The Effect of Strategic Orientation on the Speed of Internationalization in Small and Medium-sized Enterprises in South Korea

Jung-Min Park\textsuperscript{a}, Jae-Eun Lee\textsuperscript{b}, Yun-Ho Jeong\textsuperscript{c}

\textsuperscript{a}School of Business Administration, University of Ulsan, South Korea
\textsuperscript{b}Division of Business and Commerce, Sunchon National University, South Korea
\textsuperscript{c}Division of Business and Commerce, Sunchon National University, South Korea

\textit{Received 17 September 2018, Revised 08 October 2018, Accepted 23 October 2018}

\textbf{Abstract}

This study demonstrates the impact of strategic orientation on internationalization speed in small and medium-sized enterprises (SMEs). The results of an empirical analysis on 206 SMEs located in the Gwangju and Jeonnam regions of South Korea are as follows. First, export orientation has a positive impact on the speed of internationalization in SMEs. This result suggests that export-oriented SMEs can increase internationalization speed by not only sharing and utilizing information about overseas markets, but also by showing higher export commitment. Second, innovation orientation does not have a significant effect on the speed of internationalization in SMEs. It is believed that general SMEs tend to have a relatively difficult time carrying out innovation activities or taking risks because they instead seek stability in environments of intense competition. Finally, relationship orientation is shown to have a positive influence on the speed of internationalization in SMEs. As preceding studies emphasize, these findings suggest that SMEs can supplement their limited resources and capabilities through inter-firm cooperation networks, which may shorten the time it takes to internationalize. This study identifies a link between strategic orientation in SMEs and the speed of internationalization, which is a relatively understudied area of existing literature. Furthermore, this study considers relationship orientation as a dimension of strategic orientation, which preceding studies do not explore.

\textbf{Keywords}: Export Orientation, Innovation Orientation, Relationship Orientation, Speed of Internationalization, Strategic Orientation

\textbf{JEL Classifications}: F14, M16, M31, O31
I. Introduction

As industry competition intensifies across the globe, companies are finding it increasingly difficult to maintain competitive advantages. In environments of hyper-competition, many companies are choosing to pursue internationalization as a means of survival (Bartlett and Ghoshal, 1989; D’Aveni, 1998; Lee Jae-Eun and Yang Young-Soo, 2017). In addition, the development of information and communication technology (ICT) and changes in the international trade environment have led to the emergence of new company models, such as international new ventures or born global firms (Knight and Cavusgil, 1996; Oviatt and McDougall, 1994). Many researchers have conducted various studies to identify the characteristics of international new ventures or born global firms as models that have achieved rapid internationalization (Autio, Sapienza and Almeida, 2000; Cha Soon-Kwean and Kim Min-Ho, 2009; Choi Woo-kyung, Seong Kil-Yong and Choi Soon-Gwon, 2016; Knight and Cavusgil, 1996; Oviatt and McDougall, 1994; Park Ken-Ho and Kho Kyung-Hi, 2007; Wagner, 2004; Zhou, 2007). Such studies include research on international entrepreneurship (Autio and Sapienza, 2000; Bell and McNaughton, 2000; Oviatt and McDougall, 1994) and research on inter-firm collaboration networks using network perspectives (Coviello and Munro, 1997; Madsen and Servais, 1997). In addition, studies on rapidly internationalized companies have also explored theoretical research using resource-based views, transaction cost theory, and risk management theory (Autio and Sapienza, 2000; Bloodgood, Sapienza and Almeida, 1996). According to Rialp, Rialp and Knight (2005), many studies on the speed of internationalization have emphasized that the capabilities of people, technological development, global networks, and alliances are all determinants of rapid internationalization (Knight and Cavusgil, 1996; Madsen and Servais, 1997; Moen, 2002). These prior studies, however, mainly focus on technology-based venture firms. Because these types of venture firms are characterized by innovation and risk-taking, it is difficult to apply the results of such studies to general SMEs.

Small and medium-sized enterprises (SMEs) are also facing environmental changes, such as intensifying competition in the global market as well as recessions in domestic markets. Thus, many SMEs are choosing to go global in order to create a sustainable competitive advantage to ensure their survival (Kalinic and Forza, 2012). While SMEs may lack resources and capabilities compared to large companies, they can strengthen their resources and capabilities by actively acquiring knowledge about overseas markets and seeking growth opportunities through rapid globalization (Moen and Servais, 2002). In addition, by quickly entering the global market, SMEs can overcome the liabilities of smallness by complementing their scarce resources in the global market and forming an inter-firm network. For these reasons, rapid globalization for SMEs is a critical decision-making issue related to the survival and growth of SMEs (Choi Yu-Ri and Bang Ho-Yeol, 2015; Coviello and Munro, 1997).

Despite the importance of the topic, research on the speed of internationalization in general SMEs has not attracted much attention from scholars and experts (Johanson and Vahlne, 2009; Kalinic and Forza, 2012). Given the high share of SMEs in the industrial ecosystem of South Korea, research on the speed
of internationalization in general SMEs is quite insufficient. In addition, existing studies have looked mainly at the factors affecting the speed of internationalization from perspectives of management and/or structural features of firms, without fully considering the strategic aspects of firms. Therefore, this current study considers strategic orientation as a major determinant of the speed of internationalization in SMEs in order to overcome the limitations in existing literature, which, to date, has not positively identified this approach.

