Key Marketing Factors in SMEs' International Market Entry Mode Choice

Oliver M. Borchert

(ORCID ID: 0000-0001-7144-7895)

A thesis presented
in partial fulfilment of the requirements
for the degree of Doctor of Philosophy.

University of Strathclyde

Strathclyde Business School

Department of Marketing

2016

Glasgow

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Oliver Borchert

30th March 2016

Abstract

Many small- and medium-sized enterprises (SMEs) prefer to employ independent entry modes for the development of their international markets. Among their various advantages, independent modes allow for the internalisation and better protection from competitive imitation of the firms' sources of competitive advantage (e.g., proprietary knowledge). Even where the use of these entry modes would be in their best interests, however, SMEs often have little choice but to employ collaborative entry modes. A major reason for this appears to be the firms' generally insufficient marketing resources and the consequent common inability by these to undertake adequate marketing for successful international market development. This would force many of the firms to cooperate with others (export intermediaries, joint venture partners, etc) in their efforts to enter and develop international markets.

With marketing variables (marketing resources, marketing ability, etc) appearing to influence the entry mode choice of SMEs, it is surprising that these have received little scholarly consideration as factors in the firms' mode choice. This is especially so where the firms' choice between independent and collaborative entry modes is concerned, a mode choice decision representing a crucial strategic decision with far-reaching implications that include the participation of others (in the case of collaborative modes) or not (in that of independent modes) in the establishment and exploitation of competitive advantages in international markets.

The present study investigates the influence marketing factors have on SMEs' choice between independent and collaborative entry modes in the context of international market development. The study, whose theoretical foundation is the resource-based view (RBV), examines the impact of six important marketing resources and marketing strategy variables on the choice. In doing so, this study, apparently the first to consider the influence of various key marketing resources and marketing strategy variables on this mode choice decision by smaller firms, addresses a significant gap in the literature and among its contributions expands much-needed knowledge about the internal (firm) characteristics of SMEs affecting their entry mode choice.

Based on the results of a survey of 194 UK SME manufacturers, the study found that the focal marketing factors have varying effects on SMEs' independent-collaborative entry mode choice decision and that in the case of some factors these differ to that indicated by the literature. Being of consequence to SME managers and scholars, the findings and their managerial and theoretical implications are discussed. Recommendations for future research are made and the limitations of the study outlined.

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To

Ingrid and Fred

Acknowledgements

Numerous persons contributed directly and indirectly to the realisation of this thesis. Professor Emeritus Stanley J. Paliwoda and Professor Kevin I.N. Ibeh, under whose supervision the work took place, are sincerely thanked for their guidance, inspiration, and patience. Both acted as colleagues and mentors to the author during his doctoral studies and influenced his scholarly development.

Professor Heiner Evanschitzky is thanked for his advice regarding the quantitative data and for reviewing their analysis, as is Dr Stephen Tagg for his assistance with aspects of the analysis.

Also acknowledged are:

□ the numerous other academics and the doctoral colleagues within the Department and elsewhere the author had the pleasure of interacting with and learning from.

□ the ever-helpful non-academic staff in the Department.

□ the many managers who participated in the survey and those who took part in the interviews. They and their firms are wished much success in their international endeavours.

The Department of Marketing, Strathclyde Business School, and the University are thanked for the funding (which included the award of a University scholarship) and the other support they provided.

Abbreviations

AMA	American Marketing Association
B2B	business-to-business
BED	British Exporters Database
CA	competitive advantage
DC	dynamic capabilities
CJV	contractual joint venture
EJV	equity joint venture
EU	European Union
FDI	foreign direct investment
FSA	firm-specific advantage
GRS	Global Reference Solution
IMD	international market development
Int'l	international
JV	joint venture
KBV	knowledge-based view
MC	marketing capability
MNE	multinational enterprise
R&D	research & development
RBT	resource-based theory
RBV	resource-based view
SCA	sustainable competitive advantage
SME	small- and medium-sized enterprise
TCA	transaction cost approach
TCE	transaction cost economics
UK	United Kingdom of Great Britain and Northern Ireland
US/USA	United States/United States of America
VAT	Value Added Tax
VRI	valuable, rare, inimitable (firm resources)
WOS	wholly-owned subsidiary

Glossary

Capabilities	Firm capabilities.
Collaborative Entry Mode	Individual export, contractual, and investment entry modes requiring the participation of another firm (export intermediary, joint venture partner, etc) (e.g., exporting via a distributor; licensing; equity joint venture). (See, also, 'entry mode' and 'independent entry mode'.)
Domestic Market	The country market that is a firm's domestic product market (its home market).
Entry Mode	An international market entry, development, and operation mode. (See, also, 'collaborative entry mode' and 'independent entry mode'.)
Independent Entry Mode	Individual export and investment entry modes not requiring the participation of another firm (e.g., direct exporting through own sales force; WOS). (See, also, 'entry mode' and 'collaborative entry mode').
International Market	An individual country market representing a product market other than a firm's domestic market (i.e. a foreign country market).
International Marketing	The identification, creation, communication, and delivery by a firm of products of value to customers in international markets.
Marketing Factors	Entry mode factors internal to firms that relate to their marketing.
Marketing Resource	Any resource (including capability) associated with marketing/international marketing by firms.
Marketing Strategy Variable	Any decision area in marketing/international marketing strategy or any factor influencing marketing/international marketing strategy decisions or the outcomes thereof.
Product	A manufactured good, a service, or other

	offering, or combination thereof.
Resources	Firm resources. (For convenience, the term 'resources' is used in its encompassing sense to refer to firm resources *and* capabilities where these are not discussed individually.)
SME	A firm with fewer than 250 employees in total and with annual sales not exceeding €50 million.
Strategic Resources	Firm resources (including firm capabilities) possessing certain attributes that enable them to be sources of competitive advantage for a firm.

Notes

Meaning of 'SME'. The term 'SME' stands for 'small- and medium-sized enterprise' (for some authors this is 'small- to medium-sized enterprise'). This type of organisation is variously referred to in the literature as a 'smaller firm' (this term is used interchangeably here with 'SME'), 'small firm' (employed here only in relation to the specific type/category of SME, this being in the micro-small-medium typology of SMEs), and by other names. The present study adopts the EU's definition of a SME as a firm with fewer than 250 employees in total and with annual sales not exceeding €50 million (European Commission, 2005).

Distinction between SMEs and MNEs. A SME can be and often is a multinational enterprise (MNE) ("a firm with production and/or distribution facilities in two or more countries" - Rugman, 2002, 7). However, following other authors (e.g., Solberg, 1997) a distinction is made here between the two. This is to highlight characteristic resource and other differences between smaller firms and typically large MNEs. This distinction is justified in detail in Chapter 1.

The term 'international market' is used here to refer to an *individual* international (foreign country) market, not to *all* international markets. In the literature, the term is employed to variously refer to an international market as an individual international market (as it is here) and collectively to all non-domestic markets (which it is not).

Spelling. The spelling of words in this thesis is in line with contemporary British English. The quotes of others included here are unchanged from their original spelling that may follow American English or another form of English.

Chapter 1 - Introduction

1.1 Research Context and Rationale

In the present era of accelerated globalisation more small- and medium-sized enterprises (SMEs) than ever before are developing international (foreign country) markets. For most of these internationally active firms, international markets represent an important source of growth. In the case of many such firms (especially in that of international new ventures, including 'born globals'[1]), the markets are outright essential to their survival.

The importance of successful international market development (IMD) (*which is the activity undertaken by firms to penetrate foreign markets that centres on the establishment and long-term sales growth of their products therein*[2]) by SMEs (*considered here to be firms with fewer than 250 employees in total and annual sales not exceeding €50 million*[3]) extends far beyond the firms themselves. This is because IMD by SMEs, which these firms accomplish mainly but not exclusively through exporting (e.g., Ibeh, Borchert, and Wheeler, 2009), is responsible for generating substantial economic benefits for the firms' respective home countries (for example,

[1] International new ventures are a type of rapidly internationalising SME. Bell, Loane, McNaughton, and Servais (2011) suggest that rapidly internationalising SMEs can be classed either as 'international new ventures' (which include 'born global', 'born regional', and other firm types) or as "late rapid internationalisers".

[2] Few definitions for international market development are offered in the literature. The definition stated here is based on Young et al. (1989).

[3] Definitions of SMEs vary. The definition adopted here is that employed by the European Union since 2005 (European Commission, 2005). Although this definition is widely used in the UK, the meaning of 'small' or 'medium' businesses there is open to interpretation. For example, the UK Government recently launched an export assistance programme for firms with a turnover of between £25 million and £250 million that it labelled 'mid-sized' (UK Trade & Investment, 2014).

an estimated 1.9 million jobs in the USA are supported by the direct exports of firms with fewer than 500 employees[4] - USITC, 2010, 5-7).

Considering the importance of IMD by SMEs, the challenges these firms encounter in relation to the activity are of interest not only to the firms themselves but also to policy makers, researchers, and other parties. These challenges vary. Most can be linked to the unique nature of smaller firms (*the terms 'SMEs' and 'smaller firms' are used interchangeably here*). Some of the characteristics that set SMEs apart from larger firms - including resource constraints, an informal approach to management and strategy, and a survival mentality (Storey, 1994; Burns and Harrison, 1996; Greene, Brush, and Brown, 1997) - both influence and present challenges to their IMD. This is especially so with the firms' resource constraints. Resource considerations appear to greatly influence the activities undertaken by SMEs in relation to international markets, with their limited resources presenting the firms with various challenges in respect of the successful development of the markets. One such challenge is undertaking the marketing required for such development.

Firms engaged in IMD, which is associated with market-seeking internationalisation[5], usually need to undertake (or to have undertaken for them) marketing in relation to the international markets they are developing - i.e., to carry out international marketing - and possibly also other value chain (value-adding)

[4] Another estimated 2.1 million jobs are supported by the indirect exports of such firms, which for the USITC (United States International Trade Commission) represent SMEs. Even if these figures are adjusted downwards to reflect the more stringent definition of a SME adopted here, they would remain substantial.

[5]The quest for additional markets in which to sell their products is the leading motive for SMEs in general entering and developing international (foreign country) markets. The international business literature, which focuses on multinational enterprises (MNEs) (although SMEs can and often are MNEs, a distinction is made here between SMEs and MNEs; this will be justified later in the present chapter), suggests that market-seeking is one of four primary motives for MNEs engaging in foreign activities and foreign direct investment (FDI); the other motives are resource-seeking, efficiency-seeking, and strategic-asset seeking (Dunning, 1993; Rugman and Verbeke, 2001). These four motives can be reduced to three since strategic-asset seeking is a subset of resource-seeking (e.g., Buckley et al., 2007). The three/four motives are commonly used to explain a broad range of activities in international markets by (foreign) firms and not just those effected through investment. Other motives can be included as part of these primary motives, either because they correspond to them (e.g., knowledge-seeking can be seen as a type of resource-seeking) or because they have similar objectives (e.g., client-following and market-seeking). As firms can have multiple motives for entering international markets, the primary motives are often intertwined in the case of particular market entries.

activities[6,7]. The need for firms to carry out marketing applies to almost every country market they wish to establish their products in. Globalisation[8], the rapid development of many emerging markets (notably China), and other factors have culminated in the 'marketing requirement' that came into being in the USA about a century ago and which initially spread to other advanced economies (including the UK) to become a global imperative. Essentially, firms need to offer products (*manufactured goods, services, or a combination thereof*) of value to customers in international markets. Marketing carried out in relation to international markets can make this possible. By allowing them to identify and understand customers' needs, demands, and behaviour (including variations thereof across country markets) and by providing the methods by which such needs can be responded to and satisfied, marketing enables firms to offer products that meet or exceed local customer expectations. Also, the activities associated with such marketing can themselves create substantial value for local customers. For these and other reasons, effective marketing generally is required for (foreign) firms to succeed in establishing their products in what are increasingly competitive international markets.

Need for Further Research into SMEs' International Marketing

International marketing is also important to the success of SMEs engaged in IMD. As with firms generally, SMEs need to undertake marketing in relation to the

[6] The 'value chain' represents a set of value adding activities that include marketing. The value chain concept (Porter, 1980) has been criticised on account of its orientation towards manufacturing activity and for other reasons. However, its classification of the key value adding activities of firms can still be a useful one for studies focusing on manufacturers. Moreover, the concept is used in the entry mode literature (e.g., Jones, 2001; Welch, Benito, and Petersen, 2007) to, for example, discuss the specific value adding activities firms undertake in their respective domestic and international markets when employing a particular entry mode. In the present study, which is an entry mode study concerned with SME manufacturers (this will be discussed in the section 1.3.3), the concept is used in a similar way.

[7] IMD usually involves firms undertaking (or having undertaken for them) relevant value adding activities *within* the international markets concerned. Most frequently these activities would be the marketing (including sales) and distribution of their products in the respective markets. Other primary value adding activities performed in international markets in relation to the establishment and long-term sales growth of their products in these markets may include R&D and production. R&D by a firm within an international market for market development purposes includes product development to adapt its products to the requirements of that market; production in an international market for market development purposes entails the manufacturing of a good or the provision of a service within the market for consumers in that market.

[8] The effects of globalisation may not yet be fully understood. For example, recent research by Berry, Guillén, and Hendi (2014) indicates that over the period 1960-2009 individual countries may *not* have, with exceptions, become closer or similar to one another in relation to a range of economic, demographic, knowledge, financial, and political dimensions.

international markets they are developing. To succeed in international markets over the long-term, these firms have to continually offer customers products of value. This requires them to undertake various marketing tasks and activities in line with an appropriate marketing strategy. The firms may also be required to (better) differentiate their products in international markets from those of competitors and to adapt the marketing of these to local market conditions and requirements. All this may necessitate more marketing than SMEs anticipated or are in a position to undertake given their resource constraints and consequent limited marketing ability.

Scholars are aware of the importance of international marketing to SMEs. For example, Cavusgil and Knight (2015, 7) state the following in the context of young venture firms but which is applicable to all SMEs:

> "It is likely that international marketing prowess is vital for supporting useful strategic and tactical activities in foreign markets such as knowledge acquisition about customers, development and adaptation of appropriate products, and careful manipulation of marketing tactical elements (Aspelund, Madsen, and Moen, 2007; Knight and Cavusgil, 2004)."

Despite this awareness, research into international marketing by SMEs (e.g., Merrilees and Tiessen, 1999) has been limited. Although more research into various aspects of smaller firms' marketing in connection with international markets has been undertaken in recent years (e.g., Wong and Merrilees, 2008; Larimo and Kontkanen, 2010) and research relating to the broader topics of small firm internationalisation and exporting has generated some useful insights into this (e.g., the standardisation/adaptation of specific marketing mix elements in an exporting context), knowledge about international marketing by SMEs remains sparse. This is especially so with regard to the issues associated with the firms' generally inadequate ability to undertake this activity.

For SMEs, resource constraints commonly restrict the firms' marketing ability in relation to their international markets (and, also, in respect of their domestic markets). The firms' limited financial and other resources make it difficult or impossible for them to acquire the various marketing resources required for

international marketing. Such marketing resources (*a marketing resource is considered here to be any resource, including capability, associated with marketing by firms*) include, for example, individual marketing capabilities, language skills appropriate to the international markets being developed, and knowledge of the markets. Consequently, SMEs commonly find that there is a gap - a mismatch - between their marketing ability in relation to international markets and the marketing the firms need to undertake. This is less often the case with multinational enterprises (MNEs), for which resource constraints generally do not have such a marked impact on their international marketing (*although SMEs can be and often are MNEs[9], following Solberg, 1997, and others a distinction is made here between the two; this is to highlight characteristic resource and other differences between smaller firms and typically large MNEs*).

SMEs intent on developing international markets but unable to bridge the gap between their marketing ability and marketing requirements in relation to the markets appear to have little choice but to involve other firms in the necessary marketing activities. The nature and extent of such involvement can vary considerably. However, it effectively represents the externalisation of marketing activities by a firm to some extent and the consequent relinquishment of at least some control over the marketing of its products.

Link between SMEs' International Marketing and their Choice of Entry Modes

Where SMEs need to involve other firms in the marketing of their products in relation to international markets, this has implications for their choice of entry modes by which they enter and develop the markets concerned.

[9] A MNE is "a firm with production and/or distribution facilities in two or more countries" (Rugman, 2002, 7). This and most other definitions imply or state that to be a MNE a firm has to engage in foreign direct investment (FDI). In line with such definitions, a significant number of SMEs can be considered MNEs (e.g., Kohn, 1997). These firms are referred to in the literature by various terms, including 'small multinationals' (Eden, Levitas, and Martinez, 1997; Manolova, 2003), 'mini-multinationals' (Eden et al, 1997), and 'small and medium-sized multinationals' (Beamish and Lee, 2003).

International market entry modes[10,11] are mechanisms for the development of international markets and need to be employed by firms engaged in IMD (Young et al, 1989). More specifically, they are methods by which firms can gain access to international markets for their products and by which they can organise in foreign countries value chain activities including R&D, production, marketing, sales, and distribution (Young et al, 1989; Root, 1994; Welch et al, 2007).

An entry mode represents the cornerstone of a firm's international market entry strategy (Tse, Pan, and Au, 1997) and its choice an important strategic decision. In the context of IMD, an entry mode has a crucial role in the development of firms' international (country) markets. In essence, an entry mode enables the marketing and other activities required for firms to establish their products in international markets as well as co-determines various aspects of these activities including their nature, extent, control by a firm, and the involvement of other firms. Figure 1.1 on page 8 illustrates this in the case of marketing activities.

The various entry modes firms can use not only have different characteristics in terms of their resource requirements, the control they afford firms over their activities in the international markets in relation to which the modes are employed, and the level of risk to which the firms expose themselves in these markets (e.g., Driscoll and Paliwoda, 1997) but also differ by the extent to which other firms are involved in the development of an international market, including in marketing and other activities.

For the foregoing and other reasons entry modes have a significant role in the performance of firms in international markets, including in that of SMEs (e.g., Choo

[10] Entry modes have been referred to by a variety of names, including 'foreign operation modes', 'foreign operation methods', and 'international market servicing modes'.
[11] Despite their name, entry modes are not only employed by firms to *enter* international markets. They are also used by them to *develop* the markets (or otherwise operate in these) *post-entry* (hence entry modes also being referred to as 'international market servicing modes' and 'foreign operation methods'). In fact, entry modes have to be utilised by firms for as long as they develop markets that are not domestic to them.

and Mazzarol, 2001; Brouthers and Nakos, 2004), and are important to firms' success in the markets. In the words of O'Cass and Weerawardena (2009, 1332):

> "Market entry mode has been argued to be the cornerstone of a firm's international market entry strategy (Tse et al, 1997). The selection of an appropriate entry mode strategy is crucial and when a firm expands into foreign markets, entry mode has long been considered to have major impact upon firm success (Woodcock, Beamish, and Makino, 1994; Delios and Beamish, 2001[12])."

That this even applies to firms developing international markets for the first time is indicated by Burgel and Murray (2000, 33) who in the context of knowledge-intensive new ventures note that:

> "For a young, resource-constrained, technology-based start-up embarking on international sales, the choice of entry mode is a strategic decision of major importance."

Need for Further Research into SMEs' Entry Mode Choice

Given their importance to firms, including to SMEs, entry modes are a major research area in international business (e.g., Agarwal and Ramaswami, 1992; Brouthers, 2002) and in its international marketing subfield (e.g., Bradley and Gannon, 2000; Dow and Larimo, 2009)[13]. Entry mode research is an "established and essential" research stream in international marketing (Nakata and Huang, 2005, 617) (see, also, Samiee and Chabowski, 2012). Although "[international] market entry mode is typically a strategic decision external to marketing [a decision belonging to corporate and business level strategies - Codita, 2011, 16], it shapes the character and scope of IM [international marketing] activities of the firm from the outset" (Samiee, 1997, 555) and for this reason has long been regarded by marketing scholars (e.g., Wind and Perlmutter, 1977; Rau and Preble, 1987) as representing a key decision area in international marketing[14]. Entry mode choice tends to be treated by such scholars as an international marketing strategy decision. For example,

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[12] The citing authors (O'Cass and Weerawardena, 2009) refer to Delios and Beamish (1999). Judging from the corresponding entry in their references, this should be Delios and Beamish (2001).

[13] As pointed out by Welch et al (2007), other international business subfields where entry modes are established research areas include international strategy and international management.

[14] This is reflected in contemporary international marketing textbooks devoting entire chapters to entry modes.

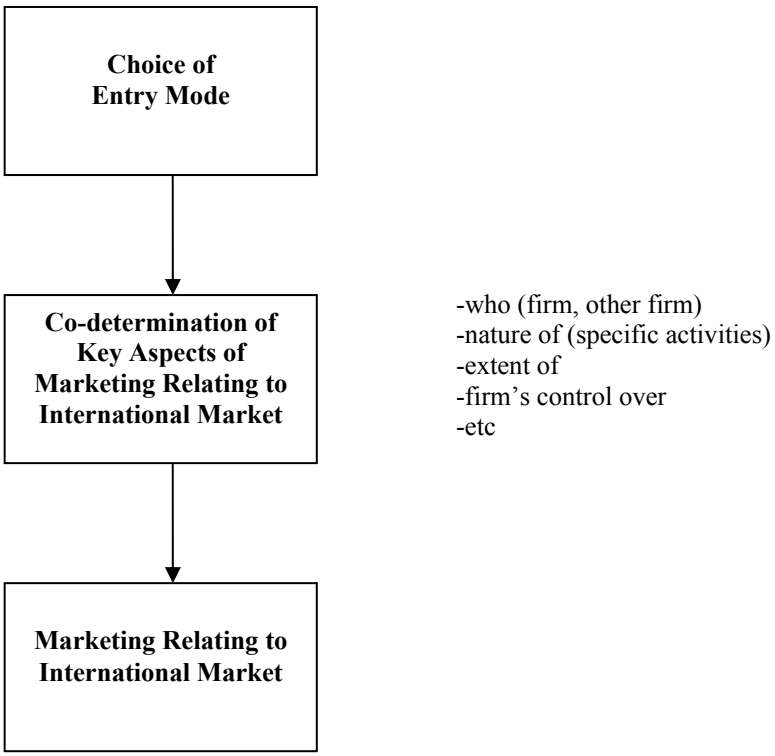

Figure 1.1 – Role of Entry Modes in Firms' International Marketing

Source: Author.

Wind (1986, 49-10, emphasis added) notes that "a critical component of any international *marketing* strategy is the…mode of entry".

Despite a substantial body of research concerning firms' entry mode choice having formed in recent decades[15], further research into this is required (Hennart and Slangen, 2015). This is especially so in relation to SMEs, whose choice of entry modes has received insufficient scholarly attention (Jones and Young, 2009; Laufs and Schwens, 2014)[16]. Both the factors influencing SMEs' entry mode choice and the impact that this choice has on the firms (i.e. its consequences) (such as on their internationalisation - McNaughton et al., 2013) require further investigation. This is especially so with regards to the firms' choice between independent and collaborative entry modes.

