The Multinational Business Review

Entrepreneurial Strategic Posture, International Diversification, and Firm Performance

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ABSTRACT: Building on the entrepreneurship, marketing and strategic management literature, we propose a conceptual model to investigate the effects of entrepreneurial strategic posture (ESP), perceived environmental uncertainty and international diversification strategy on performance. The ESP-International diversification-Performance relationship is investigated using a contingency framework. Entrepreneurial strategic posture is postulated to influence the use of international diversification strategy of entrepreneurial firms. Moreover, perceived environmental uncertainty is hypothesized to strengthen the relationship between a firm's entrepreneurial strategic posture and international diversification strategy, which ultimately affect the firm's performance. Propositions for further empirical studies are provided in addition to managerial and theoretical contributions.

INTRODUCTION

Amid globalization, where competition and uncertainty have increased intensely, firms need to develop certain capabilities and strategies to help them navigate successfully (Hitt, et al., 1998). Entrepreneurial strategic posture and international diversification strategy have been suggested as key factors to help firms succeed in the global marketplace (Gomez-Mejia and Palich, 1997; Knight, 2000; Zahra and Garvis, 2000). While the former is a firm's competitive orientation emphasizing innovativeness, risk taking, and proactiveness (Covin and Slevin, 1989), the latter refers to the "expansion across the borders of global regions and countries into different geographic locations or markets" (Hitt et al., 1997, p.767).

Environmental uncertainty evoked by globalization drives firms to diversify into different geographic markets, and requires

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firms to be innovative, proactive and risk taking; therefore, this study aims at investigating the relationships among these constructs and firm performance. In so doing, we hope to contribute to the literature in international entrepreneurship by exploring the roles of entrepreneurial strategic posture and international diversification strategy in enhancing firm performance in the presence of uncertainty.

In this paper, we define international entrepreneurship based on McDougal and Oviatt (2000, p. 903) as "a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations."

Entrepreneurship is recognized as critical for social and economic development of many countries (Reynolds, et al., 2001). Yet, most of the past research on entrepreneurship is devoted to the accomplishments of small businesses and new business ventures without much focus on its roles in an international context. International entrepreneurship deserves attention from researchers given the large number of small-medium enterprises (SMEs) and new ventures now going international to exploit profits from global markets (Hisrich, et al., 1996; McDougall and Oviatt, 2000; Organization for Economic Co-operation and Development, 1997; Oviatt and McDougall, 1994). This is especially true in today's global business era (Chang and Kozul-Wright, 1994; Lado and Vozikis, 1996). Apart from its contribution to development, entrepreneurship is also considered an important factor to the success of firms (Knight, 2000; Luo, 1999; Zahra and Neubaum, 1998). Hence, it seems worthwhile to investigate how entrepreneurship may enable firms to achieve superior performance.

To further our understanding of international entrepreneurship, we emphasize key entrepreneurial characteristics—innovativeness, risk taking, and proactiveness—discussed extensively in previous research (e.g., Antoncic and Hisrich, 2000; Lau and Chan, 1994; McDougall and Oviatt, 2000; Morris and Jones, 1999). These three major entrepreneurial characteristics are referred to as entrepreneurial strategic posture in previous studies (Covin and Slevin, 1989, 1990, 1991).

Here, we attempt to examine whether the fit among entrepreneurial strategic posture, international diversification strategy, and environment enhances firm performance. We treat environmental uncertainty as a contingent variable, and we apply a contingency approach to investigate the relationships among these constructs.

This approach is deemed appropriate since it postulates that firm performance depends on the fit among different contingencies. Finally, we hypothesize the relationship between international diversification strategy and the firm's performance. Relevant literature is reviewed and discussed next as a basis for our conceptualization and propositions for further research.

BACKGROUND AND LITERATURE

Entrepreneurship-Performance Research

There has been an increasing trend in the study of the entrepreneurial process at the organizational level. A number of studies explain the relationship between the entrepreneurial process and the firm's performance. Similar to many other variables hypothesized to affect organizational performance, the direct relationship between entrepreneurial process and performance is not empirically conclusive (c.f., Slater and Narver, 2000). One possible reason for such findings is that performance of the organization depends directly and indirectly on many variables both internal and external to the organization. Furthermore, the interactions among such variables also affect performance. Hence, a contingency approach is deemed appropriate to study the relationships among these variables and performance.

