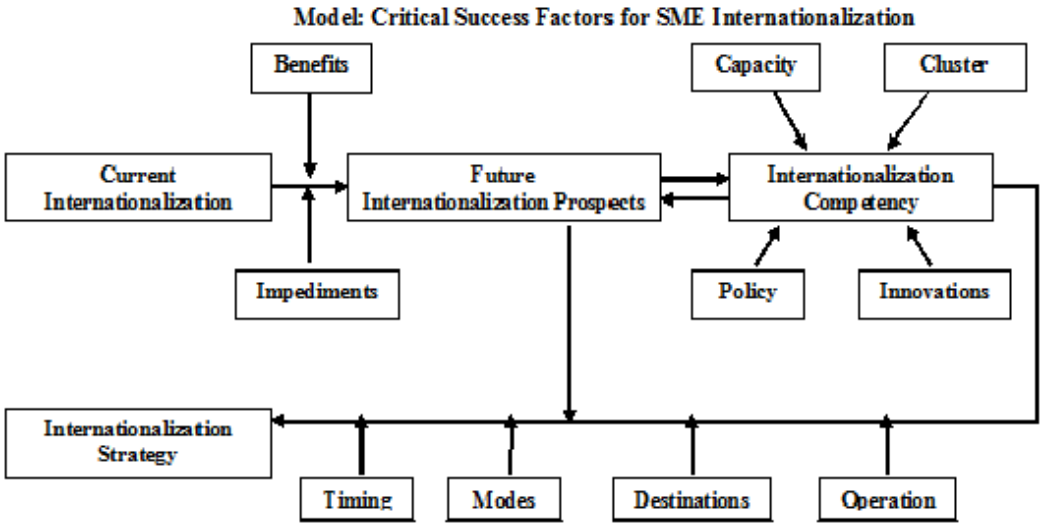
The last phase of my internationalization success factors model constitutes a proper strategic framework for SME internationalization. Strategies are important

both for utilizing competencies as well as for extracting prospects and turning potentials into realities in international business. Strategies and also proper utilization of them along with perfect timing are the keys for international success. In the model I developed, there are four main broad categories of strategies for SME internationalization. Those are modes of internationalization, timing of internationalization, destinations for internationalization and also operational decisions for internationalization.

"Many Businesses have potentialities, many firms possess competencies, but ultimately international success goes to those who have proper strategies for implementation and control"

Modes of internationalization consist of different ways SMEs or other types of firms can go international. The common modes of internationalization are direct exports, direct imports, foreign direct investment, subcontracting, and international technical co-operation. Modes of internationalization are an important consideration in the internationalization process as only appropriate modes can ensure ultimate success and not all types of modes are appropriate in every case. ***Timing of internationalization*** means the time when a firm or SME should go international. It can be very early or may be after several years of domestic operation. Along with modes, timing is always important as sometimes opportunities are short lived and sometimes early internationalization can be the nemesis of a firm. Therefore, wise and calculative decision making for the entry is the key for gaining success in the international arena. ***Destinations*** for internationalization mean the places or countries where a firm should go for international operations. Finding out appropriate destinations are always important as this minimizes risk and ensures profitability and growth. Destinations or country evaluation requires intense research and evaluation. There are different techniques for evaluating among different probable destinations. Adopting those techniques and coming up with viable conclusion can ensure early success for a firm. ***Operational decisions*** in internationalization comprises routine and regular decision making that every firm needs to do in areas, such as marketing, finance, operation, management, HRM, information system, accounting, and auditing. These are important matters as the success of firms largely depends on appropriate strategy making and implementing in the operational areas. The cases of SMEs or other types of firms are no different.

In my model my observation is that those strategic decisions are the important final touch for SME internationalization. Therefore, it is critically important to incorporate appropriate strategies to carry out the internationalization process. All the four elements of strategies are related with every sphere of international business operation. Selecting appropriate modes, timing the internalization perfectly and also making correct operational decisions along with selecting destinations can turn the proper prospects into reality and utilize the competencies perfectly.