Research Required into SMEs' Choice between Independent and Collaborative Entry Modes

Individual entry modes can be grouped into export, contractual, and investment modes[17]. They can also be grouped into independent and collaborative modes. Table

[15] Entry mode research was considered by Wind and Perlmutter (1977) to be a 'frontier issue' in international marketing. Although this may no longer be so, Brouthers and Hennart (2007, 396) note that "international entry mode research is relatively new. Early studies such as Stopford and Wells (1972) examined what modes firms used internationally but did not provide a theoretical explanation for mode choice. In the late 1980s and early 1990s, several scholars began…to both theoretically and empirically look at the mode-choice decision... But it has only been in the past 15 years that international entry mode research has gained momentum…". As observed by Canabal and White III (2008, 268), scholars have investigated various aspects associated with entry modes, resulting in three main areas of focus. According to these authors "entry mode research directly relates to the international activity of firms and includes studies on 'the predictors of entry mode choices, predictors of international equity ownership levels, and consequences of entry mode decisions' (Werner, 2002, p. 281)."

[16] The lack of entry mode research concerning SMEs and the hegemony of MNEs over the entry mode literature is indicated by the observation made by Brouthers and Nakos (2004, 230) that "by examining the entry mode behavior of SMEs, we can determine whether they follow similar patterns as their larger [MNE] counterparts and whether the strategic decision processes that influence success for larger companies have validity in smaller firms."

[17] All three types of entry modes (export, contractual, and investment) are suited to market-seeking entry by firms into international markets - with which the present study is concerned - and with marketing (including sales) and distribution being undertaken *within* these markets. Where resource- or efficiency-seeking rather than market-seeking is a firm's *primary* motive for entering an international market, or where R&D or production in the international market need to be undertaken, contractual and investment modes generally are the only suitable entry mode types (Jones and Young, 2009, Table 2.1). Export modes do allow for resource attainment but this is limited to firms obtaining/accessing the resources of other firms collaborating in international market development; this is also so for marketing resources (including marketing capabilities). More specifically, the

1.1 on page 14 indicates the categorisation of the major individual entry modes by independent or collaborative type. The table illustrates that the independent-collaborative typology for entry modes complements the better-known export-contractual-investment typology for these. This is because an individual entry mode is an export, contractual, or investment mode *as well as* an independent or collaborative mode. In other words, each entry mode is of dual yet complementary mode types.

The independent-collaborative categorisation of individual entry modes is based on and reflects the modes (1) allowing a firm employing them to enter and develop an international market either on its own (independently, in the case of independent modes) or in cooperation with another firm (collaboratively, in that of collaborative modes), and (2) offering the firm either full control (in the case of independent modes) or shared control (collaborative modes).

Entry mode studies employing the independent-collaborative typology (or the cognate full control-shared control typology) generally have control as the categorising variable. For this reason, such studies (e.g., Shrader, 2001; Ekeledo and Sivakumar, 2004; Pehrsson, 2008; Nielsen and Nielsen, 2011) - as well as the present study - can include individual export *and* investment modes together as 'independent' (or, 'full control') modes (as reflected by Table 1.1) or as 'collaborative' (or, 'shared control') modes (as also reflected by Table 1.1) even where the respective individual modes are equity modes (e.g., WOS) and non-equity modes (e.g., direct export modes) and differ markedly in terms of their resource requirements, geographic locus, etc. Confirming this is Pehrsson (2008, 134), who also highlights that independent (full control) modes allow for internalisation whereas collaborative (shared control) modes do not:

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resources of other firms that can be obtained/accessed through exporting (i.e., through the employment of export modes) usually only relate to the establishment of a (foreign) firm's (foreign-made) products in an international market and so are primarily the resources associated with the products' marketing and sales in that market.

> "In principle, the firm chooses from two types of corporate control [when selecting entry modes]: full control entry modes (direct export, acquisitions, and wholly-owned new ventures) and shared control entry modes (the other modes). In other words, the question is whether the firm should enter a foreign market through internalization of the activities within its own boundaries with full control, or through some form of collaboration with a partner."

The use of the independent-collaborative entry mode typology by the present and other studies is fully in line with the application of the resource-based view (RBV) as a theoretical basis for entry mode choice (which this study does, as will be discussed in section 1.6). In fact, the application of this entry mode typology is necessary for the full explanatory power of the RBV to be realised. The RBV (whose nature and explanation for entry mode choice will be discussed in detail later), in its current state, is best suited to explaining the choice by firms between independent and collaborative entry modes; that is why other entry mode studies employing the ('core'[18]) RBV (e.g., Ekeledo and Sivakumar, 2004) also use the independent-collaborative or a cognate typology. From the perspective of the RBV, firms are (as will also be discussed in detail later) inclined to internalise activities pertaining to the exploitation of their strategic resources and to employ independent entry modes - independent export or investment modes, as the case may be - for this reason. Independent modes - which the RBV holds to be firms' 'default' entry modes (Tan, Erramilli, and Liang, 2001; Ekeledo and Sivakumar, 2004) - provide the control necessary for firms to exploit their strategic resources in ways that benefit them, principally by leaving it within the firms' powers to decide where and how the resources are exploited with respect to international markets, by allowing the firms to secure the profits resulting from the exploitation, and by enabling them to best protect the resources.

The foregoing indicates the varying nature of independent and collaborative entry modes and that the employment of independent modes has different implications for

[18] The resource-based view (RBV) applied in relation to the present study is the 'core' RBV. As will be discussed later in this chapter, this differs from well-known offshoots of and certain extensions to the RBV.

the establishment and exploitation of competitive advantage in international markets by firms and for their development of the markets than that of collaborative modes.

Independent entry modes consist of export modes and investment modes whose use entails a firm entering and developing an international market by itself[19] (they do *not* include contractual modes, which are collaborative in nature). In employing an independent mode a firm does not involve or rely on an export intermediary (in the case of exporting) or a venture partner (in that of investment) to undertake the value chain activities required to offer its products to consumers within the market. This means a firm has control over the activities (including marketing-related activities) it undertakes in developing an international market, including over the operations carried out within that market for such purpose. Since it is not involving another firm, the focal firm also retains all revenues and profits from the sale of its products in the respective market. At the same time, however, the firm cannot draw on the financial and other resources (including local market knowledge and networks) of others and must rely on its own resources to develop the market. This also means that the firm has to bear the entire costs and risks associated with such development.

Collaborative entry modes are those export modes, contractual modes, and investment modes that involve a firm entering and developing an international market in cooperation with another firm[20,21] (hence collaborative entry modes also

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[19] In the case of the independent *export* modes, the firm would serve customers (end users and/or channel intermediaries) in the market directly through the internet, its home-country-based sales force, or its sales office/subsidiary in the market; it would not use export intermediaries to make its products available to them. Where independent *investment* modes are concerned, the firm would establish or acquire operations in an international market by investing in a greenfield or acquisition respectively through a wholly owned subsidiary; in doing so, the firm would not involve a venture partner.

[20] In the case of the collaborative *export* modes, export intermediaries based or operating in the firm's domestic market (in the case of indirect exporting) or in an international market (in that of direct exporting through an agent or distributor) carry out activities required for a firm's products to be made available to consumers within the international market. The extent of such activities varies with the type of export intermediary. Where *contractual* modes are concerned (all of which are collaborative), the firm relies on another to produce in an international market its goods or services or otherwise products reflecting its intellectual property (in the case of licensing and franchising), itself provides managerial and other services in that market to other firms (management contracts), or works together with another firm to undertake value chain activities in the market that relate to the provision of its products there (contractual joint ventures). As to collaborative *investment* modes, the only such mode - equity joint ventures - also involves the firm collaborating with another to carry out value chain activities for the same purpose but involves equity investment in a local operation.

being referred to as cooperative modes - e.g., Morschett, Schramm-Klein, and Swoboda, 2010). In employing such a mode, a firm necessarily involves or relies on another firm (or firms) to undertake the value chain activities required to offer its products to consumers within the market[22]. The firm is able to access or otherwise benefit from resources possessed by others which the firm requires directly or indirectly for the development of an international market. Such resources can be financial and non-financial (e.g., local market operations, knowledge, and networks) in nature (with the latter often being of greater importance to a firm pursuing international market development); the resources may allow the firm to overcome resource deficiencies that prevent it from entering and developing a particular international market on its own, or enhance its resources in such a way as to greatly strengthen its competitive position in relation to a market. In return for benefitting from the collaborating firm's resources, and for that firm possibly sharing or taking on the bulk of any financial risk as part of its role, the firm cedes some or all control over the development of the market (unless the entry mode is in the form of a management contract, or is a contractual or equity joint venture over which the firm has full control); this results in the firm having limited control over associated operations and activities (including marketing activities). Moreover, by involving others in its market development the firm incurs a financial cost since it does not retain all of the revenues and profits generated from the sale of its products (manufactured goods, services, or a combination thereof) in the respective market[23].

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[21] It can be argued that collaborative modes represent strategic alliances where there is a strategic element to their use. The rationale behind this argument is that resource access and enhancement by firms has a central role in both strategic alliances (as evident from some of the definitions offered in the literature for strategic alliances, e.g., "cooperative arrangements between two or more firms to improve their competitive position and performance by *sharing resources* (Hitt et al., 2000; Jarillo, 1988)" - Ireland, Hitt, and Vaidyanath, 2002, 413, emphasis added) and collaborative modes, representing a primary reason for firms using these alliances and modes for international market development. As long as firms employ collaborative modes for strategic reasons, specifically to strengthen their competitive position in relation to an international market by taking advantage of other firms' resources, then such modes take on the characteristics of strategic alliances. Such thinking appears to be supported by scholars who regard particular contractual entry modes (e.g., Bradley, 2005; Peng, 2006) and specific collaborative export modes (e.g., Peng, 2006) as forms of strategic alliance.

[22] An exception being management contracts, where a (foreign) firm performs activities in an international market for another on the back of the other firm's capital investments.

[23] This does not apply to a firm providing service under a management contract, which would retain the fees it earns for providing the service.

	Independent Modes	Collaborative Modes
Export Modes	Direct Exporting – internet	Indirect Exporting
	Direct Exporting – home country-based sales force	Direct Exporting – agent
	Direct Exporting – sales office/subsidiary in international market	Direct Exporting – distributor
Contractual Modes		Licensing
		Franchising
		Management Contracts
		Contractual JV
Investment Modes	WOS (sole venture) - greenfield	Equity JV (minority; equal; majority)
	WOS (sole venture) – acquisition	

JV = Joint Venture; WOS = Wholly-Owned Subsidiary.
Source: Author, based on Young et al (1989), Root (1994), and Welch et al (2007).

Table 1.1 – Major Independent and Collaborative Entry Modes for International Market Development

The choice between independent and collaborative entry modes represents a crucial entry mode choice decision to firms, including to SMEs. Whether a firm employs an independent or collaborative mode and so enters and develops an international market respectively without or with the involvement of other firms can have far-reaching consequences on its development of that market and on its success therein.

The importance to firms of the independent-collaborative entry mode decision cannot be overstated. From a strategic perspective, independent and collaborative entry modes constitute two fundamentally different options for the:
(i) Establishment and exploitation in international markets by firms of competitive advantages; and
(ii) Development of international markets (i.e., international market development) by firms.

International market development (IMD) is perhaps the primary method by which firms, including SMEs, exploit in international markets their competitive advantages. According to the resource-based view (RBV) (the theory underpinning this research that will be discussed in detail later) firms' competitive advantages are based on their 'strategic resources' (e.g., proprietary know-how). The exploitation of these advantage-generating resources through their deployment in relation to product markets where the resources enable firms to offer products embodying their resource-based advantages and which provide superior customer value allows firms to achieve competitive advantage in relation to the respective product markets and, consequently, to attain economic rents and other benefits. The desire to exploit and to benefit from these critical resources drives firms to enter and develop international markets (i.e., to engage in IMD).

The choice between independent and collaborative entry modes represents a choice between two fundamentally different options for the establishment and exploitation of competitive advantage in international markets and for the development of the markets. Basically:

Independent entry modes collectively represent the option by which a firm would establish and exploit its advantages in the respective international market on its own (independently). Besides not having to share any resultant profits with another firm, the use of an independent mode allows a firm to better protect its knowledge or other basis of competitive advantage. By employing an independent mode a firm is internalising its sources of competitive advantage, should be in a better position to protect these from its competitors, and, since it has total control, is able to exploit these through the implementation of marketing and other strategy and the undertaking of relevant marketing and other activities as it sees fit.

Collaborative entry modes represent the option by which a firm establishes and exploits its competitive advantage in an international market together with another firm. By employing a collaborative mode a firm relies to various extents on another for the marketing and other activities necessary for such exploitation to take place. Through the use of such mode a (foreign) firm entering and developing an international market is usually able to access from the firm with which it is cooperating in the development at least some of the marketing resources it may lack for this and, in this way, may be in a position to develop these resources for itself. At the same time, however, the firm would not enjoy the potential advantages associated with independent modes (not having to share any profits, being able to internalise its sources of competitive advantage, being in full control over strategies and activities pertaining to their exploitation, etc).

In selecting between independent and collaborative modes a firm may need to reconcile two imperatives - to protect its knowledge and other advantage-generating resources (which favours the use of an independent mode) with the need to turn to other firms so as to exploit these very resources (a collaborative mode). These two competing imperatives are commonly faced by SMEs developing international markets. Smaller firms, for which the international exploitation of competitive advantage is increasingly important, typically involve other firms in establishing and exploiting in international markets any competitive advantages the (focal) firms

enjoy in their domestic markets and, consequently, employ collaborative entry modes.

The reasons for SMEs turning to other firms for competitive advantage exploitation in international markets - apparently even when independent exploitation and entry modes would represent preferred, more optimal ways of such exploitation - require scholarly investigation. Given the potential disadvantages of smaller firms having to resort to collaboration in international markets and to employ corresponding entry modes, it is important that a better understanding is obtained of the various factors culminating in the firms' choice of this. Apparently, among the most important of these factors are marketing factors (*marketing factors are considered here to be entry mode factors internal to firms that relate to their marketing*).

Research into SMEs' Choice between Independent and Collaborative Entry Modes Should Focus on Influence of Marketing Factors

The need for further scholarly research into the factors influencing smaller firms' entry mode choice - including that between independent and collaborative modes - extends to the impact of marketing factors on this. Considering that a SME's marketing ability and requirements can impact its choice of an entry mode, surprisingly little research specifically investigating the influence of marketing factors on SMEs' entry mode choice has been undertaken. While the extensive entry mode literature suggests that a wide range of internal factors (firm and product characteristics) and external factors (domestic and international market characteristics) can affect mode choice, there has been little scholarly effort to investigate the role that various aspects relating to marketing may have on mode choice. Extant entry mode research examining marketing factors focuses largely on the influence that MNEs' marketing ability in relation to international markets (this ability being indicated by the level of product differentiation/advertising intensity[24] and degree of international product diversification) has on these firms' choice of investment modes for the markets (e.g., Stopford and Wells, 1972; Fagre and Wells,

[24] Advertising intensity is, as will be discussed in the context of product differentiation as a marketing strategy variable influencing SMEs' entry mode choice, widely regarded by international business scholars as an indicator of product differentiation.

1982; Caves and Mehra, 1986; Anderson and Coughlan, 1987; Gomes-Casseres, 1989; Singh and Kogut, 1989; Hennart, 1991; Hennart and Park, 1993; Mudambi and Mudambi, 2002). In the case of SMEs, studies purposely looking into the effect of marketing factors on the firms' mode choice are few and spread thinly between a small number of these factors, such as individual marketing capabilities (e.g., Blesa and Ripollés, 2008; Ripollés and Blesa, 2012).

Clearly, additional research into the role marketing factors have in firms' entry mode choice is required. In this vein, Brouthers (2010) notes that "marketing scholars can add to our knowledge [of the factors affecting entry mode choice] by exploring the impact of marketing strategy on market entry [mode] decisions". Such exploration should extend to other marketing factors besides marketing strategy. In the case of SMEs this should, in view of these firms' marketing and other resource limitations, include marketing resources. As far as these firms' independent-collaborative entry mode choice decision is concerned, this seems especially affected by marketing resources.

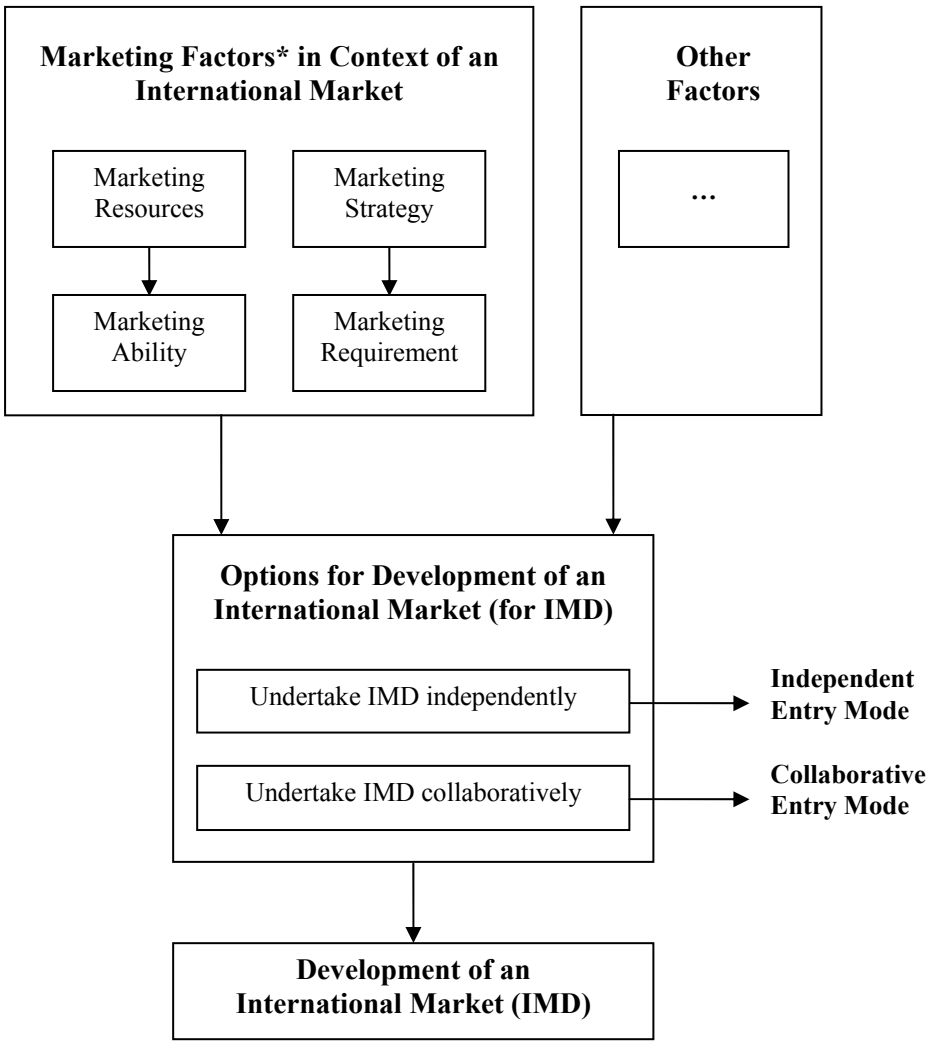
An indication of the crucial role marketing resources appear to have in SMEs' choice between independent and collaborative entry modes is the reliance by many SME exporters on foreign market intermediaries including distributors and agents to develop export (international) markets (which in the case of UK SME exporters has been noted for some time - e.g., Cunningham and Spiegel, 1971). The involvement of these intermediaries and the consequent need by the exporters to employ collaborative entry modes is, it appears, driven mainly by the exporters' insufficient marketing and other resources and resultant inadequate ability to perform even basic marketing tasks in support of their market development.

The foregoing suggests that potentially important marketing factors in SMEs' choice between independent and collaborative entry modes include the firms':
(1) Marketing ability in relation to international markets;

(2) Marketing resources (including individual marketing capabilities) they have for international markets (which enable the firms' marketing and are a factor in their marketing ability);
(3) Marketing requirements in relation to international markets; and
(4) Marketing strategy with regard to international markets (which influences the firms' marketing requirements).

Figure 1.2 on page 20 depicts these marketing factors, their relation to firms' options for international market development (IMD), and that of the IMD options to the choice between independent and collaborative entry modes. As the figure illustrates, the marketing factors under consideration influence the viability and attractiveness of the two options firms have for the development of international markets (i.e., for IMD), these being entering and developing the markets on their own (independently) or together with other firms (collaboratively). As each option is linked with the use of either an independent entry mode (in the case of independent IMD) or with that of a collaborative mode (collaborative IMD), the influence of marketing factors extends to the choice between these modes for the international markets concerned.

Further scholarly research into the effect these particular marketing factors have on SMEs' choice between independent and collaborative entry modes is needed. It would appear that smaller firms' marketing ability and the marketing resources needed for this generally are inadequate in view of their marketing requirements as indicated by the importance to the firms of various marketing strategy variables (such as product differentiation). It seems that for many - if not most - SMEs the gap between their marketing ability and requirements in relation to international markets is a primary reason for these exploiting their competitive advantages in these markets with other firms. Although exploitation involving other firms and the consequent employment of collaborative entry modes may not be optimal and in the best interests of many smaller firms, who would be expected to prefer exploiting their advantages on their own through independent entry modes, collaborative exploitation and entry mode use may be their only option for this.



*selected marketing factors and relationships.
IMD = international market development

Figure 1.2 – Marketing Factors, Options for Development, and Choice between Independent and Collaborative Entry Modes Pertaining to an International Market

Source: Author.

1.2 Research Problem

This study addresses the need for greater understanding of the impact marketing factors have on the choice by SMEs of international market entry modes. It does so by investigating the influence certain key marketing factors have on the firms' choice between independent and collaborative entry modes.

As discussed in the preceding section, which provides the background to and rationale for the study, knowledge about the role marketing factors have in SME entry mode choice is scarce and needs to be expanded. Given the importance of international market development (IMD) to SMEs, their need to undertake marketing in relation to the international markets they are developing, the difficulties the firms have in this due to marketing and other resource constraints, and the implications of this on their choice of entry modes for the markets, greater scholarly effort into understanding the influence of marketing factors in SME entry mode choice is warranted. By shedding more light on how the factors impact the important yet (in the case of SMEs) under-researched managerial decision that is entry mode choice, research efforts in this direction will expand much-needed understanding of the factors that influence the mode choice of smaller firms as well as the ways in which these firms overcome challenges to international marketing and IMD.

The gap - mismatch - SMEs commonly find between their marketing ability in relation to international markets and the marketing the firms need to undertake suggests scholars direct greater research efforts towards particular marketing factors. These marketing factors include marketing resources and marketing strategy, more specifically firms' level of individual marketing resources (which influence their marketing ability) and the emphasis on individual marketing strategy variables (e.g., product differentiation) (which influence their marketing requirements).

