

Technological Knowledge, Innovation and Risk-taking Capability and International New Venture's Performance

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Abstract

The choice of technological knowledge with innovation & risk- taking capability is a significant strategic decision for the success of international new ventures (INVs) performance. Therefore, this study's aim is to offer a new construct, build up the conception model " technological knowledge- innovation & risk-taking capability- international new venture's performance". And to examine how technology knowledge and innovation & risk- taking capability of international new venture's (INVs) firms help to them in the development of international performance. Based on the literature of the investigation, it exhibits the theoretical supporting for positive connections between variables in the proposed model. Therefore, the study will use a mix-method approach to sequential explanatory design for testing the hypotheses. An email survey instrument would be utilized for data collation. The sample of the investigation is Malaysian international new venture firms that consist of products and services. It is expected to contribute to knowledge as a resource and international entrepreneurship by illustration a model of technological knowledge, Innovation & Risk- taking Capability and international performance.

Keywords: Technological knowledge; innovation & risk- taking capability; international new venture; international performance

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1.0 INTRODUCTION

The importance role of knowledge and learning has been identified properly in the firm's internationalization such as international new ventures (INVs) ¹⁻⁴. Both the theory of the internationalization process (IP) ^{2, 5-7} and the investigations of international new venture (INVs) ⁸ have recognized that accumulation of learning and knowledge has a significant impact on the internationalization of small firms. However, we still have slightly known about the challenges that these kinds of firms are facing in understanding, resourcing the suitable knowledge for the successful growth businesses in an international marketplace ^{4, 9-10}.

On the other hand, the internationalizations of Malaysia's companies have attracted significant attention in recent years. Malaysia has programmed the internationalizations and development of companies as an emerging economy like other countries around the globe. For instance, the government of Malaysia focuses on providing support and incentive of the firms that enter the international markets. ¹¹. Hence, to uphold the firms to become the international it would be necessary to know what kinds of knowledge, can be properly for

international firms. In addition, what kinds of capability are needed for doing business in international markets? What is the relationship between resources, capabilities and international performance in Malaysians' international new ventures (INV's) firms?

Based on the literature, the prior investigations on international new ventures (INVs) firm have directly tested the effects of capabilities and resources on the performance of firms ¹². However, the indirect role effect between resources and performance has been neglected. On the other hand, there is not enough evidence on the role of technological knowledge as resources that effect on international performance of new ventures in Malaysians' firms. It is crucial to comprehend how to use knowledge and convey it from an individual to the organization performance.

As the related literature, depicted, technological knowledge is a critical resource in international business actives. It is vital for companies that are active in international markets such as INVs firms. Contrarily, the lack of new knowledge caused new ventures faced with a quality of being slow in growing and competing ¹³. In addition, to create the opportunities and to formulate strategic plans are formed the Internationalization of

firms by the foreign marketplaces' knowledge. This knowledge accelerates the process of internationalization for international new ventures¹⁴⁻¹⁷. Based on the above-mentioned literature about the importance of the technological knowledge it would be necessary to answer to this question: what is the technological knowledge?

Technical knowledge includes tools, information and processes that the firms utilize from them for production, development and deliver the services and products. The method of research and development of production and the systems distribution can be an example of technological knowledge¹⁸. In addition, it is the idea set of "regarding scientific and technical advances on an applied high-technology product"¹⁹ page: 219. This kind of knowledge aids firms and makes them capable to improve the quality of products, simplify and make better the capabilities of innovation²⁰. On the other hand, innovation ability direct attention to the companies' capacity that embraces different and modern innovative thoughts, predictions, or procedures formulated to serve the international marketplace²¹. Innovation capability acts like an introducing the new products or processes in the marketplace²²⁻²³. The experimental findings and the existing theory explanations from mature economies propose a service or product that pertains to innovation. This situation comes from individual knowledge assets such as the proprietary technology that have been driven from the early Internationalization²⁴⁻²⁷. The capabilities of technological knowledge also supply the necessary material for firms to adjust products and operations in uncertain situations specially, when going in foreign marketplaces²⁷⁻²⁸. From the other point of view, risk has been a significant idea of organization activities²⁹⁻³⁰.