Many studies emphasize the importance of strategic orientation for the creation of sustainable competitive advantage (Gatignon and Xuereb, 1997; Kohli and Jaworski, 1990; Narver and Slater, 1990). According to Gatignon and Xuereb (1997), a firm's strategic orientation is its set of intentions to ensure appropriate behavior for consistent creation of superior performance in the firm's area of business. In previous research, various sub-dimensions of strategic orientation have been presented. For example, Narver and Slater (1990) suggested customer orientation, competitor orientation, and inter-functional coordination as sub-dimensions of strategic orientation. Similarly, Gatignon and Xuereb (1997) suggested customer orientation, competitive orientation, and technological orientation as sub-dimensions of strategic orientation. While inter-corporate cooperation is very important for SMEs with relatively limited resources and capabilities in comparison to large enterprises, prior studies have failed to consider this relational aspect as a sub-dimension of strategic orientation. This study expands the sub-dimensions of strategic orientation proposed by Gatignon and Xuereb (1997) and Narver and Slater (1990) on the basis of an international perspective, thus reflecting the relational aspects between firms.

In particular, in this study, we present export orientation, innovation orientation, and relationship orientation as sub-dimensions of strategic orientation. Furthermore, we identify the effects of these sub-dimensions on the internationalization speed of SMEs.

This study establishes the Gwangju and Jeonnam provinces in South Korea as research areas, and conducts empirical analyses for SMEs in the region. According to data analyzed by Na Ju-Mong, Lee Jun-Bum and Kim Sang-Woo (2016), the percentage of total farming and fishing workers in Korea in 2013 accounted for 6.4% of the industry. However, if you look at Jeonnam province alone, the percentage of people engaged in agriculture, forestry, and fisheries accounted for 23.9%. In other words, it can be seen that Jeonnam province has a higher proportion of workers in agriculture, forestry, and fisheries in comparison to other industries. In addition, in Gwangju, manufacturing workers in the automobile, white home appliances, and textile industries were found to be in the majority, while in Jeonnam province, manufacturing workers in the steel, shipbuilding, and petrochemical industries were the most highly employed (Na Ju-Mong, Lee Jun-Bum and Kim Sang-Woo, 2016). This implies that the Gwangju and Jeonnam provinces have a more traditional industrial structure than other regions. Thus, the study sample of SMEs in this region is considered highly suitable for identifying the speed of internationalization in general SMEs.

The composition of this paper is as follows. First, we review trends in related literature regarding the speed of internationalization and strategic orientations in SMEs. Section 3 draws research hypotheses based on the relevant
literature. Section 4 describes the research methodologies used and Section 5 presents the results of empirical analysis. In the final section, the results of empirical analysis are discussed and the implications and limitations of this study are presented.

II. Literature Review

1. Speed of Internationalization

According to early theories of internationalization, the internationalization of firms was viewed as a gradual learning process (Johanson and Vahlne, 1977). In light of the development of ICT and changes in the international trade environment beyond traditional-stage models in business, new types of companies have emerged including international new ventures and born global firms. These new ventures are rapidly achieving internationalization (Knight and Cavusgil, 1996; Oviatt and McDougall, 1994). For example, Oviatt and McDougall (1994) stressed that changes in the global business environment are differentiating new forms of business from traditional multinational firms. This previous research defined international new ventures and presented the typical characteristics and types of international new ventures. According to Oviatt and McDougall (1994), from its inception, international new ventures seek to gain a significant competitive advantage via the use of resources and the sale of products from various countries. They also pointed to unique resources that can generate sustainable competitive advantages, along with internationalization of some transactions, alternative governance structures, and foreign location advantages as features of international start-up ventures (Oviatt and McDougall, 1994). Similarly, Knight and Cavusgil (1996) have defined born global firms as small companies focused on technology, which, from inception, target foreign markets. They argue that the characteristics of born global firms are as follow: (1) Management views the world as its marketplace from the outset of a firm's founding; (2) Firms begin exporting one or several products within two years of establishment and tend to export at least a quarter of total production; (3) Firms tend to be small manufacturers, with average annual sales usually not exceeding $100 million; (4) The space features active entrepreneurs, and firms tend to emerge as a result of a significant breakthrough in some process or technology; and, (5) Born global firms apply cutting edge technology to developing a unique product idea or to a new way of doing business. As companies with the ability to achieve such rapid internationalization have emerged, much research has been done on the speed of internationalization (Armario, Ruiz and Armario, 2008; Bloodgood, Sapienza and Almeida, 1996; Li, Li and Dalgic, 2004; Martina, Datta and John, 2014; Park Keun-Ho and Kho Kyung-II, 2007; Sullivan, 1994). For example, Bloodgood, Sapienza and Almeida (1996) examined the internationalization factors and performance of 61 high-potential start-up venture companies in the United States. According to their research, product differentiation and firm size were identified as major internationalization factors, and internationalization was shown to have a positive effect on company sales (Bloodgood, Sapienza and Almeida, 1996). Similarly, Park Keun-Ho and Kho Kyung-II (2007) conducted a study on the determinants of internationalization.
speed in 738 manufacturing venture companies in high-tech industries in Korea. As a result of their research, they found that technological competence, relationships with customers, and attractiveness of the domestic market were shown to be determinants of the speed of internationalization. Along similar lines, a number of studies have suggested that the overseas experience of managers (Autio and Sapienza, 2000; Bell and McNaughton, 2000; Oviatt and McDougall, 1994), technology capabilities of firms (Autio and Sapienza, 2000; Bloodgood, Sapienza and Almeida, 1996), and inter-company networks (Coviello and Munro, 1997; Madsen and Servais, 1997) are commonly relied upon as factors of rapid internationalization (Rialp, Rialp and Knight, 2005). The research subjects of these prior studies, however, were venture companies or start-up companies, and the competence of management is assessed to reflect the overall competence of the company. The subjects of previous research tended to be innovation-based companies that focus on technology development or pursue high risks for high profit. General SMEs, in contrast, tend to focus on relationships with partners and to pursue innovation through relationships with partners (Hwang Jung-Tae, Han Jae-Hoon and Kang Hee-Jong, 2010). Therefore, it is somewhat difficult to apply the analytical results of prior studies to trends in general SMEs.

