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Innovate or exploit? Unveiling the international entrepreneurial odyssey through the lens of status quo bias

Anisur R. Faroque^{a,*}, Anwar Sadat Shimul^b, Hangjun Xu^c, Olli Kuivalainen^{d,e}, Feisal Murshed^f, Sanna Sundqvist^g

^a School of Marketing and Communication, University of Vaasa, Finland

^b School of Management and Marketing, Faculty of Business and Law, Curtin University, Australia

^c Department of Marketing, McAfee School of Business, Union University, Jackson, Tennessee

^d LUT Business School, LUT University, Finland

^e Manchester Metropolitan University Business School, UK

^f College of Business, Kutztown University, USA

^g School of Business, Aalto University, Finland

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ABSTRACT

We contribute novel insights into how status quo bias may play a part in identifying and capitalizing on international opportunities, thus addressing a previously overlooked aspect of cognitive perspective in international entrepreneurship research. First, from an entrepreneurial process perspective, we assert that internationalizing firms can attain a performance advantage by adopting Kirznerian and Schumpeterian types of entrepreneurial orientation (EO) with the mediation of opportunity recognition and exploitation. Building on cognitive bias theory, we further posit that status quo bias plays a significant role in shaping the relationship between EO and opportunity recognition and exploitation. We test our hypotheses using survey data collected from 275 internationalizing firms. The empirical results suggest that EO variants exhibit distinct influences and are influenced in unique ways by international opportunity recognition, exploitation and status quo bias. Specifically, we find that a higher level of status quo bias strengthens the relationship between Schumpeterian EO and opportunity recognition, whereas a lower level strengthens the association between Schumpeterian EO and opportunity exploitation. However, no significant effect of status quo bias is found in Kirznerian firms. The study offers both theoretical and practical implications, and provides valuable recommendations for future research.

1. Introduction

If there is no opportunity, there is no entrepreneurship. Therefore, recognizing or creating opportunities and exploiting them is fundamental to entrepreneurial activity. As in mainstream entrepreneurship literature, the concept of opportunity has been a long-standing topic of focus in international entrepreneurship (IE) (Schembri, Fletcher, & Buck, 2023; Zucchella, 2021). Similar to entrepreneurship, the core process in IE revolves around the recognition and exploitation of opportunities to create and market products internationally (e.g., Gupta, Pandey, & Sebastian, 2021; Mostafiz, Ahmed, Tardios, & Highes, 2024; Zucchella, 2021). However, most studies in both fields tend to focus on either opportunity recognition (OR) or opportunity exploitation (OE) in

isolation, overlooking the distinct nature of these concepts. This fragmented approach limits a comprehensive understanding of their interconnections, particularly in terms of their antecedents and performance outcomes (Kuckertz, Kollmann, Krell, & Stöckmann, 2017). Networking has been reported to play a key role in OR and OE (Faroque, Morrish, Kuivalainen, Sundqvist, & Torkkeli, 2021; Zheng, Ahsan, & DeNoble, 2020), but often those who have used network theory in opportunity research have emphasized external actors (Zheng *et al.* 2020), neglecting the role of internal actors and their entrepreneurial orientation (EO). Rooted in Kirznerian and Schumpeterian perspectives (de Jong & Marsili, 2015), opportunity-related research has evolved independently of these EO origins, creating a gap in theoretical integration and a less informed understanding of opportunity dynamics

* Corresponding author.

E-mail addresses: Anisur.Faroque@uwasa.fi (A.R. Faroque), M.Shimul@curtin.edu.au (A.S. Shimul), jxu@uu.edu (H. Xu), Olli.Kuivalainen@lut.fi (O. Kuivalainen), murshed@kutztown.edu (F. Murshed), sanna-katriina.asikainen@aalto.fi (S. Sundqvist).

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in both entrepreneurship and IE.

OR, OE and EO are often equated on the grounds of Kirznerian and Schumpeterian theoretical perspectives. While OR and OE refer to entrepreneurial activities, or capabilities in the initial stages of entrepreneurial process involving the identification and capitalization of opportunities (Faroque et al., 2021), EO represents the behavioral manifestation of entrepreneurial postures and competitive tactics employed by a firms' top managers or owners (Covin et al., 2020). Therefore, EO in an international business setting (IEO, hereafter) could essentially drive or enable opportunity-related activities, capabilities, or processes of internationalizing firms. Understanding the connection between EO and the practical recognition or exploitation of opportunities is crucial. If a firm's prevailing IEO type misaligns with market conditions, it may hinder OR or OE. For instance, research indicates that under specific market conditions in IE, either Kirznerian or Schumpeterian entrepreneurially oriented behavior can be more advantageous (Sundqvist, Kyläheiko, Kuivalainen, & Cadogan, 2012). If a firm invests in an inappropriate strategic orientation, it risks diluting resources, leading to detrimental performance. Therefore, distinguishing between EO types and understanding their differential impacts may bring benefits to researchers and practitioners alike in IE.

Kirznerian entrepreneurship involves discovering opportunities triggered by external shocks (Alvarez & Barney, 2010). Opportunities exist even if unnoticed by firms, and can only be exploited once recognized (Ellis, 2011). In such markets, firms compete within established boundaries, a key characteristic of red ocean strategies (Kim & Mauborgne, 2005). Schumpeterian entrepreneurship, by contrast, involves generating opportunities through entrepreneurial actions (Sarasvathy, Dew, Velamuri, & Venkataraman, 2003), aligning with blue ocean strategies (Kim & Mauborgne, 2005). Despite the importance of these perspectives, IE research has largely overlooked the entrepreneurial process of OR and OE. We argue that both EO types, in an international context, must be mediated through international OR and OE to enhance performance in internationalizing firms.

Internationalization models typically operate on the premise of bounded rationality, where decision-makers are characterized by limited cognitive abilities and information-processing capacities (Powell, Lovallo, & Fox, 2011). However, the impact of these cognitive limitations on internationalization processes remains insufficiently explored (Aharoni, Tihanyi, & Connelly, 2011). The field of international business (IB), with its wide range of decision-making scenarios, organizational frameworks, and cognitive diversity, provides a fertile ground for advancing research on cognitive processes in decision-making (Maitland & Sammartino, 2015). A key gap in IE literature is the limited understanding of how status quo bias influences opportunity behaviors, despite its recognized influence on entrepreneurial decision-making. Although research on cognitive biases, such as status quo bias, has gained traction (Burmeister & Schade, 2007; Dyer, Gregersen, & Christensen, 2008), their impact on international opportunity behaviors remains less understood. Status quo bias can lead managers to prefer familiar strategies, even when more profitable alternatives exist (Godefroid, Plattfauf, & Niehaves, 2022). In IE, where uncertainty is high, this bias can hinder OR and OE by encouraging firms to remain within familiar markets or business models (Burmeister & Schade, 2007). Business managers are particularly prone to this bias as they often aim to minimize the risks associated with change (Chiu, Pathak, Hoskisson, & Johnson, 2022). For example, status quo bias can affect decisions on adopting new technologies, expanding into new markets, or implementing organizational changes (Thomas, 2018). Managers with a strong attachment to their current business model or who perceive high costs associated with change may be especially affected by this bias (Samuelson & Zeckhauser, 1988).

Evidence suggests that decision-makers are boundedly rational and rely on cognitive shortcuts (Busenitz & Barney, 1997). The heuristics and biases perspective offers insights into the internationalization process. Status quo bias, a well-documented decision-making bias, affects

entrepreneurial processes (Samuelson & Zeckhauser, 1988). Firms with status quo bias may respond differently from Kirznerian or Schumpeterian EO, depending on international market demands. For instance, firms leaning towards Schumpeterian EO may face challenges if the market favors Kirznerian behavior. This current research explores how IEO affects international OR, OE, and firm performance, with particular attention to the moderating role of status quo bias.

We contend that both Kirznerian and Schumpeterian IEO are positively associated with firms' overall performance, with Schumpeterian IEO exerting a stronger influence. Additionally, we investigate how international OR and OE individually mediate these relationships, as well as how varying levels of status quo bias may strengthen or weaken these associations. Specifically, this study aims to answer the following research questions: What is the relationship between Kirznerian and Schumpeterian IEO and firms' overall performance? How do international OR and OE mediate the effects of Schumpeterian and Kirznerian IEO on firm performance? How does status quo bias affect the entrepreneurial processes of OR and OE in internationalizing firms?

In turn, we contribute to the IE literature in three ways. *First*, we contribute to the entrepreneurial opportunity-based view in IE by offering a more comprehensive understanding of OR and OE as distinct processes (Kraus, Niemand, Angelsberger, Mas-Tur, & Roig-Tierno, 2017). While prior research has predominantly focused on the direct relationship between IEO and firm performance (e.g., Ahmed & Brennan, 2019; Kuivalainen, Sundqvist, & Servais, 2007), our research shifts the focus to the underlying mechanisms of OR and OE, which have received limited attention. Responding to calls from scholars (e.g., Costa, Santos, Wach, & Caetano, 2018; Kraus et al., 2017), our study distinguishes OR and OE as separate variables, each representing a unique focus and activity in the entrepreneurial process. We further investigate how the variants of IEO (Kirznerian vs. Schumpeterian) influence firm performance through these opportunity-related processes, shedding light on their distinct antecedents and outcomes. By doing so, our study moves beyond the fragmented treatment of OR and OE in much of the existing literature, providing a more integrated perspective and new insights into the individual contributions of OR and OE to firm performance (Kuckertz et al., 2017).

