

A Pilot Study Of A Possible Effect From Environmental Dynamism On Internationalization Readiness With The Mediating Role Of Innovation

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Abstract

Internationalization of SMEs' is now considered as an imperative subject in the international readiness field in developing countries such as Jordan. The impact of internal characteristics of firms on the extent of internationalization can be referred as international readiness. The aim of this study is to assess construct of environmental dynamism and its face reliability, and evaluate a small data sample, in a quantitative aspect, on the determinants of internationalization readiness with innovation as a mediating variable in Jordanian SMEs. The method of data collection utilized in this study was surveys; these were used to collect data from 100 managers, they were given questionnaires, using random sampling as the sampling technique. Consequently, the data collected from the sample was analysed using SPSS v22.0 in order to check the reliability. Even though the results have strengthened the reliability and face validity of the instruments that have been used in this study. Nonetheless, this research provides a comprehensive review of the critical factors for internationalization readiness to provide practical input the government and policy makers alike should utilize the outcome of this study for the benefits of economic development of the country.

Keywords: internationalization readiness, environmental dynamism, innovation, Jordan, SEMs

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Introduction

Internationalization of SMEs' is now considered as an imperative subject in the international readiness field in developing countries such as Jordan. The impact of internal characteristics of firms on the extent of internationalization can be referred as international readiness (Zhang, Ma, Wang, Li, & Huo, 2016). Buckley et al (2016) described Internationalization as "the foreign market servicing strategy of a firm" (Buckley, Pass, & Prescott, 1999). Firms from developing countries/economies are attracted to international markets as it grants them a competitive advantage and helps them in escaping the poor domestic institutional

environment (Hazarbassanova, 2016; Ramón-Llorens, García-Meca, & Duréndez, 2017). Internationalization entails various advantages; it provides firms with the opportunity to grow, helps them develop new knowledge, enables them to access new resources and helps them in achieving long-term profitability growth (Bany-Arifin, Matemilola, Wahid, & Abdullah, 2016; Hazarbassanova, 2016; Hsu, Chen, & Cheng, 2013; Zhang et al., 2016) and Internationalization has also become the most imperative strategic decision for the newly evolving SMEs (Adomako, Opoku, & Frimpong, 2017). Conversely, it has been perceived that most of the SMEs fail to penetrate into the foreign markets due to lacking resources, little to no

experience and poor managerial skills (Ghaith, 2020; Onkelinx, Manolova, & Edelman, 2016).

As settled, the internationalization is a promising approach to penetrate new markets, its success is mandated to a careful reading, scrutinizing and appraising to the new markets. Yet, this would be temporary fruitful due to the replication of the products and services by the rivals, or due to the cost comparison between the local and the imported products. Hence, the organizations with internationalization intentions need to be innovative as well to enhance the possibilities of gaining the desired paybacks (Abdullah, Rosnan, & Yusof, 2018).

Innovation can be deemed as the way by which organizations are able to come up with new services, systems, processes, and products required for adapting to the dynamic, markets, technologies and competition modes. It specified that innovation is a chief motive for organizational development since it offers methods to the progress of technological innovations and for the shortage in production lifecycles. Consequently, having innovative small and medium enterprises (SMEs) will enhance the environmental dynamism ability in internationalization readiness boosting (Khan, Atlas, Ghani, Akhtar, & Khan, 2020).

Reading and understanding the environmental dynamism and overall directions is not an option anymore to those who wish to survive and grow

(Yu, Lumpkin, Praveen Parboteeah, & Stambaugh, 2019). Thus, organizations need to draw their long-term strategies about the stability and the growth in terms of customers, market share, profitability, and expansion options (Ghaith, Enas, Mutia, & Abdul Malek, 2018). The internationalization is one of the majorly followed strategies due to many drivers including; markets similarities, liberalization, governmental, de-regulation, cost or competitiveness drivers (Fonseca, 2020; Rantanen, 2019). Furthermore, any organization can access international markets by one of four methods; exporting, franchising, whole owned subsidiary, or by joint ventures. Regardless of the elected motive and method, the organization shall critically evaluate and assess its internationalization readiness from a comprehensive standing point before proceeding on (Rosnan & Abdullah, 2018b).