2. Strategic Orientation

Strategic orientation describes the organizational culture for creating sustainable competitive advantages (Narver and Slater, 1990) and influences decision-making in the investment of a firm’s limited resources (Gatignon and Xuereb, 1997). The existing literature offers various definitions of firms’ strategic orientation. For instance, Narver and Slater (1990) defined the components of strategic orientation as customer orientation, competitor orientation, and inter-functional coordination. On the other hand, Gatignon and Xuereb (1997) defined the components of strategic orientation as customer orientation, competitive orientation, and technological orientation. This study divides the components of strategic orientation as follows. First, we consider export orientation as a sub-dimension of strategic orientation. Export orientation is a concept that extends the customer orientation angle proposed by Gatignon and Xuereb (1997) and Narver and Slater (1990) to an international scale. Second, we consider innovation orientation as a sub-dimension of strategic orientation. Innovation orientation is a concept that combines the technological orientation proposed by Gatignon and Xuereb (1997) with the risk-taking tendencies of firms. Third, we consider relationship orientation as a sub-dimension of strategic orientation. Relationship orientation is based on the inter-functional coordination proposed by Narver and Slater (1990) and the competitive orientation proposed by Gatignon and Xuereb (1997), together with the cooperative relationship characteristics of SMEs.

Export orientation involves creating, sharing, and responding to overseas market information (Cadogan, Diamantopoulos and de Mortanges, 1999). Export orientation refers to a firm’s tendency to enter overseas markets based on the sharing and utilization of information and resources at organizational levels. According to a number of studies, an export orientation has a positive effect on firms’ entry into overseas markets and its export performance (Cavusgil and Zou, 1994;
Chadee and Mattsson, 1998; Li, Li and Dalgic, 2004; Lukas, Whitwell and Hill, 2007). For example, Armario, Ruiz and Armario (2008) found that the higher the export orientation of a company, the more knowledge it gains in the overseas market and the higher the positive effects on its export performance due to the sharing of acquired resources across the company. In addition, Lukas, Whitwell and Hill (2007) extended the concept of export orientation to export planning orientation, pushing the introduction of enterprise resources for export at strategic planning stages. Based on these previous findings, this study concludes that firms with high export orientation tend to reduce the uncertainty of foreign markets and the liabilities of foreignness by sharing information about overseas markets throughout the enterprise. In turn, export orientation is considered a leading factor in the speed of internationalization.

Innovation orientation is the inclination of companies to build strategic resources that enable sustainable competitive advantages through continuous innovation from a resource-based view (Barney, 1991; Wernerfelt, 1984), and describes a tendency to take risks for innovation (Greenaway and Kneller, 2008; Kim Haeng-Sun, 2016; McDougall and Oviatt, 2000; Melitz, 2003). This innovation orientation leads to the accumulation of knowledge, the development of new products, and the introduction of new methods leading to an advantageous cycle structure of enterprise development (Lumpkin and Dess, 1996). In addition, innovation orientation has been identified in many previous studies as a major factor in rapid internationalization (Kotabe, 1990; Miller and Friesen, 1984; Zahra, Ireland and Hitt, 2000). For example, Miller and Friesen (1984) analyzed the life cycles of 36 companies by compiling data on executives, accounting records, and corporate annual reports over more than 20 years. As a result, the authors observed that the higher a company's level of innovation orientation, the more likely the company is to shift to recovery or re-emergence phases following lean trends through internationalization (Miller and Friesen, 1984). Similarly, Kotabe (1990) analyzed import volume statistics of steel, electronics, and transportation equipment in the United States (items 806.30 and 807.00 of the Harmonized Tariff Schedule of the United States) together with innovation capability statistics for companies listed in the US Small and Medium Business Administration. As a result, it was found that firms with high innovation orientation are more active in overseas expansion and overseas production (Kotabe, 1990). Accordingly, this study expects that companies with high innovation orientation will enter into overseas markets to generate new profits by creating sustainable competitive advantages through continuous innovation. Herein, innovation orientation is considered an important factor in the speed of internationalization.

Relationship orientation is the tendency of companies to actively utilize a network with partner companies in order to resolve insufficient capacity and improve resource management capability of SMEs (Coviello and Munro, 1997; Oviatt and McDougall, 1994; Zhou, Wu and Luo, 2007). This relationship orientation helps to reduce the fear of uncertainty about entry into overseas markets, as well as supplements any lack of competence or resources for overseas markets through an overseas market network (Musteen, Datta and Francis, 2014). Therefore, many previous studies have focused on the importance of re-
relationship orientation in terms of network utilization for overseas market entry (Coviello and Munro, 1997; Musteen et al., 2014; Zhou, Wu and Luo, 2007). For example, Coviello and Munro (1997) found that internationalization can be achieved early on by expanding the market and strengthening capacity through inter-firm cooperative network relationships. Similarly, Musteen, Datta and Francis (2014) suggested that firms can achieve early internationalization through a learning-leverage-linkage model. The learning-leverage-linkage model describes processes through which companies learn from overseas markets, link with overseas partners based on this learning, and leverage any connected functions, including a firm’s own resources. Accordingly, the current study suggests that the higher a company’s relationship orientation, the lower the liabilities of company smallness and foreignness due to utilization of inter-firm cooperation networks. Thus, relationship orientation is considered a major factor in the speed of internationalization.