Second, we enrich the cognitive perspective in IE, particularly in research on IEO and international opportunity, by incorporating one of the most prevalent decision-making cognitive biases—status quo bias. Despite its significance, this bias, to which decision makers are often susceptible, has largely been overlooked in prior scholarly investigations in IE. Recently, scholars have suggested that the IE field adopt a more multidisciplinary approach, strengthening links with other disciplines, such as cognitive psychology, to gain deeper insights into the entrepreneurial processes involved in international operations (Terán-Yépez, Jiménez-Castillo, & Sánchez-Pérez, 2021). To better understand decision-making and behavior in entrepreneurship and internationalization, insights from cognitive sciences are crucial. While observable behaviors, such as EO, OR, and OE, represent the “visible” aspects of these processes, cognition delves into the underlying drivers — the intangible mental processes like knowledge formation, judgment, reasoning, problem-solving, and evaluation (Zucchella, 2021). However, research on cognition in internationalization remains fragmented and underdeveloped (Niittymies & Pajunen, 2020). Despite the significant rise of cognitive approaches across various fields, including strategic management and entrepreneurship, their integration into internationalization studies remains comparatively underexplored (Aharoni et al. 2011; Maitland & Sammartino, 2015; Zucchella, 2021). Examining key behavioral and cognitive factors, therefore, can substantially deepen our understanding of the fundamental and intricate processes underlying opportunity recognition, creation, and exploitation (Baron, 2007). The synthesis of these theoretical frameworks presents a promising avenue for scholarly inquiry, enabling IE to provide novel insights into previously unexplored dimensions of cognitive processes and behavioral patterns in internationalization (Zucchella, 2021).

Notably, this study explores the cognitive variable of status quo bias—an aspect that has not been previously investigated in the IE context—offering fresh insights into its influence on EO and opportunity within IE. Unlike prior research, which often focuses on individual cognition (e.g., the entrepreneur as a sole actor), our study examines status quo bias from a collective, organizational-level perspective. This shift in focus is particularly significant as it addresses the broader influence of organization's shared or collective cognition and decision-making. Collective cognition within internationalizing firms plays a vital role in shaping how opportunities are recognized and acted upon (West, 2007; Zucchella, 2021). By investigating status quo bias at the organizational level, we offer new insights into how collective or shared cognition shapes entrepreneurial behavior, particularly, in the processes of international OR and OE. By bringing to the fore the moderating influence of status quo bias, we provide a fresh perspective on how Kirznerian and Schumpeterian entrepreneurial orientations (IEO) lead to distinct entrepreneurial outcomes, especially regarding international OR and OE. Since international OR and OE are resource-intensive activities that may unfold through various pathways, the processes of recognizing and exploiting opportunities can differ depending on the origin of those opportunities—whether they are created or discovered (Zucchella, 2021). We argue that the distinct types of EO—grounded in Schumpeterian and Kirznerian perspectives or origins—shape how international OR and OE are influenced, ultimately affecting the outcomes of these entrepreneurial processes.

The remainder of this paper is structured as follows: we begin by exploring the Kirznerian and Schumpeterian perspectives of IEO, along with their theoretical foundations, and explore concepts such as OR, OE, and status quo bias. Next, we develop the hypotheses, outline the research methodology and conduct the analysis. This is followed by a discussion of the findings, as well as their implications for both research and practice. Finally, we address the limitations of the study and suggest directions for future research.

2. Theoretical background

2.1. Kirznerian and Schumpeterian types of IEO

Kirznerian and Schumpeterian types of IEO refer to two distinct approaches to IE (Covin & Miller, 2014; Sundqvist et al., 2012). Kirznerian IEO is characterized by a focus on discovering and exploiting new market opportunities abroad (Knight & Cavusgil, 2004). This approach is based on Kirzner's view that entrepreneurship emphasizes alertness to market opportunities and is seen as the process of identifying untapped market potential rather than being driven by a personality trait (Kirzner, 1979). This opportunity-based approach relies on the entrepreneur's ability to recognize and respond to market changes and opportunities. According to Kirzner, entrepreneurs can anticipate market changes and identify new opportunities due to their alertness and creative problem-solving abilities (Kirzner, 1997). This theory has significantly shaped the understanding of entrepreneurship's role in the economy.

In contrast, Schumpeterian IEO is driven by innovation, involving the introduction of new products, processes, or business models into international markets (Knight & Cavusgil, 2004). Rooted in Schumpeter's concept of creative destruction, it focuses on entrepreneurship as a force for innovation and economic progress (Schumpeter, 1942). Companies with a Schumpeterian IEO are often characterized by risk-taking and bold strategies aimed at differentiation and value creation in global markets (Dutta & Crossan, 2005; Sundqvist et al., 2012). These companies are more likely to engage in innovation-based activities to create value and gain a competitive advantage (Oviatt & McDougall, 2005). Schumpeterian IEO can be an effective way for firms to drive growth in the competitive global markets (Ferreira et al., 2017). Although they involve different strategies and approaches, both Kirznerian and Schumpeterian IEO can contribute to international business success (Covin & Miller, 2014; Sundqvist et al., 2012).

2.2. OR and OE in international entrepreneurship

Opportunity can be defined as a set of ideas and actions aimed at offering novel products/services, improving existing ones, or replicating profitable offerings in lucrative international markets (Faroque et al., 2021; Singh, 2001). In IE, opportunity is central to business expansion and growth, and has remained a focal point of research for three decades (Zucchella, 2021). As such, OR and OE are critical concepts in the field of IE (Faroque et al., 2021; Vasilchenko & Morrish, 2011) and the broader entrepreneurship literature. However, within the context of IE, these processes can differ significantly due to the complexities of cross-border operations and the unique challenges arising from cultural, institutional, and market heterogeneity (Zahra, Korri, & Yu, 2005). The geographical scope of IE amplifies the complexity of both OR and OE, while overlapping institutional frameworks further influence how opportunities are identified and executed (Oviatt & McDougall, 2005; Peng, Wang, & Jiang, 2008).

In general entrepreneurship, OR is driven by factors such as prior knowledge, networks, and local market dynamics (Shane, 2000). In IE, however, it involves navigating additional challenges, including cultural differences, institutional voids, and geographical distance (Yamakawa, Peng, & Deeds, 2008). Differences in regulatory environments, legal systems, and market infrastructures demand a broader scope of knowledge and contextual awareness. Moreover, identifying opportunities in international markets involves overcoming informational asymmetries and other challenges not typically encountered in domestic entrepreneurship (Johanson & Vahlne, 2009). Similarly, while OE in general entrepreneurship is influenced by resource availability, market timing, and scalability (Brush, Greene, & Hart, 2001), OE in IE faces heightened complexity due to cross-border coordination, institutional uncertainty, and the need for adaptation (Kostova & Zaheer, 1999). For example, unstable political environments or fluctuating economic policies can hinder exploitation efforts (Henisz & Zelner, 2010). Therefore, the complex processes of OR and OE, particularly in the context of IE, warrant further investigation to better understand the challenges and nuances involved (Zucchella, 2021).

The concept of opportunity remains pivotal to IE research, serving as its foundational construct even after three decades of research (Zucchella, 2021). Scholars like Reuber et al. (2018, p.395) advocated that researchers should dig deep into international opportunity because still “its meanings and roles remain under-developed in international entrepreneurship research”. Ignoring alternative perspectives or failing to integrate IE with other fields risks limiting the depth and diversity of IE research (Zucchella, 2021).

2.3. Status quo bias

Given the complexity, uncertainty, and dynamism of international markets, decision-making processes become inherently challenging. Traditional perspectives often assume rational decision-making by entrepreneurs and top management teams. Internationalization models typically operate on the premise of bounded rationality but rarely examine how the cognitive limitations of decision-makers influence the internationalization processes of firms (Aharoni et al. 2011). The cognitive perspective provides a more nuanced view by acknowledging the role of mental processes, including perception, memory, reasoning, and judgment, in shaping entrepreneurial decisions (Mitchell et al., 2007; Shepherd, 2015). This approach emphasizes how mental shortcuts (heuristics) and biases influence decision-making in environments characterized by ambiguity, volatility, and incomplete information, where entrepreneurs must make strategic choices with limited data. By highlighting these cognitive mechanisms, researchers and practitioners gain a deeper understanding of the drivers of entrepreneurial behavior and how entrepreneurs identify and pursue cross-border opportunities (Gigerenzer & Gaissmaier, 2011; Kahneman, 2011; Tversky & Kahneman, 1974).

Among cognitive biases, status quo bias plays a key role in explaining opportunity-related behaviors in IE. Despite recognition of its influence in decision-making, there is a gap in IE literature regarding how status quo bias influences opportunity behaviors (Burmeister & Schade, 2007). Status quo bias refers to the tendency to maintain a biased preference for the current way of doing things (Samuelson & Zeckhauser, 1988). This bias is often attributed to a desire to minimize uncertainty and avoid the potential risks associated with new alternatives (Chiu et al., 2022; Masatlioglu & Ok, 2005). Status quo bias can influence decision-making in various contexts, including entrepreneurship and international business because it can lead decision-makers to prefer the known risks and rewards of the current situation over the unknown risks and rewards of alternative options (Godefroid et al., 2022).

Managers are particularly susceptible to status quo bias because of the inherent uncertainty and risk in business development (Burmeister & Schade, 2007). They may opt to maintain the current state of affairs, despite the availability of attractive alternatives, because they are motivated to reduce the risks and unexpected situations resulting from the change (Samuelson & Zeckhauser, 1988). This bias can affect key decisions, such as, the adoption of new technologies or business models, expansion into new markets, and the implementation of organizational changes (Samuelson & Zeckhauser, 1988; Thomas, 2018). Managers with strong attachments to current practices or who perceive high costs of change are especially vulnerable to status quo bias (Burmeister & Schade, 2007; Samuelson & Zeckhauser, 1988). Understanding and addressing the potential impact of status quo bias on OR and OE, which are shaped by different organizational learning models, is crucial for achieving strategic performance outcomes. Exploration often involves challenging existing norms and adopting nonconforming beliefs and practices, even when information about proven best practices is available (March, 1991). In contrast, exploitation emphasizes conformity to the status quo and leveraging existing knowledge and routines (Miller, Zhao, & Calantone, 2006). By examining the role of status quo bias, deeper insights can be gained into how this cognitive bias influences the processes of OR and OE, particularly, in the international context. In such environments, where dynamic and diverse conditions prevail, there is a constant need for both adaptability and innovation.