According to Young entrepreneur's report in 2016, the Jordanian economy depends almost entirely on SMEs to drive it. About 90%-96% of the businesses are mainly regarded as SME's, and only two third of these businesses have less than (19) employees. Moreover, SMEs account for most of the new jobs and are responsible for innovation along with creativity which are known to boost economic progress. According to the statistics, SMEs employee 71.4% of the workforce. Figure 1 demonstrates the clarification numbers about employees per sector:

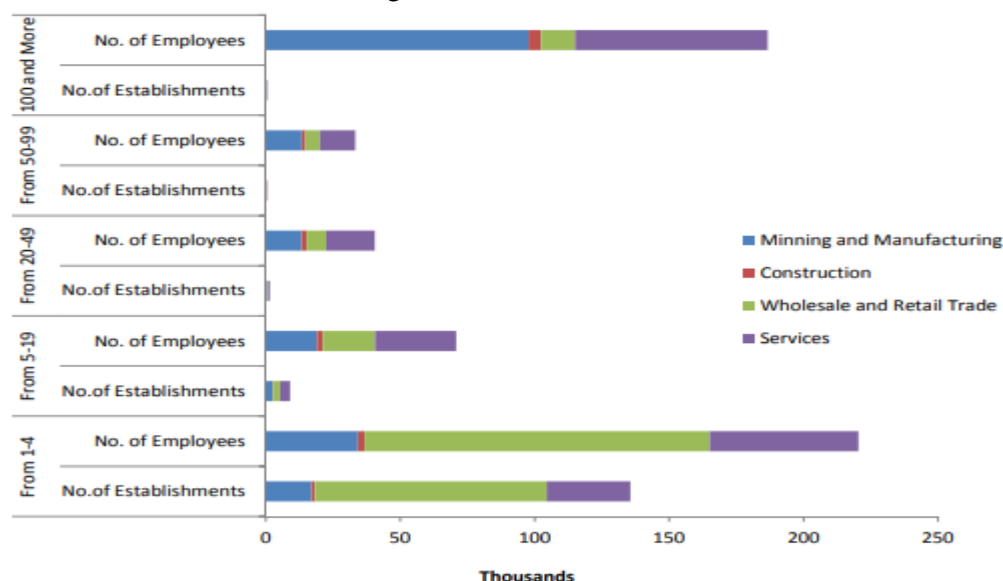


Figure 1: Number of employees in SMEs per sector (Department of Statistics, 2018)

The prime motive for selecting Jordanian markets is because it provides as the most strategic location. The SMEs in this region are ideal for this study as they lack resources and do not have the capabilities to invest in large-scale projects, and are inclined towards small-scale projects due to the low risk involvement; they also believe that small scale projects have greater stability to ensure sustainable performance and guarantee their survival (Anwar, 2018). Hence, these characteristics have made it difficult for SMEs to penetrate into the international market and expand their operations internationally. The lack of academic research has also been one of the many reasons for this situation.

Internationalization Readiness

Knight (2003) has reported Internationalization readiness as “the process of integrating an international, intercultural or global dimension into the purpose, functions or delivery of post-secondary. The current research has covered the scope of internationalization and has established that it is not a concept that is universally defined and cannot not be studied using a single theory. Furthermore, international readiness can also be described as a process that enables the firm to enhance its operations and expand from domestic markets to international markets; this is done when the firms adopts the structures, strategies and resources according to the needs of the international market (Chong, Ong, Abdullah, & Choo, 2019). Many scholars have linked internationalization with enhanced SME performance (Booltink & Saka-Helmhout, 2018; Henley & Song, 2020), however, this might not be the case for all performance dimensions. Normally, internationalization is an intriguing discipline that has many aspects to be discovered (Rosnan & Abdullah, 2018a). Many countries have already indulged themselves in expansion into foreign markets with international markets. This practice is has gained popularity over the years and has introduced new opportunities for scholars to conduct research on strategies for international expansion, primarily in the case of SMEs (Hosseini, Brege, & Nord, 2018). Additional research on this topic would help in filling the gap which would contribute to a better understanding of internationalization as a process more precisely. Furthermore, the need for further research on this topic has also been highlighted by Federico, Tiwari, Sen, and Shaik (2016), as they reported the lack of research regarding this topic.