III. Hypotheses Development

1. Export Orientation and Speed of Internationalization

According to traditional internationalization theories, companies are expected to progress gradually to internationalization due to a lack of information and resources on overseas markets, which is typical for SMEs (Johanson and Vahlne, 1977). According to Kalinic and Forza (2012), internationalization trends in SMEs are still developing, following traditional internationalization theories. Today’s SMEs have the potential to achieve internationalization early by overcoming the liabilities of foreignness via the creation and sharing of information on foreign markets, company-wide, through export commitment (Armario, Ruiz and Armario, 2008; Cadogan et al., 1999; Cavusgil and Zou, 1994; Li, Li and Dalgic, 2004; Lulas, Whitwell and Hill, 2007).

First, export orientation—the tendency of companies to create, share, and respond to information on overseas markets (Cadogan et al., 1999) and to share overseas market resources—means that companies that demonstrate an export orientation will have a tendency to enter the market. Indeed, the higher the export orientation, the sooner internationalization can be achieved by reducing uncertainties and liabilities around foreign markets based on foreign market knowledge. For example, the work of Li, Li and Dalgic (2004) identifies difficulty in the internationalization process due to the following SME characteristics: (1) a lack of information on foreign markets, (2) difficulty in acquiring knowledge, (3) difficulty in systematic planning in decision-making processes, and (4) insufficient learning about internationalization. Thus, the authors proposed a hybrid model that integrates experiential learning and systematic planning. Similarly, Armario, Ruiz and Armario (2008), with the use of a hybrid model, studied companies with foreign market managers of more than 20 employees in the EU and 112 SMEs with annual sales of more than 1.5 million Euros. As a result, they found that the higher a company’s export orientation, the greater the effects of the acquisition of resources (leading to increased knowledge and resources throughout the company) on positive export performance. In addition, accord-
ing to Armario, Ruiz, and Armario (2008) export-oriented firms have an export commitment characteristic. Similarly, many previous studies have identified that export commitment, a measure indicating the concentration of a firm’s export activities, is an important factor in achieving early internationalization (Cavusgil and Zou, 1994; Chadee and Mattsson, 1998; Lukas, Whitwell and Hill, 2007; Machado, Nique and Fehse, 2016). For example, Machado, Nique and Fehse (2016) conducted a survey on 398 SMEs in Brazil, finding that high export commitment in a company is a factor in rapidly achieving internationalization. In addition, Lukas, Whitwell, and Hill (2007) conducted market studies on 172 information technology (IT) SMEs in Australia, finding that firms with higher levels of export commitment will allocate more resources overseas in company plans to export. According to these authors, because export commitment reflects a strong corporate will to export, companies with export commitment show an active use of resources in export activities (Lukas, Whitwell and Hill, 2007). In other words, the more that companies are export-oriented, the more likely they are to achieve rapid internationalization due to investment of their resources in export activities.

In summary, the greater the export orientation in SMEs, the sooner the SMEs will achieve internationalization. This stands to reason because export orientation tends to reduce the liabilities of foreignness via the acquisition of information on overseas markets, together with the sharing and utilization of company resources throughout the enterprise. Therefore, the following hypothesis is offered:

H1: Export orientation will have a positive effect on the speed of internationalization of SMEs.

2. Innovation Orientation and Speed of Internationalization

As global competition has intensified due to the development of information and communication technology and changes in the international trade environment, companies have come to face hyper-competitive environments wherein it is difficult to maintain a competitive advantage (D’Aveni, 1997; Levitt, 1983; McDougall, Shane and Oviatt, 1994). As a result, many companies are strengthening their existing markets or accelerating their entry into new markets by creating sustainable competitive advantages through constant innovation (Krugman, 1979; Porter, 1985).

First, companies operating from resource-based perspectives seek to build strategic resources that enable sustainable competitive advantages through constant innovation (Barney, 1991; Wernerfelt, 1984). Companies that utilize resources thus formed have the potential to advance rapidly to overseas markets. For example, McDougall, Shane and Oviatt (1994) described a novel type of international new venture that differs from general multinational companies in terms of information and communication technology and the international trade environment. These international new ventures are characterized by a rapid achievement of internationalization by leveraging competitive advantages with unique resources obtained through innovation, such as the launching of new products or the relocation of existing value chains (McDougall, Shane and Oviatt, 1994). These features are recognized not only in venture companies, but also have the potential to be applied to SMEs with high innovation orientation. For example, Wakelin
(1998) used an innovation survey on 320 companies from the Science and Technology Policy Graduate School at the University of Sussex in the United Kingdom across a five-year period (1988-1992). As a result, he found that a focus on innovation has positive effects on export performance through the creation of new markets. In addition, he argued that innovating firms maintain high performance in overseas markets by creating and utilizing competitive advantages through continuous innovation. On the other hand, many prior studies have shown that risk-seeking or risk-seeking tendencies characterize the pursuit of innovation as a factor in early internationalization (Greenaway, Kneller and Zhang, 2010; Kim Haeng-Sun, 2016; Melitz, 2003; Oviatt and McDougall, 2000). For example, the work of Melitz (2003) argues that because of the tension between profit and cost of entry into a foreign market, a company will decide whether or not to enter the overseas market based on differences in risk perception. Similarly, Kim Haeng-Sun (2016) analyzed the financial data of 5,386 Korean companies over 20 years (1991-2011). That research shows that risk-taking companies were found to be more active in entering overseas markets than risk-avoiding companies.

The findings of previous research can be summarized as follows. Innovation-oriented SMEs are more likely to take risks than SMEs that do not take risks, and consequently, will actively acquire the knowledge needed in overseas markets, thereby shortening their internationalization period. In addition, innovation-oriented SMEs are poised to achieve rapid internationalization by utilizing high-performance competitive advantages created through constant innovation. Therefore, the following hypothesis is offered:

H2: Innovation orientation will have a positive effect on the speed of internationalization of SMEs.

