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Operational capabilities and entrepreneurial opportunities in emerging market firms: explaining exporting SME growth

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## Operational capabilities and entrepreneurial opportunities in emerging market firms: explaining exporting SME growth

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### Abstract

*Purpose:* The academic inquiry of operational capabilities has claimed focal interest in mainstream strategy research. Recent theoretical advances suggest these capabilities are a fundamental trigger to the identification and exploitation of entrepreneurial opportunities. However, the extant literature has been, at best, partial with regard to empirical insights that integrate operational capabilities with entrepreneurial opportunities. Addressing this theoretical lacuna from the standpoint of organisational learning theory, we investigate the interplay between operational capabilities and entrepreneurial opportunities and their overall impact on exporting SME's growth.

*Design/Methodology/Approach:* To realize our empirical aims a descriptive research design employing a survey methodology was used. We generated data from a sample of 117 exporting small and medium-sized enterprises (SME) in Croatia. Ordinary least squares regression was employed to test our conceptual model and five derived hypotheses.

*Findings:* Our findings demonstrate that market-sensing capabilities are vital in enhancing exporting SME's opportunity recognition capacity and the rate of international opportunity exploitation that leads to increased firm growth. Also, study findings show that the link between the increased rate of international opportunity exploitation contributes more to the growth when exporting SMEs have highly developed adaptive and innovation capabilities.

*Research implications/limitations:* This study brings to surface some novel insights about how exporting SMEs can better design their export marketing strategy. Our results suggest, operational capabilities occupy key role in the exporting SMEs international venturing efforts by delivering higher growth.

*Originality/Value:* Our study contributes to the export marketing strategy field by offering empirical evidence that both capability and opportunity-based views should be assessed simultaneously in explaining exporting SME's competitiveness. Finally, we offer valuable theoretical and practical implications as well as avenues for further research that should extend our knowledge in the field.

*Keywords:* operational capabilities, opportunity recognition, opportunity exploitation, SME, exporters, growth, organisational learning.

*Article classification:* Research paper

## Introduction

It has become a truism that exporting is the most popular market entry strategy because it requires less commitment of organisational resources and results in higher strategic and organisational flexibility. For these reasons, exporting presents one of the most viable ways to grow for small and medium-sized enterprises (SMEs). In such a manner, SMEs that export to foreign markets achieve increased sales revenues and profits through recognition and exploitation of new international venture opportunities. By diversifying their geographic market presence, exporting SMEs are able to offset sales when local markets are in downturn (OECD, 2009).

Research on export competitiveness has been dominated by studies subscribing to the resource-based view (RBV) that stress the importance of resources and capabilities for firm's export success (Morgan, Kaleka and Katsikeas, 2004; Morgan, Katsikeas and Vorhies, 2012; Fang and Zou, 2009; Kaleka, 2012). However, SMEs inevitably encounter liability of smallness and typically have insufficient resource capacities for international venturing (Knight and Cavusgil, 2004). As a result, some authors offered theoretical arguments that exporting SMEs should rely on organisational learning processes in order to generate above-average performance returns (Autio, Sapienza and Almeida, 2000; De Clerq, Crijns and Sapienza, 2005). In response to these growing inquiries, the field of operational capabilities (hereafter OCs) has witnessed growing intellectual exploration within exporting research (Morgan, Katsikeas and Vorhies, 2012; Jantunen et al., 2005; Tan and Sousa, 2015). OCs represent organisational abilities that allow a firm to 'make a living' (Winter, 2003) and they do this typically by two realizing competitive advantage via improved processes whereby reducing firm costs (Kaleka, 2002). OCs are therefore an indispensable source of firm competitiveness because of difficulties in acquiring and imitating them.<sup>1</sup>

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<sup>1</sup> We focus on *operational capabilities*, sometimes referred to within the literature as 'functional capabilities', first order' or 'ordinary capabilities'. In doing so, we do not theorise nor attempt to model *dynamic capabilities* despite the common belief that these form the basis of higher-order capabilities leading to more substantive firm-level gains. Indeed, as Karna, Richter and Riesenkaempff (2015) have recently revealed, the differential effects of these two forms of capabilities are overstated and they find that dynamic capabilities are no more superior to operational capabilities.

In concert to this stream of capabilities research, the growing burgeoning international entrepreneurship literature outlines that superior performance and growth in international markets should be attributed to proactive entrepreneurial posture (Gabrielsson, Gabrielsson and Dimitratos, 2014; McDougall and Oviatt, 2005; Oviatt and McDougall, 1994; Zahra et al., 2005; Zhou, Barnes and Yuan, 2010). This theoretical perspective is built around the concept of entrepreneurial opportunity (Mainela, Puhakka and Servais, 2014). According to this stream of research, the above average performance is achieved by firm's increased entrepreneurial opportunity recognition capacity and higher rate of opportunity exploitation (De Clerq, Crijns and Sapienza, 2005; Ireland et al., 2009; Zahra, Korri and Yu, 2005).

Although preceding literature streams show mutual interest in trying to explain internal contingencies that affect firm's performance growth, merely a dearth of studies have discussed the interplay between them (e.g., Jantunen et al., 2005; Teece, 2012; Zahra, Sapienza and Davidsson, 2006; Zahra and Hayton, 2008; Webb et al., 2011). Despite having independent research agendas, scholars recently called for tighter link between two where OCs and the entrepreneurial processes must work in concert and interact in order to produce growth (Ireland et al., 2009; Teece, 2012; Kirzner, 1978; Webb et al., 2011; Zahra, Korri and Yu, 2005; Zahra and Garvis, 2002). However, the literature still falls short of empirical studies that would reveal how entrepreneurial processes and OCs work in concert in producing growth for exporting SMEs.

By contextualizing our study within organisational learning theory, we seek to explore the interactions between OCs and entrepreneurial processes and their influence on exporting SME's growth. The core premise of this paper is that exporting firms achieve success by utilizing OCs in different steps of their international entrepreneurial venturing. First we present chain-of-effects model in which we see market-sensing OCs as a trigger that builds up the entrepreneurial opportunity recognition capacity, which leads to higher rate of international opportunity exploitation and to firm growth. However, besides direct chain-of-effects model, our study contributes by demonstrating that link between international opportunity exploitation rate and growth is more complex as it may seem at first glance.

Previous international marketing studies have been at best partial in trying to explain how successful entrepreneurial firms achieve growth. Some studies prescribed this to the firm's capacity to employ specific capabilities (Boso et al., 2014; Golovko and Valentini, 2011; O'Cass and Sok, 2014), whereas others showed that bundles of marketing capabilities help SMEs to achieve growth (Morgan, Slotegraaf and Vorhies, 2009; Zhou, Wu and Barnes, 2012). Our study makes one step forward by providing empirical evidence that higher international opportunity exploitation rate leads to higher growth when the adaptive and innovation OCs are both highly developed. Hence, our study contributes to the export marketing strategy field by showing that exporting SMEs must not only rely on their entrepreneurial venturing savvy but need to employ key OCs to achieve growth.

