

Chapter 21

Entrepreneurship, Firm Internationalization and Regional Development

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ABSTRACT

The aim of this chapter is to provide a broad understanding of the relationship between entrepreneurship, the internationalization of firms and regional development. It will present a literature review of the internationalization process, attending to related concepts and internationalization theories, and examine the traditional approach versus new patterns of internationalization. In the field of entrepreneurship it will consider the entrepreneurial orientation as a measure of a firm's entrepreneurship and the relationship with its internationalization. In sum, this chapter aims to reach an understanding of how the entrepreneurial ecosystem, including clusters and networks, as well as entrepreneurial orientation developed by firms, contribute to internationalization of the firm, and the possible regional impacts resulting from entrepreneurship and internationalization.

INTRODUCTION

With economic globalization, the increasing diffusion of technologies and their rapid change, lower transportation costs, market globalization and the cultural diversity of consumers have become a reality for many businesses (Wood, Karriker, &

Williams, 2010). To adapt to these changes, and as a response to increased competition, companies seek strategies to improve competitiveness and expand their markets. Thus, internationalization has been an important strategy for consolidation and business growth and adaptation to the new market environment (Greenaway & Kneller, 2007),

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and has been noted as one of the main trends in the business world (Martín-Tapia, Aragón-Correa, & Rueda-Manzanares, 2010).

Basically, internationalization is seen as a process where the importance of foreign markets for a company is growing and that can happen through exports and foreign direct investment, as well as by licensing and other contractual forms (Grosse, Mudd, & Garcia Cerchiari, 2013). However, this process presents several difficulties, and given the diversity of existing barriers, the development of an internationalization process requires resources. Given these factors, the lack such resources becomes one of the limitations on international growth (Welch & Luostarinen, 1988). Therefore, however great a firm's prospects otherwise may be, it is desirable to be able to achieve the goals and overcome obstacles present in the internationalization process.

In this sense, the importance of the contribution of entrepreneurship is to be taken into consideration, and particularly Entrepreneurial Orientation, for international activities of a firm. Given that internationalization requires an active search for new opportunities in the international market and leads to entry into new markets, this implies an entrepreneurial act. According to Lumpkin & Dess (2001), internationalization is seen as a form of entrepreneurship and Ripollés-Meliá, Menguzzato-Boulard, & Sánchez-Peinado (2007) consider that due to the identification and exploitation of new opportunities in a new environment, international activity, both for export and by direct investment, is an entrepreneurial act. Thus, in the internationalization context, McDougall & Oviatt (2000) consider that Entrepreneurial Orientation plays an important role in understanding the firm's internationalization, shaping their position with regard to international opportunities and to internationalization (Santos & García, 2011). According to Jones & Coviello (2005), a firm's Entrepreneurial Orientation is an important set of attributes used to overcome obstacles that could hinder the internationalization process.

Knight and Cavusgil (2004) consider that entry into foreign markets requires a proactive and innovative attitude and a willingness to take risks, given the higher probability of failure in a more competitive and unknown environment (Ripollés-Meliá *et al.*, 2007). In this sense, Entrepreneurial Orientation can positively influence the international activity of a firm, an assertion which is supported in several studies (e.g., Dai *et al.*, 2013; De Clercq *et al.*, 2005; Javalgi & Todd, 2011; Ripollés-Meliá *et al.*, 2007). Furthermore, internationalization can improve a firm's performance (Autio, Sapienza, & Almeida, 2000; Sapienza, Autio, George, & Zahra, 2006; Thomas, 2006) and, over the long run, regional development is dependent on a given region's export base growth (Parr, 1999).

The entrepreneurial ecosystem is also important for internationalization, especially in terms of clusters and networks, since both of these factors contribute towards overcoming obstacles and speed internationalization process. When companies are within a geographic agglomeration of interrelated companies and institutions, i.e. a cluster (Porter, 2000), internationalized firms may share experiences and knowledge that may encourage other firms to do the same (Karlsen & Nordhus, 2011). The network relationship is here important in promoting access to resources and information (Koo & Cho, 2011) being a mechanism that contributes to overcome obstacles in the internationalization process, through the gaining of knowledge of foreign markets (Johanson & Vahlne, 2009), which in turn contributes to speeding up the process (Andersson, 2011). All this may have an impact on the regional development.

Therefore regional development, internationalization and entrepreneurship in general, and entrepreneurial orientation in particular, are related. Thus the general objective of this study is to analyze theoretical and empirical evidence linking these variables. Entrepreneurship in a business context will be analyzed, including entrepreneurial orientation and entrepreneurial

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