THE IMPACT OF RESOURCE SLACK ON SME INTERNATIONALIZATION (SUMMARY)

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Recommended Citation  
Kiss, Andreea N.; Fernhaber, Stephanie A.; and McDougall-Covin, Patricia P. (2014) "THE IMPACT OF RESOURCE SLACK ON SME INTERNATIONALIZATION (SUMMARY)," *Frontiers of Entrepreneurship Research* : Vol. 34 : Iss. 15 , Article 3.  
Available at: https://digitalknowledge.babson.edu/fer/vol34/iss15/3

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Principal Topic

The impact of resource slack on firm outcomes has been extensively studied in both the strategic management and entrepreneurship literatures. Yet scholars have only recently turned their research attention to the impact of resource slack on firm internationalization, and the implications for SMEs are less clear. Does slack promote or hinder SME internationalization? What type of slack is more strongly associated with SME internationalization and under what conditions?

To address these questions we integrate behavioral and resource based arguments with the international entrepreneurship literature. We suggest that the relationship between financial and human resource slack and international intensity is curvilinear: SME internationalization will initially fall as the level of resource slack increases, given that there is less pressure to find solutions to survive and grow. However, at moderate to high levels of resource slack, SMEs have the breathing room and ability to proactively pursue opportunities which positively affects internationalization. We further suggest the relationship is contingent upon whether or not the firms pursue product innovation.

Method

To test our hypotheses we used a sample of 3,534 firms from France, Italy, and Spain derived from the EU-EFIGE/Bruegel-Unicredit Dataset. Our dependent variable was international intensity. Slack and control variables were lagged to address endogeneity issues.

Results and Implications

The results largely confirmed our hypotheses. We advance the international entrepreneurship literature by providing an elaborated understanding of the role of resource slack on SME internationalization. By analyzing how slack impacts SME international intensity as well as a boundary condition- product innovation focus- associated with this relationship our work moves the international entrepreneurship literature beyond its focus on network and absolute resource based explanations. We also highlight that the effects of slack on internationalization are distinctly different than that of slack on firm performance and respond to calls in the literature for integrated behavioral and resource based explanations regarding the role of slack in different firm related strategies. From an empirical perspective we attempt to provide a large scale, cross-country empirical explanation to issues related to slack in SMEs shifting the focus from established firms competing in one economy and increasing the explanatory power of slack related theories.

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