Our study achieves three goals. First, we identify which OCs support exporting SME's learning processes. Accordingly, exporting SMEs suffer from a resource deficit, and therefore must focus on the learning activities that are embedded in their OCs in order to successfully recognise and exploit new international opportunities. Second, we establish a theoretical reasoning and provide empirical evidence that market-sensing capabilities trigger entrepreneurial processes of recognition and exploitation with subsequent influence on firm growth. Third, we empirically test more complex relationship where both adaptive and innovation OCs moderate the link between international opportunity exploitation rate and firm growth. Croatia is considered a transition economy and some analysts even classify Croatia having same properties as other emerging economies (MSCI, 2016).<sup>2</sup> However, by considering some strict economic criteria Croatia is, at best, marginal. We believe that the Croatian context seems to be suitable to test the above-mentioned propositions for two reasons. First, there are many pressing constraints acting upon Croatia currently that make it behave and require both economic and institutional reforms as many other emerging economies. Second, we believe that the Croatian context will shed the light on how companies from transition economies

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<sup>2</sup> According to the World Bank, Croatia is categorized in the first tier of countries in terms of GNI pc. However, we believe that other indicators should be considered, especially the ones directly affecting businesses within economic and institutional environment. For instance, according to the latest Doing Business and Economic Freedom rankings, Croatia is positioned lower than many European counterparts that are considered to be emerging markets (e.g., Poland, Slovak Republic, Czech Republic, Lithuania and Estonia).

compete in global marketplace thus contributing to the overall generalizability of the findings to growing international marketing literature.

This paper is structured as follows. Initially, our integrative framework is introduced and our research hypotheses are specified. Subsequently, the study context and research design are explained, along with an outline of the sampling procedures, operational definitions, and analytical issues. The methodology section is followed by the study's findings. The discussion of the research findings is presented with derived theoretical and managerial implications. Finally, several limitations and suggestions for further research are acknowledged.

### **Conceptual development**

We conceptualise our framework around the theoretical arguments from organisational learning theory. Organisational learning activities enable firms to acquire, assimilate, and transform sources of external and internal knowledge in the process of the value creation for internal and external constituencies (Cohen and Levinthal, 1990). The contemporary literature in export marketing strategy has seen organisational learning as a natural platform for the development of exporting firm's OCs (Brouthers et al., 2009; Gnizy, Baker and Grinstein, 2014; Hortinha, Lages and Lages, 2011; Zhou, Wu and Barnes, 2012), and a suitable theoretical lens that explains successful international entrepreneurial efforts (Autio, Sapienza and Almeida, 2000; Wang and Chugh, 2014). Hence, we find a plausible ground in literature to position our study within the boundaries of organisational learning theory.

Exporting SMEs are generally known for value creation that transcends the borders of domestic market. However, insufficient resource capacities are the Achilles heel of smaller firms. With such a resource deficit, learning processes become the core component of such firms' strategic posture (De Clercq et al., 2012). In the process of international venturing, exporting SMEs must utilise organisational learning efforts in a way that they outperform competitors' value offerings (De Clercq

and Zhou, 2014). In other words, exporting SMEs must focus on the learning activities that are embedded within their OCs in order to successfully recognise and exploit new entrepreneurial opportunities (Gnizy, Baker and Grinstein, 2014).

According to mainstream theory, OCs represent higher-level organisational and strategic competencies by which managers create, integrate, and recombine lower level internal and external resources and capabilities with a goal of implementing value-creating strategies in rapidly changing business environments (Eisenhardt and Martin, 2000; Teece et al., 1997). For the purposes of the present study, the conceptual dimensions of OCs are defined according to Wang and Ahmed's (2007) taxonomy: absorptive (market-sensing), adaptive, and innovation capabilities. These OCs have strong learning background and represent vital backbone for export marketing strategy for reasons we provide further on.

Market-sensing OCs are defined as the firm's propensity to actively and purposefully monitor the customers, competition, technology, and general environment. In the exporting context, market-sensing OCs become an essential means of familiarizing with foreign market's business environment, customers, competition, and future market trends (Morgan, Slotegraaf and Vorhies, 2009). As a result, by employing market-sensing OCs, exporting SMEs generate valuable knowledge that is essential in initial stages of value creation. In contemporary literature, capabilities that generate knowledge are considered indispensable strategic processes in the exporting SMEs (Boso, Cadogan and Story, 2012; Miocevic and Crnjak-Karanovic, 2011). Yet, in the context of our study, we see market-sensing OCs as a paramount driver in building up exporting SME's entrepreneurial opportunity recognition capacity. In this line of reasoning, market-sensing OCs provide a clear manifestation how exporting SMEs utilise the organisational learning efforts in its marketing strategy development.

Contemporary marketing strategy literature indicates that adaptive OCs contribute to firm's strategic flexibility and growth (Day, 2014). Basic premise behind market adaptiveness is to organise to be responsive to changing customer needs (Akgün, Keskin and Byrne, 2012). Adaptive OCs can be

defined as the firm's propensity to fully adapt its offering to customer needs (Day, 1994). In the international context, adaptive capabilities become an ability of the exporting SME to anticipate rapid shifts in foreign market and gain advantage through adapting its value offering to current market needs (Day, 2014). Previous studies found that adaptive OCs play vital role in entrepreneurial firms by being a key driver of superior international performance (Lu et al., 2010). By employing adaptive OCs, exporting SMEs learn to fully conform to changing customer needs in international markets (Day, 2011).

Since Schumpeter (1934), innovation has been acknowledged as a core organisational process in delivering superior business results. Innovation OCs represent the firm's abilities to create products that have a new source of value for customers and which have direct impact on performance outcomes (Calantone, Cavusgil and Zhao, 2002; Lisboa, Skarmeas and Lages, 2011). Recent studies in export marketing strategy revealed that exporting and development of innovation capacity work in concert in a sense that innovation increases a firm's export performance (Hortinha, Lages and Lages 2011; Monreal-Pérez, Aragón-Sánchez and Sánchez-Marín 2012; Vicente et al., 2015), and growth (O'Cass and Sok, 2014; Boso et al., 2014). Hence, the innovation behaviours are an outcome of firm's learning efforts where exporting SME untaps growth potential by creating new products and/or services for international customers (Weerawardena et al., 2015).

The key feature of these OCs is that they enable the exporting firm to learn to: 1) gather knowledge about foreign market environment (market-sensing) 2) use this knowledge to develop (innovation), and 3) customise (adapt) value offerings for their foreign customers. OCs have a company-wide influence (Srivastava, Shervani and Fahey, 1999) because: 1) they influence the creation process of lower-level capabilities which are the foundation of marketing strategy (e.g., product, promotion, price, and distribution capabilities); 2) they influence resource reconfiguration and reallocation in order to develop efficient and effective marketing strategy; and 3) they trigger key entrepreneurial processes that are antecedents of firm growth. Some recent studies in marketing strategy successfully linked OCs with performance growth (Bharadwaj, Clark and Kulviwat 2005; Morgan, Slotegraaf and



Vorhies 2009; Morgan, Katsikeas and Vorhies, 2012; O’Cass and Sok, 2014). However, mainstream strategy scholars have cautioned about possible tautology in directly relating the OCs with performance outcomes suggesting that OCs should be observed in a nomological network by considering simultaneously organisational triggers and outcomes (Wang and Ahmed, 2007). For these reasons, we believe that entrepreneurial processes of opportunity recognition and exploitation are a missing link in this story. Eckhardt and Shane (2003: p. 336) define entrepreneurial opportunity as “situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends or means-ends relationships”. Many of the exporting SMEs purposely focus on new international entrepreneurial opportunities in order to achieve growth. Extending this argument, Zahra, Korri and Yu (2005) argued that possession of OCs builds up firm responsiveness that enables them to seize entrepreneurial opportunities, which eventually leads to growth. In their recent paper, Al-Aali and Teece (2014) consider OCs as the organisational characteristics that are needed in order to exploit the entrepreneurial opportunities that are most promising and will result in growth.