DISCUSSION

This model which outlines the critical success factors for the internationalization process of SMEs has strong practical implications for the operation and international expansion of SMEs. The utilization of this model is not limited only to theory development, but also in real life practice. As suggested in the model, current internationalization practices and experiences of SME owners will dictate their choices for future internationalization. Therefore, in a practical sense it is evident that SME owners or managers should utilize their current experience for making future internationalization decisions. In the process of making such decisions they should clearly evaluate the existing benefits and impediments and thereby this model will help them to assess their position as well as for making internationalization decision. In the next phase of the model, it has suggested four competencies from the literature review for developing proper internationalization competencies. Those are cluster, innovation, policy and capacity. All these traits have strong practical implications from the perspective of not only SMEs, but also for the policy makers. The model has suggested that for proper internationalization SMEs need to be innovative, need to possess appropriate capacities, need to be backed by governmental policies, and also have to get the membership of important networks or clusters. Therefore, in practical sense this model is urging the SME owners to develop networking, innovation, and also capacities for internationalization. In addition it is also prescribing the government and other policy makers to make policies for surging SME internationalization. In the final phase the model has incorporated four internationalization strategies for successful internationalization. Those are timing, mode, destination and operational strategies. By doing so, it is practically implying that SME owners must make effective practical decisions about those variables for making a successful entry into the international marketplace.

CONCLUSION

SME internationalization is one of the most highly discussed and debated issues of modern

international business research. Evaluation of critical success factors of SME internationalization therefore is an important addition to the exiting literature in this scientific field. This article evaluated the critical factors with the help of literature and also utilized the researcher's own conceptualization. Such conceptualization was utilized in developing a model for elaborating the success factors and also building and presenting the multidimensional relationship among constructs. This article is also contributing for explaining the existing internationalization theories including stage and process based theories. Further, it is also contributing to assist researchers in carrying out further research and testing of the model into different internationalization contexts and backgrounds and also in different situations.

Direction for Further Research

This model represents numerous scopes for further research works utilizing this model as a basis. It also gives opportunities to develop lot of propositions for testing and carrying out research in different places of the world. First of all, several propositions which are developed in the model can be tested in different parts of the world and comparative studies also can take place for detecting the differences as far as critical success factors of the SME internationalization are concerned. For example, research can be done to test whether cluster or networking is important for SME internationalization in a same degree for SMEs of Cambodia and Germany. Additional propositions such as the importance of four strategic concerns stated in the model can be tested. That means research can be done to assess whether all the four variables are of equal importance and whether such importance varied across the countries. Apart from these, the model also presents several others areas for further research works.

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Table 1: *Summary of Critical Success Factors of SME Internationalization from Recent Literatures*

Broad Success Factors	Author/s	Variables Covered	Broad Success Factors	Author/s	Variables Covered
Network, Alliance, Clusters	Gumede & Rasmussen, 2002	Linkage, Network, Joint Venture	Network, Alliance, Clusters	Li & Qian, 2007	Partnership, strategic alliance
	Ghauri et al, 2003	Network for export marketing		Agndal & Chetty, 2007	Relationship for various aspects
	Zahra et al, 2005	Collaboration for funding		Sinha et al, 2011	Network, alliance for manufacturing
	Anderson, 2006	Personal network for information		Huang & Xue, 2012	Cluster in supply chain management
	Mort & Weera-wardena, 2006	Network for identification		Eberhard & Craig, 2012	Inter-organizational network
	Johnsen, 2007	Suppliers relationship		Haskell & Pons, 2012	Strategic alliance
	Karaev et al, 2007	Cluster in industrialized economy		Varga et al, 2013	Innovation cluster for competitiveness
Capacity Building	Daniel & Wilson, 2002	E-commerce adoption	Capacity Building	Ko¨ksal, 2006	Technical and practical trainings
	Man et al, 2002	Four capability constructs		Knowles et al, 2006	Language and cultural ideas
	Fillis et al, 2004	E-business and E-marketing		Musteen et al, 2010	Geographical diversifications
	Fillis et al, 2004	E-business for overseas operation		Kennyand, 2011	Relationship among human capital
	Gabrielsson et al, 2004	Finance management capabilities		Sinkovics et al, 2013	Online channel support for marketing
Benefits & Barriers	Altintas et al, 2007	Existing impediments	Benefits & Barriers	Hutchinson et al, 2009	Internal and external barriers
	Grimes et al, 2007	Profiling and benchmarking		Kontinen & Ojala, 2010	Psychic distances
	Lages & Montgomery, 2004	Past performance and history		Hewapathira na, 2011	Social identity of women SME owners
	Ural, 2009	Financial, strategic export record		Al-Hyari et al, 2012	Barriers to internationalization
Future Prospects	Cort et al, 2007	Motivating factors for managers	Future Prospects	Mort et al, 2012	Scope for innovation and enhancement
	Babakus et al, 2006	Prospects, uncertainties, risks		Rocha et al, 2012	Inter-linkage among resource affluent
	Chandra et al, 2009	Entrepreneurship opportunity		Park & Rhee, 2012	Scope for knowledge competencies
	Miocevic & Karanovic, 2011	Cognitive complexities			
Timing of International -ization	Hutchinson et al, 2006	Path, pace for internationalization	Timing of International-ization	Williams, 2006	Ambitious internationalization
	Hermel & Khayat, 2011	Leveraging internationalization		Clercq et al, 2012	Knowledge-early internationalization
	D'Angelo et al, 2013	Geographical pathways for timing		Freeman et al, 2013	Re and de-internationalization