The primary reason for the inadequate ability of SMEs in general to undertake international marketing appears to be that the firms commonly lack marketing resources needed for this. Despite their insufficient marketing resources and

consequent deficient marketing ability, however, the firms continue to have international marketing requirements. Their need to offer customers in foreign markets products of value necessitates the firms to undertake marketing in relation to the markets. The extent of this (and of the marketing resources required) depends partly on the firms' marketing strategy pertaining to the markets (which in the case of SMEs is not necessarily formalised).

With marketing strategy variables (which both influence and indicate the nature and extent of the marketing a firm needs to undertake in relation to an international market) and marketing resources (which influence and indicate its ability to undertake such marketing) appearing to be particularly important marketing factors in smaller firms' mode choice, this study investigates their influence on SMEs' entry mode choice. More specifically, investigated is the impact of key individual marketing resources and marketing strategy variables on the firms' choice between independent and collaborative modes.

The Focal Marketing Factors: Key Marketing Resources and Marketing Strategy Variables

Numerous marketing factors potentially influence SMEs' choice of entry modes, including marketing ability, resources, requirements, and strategy. As an examination of all marketing factors by a single entry mode study would be overly difficult, the present study concentrates on what appear to be key marketing resources and marketing strategy variables in the international market development (IMD) of SMEs and, consequently, in their choice of entry modes for this. Considering the lack of prior studies examining the influence of multiple important marketing factors (including of marketing resources and marketing strategy variables) on SME mode choice, it is logical for this study, which does so, to focus on a small number of key marketing variables.

The *marketing resources* that are the focus of this study are the following:

1. Marketing capabilities: marketing capabilities for an international market. More specifically, the individual marketing capabilities (e.g., pricing capability) a firm has

in relation to an individual international (foreign country) market. *Not* a firm's overall marketing capability/ability for such market.
2. Language skills: language skills relevant to an international market. These are the language skills a firm possesses with respect to an individual international market.
3. Market knowledge: knowledge of an international market. A firm's knowledge relating specifically to an individual international market. *Not* its accumulated knowledge of all international markets.

As for the *marketing strategy variables*, these are:
1. Product differentiation: product differentiation in relation to an international market. This is the extent to which a firm differentiates its products in an individual international (foreign country) market to those of its competitors in that market.
2. Marketing adaptation: marketing adaptation in relation to an international market. The degree to which a firm adapts its marketing to an individual international market.
3. Market importance: the importance of an international market. More specifically, the importance a firms assigns to an individual international market.

All of these individual marketing resources/strategy variables have a role in the IMD of SMEs in general and, thus, are likely to be potential factors, individually and/or jointly, in their choice of entry modes. The focal marketing resource factors (marketing capabilities; language skills; market knowledge) influence the firms' marketing ability in relation to individual international (foreign country) markets. Meanwhile, the marketing strategy factors under consideration (product differentiation, marketing adaptation, and market importance) do the same with respect to their marketing requirements.

The Focal Entry Mode Choice Decision: Independent versus Collaborative Modes
The particular entry mode choice decision in relation to which the focal entry mode choice factors are investigated by this study is that between independent and collaborative modes. This dichotomous choice, the focus on which here is in line

with much of the entry mode literature (see, e.g., Canabal and White III, 2008[25]), is normally faced by all firms needing to select an entry mode. Entry mode choice effectively entails a choice between independent and collaborative modes since every individual entry mode is either an independent or a collaborative mode. Not all firms are aware of this when deciding on entry modes[26].

As discussed, the independent-collaborative mode choice decision has significant implications for a SME's activities in relation to the international market for which a mode type is chosen. Independent and collaborative entry modes represent two fundamentally different options for the exploitation in international markets by firms of the sources of their competitive advantage and the international market development (IMD) activity they carry out as part of this. As far as marketing is concerned, which is generally required for successful IMD, the marketing and other resources a SME has at its disposal for an international market as well as its ability to implement marketing and other strategies with respect to that market are influenced by whether the firm enters and develops the market on its own through an independent mode or does so in cooperation with another firm through a collaborative mode.

Other Variables Considered by the Study

The present study also considers three other, non-marketing factors that can influence SMEs' entry mode choice. Due to various constraints, particularly those imposed by the statistical techniques employed as part of the data analysis, a greater number of additional entry mode factors could not be considered by the study.

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[25] Canabal and White III (2008) found that most entry mode studies examine a dichotomous choice between one particular mode or mode type over another. The most commonly examined dichotomous mode choice, the authors found, is in terms of ownership, as a choice between full ownership modes (e.g., wholly owned subsidiaries) and shared ownership modes (e.g., joint ventures).

[26] That a firm is selecting between independent and collaborative modes in its mode choice may not be obvious to a firm, which may not be aware of the independent-collaborative typology of and distinction between modes but would be aware of some aspects of this in relation to particular modes (such as that in the case of some of the individual modes the firm is considering it would have to undertake all of the value adding activities within/in relation to an international market on its own whereas in the case of other modes another firm would also be involved).

Particularly relevant to the focal (independent-collaborative) entry mode decision is the (single) institutional factor considered here, this being entry mode restrictions imposed by a host country. Such legal restrictions usually pertain to independent entry modes and, where they are in place, commonly influence (foreign) firms into employing collaborative entry modes.

The two other entry mode choice factors considered here are firm size and product type. The literature suggests that both these firm attributes may influence the choice between independent and collaborative modes. These factors, together with entry mode restrictions, will be discussed in detail in Chapter 2.

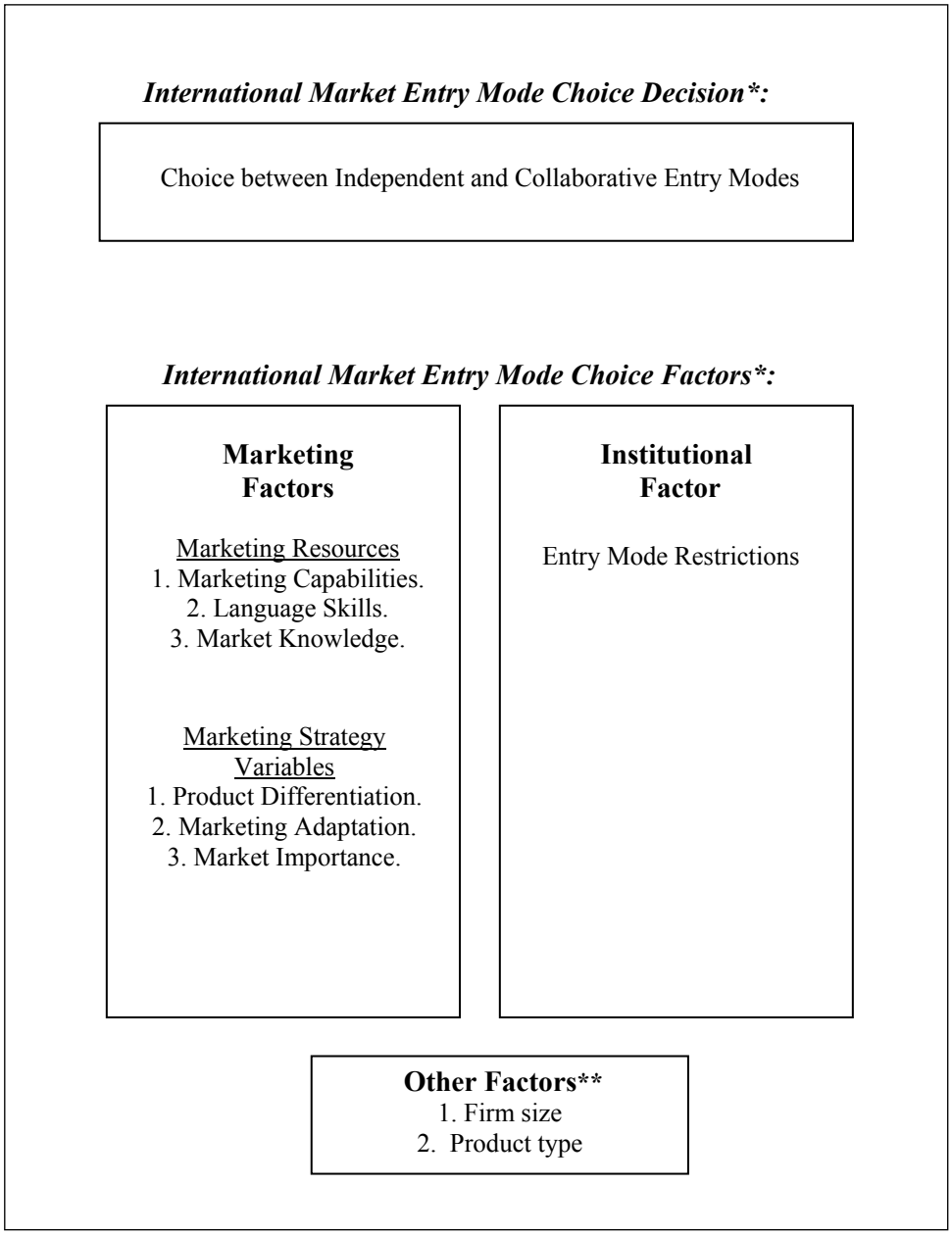
Summary - Variables Considered by the Study

Figure 1.3 on page 26 provides an overview of all of the variables considered by this study. As the figure indicates, one such variable is the entry mode choice decision that is the decision between independent and collaborative modes (this being the study's dependent variable). The other variables being considered all relate to entry mode choice factors (the independent variables), these representing marketing factors (particular marketing resources and marketing strategy variables), institutional factors (limited to entry mode restrictions), and other factors (firm size and product type, both being treated as control variables).

1.3 Research Objectives, Questions, and Scope

1.3.1 Research Objectives

The main aim of this study is to further understanding of the influence important marketing factors have on the choice by SMEs of international market entry modes.



*all relating to a given individual international (foreign country) market.
**treated as control variables.

Figure 1.3 – Variables Considered by the Study

Source: Author.

In line with this aim, the primary objective of the research is to offer insights into the role that key marketing resources and marketing strategy variables have on SMEs' entry mode choice.

More specifically, the primary objective is to:

1. Identify the influence of key marketing resources - specifically, of marketing capabilities, language skills, and market knowledge - on SMEs' choice between independent and collaborative modes.

2. Identify the impact of key marketing strategy variables - specifically, of product differentiation, marketing adaptation, and market importance - on SMEs' choice between independent and collaborative modes.

1.3.2 Research Questions

The research questions arising from the research objectives are the following:

1. To what extent, if any, do marketing resources influence SMEs' entry mode choice? In particular:
   (a) What is the extent to which marketing capabilities affect SMEs' choice between independent and collaborative modes?
   (b) What is the extent to which language skills affect the firms' choice between these modes?
   (c) What is the extent to which market knowledge affects the firms' choice between these modes?

2. To what extent, if any, do key marketing strategy variables influence SMEs' entry mode choice? In particular:
   (a) What is the extent to which product differentiation affects SMEs' choice between independent and collaborative modes?
   (b) What is the extent to which marketing adaptation affects the firms'

choice between these modes?

(c) What is the extent to which market importance affects the firms' choice between these modes?

1.3.3 Scope of the Research

The study is concerned with the influence certain important marketing factors have on the international market entry mode choice of SMEs in the context of international market development (IMD). IMD refers to the activity undertaken by firms to penetrate foreign markets (Young et al, 1989). This core international business activity centres on the establishment by firms of their products (manufactured goods, services, or a combination thereof) in international markets and the subsequent expansion of the sales of the products therein. IMD, effectively a product market growth strategy[27] and associated with marketing-seeking internationalisation, normally requires firms to undertake (or to have undertaken for them) marketing and possibly other value adding activities in relation to the international markets being developed. They also need to choose and employ entry modes (the 'methods' of IMD - Young et al, 1989) for this.

Beyond the scope of the study is firm internationalisation *not* associated with IMD and that *not* driven by market-seeking motives (such as that resulting primarily from resource-seeking or efficiency-seeking[28]).

The firms examined by the study are SME manufacturers. Thus, international market entry mode choice is investigated from the perspective of these firms rather than

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[27] Product market growth strategies include market penetration (whereby existing products are promoted in current markets), market development (existing products are promoted in new markets), and product development (new products are developed for existing markets) (Varadarajan, 2010).

[28] As mentioned in an earlier footnote, these are two of the four primary motives MNEs engaging in foreign activities and FDI. According to Dunning (1993), resource-seeking (including strategic-asset seeking) motives for internationalisation see firms entering international markets in order to (i) access resources (including raw materials, labour, technological capabilities, and management expertise) at costs that are lower than in other countries (including than in the firms' home countries), or to (ii) acquire strategic resources. Efficiency-seeking motives see firms rationalising their operations (domestic and international) in order to reduce costs and to benefit from economies of scale or scope.

from that of MNEs and service firms. Although much of what is discussed is also relevant to MNEs and service firms, particular aspects of the research may not apply to these firms.

There are at least two reasons for this study to focus on SMEs. One reason is that most of the IMD undertaken by firms (broadly defined to include exporting) is carried out by SMEs on account of their far greater number relative to MNEs (which is also a reason for SMEs having a more important role in exporting than MNEs - Leonidou, Katsikeas, and Samiee, 2002). Another reason to focus on SMEs is that the internationalisation behaviour of these firms and the influence of particular factors on their entry mode choice appear to vary from those of MNEs. This is due in large part to MNEs typically having much greater resources available for IMD. SMEs, which are "different to multinational corporations not only in size, but also in nature" (Apfelthaler, 2000, 93) and whose resources, access to and experience of international markets are limited compared to those of MNEs (e.g., Cavusgil, 1980; Etemad and Wright, 1999), are influenced much more by resource considerations in their internationalisation decisions than MNEs.

The focus on manufacturers (following that of other studies - e.g., Morgan, Kaleka, and Katsikeas, 2004) is justified on the basis of the internationalisation behaviour and entry mode choice of such firms differing from those of service firms in general, including in the case of SMEs (Chadee and Mattsson, 1998). This is due to the nature of services and their differences to manufactured goods[29]. Even where services are separable (in terms of production and consumption) and transferable (between country markets) like manufactured goods (i.e. they can also be exported), firms

[29] Services are characterised by intangibility (a service may not be storable or transportable), inseparability (its production may not be separable from consumption), perishability (it may have to be consumed at the time of production), and heterogeneity (the service encounter may be unique and customised) (Zeithaml, Parasuraman, and Berry, 1985). These characteristics may require firms to produce the services close to consumers in an international market unless their production can be separated from their consumption *and* the service offering can be transferred from the country market where it is produced to that where it is consumed.

offering such services often find it imperative to produce them locally and to control their production[30].

SMEs are not a homogeneous group. This is also so with SME manufacturers developing international markets. Whereas many of these firms take a marketing approach towards exploiting opportunities in or emerging from international markets, many others take a sales approach and have as their main objective the generation of immediate sales instead of the development of international markets on a long-term basis. Such firms, which include sporadic and reactive/opportunistic SME exporters[31], fall outside the scope of this study. Also outside the scope of the study are firms only exporting indirectly (as opposed to exporting directly with or without foreign market intermediaries).

1.4 Contributions of the Research

As apparently the first study to examine the influence of various key marketing resources and marketing strategy variables as factors in SMEs' choice between independent and collaborative entry modes, the present study is in a position to make a number of important contributions. With the study's examination of the role of marketing factors effectively extending to SMEs' collaboration for internationalisation and to their exploitation of strategic resources in the context of

[30] As far as entry modes are concerned, the entry modes firms offering separable services (also referred to as 'hard services') (e.g., life insurance) can use are broadly similar to those available to manufacturing firms (Erramilli and Rao, 1990; Blomstermo, Sharma, and Sallis, 2006). However, firms offering non-separable services ('soft services') (e.g., hotel accommodation) generally have little choice but to produce their service offering within international markets and would need to use specific entry mode types (contractual and investment modes) to do so. The same applies to retailers, whose primary service offering is the provision of goods to consumers (Doherty, 2000; Quinn and Alexander, 2002; Picot-Coupey, 2006). Where retailers have a distinct product profile (e.g., own brands) they can also export their merchandise so that it is sold by other retailers in international markets; however, this entry mode is associated more with retailers' early internationalisation (Alexander and Doherty, 2009).

[31] A sporadic exporter is defined by Naidu and Prasad (1994, 109) as "a firm that exports on an 'on and off basis'". A reactive exporter is considered by Piercy (1983, 49) as a firm responding to an unsolicited export order or that has a need to make up volume shortfalls in its domestic sales (unlike an active exporter, for whom exporting has a central, growth role).

international markets, the contributions relate to the enhancement of knowledge associated with various literatures. The literatures concerned are the entry mode, small firm internationalisation/international entrepreneurship, and strategy literatures.

Contribution to the Entry Mode Literature

The primary contribution of this study is to increase knowledge about the internal (firm) characteristics affecting SME entry mode choice. The study represents a response to the need for this knowledge to be expanded. By furthering understanding of the influence marketing factors have on the choice by SMEs between independent and collaborative modes it enhances the knowledge. The marketing factors examined by the study, specifically the marketing resources (these being marketing capabilities, language skills, and market knowledge) and marketing strategy variables (product differentiation, marketing adaptation, and market importance), seem to be important internal mode choice factors due to their role in firms' international market development and international marketing.

Contribution to the Small Firm Internationalisation/International Entrepreneurship Literature

Another contribution of this study is to knowledge about the reasons for smaller firms collaborating with other firms in their internationalisation. Additional research into inter-firm collaboration by SMEs for internationalisation is required (e.g., Camisón and Villar, 2009). It is suggested here that a primary reason for these firms engaging in cooperative internationalisation is their generally inadequate ability to undertake marketing in relation to international markets and, hence, to develop international markets successfully on their own; as discussed, SMEs commonly have insufficient marketing resources for such marketing and so often need to involve other firms for the marketing necessary to establish their products in international markets to be undertaken. That marketing factors can be reasons for cooperative internationalisation is not, however, well articulated in the small firm internationalisation/international entrepreneurship literature.

With international market entry modes also representing modes of (outward) internationalisation, the investigation by this study of the influence of key marketing resources on SMEs' choice between independent and collaborative entry modes also furthers understanding of these variables' role in relation to smaller firms collaborating or not with others in their internationalisation.

Contribution to the Strategy Literature

A further contribution of the study is to knowledge about the exploitation by SMEs of their strategic (advantage-generating) resources in relation to international markets. Although firms' strategic resource exploitation is an important theme in the strategy literature, which regards this as a driver in their international diversification and international market development (Sirmon et al., 2011), that body of knowledge is underdeveloped as far as such exploitation by SMEs is concerned. This extends to the firms' strategic resource exploitation in relation to international markets.

For many smaller firms, strategic resource exploitation in the context of international markets is hampered by a lack of requisite resources. These complementary resources include marketing resources. As discussed, SMEs tend to lack marketing resources and, with marketing resources influencing firms' marketing, often have an inadequate international marketing ability.

By examining the effect on SMEs' choice between independent and collaborative modes of key marketing resources, more specifically of the firms' possession or lack thereof, the present study also offers greater insights into the importance of particular marketing resources to the firms' independent resource exploitation. Moreover, the same examination also allows this study to shed more light on how SMEs use entry modes as tools for overcoming complementary resource deficiencies and, thus, obstacles to strategic resource exploitation in relation to international markets.

1.5 Nature of Marketing and International Marketing

Marketing and international marketing are central to this study. Marketing, more specifically international marketing, is important to international market development (IMD). It is in relation to IMD that SMEs' entry mode choice is investigated here. What is more, the entry mode choice factors examined by this study are mainly marketing factors (namely marketing resources and marketing strategy variables). Thus, it is important for the nature of marketing and of international marketing to be clarified.

1.5.1 Marketing

The multi-faceted nature of modern marketing is captured by the AMA's current definition of marketing (American Marketing Association, 2013, emphasis added):

> "The activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have *value* for customers, clients, partners, and society at large".

This (broad) definition also captures the essence of marketing: the provision of products (manufactured goods, services, or a combination thereof) offering *value* to customers (other modern definitions of marketing also emphasise the value aspect[32]). Value, specifically customer or consumer value (customer value essentially represents 'what the customer perceives/receives' - Woodall, 2003; consumer value and other terms referring to perceived value fall under the rubric of customer value[33])[34], is at the heart of marketing. In the words of Babin and James (2010, 477), "all meaningful marketing activity is directed at value creation."

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[32] For example, the practitioner-focused definition of Bird and McEwan (2012) states that marketing is "the discipline and practices of marketing, which enable companies to create better value for their customers and thereby drive sustainable, profitable, demand-led growth".

[33] *Customer* value is a marketing topic in relation to which research pertaining specifically to *consumer* value is discussed and, commonly, associated with.

[34] The concept of value has received considerable attention from marketing academics, whose work suggests that perceived value is a complex phenomenon (recent reviews of research relating to the concept are provided by Sánchez-Fernández and Iniesta-Bonillo, 2007, Gummerus, 2013, and others). Despite this research effort, there is lack of agreement and clarity about the concept of value.

The four actions incorporated in the AMA definition - *creating*, *communicating*, *delivering*, and *exchanging* value offerings - are central to the provision of value. These actions, together with the *choosing* (identification and selection) of the customer value that a firm will actually create, communicate, deliver, and exchange, represent core marketing tasks. Table 1.2 on page 36 provides a highly simplified overview of these tasks, of some of the key marketing activities associated with the tasks, as well as of the respective aspects of the marketing process these activities are related to. In fact, these and other marketing tasks, activities, and process aspects are complex and interrelated. They involve, to various extents, customers, intermediaries, and other actors.

By incorporating the aspect of *value*, which is the main focus of marketing, the AMA definition highlights not only the need for firms - including for SMEs (more below) - to create value (co-creating value with customers, intermediaries, and others as appropriate) but also the central role that marketing has in the value creation process[35]. Marketing has such a role for two reasons. The first reason is that marketing enables firms - subject to them having the requisite resources - to offer products in their respective markets that meet or exceed customer expectations (or, ideally, that create expectations in the first place). This is because marketing allows firms to identify and understand customer needs and provides the methods by which such needs can be responded to and satisfied. The second reason that marketing has a central role in value creation is that marketing-related activities, including those

[35] The creation of customer value through marketing involves a firm undertaking the marketing tasks and activities discussed here in line with an appropriate marketing strategy and an effective marketing programme and marketing mix. Marketing strategy (which will be discussed in detail later) in its most basic sense is "a broad plan of managerial initiatives and actions relating an organization to its customers and markets" (Shankar and Carpenter, 2012, 2). This organisational strategy "focuses on strategic decisions in the domain of marketing (e.g., positioning, branding) related to generating and sustaining competitive advantage" (Varadarajan and Jayachandran, 1999, 124). Marketing strategy and the marketing activity that takes place pursuant to this strategy are guided by the firm's other strategies (including its competitive strategy) or complement these (including its functional strategies other than marketing strategy). The means by which a firm translates its marketing strategy from a statement of intent to effort in the marketplace is the marketing mix (Hooley, Piercy, and Nicoulaud, 2008). The 'mix', whose basic elements (product, price, place, and promotion) represent actual marketing activities, is deployed for the creation, communication, and delivery of value offerings to customers (El-Ansary, 2006). It represents "the set of tactical marketing tools - product, price, place, and promotion - that a firm blends to produce the response it wants in the target market" and consists of "*everything* the firm can do to influence the demand for its product" (Kotler and Armstrong, 2014, 76, emphasis added).

shown by Table 1.2, can create substantial value in their own right. While firms undertake any number of a wide range of value-creating activities in order to offer products to customers, including activities not part of marketing (such as the production or sourcing of a product), marketing-related activities potentially create the greatest value[36]. This is illustrated by the example of Nike Inc. This MNE generates through marketing activities most of the value it offers to customers worldwide (Achrol and Kotler, 1999).