Even though some current literature have addressed the theoretical interdependence between OCs and the entrepreneurial processes (Webb et al., 2011), the literature has yet to advance our knowledge on how they interact in empirical setting (Al-Aali and Teece 2014). OCs have a goal of effective combination of organisational resources and processes whereas entrepreneurial processes act as subsequent regulator of OCs’ effectiveness (Autio, George and Alexy, 2011). Learning nature of OCs enables exporting SMEs to successfully seize promising international venture opportunities. Hence, we contend that OCs influence entrepreneurial processes at different stages of international venturing process in the exporting SMEs. The entrepreneurial recognition and exploitation processes are initiated by the employment of market-sensing OCs (Kirzner 1978; Morgan, 2012) whilst the relationship between international opportunity exploitation rate and growth is orchestrated by adaptive and innovation OCs (Boso et al., 2013; Day, 2014; Morgan, Slotegraaf and Vorhies, 2009).

To sum up, our conceptual underpinnings through organisational learning theory envision that OCs and entrepreneurial processes must work in concert in order to sustain competitive advantage for the exporting SME. Eventually the value of such an integrative framework is seen in exporting SME's growth. In Figure 1 we graphically depict the conceptualisation underlying our study.

***Figure 1 about here***

*Market-Sensing Capabilities and Opportunity Recognition Capacity*

Learning theory has been a thriving domain of the international marketing literature (De Clercq et al., 2012; Lu et al., 2010), and a sound platform for the development of export marketing strategy (Lages, Jap and Griffith, 2008). As a manifestation of learning efforts, capabilities to acquire and act upon market intelligence are a key organisational asset for SMEs that are known as opportunity-driven seekers. This is characterised as *market-sensing capability* and is defined as proactive learning about customer needs, competitors' strategies and tactics, market structure, broad market environment, and future trends (Morgan, 2012).

Capabilities to acquire and transform foreign market information are a factor that distinguishes successful exporting SMEs (Souchon, Sy-Changco, and Dewsnap, 2012). According to Morgan, Katsikeas, and Vorhies (2012), market-sensing capabilities are seen as 'architectural' and encompass the learning processes involved in recognizing potential export market opportunities. In this line of reasoning, we define *opportunity recognition capacity* as an ability to detect entrepreneurial opportunities resulting from accumulated market knowledge. Entrepreneurial cognition enables decision maker to create mental maps and focus attention in recognizing the venture opportunities under the current market conditions.

Not surprisingly, opportunity recognition capacity is a direct outcome of the firm's market-sensing capabilities. For an opportunity to exist, a bundle of capabilities must be drawn upon that allow its identification and examination before the exporting firm develops its marketing strategy. Thus, we

argue that exporting SMEs must alleviate market-sensing capabilities in order to increase its entrepreneurial opportunity recognition capacity. By employing market-sensing capabilities, exporting SME leverages market intelligence and knowledge that helps them to extend the pool of recognised international entrepreneurial opportunities. Consequently, we propose the following hypothesis:

*Hypothesis 1: Market-sensing capabilities are directly and positively related to the exporting SME's opportunity recognition capacity.*

#### *Opportunity Recognition Capacity and the International Opportunity Exploitation Rate*

The opportunity-based view (OBV) (Mainela, Puhakka and Servais (2014) has proselytised through stream of international entrepreneurship research that is concerned with recognition, development, and exploitation of entrepreneurial opportunities (Shane and Venkatraman, 2000). *Opportunity exploitation* refers to the activities conducted in order to gain economic returns from the discovery of a potential entrepreneurial opportunity (Foss, Lyngsie and Sapienza, 2013; Zahra, Korri and Yu, 2005). Opportunity recognition and exploitation are evolutionary outcomes of entrepreneurial orientation (Jantunen et al., 2008). In their recent work, Ireland et al (2009) suggests that any given entrepreneurial initiative that focuses on leveraging the entrepreneurial opportunity is labeled as an act of entrepreneurial strategy. Furthermore, studies have shown that firms that have expanded cognitive capacity increase their internationalisation efforts by assessing larger pool of available entrepreneurial opportunities (De Clerq, Crijns and Sapienza, 2005). Recent study by Foss, Lyngsie and Sapienza (2013) reveals that higher opportunity exploitation rate is dependent on the process of knowledge accumulation from external sources. Therefore, by having a larger pool of potential entrepreneurial opportunities, exporting SME has a stronger chance of market survival. This chain-of-effect relationship is evolutionary in which the more developed opportunity recognition capacity leads to a higher rate of international opportunity exploitation. Therefore, we propose the following hypothesis:

*Hypothesis 2: Opportunity recognition capacity is directly and positively related to international opportunity exploitation rate.*

#### *International Opportunity Exploitation Rate and Firm Growth*

Why some firms perform better than others has gained significant attention among international marketing scholars as the benchmark of successful strategy implementation. Most of these studies have linked strategic internal assets (resources and capabilities) with export performance (Kaleka, 2012; Katsikeas, Leonidou and Morgan, 2000; Morgan, Katsikeas and Vorhies, 2012). Empirical evidence arising from export marketing strategy literature suggests that organisational learning perspective helps in explaining why some exporters achieve growth (Brouthers et al., 2009; Zhou, Wu and Barnes, 2012). However, Chandra et al (2012) argue that exporting SME's growth cannot be fully understood without applying an entrepreneurial lens.

Contemporary international entrepreneurship studies suggest that exporting SMEs with proactive entrepreneurial behaviour witness growth (Gabrielsson, Gabrielsson and Dimitratos, 2014; Laukanen et al., 2013; Moreno and Casillas, 2008; Zhou, Barnes and Yuan, 2010). In their recent work, De Clercq and Zhou (2014) provide empirical evidence that entrepreneurial strategic posture increases international performance through the intensity of learning efforts. In similar fashion, Fernandez-Mesa and Alegre (2015) that learning platform of entrepreneurially-oriented behaviours increases export performance. From the exporting SME perspective, the opportunity exploitation should be initiated when exporting SMEs has accumulated enough knowledge manifested in opportunity recognition capacity. In such circumstances, opportunity exploitation will yield growth (Choi, Levesque and Shepherd, 2008). Correspondingly, exporting SMEs that seize new foreign market opportunities (i.e., new customer or new geographical markets) will witness higher growth over time. Thus, we propose the following hypothesis:

*Hypothesis 3: International opportunity exploitation rate is directly and positively related to firm growth.*

*Moderating effect of adaptive capabilities on the relationship between opportunity exploitation rate and growth*

Recent works from strategy literature suggest that OCs are inevitable factor in entrepreneurial venturing (Al-Aali and Teece, 2014; Teece, 2012), especially the ones associated with adaptive behaviour (Day, 2014; Morgan, Slotegraaf and Vorhies, 2009). In order to remain competitive, firms must adjust to the rapidly changing customer needs. In Day's (1994) seminal work, adaptive capabilities have been recognized as organizational ability to link with its customers by creating individual value offerings. More recently, Day (2014) espouses adaptive capabilities as being the cornerstone of the "outside-in strategy" that anticipates and adapts to changing customer needs.