3. Hypotheses development

3.1. International entrepreneurial orientation and firm's performance

Schumpeterian IEO is characterized by an autonomous, innovation-driven mindset and a heightened propensity for risk-taking, particularly, when introducing new ideas to global markets (John & Storr, 2018; Knight & Cavusgil, 1996). This orientation fuels growth through the introduction of novel products or business models, helping firms differentiate themselves and capture larger shares of the global market (Sundqvist et al., 2012). Firms with a Schumpeterian IEO actively seek opportunities for innovation, often targeting markets with evolving or unclear consumer needs, which allows them to stay ahead of competitors (Lumpkin & Dess, 1996; Knight & Cavusgil, 1996). Hence, innovativeness serves as the key disequilibrating factor, often targeting markets where consumer needs are either unclear or evolving. Thus, firms with a Schumpeterian orientation are more adept at identifying and pursuing opportunities for innovation in international markets, which can lead to greater customer acquisition and profitability (Lafuente et al., 2020). If these firms successfully differentiate their offerings, their innovative products or services can set them apart from competitors and drive international success (John & Storr, 2018). Moreover, Schumpeterian IEO fosters a culture of autonomy, innovation, and risk-taking within firms, enabling them to swiftly adapt to changes in the global market and capitalize on emerging opportunities (Sundqvist et al., 2012; Szerb, Lafuente, Horváth, & Páger, 2019). Collectively, firms with Schumpeterian EO can autonomously undertake bold, proactive innovations that enhance both their domestic and

international performance (de Jong & Marsili, 2015; Becker, Knudsen, & Swedberg, 2012). Therefore, Schumpeterian IEO is particularly effective in driving international growth by enabling firms to introduce disruptive innovations, create new market niches, and strengthen their competitive position in the global marketplace. Thus:

H1a. Schumpeterian IEO is positively associated with firms' overall performance.

Kirznerian IEO focuses on identifying and pursuing existing opportunities for international expansion (Covin & Miller, 2014; Sundqvist et al., 2012). Characterized by a proactive, opportunity-seeking mindset, this orientation emphasizes calculated risk-taking to drive international growth (Kirzner, 1979). Firms with a Kirznerian orientation are particularly adept at sensing weak market signals, identifying gaps in the competitive landscape, and exploiting competitors' vulnerabilities, allowing them to outperform rivals (John & Storr, 2018; Sundqvist et al., 2012). This ability to identify disequilibrium in a fast-paced business environment enables firms to engage in arbitrage and outperform the competitors (Lumpkin & Dess, 1996; Sundqvist et al., 2012). Additionally, a Kirznerian IEO encourages firms to anticipate market changes and act opportunistically, allowing them to shape the export environment and capitalize on incremental shifts (de Jong & Marsili, 2015; Ferreira, Fayolle, Fernandes, & Raposo, 2017). Drawing from the preceding discussion, we posit that a Kirznerian IEO fosters the identification of overlooked yet profitable opportunities, empowering firms to leverage their market awareness to seize untapped potentials and enhance the overall performance. Therefore, we propose that:

H1b. Kirznerian IEO is positively associated with firms' overall performance.

Schumpeterian entrepreneurship is distinguished by a risk-taking approach, innovativeness, and autonomy. These firms leverage these traits to explore and develop new business opportunities abroad, search for information and opportunities overseas, conduct market research, and generate novel ideas for products or services. Unlike Kirznerian firms, which primarily identify and exploit existing market opportunities based on controlled resources (Roininen & Ylinenpää, 2009), Schumpeterian firms embrace a risk-taking approach. With a strong emphasis on innovation and autonomy, they cultivate a creative culture within their organizations, driving entrepreneurial initiatives from within. As a result, internal sources of ideas and opportunities are central to the innovation process in Schumpeterian firms, especially when introducing new products or services to international markets. These firms require robust internal capabilities to generate innovative ideas for new products, processes, or business models (Lichtenthaler & Lichtenthaler, 2009). Schumpeterian opportunities typically diverge from existing business routines, encouraging firms to take more significant risks. In contrast, Kirznerian opportunities generally build upon or replicate established business models or product concepts (Shane, 2003). Therefore, Schumpeterian IEO, with its focus on innovation and risk-taking, is likely to have more significant performance implications than Kirznerian IEO, as it fosters groundbreaking initiatives and market disruption. Consequently, we propose the following:

H1c. The influence of Schumpeterian IEO on firm's overall performance is greater than that of Kirznerian IEO.

3.2. Mediating role of international OR and OE

Extant literature suggests that neither Kirznerian nor Schumpeterian EO alone may be sufficient to guarantee success in international expansion (de Jong & Marsili, 2015; Sundqvist et al., 2012). Firms with opportunity- or innovation-driven orientations must also consider additional factors such as their resources, capabilities, global competitiveness, labor productivity, and risk management strategies, in order to effectively pursue and exploit international opportunities (Ferreira

et al., 2017; Knight & Cavusgil, 1996). As noted previously, Kirznerian IEO refers to a firm's focus on identifying and exploiting existing opportunities for international expansion (George, Parida, Lahti, & Wincent, 2016; Knight & Cavusgil, 1996). To achieve performance advantages, firms with a Kirznerian orientation may need to engage in both OR and OE (Luo & Tung, 2007). OR involves actively searching for and evaluating new opportunities in international markets, while OE focuses on the pursuit and leverage of existing opportunities (Nuhu, Owens, & McQuillan, 2021; Tabares, Chandra, Alvarez, & Escobar-Sierra, 2021). By engaging in both activities, firms with a Kirznerian orientation are better positioned to not only identify new opportunities but also capitalize on existing ones, driving growth and enhancing competitiveness in international markets (Luo & Tung, 2007; Shane, 2000). Thus, OR and OE may be key factors in explaining how Kirznerian IEO contributes to improved firm performance. Therefore, we propose that:

H2: (a) OR and (b) OE will individually mediate the positive relationship between Kirznerian IEO and the firm's overall performance.

Similarly, firms with a Schumpeterian IEO may also need to utilize their competence and strategic tools to effectively explore and exploit international opportunities (Knight & Cavusgil, 1996). However, these firms may also face challenges related to navigating cultural differences, complying with local regulations, and building relationships with key stakeholders in foreign markets (George et al., 2016; Knight & Cavusgil, 1996). Successfully overcoming these challenges is critical for firms seeking to leverage their innovation and maintain competitiveness in global markets. This means that international OR may play a key role in explaining how Schumpeterian IEO leads to improved firm performance. This may be because firms with a Schumpeterian orientation exhibit a propensity for risk-taking, autonomy, and innovation, particularly in seeking opportunities for introducing new ideas into global markets (Knight & Cavusgil, 1996; Siegel & Renko, 2012). To achieve this, these firms may need to engage in OR, the activity or process of actively searching for and evaluating new opportunities in international markets (Faroque et al., 2021; Luo & Tung, 2007). Additionally, these firms may also need to engage in OE, which involves actively exploiting new opportunities in international markets (Luo & Tung, 2007). By engaging in both international OR and OE, Schumpeterian firms may be able to identify and pursue innovative opportunities, ultimately enhancing their competitiveness and fostering growth in an international arena, reflected in improved overall firm performance (Tabares et al., 2021). Therefore, we propose:

H2: International (c) OR and (d) OE will individually mediate the positive relationship between Schumpeterian IEO and the firm's overall performance.

3.3. Moderating role of status quo bias in the relationship between IEO and international OR/OE

Business managers often rely on cognitive shortcuts, using heuristic reasoning to simplify complex decisions (Busenitz, 1999). Status quo bias is one such form of reasoning, where decision makers are inclined to maintain the current state of affairs—essentially sticking to “one's current or previous decision” (Samuelson & Zeckhauser, 1988, p. 7), actions or behaviors. It offers “a context-dependent set of theoretical explanations for why an individual may remain in a status quo even in the presence of other alternatives” (Polites & Karahanna, 2012, p. 22). While much of the existing literature portrays biases like status quo bias negatively (Lejarraga & Pindard-Lejarraga, 2020), this paper proposes a different perspective. Specifically, within the context of Schumpeterian IEO and international OR, we contend that status quo bias can actually be advantageous for Schumpeterian firms in terms of recognizing new opportunities. Rather than inhibiting innovation, it may provide a stabilizing force that allows firms to focus on and recognize viable new opportunities while leveraging existing resources and strategies effectively.

As previously discussed, Schumpeterian firms, known for their autonomy, innovativeness, and propensity for risk-taking, which shape their approach to opportunity exploration. These firms excel in identifying new opportunities through bold initiatives such as pioneering research endeavors, dynamic environmental scanning, and extensive information searches. They leverage these internal capabilities to create new business ideas, products, and services. While they do engage with the external environment for opportunities, their primary mode of operation involves leveraging their inherent characteristics to innovate and identify opportunities internally. In this context, embracing the status quo of innovativeness, risk-taking, and autonomy in internal opportunity creation aligns more effectively with Schumpeterian exploration. This inward-focused approach is particularly conducive to generating new international opportunities compared to an outward-oriented opportunity search strategy.