According to the contingency approach, an organization's ability to achieve its goals depends on the fit among various components (Fry and Smith, 1987). In the field of entrepreneurship, this fit is usually conceptualized as "fit as moderation," the term used by Venkatraman (1989) to refer to the joint effect of two independent variables on the criterion variable. Examples of such studies include Covin and Slevin (1989, 1990), Dess, et al. (1997), and Naman and Slevin (1993). In the contingency models developed by the aforementioned researchers, the concept of entrepreneurship as a firm's behavior is at the heart of the models.

While two studies conducted by Covin and Slevin (1989, 1990) focus on two types of fit, the former assesses the moderating role of environmental hostility and the latter emphasizes new ventures and their stage of industry life cycle. After their two studies, Covin and Slevin (1991) propose an integrative contingency model of entrepreneurship as a firm behavior. This model is built on previous literature that studies the entrepreneurship-performance relationship. However, it allows bi-directional relationships among constructs that have been used in previous entrepreneurship-performance studies (c.f. Covin and Slevin 1991, p.10). Although the model has been critiqued by Zahra (1993) for failing to incorporate all plausible variables to explain the entrepreneurship-performance relationship, the three groups of variables (i.e., external environment, strategic variables, and internal variables) included in the model, in addition to the entrepreneurial posture, have laid out a good foundation for research in the field. Since it is difficult to parsimoniously fit in all the variables stated in the model, the subsequent studies select to investigate some of the variables in a separate manner (e.g., Dess, et al., 1997; Naman and Slevin, 1993; Zahra, 1993). Naman and Slevin (1993) conducted a follow up and found that summation of the misfit between environmental turbulence and each of the following factors: entrepreneurial style, organizational structure, and mission strategy has negative impact on the firm's performance. Hence, "fit" between organizational and environmental variables is critical for organizational effectiveness.

Taking a step further, Dess, Lumpkin, and Covin (1997) extend the contingency model of entrepreneurship-performance relationship that usually points out a two-way interaction between two variables at a time by introducing a configurational model to investigate a three-way interaction among variables contributing to organizational outcome. The three variables selected to predict performance outcome in their model include entrepreneurial strategy making, Porter's (1980) generic strategy, and environmental dimension (uncertainty and heterogeneity).

From the discussion above, the research trend on the entrepreneurship-performance relationship is moving from a simple relationship to a complex one by including more contingencies and allowing them to interact. We continue this by introducing critical concepts in the relationships among entrepreneurship, strategy and firm performance.

Entrepreneurial Strategic Posture (ESP)

Despite various terms employed in these studies to refer to entrepreneurial characteristics of a firm, e.g., entrepreneurial strategic posture (Covin and Selvin 1989, 1990), entrepreneurial style (Naman and Slevin, 1993), entrepreneurial orientation (Lumpkin and Dess, 1996), entrepreneurial strategy making (Dess, et al., 1997), the common thread is that they all are strategy-related. As stated by Covin and Slevin (1989, p. 77), a strategic posture is referred to as "a firm's overall competitive orientation." Therefore, their entrepreneurial strategic posture term is analogous to Mintzberg's (1973) entrepreneurial mode of strategy making, and to Miles and Snow's (1978) prospector firms that focus on innovation, risk taking, and proactiveness. Based on Naman and Slevin (1993), the entrepreneurial style corresponds to the strategic management of a firm. Lumpkin and Dess (1996, p. 136) define entrepreneurial orientation as "the process, practices, and decision-making activities that lead to new entry." Along the same line, the term "entrepreneurial strategy making" employed by Dess, Lumpkin, and Covin (1997) refers to the entrepreneurial mode of decision making, which combines two specific modes of decision-making developed by Hart (1992): the command mode and the generative mode.

Although various terms have been used to represent the entrepreneurial level of firms, the three notable characteristics underlying the concept are innovativeness, proactiveness, and risk taking (c.f. Lee, et al., 2001; Wiklund, 1999), which are formerly conceptualized by Miller (1983) and Covin and

Slevin (1989). From the previous discussion, all conceptualizations of different entrepreneurial constructs are related to a firm's strategy-making process with a trend emphasizing entrepreneurial orientation.