For development and survival of a firm risk taking can be an important implication³¹. Risky behavior of the firms is a management option of plans with ambiguous results³¹⁻³³. Initiation of the innovative project has featured in small and young technology ventures, are low investment and high uncertainty with risk-taking³⁴. Risk-seeking ability mentions the company's capability to tackle consequential and hazardous resource obligations in an international marketplace. Moreover, risk-taking conducts, as an example of acquiring heavily obligation in order to use opportunities in the foreign markets that are probably characterized in international entrepreneurial companies²¹. Therefore, Innovation capability and risk-taking ability is nearly connected together³⁵.

More in a specific manner, entrepreneurial capabilities enable firms to improve the bundles of resources. It can supply sustained competitive advantage that causes of successful international new venture³⁶. Thus, improving organizational capabilities, such as Innovation & Risk-taking Capability to leverage the firm resources and to gain higher performance in international marketplace that is fundamentally critical to INV's firms.

By considering the literature, the researcher believes that technological knowledge (TK) as new venture resources can be adequate to transform the Innovation & Risk-taking Capability (IRC) to international performance (IP) in this investigation. It can respond to the lack of experimental investigations in the context of INV's firms, as one of the Asian developing countries, in Malaysia. Technological knowledge, Innovation & risk-taking capability and international performance through a comprehensive understanding of INV's firms have anticipated that they can be interested to managers, academics and policy-makers.

Hence, to answer the above-mentioned questions, this study's aim is to examine how technological knowledge as a resource of new venture firms impacts on innovation & risk-

taking Capability and international performance. Based on the purposes of the study, it makes a trustworthy contribution to the international entrepreneurship and its capability to a better understanding of it and its effects on international performance (IP) of INV's firms. Theoretical contributions and managerial implications are considered in the present study. In the following sections the literature of the constructs relationship is discussed.

■2.0 LITERATURE OF THE CONSTRUCTS RELATIONSHIP

2.1 The Influence of Technological Knowledge on International New Venture's Performance

As the related literature, depicts technological knowledge is a critical resource in international business activities. It is vital for companies that are active in international markets such as INV's firms. Based on the literature, the prior investigations on international new ventures (INVs) firm have directly tested the effects of capabilities and resources on the performance of firms¹². Technological knowledge accelerates the process of internationalization for international new ventures¹⁴⁻¹⁷. The capabilities of technological knowledge also supply the necessary material for firms to adjust products and operations in uncertain situations specially, when going in foreign marketplaces²⁷⁻²⁸.

Technological knowledge and learning is a conclusive significant for firms with early and rapid internationalizing³⁷⁻³⁸. Specifically, the performances of these firms are impacted by it³⁹. In addition, Wiklund and Shepherd⁴⁰ have claimed that the technological knowledge affects the performance meaningfully and makes easy the exploration and utilization of entrepreneurial opportunities.

On the other hand, innovations of business activities, which come out through technological innovation are as a technological knowledge. These kinds of knowledge are fundamental for financial and commercial performance⁴¹⁻⁴³. Based on the study have done by Nordhaug,⁴⁴ and Lucas⁴⁵, Knowledge, skills and individual's abilities as technological knowledge has a positive effect on a firm's performance and productivity.

Therefore, by considering the above-mentioned literature, technological knowledge has a positive effect on international performances of INV's firms.

2.2 The Influence of Technological Knowledge on Innovation & Risk-Taking Capability in International New Ventures (Invs)

The importance role of knowledge and learning has been identified properly in the firm's internationalization such as international new ventures (INVs)¹⁻⁴. On the other hand, technical knowledge as a critical resource of new venture firms includes tools, information and processes that the firms utilize from it for production, development and deliver a service or products. The methods of research and development of productions and the systems distribution can be an example of technological knowledge¹⁸. The importance of technological knowledge is well revealed by an investigation into early and rapid internationalization firms in innovation and risk-taking capability⁴⁶ and in the theory of firm's Internationalization⁴⁷⁻⁴⁹.