3. Relationship Orientation and Speed of Internationalization

Small and medium-sized enterprises (SMEs) have difficulties in internationalization in part due to certain liabilities of smallness, such as a lack of competence and resource management capability in comparison to large corporations, and due to liabilities of foreignness in foreign markets (Coviello and Munro, 1997; Johanson and Vahlne, 1977). These SME-specific difficulties can be overcome through cooperation between firms (Coviello and Munro, 1997; Johanson and Vahlne, 2009; Oviatt and McDougall, 1994). In this way, SMEs have the potential to achieve early internationalization by utilizing inter-firm networks based on cooperation with partners.

For example, Coviello and Munro (1997) conducted a case study of four small and medium-sized software firms. The authors found that relationship orientation stands to allow SMEs to achieve early internationalization through market expansion and capacity building using corporate network relationships. In addition, Musteen, Datta and Francis (2014) analyzed the effects of international networks and early internationalization on 104 companies entering the advanced economies of Czech small and medium-sized manufacturing companies. As a result, they found that internationalization can be achieved rapidly by learning about the overseas market via linkages with overseas partners as unique resources. Similarly, Choi Yu-Ri and Bang Ho-Yeol (2015) identified some of the connectivity between the network dimensions of
SMEs and the speed of internationalization as a result of verifying the impact of structural, relational and cognitive factors on the speed of internationalization. In addition, they analyzed the moderating effects of firms’ emphasis on technological innovation and of environmental hostility on network factors to improve the speed of internationalization. Consequently, it has been found that technological innovation and environmental hostility have moderating effects in increasing the speed of internationalization from a standpoint of relationship orientation. In other research, Kiss and Danis (2008) conducted an empirical analysis of companies in Central and East European (CEE) countries, suggesting that trade liberalization is a factor in increasing internationalization speed. Similarly, as regional trade agreements for trade liberalization have expanded, the importance of establishing networks with suppliers and partners for proof of origin has increased. For example, Na Do-Sung and Yoon Young-Ho (2011) conducted an empirical analysis on the effects of the Federation of Tax Administrators (FTA) on the export performance of 200 exporting SMEs in Korea. The authors found that with higher effects of FTA trade barrier elimination (enabling utilization of origin FTAs and export commitment via FTAs) came higher export performance in these companies. Thus, establishing a network with partner companies in order to enjoy FTA benefits is essential. Because proof of origin of products and parts is an important FTA benefit, FTA effects emphasize networks with partner companies (Na Do-Sung and Yoon Young-Ho, 2011).

Taken together, a relationship orientation in SMEs can resolve any lack of resources in the firm by using network relationships, thereby potentially shortening the period of time required for internationalization. Therefore, the following hypothesis is offered:

**H3:** Relationship orientation will have a positive effect on the speed of internationalization of SMEs.

### IV. Methodology

In order to verify the effects of SME strategic orientation on the speed of internationalization, we conducted a questionnaire survey for SMEs in Gwangju and Jeonnam provinces. A draft questionnaire was prepared based on previous studies, and the questionnaire was finalized through in-depth interviews with pertinent experts. The questionnaire was received by 408 companies in Gwangju province and 353 companies in Jeonnam province based on a list of companies that participate in consulting programs in FTA Business Centers in Gwangju and Jeonnam provinces. The survey was conducted over two months from April to June 2016 through various methods including telephone, online, and in-person visits. As an end result, 206 out of 761 questionnaires were collected and the recovery rate was about 27.1%.

#### 1. Dependent Variable

The dependent variable of this study is the speed of internationalization. The speed of internationalization is the time required for a company to become internationalized (Acedo and Jones, 2007; Casillas and Acedo, 2013; Casillas and Moreno-Menéndez, 2014). Based on various research by Acedo and Jones (2007) and Casillas and Moreno-Menéndez
(2014), Oviatt and McDougall (2005), and Weerawardena, Mort, Liesch and Knight (2007), we measured "the number of years from the establishment of the company to [its] first time to enter the overseas market." We used the standardized value as a dependent variable.

2. Independent Variables

We set the independent variables of this study to be export orientation, innovation orientation, and relationship orientation, all of which are sub-dimensions of strategic orientation. First, export orientation was measured based on the research of Cho Yeon-Sung and Park Keun-Ho (2010), Hong Seong-Tae (2006), Jeong In-Sik, Byun Jung-Hee and Kim Eun-Mi (2011) as follows. Export orientation criteria include the level to which a company: (1) regards export as very important, (2) plans to export, (3) is actively looking for export possibilities, (4) actively collects foreign market information, (5) assesses its marketability from a global perspective, (6) sets marketing strategies from a global perspective, and (7) collects information on export market trends. All measures were assessed via a 7-point Likert scale with scores ranging from 1 = strongly disagree to 7 = strongly agree).

Second, innovation orientation was measured based on the research of Frishammar and Åke Hörte (2007), Jang Sung-Hee and Ma Yoon-Joo (2011) and Yoon Heon-Deok, Kwak Ki-Young and Seo Ri-Bin (2012) as follows. Innovation orientation criteria include the level to which a company: (1) strives to explore new ideas for problem solving, (2) regards innovation as an enterprise idea, and (3) quickly applies useful innovation cases to its own model. All measures were assessed via a 7-point Likert scale (with scores ranging from 1 = strongly disagree to 7 = strongly agree).