Marketing principles are relevant to smaller firms (Siu and Kirby, 1998; Reynolds, 2002). However, the nature and extent of the marketing practised by these varies to the extent that SME marketing is difficult to generalise. SMEs, which range from one-person outfits to formal firms with hundreds of employees[37], generally tend to undertake more conventional, formal marketing as they become larger and have more resources at their disposal (Carson et al., 1995). In doing so, they rely less on their founders' disposition towards and ability to undertake marketing (which in nature is commonly somewhere between simplistic, promotional activity and textbook marketing - Stokes, 2006) and more on the marketing skills of professional managers[38]. Until this transition[39] and often thereafter, marketing by *successful* SMEs is characterised by a focus on innovation, the development of close relationships with customers, and networking. These are hallmarks of 'entrepreneurial marketing' (e.g., Morris, Schindehutte, and LaForge, 2002), which

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[36] In enabling firms to create value *for* customers, marketing allows firms to capture value *from* these in return. Captured customer value manifests itself in various ways, including in sales revenues and firm profits (Kotler and Armstrong, 2014). In order for firms to capture the benefits resulting from marketing more persistently and better than competitors, their market offerings need to have greater value for customers than those of other firms. The ability of firms to provide superior value offerings is the essence of competitive advantage (competitive advantage being "the ability of a firm to add more value than another firm in the same market" – Kay, 1993, 372). Competitive advantage, which can potentially be achieved by numerous firms in a market, is highly desirable because it can result in superior marketing performance (as manifested in customer satisfaction, customer loyalty, market share), enhanced financial performance, and other advantageous performance outcomes (Day and Wensley, 1988).

[37] According to the definition of a SME adopted here, which was stated in section 1.1, such a firm can have from 1 to 249 employees and an annual turnover from almost zero to €50 million.

[38] According to Gilmore et al. (2012, 141), "following a successful start-up phase, SMEs will then focus on growing, and this may lead to them becoming more administrative and operational. In so doing they become less entrepreneurial as management refocuses on tactical marketing activities."

[39] That smaller firms tend to implement conventional marketing (fully, better, or at all) when they reach a size whereby they have the resources for this is indicative of the importance of such marketing - and of their transition to this - to their long-term evolution.

Core Marketing Tasks as Suggested by AMA definition (American Marketing Association, 2013)	Core Marketing Tasks as Suggested by Bradley (2003)	Selected Key Marketing Activities Associated with Core Marketing Tasks (based on Bradley, 2003)	Related Aspects of Marketing Process (based on Kotler & Armstrong, 2014)
	Choosing (identifying and selecting) the customer value.	Consumer information acquisition	Marketing research and information management
		Market segmentation and positioning	Marketing strategy
Creating the value offering.	*Providing* the customer value.	New product development Branding Pricing	Marketing programme and mix
Communicating the value offering.	*Communicating* the customer value.	Advertising Sales promotion	
Delivering the value offering.	*Delivering* the customer value.	Distribution channel management	
Exchanging the value offering.	*Exchanging* the customer value and building relationships.	Customer relationship management	Relationship development

Source: Author.

Table 1.2 – Core Marketing Tasks, Associated Marketing Activities, and Related Aspects of Marketing Process

is practised by many (but not all) smaller firms[40].

Irrespective of their size and other characteristics, to survive in competitive markets SMEs have to offer customers products of value. For this they need to engage in marketing[41]. As noted by Gilmore et al (2012, 142), "SMEs operating in competitive environments need to use marketing to create value and generate sales". Also common to SMEs in such markets is their consequent need to possess (or have access to) marketing resources and to make strategic decisions relating to marketing (i.e., marketing strategy decisions).

Regardless of how they practice marketing, smaller firms require marketing resources for this. Their lack of such resources (a major reason for many smaller firms relying on non-conventional marketing practices) constrains the firms' marketing ability. Nonetheless, the need to undertake marketing to be able to offer customers products that meet or exceed their expectations sees these firms carrying out marketing activities that add value. In the case of SMEs, added value can be achieved through marketing-related activities that include those pertaining to product, packaging, delivery/distribution, selling, advertising and promotion, and customer service (Gilmore et al., 1999).

These and other marketing activities by SMEs are normally initiated or influenced by marketing-related decisions that are of strategic importance (i.e., by marketing strategy decisions). Where SMEs do not have or want a formal or even an explicit marketing strategy, they still need to make marketing strategy decisions. Examples of strategic marketing decisions smaller firms have to make are those pertaining to product differentiation. Whether or not a smaller firm differentiates its products from

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[40] Definitions of entrepreneurial marketing vary. It is generally accepted that such marketing differs from conventional marketing in particular ways (see, e.g., Hills, Hultman, and Miles, 2008). Research into entrepreneurial marketing, which in recent years has been stimulated by greater scholarly interest in the marketing/entrepreneurship interface, has been criticised for focusing too much on entrepreneurial aspects as well as for not adequately encompassing SMEs (e.g., Carson, 2010).

[41] For example, in the case of entrepreneurial marketing Hills et al (2008, 106, emphasis added), who hold that the AMA definition of marketing presented earlier and its focus on value is largely compatible with such marketing, state that "entrepreneurial marketers use innovation to create *value*-added differences in their marketing programs, rather than adopting a cost-based competitive advantage."

those of competitors and the basis for any non-price differentiation represent strategic decisions associated with and directly impacting its marketing.

1.5.2 International Marketing

Interpretations and definitions of 'international marketing' vary[42]. However, there is a common understanding that international marketing involves - as the term implies - firms undertaking *marketing* in relation to *international markets* (i.e. not in connection with their domestic or 'home' markets). Such marketing can be *across* national borders (whereby a firm carries out marketing activities relating to an international market from outside that market, such as from its domestic market), *within* an international market (the activities are undertaken by the firm in the actual market), or both (the firm carries out activities in relation to the international market both in that market and from elsewhere)[43].

As to the exact nature of the marketing activity associated with international marketing, "the literature often labels the lowest denominator of marketing activity across national boundaries as IM [international marketing]" (Samiee, 1997, 544). However, with the *marketing* aspect of international marketing being fundamentally similar to marketing in a domestic context (Bartels, 1968; Bradley, 2005), the nature of international *marketing* activity essentially resembles that of marketing activity in a domestic context. In the words of Ghauri and Cateora (2010, 7):

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[42] The desirability for a common definition of 'international marketing' has been noted in the literature (e.g., Paliwoda, 1999). International marketing as a concept and area of academic study (one not without its critics - e.g., Buckley, 2002) continues to evolve in line with international marketing practice and international markets (see, e.g., Terpstra, 1987; Paliwoda, 1999; Czinkota and Samli, 2007).

[43] Some authors distinguish between marketing across national borders and marketing within international markets by attaching different labels to both. For example, Terpstra and Russow (2000) identify marketing that crosses borders as 'international marketing' and marketing within international markets as 'foreign marketing' (the authors consider these to be two of three dimensions of international marketing; the third dimension is 'multinational marketing', this being the coordination and integration of international marketing activities).

> "Marketing concepts, processes and principles are to a great extent universally applicable, and the marketer's task is the same whether doing business in Amsterdam, London or Kuala Lumpur."[44]

International marketing, very much retaining the basic marketing concepts of satisfaction and exchange (Czinkota and Ronkainen, 2012), essentially involves firms identifying customer needs, providing appropriate products in response to these needs, communicating information about the products, and distributing and exchanging them (Bradley, 2005). Thus, the core marketing tasks relating to international markets are the same as those in the case of domestic markets. Firms need to *choose* (identify and select) the value they provide customers in international markets, *create* the value, *communicate* and *deliver* the value to customers, and *exchange* the value for appropriate value from them. This is regardless of the size of the firms or their experience with international markets. As Czinkota and Ronkainen (2012, 353, emphasis added) put it:

> "The core *marketing* concerns of the beginning internationalist and the multinational corporation are the same."

In view of the foregoing, and in line with the AMA definition of marketing stated in the preceding section[45], international marketing is conceptualised here as:

> The identification, creation, communication, and delivery by a firm of products of value to customers in international markets.

According to this conceptualisation, international marketing is undertaken by any firm that carries out the stated core marketing tasks on its own or in collaboration with other firms to create value for customers in international markets (co-creating value with its customers, intermediaries, and other actors as appropriate). This includes the smallest of SMEs (micro enterprises) new to international markets as well as the largest MNEs (such as General Motors Company, Inc.) long established

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[44] This statement is remarkably similar to that made by Hess and Cateora 50 years ago in a forerunner to the Ghauri and Cateora international marketing textbook: "Marketing principles are universally applicable, and the marketer's task is the same whether applied in Dimebox, Texas or Katmandu, Nepal" (Hess and Cateora, 1966, 4).

[45] The extensive AMA Dictionary [https://www.ama.org/resources/Pages/Dictionary.aspx] does not contain an entry for the term 'international marketing' (but has entries for 'export marketing' and 'global marketing'). The Chartered Institute of Marketing's Glossary [http://www.cim.co.uk/Resources/JargonBuster.aspx] does so, according to which international marketing is "the conduct and co-ordination of marketing activities in more than one country".

within numerous country markets. However, it excludes firms that export to or otherwise sell within international markets *reactively* or *opportunistically* since such behaviour equates with a sales rather than a marketing approach[46]. These and other 'non-marketers' include firms whose only involvement in relation to international markets is sporadic or reactive/opportunistic (for example, firms whose exporting is limited to responding to unsolicited orders from abroad) and are, as mentioned earlier (in section 1.3.3), outside the scope of the present study.

Marketing is central to the creation by firms of value for customers in international markets. The reasons for this are identical to those in the case of value creation for customers in domestic markets. One reason is that marketing enables firms to offer products for international markets that meet or exceed local customer expectations by allowing the firms to identify and understand customers' needs and providing the methods by which such needs can be responded to and satisfied. Although the needs and expectations of consumers across the world have converged to a significant extent due to more rapid globalisation in recent decades (resulting in claims that the world is 'flat' and that firms should act accordingly - e.g., Friedman, 2005), these are far from homogenous in the case of most products. Differences in consumer demand and behaviour persist between country markets and, in the case of numerous countries, within country markets (which may be a reason for globalisation and firms' responses to this, at least in the case of the geographical dispersion of MNEs' sales, being more characteristic of semi-globalisation or regionalisation - e.g., Ghemawat, 2003; Rugman and Verbeke, 2004b). Such differences, which are less evident in information technology (IT) and other highly globalised industries as well

[46] Paliwoda and Thomas (1998, 23) point out the distinction between exporting (more specifically, export *sales*) and marketing (which includes export *marketing* - this approach to international marketing will be discussed later on in the present section) and write: "To export means simply to send or carry abroad, especially for trade or sale. Marketing goes beyond that, introducing the concept of the end-user, moving the orientation away from finding sales for a company's existing products to analysing the market and assessing whether the company is able to produce a product or service for which there is either current or potential demand, given that other factors can be controlled, such as price, promotion, and distribution (Paliwoda, 1991)…Exporting may simply be a short-term solution to an immediate problem of under-capacity of production or over-capacity of stocks. Marketing helps to bridge the information gap between the company and the final consumer of its products. Exporting, on the other hand, is deemed successful whenever a sale is concluded. That sale will usually be with a trade intermediary. The company doing the exporting has achieved a profitable sale, but knows little or nothing about the final market for his product, nor will he receive any ongoing communication about how his product is received and what customers think of it."

as in the case of industrial markets generally (Johansson and Yip, 1994), are due to variations in culture, language, laws, economic development, and other factors. Marketing allows firms to determine variations in consumer needs, demand, and behaviour, to assess how and whether to offer products responding to these, and to actually offer such products.

Another reason that marketing is central to firms' value creation processes in relation to international markets is that marketing-related activities undertaken in connection with international markets can in themselves create substantial value for local customers. An example of this is provided by Red Bull GmbH. The Austrian firm's branding, marketing communications (especially its sponsorship of dangerous stunts and extreme sports), and other marketing activities in relation to the circa 160 international markets where its line of eponymous 'energy drinks' is offered (MarketLine, 2012) create considerable customer value in their own right.

The need to undertake core marketing tasks and associated key marketing activities in relation to international markets represents a commonality of the various approaches to international marketing. In the case of export marketing[47] and global marketing[48], which seem to be the approaches to international marketing most commonly followed by firms (in the case of export marketing, by SMEs; in that of global marketing, by MNEs), the core marketing tasks firms need to undertake are the same. However, the locus of the key marketing activities carried out as part of the core marketing tasks as well as the extent to which these activities are undertaken

[47] Export marketing centres on the marketing of products exported to an international market and commonly involves a more basic level of marketing (see, e.g., Noonan, 1999).

[48] Having emerged since the 1980s, global marketing is based on the rationale that individual international markets are best developed in unison and in line with a single overarching marketing strategy. By designing and implementing a global marketing strategy (for a product or for the entire firm), a firm can leverage communalities across markets and potentially offer better products at lower cost while still adapting elements of the marketing mix as necessary to local market conditions (Gillespie and Hennessey, 2011). This approach encourages - but does *not* restrict firms to - marketing standardisation. Although some proponents of the global marketing approach also argue that marketing standardisation is part and parcel of the approach, others take a more pragmatic perspective and hold that whether a firm should standardise elements of its marketing mix in relation to an international market as opposed to adapting these to the market should be contingent on various factors, including the profit implications of this. This pragmatic approach, referred to in the literature as the 'contingency perspective' of marketing standardisation, seems to be in line with that taken by MNEs (e.g., Yip, 1997, 161).

differ. Where global marketing is concerned, key marketing activities are commonly carried out to the extent required by firms themselves, the firms typically being large MNEs. As for export marketing, undertaken mainly by SMEs, the activities are commonly carried out primarily or partly by distributors and other foreign market intermediaries (frequently inadequately, not least because "a foreign distributor's motivation to perform local marketing tasks for an exporter is often poor" - Obadia, Bello, and Gilliland, 2015, 960). The most fundamental reason for this is the lack of the requisite marketing ability on the part of the exporters.

Another commonality of the various approaches to international marketing is that the marketing associated with the approaches allows for marketing to be locally relevant. This means that the approaches represent a way for firms to engage with customers at their, local level and to be relevant to them. Regardless of how marketing activity is labelled ('domestic' or 'international', 'export' or 'global') it is essentially about offering products of value to actual and potential customers. The fact that customers may be located in country markets other than firms' domestic markets does not change this. Firms still undertake marketing to offer products to these customers that meet or exceed their expectations and to add value for them. For firms to fully understand the requirements of customers located elsewhere and to meet these just as well as if the customers were located in their home countries, the marketing that they carry out needs to be at least partly at the level of the customers (i.e. at the local level) and to various extents accommodate needs, demand, and behaviour that may differ from those of customers elsewhere[49]. Only this way can firms ensure that they are locally relevant.

Engaging in marketing that is locally relevant - such marketing, according to Kotler, representing a starting point for good marketing[50] - does not mean that firms have to

[49] This also means coping with the inherent differences in culture, language, laws, economic development, and other macro-environmental factors that gave rise to these variations. Together with other forces, all of these differences result in unique marketing environments. Although there may be similarities between particular country markets, for these reasons the marketing environments of two countries cannot be identical.

[50] Kotler recently stated that "I start with the premise that all good marketing is *local*" (Mitra, 2013, emphasis added).

adopt a multidomestic marketing orientation whereby their primary objective is to respond to unique market conditions. It also does not preclude them from having a high degree of marketing standardisation. It may, however, mean that these have to adapt their marketing programmes and mixes in some way (marketing adaptation will be discussed in section 2.6.3).

Further details about the nature of international marketing are offered by international marketing textbooks (such textbooks being "the vehicle through which the body of knowledge in IM [international marketing] is conveyed" - Samiee, 1997, 545). Besides illustrating the similarities between domestic marketing and international marketing, these also point out their differences, including the context in which marketing takes place and its execution.

1.6 Theoretical Underpinning of the Research: The Resource-Based View (RBV)

The 'resource-based view' (RBV)[51] provides an appropriate and solid theoretical foundation for the present study. The reasons for this will be set out in sections 1.6.2. and 2.4.2.

Table 1.3 on page 44 gives an overview of the discussion relating to the RBV in this chapter and subsequently.

1.6.1 The RBV

The RBV applied in relation to the present study is the 'core' RBV. This differs from offshoots of the RBV that include the 'dynamic capabilities perspective'

[51] The RBV is increasingly referred to by scholars as 'resource-based theory'. This term is traditionally used to refer *collectively* to the RBV, to its offshoots such as the dynamic capabilities perspective (e.g., Teece, Pisano, and Shuen, 1997) and the knowledge-based view (Grant, 1996), and to other resource-centred theories/perspectives/approaches of/to the firm. The term is used here in this, traditional sense.

Area/ Topic	Thesis Section (page)	Associated Figure/Table (page)
The RBV.	1.6.1 (43)	
Reasons for application of RBV.	1.6.2 (47) 2.4.2 (98)	
Applicability of RBV to SMEs.	1.6.3 (48)	
Criticism of RBV.	1.6.4 (50)	
Fundamental tenets and concepts of RBV.	2.4.2.1 (102)	Figure 2.3 (103) Figure 2.4 (103) Figure 2.5 (103) Figure 2.6 (118)
RBV explanation for entry mode choice*.	2.4.2 (98) 2.4.2.2 (121)	Figure 2.7 (128)
Limitations of RBV explanation for entry mode choice*.	2.4.2.3 (129)	
RBV explanation for influence on entry mode choice* of: (i) marketing capabilities; (ii) language skills; (iii) market knowledge; (iv) product differentiation; (v) marketing adaptation; (vi) market importance.	 2.5.3.3 (173) 2.5.4.2 (184) 2.5.5.2 (196) 2.6.2.2 (225) 2.6.3.2 (244) 2.6.4.2 (249)	 Table 2.7 (179)

RBV = Resource-Based View.
*between independent and collaborative entry modes.

Table 1.3 – Discussion in Thesis of Resource-Based View

(Teece et al, 1997), the 'knowledge-based view' (Grant, 1996), and the 'relational view' (Eisenhardt and Schoonhoven, 1996; Dyer and Singh, 1998). It also differs from certain extensions to the RBV suggested by some scholars based on the relaxation of various assumptions made by the theory[52].

The ('core') RBV is a young theory[53] of the firm (Barney et al, 2011) that is still developing. Mooted by Wernerfelt (1984) and others, the RBV was formalised by Barney (1991) through the integration of various resource-based contributions (including those of Penrose, 1959; Rumelt, 1984; Wernerfelt, 1984; Barney, 1986a & 1986b; Dierickx and Cool, 1989). The RBV, which explicitly draws on economics[54,55], has been developed or informed since by the work of a sizeable number of scholars (including Conner, 1991; Grant, 1991; Mahoney and Pandian, 1992; Amit and Schoemaker, 1993; Peteraf, 1993; Sirmon, Hitt, and Ireland, 2007) and continues to attract a steady stream of contributions. In the course of its short history, the RBV has become an important theory of management that is now widely applied in various management subfields including marketing. While the influence of the RBV on marketing scholarship has been less pronounced than that on strategic

[52] Such as the extension proposed by Lavie (2006) relating to the 'interconnected firm', which represents, in part, a conciliation of the RBV and the 'relational view'.

[53] The earlier lack of consensus among scholars as to whether the RBV represents a theory, perspective, approach, etc (Moldaschl and Fischer, 2004; Acedo, Barroso, and Galan, 2006) appears to be giving way to the view that it represents a theory. Barney, Ketchen Jr., and Wright (2011) justify the RBV being considered a theory and it being referred to as 'resource-based theory'.

[54] The RBV has its roots in the work of economists that include Ricardo (1817), Penrose (1959), and Demsetz (1973) (Barney and Arikan, 2001; Ordóñez de Pablos, Peteraf, and Ventura Victoria, 2007). Foss (Foss, 1998; Foss and Mahnke, 2000; Foss, 2005), maintaining that the RBV has a basic neoclassical economic orientation and that it is an application of equilibrium price theory (specifically the price theory espoused by the Chicago and UCLA schools of economics), argues that the most important inspiration for the RBV - at least for the 'core' RBV as represented by the works of Barney (1991), Peteraf (1993), Peteraf and Barney (2003), and others - was the work of Demsetz, not, as is widely assumed, that of Penrose. In line with Foss' argument, Rugman and Verbeke (2004a) state that Penrose never intended to develop prescriptions aimed at helping firms earn economic rents, the achievement of these being the focus of the RBV.

[55] As to the RBV's place in economics, some scholars (e.g., Mahoney and Pandian, 1992; Silverman, 2002; Mahoney, 2005) maintain that the RBV can be considered a branch of organisational economics, along with the behavioural theory of the firm, agency theory, property rights theory, and transaction costs theory. Despite its economic underpinnings and influence among management scholars, the RBV has received comparatively little attention in the field of economics (Lockett and Thompson, 2001).

management (where it has become the dominant perspective)[56], its application by marketing academics has increased markedly in recent years (an overview of this is provided by Kozlenkova, Samaha, and Palmatier, 2014)[57].

Put forward to provide a *firm*-based explanation as to why some firms persistently outperform others, the RBV differs markedly to the *industry*-based explanation for superior firm performance and profitability offered by Porter (1980, 1985) and other management scholars following Bain-type industrial organisation (IO) thought and its structure-conduct-performance (SCP) paradigm (Bain, 1956, 1959). The work of Porter[58] and other researchers taking what is referred to as the positioning approach within strategic management thought (Mintzberg, 1990) adopt an *external*, market oriented view to explain competitive advantage and to account for superior firm performance and profitability, primarily attributing these to industry or market structure[59]. Conversely, the RBV perspective of competitive advantage adopts an *internal*, firm-based view to explain the same phenomena, ascribing these to the idiosyncratic resource attributes of firms[60]. Whereas Porter's competitive strategy framework essentially views the firm as a bundle of activities (Spanos and Lioukas, 2001), the RBV regards it as a unique bundle of resources[61].

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[56] Strategic management scholars have been the driving force behind the development of the RBV. The efforts of these scholars, including those of Barney (Borchert, 2008), have not focused on marketing areas.

[57] Highlighting that the RBV is not a stranger to marketing scholars, particularly not where marketing strategy is concerned, Wernerfelt (2014, 22 and 23) notes that "much contemporary marketing thought is already consistent" with the RBV and that the theory is "implicitly used in all marketing texts which state that the 4Ps (product, price, promotion, and place) should be chosen in light of some number of 'Cs', whenever 'competition' and 'company', 'capabilities', or 'competencies' are included as Cs".