However, Schumpeterian IEO firms must also engage in OE to sustain their growth. Exploiting these opportunities involves leveraging existing resources and refining processes to generate revenue. This exploitation of Schumpeterian opportunities typically requires a transformation within the organization, driven by ‘changes in the methods of supplying commodities, such as introducing new goods or new methods of production; opening new markets, conquering new sources of supply of raw materials or semi-manufactured goods; or carrying out a new organization of industry, such as creating a monopoly or breaking one up’ (Brue, 2000, p. 500). Such exploitation of opportunities necessitates a new organizational setup, resource mobilization, and restructuring. However, adherence to the status quo can impede this process, as it prioritizes exploration over exploitation. This necessitates Schumpeterian firms to deviate from the status quo and restructure the organizational setup to fully exploit international opportunities. Therefore, we expect that a higher level of organization-wide status quo bias will strengthen the Schumpeterian IEO-OR relationship, but the relationship between Schumpeterian IEO and OE will be stronger in organizations with a lower level of status quo bias, which allows for more flexibility and adaptability in exploiting opportunities. Drawing on these arguments, we propose the following:

H3a. A higher (vs. lower) level of status quo bias will strengthen the positive relationship between Schumpeterian IEO and international OR.

H3b. A lower (vs. higher) level of status quo bias will strengthen the positive relationship between Schumpeterian IEO and international OE.

Within the context of this research, especially regarding Kirznerian IEO, studies suggest that decision makers with a higher level of status quo bias may be less likely to recognize new international opportunities due to their preference for maintaining the current state of affairs (Kuratko & Morris, 2010). Adhering to the status quo can often be a reasonable approach when the economic consequences of different options are not significantly different (Chiu et al., 2022). If a firm is performing well economically, it may have little incentive to seek new international business opportunities. However, due to the dynamic nature of international markets, competition, and other external factors, entrepreneurs and managers may actively work to overcome the status quo bias (Burmeister & Schade, 2007). As a result, it is reasonable to postulate that status quo bias—the tendency to favor maintaining the current state of affairs—will influence the positive relationship between Kirznerian IEO and OR. Firms with a lower level of status quo bias may be more open to recognizing new opportunities for international expansion because they are more willing to embrace change (Baron & Markman, 2003). This indicates that the relationship between Kirznerian IEO and international OR may be stronger in firms with lower levels of status quo bias than in those with higher levels.

On the other hand, firms with a strong status quo bias tend to prefer maintaining the current state of affairs, which may strengthen the relationship between Kirznerian IEO and international OE (Gholizadeh & Mohammadkazemi, 2022). The presence of status quo bias may

enhance a Kirznerian firm’s ability to exploit existing international opportunities, as these firms are more inclined to resist change and stick to familiar, tested strategies (Shane & Venkataraman, 2000). Ordinary Kirznerian OR largely leaves the system unchanged, as it involves managers exploiting existing market opportunities that have previously gone unnoticed. As such, it is reasonable to expect that the positive relationship between Kirznerian IEO and international OE will be stronger in firms with a higher level of status quo bias, as these managers are more likely to stick with proven strategies rather than pursue change. Therefore, we propose:

H3c. A lower (vs. higher) level of status quo bias will strengthen the positive relationship between Kirznerian IEO and OR.

H3d. A higher (vs. lower) level of status quo bias will strengthen the positive relationship between Kirznerian IEO and OE.

The hypothesized relationships are illustrated in the theoretical framework (Fig. 1), which is grounded in the behavioral and cognitive process views of entrepreneurial opportunity and further enriched by the potential moderating mechanism of cognitive bias. The entrepreneurial process includes a range of activities related to recognizing opportunities and capitalizing on them (Bygrave & Hofer, 1992). Furthermore, international entrepreneurial behavior is often explained as both a behavioral and cognitive process (Baron, 2007) in which opportunity behaviors (namely OR and OE, both driven by decision makers’ cognition) are influenced by prior behavioral patterns. Schumpeter (1934) and Kirzner (1973) entrepreneurial behaviors exemplify these behavioral patterns and have had a major role in OR research (Mary George, Parida, Lahti, & Wincent, 2016). Our framework builds on this established approach by integrating both behavioral and cognitive elements.

Entrepreneurship research has extensively drawn from cognitive science to explore entrepreneurial cognition (Baron & Ward, 2004). Studies by Busenitz and Barney (1997) and Simon, Houghton, and Aquino (2000) have examined cognitive biases such as overconfidence and representativeness in entrepreneurial thinking. However, as Thomas (2018) points out, biases beyond overconfidence and over-optimism, such as *status quo bias*, have received limited attention and warrant further empirical investigation to assess their relevance, determinants, and consequences. To address this gap, we aim to enhance the understanding of how status quo bias specifically shapes international entrepreneurial behaviors. This bias is integrated into behavioral and cognitive perspectives on opportunity recognition and exploitation. While much of the existing research has focused on identifying cognitive biases and their impact on new venture creation and performance (Kraft, Günther, Kammerlander, & Lampe, 2022), less is known about how biases beyond overconfidence influence entrepreneurial processes and decision-making in international contexts, where uncertainty and risk are particularly pronounced. This study seeks to fill this gap by

examining how *status quo bias* impacts opportunity recognition and exploitation in international entrepreneurship.

Opportunity behaviors, such as recognition and exploitation, involve making judgments amid uncertainty, complexity, and risk (Allinson, Chell, & Hayes, 2000; Das & Teng, 1997; Keh, Der Foo, & Lim, 2002). This uncertainty, especially in international contexts with higher risks, may lead entrepreneurs to overlook path-breaking opportunities, with firms often exhibiting inertia due to switching costs or psychological commitment to sunk costs (Polites & Karahanna, 2012). As a result, decision-makers are more likely to favor the status quo in the face of uncertainty (Fernandez & Rodrik, 1991). While dynamic capabilities are a vital springboard for seizing novel international opportunities (Andersson & Evers, 2015), the counterforce of status quo bias remains underexplored. Firms’ opportunity behaviors are often framed through the lens of Kirznerian (recognition) and Schumpeterian (creation) theories (Etemad, 2015). The former emphasizes arbitrage, while the latter focuses on innovation (Mainela, Puhakka, & Servais, 2014). However, the susceptibility of these orientations to cognitive biases, such as status quo bias, may differ. Innovative Schumpeterian entrepreneurs, for example, may be less prone to status quo bias (Dyer et al., 2008) when exploiting opportunities, as they are more likely to challenge existing norms in pursuit of novel ideas.

4. Methodology

4.1. Research context, sample, and data collection

This study comprises a sample from multiple industries in Bangladesh, including ready-made garments (RMG), software, and other sectors. These industries are characterized by intense global competition, rapid market changes, and the ongoing need for innovation and adaptation to stay relevant—factors that align closely with Schumpeterian concepts of entrepreneurial disruption and innovation-driven opportunity creation. In the international context, however, these processes take on additional complexity due to differences in institutional stability, resource availability, and cultural factors. At the same time, the ability of these industries to consistently recognize and exploit incremental opportunities in resource-constrained environments underscores the relevance of the Kirznerian perspective, which emphasizes alertness to existing opportunities and adaptive entrepreneurship. Unlike firms in more stable institutional settings, Bangladeshi firms must navigate highly dynamic and uncertain conditions, which can reveal novel insights into the interplay between opportunity recognition and exploitation. Moreover, Bangladesh’s sustained success in these sectors, despite infrastructural and institutional challenges (Faroque, Torkkeli, Sultana, & Rahman, 2022), illustrates nuanced relationships between entrepreneurial orientation and the exploitation of opportunities. Entrepreneurs in these industries must navigate complex market dynamics while overcoming status quo bias—a natural resistance to change—both

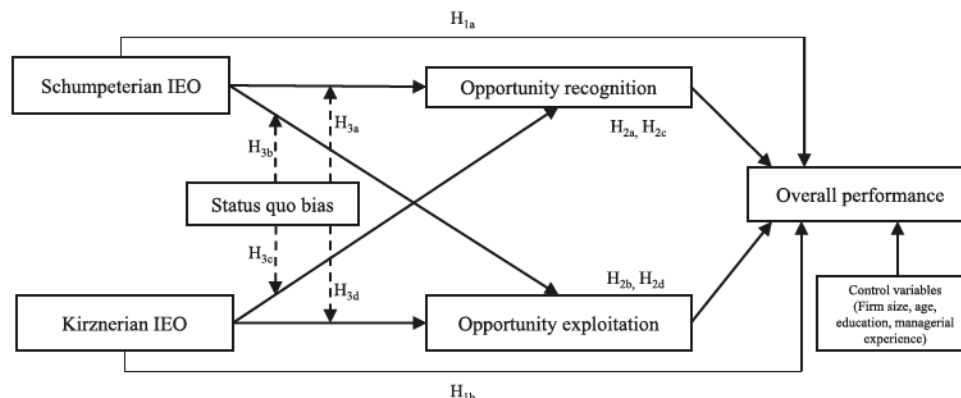


Fig. 1. Research framework.

within their organizations and in the broader business environment. This combination of global competitiveness, institutional instability, and cultural nuance makes the Bangladeshi context particularly relevant for advancing our understanding of how opportunity recognition and exploitation differ across international settings. These features make the Bangladeshi context well-suited for testing our research hypotheses.

The findings from this research have broad applicability, particularly to other countries and industries facing similar challenges, such as those in emerging countries. The principles of Schumpeterian and Kirznerian entrepreneurship, as well as opportunity recognition and exploitation, extend beyond the context of Bangladesh. Many developing and transitional economies encounter comparable constraints, making these insights widely relevant. Additionally, industries in developed economies experiencing shifting market conditions may also exhibit similar entrepreneurial dynamics. As such, this study offers valuable lessons that transcend national and industry boundaries.