Innovation

Innovation and internationalization are two highly connected strategic activates (Azari, 2019; Oladimeji, Abosede, & Eze, 2018). Their relationship could be justified according to the fact that internationalization is a simply a sort of innovation, in turn, successful internationalization necessitates innovation from organizations with a superior business knowledge (Bahl, Lahiri, & Mukherjee, 2020). Generally, organizations tend to grow in terms of profitability and sales to foreign lands. The internationalization using innovation is the market pattern that based on inventing novel products and services aligning with the strategy (Midler, 2019).

The innovation in the simplest sense is defined as a sort of novelty that positively impact the competitive advantage in the global market also the growth of organizations (Ferreira, Coelho, & Moutinho, 2020). Furthermore, innovation is well-thought-out as a competitive advantage for organizations to compete in the worldwide market. In other words, innovation helps organizations that are trying to attain the distinctive competitive advantage in order to obtain a stable position in the marketplace (Ghaith, 2020; Quaye & Mensah, 2019).

Environmental dynamism

Environmental dynamism is named as "an environment with perceived instability and continuous changes" (Girod & Whittington, 2017). Also, it has been contended that those changes in the environment are the engine to generate the opportunities, yet it is the source of threat as the contributions of the M. Porter. In the same frame, the environmental dynamism mirrors the extent of unpredictability in changes of customer needs, production features or technologies, which, in its turn, positively impact the competition circumstances (Park & Xiao, 2020; Sakhdari, Burgers, & Davidsson, 2020). Guided by the objectives of this thesis, the environmental dynamism is operationalized according to by three main dimensions, firstly; the vulnerability to the changes in the trade policies across borders (Abdelzaher, Martynov, & Zaher, 2020), secondly, the change in clients' preferences and needs, and finally the technology contributions relating to the main product/service (Abdel-Basst, Mohamed, & Elhoseny, 2020).

Conceptual Framework

As what mentioned and agreed on, the internationalization term mainly refers to an organizational attitude towards any foreign activity or to the tangible carrying out of goings-on abroad. The internationalization also could be seen as a steady unidirectional learning process, this gradual learning process could be vindicated and justified according to the lack of information, resources, also experience (De Cock, Andries, & Clarysse, 2020; Pana, Yang, & Yina, 2020).

There are many theoretical models that intended for justifying the internationalization process, historically, the Uppsala model is one of the most known staging models, it was introduced by Vahlne and Johanson (2020) as an enhancement version of

"the network-based approach" (first view of the incremental internationalization process). The logic of the Uppsala model is based on the principle that organizations increase its international involvement progressively by starting with low involvement and commitment that supposed to be increased over time. In turn, each increase in the organizational awareness about the external markets, also in the resources will positively impact the commitment levels to the foreign markets. In other simpler word, the Uppsala model points out that organizations start their international involvement by taking small steps towards a broader existence to reduce the risks and develop the gained knowledge (Vahlne & Johanson, 2017). After showed the justification to use this variable and the problems in Jordan, the researchers developed this model as shown in figure 2.