By being adaptive and responding to overseas customer needs, firms achieve higher growth rates by ensuring higher level of customer satisfaction. Lu et al. (2010) have warned that adaptive capabilities present the main building block of entrepreneurial firms' competitiveness in contrast to large corporations that lack the flexibility for practicing adaptation strategy in international marketplace. Recent studies showed that adaptive capabilities significantly influence firm's growth (Lu et al., 2010; Smirnova et al., 2010). By delivering personalized and customized value offerings, firms will ensure the long-term relationship with its international customer base. In the case where exporting SME has highly developed adaptive capabilities, the newly exploited international opportunities will contribute more to its growth rates. Therefore, we posit that adaptive capabilities moderate the link between the rate of international opportunity exploitation and firm growth.

*Hypothesis 4: The stronger the adaptive capabilities, the stronger the relationship between international opportunity exploitation rate and firm growth.*

*Moderating effects of innovation, and adaptive capabilities on the relationship between opportunity exploitation rate and growth*

Innovation behaviours are an essential part of entrepreneurial strategy. Since Schumpeter (1934), entrepreneurship has been seen as an economic activity in which the entrepreneur seizes new opportunities through the process of creative destruction. International marketing researchers consider innovation capabilities as a crucial conduit in this process (Knight and Cavusgil 2004; Boso et al 2014). Innovation capabilities represent the firm's ability to acquire and transform internal and external knowledge to develop new value offerings for customers. The goal of innovation capabilities is to learn how to valorize various sources of external and internal knowledge and transform them into new source of value for customers. Earlier studies have found substantive evidence that innovative behaviours lead to higher growth rates (Baker and Sinkula 2007; Kylaheiko et al 2011; Yiu et al 2007; Zhou, Wu and Barnes, 2012). Most recent study by Fernandez-Mesa and Alegre (2015) suggests that entrepreneurial posture is not sufficient for success if the company does not possess capabilities to learn and to innovate.

However, Kaleka (2012) argues that innovation capabilities are not sufficient to explain superior market position, but must be combined with complementary resources and capabilities in order to seize the full potential. Thus, we propose that exporting SME's ability to grow will be directly related to its ability to simultaneously employ adaptive and innovation capabilities in the process of exploiting new international opportunities. Recent empirical studies have demonstrated that adaptive capabilities significantly impact on product innovativeness (Akgün, Keskin and Byrne 2012), thus suggesting their complementarity. By employing adaptive and innovation capabilities in value creation at the same time, exporting SME will ensure that newly exploited opportunities will translate into a higher growth. Based on the preceding discussion we hypothesise the following:

*Hypothesis 5: The stronger the innovation capabilities, the stronger the moderating influence of adaptive capabilities on the relationship between international opportunity exploitation rate and firm growth*

## **Method**

### *Sample Description and Research Setting*

According to Croatian Accounting Law from 2007, SMEs are companies: (1) which do not have more than 250 employees, (2) whose yearly turnover does not exceed 260 million kunas (Croatia's national currency) and, (3) whose assets do not exceed 130 million kunas. The sampling frame was drawn from the Croatian Exporters Association and comprised SMEs that: 1) are active exporters from a wide range of manufacturing industries, 2) have an at least 10% turnover from international markets, and 3) are not subsidiary of any foreign-owned company. By applying these criteria, our sampling frame consisted of 605 active SME exporters. We mailed the questionnaire with a cover letter explaining the nature and the goals of the study to the Chief Exporting Officer of each firm. In order to enhance the response rate, we promised the informants a summary report if they agreed to take part in the study.

Overall 135 questionnaires were returned, of which 18 were removed due to excessive omitted data. Thus, the effective response rate was 19.3 percent (117 usable questionnaires), which is a satisfactory rate according to survey-based research standards and comparable to other studies in the field. Our sample firms represented a wide range of manufacturing industries: metal products and metallurgy (20.5 percent); engines and machinery (14.5 percent); pharmaceuticals (0.9 percent); high-tech and electronics (6.8 percent); wood products (8.5 percent); chemicals, rubber, and plastics (17.1 percent); textiles, clothing, and leather (8.5 percent); paper and packaging (4.3 percent); food (9.4 percent); other non-metallic products (6.0 percent); and other manufacturing industries (3.5 percent).

To reveal the informant demographics, we asked several questions. The key informants were export management executives at their firm but belonging to different functional areas. In regard to ownership 23.1% of key informants were the active owners of the firm and the informants had an average exporting experience of approximately 10 years.

### *Development of the Survey Instrument*

A survey methodology was used to generate the data and test the proposed hypotheses. The survey instrument was developed on the basis of an extensive literature review. The review entailed empirical studies within the fields of international marketing, international business, and international entrepreneurship. Most of the survey items were adapted from the existing literature (see Table 1 for the survey items) and were measured using multi-item measures. To secure the content validity, the survey instrument was forwarded to three professors from international marketing field that suggested some item refinements. In order to further polish the survey instrument, we conducted a pre-test on a sample of 20 export managers from non-surveyed firms that were members of Croatian Exporters Association. As a result, some questionnaire items were slightly modified and explained further, which improved the face validity.

### *Measurement Operationalisation*

For the purposes of this study, scales from the existing literature that fit our study context were adapted. We drew upon the market-sensing capabilities scale developed by Morgan, Slotegraaf and Vorhies (2009). The scale captures the firm's ability to sense customers' needs, competitors' strategy, the distribution possibilities, and issues in broader macro environment (e.g., legal practices, economic growth, etc.). We augmented the measure by supplementing a dimension that measures the firm's tendency to predict the issues in market, industry, and broader market environment (Morgan, 2012). This is well supported by Ireland et al. (2009) who suggested that it is essential to forecast the market and environmental trends in order to fully recognise new opportunities. The adaptive capabilities scale was modified from Smirnova et al. (2010) and Lu et al. (2010). The scale measures the firm's ability to tailor products that meet individual customer needs, their ability to communicate with customers about individual problem solutions, and their ability to add value to customer's business. To measure the innovation capabilities, we adapted the scale from Camisón and Villar's (2009) study. This scale measures the broad issues that cover the firm's innovation capabilities comprising: state of product innovation, state of process and technology innovation, and capacity for R&D. All OCs scales were 7-point Likert scales. The firms were asked to assess their OCs relative to their major competitors with



anchors “1 = much worse than our major competitors”, and “7 = much better than our major competitors”.