Third, relationship orientation was measured based on the work of Kim Yong-Pyo, Shin Yong-John and Kim Dug-Sup (2013), Lee Sang-Man, Lee Yong-Gill and Lee Kook-Yong (2007) and Su et al. (2008) as follows. Relationship orientation criteria include the level to which companies: (1) trust each other, (2) strive to build partnerships, (3) have a sense of responsibility for their business, (4) are committed to mutual promises, (5) spread important knowledge about business performance and frequently exchange opinions, (6) often have formal and informal discussions about business, and (7) exchange necessary information about business and conduct regular meetings for information exchange. All measures were assessed via a 7-point Likert scale (with scores ranging from 1 = strongly disagree to 7 = strongly agree).

3. Control Variables

In order to control the influence of other important factors affecting internationalization speed, we included a regression analysis model by setting market volatility, intensity of competition, and firm size as control variables. First, according to previous studies, high market volatility indicates market uncertainty, and thus companies are more likely to consider overseas expansion as a means of avoiding or mitigating uncertainty in the domestic market (Cho Yeon-Sung and Park Keun-Ho, 2010). Accordingly, market volatility was measured based on research by Kohli and Jaworski (1990) and Cho Yeon-Sung and Park Keun-Ho (2010) as follows. Levels of market volatility are shown in the extent to which (1) consumers prefer new products, (2) companies fre-
sequently change their marketing activities to keep up with competitors, (3) product niches change rapidly, (4) companies find it difficult to predict the behavior of competitors, and (5) companies find it difficult to predict consumer demand or trend changes. All measures were assessed via a 7-point Likert scale (with scores ranging from 1 = strongly disagree to 7 = strongly agree).

Second, a high level of competition in a narrow domestic market may be a cause for second-movers to consider overseas expansion (Madsen and Servais, 1997; Park Keun-Ho and Khoe Kyung-II, 2007). Thus, the intensity of market competition was measured based on research by Madsen and Servais (1997) and Park Keun-Ho and Khoe Kyung-II (2007) as follows. Market competition intensity is based on the extent to which: (1) the number of competitors is high, (2) the development of new products or services among competitors is intense, (3) price competition for products or services is intense, (4) competition for quality of products or services is intense, and (5) there is a frequent influx of new competitors. All measures were assessed via a 7-point Likert scale (with scores ranging from 1 = strongly disagree to 7 = strongly agree).

Third, the size of a firm has an impact on company resources to enhance the learning capability of the organization. Firm size affects overall activity and can be a factor influencing overseas activities (Lee Jae-Eun, 2012; Simonin, 1997). In this study, firm size is measured by the log value of the number of employees in the firm as a control variable (Lee Jae-Eun, Zhang and Choe Soon-Kyoo, 2013).

V. Results

<table>
<thead>
<tr>
<th>Table 1. Distribution of Respondents by Type of Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>Other Machinery and Equipment</td>
</tr>
<tr>
<td>Food Products and Beverages</td>
</tr>
<tr>
<td>Motor Vehicles, Trailers, and Semi-trailers</td>
</tr>
<tr>
<td>Electronic Components, Computers, Communication Equipment</td>
</tr>
<tr>
<td>Electrometical, Control, Optical Products, and Watches</td>
</tr>
<tr>
<td>Other Manufacturing</td>
</tr>
<tr>
<td>Fishing and Aquaculture</td>
</tr>
<tr>
<td>Electrical Equipment</td>
</tr>
<tr>
<td>Basic Metals</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
<Table 1> shows the distribution of sample companies by type of industry. Among the companies comprising our sample, distribution is as follows: 30 companies in other machinery and equipment manufacturing (14.6% of the total number of companies), 28 companies in food manufacturing (13.6%), 19 companies in automobile and trailer manufacturing (9.2%), 13 companies in electronic components, computers, video, audio, and telecommunication equipment manufacturing (6.3%), 12 companies in medical, precision, optics, and watch manufacturing (5.8%), 11 companies in other product manufacturing (5.3%), 11 companies in fishing and aquaculture (5.3%), 10 companies in electrical equipment manufacturing (4.9%), and eight companies in basic metals manufacturing (3.9%).