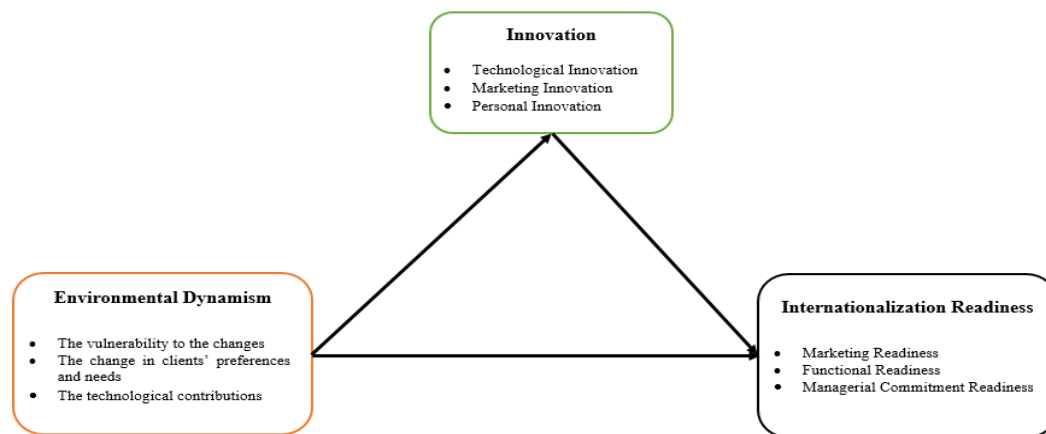


Figure 2: Conceptual Framework

Data Instrumentation

As stated previously, a questionnaire survey was established as a tool for data collection. Accordingly, the elements of questionnaire were deliberately designed to prevent similarity in terms of the measurements specified in the measurement

structures found in the test model. As recommended by W. Zikmund, Babin, Carr, and Griffin (2013), as seen below, the questionnaire elements were included based on the analytical observations and description examined in literature that were implemented and modified to match the study's objectives.

Table 1: Measuring Instruments

No.	Variable	No. of Items	Adapted
1	Internationalization Readiness		(Hamidizadeh & Zargaranyazd, 2014)
	<i>Marketing Readiness</i>	7	
	<i>Functional Readiness</i>	5	
	<i>Managerial Commitment Readiness</i>	8	
2	Innovation		(Hagen, Denicolai, & Zucchella, 2014; Ruzzier, Hojnik, & Lipnik, 2013; Venckuviene & Snieska, 2014)
	<i>Technological Innovation</i>	5	
	<i>Marketing Innovation</i>	5	
	<i>Personal Innovation</i>	7	

3	Environmental Dynamism		(Li & Liu, 2014; Schilke, 2014; Wang, Liang, Zhong, Xue, & Xiao, 2012)
	<i>The vulnerability to the changes</i>	4	
	<i>The change in clients' preferences and needs</i>	5	
	<i>The technological contributions</i>	5	

Data Collection

This article is based on a method of quantitative analysis, which is the research approach most applicable for this study. A framework of inquiring explanation through the interaction between different variables, which can be simplified to quantitative form and likely applied to superior populations, is used in the quantitative approach (Kumar, 2019). In compliance the questionnaire is a calculation tool used by W. G. Zikmund, D'Alessandro, Winzar, Lowe, and Babin (2017) to gather data from a group of individuals. Therefore, by using self-administered questions received from the respondents, this survey collects data. Chow, Shao, Wang, and Lokhnygina (2017) have reported that a researcher has to be cautious when determining the sample size randomly or when appointing a specified percentage for a non-specified population. In the current study, population refers is the managers working in Jordanian SEMs. However, 100 questionnaires were completed and returned to fortify respondents' understanding of the questions, to ascertain any problem with the answers, to clarify the instructions, to enhance the layout attractiveness,

and to gauge the time required to fill the questionnaire. The pilot study was conducted in month of October 2020 and the process lasted for two weeks and take 100 questionnaires to test pilot study according to (Awang, 2014).

Pilot Test

The pilot study was then exposed to an internal consistency reliability test, which denotes the level of the items of a particular construct combine, and are independently able to measure their corresponding construct. Cronbach's alpha coefficient has been used to measure the item reliability in the survey instrument as suggested by U. Sekaran and Bougie (2016).

Table 2 contains the results of the reliability coefficient values of items, ranging from 0.937 to 0.988. Many researchers claim that the reliability coefficient value of 0.60 depicts average reliability, 0.70 and over depicts high reliability, and as Cronbach's alpha value gets closer to one, the reliability increases (Bonett & Wright, 2015; Ghaith & Mutia, 2019; Tavakol & Dennick, 2011).

Table 2: Reliability Analysis for Each Construct

No.	Construct	Cronbach's Alpha
Internationalization Readiness		
1	<i>Marketing Readiness</i>	.987
2	<i>Functional Readiness</i>	.975
3	<i>Managerial Commitment Readiness</i>	.966
Innovation		
1	<i>Technological Innovation</i>	.988
2	<i>Marketing Innovation</i>	.964
3	<i>Personal Innovation</i>	.972
Environmental Dynamism		
1	<i>The vulnerability to the changes</i>	.961
2	<i>The change in clients' preferences and needs</i>	.954
3	<i>The technological contributions</i>	.937

From the above table, the constructs reliability values meet the alpha value criteria as they all exceed 0.70 as recommended by (Bonett & Wright, 2015; Ghaith & Mutia, 2019; Sekaran & Bougie, 2010; Tavakol & Dennick, 2011).