We operationalised entrepreneurial opportunity recognition capacity from a study by Nicolaou et al. (2009). This opportunity recognition scale captures the condition of the firm’s entrepreneurial recognition capacity. We slightly adapted this scale to fit the export context. These items were measured with a 7-point Likert scale with the anchors “1 = Strongly disagree” and “7 = Strongly agree”. In contrast, opportunity exploitation was measured by asking respondents to self-report the number of new export opportunities that firm exploited during the period of last four years prior to survey. In similar vein, previous studies employed this measurement operationalisation of opportunity exploitation (e.g., Foss, Lyngsie and Zahra, 2013).

To measure the firm growth, we asked responding firms to assess their performance indicators relative to the industry average during the period of four years timeframe. Respondents were asked to assess their sales, market share, and profitability. These indicators are most likely to signal if the exporting SME witnessed overall growth during the given period. Prior studies in export marketing strategy measured growth in a same manner (e.g., Zhou, Wu and Barnes, 2012). Growth was measured on a 7-point Likert scale with the anchors “1 = Much worse than industry average”, and “7 = Much better than industry average”. Measurement scales and their respective items can be found in Table 1.

In order to improve model’s robustness, we decided to include several controls that traditionally influence the performance outcomes of export marketing strategy, namely: firm size (log of total number of full-time employees), export experience (number of years of exporting), export diversity (number of export markets), and level of competitive intensity (measured by two items). The data on control variables was drawn from the database provided by a professional market research firm and from the firms’ annual reports.

### *Nonresponse Bias*

We followed the convention of comparing the answers of early and late respondents with respect to the constructs employed (Armstrong and Overton, 1977). The final sample was divided into two groups according to the date on which each firm's questionnaire was received. In total, 60 firms were early responders and 57 firms were late responders. Our t-tests comparing these two groups revealed no statistically significant differences ( $p > 0.05$ ). Also, we found that the observed demographic profiles (industry, number of employees, and annual sales turnover) of the nonrespondents were not significantly different from those of the respondents. Therefore, the firms that responded had similar demographics to the population as a whole. These findings led us to conclude that no significant nonresponse bias was present in our data.

### *Common Method Variance*

Because we relied mostly on single informants in our survey, we considered it necessary to assess the presence of potential common method bias (CMV). Prior to the data collection process, we clearly defined each part of the questionnaire (assessment of operational capabilities; assessment of entrepreneurial processes; and assessment of performance growth relative to industry) with an introductory paragraph. The goal was to specify the information sought by each part of the questionnaire. After the data collection process, we sought to determine whether common method bias was a post-hoc issue. First, we calculated correlation between objective and survey-reported performance measures. The results indicate statistically significant correlations ( $p < 0.01$ ). Second, we performed Harman's one-factor test (Podsakoff et al., 2003). All variables were entered into a single-factor confirmatory factor analysis (CFA). We examined the fit indices to assess the extent to which a single latent factor might present an alternative explanation to derived factors. The results indicate unacceptable model fit ( $\chi^2 = 768.63$  (df = 170), root mean square error of approximation (RMSEA) = .184, normed fit index (NFI) = 0.75, non-normed fit index (NNFI) = 0.77, comparative fit index (CFI) = 0.79, goodness of fit (GFI) = 0.55) and therefore suggest no alternative explanation (Hu and Bentler, 1999). Third, to confirm our initial findings from common factor test, we ran marker variable test. We chose marker variable (Respondent's experience in managing export function), which was

not theoretically related to any of our constructs from the study. Next, we identified lowest possible correlation between marker variable and main study's variables ( $p = 0.007$ ). Finally, we partialled out this correlation from our original bivariate correlations between the main constructs and the results still remained significant. The procedures utilised above give us confidence that CMV is not an issue that undermines our empirical assertions in this study.

## Findings

### *Measurement Model*

We analyzed our measurement model properties with CFA. After the initial process of scale purification, the final measurement model, consisting of five latent constructs and 19 indicators showed good fit to our data ( $\chi^2 = 161.17$  ( $df = 109$ )), root mean square error of approximation (RMSEA) = .064, normed fit index (NFI) = 0.94, non-normed fit index (NNFI) = 0.97, comparative fit index (CFI) = 0.98, goodness of fit (GFI) = 0.86). All the indicators had factor loadings higher than 0.60 ( $p < 0.01$ ) (see Table 1). However, we ran modification indices in order to inspect possible cross-loadings in our measurement model. Eventually, the significant cross loading of OppRec4 item on Innovation Capabilities latent construct. We removed this item and our final measurement model fulfilled the criterion of unidimensionality (Anderson and Gerbing, 1988).

### *Table 1 about here*

In order to scrutinise convergent validity, the average variance extracted (AVE) must exceed a threshold of 0.50 for every construct (Fornell and Larcker, 1981). Table 1 indicates that all constructs had an AVE above the critical cut-off value of 0.50 (see Table 1). These findings confirm the existence of convergent validity. In order to examine discriminant validity, we analyzed the squared correlation between every pair of constructs. The correlation between two constructs must not exceed their respective square root AVEs (Fornell and Larcker, 1981), and this criterion was fulfilled (see Table 2). Therefore, the constructs yielded dimensionality, reliability, and validity.

*Table 2 about here*

*Structural Model and Hypothesis Testing*

Given the small sample size ( $N = 117$ ), we used ordinary least squares (OLS) regression to test the hypotheses. Next, we summated the measurement scales corresponding to the latent variables in the study. In situation where the latent variables exhibit high level of reliability, literature allows the use of single indicants for analysis (Spector, 1992). Regression diagnostics suggested low multicollinearity concerns (VIFs and tolerance didn't exceed their critical cut-off values) and we proceeded to model estimation. Consequently, Hypothesis 1, which claims that market-sensing capabilities enhance opportunity recognition capacity, was supported ( $\beta = 0.51, p < 0.01$ ). Next, our findings showed evidence that enhanced opportunity recognition capacity leads to higher rate of international opportunity exploitation ( $\beta = 0.33, p < 0.01$ ), which lead to the acceptance of Hypothesis 2. In Hypothesis 3 we claimed that higher rate of international opportunity exploitation positively influences firm growth. Findings suggest that international opportunity exploitation rate enhances firm growth ( $\beta = 0.21, p < 0.05$ ). The variances explained in exogenous variables ( $R^2$ ) were 0.26, 0.12, and 0.18 for opportunity recognition capacity, international opportunity exploitation rate, and firm growth, respectively. With regard to the effects of the control variables, the findings indicated that export experience ( $\beta = -0.20, p < 0.05$ ) has a significant effect, whereas export diversity ( $\beta = -0.01, p > 0.05$ ), firm size ( $\beta = 0.10, p > 0.05$ ), competitive intensity ( $\beta = -0.06, p > 0.05$ ) have a non-significant impact on growth. Summary of the findings with respective indicators of direct effects model fit can be found in Table 3.