On the one hand, management and entrepreneurship literature treats entrepreneurial orientation as a firm's decision-making process and managerial philosophy and styles (Lee, et al., 2001; Lee and Peterson, 2000; Lumpkin and Dess, 2001; Lyon, et al., 2000; Wiklund, 1999). This point of view is consistent with its original conceptualization developed by Lumpkin and Dess (1996). On the other hand, the marketing literature perceives it as an organizational culture (Knight, 2000; Slater and Narver, 2000).

In this study, we follow the definition of entrepreneurial strategic posture developed by Covin and Slevin (1989) since the concept reflects the overall competitive orientation of a firm. Three major characteristics of entrepreneurial strategic posture included in this study are innovativeness, risk taking and proactiveness.

Although Lumpkin and Dess (1996) proposed autonomy and competitive aggressiveness as two additional dimensions of entrepreneurial orientation, we only emphasize the former three because they are most related to the strategic choice of a firm to diversify internationally.

The following section briefly discusses each of these characteristics.

Innovativenes: Innovativeness, according to Covin and Slevin (1989), Lumpkin and Dess (1996) and Morris and Jones (1999), reflects a tendency of a firm to engage in and support new ideas, novelty, experimentation, and the creative process as well as the seeking of creative, unusual, or new solutions to problems and needs. This act may result in product-market and technological innovation. More specifically, Lumpkin and Dess (1996, p. 142) and Lado and Voziki (1997, p. 55) refer to innovativeness as "a process by which wealth can be created when existing market structures are disrupted by an introduction of new goods or services that shift resources away from existing firms and cause new firms to grow." Knight (2000) relates innovativeness and other entrepreneurial characteristics (i.e., proactiveness, risk taking, autonomy, and aggressiveness) to marketing strategy and tactics of firms. He found that these entrepreneurial characteristics influence marketing strategy and tactics, which finally lead to higher performance. His hypothesized relationships were built on Cavusgil and Zou (1994), who examined the relationships between marketing strategy and export performance. Thus, the ESP-strategy-performance framework seems appropriate for this study.

Risk Taking: Risk taking is defined as a willingness to commit significant resources to opportunities that have a reasonable chance of failure (Covin and Slevin, 1989; Lumpkin and Dess, 1996; Morris and Jones, 1999).

Morris and Jones (1999) explore the key entrepreneurial characteristics in the context of the public sector and found that "entrepreneurship is a key factor in promoting efficiency, improving productivity, and delivering better service to the public" (p. 86). On the other hand, Lumpkin and Dess (1996) include risk taking as one of the components of entrepreneurial orientation and propose different contingency models that state the relationships between the entrepreneurial orientation and firm's performance. Moreover, McCarthy and Leavy (1998/9) found that learning and experience have an influence on the risk taking propensity, which also changes over time. Knight's (2000) study found that risk taking does relate to firm performance, which in turn, is mediated by marketing strategies and tactics. As such, previous research justifies our ESP-strategy-performance framework with respect to the risk-taking propensity, as a component of the ESP.

Proactiveness: This concept refers to the process of "taking initiative by anticipating and pursuing new opportunities and by participating in emerging markets" (Lumpkin and Dess, 1996, p. 146). It also involves perseverance, adaptability, and willingness to assume responsibility for failure (Morris and Jones, 1999). In international business research, Tan and Li (1996) found that under high environmental dynamism, proactiveness is positively related to the performance of privately owned enterprises in China. Later, Luo (1998) compares the level of proactiveness between investors from developed and emerging countries. He found that investors from developed countries are more proactive and long-term oriented than investors from emerging economies.

This aforementioned literature justifies including innovativeness, risk taking, and proactiveness as the composites of ESP construct when studying entrepreneurship in the international context. Next, we discuss previous work on perceived environmental uncertainty.

Perceived Environmental Uncertainty (PEU)

Miller (1993, p. 694) defines uncertainty as "the unpredictability of environmental or organizational variables that have an impact on corporate performance." Based on this definition, uncertainties include the instability in government policy, macro-economic uncertainty (e.g., uncertainty evoked by globalization), firm specific factors (e.g., operations, R&D, etc.), and industrial uncertainties (i.e., uncertainties in input market, product market, technology and competitive situation). This categorization takes into account uncertainties from three levels: general environment, industry, and firm. Miller's (1993) conceptualization is different from that previously developed by Duncan (1972) because it disaggregates managers' perceptions of uncertainty to uncover the differences in the types of uncertainty. This disaggregation helps overcome the shortcomings inherent in the approach used by Duncan (1972).