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  - SBDC Student Consulting Report/Plan
- **SBI Best Practices Competition**
- **Workshops:** Half or full sessions of special interest to the membership

* Abstracts may be submitted; full papers are eligible for Best Paper awards and may choose to publish only an abstract.

PROJECT OF THE YEAR COMPETITION

SBI Student Consulting Projects:

Undergraduate and Graduate Student Categories

Project Types
Comprehensive, Specialized, and Feasibility/Business Plan

For projects completed
Aug 1, 2015 -July 31, 2016

Submission deadline: Sept. 25, 2016

For more information and to submit:
See information at
http://www.sbida.org/page-1257721 or
contact
Denise.Cumberland@louisville.edu

Small Business Institute® Annual Conference 2017 February 16-18, 2017

Conference Management Site

For more information about conference registration, volunteering to assist with the conference, and to submit a paper or proposal, please see the SBI Website at www.sbida.org

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Rooms and Rates

Standard Garden Room:
$169/night (Single or double)
Web. Feb 15-Sun. Feb. 19

Upgrades available at higher rates

No parking or resort fees

This rate available at conference rates 3 days before and after, as available)

Hotel Reservations

To reserve, call 800.576.4229 before January 16, 2017 and mention *Small Business Institute*

All rooms must be guaranteed with a cash deposit or credit card; cancellations require 72 hours notice.

Important Dates

- October 3, 2016 Submission deadline
- November 11: Notification to authors of acceptance decisions
- December 16: Preliminary Program posted online at SBI website
- January 6, 2017 “Early Bird” Conference Registration deadline
- January 16, 2017: Hotel registration deadline

For More Information, Contact:

Vice President of Programs
Deborah Cours
California State University, Northridge
Deborah.Cours@csun.edu

Small Business Institute®
Educate.Engage.Empower.

JOURNAL OF SMALL BUSINESS STRATEGY

SUBMISSION GUIDELINES

The Journal of Small Business Strategy publishes high-quality, applied research on topics related to entrepreneurship and small business. The Journal stresses strategy across all functional areas. Both conceptual and empirically-based papers are encouraged, but they must have an applied focus. All papers must have a significant literature review, be properly documented, with citations from research-based works rather than popular press or web sites. Since JSBS is an applied research journal, each article should include a substantial "Discussion and Implications" section that details how the findings are relevant for the journal's readers. Authors are discouraged from submitting manuscripts with extremely complex statistical analyses and/or a purely theoretical orientation. Case studies are acceptable if they contribute substantially to the understanding of small business strategy and include a significant literature review that underscores the issues in the case. We do not accept teaching or pedagogical cases.

Articles that have a significant strategy orientation are of particular interest. However, we do also publish articles that may address functional or operational issues. Articles related to exporting or other international issues are acceptable. We have less interest in articles focusing on how small businesses compete in specific countries unless authors show that their results can be generalized to all small businesses. Articles that have a public policy focus are generally not appropriate for the Journal of Small Business Strategy.

Attachments should include separate files for each of the following:

1. A title page including each author's name, affiliation, and contact information including e-mail and fax numbers.
2. The body of the paper that includes the title and abstract but omits author identification.
3. A short biographical sketch for each author that includes title, affiliation, and teaching/research interests. Do not include historical information or awards.