*Table 3 about here*

*Table 4 about here*

Next, in order to test the moderation effects proposed in Hypothesis 4 and Hypothesis 5, we used the procedure from Dawson (2014). First, we mean-centred latent variables involved in interactions to reduce the multicollinearity that would otherwise be caused by the interaction terms (Aiken and West, 1991). The details of our interactions model fit with respective indicators can be found in Table 4. The findings reveal that adaptive capabilities significantly and positively moderate the relationship between international opportunity exploitation rate and firm growth ( $\beta = 0.25$ ,  $p < 0.05$ ). The variance explained in exogenous variable (firm growth) significantly rose ( $\Delta R^2 = 0.06$ ;  $\Delta F = 3.26$ ;  $p < 0.01$ ) in comparison to the initial value. This evidence led to the acceptance of Hypothesis 4. Also, we found sufficient empirical evidence to accept Hypothesis 5 in which three-way interaction term exhibits positive and significant effect on firm growth ( $\beta = 0.32$ ,  $p < 0.01$ ) meaning that higher innovation capabilities contribute to higher moderating effect of adaptive capabilities on relationship between international opportunity exploitation rate and firm growth. The variance explained in exogenous variable significantly rose ( $\Delta R^2 = 0.06$ ;  $\Delta F = 6.91$ ;  $p < 0.01$ ). To better present the results of the three-way moderation analysis, we plotted the interaction effects in Figures 2 and 3.

*Figure 2 about here*

*Figure 3 about here*

Due to the small sample size we felt it necessary to test the robustness of our findings. In this case, we believe that international opportunity exploitation rate may be endogenous variable being influenced by the strength of adaptive and innovation capabilities (e.g., the exporting SMEs with stronger OC bundles can witness higher rate of international opportunity exploitation). To test for the robustness and potential endogeneity we positioned international opportunity exploitation rate as an endogenous variable whereas adaptive and innovation capabilities were set as exogenous variables. Then we ran regression and generated standardized residual of the model. This residual outlines the level of international opportunity exploitation rate not explained by the adaptive and innovation capabilities in our model. Then we modeled a three-way interaction and substituted our international opportunity

exploitation rate with standardized residual as dependent variable. The results of three-way interaction remained significant ( $\beta = 0.46, p < 0.05$ ) meaning that our results remain stable after we partial out the impact of adaptive and innovation capabilities on international opportunity exploitation rate.

### **Theoretical implications**

The driving force behind the execution of this study was the recent call by researchers to integrate two perspectives, namely the operational capabilities and entrepreneurship in order to better explain exporting SME's growth (Al-Aali and Teece, 2014; Webb et al., 2011). The model resulted in five hypotheses and was tested on the sample of 117 SME exporters in Croatia. Findings of our study contribute to the field of export marketing strategy, details of which are presented further on.

The proponents of opportunity-based internationalisation indicate that international opportunity recognition and exploitation should be considered the pillars of entrepreneurial firm's growth (Chandra et al., 2012; Gabrielsson, Gabrielsson and Dimitratos, 2014; Laukanen et al., 2013; Moreno and Casillas, 2008; Zhou, Barnes and Yuan, 2010). However, entrepreneurial firms are prone to apply competence-based behaviour as a support for the entrepreneurial venturing efforts (Kirzner, 1978). By this line of reasoning, we find support for integrating the OCs and entrepreneurial processes with a goal of shedding more light why some exporting SMEs achieve higher growth rates.

The study findings suggest that exporting SMEs must leverage their OCs in order to fully exploit their growth potential through international entrepreneurial venturing efforts. In our study, we rely on three OCs that substantially support learning processes, namely: market-sensing, adaptive and innovation capabilities. In our view, these OCs are tied to different marketing aspects of value creation for the customer and are enhancing the opportunity recognition capacity and increase the rate of international opportunity exploitation. In aggregate, our findings indicate that the learning benefits of strong OCs in export ventures are manifested twofold. First, empirical evidence shows how market-sensing capabilities enhance the opportunity recognition capacity and increase the rate of exploited

international opportunities that eventually leads to a higher growth. Second, findings show that higher rate of international opportunity exploitation will have more value-added impact on growth when the exporting SMEs has cultivated strong adaptive and innovation capabilities. These findings support the theoretical claims that OCs must be considered as integrated and strategic business processes that enhance entrepreneurial growth what was espoused by seminal theoretical works, both in the areas of entrepreneurship and strategy (Kirzner, 1978; Teece, 2012). In following paragraphs we scrutinise the specific contributions from our study to the international marketing literature.

First, we provide evidence of learning benefits by demonstrating that market-sensing OCs enhance exporting SME's capacity to recognise and exploit new international opportunities. The employment of market-sensing OCs enables exporting SMEs to extend their recognition capacity by successfully monitoring the properties of foreign business environments. As a result, exporting SME is able to detect any pattern that may result in new entrepreneurial opportunity. Eventually, stronger opportunity recognition capacity enables exporting SME to increase the rate of international opportunity exploitation. Learning through regular scanning of international environment enhances exporting SME's entrepreneurial venturing efforts by means of extending its opportunity recognition capacity and increasing the rate of exploited international opportunities.

Second, in our model we show that higher rate of international opportunity exploitation enhances firm growth. Exporting SMEs are able to achieve growth due to the fact that they do not rely only on the domestic market but acquire new customers through their international venturing efforts. Our findings provide support for arguments from OBV that exporting SMEs with superior entrepreneurial posture are able to better harness the prospects of growth (Chandra et al, 2012; De Clercq and Zhou, 2014; Zhou, Wu and Barnes, 2012).

However, some newly exploited international opportunities are not destined to survive in long term (i.e., customers defect over time, sales decline, competitors offer more in total value, etc.) and the growth becomes questionable. Pragmatically, it is very hard to match the customer's needs with value

offerings and this process becomes even more complicated in the situation where the customers come from different national backgrounds. Henceforth, to tackle this issue of real world complexity, our study contributes to literature by showing that both adaptive and the innovation capabilities become an indispensable factor in the link between opportunity exploitation and exporting SME's growth. Whereas previous literature has exclusively suggested that SME exporting growth can be attributed to the developed entrepreneurial savvy (e.g., Gabrielsson, Gabrielsson and Dimitratos, 2014) or propensity to employ OCs (e.g., O'Cass and Sok, 2014), our study goes one step further and integrates these two perspectives. By using arguments of organisational learning theory our study demonstrates that translation of higher opportunity exploitation rate into growth can be attributed to better developed adaptive capabilities. Adaptive capabilities become a guarantee of growth by enabling exporting SME to fully conform to the international customer needs. Based on the previous findings which suggested that adaptive and innovation OCs go hand in hand (Akgün, Keskin and Byrne 2012), our study offers unequivocal evidence that exporting SME can witness even higher growth when it has strong, both adaptive and innovation capabilities. This specific finding contributes to the international marketing literature where adaptive and innovation capabilities are seen as a safeguard mechanism that improves exporting SME's growth. Newly exploited international opportunities have more value-added impact on growth because innovation and adaptive OCs enable exporting SME to create tighter link with international customers by offering new and fully customised products.

Finally, due to the fact that most of the studies in this field have been conducted in the context of developed economies, we believe that transition country perspective from our study can substantially enrich the body of knowledge thus contributing to the overall theoretical generalisability on how exporting SMEs achieve growth.