Exploratory Factor Analysis (EFA)

This is an important analysis that determines if there are any needed amendments to the questionnaire. The recommendations were reviewed, and resulted in minor amendments on the headings and layout of the survey. The questionnaire validity was also confirmed through EFA. Table 3 presents the initial number of items of each construct in the pilot study.

An exploratory factor analysis was carried out on the entire variables as this was the first time the instruments were employed in large numbers in the context of Jordan. The purpose of this analysis was to investigate the interrelationships among study latent variables and to confirm if the extracted factors are matching their theoretical and original form (Reio Jr & Shuck, 2015).

In the second step the EFA was performed with the remaining constructs and the factors loadings of the remaining 3 constructs are presented in the table below.

Table 3: Pattern Matrix^a

	Component								
	1	2	3	4	5	6	7	8	9
VC1	0.880								
VC2	0.872								
VC3	0.930								
VC4	0.909								
CP1		0.911							
CP2		0.848							
CP3		0.892							
CP4		0.888							
CP5		0.896							
TC1			0.849						
TC2			0.870						
TC3			0.888						
TC4			0.902						
TC5			0.917						
PI1				0.880					
PI2				0.872					
PI3				0.930					
PI4				0.909					
PI5				0.880					
PI6				0.872					
PI7				0.930					
MI1					0.909				
MI2					0.880				
MI3					0.872				
MI4					0.930				
MI5					0.909				
TI1						0.880			
TI2						0.872			
TI3						0.930			
TI4						0.909			
TI5						0.880			

MCR1		0.826	
MCR2		0.835	
MCR3		0.869	
MCR4		0.809	
MCR5		0.811	
MCR6		0.796	
MCR7		0.805	
MCR8		0.830	
MR1		0.857	
MR2		0.876	
MR3		0.860	
MR4		0.881	
MR5		0.858	
MR6		0.790	
MR7		0.866	
FR1			0.854
FR2			0.839
FR3			0.846
FR4			0.882
FR5			0.833
Extraction Method: Principal Component Analysis. Rotation Method: Promax with Kaiser Normalization. a. Rotation converged in 9 iterations.			

All the items in the above Pattern Matrix table were above the benchmark level of 0.7.

Conclusion

This study seeks to contribute to the topic of internationalization of the firms in two imperative ways. It has been established that internationalization enhances the theoretical foundations that are established in traditional internationalization theory stages by classifying international readiness as the transition point between the first export venture internationalization commitment and internationalization learning phase. Secondly, by conducting a nationwide survey throughout Jordan, and making the use of factor analysis, international readiness was fostered and tested against a small sample, as an analytical tool, to reinforce its validity. Moreover, the results have suggested that environmental dynamism, innovation, and internationalization readiness present themselves as imperative interpretation and these factors also have possible practical implications for governments and firms as an assessment tool. The aim of this study is to carry out the pilot test to measure the face validity and reliability of the completed study items and will assist in preparing for the primary study. The results of this study show that the value of the alpha of Cronbach for the construct under review is above

0.70. Consequently, with an absolute threshold of 0.70.

For effective activities which will fulfill its mission, supporting actions should be targeted in directions that are the most crucial for SMEs development and to the processes that contribute to their positive evolution. Supporting SMEs internationalization is one of the key tasks of any government economic policy. Therefore, supporting SMEs internationalization does not mean just assistance for improving their international performances, but also improving their overall performances, and thus indirectly the performances of the national economy. Precisely locating points, phases, and processes which should be supported, as well as the type, form, and intensity of support, are from critical importance for the support to be functional. Research studies in the field of SMEs internationalization actually tracing directions of adequate institutional support policies. Therefore, keeping all things in mind, it is suggested that future studies should extend the industry-specific success factor identification in order to attain international readiness. However, for the aforementioned statement to be possible and achievable, a greater number of cases with more empirical research are

required to do so; this could also possibly lead to more generalizations about the firm industry. Another improvement that could be possible for future studies is by incorporating a quantitative method which could enable the future scholars to analyze a large number of firms from various industries to bring about accurate conclusions about industry-specific factors. Moreover, the SME size may also play an important part in future studies and might entail different results; hence, large, medium and small SMEs must be included in future studies. Furthermore, a detailed study on SMEs at cross-national level may prove to bring about beneficial insight into internationalization readiness as a topic.