[58] Porter's contributions differ from traditional IO theory and the structure-conduct-performance paradigm in several ways. The differences are discussed by Spanos and Lioukas (2001).

[59] Such a perspective is, following the emergence of the RBV, referred to by some scholars as the 'market-based view' (e.g., Makhija, 2003) or the 'industry-based view' of the firm (e.g., Peng, 2006). The work of Porter, being central to this, is often specifically referred to as the 'competitive strategy perspective' (e.g., Spanos and Lioukas, 2001) or the 'activity-based view' of the firm (e.g., Sheehan and Foss, 2007).

[60] As to whether firm resources are more important than industry factors in accounting for variations in firms' performance, research (e.g., Galbreath and Galvin, 2008) indicates that this may be so.

[61] Some scholars (e.g., Spanos and Lioukas, 2001; Sheehan and Foss, 2007) regard the positioning approach (the market-based view) and the resource-based view, despite being at odds concerning the origin of sustainable competitive advantage, as complementary. This is due to the focus of the positioning approach on *industry* factors (in effect, the opportunities and threats external to a firm) and of that of the RBV on *firm* factors (strengths and weaknesses caused by internal factors) apparently being parallel to each other. According to Peteraf and Barney (2003), the RBV is not a substitute for but rather a complement to industry-level analytical tools such as Porter's Five Forces Analysis

1.6.2 Reasons for Application of RBV

The ('core') RBV is a contingency theory of organisations (Ketchen, Hult, and Slater, 2007[62]). The theory provides various explanations relating to firms, including why they differ (Barney et al., 2012), not least in terms of the strategies they implement and their performance in relation to domestic and international markets.

Of importance to the present study (which investigates the influence of specific marketing resource and strategy factors on SMEs' entry mode choice), the RBV explains the international market entry mode choice of firms (whose existing resources influence their entry mode decisions - Helfat and Lieberman, 2002), specifically their choice between independent and collaborative modes. Crucially, the theory's explanation applies to SMEs and also emphasises the influence of the marketing resource factors (marketing capabilities; language skills; market knowledge) and marketing strategy factors (product differentiation; marketing adaptation; market importance) under consideration here. In view of this, the RBV provides an appropriate theoretical foundation for the study. When compared with other major theoretical explanations for entry mode choice (five such explanations will be discussed in section 2.4.1; the advantages of applying the RBV in the case of the present study instead of these explanations will be outlined in section 2.4.2), it would appear that the theory provides the most appropriate explanation.

The application of the RBV to the present study follows other research relating to international business (as discussed by Peng, 2001) and IB subfields that include international marketing (Kozlenkova et al, 2014), exporting (Balabanis, Theodosiou, and Katsikea, 2004; Katsikeas, Leonidou, and Samiee, 2009), and small firm internationalisation/international entrepreneurship (D'Angelo and Warner, 2010). These are all subject areas in relation to which the RBV has been widely applied and,

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(Porter, 1980). More generally, it is evident that the RBV cannot be separated from a firm's external environment since the theory inextricably links its resources with the markets a firms competes in (Collis and Montgomery, 1995).

[62] Ketchen et al (2007) believe that the RBV is a contingency theory much like strategic choice, agency theory, and transaction cost economics.

in some cases, become the dominant theory (e.g., export performance research - Kaleka, 2012). These (and other) areas also host the scholarly research relating to international market entry modes (entry modes being embedded in[63] or related to these subject areas). In view of this and of the RBV's ability to explain firms' entry mode choice, it is not surprising that entry mode researchers have increasingly adopted the theory as a theoretical lens (even if, as will be seen, few such scholars have actually applied the 'core RBV' in line with the theory's core tenets and associated key concepts) and that they have indicated the need or called outright for the theory's greater application to entry mode studies pertaining to SMEs (Brouthers and Hennart, 2007; Laufs and Schwens, 2014).

1.6.3 Applicability of RBV to SMEs

The ('core') RBV is applicable to SMEs[64,65]. This is so even with respect to the smallest of firms, micro enterprises. According to Kelliher and Reinl (2009, 525):

> "The resource-based view is of particular relevance in the micro-firm context, as it contends that long-term firm survival is contingent on a business' unique offerings, and the development of this uniqueness over time through nurturing the firm's core competencies."

Although many SMEs do not appear to have a unique offering or a clear competitive advantage and so do not have an obvious reason for succeeding in product markets (e.g., Hagen et al., 2012), to survive and flourish in the long-term smaller firms - like their larger counterparts - need to attain competitive advantage by possessing and

[63] According to Welch et al (2007), entry modes are embedded in many IB-related subject areas, including in international management, international marketing, international strategy, and international human resource management.

[64] Shepherd and Wiklund (2005, 7) hold that the RBV provides a solid theoretical foundation for the resources SMEs control or have access to being important to their growth and performance and that the theory "offers explanations as to why those small businesses that can access particular resources acquire an advantage over other small businesses, which allows them to grow and perform well".

[65] As far as entrepreneurship is concerned, the RBV has been applied to the study of this (e.g., Alvarez and Busenitz, 2001). The theory regards the entrepreneurial firm "as the means of transforming homogeneous inputs into heterogeneous outputs" (Alvarez and Barney, 2002, 90). Although work on the micro-foundations of the RBV has begun in earnest, extending to key aspects of entrepreneurship (e.g., cognitive aspects of entrepreneurs) (Barney et al, 2011), the RBV still focuses on firms' possession of resources (including capabilities) rather than on the origins of the resources (Barney, 2001; Alvarez and Barney, 2010). Consequently, its usefulness in explaining entrepreneurship is limited (Kraaijenbrink, Spender, and Groen, 2010).

effectively exploiting strategic resources[66] (Barney, Wright, and Ketchen Jr., 2001). Thus, the tenets and concepts of the RBV (which will be presented in section 2.4.2.1) are fully relevant to smaller firms.

Resource constraints, widely seen as limiting small firms' strategic options (indeed, SMEs appear to fit their strategies to their resource profiles - Edelman, Brush, and Manolova, 2005), do not have to be an obstacle to the achievement of competitive advantage. Firms without strategic resources to exploit can collaborate with others to overcome resource deficiencies; of importance is the possession (if only on a temporary or semi-permanent basis) and exploitation of strategic resources rather than their ownership. Thus, "all firms (both those that have access to a wide array of resources and capabilities and those that do not) seem to have an equal opportunity to succeed" (Newbert, 2008, 762). That even the smallest firms can, according to the RBV, achieve competitive advantage is underscored by a firm only needing to generate more value for consumers than the *least* efficient competitor capable of breaking even rather than having to be the best performer in a product market (thus, competitive advantage may be held by several or many firms) (Peteraf and Barney, 2003). This applies to product markets regardless of their location and would explain why SMEs can compete as effectively as large firms - or even more so - in both domestic markets (e.g., Matear et al., 2004; Terziovski, 2010) and in international markets (e.g., Autio, Sapienza, and Almeida, 2000; Johnson and Tellis, 2008).

Although surprisingly little research has been undertaken to "uncover the resources which small firms possess or utilize to gain competitive advantage" (Runyan, Huddleston, and Swinney, 2007, 391), empirical studies indicate that the competitiveness of SMEs is based on their flexibility, organisational design, human capital, and on three basic capabilities - namely innovation capability (the ability to develop new products and processes and achieve superior technological and/or management performance), production capability (ability to produce and deliver products to customers while ensuring competitive priorities such as quality,

[66] According to the RBV, strategic resources are resources (including capabilities) that are valuable, rare, and inimitable. Such resources will be discussed later.

flexibility, lead time, cost, etc), and marketing management capability (ability to market and sell products effectively and efficiently) (Rangone, 1999; Aragón-Sánchez and Sánchez-Marín, 2005).

As far as the resources allowing SMEs to attain competitive advantage in international markets is concerned, there is also a dearth of research into this important topic. This is especially surprising since it is "increasingly argued that the success of smaller firms also often depends on their ability to sustain a competitive advantage in foreign markets" (Spence, Manning, and Crick, 2008, 413) and that competitive advantage "lies at the heart of the firm's international success" (Chetty and Wilson, 2008, 8)[67]. The research that has been carried out specifically into SMEs' competitive advantage in relation to international markets indicates that this is based largely on their innovation and production capabilities, reputation, external and internal relationships, and organisational processes (Mockaitis et al., 2006; Chetty and Wilson, 2008) and that these and other strategic resources are reflected in their product offerings in international markets (Ibeh et al, 2009). Other research into SME internationalisation, including that relating to international new ventures (including 'born globals'), suggests that human capital (in the form of the entrepreneur or the management team) and knowledge also represent key strategic resources (e.g., Reuber and Fischer, 1997; Westhead, Wright, and Ucbasaran, 2001; Knight and Cavusgil, 2004).

1.6.4 Criticism of RBV

The ('core') RBV is not without its critics. The theory has been the subject of extensive scrutiny and debate in strategic management, the domain where it emerged to become the dominant paradigm. The criticism levelled at the RBV has been thoroughly reviewed by Kraaijenbrink et al (2010, 349), whose assessment is that

[67] Ibeh et al (2009, 93, emphasis in original) also highlight the need for more such research by pointing out that certain resources may be particularly important to smaller firms' success in international markets: "…instead of perpetuating the view that *SMEs equals resource poverty,* more effort is made at identifying the resources empowering an increasing number of these firms to behave in some ways like conventional MNEs despite their limited overall resource endowments".

"the RBV's core message can withstand criticism" quite well from most of its principal critiques but not from those relating to the nature of the core concepts of 'resource' and 'value' being indeterminate as well as not from the critique about the theory's conceptualisation of firm competitive advantage being too narrow. The authors contend that this calls for the further theoretical development of the RBV. They suggest that such development involves moving "the RBV's agenda into the inherently dynamic Austrian [economic] framework[68], *not* by accentuating the rather unfortunately labelled 'dynamic capabilities'" (Kraaijenbrink et al, 2010, 367, emphasis added).

Considering the RBV's rapid emergence and its ongoing development, the theory is likely to evolve further in the coming years. This may result in the aforementioned specific criticisms being resolved. Whether its future evolution will lead to the RBV being based more on Austrian economics, or being integrated with the emerging 'demand-side approach' in strategic management as suggested by Priem, Li, and Carr (2012), or in other states put forward by other RBV theorists and critics, remains to be seen. The ongoing development of the RBV will only strengthen a theory that, despite of its current weaknesses, provides an appropriate theoretical foundation for the present study. In the words of Kozlenkova et al (2014, 19), who label the RBV as RBT (resource-based theory):

> "…the rapid expansion of RBT-related research and evolution of RBT through clarification, adjustment, and modification continues to increase its applicability and breath. We anticipate that RBT will keep evolving and changing, leading to increased explanatory power and generalizability."

[68] Foss and Ishikawa (2007) also suggest that the RBV should draw more explicitly on Austrian economics (typical themes of which include disequilibrium market process and the entrepreneur's role in that process) so as to become a 'dynamic resource-based view'.

1.7 Research Method

The present research had four mains stages, two empirical phases, and employed the interview and the survey as research methods.

The first stage of the research involved the review of the extant literature, whereby relevant literatures (besides the entry mode literature this included the wider international business literature, including the international marketing, international distribution channels, exporting, and small firm internationalisation/international entrepreneurship literatures) were reviewed carefully and critically. This allowed for a thorough understanding of the research area and problem to be arrived at. The review also provided the foundation for the development of the hypotheses. The hypotheses were developed during the second stage of the research, which involved further synthesis and an analysis of current knowledge concerning the influence on SME entry mode choice of the six marketing factors with which the study is concerned. This knowledge, embedded in the literature reviewed during the first research stage, was complemented by insights obtained through exploratory interviews undertaken during the first empirical phase of the research. During the third research stage, the hypotheses were tested. To enable this testing, a large-scale survey was undertaken as part of the second empirical research phase. The associated work included the development (including testing) of a survey instrument, the administration of the survey, and, following this, the statistical analysis of the data. The fourth and final research stage involved intense reflection about the results of the hypothesis testing, including about their wider implications (for theory, etc).

As indicated, during the first empirical phase of the research (Empirical Research Phase 1) exploratory interviews were undertaken, while the second, main empirical phase (Empirical Research Phase 2) saw quantitative data being collected through a large-scale survey. This particular research design allowed for the obtainment of insights and data necessary for the research problem and questions (outlined in sections 1.2 and 1.3 respectively) to be addressed and for the hypotheses to be developed and tested.

The two research methods employed - the interview and the survey - were deemed the most suitable research methods. The interviews assisted with the development of the hypotheses by offering valuable insights into the influence of marketing factors on SMEs' entry mode choice. The survey was the means by which the data needed for the testing of the hypotheses were collected.

Further details about the research methodology and methods are provided in Chapter 3.

1.8 Structure of the Thesis

The remainder of this thesis consists of five chapters. These are organised as follows:

In Chapter 2 (entitled "Literature Review") the influence the literature suggests key marketing factors have on the international market entry mode choice of SMEs, more specifically the influence of the focal marketing resources and marketing strategy variables on the firms' choice between independent and collaborative entry modes, is reviewed and appropriate hypotheses stated. Also reviewed here are the nature of entry mode choice, the range of factors influencing this important managerial decision, and the major theoretical explanations - including that of the resource-based view (RBV) - put forward for this.

In Chapter 3 ("Methodology") the methodology of the research is presented. The research methodology is discussed after the philosophy that guided the research, including the formulation of the methodology, is outlined. The discussion of the methodology includes, among various points, the design and process of the research and the particular research methods employed. Following on from this is a review of the rationale for and nature of the empirical research that was undertaken in two phases. It is here that details about the exploratory interviews and the survey that were conducted are provided, including about the interview and survey processes, the

firms that participated in these and their selection, and the instruments employed to capture relevant data and insights. The outcome of the interviews is also discussed there (the data resulting from the survey and their analysis are discussed in Chapter 4).

Chapter 4 ("Quantitative Data Analysis and Results") reviews the statistical analysis performed in connection with the survey and details the nature of the analysis of the survey data and the results of this analysis. After the preliminary analysis that was undertaken (including assessments of the sample, respondents, and measures employed) and the results of this are discussed, the descriptive analysis and the various characteristics of the sample (including the firms' demographic characteristics and those pertaining to their international market entry mode choice and marketing resources and strategy) are reviewed. Thereafter, the results of the hypothesis testing are outlined, including the empirical support offered to the hypotheses by the survey data.

Chapter 5 ("Discussion") features a comprehensive discussion of the results of the quantitative data analysis, more specifically of the hypothesis testing. As part of this, the findings of the hypothesis testing are reviewed and their implications discussed in detail; the findings relating to the control variables are also examined thoroughly. Where the empirical (survey) data appear to confirm the expected influence of a focal factor on SMEs' choice between independent and collaborative entry modes for their international markets, the reasons for the factors' impact are discussed. For those factors whose expected influence on the entry mode choice decision in question as suggested by the RBV and the literature differs from their actual influence as indicated by the survey data, potential explanations for this are offered. Also in this chapter, the key findings of the research are presented and discussed.

In the final chapter, Chapter 6 ("Conclusion and Recommendations"), the research problem, objectives, and questions are revisited before the key findings of the study are summarised. Thereafter, the contributions of the study are reviewed. The implications of the research in terms of its theoretical and managerial implications

are then discussed and practical recommendations for SMEs managers offered. Subsequently, the limitations of the study are outlined and avenues for future research suggested.

Chapter 2 -
Literature Review

2.1 Introduction

The study investigates the influence of key marketing factors on the international market entry mode choice of SMEs, more specifically the influence of seemingly important marketing resources and marketing strategy variables on the firms' choice between independent and collaborative entry modes (Figure 1.3 on page 26 provides an overview of the variables concerned). In this chapter, the influence the literature suggests these factors have on this choice is reviewed and appropriate hypotheses stated. Also reviewed here are the nature of entry mode choice, the range of factors influencing this important managerial decision, and the major theoretical explanations - including that of the resource-based view (RBV) - put forward for this.

The present chapter has four parts. The first part of the chapter (represented by sections 2.2 and 2.3) is concerned with entry mode choice and the various factors influencing this. After an overview of the nature of entry mode choice by firms that touches on their choice of initial and subsequent modes for international markets as well as their choice of multiple entry modes (i.e., of entry mode combinations) for these is presented (in section 2.2), the range of factors that can influence firms' choice of entry modes is examined (in section 2.3). As will be seen, these factors can be grouped in terms of entry mode attributes, entry mode bias by firms, other firm factors, product characteristics, and market characteristics (those of both domestic and international markets).

In the second part of this chapter (section 2.4) major theoretical explanations for firms' entry mode choice are discussed. As part of this, firms' choice between

independent and collaborative modes (the particular mode choice with which this study is concerned) is examined from the perspective of the RBV (in section 2.4.2).

In the third part of the chapter (sections 2.5, 2.6, and 2.7) the insights the entry mode and other relevant literatures offer concerning the influence the key marketing factors under investigation here assert on SMEs' choice between independent and collaborative entry modes are reviewed. In the absence of a significant body of relevant empirical research in this context for most of the focal variables, the examination extends to the insights provided by the RBV.

The review of the literature on the focal marketing factors' influence on SMEs' independent-collaborative mode choice (constituting the third part of the chapter) consists of three segments:

The first segment (hosted by section 2.5) is dedicated to marketing resource factors. It is here that the key marketing resource factors investigated by the study (the factors are marketing capabilities, language skills, and market knowledge) are examined. After the nature and importance of marketing resource factors in general and of the three focal marketing resource factors is reviewed, the influence of the three factors on SMEs' choice between independent and collaborative entry modes as suggested by the RBV and the entry mode and other literature is discussed. On the basis of this, hypotheses concerning the influence of the focal marketing resource factors on this choice are then stated.

The second segment of the literature review relating to the focal marketing factors (section 2.6) pertains to marketing strategy factors and features an examination of the marketing strategy factors under investigation (these being product differentiation, marketing adaptation, and market importance). As with the marketing resource factors in the first segment of the review, the nature and importance of marketing strategy factors in general and of the three focal marketing strategy factors is reviewed before the influence of these three factors on SMEs' selection between independent and collaborative entry modes as suggested by the RBV and the entry

mode and other literature is discussed. Hypotheses relating to the impact of the focal marketing strategy factors on this choice are then stated on the basis of this.

In the third segment of the literature review relating to the focal marketing factors (section 2.7), the expected influence on SMEs' choice between independent and collaborative entry modes of the marketing resource and strategy factors under consideration - the respective influence having been discussed in the first and second segments of the review pertaining to the focal factors - is summarised.

In the fourth and final part of the chapter (section 2.8) selected other factors that can impact the mode choice under consideration and which are also examined here due to their particular relevance are briefly discussed and, where appropriate, relevant hypotheses stated.

2.2 Entry Mode Choice

In this, the first part of the chapter, an overview of firms' entry mode choice is presented (in the current section) and the range of factors that can influence this choice is examined (in section 2.3).

Although firms seeking to enter and develop international markets have more than a dozen individual entry modes to choose from, when selecting an entry mode a firm typically only considers a small number of modes. Another important aspect of entry mode choice by firms is that modes are selected at the time a firm first enters an international market and changed as necessary post-entry. A further such aspect is that mode choice is not limited to the selection of one entry mode; firms frequently employ two or more modes to develop an international market, forming combinations of entry modes in the process. These three aspects of entry mode choice will be discussed in the following sections, which respectively relate to the nature of entry mode choice (section 2.2.1), the choice of initial and subsequent entry modes (2.2.2), and the choice of entry mode combinations (2.2.3).

2.2.1 Nature of Choice

In the context of international market development (with which this study is concerned), the choice by a firm of an entry mode represents a decision by it as to the method of market entry and development to employ in relation to a particular international market. This decision, which may be closely linked to or interrelated with other decisions pertaining to an international market (e.g., the selection of the market[69]), is influenced by various factors (these will be discussed later).

As indicated by Figure 2.1 on page 60, the factors influencing entry mode choice affect the mode choice decision directly. They also impact the composition of the 'set' of entry modes that a firm actually considers and compares in making its mode decision.

Firms generally consider a limited number of individual entry modes when choosing a mode, with the actual number of potential modes taken into account usually being small (Benito, Petersen, and Welch, 2009). This is because the aforementioned factors result in particular entry modes being more suitable than other modes given the specific circumstances of a situation when a firm makes an entry mode decision (e.g., the limited potential of an international market may make investment modes unviable in relation to that market). Another reason that firms consider a limited mode set is due to their bias for or against particular modes, such bias arising from their past experience of using individual entry modes (entry mode bias will be discussed in section 2.3.2).

In many cases firms do not actually compare and choose from different entry modes but only consider the viability of entering and developing an international market

[69] Entry mode researchers generally consider the entry mode decision to be a separate and distinct one (Whitelock and Jobber, 2004). Few such scholars (e.g., Koch, 2001b) explicitly suggest that the entry mode and other decisions relating to an international market for which a mode is employed are parts of *one* decision process.

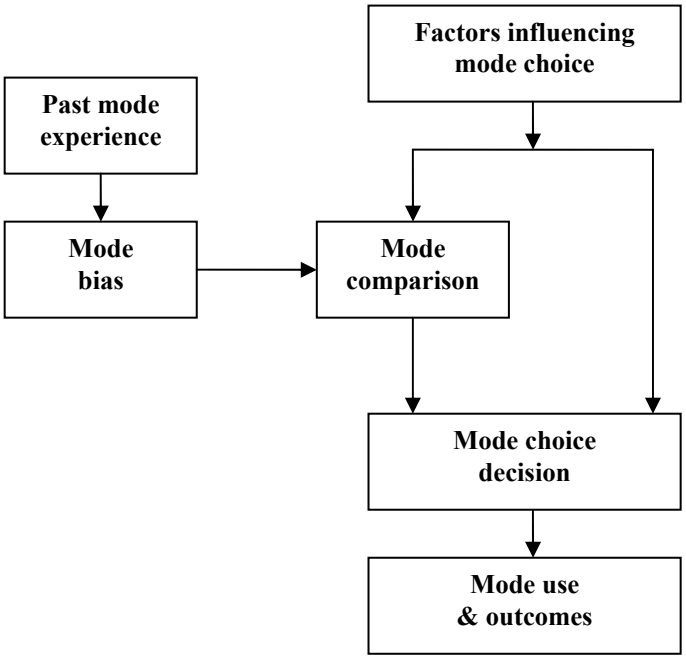

Figure 2.1 – Entry Mode Choice

Source: Author, adapted from Benito et al (2009, 1465)

through a particular individual entry mode or mode type. This is because a firm may have a preferred mode or mode type that it seeks to use in all international market entries (such 'default mode' will also be discussed in section 2.3.2). It may also be that a situation arises where the entry mode is effectively pre-selected (e.g., a firm may be approached by another with a request to license its intellectual property in relation to an international market).