### **Managerial and institutional implications**



This study provides several implications for managers. First, our findings outline that OCs are important mechanism in orchestrating the entrepreneurial processes that increase firm growth. Unambiguously, while the Croatian economy witnessed prolonged recession, exporting SMEs that utilised OCs managed to recognise and exploit new international opportunities which led to higher growth. Therefore, exporting SMEs should focus on developing OCs that support learning processes and enhance international entrepreneurial venturing efforts.

Second, our study suggests that exporting SMEs must not only invest in market-sensing capabilities that develop capacity to recognise and exploit new venture opportunities but also invest in OCs that result in customisation (adaptive) and value-added creation (innovation) of its offering respectively. Although this study did not directly assess the influence of ordinary marketing capabilities (e.g., marketing mix capabilities) on value creation process, the path dependent relationship between entrepreneurial recognition capacity and international opportunity exploitation rate suggests that ordinary marketing capabilities perform their job adequately. However, the strategic importance of OCs is seen in the complementarity of innovation and adaptive OCs in safeguarding exporting SME's growth. Therefore, innovation and adaptive OCs require developed customer focus and must become a part of organisational culture and business model if an exporting SME wants to witness long-term growth.

Third, the findings of this study give some particular suggestions for public policy makers that support the exporters through various forms of export assistance funding. Findings from our study showed that OCs are a necessary prerequisite for success in international markets. Yet, exporting SMEs often lack resources that prevent them from developing the key OCs (e.g., subsidy to cover the costs of R&D projects, provision of export information, etc.). Hence, the export assistance programs should be tailored to the idiosyncratic needs of exporting SMEs with an aim of enhancing their capability and resource foundations. From the standpoint of nation, the successful exporters contribute to the overall economic development of the nation and therefore require special attention from export

assistance organisations. In this line of reasoning, the private and public sector achieve goal congruity.

Finally, exporters that have underdeveloped OCs should rely on the competitive intelligence and benchmarking in order to identify and apply “best practices” in export marketing strategy (Vorhies and Morgan, 2005). This means that firms should actively engage in special interest groups and associations related to exporting. Such networking is an ideal platform for learning and the knowledge exchange between the exporters from different industries. Thus, such activities would provide learning benefits to exporting SMEs.

### **Limitations and suggestions for further research**

Although the present study contributes to the field of export marketing strategy, several limitations must be acknowledged. First, our small sample size should be considered as limitation. Second, this study was based on a nationwide survey conducted among exporting SMEs in Croatia. Therefore, the findings must be interpreted with caution, because they may vary with respect to other industries and national contexts. Furthermore, future studies may reveal contextual differences comparing the exporters and non-exporters or young and established exporters. This would certainly yield more detailed insight into the importance of OCs and entrepreneurial activities and their respective performance outcomes in regard to contextual differences.

Third, future studies could pay attention to reveal other possible venues for studying the relationship between OCs and entrepreneurship. The literature in the field recognises the concept of entrepreneurial effectuation as a common ground of interest. According to the authors who have investigated it, the concept of entrepreneurial effectuation represents an act of entrepreneurial behaviour in a changing business environment by utilizing available resource and capability bundles, and their respective combinations (Chetty, Ojala and Leppäaho, 2015).

Fourth, in our study we relied merely on the systematic process of market-sensing (information search) in recognizing the new entrepreneurial opportunities. However, most of the entrepreneurial opportunities are discovered rather than being result of systematic market research. In this line of reasoning, future studies could inspect the role of opportunity discovery as a dimension of spontaneous entrepreneurial behaviour and a platform that integrates the firm's capability capacity.

To sum up, the framework of this study was developed in light of certain gaps in the literature and future studies are encouraged to take a more in-depth focus how OCs orchestrate entrepreneurial processes. The scholars in strategic management are becoming more and more interested in the microfoundations of OCs (Helfat and Peteraf, 2015). In this regard, future studies could reveal how cognitive background of export executives influences the processes of international entrepreneurial venturing.

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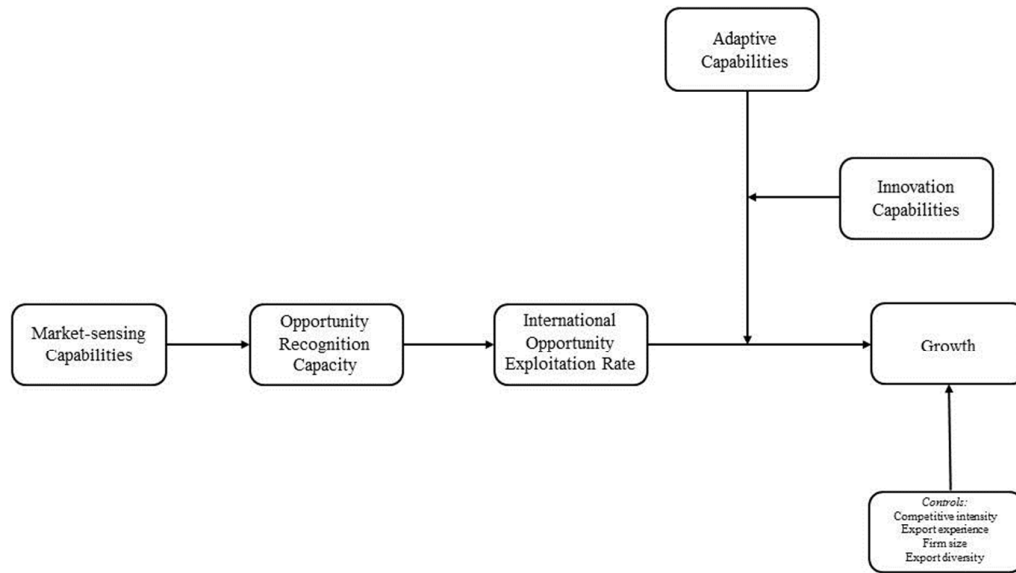
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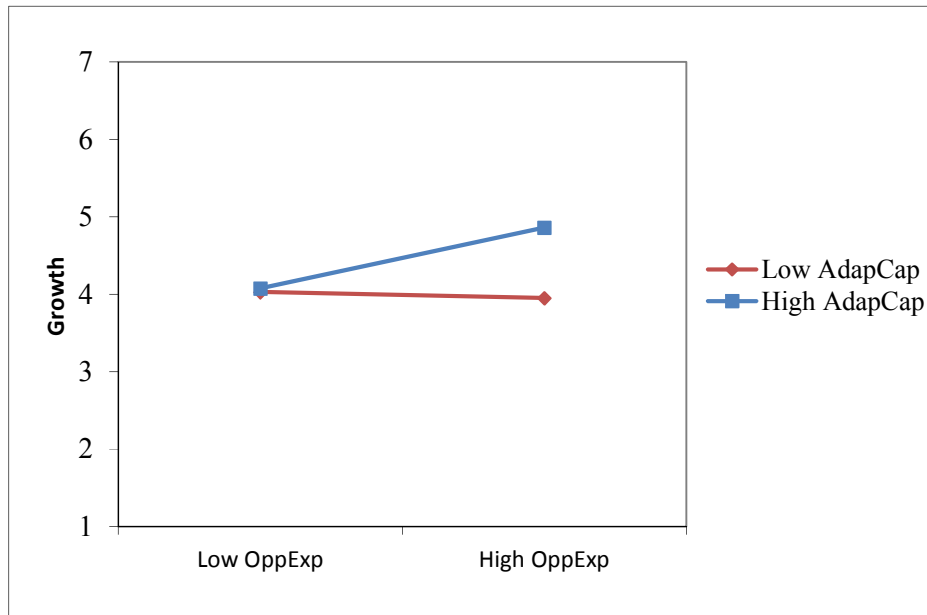
**Figure 1.**