Because the study data is based on the col-

### Table 2. Results of Validity and Reliability Tests

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Orientation 1</td>
<td>.847</td>
<td>.033</td>
<td>.130</td>
<td>.075</td>
<td>.079</td>
</tr>
<tr>
<td>Export Orientation 2</td>
<td>.867</td>
<td>-.037</td>
<td>.195</td>
<td>.049</td>
<td>.026</td>
</tr>
<tr>
<td>Export Orientation 3</td>
<td>.869</td>
<td>.013</td>
<td>.170</td>
<td>.091</td>
<td>.055</td>
</tr>
<tr>
<td>Export Orientation 4</td>
<td>.866</td>
<td>.219</td>
<td>.151</td>
<td>.064</td>
<td>.050</td>
</tr>
<tr>
<td>Export Orientation 5</td>
<td>.853</td>
<td>.190</td>
<td>.258</td>
<td>.030</td>
<td>.068</td>
</tr>
<tr>
<td>Export Orientation 6</td>
<td>.840</td>
<td>.245</td>
<td>.205</td>
<td>.083</td>
<td>.030</td>
</tr>
<tr>
<td>Export Orientation 7</td>
<td>.825</td>
<td>.248</td>
<td>.178</td>
<td>.127</td>
<td>.038</td>
</tr>
<tr>
<td>Innovation Orientation 1</td>
<td>.254</td>
<td>.766</td>
<td>.344</td>
<td>.077</td>
<td>-.047</td>
</tr>
<tr>
<td>Innovation Orientation 2</td>
<td>.169</td>
<td>.851</td>
<td>.270</td>
<td>.092</td>
<td>.092</td>
</tr>
<tr>
<td>Innovation Orientation 3</td>
<td>.244</td>
<td>.789</td>
<td>.339</td>
<td>.039</td>
<td>.131</td>
</tr>
<tr>
<td>Relationship Orientation 1</td>
<td>.247</td>
<td>.167</td>
<td>.863</td>
<td>.068</td>
<td>.107</td>
</tr>
<tr>
<td>Relationship Orientation 2</td>
<td>.178</td>
<td>.193</td>
<td>.878</td>
<td>.046</td>
<td>.125</td>
</tr>
<tr>
<td>Relationship Orientation 3</td>
<td>.188</td>
<td>.142</td>
<td>.888</td>
<td>-.014</td>
<td>.105</td>
</tr>
<tr>
<td>Relationship Orientation 4</td>
<td>.129</td>
<td>.207</td>
<td>.846</td>
<td>.019</td>
<td>.091</td>
</tr>
<tr>
<td>Relationship Orientation 5</td>
<td>.234</td>
<td>.082</td>
<td>.840</td>
<td>.014</td>
<td>.187</td>
</tr>
<tr>
<td>Relationship Orientation 6</td>
<td>.142</td>
<td>.082</td>
<td>.836</td>
<td>.068</td>
<td>.131</td>
</tr>
<tr>
<td>Relationship Orientation 7</td>
<td>.182</td>
<td>.203</td>
<td>.617</td>
<td>.169</td>
<td>-.013</td>
</tr>
<tr>
<td>Volatility of Market 1</td>
<td>.177</td>
<td>.126</td>
<td>.122</td>
<td>.650</td>
<td>.284</td>
</tr>
<tr>
<td>Volatility of Market 2</td>
<td>.242</td>
<td>.167</td>
<td>.090</td>
<td>.470</td>
<td>.432</td>
</tr>
<tr>
<td>Volatility of Market 3</td>
<td>.067</td>
<td>.080</td>
<td>.014</td>
<td>.639</td>
<td>.471</td>
</tr>
<tr>
<td>Volatility of Market 4</td>
<td>.081</td>
<td>-.009</td>
<td>.080</td>
<td>.837</td>
<td>.260</td>
</tr>
<tr>
<td>Volatility of Market 5</td>
<td>.016</td>
<td>.002</td>
<td>.008</td>
<td>.847</td>
<td>.141</td>
</tr>
<tr>
<td>Intensity of Competition 1</td>
<td>.074</td>
<td>.050</td>
<td>-.029</td>
<td>.086</td>
<td>.806</td>
</tr>
<tr>
<td>Intensity of Competition 2</td>
<td>.039</td>
<td>.041</td>
<td>.096</td>
<td>.336</td>
<td>.822</td>
</tr>
<tr>
<td>Intensity of Competition 3</td>
<td>.026</td>
<td>.026</td>
<td>.198</td>
<td>.166</td>
<td>.820</td>
</tr>
<tr>
<td>Intensity of Competition 4</td>
<td>.016</td>
<td>.068</td>
<td>.287</td>
<td>.159</td>
<td>.813</td>
</tr>
<tr>
<td>Intensity of Competition 5</td>
<td>.038</td>
<td>-.041</td>
<td>.066</td>
<td>.309</td>
<td>.710</td>
</tr>
<tr>
<td>Eigen value</td>
<td>5.602</td>
<td>2.393</td>
<td>5.528</td>
<td>2.839</td>
<td>3.886</td>
</tr>
<tr>
<td>Accumulate Communality (%)</td>
<td>20.748</td>
<td>29.611</td>
<td>50.084</td>
<td>60.599</td>
<td>74.990</td>
</tr>
<tr>
<td>Cronbach's alpha</td>
<td>.953</td>
<td>.877</td>
<td>.944</td>
<td>.835</td>
<td>.889</td>
</tr>
</tbody>
</table>
lection of questionnaire responses, a common method bias was a possible risk. In order to check the existence of the common method bias, this study conducted a one-factor analysis based on the method of prior studies (Podsakoff, MacKenzie, Lee and Podsakoff, 2003; Podsakoff and Organ, 1986). As a result of the one-factor analysis, five factors were shown to have an Eigenvalue of one (1) or more. As the largest explanatory power accounts for only 20.748% of the total variance, the analysis proves that a common method bias is not a serious problem herein.

<Table 2> shows the results of the validity and reliability tests. In this study, exploratory factor analysis was conducted to verify the validity of measurement variables and varimax was applied to maintain independence of each factor. As a result of the analysis, the constituent concepts to be measured are classified correctly and the load values of the factors are all over 0.5, indicating that there is no big problem in the validity of the variables. In addition, reliability was verified using Cronbach’s alpha, an indicator of internal consistency of each variable. If a Cronbach’s alpha value is greater than 0.6, then it can be concluded that there is no problem in reliability. As a result of reliability tests, the Cronbach’s alpha value of each variable herein is 0.8 or greater.

<Table 3> shows the results of the descriptive statistics and correlations analysis of the variables used in the empirical analysis of this study. Correlations between variables were analyzed to ensure appropriateness for regression analysis.

Due to the possibility of multicollinearity, however, variance inflation factor (VIF) and condition index values were analyzed and confirmed. According to previous studies, standard values for VIF and the condition index should be less than 10 and less than 30, respectively (Chatterjee, Hadi and Price, 2006).