On the other hand, innovations of business activities, which come out through technological innovation are as a

technological knowledge⁴¹. Technological knowledge makes possible the firm's specific advantages, which are transferable across borders. By Highly concentrated of knowledge, the firms be able utilize from the new tend of technological knowledge to improve and conform products to a new markets and to prevent lack of progress in existing marketplaces²⁷. According to Oviatt and McDougall,²⁵ improving remarkable services or products aids international new ventures (INVs) to overpower disadvantage of novelty and size. The intensification of knowledge inside specific acts, products and services enables new opportunities for identifying and using from them^{27, 46, 50-51}. According to Cabrales *et al.*,⁵² by way of knowledge merging, the firm can identify the base of its knowledge and the capacity of learning. In addition, it makes possible to the decision about how to utilize, and an extended it. On the other hand, there is a positive empirical proof impact on the relationship between technological know-how and product innovation⁵³⁻⁵⁴. Moreover, Díaz-Díaz *et al.*,⁵⁵ have found a positive connection between the access of technological knowledge and product innovation in their research. According to Siegel and Renko⁵⁶, there is a positive connection between technological knowledge and entrepreneurial opportunity recognition that this relationship is stronger among the firms with high levels of market knowledge. Based on the above-mentioned literature, technological knowledge has a positive effect on innovation and risk taking capability.

2.3 The Influence of Innovation & Risk- Taking Capability on International New Venture's Performance

According to Zhang *et al.*,⁵⁷ innovation & risk- taking capability have a direct attention to proactiveness and the overall innovativeness of the firms that to pursuit, the international marketplaces. The combination of innovation & risk- taking capability dimensions is innovative capability and risk-taking capability. Innovative capability ascribes to the ability of the firm that to support from the new products, creative ideas and the designed processes to the foreign markets of service. The capability of risk-taking has directed attention to the ability of the firm to take on the importance and the commitments of a risky resource in an international marketplace^{21, 57}. The characteristics of risk –taking behaviors are probably connected to international entrepreneurial firms. As an example, these kinds of firms are motivated to exploit suitable opportunities in the international markets²¹. Therefore, the capability of risk-taking is nearly connected to the capability of innovation³⁵.

On the other hand, it has been mentioned in the capability's literature, the capabilities have been clarified as the abilities of the firm to absorb, merge and convert the external and internal resources to drive superior performance into sustainable competitive advantages⁵⁸⁻⁶⁰. Therefore, innovation & risk-taking capability cannot be exception of the above mentioned points. In addition, capabilities enable the firms to arrange their assets and activities in proper order for making use of them⁶¹. Therefore, they act as a glue that keeps together different resources of the organization and makes capable their organization that obtains the greatest profit⁶². On the other hand, developing innovation is forcefully connected to a competitive advantage⁶³⁻⁶⁴.

Based on the literature of the study there is a positive association between the innovation capability and performance of firms⁶⁴⁻⁶⁵. Innovation capability is the firm-level ability to manage technological innovation. It can be the specific expert opinion and competence connected to the involvement of the firms. On the other hand, innovation ability direct attention to

the company's capacity that embraces different and modern innovative thoughts, predictions, or procedures formulated to serve the international marketplace²¹. According to Griffith *et al.*,⁶⁶ and Mention⁶⁷, innovation has introduced as another foundation of performance and a central driver of the growth of economic and productivity at the firm level.

Innovation & risk- taking capability as one of the dimensions of international entrepreneurial capabilities (IEC) has a positive effect on international performance in the global markets^{57, 68}. According to Zhang *et al.*,⁵⁷, on the basis on RBV, international entrepreneurial capability (IEC) should positively influence on the firm's international market performance. Therefore, innovation & Risk- taking capability as one of the IEC dimensions affects to international performance. Moreover, some investigators have revealed the connection between international performance and the INVs degree of Internationalization⁶⁹⁻⁷⁰.