Research from environmental management perspective indicates that firms can design strategies corresponding to the operating environment in order to stay competitive (Clark, et al., 1994; Miller, 1988). Based on a contingency framework, firm's performance depends on the fit among different contingencies such as structure, strategy, environment, etc. (Donaldson, 1996). According to Venkatraman (1989), this concept of fit can take a variety of forms including fit as moderation, fit as mediation, fit as matching, fit as gestalts, fit as profile deviation, and fit as covariation. These differences in the conceptualization of the concept of fit will finally lead to differences in operationalization. In this paper, we conceptualize that firm's performance depends on two forms of fit—fit as moderation and fit as mediation. While the former refers to the interaction between two variables that affect the dependent variable, the latter is the relationship between two variables with a presence of a significant intervening variable (Venkatraman, 1989). Here, we combine both forms of fit by having PEU as the moderator, and the international diversification strategy as the mediator. As such, we postulate that firm performance is contingent upon its strategic posture, the environment, and the chosen strategy. We also hypothesize that the interaction between the firm's ESP and PEU relate, in particular, to the international diversification strategy, which ultimately affects the firm's performance. Since such strategy is designed to help firms exploit international market opportunities and reduce firms' dependence on a single market, it usually requires entrepreneurial strategic posture of firms. Next, we discuss the literature review on the diversification strategies.

Diversification Strategies

Strategies widely used by firms to compete in international markets can be broadly classified into three categories: generic strategies (i.e., cost leadership and differentiation), marketing standardization VS adaptation, and diversification VS concentration strategy (Aulakh, et al., 2000; Walters and Samiee, 1990). From the review of literature on export strategies, a number of studies have been built on Porter's (1980) generic strategies (e.g., Aulakh and Kotabe, 1997; Carpano, et al., 1994; Dess, et al., 1997; Hill, 1988; Kim and Lim, 1988). On the other hand, some studies focus on standardization and adaptation of the marketing mix (e.g.,Albaum and Tse, 2001; Kotabe, 1990; Samiee and Roth, 1992; Theodosiou and Katsikeas, 2002). Although there are several competitive strategies available for firms in international markets, the interest of this paper is on international diversification strategy. This is because this strategy provides firms with high growth potential in international markets (Buhner, 1987; Capar and Kotabe, 2003).

Empirical research on the diversification-performance relationship can be categorized into three main research streams based on (1) degree of diversification, (2) type of diversification strategy, and (3) mode of diversification (Datta, et al., 1991). Degree of diversification refers to the extent to which a firm diversifies into different businesses, products, or markets. The second stream of research, the type of diversification strategy, refers to the relatedness among various businesses or products of a firm. In this research stream, researchers focus on the degree of similarities and differences in the firm's offerings. The last category, the mode of diversification, refers to "the approach by which a firm employs to diversify into different product markets" (Datta, et al., 1991, p. 532). According to the last research stream, the focus is on comparing the two basic modes of diversification, which are internal development and mergers and acquisitions. Although there are different emphases of research on diversification strategy, this paper specifically draws from literature in the first stream. We hope to contribute to research on strategic management by relating this degree of diversification to a firm's strategic posture and environmental uncertainty.

As mentioned above, the degree of diversification can be further divided into product and international diversifications. While the former refers to "the range and relatedness of products sold" (Geringer, et al., 1989, p. 110), the latter is defined as "expansion across the borders of global regions and countries into different geographic locations or markets" (Hitt et al., 1998, p. 767).

From the review of literature, international diversification has also been referred to as multinationality (Grant, 1987), geographical diversification (Tallman and Li, 1996), or export diversification (Aulakh, et al., 2000). Since international diversification generally includes a broader range of international expansion than export diversification per se, we adopt Hitt and colleagues' (1997) definition of international diversification. Although there have been inconsistent research findings regarding the relationship between international diversification strategy and firm performance, such strategy is found superior to concentration strategy in enhancing the performance of multinational corporations (Lee and Yang, 1990; Olusoga, 1993). This is because the strategy usually helps level off total risks inherent in the market. In addition, it enables firms to gain competitive advantage by allowing them to exploit growth opportunities in international markets (Bowman and Hurry, 1993; Kogut and Kulatilaka, 1994; Capar and Kotabe, 2003). Following Webster (1992) and Knight (2000), whose frameworks indicate the mediating role of firm strategy, international diversification strategy is included as a variable that mediates the relationship between the firm's entrepreneurial strategic posture and performance in this paper.