2.2.2 Choice of Initial and Subsequent Entry Modes

Entry modes are chosen by firms at the time they enter international markets as well as when they are already developing these and decide to change modes. The initial selection of an entry mode (or of more than one mode) in relation to a particular international market precedes a firm's entry into that market. The subsequent selection of an entry mode (or modes) for the same international market is related to the change of the mode initially chosen and used by the firm to enter and develop the market. Mode changes usually take place post-entry.

Mode changes[70] are made by firms when a different mode (or combination of modes) is more appropriate for the activity undertaken in a market than the mode previously chosen (Calof and Beamish, 1995; Clark and Mallory, 1997; Okoroafo, 1997; Petersen, Welch, and Nielsen, 1999; Swoboda et al., 2006). According to Welch et al (2007), mode changes are due to one of two reasons. The first reason is the correction by a firm of managerial misjudgements about the viability of the initial entry mode (i.e., the initial mode was inappropriate to begin with). The second, more common, reason is the adaptation by a firm to new circumstances where markets, firms (including the focal firm), and other factors are concerned (i.e., the initial mode became less appropriate over time); changes in circumstances lead to firms redefining their level of involvement in international markets, altering their activities in them, and, thus, using different entry modes in relation to these.

[70] Besides changing entry modes, firms also carry out 'within-mode' changes. These can take various forms (such as the replacement of an existing foreign market intermediary) (e.g., Petersen, Welch, and Nielsen, 2001; Benito, Pedersen, and Petersen, 2005; Benito et al, 2009).

Depending on the nature of the change and other factors, changing an entry mode may be difficult and costly for a firm. The challenges and expense associated with switching modes can be greater than anticipated, especially where a particular mode has been employed for a considerable time and long-term business practices and relationships need to be altered or abandoned as a consequence of the mode change[71]. In terms of the costs involved in ending the use of an existing entry mode and the adoption of a new mode (the 'take-down' and 'set-up' costs), these include actual costs, revenue losses, and perceived costs (e.g., the loss of managerial prestige) - Benito, Pedersen, and Petersen (1999).

2.2.3 Choice of Entry Mode Combinations

When selecting entry modes at the time of market entry or thereafter, firms choose one or more modes. A firm can use more than one mode in relation to an international market and thus employ a combination of modes in order to put into place the institutional arrangements necessary for the value chain activities it seeks to undertake, or have undertaken, in relation to an international market; such activities may be impossible, be restricted, or be suboptimal with the use of only one entry mode.

Petersen and Welch (2002) and Welch et al (2007) suggest several specific reasons for a firm using mode combinations in relation to an international market. These include the operation of different business activities (or value chains) in an international market, the serving of multiple customer segments in the same industry/market within an international market (for example, a firm may serve major customers directly but engage agents/distributors to handle minor ones), and the facilitation of different activities in the same value chain carried out in an

[71] For example, a firm exporting directly to an international market through an agent that decides to do so only through a (new) sales subsidiary it establishes in the market may find that the cost of switching modes is not limited to establishing the subsidiary but are also added to by the (potentially considerable) compensation the agent is entitled to under local laws as a consequence of the business relationship being terminated.

international market (e.g., a firm may license the manufacturing of one of its products to another firm but carry out marketing and sales on its own through a subsidiary).

Although the use of multiple modes and, hence, of mode combinations by firms appears to be widespread (e.g., Valla, 1986; Clark, Pugh, and Mallory, 1997; Dimitratos, Ibeh, and Wheeler, 2003), some types of arrangements integrating multiple entry modes are not easily recognised as mode combinations. For example, in the case of direct international franchising a franchisor may license a franchisee in an international market, export supplies to the franchisee on a regular basis, and make investments in the market to develop the franchise 'package' for that market (Burton and Cross, 1995); these market development activities by the franchisor involve the use of at least three entry modes that in combination represent a particular mode combination.

2.3 Factors Affecting Entry Mode Choice

The entry mode literature suggests that numerous factors can influence the choice by firms of international market entry modes[72]. As illustrated by Figure 2.2 on page 64, the factors that can directly and indirectly affect mode choice include the attributes of entry modes, the bias by firms towards particular modes, factors relating to the characteristics of firms and their products (i.e. internal/firm factors), as well as those pertaining to their home and international markets (external/environmental factors).

The actual factors influencing the choice of an entry mode by a firm as well as the relative importance of each of these factors can vary by firm and can also differ over time for a particular firm. This is because the specific circumstances of situations

[72] Entry mode researchers have long been aware of the large number of factors that could possibly affect firms' mode choice. For example, Goodnow (1985, appendix I) lists 140 such factors.

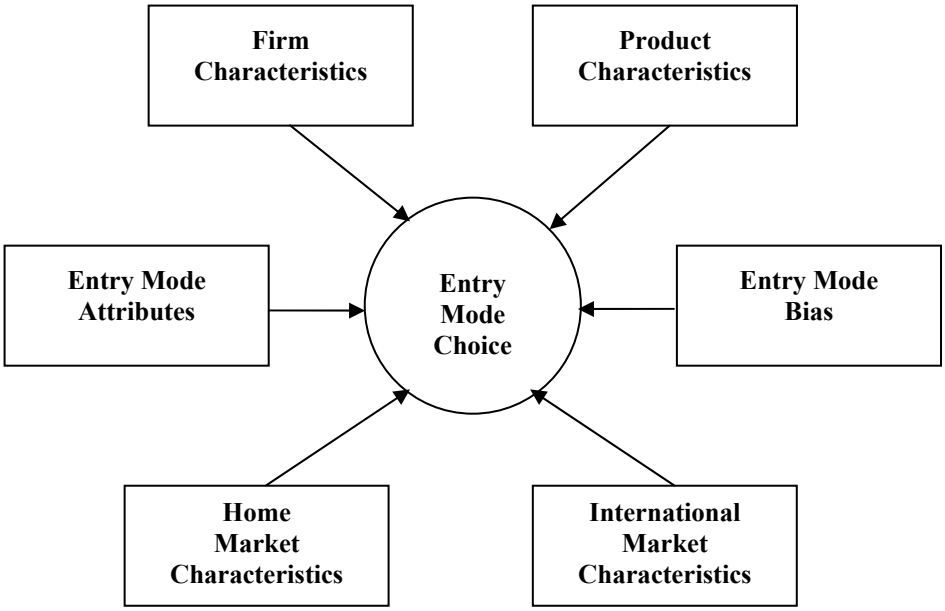

Figure 2.2 – Factors Influencing Entry Mode Choice

Source: Author.

when firms make an entry mode decision inevitably vary. No two firms are in the exact same situation when choosing an entry mode for international markets since the characteristics of the respective firms, their products, their domestic markets, and the international markets for which they are selecting an entry mode will differ. As to the mode choice of a particular firm, the same characteristics will also vary over time so that the individual factors that affect its mode selection at one point in time may be different or may be of greater or lesser significance at another point. Thus, no two market entries - of different firms or of the same firm - are exactly alike.

In view of the foregoing, it is not surprising that empirical studies relating to the factors influencing firms' choice of entry modes have (as will be seen in sections 2.3.3 and 2.3.4) arrived at contradictory findings as to the impact of individual factors relating to firm, product, home market, and international market characteristics (Sarkar and Cavusgil, 1996; Datta, Herrmann, and Rasheed, 2002). Also contributing to the equivocal findings about the importance of these individual factors are the different entry mode factors put forward by the various theoretical explanations for mode choice (major theoretical explanations will be discussed in section 2.4). Consequently, generalisable conclusions about the applicability and significance to firms of the aforementioned individual entry mode factors cannot easily be drawn.

Discussed in the following section is the influence on entry mode choice of the attributes of entry modes. In the subsequent section (2.3.2), the bias firms have towards particular modes are examined. This is followed by a discussion of the impact on mode choice of factors relating to the characteristics of firms and their products (in section 2.3.3) as well as of those pertaining to their home country and international markets (in 2.3.4). Thereafter, the major theoretical explanations for entry mode choice and the factors these suggest as being of importance are examined (in section 2.4), including the explanation and factors suggested by the resource-based view (RBV) (in 2.4.2).

2.3.1 Entry Mode Attributes

Every entry mode makes resource demands on a firm employing it, has risk implications for the firm, a control aspect, and performance implications; it may also have a collaboration aspect. The resource, risk, control, collaboration, and performance characteristics of entry modes - such characteristics representing the underlying dimensions of entry modes (Driscoll and Paliwoda, 1997) - differ significantly between individual modes and invariably impact entry mode choice. In the words of Ji and Dimitratos (2013, 996):

> "...international entry mode choice is a multi-faceted decision involving the assessment of risk, control, commitment, return and other strategic objectives (Anderson and Gatignon, 1986; Brouthers and Hennart, 2007; Kim and Hwang, 1992)...".

The earlier overview of independent and collaborative entry modes (in section 1.1) highlighted some of the aforementioned characteristics (underlying dimensions) of these modes. The following discussion, which draws on monographs on international market entry modes (Young et al, 1989; Root, 1994; Welch et al, 2007) as well as on other work (which will be indicated), illustrates how these characteristics differ between entry modes and why they impact mode choice.

Resource Characteristics

The use of an entry mode makes resource demands (financial, managerial, and other) on a firm. Such demands can be substantial. As firms' resources are finite, the requirements for these are an important consideration in mode choice. Many firms, especially SMEs, may not be able to employ particular modes because they lack the necessary resources to do so.

Investment modes, which involve the establishment or acquisition of operations within an international market, generally require the most resources; wholly-owned subsidiaries (WOS), which are sole ventures, usually call for more resources than equity joint ventures since there is no venture partner to contribute to these. Conversely, indirect exporting and licensing, modes that normally do not require a firm to become actively involved in an international market, tend to require the least

resources. Table 2.1 on page 68 provides an overview of the typical resource demands made by individual entry modes (the modes are ordered by independent-collaborative mode typology and sub-ordered by export-contractual-investment mode typology).

The *demands* entry modes make on a firm's resources will usually be an important factor in their choice, especially for SMEs. For many firms, a primary consideration is also the resource *returns* offered by entry modes, in terms of their enabling access to and/or the acquisition of the resources of other firms in international markets. While entry modes make resource demands, the use of particular modes may provide a firm with resource returns in the form of significant new or additional resources stemming from other firms. These are temporary or permanent net additions to the resources of the firm, distinct from but influencing the profits it can earn in an international market. They can take many forms, such as the intended or unintended transfer of various types of knowledge, the temporary use of another firm's facilities or personnel, or the receipt of financial loans.

Resource returns can only be obtained through the employment of modes allowing for collaboration between firms (i.e. collaborative modes). Collaborative modes, as discussed earlier, normally allow a firm to access and/or acquire resources from another firm (or firms) with which it cooperates to effect the entry of its products into an international market or to undertake value chain activities within the market relating to the local provision of its products. The nature of the resources and the extent of resource access and acquisition vary and depend on numerous factors, including on the resources possessed by the cooperating firms, the collaborative activities they undertake, the agreements between them, and the entry modes used by the (foreign) firm.

Of the collaborative modes, joint ventures generally offer the highest level of co-operation between firms and have the greatest scope for resource sharing/transfer (Ainuddin et al., 2007); equity joint ventures provide for deeper relationships between firms than contractual joint ventures do and may allow the cooperating

	Entry Mode[1]	Resource Demands (L/M/H)
Independent Modes	Direct Exporting – internet	L
	Direct Exporting – home country-based sales force	L/M
	Direct Exporting – sales office/subsidiary in international market	M
	WOS (sole venture) – greenfield	M/H
	WOS (sole venture) – acquisition	H
Collaborative Modes	Indirect Exporting	None/L
	Direct Exporting – agent	L
	Direct Exporting – distributor	L
	Licensing	None/L
	Franchising[2]	L
	Management contracts[3]	L/M
	Contractual JV	L/M
	Equity JV (minority; equal; majority)	M/H

L = Low; M = Medium; H = High. JV = Joint Venture; WOS = Wholly-Owned Subsidiary.

[1]Ordered by export, contractual, and investment mode types. [2]In case of master franchising. [3]In case of hotel industry (international hotel group offering comprehensive hotel management package that includes marketing services).

Source: Author, based on Anderson & Gatignon (1986, 5), Young et al (1989, 87), Erramilli & Rao (1990, 140), Root (1994, 20), and Woodcock et al (1994, 263).

Table 2.1 – Typical Resource Demands of Major Entry Modes for International Market Development

firms to gain access to resources deeply embedded in the other firm. Other collaborative modes, such as direct exporting through a distributor, generally allow for a more limited sharing/transfer of resources; the nature and extent of this varies and depends on such factors as the type and depth of the cooperation between firms.

In contrast to collaborative modes of entry, independent modes (including wholly owned subsidiaries and direct exporting without an agent or distributor) do not involve collaboration between firms in relation to the entry of a (foreign) firm's products into an international market or the undertaking of value chain activities within the market. Therefore, such modes do not generally allow for or involve inter-firm resource sharing and/or transfer.

Risk Characteristics

The use of an entry mode entails a degree of risk, which can be considerable. The risks a firm faces in relation to employing an entry mode and entering into and operating in an international market are several, the most significant being financial and dissemination risks.

The financial risk a firm is exposed to in an international market depends on a range of factors but is generally commensurate with the resources it commits in relation to the market. Whereas a firm using indirect exporting is generally exposed to relatively little financial risk since it does not devote significant resources to effecting the entry of its products into an international market (such risk usually being limited to not being paid for its products by the firms acting as intermediaries), a firm having invested in facilities and other assets in an international market may be exposed to relatively high levels of financial risk. The actual level of financial risk a firm using a particular entry mode is exposed to depends on a number of factors, including on the amount and type of resources it devotes to an international market, the nature of its activities within the market, the characteristics of the market (including demand and competitive conditions; political and economic stability), and movements in relevant currency exchange rates.

For many firms, particularly those in knowledge intensive industries, dissemination risk can be more serious than direct financial risk. The potential for a firm's knowledge (tangible and/or intangible), other strategic assets, or other sources of competitive advantage being unintentionally transferred to another firm varies by entry mode. Dissemination risk is relatively high in the case of collaborative modes due to the flow of knowledge and of other resources between the co-operating firms. Conversely, the risk of dissemination in the case of independent modes is relatively low since the (foreign) firm is not co-operating and sharing resources with other firms in relation to its entry into an international market. For this reason, a firm may prefer to use independent modes (principally sole venture modes and direct exporting without an agent or distributor) and internalise as far as possible its activities relating to an international market to minimise the risk of the dissemination of a strategic asset or other source of competitive advantage.

Control and Collaboration Characteristics

The nature and extent of control a firm can exercise in the context of international market development depends to a large extent on the entry mode it employs. The employment of modes allowing for high levels of control generally require firms to devote greater levels of resources than the modes offering less control, and, thus, is associated with a greater degree of financial risk. At the same time, however, higher control modes are also those modes that offer the greatest potential returns (the performance characteristics of entry modes are discussed below).

Control, "the ability to influence systems, methods, and decisions", is "the single most important determinant of both risk and return" for firms developing international markets (Anderson and Gatignon, 1986, 3). The control firms have over the entry of their products into international markets, the activities undertaken in respect of this, and the post-entry development of the markets has a bearing on their performance in these. Empirical evidence (e.g., Johnson and Tellis, 2008) suggests that the employment of entry modes offering a higher degree of control to firms results in more successful international market development than the use of modes that offer less control.

Independent entry modes, specifically sole venture (WOS) greenfield and acquisition modes and direct exporting without an agent or distributor, provide a firm with the highest relative levels of control over its activities within an international market since these do not involve the participation of other firms.

Lower levels of control are provided by collaborative modes in general, which by their very nature involve the participation of other firms. The degree of control offered by a collaborative mode varies by the individual mode. Whereas equity joint ventures in which the (foreign) firm has a majority stake can provide the firm with substantial control over joint activities, indirect exporting generally provides a firm with relatively little control as other firms make most or all of the decisions relating to the marketing of its products in an international market. The level of control a firm can exercise when using a particular collaborative mode generally depends on the amount of equity it has committed compared to the other firm(s) with which it cooperates as well as on such non-equity sources of control as the bargaining power it has over and the trust it can generate from the other firm (Gao, 2004).

That control is generally greater with independent than with collaborative modes suggests that firms seeking control over activities within international markets related to the development of the markets need to own the associated operations. This, however, is not always the case. Management contracts employed as an entry mode allow a firm to exercise certain control (in the case of the hotel and of several other industries this commonly includes control over marketing activities) without having to actually own the local (hotel, etc) facilities. Also, an equity joint venture may allow a firm to exercise significant control in relation to operations within an international market without being the majority owner of the venture to which these relate. Thus, ownership and control are not correlated in the case of all entry modes. Consequently, ownership and control should be regarded as two separate dimensions of entry modes (Pan and Tse, 2000; Brown, Dev, and Zhou, 2003).

Control over marketing can be an important criterion in the selection by firms of entry modes. In the context of international market development, the control over marketing - specifically, over key marketing resources and marketing activities - can be regarded as the most crucial attribute that distinguishes the different modes of entry (Johnson and Tellis, 2008).

Table 2.2 on page 73 provides an overview of the level of control over marketing offered by individual entry modes (the modes are ordered by independent-collaborative mode typology and sub-ordered by export-contractual-investment mode typology). As the table indicates, independent modes offer uniformly high control over marketing in relation to the international markets for which they are employed. As the table also shows, this is not so in the case of collaborative modes, with the level of control depending on the individual mode (and, in the case of contractual and equity joint ventures, on the agreements in place between the venture partners).

As to the collaboration dimension of entry modes, independent modes do not have this dimension since these do not involve the participation of other firms. Collaborative modes, by their very nature, rely on such participation and, as their name implies, have the dimension. Among collaborative modes, joint ventures (both contractual and equity) generally entail the highest relative level of co-operation between firms, whereas indirect exporting involves the least. The actual level of collaboration varies and depends on the nature of the cooperation between firms and on such factors as the level of control exercised by the respective partners, which, as indicated, depends on their equity contribution, on other sources of control, and on other factors.

Although control has long been regarded in the entry mode literature as the most important dimension of an entry mode, it is clear that the collaboration dimension can be just as important (Dimitratos, 2004). In fact, for many firms, especially SMEs, collaboration may be more important than control since they need to cooperate with other firms in order to enter and develop international markets. While the importance of entry modes' control and collaboration dimensions will vary by firm and by

	Entry Mode[1]	Marketing Control (L/M/H)
Independent Modes	Direct Exporting – internet	H
	Direct Exporting – home country-based sales force	H
	Direct Exporting – sales office/subsidiary in international market	H
	WOS (sole venture) – greenfield	H
	WOS (sole venture) – acquisition	H
Collaborative Modes	Indirect Exporting	None/L
	Direct Exporting – agent	M/H
	Direct Exporting – distributor	M
	Licensing	None/L
	Franchising[2]	M
	Management contracts[3]	H
	Contractual JV	L/M/H
	Equity JV (minority; equal; majority)	L/M/H

L = Low; M = Medium; H = High.

JV = Joint Venture; WOS = Wholly-Owned Subsidiary.

[1]Ordered by export, contractual, and investment mode types. [2]In case of master franchising. [3]In case of hotel industry (international hotel group offering comprehensive hotel management package that includes marketing services).

Source: Author, based on Anderson & Gatignon (1986, 5), Young et al (1989, 87), Erramilli & Rao (1990, 140), and Root (1994, 20).

Table 2.2 – Level of Control over Marketing Typically Associated with Major Entry Modes for International Market Development

market entry (in some situations, a firm's priority will be control while in others it may be collaboration), one or both of these dimensions will be a key consideration in the choice of modes for most firms.

Performance Characteristics

The choice of entry mode by a firm affects the potential financial and other returns from its entry into and development of an international market. The likely returns offered by the entry modes available to a firm would thus appear to be a factor in its selection of an entry mode.

The financial returns most commonly associated with the development by a firm of an international market and its concomitant use of an entry mode are the profits (or losses) stemming from the respective market. The prescriptive entry mode literature (e.g., Root, 1994) suggests that the profits a firm could generate using an entry mode are related to the amount of resources required by a mode. Potential profits, it is suggested, are generally highest in the case of those modes demanding the most resources and lowest in those demanding the least resources. Sole venture (WOS) greenfield and acquisition modes require more resources than any other modes, indicating that they may offer the highest financial returns of all modes; at the other extreme, indirect exporting requires very few resources and seems to offer the lowest financial returns of any mode. Empirical research seems to confirm there being a relationship between entry modes' resource requirements and firm performance with respect to the international markets for which the modes are employed, with studies (e.g., Lu and Beamish, 2001) indicating that equity (investment) modes provide relatively higher financial returns than non-equity (export and contractual) modes.

Independent entry modes, which include sole venture modes, generally require greater resources than collaborative modes and thus may allow for better financial performance than collaborative modes in relation to the markets for which they are employed.

While there may be a link between an entry mode's resource requirements and its performance potential, the performance dimension of entry modes has not attracted much empirical research[73] and there is only a limited understanding of the performance implications of entry mode choice (Datta et al, 2002). The relatively few entry mode studies that concern themselves with the performance characteristics of entry modes provide ambiguous or conflicting findings[74]. This may be due to empirical assessments of the outcome of entry mode choice on performance potentially being misleading due to the influence of numerous other factors that can impact firm performance in relation to international markets but which studies have not considered (Datta et al, 2002). For instance, it may that the length of time a mode has been employed in relation to an international market may affect a firm's performance in the market (Yildiz, 2006).

The performance aspects of entry modes are not limited to the profits a firm can generate in an international market following the employment of an entry mode in relation to that market. Entry modes can also provide a firm with financial and other benefits *outside* the international markets in relation to which they are used. These benefits, which are difficult or impossible to quantify (and have also not attracted significant scholarly research), stem from the transfer of resources (including financial and knowledge resources) generated in an international market using a

[73] One reason for this is that entry mode researchers, having traditionally relied on transaction cost theory, have assumed that firms choose the mode allowing for the most efficient (i.e. least cost) structure (Brouthers, 2002).

[74] In the case of performance differentials of export modes, contractual modes, and investment modes, equity modes (investment modes) may provide higher relative financial returns than non-equity modes (export and contractual modes), at least in the case of SMEs (Lu and Beamish, 2001). As to independent and collaborative modes, studies investigating their performance differentials relate primarily to investment modes and have contradictory results. For instance, of studies comparing WOS (sole ventures) with JVs (joint ventures) generally (where the studies do not distinguish between the various particular WOS and JV modes), Brouthers (2002) found that large firms from various European Union countries reported better financial performance when they used WOS rather than JVs (the firms also reported better non-financial performance in terms of higher market share, better marketing, reputation, and market access); in contrast, Chan (1995) did not find a performance differential in the use by U.S. MNEs of WOS and JVs. Studies comparing particular sole venture (WOS) modes (i.e. greenfield and acquisition modes) with each other and with JV modes also present contradictory findings. For example, Woodcock et al. (1994) found that the greenfield mode provided higher returns than equity joint venture (EJV) modes in the case of Japanese manufacturers entering Canada and the US but that the acquisition mode used by these firms was outperformed by EJV modes. In the case of foreign manufacturers entering China, Pan et al. (1999) found that EJV modes offered greater profits than both greenfield and acquisition modes as well as the contractual joint venture mode.

particular mode (or modes) to other markets the firm is active in, including its domestic market. These resources, which allow the firm to improve its overall financial and competitive position, include any resource returns obtained through the collaboration with other firms in an international market.

