PERFORMANCE CONSEQUENCES OF INTERNATIONALIZATION AMBIDEXTERTY IN ENTREPRENEURIAL FIRMS: THE EFFECT OF ABSORPTIVE CAPACITY (SUMMARY)

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SUMMARY

PERFORMANCE CONSEQUENCES OF INTERNATIONALIZATION AMBIDEXTERITY IN ENTREPRENEURIAL FIRMS: THE EFFECT OF ABSORPTIVE CAPACITY

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Principal Topic

Internationalization is important for the survival and success of entrepreneurial firms. Although several empirical studies have linked internationalization to the performance of entrepreneurial firms (e.g., Bloodgood et al. 1996; Qian & Li, 2003), little attention has been given to the performance consequences of different internationalization processes. In this paper, we apply ambidexterity, a concept mainly used in innovation research, to study internationalization processes of entrepreneurial firms. Ambidexterity is defined as the ability of firms to perform alignment and adapting tasks at the same time (Tushman & O’Reilly, 1996). We propose that firms which seek to both explore and exploit international markets perform better than firms with no or focused international activities. The coordination of exploration and exploitation activities in international markets requires knowledge-based resources within the firm. High absorptive capacity as the capability to assimilate and apply knowledge (Cohen & Levinthal, 1990; Zahra & George, 2002) increases a firm’s opportunities to generate value from internationalization. Absorptive capacity may, therefore, have a crucial influence on the relationship between internationalization ambidexterity and firm performance.

Methods

In order to test our hypotheses we draw on a sample of 128 German IPOs. We consider two measures of internationalization ambidexterity: (1) Adapting the measure of ambidexterity by Lin et al. (2007), the first indicator is based on the number of new countries with subsidiaries divided by the total number of new subsidiaries. (2) We calculate an interaction term consisting of foreign sales and the number of new countries where the firm established subsidiaries.

Results and Implications

We believe to make three contributions to the international entrepreneurship literature. First, we merge the ideas of international entrepreneurship and ambidexterity and introduce the concept of internationalization ambidexterity. Second, we show that entrepreneurial firms benefit from combining exploration and exploitation activities in internationalization. The results indicate that internationalization ambidexterity increases the performance of entrepreneurial firms. Third, we consider the absorptive capacity of firms as a contingency that influences the success derived from internationalization ambidexterity. Absorptive capacity reinforces the positive relationship between internationalization ambidexterity and the performance of entrepreneurial firms.

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