CONCEPTUAL MODEL AND PROPOSITIONS

The review of previous research provides a foundation for developing the conceptual model shown in Figure 1. The model illustrates relationships among constructs of interest with both mediating and moderating relationships, which constitute the fit among a firm's strategic posture, its strategy and environment. The relationship between ESP and performance is mediated through international diversification strategy, and the relationship between ESP and the strategy is moderated by PEU. When managers perceive that environment is uncertain, the decision to diversify into different markets should be more pronounced since such strategy is most viable in reducing the overall possible risks encountered by the firm, and in providing firms with overseas growth opportunities. As such, we included PEU as a moderator in our study.

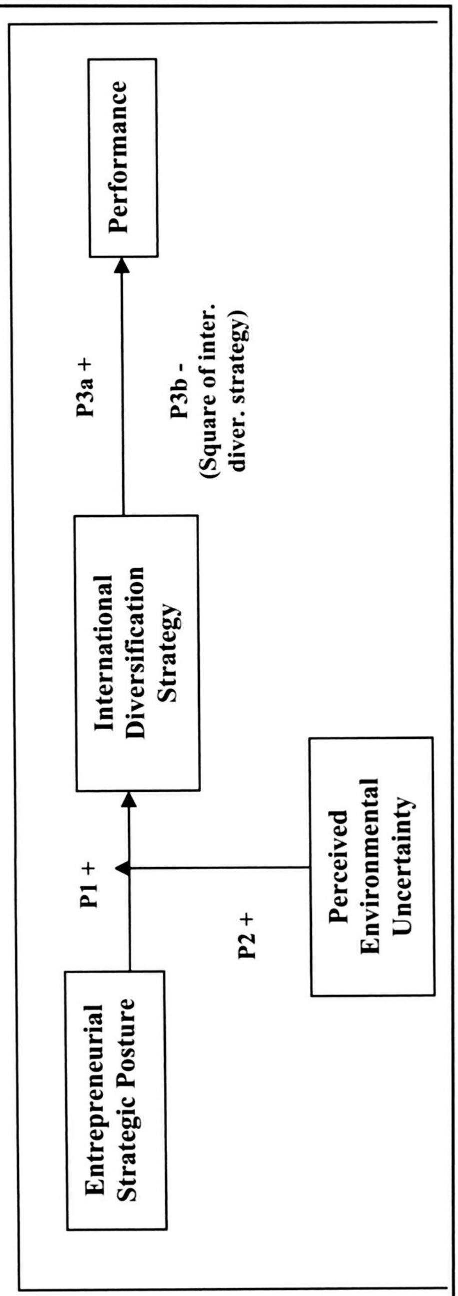

Figure 1
Model of Entrepreneurship-Environment-Strategy-Performance Relationship (EESP)

Past studies show a positive relationship between the three entrepreneurial characteristics—innovativeness, risk taking, and proactiveness—that make up the ESP and the general performance of a firm (Covin and Slevin, 1991; Luo, 1999; Morris and Jones, 1999; Zahra and Covin, 1995). In this paper, we expand the study to investigate such a relationship in an international context by focusing more specifically on international diversification strategy. Manager's perceptions of the environment also have an impact on firm performance especially in the international context (Raven, et al., 1994). The findings from Raven and colleagues (1994) indicate that manager's perceptions on environmental dynamism increase decisional uncertainty, which is ultimately detrimental to the firm's export performance. However, we postulate that managers, who perceive that the environment is uncertain, can implement some strategies to improve firm performance. According to the strategic choice paradigm, firms possessing ESP select strategies that enable them to stay competitive and be successful in markets (Child, 1972; Minimala, 1999).