Other Characteristics

Entry modes also have characteristics besides those discussed which may be a factor in firms' choice of these. An example of such other characteristic is the ability of entry modes to accommodate the locational aspects of production and marketing. In the case of products originating from *outside* an international market, export modes are suited for the marketing of these within that market. Depending on the individual export mode, a firm would leave the marketing of its products in the international market entirely (in the case of indirect exporting) or mainly/partially (in that of direct exporting through agents or distributors) to export intermediaries or would carry these out without them (in the case of direct exporting without an agent or distributor). If the firm undertakes the marketing on its own, it may use direct exporting through its home country-based sales force or a sales office/subsidiary in the international market to perform the necessary marketing-related activities on its own or with the assistance of local channel intermediaries (e.g., wholesalers and retailers) that are not export intermediaries. Where the products originate from *within* the international market (produced there by the firm itself, by the firm in collaboration with one or more other firms, or solely by another firm), export modes cannot be employed for their marketing and so investment and/or contractual modes would have to be used instead. By using a sole venture investment mode (greenfield or acquisition), the firm can establish a wholly-owned subsidiary or office that would perform the necessary marketing-related activities within the market. The firm could also set up an operation for marketing purposes in collaboration with another firm through a joint venture (equity or contractual). Alternatively, it could arrange for another firm to effect the marketing-related activities within the international market using a contractual mode (principally through forms of contractual joint ventures such as co-marketing agreements).

2.3.2 Entry Mode Bias

Any bias a firm has towards certain entry modes is likely to influence its mode choice. Such bias arises from the experience the firm has of employing entry modes in relation to international markets. As stated by Koch (2001a, 257):

> "How many times, how recently, in what circumstances (similar enough, dissimilar) the company (or its competitors) have used any particular market entry mode, their relevant success rates and degrees – all these factors obviously influence both market entry selection process and the choices themselves (Paliwoda and Thomas, 1998; Root, 1994; Van Fleet, 1991)".

The results of the few empirical studies examining the impact on mode choice of previous mode use (e.g., Driscoll and Paliwoda, 1997) suggest that a firm's past use of an entry mode results in the firm having a tendency to choose the same individual mode or mode type for subsequent entries into other international markets. The particular mode or mode type seems to become the firm's 'default mode' - representing its primary method of international market entry and development - and is employed unless wholly unsuitable due to the circumstances of a particular entry situation. Where the mode is suitable, the firm is less likely to choose another mode. This appears so even when an alternative mode is more optimal under the circumstances, in which case the firm may actually be doing itself a disservice (when, for example, the more optimal mode may result in higher revenues and profits being generated in the respective international market).

Helfat and Lieberman (2002) suggest that a reason for firms having a tendency to use the same entry modes again is that they have developed what the authors term 'mode-of-entry capabilities' as a consequence of having used particular modes in the past. These capabilities, which vary by entry mode (for example, the employment of a joint venture as an entry mode would result in 'joint venture capability'), mean that the firms have acquired experience associated with the employment of the respective mode (in the case of joint ventures, this would be the ability to identify potential venture partners, negotiate agreements with these, manage information flows into and out of the venture, etc).

Despite its role in entry mode choice, entry mode bias has attracted relatively little scholarly research. As will be seen in the following two sections, entry mode researchers have focused their attention on various other internal/firm factors[75] potentially influencing mode choice as well as on external/environmental factors.

2.3.3 Firm and Product Characteristics

The entry mode literature suggests that a broad range of factors *internal* to a firm could influence its choice of entry mode. These factors (also referred to as 'internal factors' or 'internal environmental factors'), which can be grouped into firm characteristics and product characteristics, represent internal antecedents of entry mode choice.

In the case of a number of firm and product factors, empirical studies have come to conflicting conclusions about whether these actually influence mode choice. This is also the case with various factors pertaining to domestic and international market characteristics (which will be discussed in the following section). This may be due to differences in the firms examined by entry mode researchers (in terms of their size, industry, home countries, international markets, and other characteristics), in variations in the operationalisation and measurement of the respective factors, and for other reasons (e.g., Datta et al, 2002; Slangen and van Tulder, 2009).

Table 2.3 on page 80 shows some of the firm and product characteristics that have been investigated by entry mode researchers. As the table indicates, several of these factors have been found to both influence and not to influence mode choice.

Insights into the impact on mode choice that these and other individual firm and product characteristics have and into how these factors are conceptualised and measured by entry mode researchers can be obtained from entry mode studies

[75] Entry mode bias by firms is an internal/firm factor. It is discussed here separately from these factors to highlight its importance as a factor in mode choice.

focusing on the respective factors. For example, firms' international experience as a factor influencing mode choice is discussed in detail by Dow and Larimo (2009).

2.3.4 Domestic and International Market Characteristics

The entry mode literature also suggests that a wide range of factors *external* to a firm can influence its choice of entry mode. These factors (also referred to as 'external factors' or 'external environmental factors'), which can be grouped into domestic market characteristics and international market characteristics, represent external antecedents of entry mode choice.

Some of the domestic and international market characteristics that have been the subject of entry mode research are shown by Table 2.4 on page 81. A number of these and other external factors have, as is the case with various internal factors, been found to both influence and not to influence mode choice.

Insights into how these and other external factors influence mode choice and into how researchers conceptualise and measure the factors can be gained from entry mode studies focusing on the respective factors as well as from the reviews by Mayrhofer (2004), Morschett et al (2010), and others of studies relating to multiple external factors.

2.4 Theoretical Explanations for Entry Mode Choice

In this, the second part of the present chapter, the major theoretical explanations for firms' entry mode choice are discussed.

Factor Type	Factor	Representative Studies[1]
Firm Characteristics	Firm Size	Factor: Buckley and Casson, 1976; Caves and Mehra, 1986; Erramilli and Rao, 1993; Leung, Rigby, and Young, 2003. Not a Factor: Fagre and Wells, 1982; Aulakh and Kotabe, 1997; Reuber and Fischer, 1997; Chang and Rosenzweig, 2001.
	International Experience (general)	Factor: Johanson and Vahlne, 1977; Gatignon and Anderson, 1988; Cho and Padmanabhan, 2001; Herrmann and Datta, 2002. Not a Factor: Sharma and Johanson, 1987; Kogut and Singh, 1988b; Driscoll and Paliwoda, 1997; Brouthers, 2002.
	Multidomestic vs. Global Strategy	Anderson and Gatignon, 1986; Hill, Hwang, and Kim, 1990; Domke-Damonte, 2000.
	Network Relationships	Coviello and Munro, 1997; Lin and Chaney, 2004.
	Proprietary Technology	Gatignon and Anderson, 1988; Agarwal and Ramaswami, 1992; Ekeledo and Sivakumar, 2004.
	R&D/Technological Intensity	Factor: Fagre and Wells, 1982; Gomes-Casseres, 1989; Hennart and Park, 1993. Not a Factor: Hennart, 1991; Chan, 1995.
	Tacit/Intangible Know-How	Factor: Hill et al, 1990; Kogut and Zander, 1993. Not a Factor: Ekeledo and Sivakumar, 2004; Claver and Quer, 2005.
	Asset Specificity	Anderson and Gatignon, 1986; Klein, Frazier, and Roth, 1990; Erramilli and Rao, 1993; Tsai and Cheng, 2002.
Product Characteristics	Manufactured Good vs. Service	Brouthers and Brouthers, 2003; Ekeledo and Sivakumar, 2004.
	Technological Complexity	Factor: Bradley and Gannon, 2000; Peng, Zhou, and York, 2006. Not a Factor: Khemakhem, 2010.
	Product Customisation	McNaughton, 1996; Burgel and Murray, 2000; Peng et al, 2006.
	Product Differentiation	Factor: Stopford and Wells, 1972; Fagre and Wells, 1982; Anderson and Coughlan, 1987. Not a Factor: Gomes-Casseres, 1989; Hennart, 1991; Hennart and Park, 1993.
	Product Diversity	Factor: Fagre and Wells, 1982; Caves and Mehra, 1986; Mudambi and Mudambi, 2002. Not a Factor: Singh and Kogut, 1989; Hennart and Park, 1993.

[1]Unless otherwise indicated, the studies empirically confirm the respective factor(s).

Table 2.3 – Selected Firm and Product Factors Proposed to Influence Entry Mode Choice

Factor Type	Factor	Representative Studies[1]
Domestic Market Characteristics	Market Size	Erramilli, 1996.
	Industry Concentration/ Competitive Intensity	Factor: Caves and Mehra, 1986; Elango and Sambharya, 2004. Not a Factor: Fagre and Wells, 1982; Chang and Rosenzweig, 2001.
	Product Life Cycle Stage	Bradley and Gannon, 2000.
	Technological Change	Shrader, Oviatt, and McDougall, 2000.
	National Culture	Erramilli, 1996; Pan and Tse, 2000; Brouthers, Brouthers, and Nakos, 2004.
International Market Characteristics	Market Size	Factor: Agarwal and Ramaswami, 1992; Chen and Hu, 2002. Not a Factor: Davidson and McFetridge, 1985; Brown et al, 2003.
	Country Risk	Factor: Gatignon and Anderson, 1988; Agarwal and Ramaswami, 1992; Kim and Hwang, 1992; Shrader et al, 2000. Not a Factor: Driscoll and Paliwoda, 1997.
	Cultural Distance	Factor: Johanson and Vahlne, 1977; Erramilli and Rao, 1993; Agarwal, 1994; Hennart and Larimo, 1998. Not a Factor: Kwon and Konopa, 1993.
	Government Restrictions	Factor: Kobrin, 1987; Gomes-Casseres, 1990; Chang and Rosenzweig, 2001; Erramilli, 1996. Not a Factor : Kwon and Konopa, 1993; Fladmoe-Lindquist and Jacque, 1995.
	Investment Incentives & Policies	Davidson and McFetridge, 1985; Gatignon and Anderson, 1988; Deng, 2003.
	Location Advantages (General)	Dunning, 1980; Agarwal and Ramaswami, 1992; Brouthers, Brouthers, and Werner, 1996; Tse et al, 1997.
	Industry Concentration/ Competitive Intensity	Factor: Caves and Mehra, 1986; Kim and Hwang, 1992; Madhok, 1996; Chang and Rosenzweig, 2001; Tsai and Cheng, 2002. Not a Factor: Kogut and Singh, 1988a; Hennart, 1991; Hennart and Park, 1993.
	Industry Growth Rate	Factor: Hennart, 1991; Makino and Neupert, 2000; Chen and Hu, 2002. Not a Factor: Kogut and Singh, 1988a.
	Market Demand Uncertainty	Hill et al, 1990; Agarwal, 1994; Tsai and Cheng, 2002.

[1]Unless otherwise indicated, the studies empirically confirm the respective factor(s).

Table 2.4 – Selected Domestic and International Market Factors Proposed to Affect Entry Mode Choice

There is little agreement in the literature about which theory or theoretical framework[76] should be used to explain firms' choice of entry modes (Sánchez-Peinado and Pla-Barber, 2007). The major theories and conceptual frameworks put forward in the entry mode literature have largely developed in isolation from each other and have significant limitations[77]. In response to these limitations some scholars have proposed integrative frameworks or models of entry mode choice (e.g., Hill et al, 1990; Gannon, 1993; Whitelock, 2002), whose value has been questioned (e.g., Genctürk, 2003) since these generally do not result in truly integrative, formalised syntheses of the diverse explanations provided by the various theories and conceptual frameworks, and, therefore, do not produce material theories that can be empirically tested. Others have relied on the Eclectic Paradigm (Dunning, 1980, 1988, 1995) initially developed to explain international production and which in the context of entry mode choice serves more as a framework (hence it being commonly referred to in this context as the Eclectic Framework) rather than as a theory of entry mode choice[78].

The ('core') resource-based view (RBV) appears to provide the most useful theoretical explanation of entry mode choice as far as the present study is concerned. As mentioned earlier (in section 1.6.2), the RBV's explanation centres on firm resources and their exploitation in relation to international markets. It therefore emphasises the importance of international marketing resources (including those examined by this study: marketing capabilities; language skills; market knowledge) as well as of international marketing strategy (including the strategy variables investigated by this study: product differentiation; marketing adaptation; market importance) in the choice by firms of entry modes. Also, the theory can explain firms' choice between independent and collaborative modes, which is the mode choice decision of interest here. Moreover, the RBV's explanation is applicable to

[76] There is a lack of consensus in the entry mode literature as to what constitutes a theory, conceptual framework, or paradigm (Andersen, 1997).
[77] According to Cumberland (2006, 350), "theory formulation and evaluation within this particular field [entry mode choice] have not yet reached an optimum level of development".
[78] As pointed out by Ekeledo (2000, 31), another weakness of both the Eclectic Paradigm and the other integrative frameworks or models of entry mode choice is that their elements "depend on what the individual researcher considers important".

SMEs, which represent the firms under consideration. For these and other reasons (which will be set out in section 2.4.2), the RBV represents a more appropriate theory of entry mode choice for the present study than the major theoretical explanations of entry mode choice presented next.

2.4.1 Theoretical Explanations I

Apart from the RBV (whose explanation for mode choice will be discussed separately, in section 2.4.2), various theoretical explanations for firms' entry mode choice have been put forward. Of these, five major explanations will be discussed in this section. They are the Transaction Cost Approach (TCA), the Eclectic Framework, the Institutional Perspective, the Stages/Process Models of Firm Internationalisation, and the Networks Perspective.

2.4.1.1 Transaction Cost Approach

The transaction cost approach (TCA) has been the most widely applied theoretical perspective in entry mode research (Zhao, Luo, and Suh, 2004; Brouthers and Hennart, 2007). A reason for this is that the TCA was adopted by the first scholars (e.g., Gatignon and Anderson, 1988; Hennart, 1988; Gomes-Casseres, 1989) to both theoretically and empirically examine the mode choice decision.

Background. Rooted in transaction cost economics (TCE) (Coase, 1937), the transaction cost approach (TCA) as developed by Williamson (1975, 1979, 1981, 1983, 1985, 1991) and others provides an economics-based explanation for vertical integration by firms[79,80], including for the existence of MNEs[81]. Using transaction

[79] According to Williamson (1981, 548): "The transaction cost approach [TCA] to the study of economic organization regards the transaction as the basic unit of analysis and holds that an understanding of transaction cost economizing is central to the study of organizations. Applications of this approach require that transactions be dimensionalized and that alternative governance structures be described. Economizing is accomplished by assigning transactions to governance structures in a discriminating way. The approach applies both to the determination of efficient boundaries, as between firms and markets, and to the organization of internal transactions, including the design of employment relations."

costs[82] as the basis of organisational governance structure decisions, and resting on the assumptions of bounded rationality and opportunism, the TCA advocates *a form of governance that minimises costs* associated with governing and monitoring transactions. According to the approach the type of structure by which a firm can govern its individual transactions are 'market' (whereby transactions take place with other firms in the open market and are managed primarily through market-determined prices), 'hierarchy' (transactions take place within the boundaries of the firm itself), or 'hybrid' (also known as an 'intermediate' structure, whereby transactions are managed through complex contracts between firms). The choice of governance forms is determined primarily by the cost efficiency of a governance structure in terms of the three dimensions of a transaction - asset specificity, uncertainty, and frequency.

Explanation for Entry Mode Choice. Anderson and Gatignon (1986), the first to provide a comprehensive TCA-based explanation of international market entry mode choice, hold that firms establish organisational structures that minimise transaction costs and choose entry modes that maximise long-term risk-adjusted efficiency. According to the authors, the efficiency of an entry mode depends on four aspects that determine the optimal degree of control (integration): asset specificity (the degree to which the resources invested are specialised to particular uses or users), external uncertainty (resultant from the unpredictability of the external market

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[80] Transaction cost thinking has been the subject of criticism (e.g., Casson, 1992; Ghoshal and Moran, 1996).

[81] The TCA informs internalisation theory, at least that put forward by the particular internalisation 'school' (as exemplified by Buckley and Casson, 1976; Rugman, 1980 and 1981; Hennart, 1982) that regards transaction costs/hold-up issues as central to the efficiency-based explanation of the MNE (Teece, 2014). This theory holds that MNEs exist and expand because such firms can organise interdependencies between economic agents located in different countries more effectively than the markets (Hennart, 2001). By internalising transactions they can conduct at a lower cost within their organisations than can be conducted by external markets, MNEs, according to the theory, represent a viable (and profitable) mechanism for arranging value chain activities - particularly production - across national boundaries. MNEs, the theory assumes, choose the least cost location for each of their activities, growing by internalising markets up to the point where the benefits of further internalisation are outweighed by the costs (Buckley, 1988).

[82] Costs arising from imperfections in intermediate product markets due to economic agents being 'boundedly rational' and 'opportunistic'. Transaction costs include costs related to inter-firm negotiations, contract construction, and dispute settlements.

environment), internal uncertainty (resultant from an inability to determine the performance of economic agents), and free riding potential (the ability of economic agents to receive benefits without bearing the associated costs). Thus, for instance, if asset specificity is high, a firm would select a high-control entry mode (particularly one resulting in the establishment of a wholly-owned subsidiary[83]) providing the firm with high levels of control - but at relatively high cost - in order to protect its assets in the market (the assets, which may include unique technology and know-how, having lower value in alternative uses or after falling into the hands of competitors); conversely, if an asset has low specificity (and assuming that internal uncertainty and free-riding potential are neutral), then the firm would choose a low control mode of entry (such as licensing) with lower levels of control and cost[84].

From the perspective of the TCA, *low control (i.e., collaborative) entry modes represent the 'default' entry modes* because "a low level of ownership is preferable until proven otherwise" (Anderson and Gatignon, 1986, 8). This is due to the problems (including internal bureaucracy) and high cost associated with control (integration) and the employment of high control modes. For these reasons firms, *minimising the sum of transaction costs* (key determinants of which include asset specificity and uncertainty), would only choose hierarchy when the costs of transactions through market governance are higher due to market imperfections. Under such circumstances they would integrate operations within their boundaries and accordingly use a high control mode. When transaction costs are low, firms would resort to market and employ a low control mode instead. That this is actually the case with firms developing international markets (which face higher market transaction costs than they would in their domestic markets due to the additional

[83] Anderson and Gatignon (1986) indicate that a majority-owned joint venture can also be considered a high-control mode. However, many - if not most - entry mode researchers subsequently adopting or developing the TCA limit such type of mode to a wholly-owned subsidiary (WOS) and regard JVs as an intermediate mode (that entry mode researchers applying the TCA generally equate high control modes with WOS is indicated by Brouthers and Hennart, 2007). A reason for this is that the TCA appears to be less effective at dealing with intermediate modes, as is indicated by the results of empirical research (Zhao et al, 2004).

[84] Both scenarios assume that external uncertainty is neutral. If both external uncertainty and asset specificity are high, a firm is disposed to seek greater control. If external uncertainty is high and asset specificity low, a firm may choose low control entry modes that require few resources and which enable it to be flexible with regard to its arrangements/presence in the international market concerned.

difficulties involved in locating suitable partners in foreign markets, in negotiating contracts with these, and in monitoring their activities) is indicated by empirical research (e.g., Hennart, 1991; Erramilli and Rao, 1993; Taylor, Zou, and Osland, 1998; Brouthers, 2002) despite entry mode studies employing the TCA being fragmented and diverse in specifying TCE constructs[85] (Zhao et al, 2004).

Limitations. The focus of the TCA on transaction costs as the determinant of entry mode choice represents one of the perspective's limitations. Although efforts have been made by entry mode researchers (e.g., Hill et al, 1990, integrate environmental and strategic factors into the TCA framework) and others (e.g., Mayer and Salomon, 2006, do the same with resource factors) to extend the TCA so that it accommodates factors besides transaction costs, costs remain at the heart of the TCA's explanation of entry mode choice. Costs are not necessarily the paramount factor for a firm in its selection of an entry mode, including not for a SME[86]. In fact, an emphasis on cost minimisation may not necessarily lead to superior or even satisfactory financial performance; focusing on costs may result in an entry mode being chosen that adversely affects a firm's ability to exploit its advantages in relation to an international market, that may negatively affect its market share, etc (e.g., Madhok, 1998). Efforts to broaden the TCA to reflect this may actually lessen the usefulness of the TCA in explaining entry mode selection. The conclusions drawn from studies adopting the TCA but also incorporating decision criteria other than transaction cost minimisation can differ from those of the TCA as applied by Anderson and Gatignon and others (Andersen, 1997) and contribute to the fragmentation of the body of empirical entry mode studies from which a generalised conclusion about the efficacy of the TCA cannot be easily reached (Zhao et al, 2004).

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[85] Difficulties in measuring transaction costs, asset specificity, and other predictor variables have resulted in studies defining and measuring key TCA constructs in very different ways (Zhao et al, 2004).

[86] The primary motivation for SMEs engaged in FDI appears to be to maintain a competitive advantage in technological innovation and/or to gain first-mover advantages in their (often young, unstructured) industries (Kohn, 1997) rather than cost minimisation. With regard to rapidly internationalising small firms, which seem more likely to engage in FDI than firms whose internationalisation is more gradual (UNCTAD, 1998), McDougall, Shane, and Oviatt (1994) found that for many international new ventures cost considerations where not primary factors in their internationalisation; subsequent research (e.g., Shrader, 2001) appears to confirm this.

Another limitation of the TCA is the narrow range of individual entry modes that the approach can comfortably accommodate. TCA appears to be less effective in dealing with modes other than the polar modes represented by high control modes (WOS) and low control modes (licensing/franchising), meaning that intermediate modes (JVs) are not handled well by the approach (as is indicated by the results of empirical research - Zhao et al, 2004). Moreover, the TCA also appears not to be accommodating to export modes. Although some entry mode researchers (e.g., Brouthers and Nakos, 2004) have applied the TCA in studies featuring export modes alongside contractual and investment modes, others (e.g., Anderson and Gatignon, 1986; Hennart, 1989; Kim and Hwang, 1992; Erramilli and Rao, 1993; Taylor et al, 1998) do not agree with or follow this practice for various reasons (including production taking place in different countries[87], exporting modes varying greatly in terms of the associated level of commitment and control[88], etc).

2.4.1.2 Eclectic Framework

The Eclectic Framework has been among the most commonly adopted theoretical perspectives by entry mode researchers (Brouthers and Hennart, 2007; Canabal and White III, 2008).

