PUSHING THE LIMITS OF INTERNATIONAL SCOPE EXPANSION WITHIN SMES: AMBIDEXTERITY AND EXPLOITATION CONSIDERATIONS (INTERACTIVE PAPER)

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A shortcoming of much extant research on the process of internationalization is an emphasis on either strategic exploration or exploitation while ignoring their duality. We examine exploration within SMEs through their efforts to expand their international scope. Internationally focused SMEs must expand their scale and scope to learn and iterate towards more sustainable competitive positions. However, this scope expansion is costly and may eventually provide limited returns producing an inverted U-shape relationship with international performance. Potential theoretical resolution of this tension with international scope expansion is offered in the literature on ambidexterity. Expansion of scope within SMEs demands a disciplined counterbalance, and thus corresponding strong emphasis on exploitation in tandem to capitalize on the increased knowledge inflows as scope expands. Therefore, we argue that SME exploitation efforts positively moderate the relationship between scope of internationalization and firm international performance.

Method

The basis of the study is a quantitative survey of internationally active SMEs in all sectors that was conducted in Switzerland between May and July 2010. The survey was addressed to the companies’ key decision-makers, typical respondents were founders, co-founders, and CEOs. A total of 799 usable questionnaires were returned, online or in writing, representing a 11.5% response rate. 625 Swiss SMEs in all parts of the country took part (the other 174 respondents were larger firms).

Results and Implications

By using OLS analysis, our results intriguingly did not offer support for a curvilinear relationship between scope of internationalization and international performance among SMEs. Rather, we observe positive and significant support (b=0.2, p<0.01). A significant moderating effect was observed between scope expansion and SMEs exploitation efforts (b=0.09, p<0.1).

In sum, we find support for the supposition that both exploration and exploitation are essential for organizational success within the context of international scope expansion. Successful international SMEs are able to resolve the tension between exploration and exploitation, achieving an ambidextrous balance within their international operations as they expand their international scope. Future research exploring international scope and performance within SMEs would benefit from greater consideration of the nuances of an ambidextrous approach to international expansion.

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