Despite the aforementioned direct relationship between ESP and performance, previous research often treats strategy as a mediator. For example, Knight (2000) includes marketing strategy as a mediator that establishes a link between entrepreneurial orientation and firm performance. Similarly, Cavusgil and Zou (1994) indicated that the export marketing strategy, which is determined by both internal forces (i.e., firm characteristics and product characteristics) and external forces (i.e., external environment), ultimately affects export performance. Unlike Knight (2000), we hypothesize that international diversification strategy is a mediator that establishes a link between the ESP and the firm's performance. Since having competitive orientation focusing on innovativeness, risk taking, and proactiveness are underlying characteristics for firms with ESP, international diversification is likely to be pursued by such firms. This is because international diversification strategy focuses on the firm's expansion into different geographic areas to exploit international market opportunities. Such strategy usually requires innovative, proactive, and risk-taking orientation of firms. Hence, we propose a positive relationship between the firm's ESP and the likelihood of the firm to implement an international diversification strategy.

P1: The more entrepreneurial the firm's strategic posture is, the greater the pursuit of the international diversification strategy.

Given that international firms engage in multiple markets, some of which have high environmental uncertainty, international diversification strategy seems to be an appropriate means to achieve a competitive edge through the exploitation of overseas market opportunities (Capar and Kotabe, 2003; Hymer, 1976). This is consistent with the resource-based view of the firm (Barney, 1991) and internalization theory (Buckley and Casson, 1976; Hymer, 1976), which suggest that the firm's higher involvement in international markets will lead to higher exploitation of tangible and intangible overseas resources. Moreover, many studies that incorporate the real options theory into international strategy literature (e.g., Bowman and Hurry, 1993; Kogut, 1989; McGrath, 1997) indicate that firms can manage uncertainties proactively and flexibly by dispersing their operations over different geographic areas (Geyikdagi and Geyikdagi, 1989; Jones and Kashlak, 2001). Each international market represents an option for firms to shift their activities to where risks can be minimized and returns can be maximized (Kogut and Kulatilaka, 1994). Consequently, under uncertain environments, entrepreneurial firms are more likely to diversify into multiple geographic markets in order to enhance their flexibility in exploiting overseas resources at calculated level of risks. Therefore, we hypothesize that the tendency to pursue international diversification strategy of entrepreneurial firms will be strengthened when the uncertainty in the environment is perceived.

P2: The positive relationship between ESP and international diversification strategy will be strengthened by the environmental uncertainty.

Provided that firms of our interest operate in international settings, we believe that the preceding hypothesized relationships become more pronounced than in the case of non-international firms. Operating in different national markets means dealing with different political, cultural, and economical factors, which are beyond the firms' control. Such differences then increase the level of uncertainty faced by international firms. Therefore, the strategy implemented by firms is crucial to help them manage the uncertainty and enhance their performance.

With respect to the relationship between international diversification strategy and performance, results of past literature reveal that the direction of the relationship is still inconclusive (c.f. Geringer, et al., 2000). Some studies found a positive linear relationship between the two constructs (e.g., Grant, 1987; Kim, et al., 1993; Zahra, et al., 2000) while others (e.g., Geringer, Beamish, and daCosta 1989, and Hitt, et al. 1997) found non-linear relationships between the two. Such mixed results may be attributed to the differences in the measures of international diversification and performance. Various measures of international diversification include: 1) the ratio of sales from foreign operations to total sales (Geringer et al., 1989; Grant et al., 1988), 2) country count (Tallman and Li, 1996), and 3) an entropy measure based on weighted foreign sales (Hitt et al., 1997). Multiple alternatives for performance measures also exist. Studies of international diversification-performance have used different performance indicators such as return of sales (ROS) and return on assets (ROA) (Geringer et al., 1989), growth in sales and profitability (Grant, 1987), etc.

Despite such inconclusive results of diversification-performance relationship, a recent meta-analysis conducted by Palich, Cardinal and Miller (2000) confirms the curvilinear relationship between the two constructs. Palich et al. (2000) found that only moderate levels of diversification enable firms to achieve maximum performance. This is consistent with the findings of previous studies conducted by Gomes and Ramaswamy (1999) and Hitt, Hoskisson and Kim (1997). Hitt et al. (1997) found that the costs of coordinating and monitoring international operations tend to exceed the benefits originally derived from such expansion. Results of the study conducted by Gomes and Ramaswamy (1999) also show that transaction costs of over-diversified firms increase dramatically due to the need to adjust to more unfamiliar international settings and extending organizational structure. These costs outweigh the benefits from such expansion. Therefore, we propose an inverted U-shape relationship between the degree of international diversification and performance.