Data were collected in 2019 through a local marketing research firm. The survey was conducted face-to-face using a structured questionnaire. A random sampling technique was employed to select 500 exporters from the list provided by the Export Promotion Bureau, aiming to reduce selection bias and enhance the generalizability of the findings. Face-to-face surveys were chosen due to a low response rate typically seen in the context of mail surveys in developing countries. Initially, 284 responses were collected. However, after excluding responses with missing data, a total of 275 responses were retained, resulting in an effective response rate of 55 %.

4.2. Measures

We measured all the constructs based on established scales from previous studies. While most of the measures were adopted without modification, the scales for status quo bias and international OR/OE were adapted to fit the context of internationalization. Details of these adaptations are outlined below. Table 1 shows all measurement items and the results of the reliability analysis.

Overall firm performance. The dependent variable is firm overall performance, which is measured through multiple items across three dimensions: three items on profitability- overall profitability, return on investment, and return on asset (Li and Atuahene-Gima, 2001; Menguc & Auh, 2008); three items on sales performance- market share, sales volume and sales growth (Menguc & Auh, 2008); and three items on the market performance- attracting new export customers, new export market entry, and performance in strategically important markets (Faroque et al. 2022). The respondents were asked on a seven-point scale ranging from “highly dissatisfactory” to “highly satisfactory”: ‘How would you rate the performance of your firm during the past three years in terms of the following indicators, compared to your main competitors?’ (Cronbach’s $\alpha = .94$)

Schumpeterian IEO and Kirznerian IEO. Schumpeterian IEO is measured by risk-taking, innovativeness, and autonomy, while Kirznerian IEO is assessed based on proactiveness and competitive aggressiveness. These dimensions follow the theoretical categorization of IEO into Kirznerian and Schumpeterian subgroups by Sundqvist et al. (2012). All IEO dimensions have been adopted from existing sources (e. g., Jambulingam, Kathuria, & Doucette, 2005; Kuivalainen et al. 2007; Wang, 2008). Each measure is based on a seven-point scale (Cronbach’s $\alpha = .88$ for Kirznerian IEO; Cronbach’s $\alpha = .95$ for Schumpeterian IEO).

International OR and OE. The OR and OE constructs are measured using scales originally developed by Kuckertz et al. (2017) and subsequently adapted for the international business context. These constructs and measures were initially designed to capture entrepreneurial activities within domestic market settings, as is common in mainstream entrepreneurship literature. For the purpose of this study, we adapted the measures by contextualizing them for international markets, incorporating phrases such as ‘in overseas markets’ or ‘in a new market overseas’ at the end of each item. Each measure is based on a

Table 1
Measurement and loadings for survey items.

Constructs, scale items, and statistics	St. loading
Overall performance: How would you rate the performance of your firm during the past three years in terms of the following indicators, compared to your main competitors?^a (Cronbach’s $\alpha = .94$, CR^b = .97, AVE^c = .81)	
1. Overall profitability	.913
2. Return on investment	.905
3. Return on asset	.912
4. Overall market share relative to target market objective	.917
5. Sales volumes relative to target market objective	.898
6. Sales growth relative to target market objective	.876
7. Satisfaction with attracting new export customers	.893
8. Satisfaction with new export market entry	.923
9. Satisfaction with performance in strategically important target markets	.879
International OR: How do you rate the following statements?^d (Cronbach’s $\alpha = .89$, CR = .89, AVE = .61)	
1. We are always alert to business opportunities abroad	.745
2. We research potential markets to identify business opportunities	.815
3. We search systematically for business opportunities abroad	.788
4. We look for information about new ideas on products or services abroad	.821
5. We regularly scan the environment for business opportunities abroad	.738
International OE: How do you rate the following statements?^d (Cronbach’s $\alpha = .96$, CR = .96, AVE = .87)	
1. We have set up an organization/venture to pursue a business opportunity we perceived in overseas markets	.902
2. Based on a business opportunity we perceived, we have developed a new market overseas	.940
3. We have put together an entrepreneurial team to pursue a business opportunity we perceived in overseas markets	.946
4. We have mobilized resources to exploit a business opportunity in overseas markets.	.932
Status quo bias: In this organization we continue using our existing methods/processes/practices in internationalization...^d (Cronbach’s $\alpha = .96$, CR = .96, AVE = .89)	
1. Because it would be stressful to change.	.910
2. Because we are comfortable doing so.	.956
3. Because we enjoy doing so.	.967
Schumpeterian IEO: How do you rate the following statements?^d Risk taking (Cronbach’s $\alpha = .95$, CR = .95, AVE = .87)	
1. Top export managers of our company, in general, tend to invest in high-risk export projects.	.872
2. This company shows a great deal of tolerance for high risk export projects.	.974
3. Our export strategy is characterized by a strong tendency to take risks.	.950
Innovativeness (Cronbach’s $\alpha = .91$, CR = .91, AVE = .67)	
1. Our company is known as an innovator among businesses in our industry.	.812
2. We promotes new, innovative product/services in our company.	.829
3. Our company provides leadership in developing new products/services.	.746
4. Our company is constantly experimenting with new products/services.	.833
5. We have built a reputation for being the best in our industry to develop new methods and technologies.	.874
Autonomy (Cronbach’s $\alpha = .92$, CR = .92, AVE = .79)	
1. Export personnel act independently to carry out their export ideas through to completion	.874
2. Export personnel are self-directed in pursuit of export opportunities	.880
3. Management approves of independent activities by export personnel to develop new export opportunities	.920
Kirznerian IEO: How do you rate the following statements?^d (Cronbach’s $\alpha = .88$, CR = .884, AVE = .793)	
Proactiveness (r = .88, CR = .79, AVE = .65)	
1. We seek to exploit anticipated changes in our export market ahead of our rivals.	.828
2. We act opportunistically to shape the export environment in which we operate.	.782
Competitive aggressiveness (r = .75, CR = .77, AVE = .62)	
1. We takes hostile steps to achieve export competitive goals in our target markets.	.778
2. Our actions toward export competitors can be termed as aggressive.	.797
Fit statistics: $\chi^2_{(714)} = 1624.18$, $p < .001$; CFI = .90; TLI = .90; IFI = .91; RMSEA = .06.	

Note: ^aBased on a seven-point scale, where 1 = Far below the competitors and 7 = Far above the competitors. ^bCR: composite reliability. ^cAVE: average variance extracted. ^dBased on a seven-point scale, where 1 = Strongly disagree and 7 = Strongly agree. *r* refers to correlation coefficient.

seven-point scale (Cronbach's $\alpha = .89$ for international OR; Cronbach's $\alpha = .96$ for international OE).

Status quo bias. The status quo bias construct used in this study is adapted from Polites & Karahanna (2012). While these authors developed the construct to reflect individual-level affective inertia/status quo bias, we have adapted this to a firm-level status quo context, following the approach of Fan, Chen, Wu, and Fang (2015). The original construct was developed and asked respondents to reflect status quo bias in adopting existing information system/method whereas we have contextualized it in the use of existing methods/processes/practices in internationalization. This construct and its corresponding items have been widely used in information technology research to reflect status quo bias (e.g., Loh, Lee, Tan, Ooi, & Dwivedi, 2021; Maier, Laumer, Weinert, & Weitzel, 2015). The original construct included three reasons behind the status quo bias, which we adopted to ensure content validity (Maier et al., 2015): (a) because it would be stressful to change; (b) because we are comfortable doing so; and (c) because we enjoy doing so. These items were measured on a seven-point scale (Cronbach's $\alpha = .95$).

Control variables. Previous research has shown that firm age, firm size and industry influence firm international performance as well as international OR (Faroque et al., 2021, 2022). Additionally, managers' individual background factor (such as age, education, tenure, and managerial experience) have been found to impact a firms' EO (Altinay & Wang, 2011). Firm age is measured as the number of years since its founding, reflecting its position in the organizational life cycle, which can affect internationalization (Autio, Sapienza, & Almeida, 2000). Firm size is determined by the number of full-time employees, as previous research suggests that size may impact internationalization. Larger firms often possess more resources and a stronger competitive advantage in their domestic markets, which can serve as a firm-specific advantage in international markets (Verbeke, Zargazadeh, & Osiyevskyy, 2014). A dummy variable was created to represent export-oriented industries, with the RMG sector¹ (207 out of 275 firms) categorized as export-oriented, while other industries served as the benchmark. To measure tenure, participants were asked how many years they had worked for their current company. Managerial experience was assessed by asking respondents to report their total years of managerial experience, categorized as 1 = less than 5 years, 2 = 5–15 years, and 3 = more than 15 years. Controlling for these individual demographic characteristics is crucial, as managers' age, education level, tenure, and managerial experience can significantly influence performance outcomes (Altinay & Wang, 2011; Zhang, Edgar, & Geare, 2016). Therefore, the size and age of the firm, industry type, as well as the respondents' age, education, tenure, and management experience were used as control variables in this study.

4.3. Measurement assessment

A confirmatory factor analysis was conducted to assess the reliability and validity of each measure. The model fit, as indicated by the chi-square statistic, was significant ($\chi^2_{(569)} = 1223.088$, $p < .001$). Other fit indices suggested an acceptable model fit (confirmatory fit index [CFI] = .934, Tucker-Lewis index [TLI] = .927, incremental fit index [IFI] = .934, and root mean square error of approximation [RMSEA] = .065). Convergent validity was evident as Cronbach's alpha ranged

¹ The Ready-Made Garment (RMG) sector in Bangladesh represents a unique industry setting, where firms are mandated to maintain a 100% export-oriented status and register with the Garments Exporters' Associations in order to receive export assistance under the regulatory framework.

from .89 to .96, exceeding the .7 benchmark; all items loaded substantively were statistically significant ($p < .01$) on their respective latent factors, with standardized loadings of .70 or higher. Additionally, the average variance extracted (AVE) met the minimum cutoff of .50 (Hair et al., 2010). To assess discriminant validity, we confirmed that the square root of AVE exceeded their corresponding shared variance (Fornell & Larcker, 1981) (see Table 2). Moreover, the constructs' composite reliability (CR) ranged from .77 to .97. Together, the scales employed in this study possess sound psychometric properties and are suitable for testing the hypotheses.