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Internationalization Readiness

Marketing Readiness

- 1 Our company is concerned with customers' reactions to the company's actions.

Measurement Items

- 2 Our company is interested in customers' satisfaction and how the relationship is maintained.
- 3 Our company has invested in systems to support customer processes and to make the company more customer-focused.

- 4 Our company supports and reinforces customer service behavior.
There is a perception of how customers perceive the technical outcome of the elements of an offering.
5 There is a perception of how customers perceive the interactions with the company's employees at all interactive points.
6 There is a perception of how customers perceive the interactions with physical systems.
7

Functional Readiness

- 1 Our managers provide basic information about the services that the company focuses on.
2 Our company plays a role in supporting employees. Our company management views its major role is providing information to the employees about the company.
3 Our managers play a leadership role in educating employees on the importance of company work skills.
4 Our managers provide information to employees about the mechanisms of production adopted by the company to produce products.
5

Managerial Commitment Readiness

- 1 Our company frequently involves the staff in important decision-making processes.
2 Our company's management looks favorably on carrying out changes in any area to adapt and/or to keep ahead of new environmental situations.
3 Employee learning capability is considered a key factor in our company.
4 Our company rewards innovative ideas.
5 All employees have a general understanding regarding the company's objectives.
6 All units that make up our company (departments, sections, work teams and individuals) are well aware of how they contribute to achieving the overall objectives.
7 All activities that occur in business transaction processes are clearly defined.
8 All units that make up our company are interconnected, working together in a coordinated fashion.

Innovation

Technological Innovation

- External partners, such as customers, competitors, research institutes, consultants, suppliers, the government and universities participate directly in all technology innovation projects in our company.
1
2 Our company has technological forecasting or foresight to meet future market conditions.

- 3 Our company adopts available external knowledge and technology for internal development.
4 Our company sells innovative technological products as new products.
5 Our company promotes technological ideas that cannot be self-developed.

Marketing Innovation

- Our company often buys intellectual property, such as patents, copyrights or trademarks, from external partners to be used for innovative projects.
1
2 Our company often offers royalty agreements to other companies to better benefit from our innovation efforts.
3 Our company is working on developing new market segments where we have related marketing innovation.
4 Our company has unique business strategies/tactics that have never been used by competitors.
5 Our company has the latest technologies and techniques to meet immediate needs.

Personal Innovation

- Our company is interested in transforming innovative ideas from employees into useful applications.
1
2 Our employees have the ability to work as a team.
3 Our employees have creativity and talent to develop new ideas.
4 Our company is interested in developing socialization skills to integrate the ideas of employees.
5 Employees have high potential and fear of innovation is fading.
6 Our employees participate in the global competitive market.
7 Our company focuses on creating small, medium and large enterprises and conducting training programs.

Environmental Dynamism

The vulnerability to the changes

- 1 The marketing environment that our company faces is changing radically.
2 The marketing environment that our company faces is changing continuously.
3 There are frequent and major changes in government regulations.
4 There are frequent and major changes in the number of competitors.

The change in clients' preferences and needs

- 1 Customers constantly have new requirements for products and services.
- 2 Customers' requirements for products/services and delivery time change constantly.
- 3 Products and services are delivered quickly and frequently.
- 4 Our customers regularly ask for new products and services.
- 5 Our company has made major changes in the methods of production and service provision.

The technological contributions

- 1 The technology in our company is changing rapidly.
- 2 It is very difficult to forecast what the technology in our company will be in the future. A large number of new product ideas have been made possible through technological breakthroughs in our company.
- 3 There are frequent technological changes in this company.
- 4 There is increased spending on research and development in our company.