<table>
<thead>
<tr>
<th>Table 3. Descriptive Statistics and Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Internationalization Speed</td>
</tr>
<tr>
<td>Volatility of Market</td>
</tr>
<tr>
<td>Intensity of Competition</td>
</tr>
<tr>
<td>Firm Size</td>
</tr>
<tr>
<td>Export Orientation</td>
</tr>
<tr>
<td>Innovation Orientation</td>
</tr>
<tr>
<td>Relationship Orientation</td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>S.D.</td>
</tr>
<tr>
<td>Min</td>
</tr>
<tr>
<td>Max</td>
</tr>
</tbody>
</table>

Note: *p<0.05, **p< 0.01 (two-tailed).
Hair et al., 2008). In all the regression analyses conducted in this study, the VIF value of the degree of multicollinearity was 1.702, which indicates that multicollinearity is not a cause for concern.

Table 4 shows the results of regression analysis. As shown in Table 5, Model 1 is a reference model excluding only independent variables, while Model 2 includes independent variables such as export orientation, innovation orientation, and relationship orientation. If we look first at Model 1, we find that firm size (p<0.05) has a significant negative effect on internationalization speed. In Model 2, as in Model 1, firm size (p<0.01) has a significant negative impact on internationalization speed (p<0.01). As a result of verifying the influence of independent variables, export orientation (p<0.05) and relationship orientation (p<0.01) are shown to have significant positive (+) effects on the speed of internationalization. In contrast, however, innovation orientation is shown to be not related to the speed of internationalization and found not to have significant effects. Therefore, Hypothesis 1 and Hypothesis 3 were supported, but Hypothesis 2 was rejected.

### VI. Conclusions and Recommendations

In today's global business environment, many companies seek to create a sustainable competitive advantage through methods of internationalization such as entry into overseas markets. Indeed, new markets have the poten-
tial to overcome certain management crises caused by intensified global competition. In addition, the development of information and communication technologies and changes in the international trade environment have led to the emergence of companies that achieve rapid internationalization, such as international new ventures or born global firms. With this, studies on the speed of internationalization are an area of active research. Most of the research on the speed of internationalization, however, has been applied to venture companies or start-up companies, which makes it difficult to generalize their findings for SMEs. Based on the existing research, in order to expand our understanding of the impact of internationalization speed in SMEs, the fundamental concept of strategic orientation is presented in terms of sub-dimensions of export orientation, innovation orientation, and relationship orientation. The effects of strategic orientation on the speed of internationalization is analyzed in 206 SMEs located in Gwangju and Jeonnam provinces. The results of the empirical analysis are as follows.

First, export orientation has a positive effect on the speed of internationalization in SMEs. The results of this study indicate that SMEs with high levels of export orientation have high levels of commitment to export activities, together with strong tendencies to share and utilize information about overseas markets throughout the enterprise, thereby achieving rapid internationalization while overcoming the liability of foreignness. Second, among the aspects of strategic orientation, innovation orientation was found to not have a significant effect on the speed of internationalization. The results of this study suggest that, unlike technology-based venture companies (which expect high returns and high profitability), SMEs (given their characteristics) tend to pursue stability and thus find it relatively difficult to innovate or to take risks. Third, relationship orientation has a positive effect on the speed of internationalization. Understanding that SMEs have limited resources and capacity, a relationship orientation can reduce the time required for internationalization by supplementing the limited resources of SMEs through inter-firm networks. What is more, as recent free trade agreements and other similar networks are gradually strengthened, this phenomenon will build. According to the results of this study, export orientation and relationship orientation in SMEs impact the speed of internationalization. This implies advantages to the sharing of information about overseas markets through export commitment and the utilization of information for internationalization speed in SMEs by strengthening cooperation networks between companies.

Accordingly, this study has the following theoretical implications and practical implications. First, from the existing research on the speed of internationalization, it is possible to suggest meaningful theoretical implications by more widely expanding the findings about internationalization speed in venture companies to general SMEs. Second, prior studies have tried to identify factors affecting the speed of internationalization at levels of competence and resources in firms. In contrast, this study suggests export orientation, innovation orientation, and relationship orientation as dimensions of strategic orientation, treating them as factors that influence the speed of internationalization. Theoretical implications can be suggested accordingly. Third, this study suggests a new research topic of regional internationalization speed in its focus on the speed of internation-
alization in Gwangju and Jeonnam provinces with traditional industrial structures, including agriculture, fisheries, and heavy chemical industries. As a further result of this study, several meaningful practical implications are suggested for SMEs, including to increase export orientation, to work to overcome the liability of foreignness, and to project achievement in early internationalization via successful entry into overseas markets. Finally, this study offers meaningful practical implications for rapid internationalization insofar as it supports firms’ relationship orientation (among dimensions of strategic orientation) in order to resolve problems of limited resources and capacity in SMEs due to the strengthening of cooperation among companies.

Nevertheless, this study has the following limitations. First, it is possible that subjective interpretation and judgment on the part of survey respondents influenced the data collected herein. Therefore, future research must conduct surveys among a larger number of respondents. Second, in previous research, external factors are presented that affect the speed of internationalization. In this study, only market volatility and competitive intensity are presented as control variables. Due to the nature of business in Korea, however, levels of government support are likely to be influenced by overseas export activities in firms. In addition, the nature of the industry can also affect the speed of internationalization (Song Yun-Ah and Yang Young-Soo, 2017). Therefore, future research needs to add government support or industry dummy as a control variable for further analysis. Finally, by establishing Gwangju and Jeonnam provinces as our target area of study, it is difficult to expand our findings nationwide due to differences in industry features and regions across Korea. Going forward, it will be more meaningful to study the factors that influence the speed of internationalization in consideration of the support of the Korean government in controlling the strategic directions of SMEs nationwide.

References


Lee, Jae-Eun (2012), "The Effect of Organizational Distance between Partner Firms on IJV Performance: Focusing on the Moderating Effects of Transaction Specific Capital and Transaction Relational Capital", *Korea Trade Review*, 37(4), 161-188.