We followed several procedures and statistical remedies recommended by Podsakoff et al. (2003) to assess the magnitude of common method bias. First, we conducted Harman's one-factor test on all the items, extracting six distinct factors accounting for 76.81% of the total variance, with the first factor explaining 38.53%. Thus, no single factor accounted for majority of the variance, aligning with the threshold (i.e., <50%) suggested by MacKenzie & Podsakoff (2012). Second, we employed the marker variable approach to further assess this issue (Lindell & Whitney, 2001). A single-item scale for the marker variable was incorporated into the questionnaire to capture respondents' overconfidence levels, with the question: "We are more skilled at producing quality products/services than our competitors in this industry" (1 = strongly disagree, 7 = strongly agree). Following the procedure outlined by Malhotra, Kim, and Patil (2006), our results indicate that there are no notable differences between the two models (the model without additional marker variable vs. the model with additional marker variable): $\chi^2_{(569)} = 1223.088$ vs. $\chi^2_{(568)} = 1225.496$; CFI = .934 vs. .938; TLI = .927 vs. .935; IFI = .934 vs. .946; RMSEA = .065 vs. .064. These results suggest that common method bias did not pose a significant issue in this study.

4.4. Hypothesis testing and results

We calculated the variance inflation factors (VIF) to identify possible multicollinearity among the explanatory variables. The VIF values ranged from 1.24 to 1.83, indicating a threat to validity from multicollinearity does not appear to be a concern (Kleinbaum, Kupper, Muller, & Nizam, 1998). Table 2 contains the descriptive statistics and intercorrelations of all the variables.

4.4.1. IEO's effect on firm's overall performance

We estimated the structural model to test our hypotheses (Table 3). The model yielded acceptable fit indices: $\chi^2_{(753)} = 1801.28$, $p < .001$; CFI = .90; TLI = .90; IFI = .90; RMSEA = .06. H1a and H1b predicted that both Schumpeterian IEO and Kirznerian IEO would have positive effects on firms' overall performance. These predictions were supported; the results showed that both the paths to firms' overall performance — Schumpeterian IEO ($\beta = .82$, $p < .01$) and Kirznerian IEO ($\beta = .25$, $p < .05$) — were positive and significant. To test H1c, we employed a Wald test to examine whether the difference between the two path coefficients was statistically significantly different from each other. Results showed that as for the relative effect, Schumpeterian IEO has stronger positive effects on firms' overall performance than Kirznerian IEO ($\beta: .82^{***} > .25^{**}$, $\Delta\chi^2 = 24.76$, $p < .01$). Thus, H1c was supported too.

4.4.2. Mediating result of international OR and OE

For H2a and H2b, we predicted the mediating role of international OR and OE in the relationship between Kirznerian IEO and performance, respectively. To assess the mediation effect, we relied on a bias-corrected bootstrapping procedure as recommended by Preacher & Hayes (2008), with a confidence level of 95% and 5000 bootstrap samples. According to the mediation results, the indirect effect of Kirznerian IEO on firms' overall performance via international OR was not significant ($\beta = .03$, CI = [-.02, .21]), leading to the rejection of H2a. On the other hand, a significant indirect effect was found for Kirznerian IEO on firms' overall performance via OE ($\beta = .34$, CI = [.20, .48]), thereby

Table 2
Descriptive statistics and correlations.

Construct	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Firm age	14.19	10.44	-												
2. Firm size	2043	6960	.40***	-											
3. Firm industry	.75	.43	-.02	.01	-										
4. Age	42.84	4.84	.04	.01	.13*	-									
5. Education	4.06	.19	-.10*	-.01	-.23*	-.19*	-								
6. Tenure	6.79	5.05	.31	.10	.12*	.59	-.19	-							
7. Management experience	2.37	.64	-.14**	.00	.16**	.40*	-.11	-.11**	-						
8. Schumpeterian IEO	4.57	1.04	.05	.20**	-.05	-.11*	.11*	.11	-.28**	.87					
9. Kirznerian IEO	4.23	.88	.30***	.35**	-.11	.02	-.06	-.06	-.10	.47***	.79				
10. Status quo bias	3.61	1.66	.17***	.17**	-.16	-.05	.08	.08	-.36**	.51***	.37***	.94			
11. International OR	5.50	.98	-.02	.11	-.16*	.13	.03	.03	.01	.39***	.12**	.15***	.78		
12. International OE	3.49	1.95	.10	.23**	-.25*	.00	.02	.02	-.25	.58***	.29***	.39***	.38***	.93	
13. Overall performance	4.46	1.41	.08	.21**	-.19*	-.03	-.04	-.04	-.15	.56***	.34***	.37***	.37***	.60***	.90

Sample size = 275. Bold numbers in the oblique line are the square roots of AVE.

*p < .10. **p < .05. ***p < .01

Table 3
Parameter estimates of the structural model.

Hypothesized path:	Estimate	S.E.	t-value
Direct effects:			
Schumpeterian IEO → Overall performance	.82	.19	4.29***
Kirznerian IEO → Overall performance	.25	.12	2.04**
International OR → Overall performance	-.12	.07	-.17
International OE → Overall performance	.33	.06	5.30***
Schumpeterian IEO → International OR	.51	.10	4.89***
Schumpeterian IEO → International OE	.80	.25	5.26***
Kirznerian IEO → International OR	.24	.14	1.81*
Kirznerian IEO → International OE	.10	.20	.47
Moderating effects:			
Schumpeterian IEO * Status quo bias → International OR	.11	.06	1.86*
Schumpeterian IEO * Status quo bias → International OE	-.19	.09	-2.21**
Kirznerian IEO * Status quo bias → International OR	-.05	.05	-.78
Kirznerian IEO * Status quo bias → International OE	.08	.08	.86

Sample size = 275. *p < .10. **p < .05. ***p < .01

supporting H2b. The direct effect of Kirznerian IEO on firms' overall performance was also significant ($\beta = .18$, CI = [.06,.30]), which indicates a partial mediation effect.

To test H2c and H2d, we predicted the mediating role of international OR and OE in the relationship between Schumpeterian IEO and performance, using the same approach described above. A significant indirect effect of Schumpeterian IEO on firms' overall performance was identified via international OR ($\beta = .08$, CI = [.02,.15]), supporting H2c. Similarly, the indirect effect of Schumpeterian IEO on firms' overall performance via OE was also significant ($\beta = .58$, CI = [.48,.68]), supporting H2d. The direct effect of Schumpeterian IEO on firms' overall performance was also significant ($\beta = .38$, CI = [.25,.50]), which indicates that both international OR and OE partially mediate the relationship between Schumpeterian IEO and firms' overall performance.

4.4.3. Moderating result of status quo bias in the relationship between IEO and international OR/OE

To test for moderation, we performed the latent product approach suggested by Ping (1995). The first step was to standardize each indicator of the following variables: Schumpeterian IEO (SCHEO), Kirznerian IEO (KIREO), and status quo bias (STATUS). After standardizing these indicators, we summed the indicators of each latent variable to form the latent product. The summated scores for SCHEO and STATUS were multiplied to form the single indicator of the latent product (SCHEO * STATUS). We used the same approach to form the other indicator of the latent product (KIREO * STATUS). Finally, we included the

two indicators (SCHEO * STATUS and KIREO * STATUS) in the structural model. The analysis revealed that status quo bias strengthens the effect of Schumpeterian IEO on international OR ($\beta = .11$, $p < .10$), such that H3a was supported. Conversely, status quo bias weakens the effect of Schumpeterian IEO on international OE ($\beta = -.19$, $p < .05$), supporting H3b. However, there was no support for the other moderating hypotheses related to Kirznerian IEO (Table 3). To gain deeper insights, we used the simple slope test (Aiken & West, 1991). The visual depiction (Fig. 2 Panel a) shows that although the relationship between Schumpeterian IEO and international OR is positive regardless of status quo bias being high ($\gamma = 1.16$, $p < .01$) or low ($\gamma = 0.77$, $p < .05$), the two conditions still differ significantly. Using the same approach, we also found that although the relationship between Schumpeterian IEO and international OE is positive regardless of status quo bias being high ($\gamma = 1.42$, $p < .01$) or low ($\gamma = 1.82$, $p < .01$), the difference between these two conditions remain significant (Fig. 2 Panel b). Table 4 summarizes the results of the hypotheses tests.

4.5. Additional test and results

In this additional test section, we explored whether international OR and OE exert a sequential mediation effect. Using Hayes' PROCESS Model 6 (serial mediation), we estimated regression coefficients and employed 5000 bootstrapped samples to estimate 95 % bias-corrected confidence intervals for the indirect paths. We found that the specific indirect effect of Schumpeterian IEO on firms' overall performance via international OR and OE was significant (indirect effect through international OR and OE = .06, 95 % bias-corrected bootstrap CI = [.02,.10]). In contrast, the specific indirect effect of Kirznerian IEO on firms' overall performance via international OR and OE was not significant ($\beta = .06$, CI = [-.02,.15]).