P3: There is (a) a positive relationship between international diversification and firm's performance, but (b) a negative relationship between the square of international diversification and firm's performance.

DIRECTIONS FOR FUTURE RESEARCH

We recommend that empirical studies be conducted to test the relationships proposed here. A questionnaire survey can serve as a feasible research tool. International firms defined as those that engage in international activities such as exporting may be representatives of the firms of interest. Therefore, samples can be drawn from exporter lists with firm size, international experience, age, and industry as control variables to eliminate the potential impacts of these variables on firm performance. Measures can be adapted from existing scales to fit with the research context. However, in the case of cross-cultural studies, items may have to be modified so that they provide functional and matrix equivalence.

We attempt to limit the scope of this study particularly to the area of entrepreneurship and international expansion by integrating entrepreneurial strategic posture, perceived environmental uncertainty, international diversification, and firm performance—variables that have been investigated separately in previous studies—into a model that explains how entrepreneurial strategic posture relates to a firm's international expansion and performance. Limiting a study to a few key entrepreneurial dimensions may prove to be worthwhile since there is no consensus on the definition of entrepreneurship but there are certain characteristics (i.e., innovativeness, risk taking, and proactiveness) that appear to be similar in most research.

Although this paper may not cover all five dimensions of entrepreneurial dimensions discussed in Lumpkin and Dess (1996), it chooses to focus only on the previously mentioned three major dimensions frequently cited in past literature. This provides a good starting point for testing the relationships between these different entrepreneurial traits and other strategic variables that contribute to the performance of firms. Future research may incorporate all five dimensions of entrepreneurial dimensions (innovativeness, risk taking, proactiveness, autonomy, and competitive aggressiveness) into the study of firm's strategic posture (or competitive orientation) strategy and performance.

In addition to a firm's entrepreneurial strategic posture and environment, other variables such as organizational factors (i.e., size, structure, resources, culture, etc.), information, and experiences may also influence performance. Hence, further studies may include these factors along with other external factors, such as public policies and national culture into the model to explain firm performance. Furthermore, cross-cultural research investigating the generalizability of the model across national settings may provide useful information for firms operating in the global arena.

CONTRIBUTIONS

A major theoretical contribution of this paper is that it expands the research on entrepreneurship-environment-performance relationships into international business and strategic management areas with a focus on international diversification strategy. We advance the model of antecedents and moderating variables associated with diversification strategy and performance outcome developed by Hoskisson and Hitt (1990) by proposing another possible antecedent and moderator to the model. In this paper, we introduce entrepreneurial strategic posture as another possible antecedent to strategy, and environmental uncertainty as a potential moderating variable. A unique emphasis of this paper is on how entrepreneurial strategic posture relates to a firm's international diversification, and how such a relationship can be moderated under uncertain environmental conditions. It contributes to the existing research by combining both the moderating effect of environment and the mediating effect of strategy on firm performance. We posit that the entrepreneurial strategic posture as a firm's competitive orientation should influence a firm's choice of strategy in terms of its degree of international diversification, and such a relationship can be strengthened under uncertain environmental settings.

Concerning managerial contributions, firms engaged in international markets with high environmental uncertainties can benefit from understanding the significance of entrepreneurial strategic posture and international diversification strategy. Firms need to develop entrepreneurial strategic posture as their competitive orientation by emphasizing innovative, risk-taking and proactive activities in order to enable them to create and capture the opportunities in international markets. When the environment is uncertain, it is recommended that firms diversify into international markets in order to spread out the risks and increase their options to exploit resources and capabilities from various geographic areas. However, managers should be aware that too much international diversification might be harmful to firm performance since the benefits may not be enough to offset the rising costs. Therefore, empirically testing the model proposed here will help indicate that only a moderate degree of diversification would enhance firm performance.

Finally, it is hoped that this paper has provided some insights on ESP-environment-strategy- performance relationships, which contribute to the development of entrepreneurial characteristics in an organization and to the success of firms operating in today's increasingly uncertain business environment. We strongly believe that this area of research deserves much attention as we move even more rapidly into a truly globalized business world.

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