Papers should generally not exceed 25 pages of text, double-spaced, Times Roman 12 pt. font with one-inch margins. Main headings should be typed all caps, bold, and centered. Secondary headings should be typed initial caps only, bold, and flush with the left margin. Paragraph headings should be at the beginning of the paragraph using initial caps only, bold, and italics. Tables and figures should appear at the end of the text, each on separate pages. The placement of tables and figures should be indicated in the body of the paper. Figures should only be included if they add measurably to the value of the paper and must fit on a single page using either portrait or landscape format. Tables should use either Microsoft Word table format or Microsoft Excel. Style (internal citations, reference list, etc.) must conform to the most recent edition of the Publication Manual of the American Psychological Association (APA). Papers may be returned to authors if they do not conform to JSBS formats. International authors for whom English is not their first language should ensure that articles are well written for

English speaking audiences. Please look at articles in recent issues of the journal or the featured article on the JSBS web site for additional details.

All submissions must use the submission system located at www.jsbs.org. All authors must register with the journal in order to access the submission section of the journal.

Submissions may not be under consideration at other publications while under consideration by the Journal of Small Business Strategy. Please check the JSBS web site at www.jsbs.org prior to submitting articles to check for changes in submissions guidelines.

MIDDLE TENNESSEE STATE UNIVERSITY

JENNINGS A. JONES COLLEGE OF BUSINESS

Wight Travel Chair of Entrepreneurship

Established with a gift from Pam Wright (B.S. ’73), the office of the Wright Travel Chair of Entrepreneurship was established to develop a culture of Entrepreneurship across all areas of Middle Tennessee State University and throughout the Middle Tennessee Region. The program offers many avenues for innovation and entrepreneurship, and continues to evolve into a leader for entrepreneurial thinking among students, potential entrepreneurs, and small business owners in the region. With support of the Dean of the Jones College of Business, connections with faculty and leaders across campus and a strong working relationship with the Tennessee Small Business Development Center, innovativeness and entrepreneurial thinking are becoming commonplace.

Dr. Bill McDowell, Chairholder of the Wright Travel Chair in Entrepreneurship said, “Entrepreneurship is not something that that just happens. You have to have passion. You have to have determination, and the Jones College and the Entrepreneurship program at MTSU is uniquely positioned to help students, alumni, and the community realize their dreams. We work with people to organize their ideas and build a structure one piece at a time. We will help them with a marketing plan. We will work on a production plan. We will look for financing options. We'll create the structure to support all of this. And the best part is that we can do this regardless of your background or area of discipline.”

The current program offers an entrepreneurship minor, an entrepreneurship major, and several other opportunities for entrepreneurs and small business owners to connect and develop. These include the annual Wright Travel Chair of Entrepreneurship Business Plan Competition, Global Entrepreneurship Week, an entrepreneurship internship, an entrepreneurship fair for high school students, the Collegiate Entrepreneurs Organization (CEO), ENACTUS, and several opportunities for Experiential Learning.

History of the Chair

Pam Wright (B.S. '73) embarked on her entrepreneurial adventure in 1981 when she opened Wright Travel Agency in Nashville. Today Wright Travel boasts 28 locations in seven states with annual sales of $128 million. In 2007, Pam pledged $1.25 million to MTSU to establish the Wright Travel Endowed Chair in Entrepreneurship. She is a member of the 2009 class of Tennessee's “Women of Influence” and an MTSU Distinguished Alumna.

Jennings A. Jones College of Business

The Jones College of Business consists of five academic departments that offer a total of nine undergraduate majors, nineteen minors and eight graduate degree programs. Highlights since 2013 include new graduate programs, a revised undergraduate core curriculum, continuing upgrades to the building and grounds, campus-wide leadership in technology, a new college magazine, and many other marketing efforts designed to tell our College's great story. Our full-time faculty of approximately 125 members includes several professorships, three chairs of excellence and three endowed chairs. Dr. Bill McDowell holds the Wright Travel Chair in Entrepreneurship. The Jones College first achieved accreditation from AACSB International in 1977, and AACSB granted initial accreditation for our Accounting Department in 2004. *Military Times EDGE* magazine named the Jones College one of 64 "Best for Vets: Business Schools" in the country in 2014.

Middle Tennessee State University

Located approximately 35 miles southeast of Nashville in Murfreesboro, Tennessee, Middle Tennessee State University began in 1911 as a two-year normal school. Currently, MTSU enrolls more than 23,400 students in eight academic colleges. MTSU is part of the Tennessee Board of Regents (TBR) system consisting of six universities, thirteen community colleges, and twenty-six technical/vocational schools. The TBR is the sixth largest higher education system in the United States. Tennessee also has the University of Tennessee system. The Tennessee Higher Education Commission (THEC) regulates both systems.