Furthermore, we tested potential moderated mediation using Hayes' PROCESS Model 7 (moderated mediation). We estimated regression coefficients and used 5000 bootstrapped samples to generate 95 % bias-corrected confidence intervals. The results of the moderated mediation analysis indicated that status quo bias moderated the effect of Schumpeterian IEO on international OE (unstandardized interaction $\beta = -.14$, $\beta se = .31$, $t = -2.40$, $p = .009$). Higher OE was associated with better firms' overall performance, $\beta = .46$, $\beta se = .03$, $t = 13.73$, $p < .001$. The overall moderated mediation model was supported, with the index of moderated mediation = -.07 (95 % CI = [-.12, -.01]). As zero is not within the CI, this indicates a significant moderating effect of status quo bias on the indirect relationship between Schumpeterian IEO and international OE. The conditional indirect effect was strongest for firms with low status quo bias (1 SD below the mean of NFC; effect = .66, SE = .06, 95 % CI = [.53,.79]) and weakest for firms with high status quo

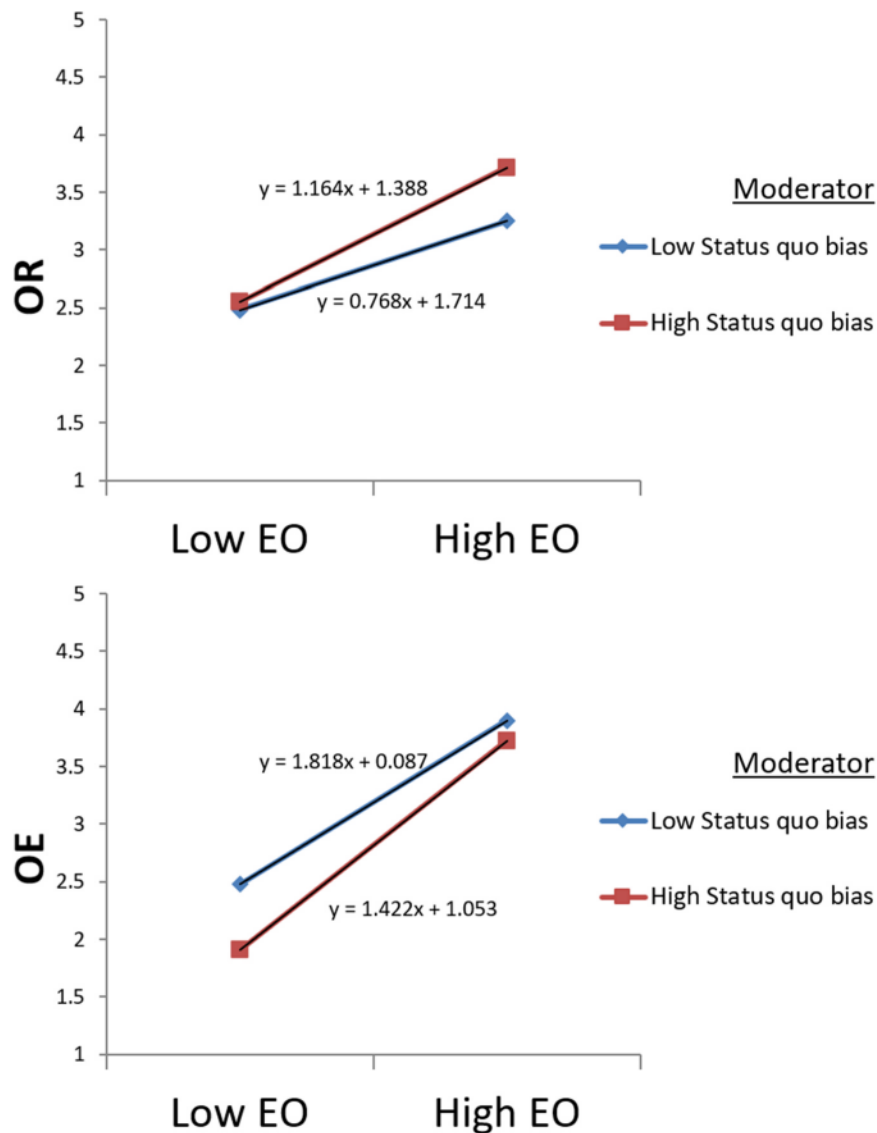


Fig. 2. Panel a: Interaction of Schumpeterian IEO x status quo bias on international OR. Panel b: Interaction of Schumpeterian IEO x status quo bias on international OE.

Table 4
Summary results of hypotheses testing.

Hypotheses	Relationships	Findings
H1a	Schumpeterian IEO → Overall performance	Supported
H1b	Kirznerian IEO → Overall performance	Supported
H1c	Schumpeterian IEO > Kirznerian IEO → Overall performance	Supported
H2a	Kirznerian IEO → International OR → Overall performance	Not Supported
H2b	Kirznerian IEO → International OE → Overall performance	Supported
H2c	Schumpeterian IEO → International OR → Overall performance	Supported
H2d	Schumpeterian IEO → International OE → Overall performance	Supported
H3a	Schumpeterian IEO * Status quo bias → International OR	Supported
H3b	Schumpeterian IEO * Status quo bias → International OE	Supported
H3c	Kirznerian IEO * Status quo bias → International OR	Not Supported
H3d	Kirznerian IEO * Status quo bias → International OE	Not Supported

bias (1 SD above the mean, effect =.42, SE =.07, 95 % CI = [.29,.57]). Simple slope tests revealed a stronger association between Schumpeterian IEO and international OE for firms with low status quo bias ($\beta = 1.44$, $\beta_{se} = .14$, $t = 10.29$, $p < .001$) relative to those with high status quo bias ($\beta = .96$, $\beta_{se} = .14$, $t = 7.01$, $p < .001$) (Fig. 3). Therefore, firms with higher status quo bias and a higher Schumpeterian IEO exhibited lower international OE than those with lower status quo bias.

Finally, we investigated whether Kirznerian and Schumpeterian IEO lead to distinct effects on international OR and OE. The estimation results (Table 3) show that both paths from Kirznerian and Schumpeterian IEO to international OR were positive and significant—Schumpeterian IEO ($\beta = .51$, $p < .01$) and Kirznerian IEO ($\beta = .24$, $p < .10$). Additionally, the Wald test indicated that Schumpeterian IEO has a stronger positive effect on international OR than Kirznerian IEO ($\beta: .51^{***} > .24^*$, $\Delta\chi^2 = 14.76$, $p < .01$). Similarly, the path from Schumpeterian IEO to international OE was positive and significant ($\beta = .80$, $p < .01$), while the path from Kirznerian IEO to international OE was not significant ($\beta = .10$, $p > .10$). The Wald test again showed that Schumpeterian IEO has a significantly stronger positive effect on international OE compared to Kirznerian IEO ($\beta: .80^{***} > .10^{ns}$, $\Delta\chi^2 = 84.17$, $p < .01$).

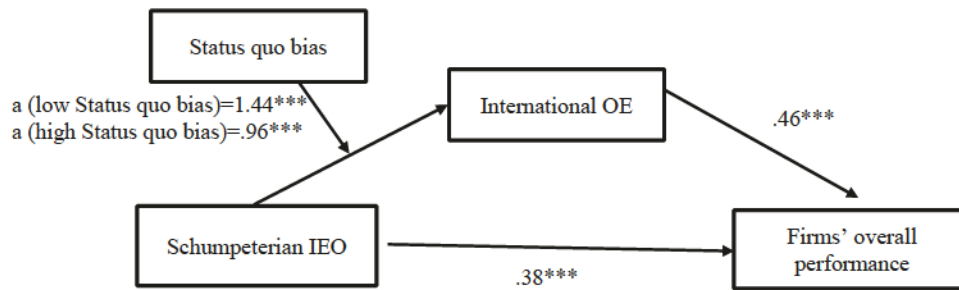


Fig. 3. Conditional indirect effects of Schumpeterian IEO on firms' overall performance via international OE, at high (+1 SD) and low (-1 SD) status quo bias. Note: Sample size = 275. * $p < .10$, ** $p < .05$, *** $p < .01$. The coefficients in parentheses are unstandardised.

5. Discussion and implications

Analyzing a dataset comprising 284 internationalizing firms in a developing economy, this paper sets out to examine the influence of Kirznerian and Schumpeterian IEO on firms' overall performance. Specifically, we investigate the mediating roles of international OR and OE in these relationships, as well as the moderating effect of status quo bias. Our findings suggest that varying levels of status quo bias can either strengthen or weaken the impact of Kirznerian and Schumpeterian IEO on international OR and OE. These findings provide nuanced insights into how firms can strategically leverage different types of IEO to enhance their performance. Our study makes valuable theoretical contributions and provide practical insights for managers on how to tailor IEO to optimize firm performance, highlighting the roles of international OR and OE in mediating these effects and the influence of status quo bias on their success.

The key contributions of our study are as follows. First, by shedding light on entrepreneurial processes involving international OR and OE, this treatise responds to the ongoing call to address the paucity of research on the entrepreneurial process perspective in IE (Costa et al., 2018; Kraus et al., 2017). We contribute to this discourse by examining these processes involving international OR and OE. Specifically, our results show that international OR and OE mediate the relationship between the Schumpeterian IEO and firm performance, highlighting the mechanism through which this type of EO influences firm performance. In contrast, the findings confirm only the mediating role of international OE in the relationship between Kirznerian IEO and performance, but not that of international OR. This result is both intuitive and consistent with previous studies that put forth the idea of a direct relationship between EO and firm performance (Fellnhofer, Puumalainen, & Sjögrén, 2016; Lumpkin & Dess, 1996), particularly the direct relationship between Kirznerian IEO and firm performance (Sundqvist et al., 2012). Due to their low innovative nature and the focus on existing opportunities, Kirznerian firms excel at incremental improvement through the replication of existing processes and technologies. As such, these firms are more focused on opportunity exploitation than opportunity search, as their Kirznerian orientation drives them to improve upon existing opportunities, ultimately yielding performance advantages. In this way, our study provides valuable insights into 'how and why EO improves international performance', a topic that is 'very rare in the extant literature' (Chen, Lin, & Tsai, 2020, p. 212).