Chain-of-effects model between dynamic capabilities and entrepreneurial opportunities

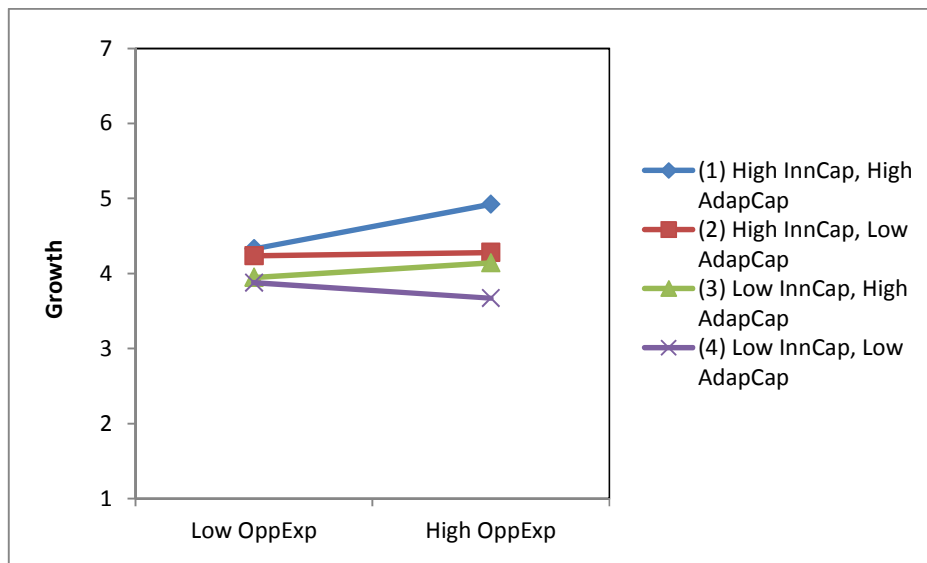


**Figure 2.**

Moderating effects of adaptive OCs on the link between international opportunity exploitation rate and growth

**Figure 3.**

Moderating effects of innovation and adaptive OCs on the link between international opportunity exploitation rate and growth



**Table 1.**

## Construct measurement properties (CFA)

<b>Construct</b>	<b>Loading</b>	<b>AVE</b>	<b>CR</b>
<b>Market-sensing capabilities</b>			
Learning about customer needs and requirements	0.75	0.61	0.90
Discovering competitors' strategies and tactics	0.74		
Gaining insights about the channel	0.69		
Identifying and understanding market trends	0.82		
Learning about the broad market environment	0.77		
Forecasting market and industry trends	0.62		
<b>Innovation capabilities</b>			
Product innovation	0.94	0.85	0.94
Process technology and innovation	0.84		
R&D capacity	0.93		
<b>Adaptive capabilities</b>			
Creating products and services for individual problem solutions	0.84	0.80	0.92
Communicating with customers about individual problem solutions	0.82		
Adding value to customer's business	0.89		
<b>Opportunity recognition capacity</b>			
Foreign market offers many opportunities that our firm can exploit	0.64	0.60	0.85
Our firm frequently identifies opportunities for new export ventures	0.92		
Our firm frequently identifies ideas that can be converted into new products or services	0.73		
Our firm generally lacks ideas that may materialise into profitable export ventures*	0.61		
<b>Firm growth</b>			
Sales Growth	0.79	0.91	0.94
Market Share	0.91		
Profitability	0.64		

\*Due to high cross loading on another factor, this item was excluded from further analysis

**Table 2.**

Descriptive statistics, correlations and discriminant validity tests

	Mean	SD	1	2	3	4	5	6	7	8	9
<b>1 Market-sensing Capabilities</b>	4,41	1,06									
<b>2 Adaptive Capabilities</b>	5,33	1,20	.67**								
<b>3 Innovation Capabilities</b>	4,50	1,53	.53**	.55**							
<b>4 Opportunity Recognition</b>	4,82	1,28	.53**	.44**	.31**						
<b>5 Opportunity Exploitation</b>	4,97	3,31	.33**	.35**	.37**	.36**					
<b>6 Firm Growth</b>	4,28	1,17	.40**	.29**	.38**	.26**	.27**				
<b>7 Competition</b>	5,62	1,42	.08	.00	-.08	.08	-.10	-.02			
<b>8 Experience<sub>(log)</sub></b>	1,78	0,32	.06	.08	-.034	-.04	.07	-.15	-.04		
<b>9 Firm Size<sub>(log)</sub></b>	4,09	1,19	.31**	.14	.04	.07	.15	.11	.19*	.23*	
<b>10 Diversity<sub>(log)</sub></b>	1,62	0,71	.14	-.05	-.11	-.02	.01	-.06	.05	.28**	.26**

\*\* Correlation is significant at the  $p \leq 0.01$ \* Correlation is significant at the  $p \leq 0.05$

**Table 3.**

Results of the OLS direct effects model fit

Predictors	Dependent variables		
	Opportunity recognition	Opportunity exploitation	Firm Growth
<i>Main effects</i>			
Market-sensing Capabilities	.52***		
Opportunity Recognition Capacity		.36***	
Opportunity Exploitation			.26**
<i>Controls</i>			
Competitive intensity			.03
Export Experience			-.04
Firm Size			.14
Export Diversity			-.07
R <sup>2</sup>	0.28	0.11	0.15
*** p ≤ 0.001			
** p ≤ 0.01			
* p ≤ 0.05			

**Table 4.**

Results of the OLS interaction models fit

Predictors	Dependent variables =Growth			
	Model 1	Model 2	Model 3	Model 4
<i>Controls</i>				
Competitive intensity	-.02	.02	.03	.02
Export Experience	-.01	-.01	-.02	-.02
Firm Size	.17	.12	.16	.21*
Export Diversity	-.11	-.08	-.06	-.06
<i>Main Effects</i>				
Opportunity Exploitation		.15*		
Adaptive Capabilities		.22*		
Innovation Capabilities		.30**		
<i>Interaction Effects</i>				
Opportunity Exploitation x Adaptive Capabilities			.25*	
Opportunity Exploitation x Innovation Capabilities			.39**	
Opportunity Exploitation x Adaptive Capabilities x Innovation Capabilities				.32**
R <sup>2</sup>	.03	.15	.21	.27
ΔR <sup>2</sup>		.12***	.06**	.06**
F-value	0.78	2.28	2.59	3.18
ΔF		4.17***	3.26**	6.91**
*** p ≤ 0.001				
** p ≤ 0.01				
* p ≤ 0.05				