Hence, the above-mentioned relationships depict the positive connection between innovation & risk- taking capability and international Performance. By considering the above literature the study has suggested the following conceptual framework.

3.0 CONCEPTUAL FREMEWORK DEVELOPMENT

The proposed research model depicts international performance as a dependent variable, technological knowledge as an independent variables and innovation & risk- taking capability as a mediator in this study. As a subject matter, international performance will lead to specific outcomes. On the other hand, technological knowledge as a new venture resource is awaiting to play an essential role of a contributor to the firm outcome of international performance. Consequently, the literature of technological knowledge, innovation & risk- taking capability and international performance provides a great potential for predicting and suggests the relationships between the variables in this study framework. The key theoretical framework of the study is the resource-base view of the firm (RBV). The Figure 1. Depicts these associations.

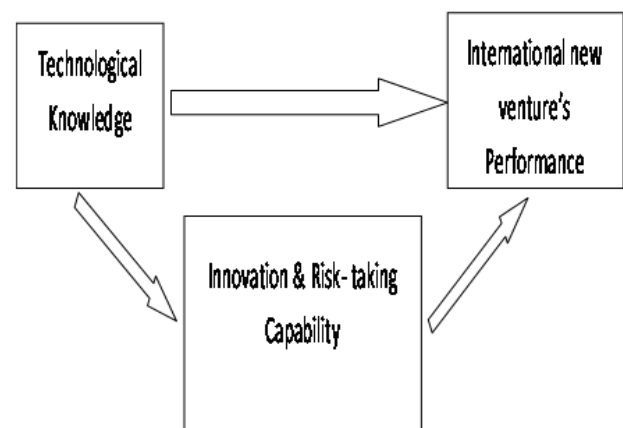


Figure 1 Model of the influence of technological knowledge on international performance

■4.0 RESEARCH METHODOLOGY

This study is a part of on-going PhD research on international new venture firms (INVs). Theoretical population related to international new ventures (INVs) and the study population connected to Malaysian INVs firms. The study would be utilizing the mix-method approach to sequential explanatory design. Data collection would be used by email survey instrument. Therefore, the hypotheses will be tested by gathering data from a sample of Malaysian international new venture firms to operate in various products and services.

By Considering the literature of international new ventures, three criteria will be utilized to select the firms in the survey that these three criteria have been utilized by the most scholars such as Knight, G. A., and Cavusgil²⁰ and Coviello and Jones,⁷¹. First, the company's samples must be a new venture. Based on the definition of Burgel and Murray⁷² a new venture is an independent firm with age under 10 years at the investigation time that is active in international sales⁴⁶. Second, the firms must be involved in international activities so, the level of exports of these companies is more than 25% of their sales of annual. Third, by following the other investigations, companies have to be independently owned company. They should not be affiliated or subsidiary⁷³⁻⁷⁴. The main criteria for interview selection included being Malaysian exporters of products, and services independently owned company.

■5.0 CONCLUSION

The aim of this investigation is presented to set out and to demonstrate the significant role of technological knowledge and innovation & risk-taking capability in international performance of new ventures in Malaysia's INVs. Therefore, the first section of the study is mentioned to the theoretical argued to the influence of technological knowledge on innovation & risk-taking capability. The second segment of this investigation is discussed the positive influence of innovation & risk-taking capability on international performance. Based on the literature, the third section is explained the impact of technological knowledge on international performance.

By considering the literature and the purpose of the study, a model is suggested that it will test in the process of this research. The findings from the study should be able to aid international new ventures (INVs) firms to increase their international performance in the future business activities. Based on theoretical research, technological knowledge and innovation & risk-taking capability increases the international performance of new ventures and makes possible them to prefer to innovation & risk-taking capability in international business activities. Therefore, the general aspects of the contribution of the investigation are to test and approve the power of explanatory in the resource-based view (RBV) of the firms through the investigation in the field of international entrepreneurship research.

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