Second, we contribute to the EO research in IE by categorizing EO into Kirznerian and Schumpeterian types, as the origin of OR research lies in the Kirznerian and Schumpeterian perspectives of opportunity (de Jong and Marsili, 2015). Our results show that both Kirznerian and Schumpeterian IEO bring performance advantages to internationalizing firms, with the latter having a stronger impact. These findings align with the work of Sundqvist et al. (2012), who reported a positive relationship between both types of IEO and business performance. Additionally, the post-hoc analysis revealed that Schumpeterian IEO has a more pronounced positive effect on international OR and OE compared to

Kirznerian IEO. This aligns with the view that Schumpeterian IEO, driven by novel opportunities that break away from existing routines (Szerb et al., 2019), encourages greater risk-taking in entrepreneurial firms. In contrast, Kirznerian IEO focuses on opportunities that build incrementally upon or replicate existing business or product concepts (Shane, 2003), leading to a relatively smaller impact on international OR and OE, as well as overall firm performance.

Third, we contribute to the cognitive perspective in IE, especially within the areas of IEO and international OR research, by incorporating status quo bias — one of the most prevalent cognitive biases in decision-making — to which decision-makers are often susceptible (Samuelson & Zeckhauser, 1988). Our findings reveal that status quo bias has a significant yet differential impact on Schumpeterian IEO in recognizing and exploiting international opportunities. A higher level of status quo bias strengthens the relationship between Schumpeterian IEO and international OR, while a lower level enhances the relationship between Schumpeterian IEO and international OE. Unlike Kirznerian firms, Schumpeterian firms are more inward-focused, generating new ideas primarily from within their organizations, though sometimes with inputs from external environment. As a result, when Schumpeterian firms follow the status quo (inward-oriented opportunity creation) option, they are more likely to generate greater new international opportunities than if they focus solely on outward-oriented opportunity search. However, when it comes to opportunity exploitation, Schumpeterian firms need to adopt new structures, resources, and processes. Adhering to the status quo in this context, i.e., sticking to familiar ways of doing things, limits their ability to effectively exploit these opportunities.

Finally, our results did not show any significant influence of status quo bias in the Kirznerian IEO-international OR and Kirznerian IEO-international OE relationships. This lack of effect can be explained by the ingrained preference for stability and the risk-averse nature of Kirznerian firms, which focus on exploiting familiar opportunities over pursuing new ones (Kirzner, 1997). This cautious mindset naturally aligns with maintaining the status quo, rendering additional moderation by status quo bias unnecessary (Samuelson & Zeckhauser, 1988). Since these firms are already geared toward minimizing risk and sticking to proven strategies, the impact of status quo bias on international OR and OE is minimal. Furthermore, because the opportunities they pursue are well-established and require little change, status quo bias plays a limited role in their decision-making process. As a result, status quo bias is likely already embedded in their strategic approach, diminishing its observable effect in our analysis.

From a theoretical perspective, our results support the segmentation of EO into the theoretically derived Kirznerian and Schumpeterian groups, as advocated by Sundqvist et al. (2021). We showed that Kirznerian and Schumpeterian IEOs bring performance advantages to internationalizing firms in distinct ways, driven by a different combination of entrepreneurial processes involving international OR and OE. Furthermore, we also showed that cognitive biases, such as status quo bias, play a differential role depending on whether firms adopt a Kirznerian or a Schumpeterian orientation. Specifically, our results

confirmed that status quo bias does not significantly influence Kirznerian firms in terms of international OR or OE. This suggests that their exclusive focus on the exploitation of existing opportunities and their performance advantage derived from this exploitation does not require them to adjust to the status quo level—the current ways of doing things. Kirznerian firms do not approach the world with novel perspectives (Jakee, Young, John, & Thomas, 2021). Their focus on exploitation is deeply embedded in the very fabric of their organizations—an inherent status quo—which remains unaffected even if the external conditions change. Had these firms pursued both exploration and exploitation, adjusting their methods might have become necessary. However, their singular focus on exploitation renders variation in status quo bias irrelevant. On the other hand, Schumpeterian firms are less susceptible to status quo bias, as they can easily adjust when required based on their focus on both exploration and exploitation, and motivated by a desire to change the status quo (Dyer et al. 2008).

These results offer clear, actionable implications for practicing managers. First, internationalizing firms can enhance overall performance, including international strategic performance, by adopting either Kirznerian IEO or Schumpeterian IEO behaviors. However, it is important for managers to recognize that Schumpeterian IEO tends to deliver more substantial performance gains, compared to Kirznerian IEO. However, the choice rests with the managers: to position the firm as a disruptive, innovation-driven (Schumpeterian) entity or as one that nimbly exploits existing opportunities (Kirznerian).

Furthermore, as our study indicates, Schumpeterian internationalizing firms must be cognizant of the entrepreneurial processes underpinning international OR and OE. To maximize performance advantages, Schumpeterian IEO should be strategically mediated by either international OR or OE. This implies that managers should foster an environment that not only encourages innovation and risk-taking but also effectively channels these behaviors into recognizing and seizing new international opportunities. Conversely, for Kirznerian firms, performance gains are primarily realized when Kirznerian IEO is mediated by international OE. Managers in such firms should focus on refining processes that allow for the efficient exploitation of identified opportunities, ensuring that the firm remains agile and responsive to market shifts.

An essential aspect of aligning entrepreneurial strategy with firm behavior is managing the level of status quo bias. In Schumpeterian firms, where innovation and internal autonomy are key drivers of success, a higher level of status quo bias can be seen as an asset for international OR. In these firms, reinforcing an inward-oriented focus—cultivating innovation through risk-taking and maintaining autonomy—creates an environment where creative processes can flourish. This inward focus, which reflects the firm's "status quo," can thus strengthen its ability to recognize international opportunities. However, managers must be cautious: while a certain level of status quo bias can support OR, it can also hinder the exploitation of opportunities if it leads to resistance against necessary external adaptations. If status quo bias results in reluctance to adjust to changing external conditions, the firm may fail to fully capitalize on the opportunities it identifies. Thus, it is crucial for managers to regularly assess and calibrate the firm's level of status quo bias, ensuring that innovation is maintained internally, while also remaining flexible and open to removing barriers to necessary changes for effective international OE.

To effectively assess and address status quo bias within an organization, managers should conduct regular strategic reviews that critically examine how cognitive biases, including status quo bias, can play a role in employees' ability to adapt to a new system or procedure. Tools such as scenario planning, bias-awareness training, and fostering a culture of constructive feedback can help identify when status quo bias can be advantageous to the business and when it may impede growth. By understanding the various pros and cons of cognitive biases, managers can align their entrepreneurial strategies more closely with market realities. This awareness can improve decision-making, allowing firms to pursue

both short-term objectives and long-term goals more effectively (Das & Teng, 1999).

6. Limitations and future research

As with any research, our study has its limitations. The use of cross-sectional data from a single respondent within exporting firms, as well as data from only one country, limits the generalizability of the findings. Furthermore, cross-sectional design does not allow for testing causal relationships. Future research could address these limitations by adopting a multi-country, longitudinal approach to gain additional insights. Ideally, we would assess the impact of the independent variable measured at a given time (currently - at the time when data were collected, T0), and then track the effects of OR and OE on firm performance over the following three years (that is, an overall perceptual measure for the years T-1, T-2, and T-3). Another limitation is the potential for unobserved heterogeneity, which arises due to the general nature of the survey-based study. To mitigate this, future research could employ alternative techniques or estimators, such as incorporating additional control variables, such as the gender of respondents, or utilizing a latent variable approach. Furthermore, future research could explore the use of other relevant instrumental variables (IVs) to address these endogeneity concerns.

This study focused on opportunity-related entrepreneurial processes, specifically OR and OE. Future research could extend our model by incorporating additional variables from the process perspective, as well as exploring contingency factors. For example, more experienced managers might be more susceptible to status quo bias, as their decision-making may be increasingly shaped by past experiences (Shepherd, Zacharakis, & Baron, 2003). Investigating how managerial experience influences status quo bias could yield valuable insights. Additionally, there is a motivational side of status quo bias, beyond its cognitive aspects, that explains why firms may prefer maintaining the status quo. Future research could explicitly address this motivational dimension alongside the cognitive factors, offering both theoretical and managerial insights (Kay et al., 2009).

Incorporating other cognitive biases, such as overconfidence, over-optimism, and anchoring, into the existing model could deepen our understanding of how these biases influence entrepreneurial processes like OR and OE. For instance, overconfidence may drive bold innovation in Schumpeterian firms but also lead to underestimating risks, while overoptimism could enhance OR yet result in overcommitment to sub-optimal ventures. Anchoring bias might cause firms to rely on outdated information, hindering their ability to adapt to changing markets. Exploring the interplay between these biases and IEO could reveal how cognitive tendencies shape strategic decisions and performance in internationalizing firms.

Finally, examining contextual factors such as firm size, industry type, and the specific international markets in which firms operate could further refine our model. These factors might impact how IEO, OR, and OE interact, and how cognitive biases like status quo bias manifest in different settings. Future research that incorporates these variables could offer more tailored insights into the diverse entrepreneurial experiences across various settings. Such understanding would enable managers to develop strategies to mitigate the negative effects of biases, improving decision-making and aligning entrepreneurial strategies with market realities.

Although we believe that Schumpeterian and Kirznerian dimensions of IEO offer valuable insights for theory and practice, we do not discount the potential applicability of other approaches, such as Lumpkin and Dess' (1996) five-dimensional framework. Future research employing alternative conceptualization of IEO will be instructive.

Data availability

The authors do not have permission to share data.

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