Background. The eclectic theory of international production proposed by Dunning (Dunning, 1980, 1988, 1995), commonly referred to as the OLI (ownership, location, internalisation) or eclectic framework/paradigm, is a theory of foreign direct investment (FDI). The three pillars of the framework relate to advantages in the areas of ownership (including a firm's intangible assets, such as knowledge, brands, and organisational structure, as well as its manpower, capital, etc), location (host country factors including market size, natural resources, etc; various home country factors), and internalisation (advantages from a MNE being able to integrate transactions

[87] According to Hennart (1989, 215), it is "inappropriate to use transaction costs to compare exports with FDI, since these two modes involve production in different locations: the proper comparison is between setting up a subsidiary in country A and licensing a local firm in country A".
[88] Brouthers and Nakos (2004), mentioned here as an example of researchers who employ the TCA to compare export, contractual, and investment modes, do not distinguish between the various individual export modes (classifying them collectively as a type of non-equity mode).

within the firm). These advantages, effectively interlinked to various extents[89], determine the international activities of the MNE and its outward FDI in particular[90].

Explanation for Entry Mode Choice. The Eclectic Framework, developed over the years by Dunning and others[91] and extended in the context of entry mode choice by several scholars[92] (e.g., Agarwal and Ramaswami, 1992; Cloninger, 2004), "brings together concepts that earlier research has shown influence the mode choice decision" and "can be conceptualized as a tool that combines insights from resource-based (firm-specific), institutional (location), and transaction cost (internalization) theories" (Brouthers and Hennart, 2007, 407).

Offering a multi-theoretical explanation for entry mode choice, the framework suggests that ownership, location, and internalisation (OLI) factors affect entry mode choice. In essence, firms' choice of entry mode depends on whether OLI factors in relation to the international markets for which the modes are selected represent an advantage to these and on the extent of this. Where these factors are perceived to represent a strong advantage, firms are likely to choose a high control mode (an equity mode in the form of a wholly-owned subsidiary or joint venture) since greater advantages motivate firms into committing the resources required to employ high control, high cost modes that allow these to best exploit the advantages; conversely, where OLI factors do not represent advantages or represent outright disadvantages, firms, where they still decide to enter the international markets concerned, tend to choose a lower control equity mode or select a non-equity mode (licensing or exporting) (e.g., Agarwal and Ramaswami, 1992; Brouthers, Brouthers, and Werner,

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[89] This is especially so where ownership and internalisation advantages are concerned, with 'O' advantages being a necessary condition for internalisation. As Rugman (2010, 3) notes, it is "difficult to see how O advantages could exist on their own without being owned (internalised) by the firm".

[90] Dunning (1993) states that 'O' factors indicate who will produce abroad and undertake other international activities, that 'L' factors influence where production will take place, and that 'I' factors address the issue of why firms internalise production and other activities rather than rely on markets.

[91] First mooted by Dunning during the 1970s (see Dunning, 1977), the Eclectic Framework has been through several long cycles of development. The author (Dunning, 2000) went on to label the framework as the 'envelope paradigm' on account of it having been reconfigured to envelop asset-seeking FDI and MNE activity.

[92] Entry mode scholars (e.g., Hill et al, 1990; Kim and Hwang, 1992) have developed unrelated 'eclectic' theories or frameworks of their own. These and the Eclectic Framework can be regarded as eclectic frameworks of mode choice (Ekeledo, 2000).

1999). Although the exact O, L, and I variables examined by entry mode studies adopting the framework vary[93] and the actual influence of the variables on the mode choice of the firms studied are not uniform, collectively these studies provide broad support to the explanations offered by the framework.

Limitations. The Eclectic Framework has been criticised for being too eclectic (Rugman, 2010). Its limitations in providing a theoretical explanation for entry mode choice partly stem from it seeking to offer a multi-faceted explanation for this. By blurring the demarcation lines between its underlying theories that in some respects offer overlapping explanations of entry mode choice (Andersen, 1997), the framework dilutes their respective explanations and in doing so weakens the explanatory power of the individual OLI elements relative to the theories that underlie the elements or of those which could be used in their place. For example, where the ownership (O) element is concerned, the resource-based view (RBV) provides "a more independent and richer perspective" on entry mode choice than this element[94] (Hitt, Hoskisson, and Kim, 1997, 769). Another limitation is represented by the methodological challenges associated with the OLI elements. This includes having numerous, often indistinctive factors associated with each element. Despite the warning by Itaki (1991, 457) that the "factors of [each] advantage must be as non-substitutable as possible and remain relatively few in number", over the years Dunning suggested factors that either overlap elements or whose association with a particular element is not constant (see, e.g., Rugman, 2010). Another, related limitation is that the framework, in offering overly diverse, commingling OLI factors, can be seen as providing theoretical justification for scholars investigating what may be described as a confused mixture of potential entry mode choice factors.

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[93] Factors examined in the case of *ownership* include firm size, international experience, global maturation, decision-specific experience, ability to develop differentiated products, tangibility of products, adaptability of products, service and technology intensity; in the case of *location*, factors include market potential/demand, production costs, cultural differences, market infrastructure, investment risk; in that of *internalisation* (which has not been frequently examined by entry mode researchers together with the O and L factors), factors include contractual risk (e.g., Agarwal and Ramaswami, 1992; Brouthers et al, 1996; Padmanabhan and Cho, 1999; Cloninger, 2004).

[94] Proposed 'O' advantages have expanded considerably over the years. It is now suggested that there are three broad types of ownership advantages, of which asset-based ownership advantages (referred to as 'Oa' advantages) are in line with the RBV (Lundan, 2010).

2.4.1.3 Institutional Perspective

Although research into the effect of some individual institutional factors on entry mode choice started decades ago, a theoretical explanation for mode choice based on the role of institutional factors generally is still emerging in the form of what has been termed the Institutional Perspective (e.g., Yiu and Makino, 2002; Huang and Sternquist, 2007).

Background. Institutional variations across countries, both formal (including in legal, political, and economic institutions and systems) and informal (in terms of social norms, customs, religion, etc), continue to be an issue for internationally active firms (Mudambi and Navarra, 2002; Meyer, Mudambi, and Narula, 2011). This has spurred international business scholars in recent years to investigate the impact of institutions and their differences on various aspects of firm internationalisation (Henisz and Swaminathan, 2008; Eden, 2010). This research (e.g., Meyer and Nguyen, 2005) goes beyond early work in this area, as characterised by that exploring differences in national culture (Hofstede, 1980), and draws on new institutional theory (e.g., North, 1990; Scott, 2001) grounded in economics, sociology, and other areas to determine the effects institutions have on firms operating in international markets.

Explanation for Entry Mode Choice. Entry mode research relating to institutional factors has largely differentiated between formal and informal institutions. In the case of formal institutions, researchers have focused on the impact of the level of risk (particularly of political risk) associated with these for the foreign firm, with weak legal, political, and economic institutions in an international market creating higher risk and forcing the entrant firm to adapt accordingly (Xu and Shenkar, 2002). Where informal institutions are concerned, the focus has been on the influence of informal institutional distance[95] (particularly of cultural distance) between a firm's home country and the host country, with higher distance increasing the challenges the (foreign) firm faces in the international market by increasing its liability of

[95] Institutional distance, a relatively new concept, has been defined as the difference between the institutional profiles of two countries (Kostova, 1999).

foreignness (Zaheer, 1995; Eden and Miller, 2004). Differences in formal institutions (including risk) and/or informal institutions (including informal institutional distance) increase a foreign firm's external uncertainty and, as most entry mode researchers appear to suggest, result in these choosing less integrated, lower commitment entry modes for the international markets concerned[96,97]. By, for example, using joint ventures instead of wholly-owned subsidiaries, firms can reduce their external uncertainty, perceived risk, and liability of foreignness since they would invest fewer resources and benefit from the JV's partners' local knowledge, skills, and experience (Slangen and van Tulder, 2009).

Despite the increased, more theoretically-grounded effort by scholars to determine the influence of institutional factors on entry mode choice, the results of empirical research into this are largely inconclusive (see, e.g., Slangen and van Tulder, 2009; Schwens, Eiche, and Kabst, 2011). This is so with both formal and informal institutional factors, with studies variously finding a direct positive effect (e.g., Hennart and Larimo, 1998; Brouthers, 2002), a negative effect (e.g., Anand and Delios, 1997; Kwon and Konopa, 1993), or an insignificant one (e.g., Contractor and Kundu, 1998; Arregle, Hébert, and Beamish, 2006). Hernández and Nieto (2015) suggest that a reason for the inconclusive findings is that entry mode researchers do not take into account the varying degrees of institutionalisation between firms' home and host countries; in their study the authors found not only the magnitude but also the direction of institutional distance to influence entry mode choice, with 'negative distance' favouring entry modes requiring fewer resources and 'positive distance' favouring modes requiring greater resources[98].

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[96] Tihanyi, Griffith, and Russell (2005) point out that, at least where the informal institutional factor of cultural distance is concerned, on the basis of transaction cost logic researchers could take the opposite theoretical position, whereby it is held that firms would select more integrated, higher commitment modes in order to exert greater control so as to minimise transaction costs.

[97] Some entry mode researchers (e.g., Davis, Desai, and Francis, 2000; Lu, 2002) suggest that isomorphic pressures for conformity influence entry mode choice, with external (local market) pressures possibly influencing foreign firms to adopt modes in line with the relative significance they attribute to the requirements of "exigencies of host countries' environments" (Davis et al, 2000, 251).

[98] The authors, focusing on regulatory distance, state that negative distance occurs "when a firm enters countries with less developed regulatory conditions than the origin country" while positive distance occurs "when a firm enters countries with more developed regulatory conditions than the origin country" (Hernández and Nieto, 2015, 122).

Limitations. An institutional perspective could, potentially, provide a useful theoretical explanation for firms' choice of entry modes. However, with the "incomplete understanding of how institutional distance impacts on a range of operational strategies available to foreign firms in the host country" (Salomon and Wu, 2012, 344) extending to their choice of entry modes, substantially more research is required into the various institutional factors before their role in entry mode choice is fully understood (e.g., Tihanyi et al, 2005). This is especially so as research (e.g., Schwens et al, 2011) indicates that the moderating influence of these factors on mode choice could be greater than their direct effect.

2.4.1.4 Stages/Process Models of Firm Internationalisation

One of the main alternatives to the economics-based theoretical explanations of entry mode choice (which include the TCA, Eclectic Framework, and RBV) is the behavioural perspective represented by the stages/process models of firm internationalisation.

Background. A number of models have been put forward that attempt to explain the internationalisation of firms as a process occurring in a sequence of stages. The most significant 'stage' models are the internationalisation model developed by the Uppsala school (referred to hereafter as the 'Uppsala model', sometimes referred to by others as the 'U-model')[99] and the innovation-related models ('I-models'). Both the Uppsala model, developed on the basis of work by Johanson and Wiedersheim-Paul (1975), Johanson and Vahlne (1977, 1990, 2009) and others, and the innovation-related models, commonly associated with the work of Bilkey and Tesar (1977), Cavusgil (1980), Reid (1981), and Czinkota (1982) that was influenced by the early efforts of the Uppsala school, state that the internationalisation process is an incremental one based on the gradual accumulation of knowledge by firms. Despite

[99] The Uppsala internationalisation model is derived through the work of various scholars associated with the Uppsala school on firm internationalisation. The dynamic internationalisation process model put forward by Johanson and Vahlne (1977) is at the heart of the Uppsala internationalisation model and often regarded as being synonymous with it.

criticisms[100], these (behavioural-oriented) models have been extensively applied in the small firm internationalisation and export literatures due to the models providing better explanations for the internationalisation of small firms than economic/FDI models of internationalisation.

Explanation for Entry Mode Choice. The stages/process models of internationalisation relate firms' entry mode choice to their phase of internationalisation. While the Uppsala and innovation-related models share the central tenets that firm internationalisation is incremental and that it is based on the gradual accumulation of knowledge, they differ in explaining the actual internationalisation process. The original Uppsala model (Johanson and Vahlne, 1977, 1990), which has its roots in Cyert and March's (1963) general theory of the behaviour of the firm and in Penrose's (1959) theory of the growth of the firm, posits that by operating in a particular international market, a firm acquires experiential knowledge that reduces its uncertainty in relation to that market which stimulates the firm to gradually increase its (resource) commitment to it in line with opportunities that generate long-term profits[101]; as the firm's knowledge of and commitment to a market increases over time, it eventually moves from one of four distinct stages of market entry (no regular export; export via independent representatives; the establishment of a foreign sales subsidiary; foreign production) to the next stage, each stage requiring larger resource commitments and involvement than the previous stage (the Uppsala model was recently revised to reflect that firms are embedded in

[100] The models generally do not explain the rapid internationalisation of a large number of small firms, including not that of 'international new ventures' (e.g., McDougall et al, 1994; Knight and Cavusgil, 1996; Madsen and Servais, 1997). The models also do not explain why firms sometimes start their internationalisation through advanced (especially contractual) entry modes rather than export ones. Moreover, the models do not explain firms internationalising in a non-linear manner, with many firms bypassing one or more of the indicated stages after having started their internationalisation (i.e. during the course of their internationalisation) (e.g. Cannon and Willis, 1981). Furthermore, the models do not explain firms internationalising in a non-progressive manner, with firms often halting their internationalisation process indefinitely or reversing their internationalisation (even de-internationalising completely) (e.g. Cannon and Willis, 1981; Turnbull, 1987; Oesterle, 1997; Bell and Young, 1998; Crick, 2004).

[101] The Uppsala model also states that a firm operating across international markets initially enters markets with the least psychic distance (Johanson and Vahlne, 1977, defined the concept of psychic distance as "the sum of factors preventing the flow of information from and to the market") before gradually entering markets with higher levels of psychic distance as its knowledge of these increases and its uncertainty relating to them decreases.

business networks that both enable and constrain internationalisation; while the model retains its change and state elements, 'market commitment' state has been replaced by 'network position' - Johanson & Vahlne, 2009). The innovation-related models include works that view the development of international (primarily export) activities as an innovation-adoption cycle (e.g., Reid, 1981) and those that suggest an internationalisation (again, primarily export) development learning curve (e.g. Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982) which is influenced by external stimuli (e.g. an unsolicited export order) and/or internal factors (e.g. managerial ambitions) (Bell and Young, 1998). While the various I-models have significant differences, they are based on Vernon's (1966) product (life) cycle model (Gankema, Snuif, and Zwart, 2000) and, in essence, state that firms gradually move from a stage of no export activity (i.e. from a state of no internationalisation) to one of committed export/international activity (the firm having internationalised) via intermediary stages in line with the innovation/learning undertaken and knowledge developed by its managers during the course of their firms' internationalisation (the managers being risk adverse and, at the outset, lacking knowledge related to internationalisation). By overcoming the challenges presented at each stage of internationalisation (the number and nature of stages varying by model, with most models having five or six stages), the models contend that the progression by a firm from one stage to the next represents an innovation on its part. This innovation is reflected in the firm gradually increasing the scope and depth of its international involvement as well as in it moving away from psychologically close markets. In contrast to the Uppsala model, which sees firms progressing from exporting to engaging in FDI, the innovation-adoption models generally focus on exporting and can thus be characterised as export development models. The model put forward by Cavusgil (1980) is the only one of those referred to that regards the final stage of internationalisation (the fifth stage according to the model, one labelled 'committed involvement') as one in which a firm is engaged in exporting and, possibly, in other types of international activity such as licensing and FDI as well.

Limitations. Besides being widely seen as overly deterministic in relating specific entry modes to particular stages of firms' internationalisation, another limitation of

the stage models is that these provide limited explanations for the selection and use by firms of non-export modes (in the case of the Uppsala and Cavusgil models) or do not provide any (in that of the other innovation-related models). The Uppsala model, while positing that firms moving along the 'establishment chain' eventually progress from using export modes to using advanced modes, does not discriminate between individual FDI modes; also, the model does not provide a comprehensive explanation for the transition by firms from exporting to FDI (Andersen, 1993). While the Cavusgil model takes a broader view concerning the non-export firms use in their final state of internationalisation, that model does not provide a substantial explanation for their choice of such modes. Another limitation of the stage models is that these are generally only applicable to market-seeking outward internationalisation (Petersen and Pedersen, 1997), so may not provide suitable explanations for entry mode choice in the context of resource- and efficiency-seeking internationalisation.

2.4.1.5 Networks Perspective

Another behavioural perspective of firm internationalisation that provides a theoretical explanation for entry mode choice is the Networks Perspective. However, this explanation requires further development.

Background. A network approach to firm internationalisation, one seen by many as complementing the stage (process) models of internationalisation, has emerged in recent years through the work of Nordic scholars (including those associated with the Uppsala school - e.g., Johanson and Mattsson, 1986, 1988; Johanson and Vahlne, 1990, 1992, 2003) and others. Based on research undertaken in the area of business-to-business (industrial) marketing (including that of the IMP Group[102]) and taking into account concepts central to that work (including firm interactions, relationships, and networks), the network approach assumes that firms are dependent on each other and cultivate relationships to obtain access to critical external resources (tangible

[102] Paliwoda (2011) provides an overview of the achievements of the International Marketing and Purchasing (IMP) Group. Key early work of its members is contained in Håkansson (1982) and in Turnbull and Valla (1986).

resources such as production facilities and intangible ones such as access to distribution channels) and to facilitate the sale of their goods and services. According to the approach, networks[103] are central to firm internationalisation. The relationships a firm has with other network members (its network relationships) influence and are reflected in its internationalisation[104].

Explanation for Entry Mode Choice. According to the network approach, entry mode choice is influenced primarily by a firm's network relationships. With international market entry not being a single event but a long-term, gradual process that depends on the network relationships and interactions of a firm rather than on its strategic planning (Axelsson and Johanson, 1992; Blankenburg, 1995), entry mode selection is undertaken by a firm in order for it to choose an organisational arrangement that enables it to develop its network relationships. Entry modes, according to the network approach, are means by which firms organise their businesses in order to develop, support, and co-ordinate their foreign network/market relationships, such relationships often having been developed over long periods of time and at significant cost. It is by means of relationships that a firm enters international markets and develops its international business, with the firm using other firms in the markets concerned to do so and/or following one or more of its domestic network members into international markets. Since networks are not transparent to outside firms and as relationships are never established through unilateral action, firms

[103] Networks can be viewed as sets of interconnected and interdependent relationships involving customers, suppliers, competitors, social contacts, family members, and others, with systems of these relationships constituting markets.

[104] The network approach regards firm internationalisation as the process by which a firm establishes and changes network positions in international markets (Johanson and Mattsson, 1988), with internationalisation being "nothing but a general expansion of the business firm" (Johanson and Vahlne, 2003, 93). The internationalisation process itself, according to the network approach, is an outcome of the interplay between experiential knowledge development and commitment and therefore proceeds much in the same way as posited by the stage (process) models (Johanson and Vahlne, 2003), although networks (more particularly, existing and potential relationship partners within these) rather than country markets are the meaningful entities and neither stages of internationalisation or psychic distance are significant factors. In effect, a firm internationalises in a dynamic, less structured manner in line with increased knowledge gained through its interaction with other network members in international (and in domestic) markets that increases its commitment to these markets. This interaction, rather than the firm's own strategic decision-making (which, with the firm involved in systems of relationships - i.e. in markets - that include customers, suppliers, competitors, family, and other parties, is often dictated by the nature of these relationships), is the primary determinant of its internationalisation process.

entering international markets do so with great uncertainty and with an inability to predict the development of their business in the markets concerned. Consequently, firms, which cannot effectively plan market entry or choose entry modes before actually entering the market in question, take trial-and-error steps rather than large ones when entering and establishing themselves in international markets (i.e. in international networks). By interacting with and learning from network members in foreign networks, such members often being delegated much responsibility by the firm, a firm increases its knowledge of and commitment to international markets.

Limitations. Although the network approach provides an intuitive explanation for the international market entry process (one that can be criticised on several counts, especially for underplaying the importance of strategic considerations[105]), the approach does not provide a comprehensive explanation for the choice by firms of entry modes. Notwithstanding this, the approach provides some useful insight into the mode selection of SMEs. With networks appearing to play a significant role in the internationalisation of smaller firms, including in their international market entry process, it can be expected that network relations are a factor in their entry mode selection. It seems that network relationships may have a particularly important role in the mode selection of some types of small firms, including in the case of SMEs operating in younger, high technology/knowledge industries (in which, it is widely believed, rapidly internationalising firms are concentrated) and/or providing particular services; studies (e.g., Coviello and Munro, 1995, in the case of software firms; Coviello and Martin, 1999, in that of engineering consulting firms) have indicated that such firms, which generally have very limited resources, may be

[105] Although the network approach appears to provide a useful behavioural perspective of firm internationalisation, one emphasising inward-outward internationalisation linkages and acknowledging the importance of resources in firm internationalisation , the relatively young approach is still evolving and has significant weaknesses. While studies have suggested that existing networks play an important role in the internationalisation of small firms (e.g. Sharma and Johanson, 1987; Johanson and Vahlne, 1992, 2003; Bell, 1995; Coviello and Munro, 1995, 1997; Chetty and Blankenburg Holm, 2000), with many such firms (not just rapidly internationalising firms or those in knowledge-intensive sectors) overcoming resource limitations that restrict their international and general expansion by gaining access to those of other firms (i.e. of network members), the actual role of networks in SME internationalisation remains vague (Nummela, 2004). It is unclear whether networks represent a mechanism for firms to overcome resource deficiencies rather than being the driver of their internationalisation *per se* (Young, Bell, and Crick, 2000). With regard to the network approach itself, its explanatory ability for the internationalisation of firms in general is limited and its predictions in this area indistinct (Björkman and Forsgren, 2000).

strongly influenced in their selection of international markets and entry modes by network contacts.

2.4.2 Theoretical Explanations II: The Resource-Based View (RBV)

The theory underpinning the present research is the ('core'[106]) resource-based view (RBV). The specific nature of the theory, its applicability to SMEs, and the criticism directed at it were set out earlier (in sections 1.6.1, 1.6.3, and 1.6.4 respectively).

A substantial number of entry mode studies have adopted a resource-based *perspective* to explain the mode choice of firms on the basis of these possessing or lacking specific resources (for an indication and partial listing of such studies refer to, for example, Canabal and White III, 2008, table 1; Meyer, Wright, and Pruthi, 2009, table 1). While many of these studies assert that they draw on the RBV, often in combination with other theoretical perspectives, surprisingly few studies (e.g., Ekeledo and Sivakumar, 2004) actually apply the ('core') RBV in line with the theory's core tenets and associated key concepts. For this reason, it can be said that the comment by Mena and Hult (2008, 10) that international marketing studies "have failed to employ the RBV framework fully" generally also applies to entry mode research.

In the following sections, the fundamental tenets and concepts of the RBV are outlined (in section 2.4.2.1) and its explanation for entry mode choice as well as the limitations of this explanation discussed (in sections 2.4.2.2 and 2.4.2.3 respectively).

Preceding this is an overview of the reasons for the RBV representing the most appropriate theory of entry mode choice for the present study when compared to both the major theoretical explanations for mode choice just presented and to the other

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[106] As mentioned in section 1.6.1, the form of the RBV adopted in relation to the present research is the 'core' RBV. The discussion in this section of the theoretical explanation provided by the RBV for firms' entry mode choice reflects this. It does not take into account explanations for mode choice suggested by various offshoots of or extensions to the RBV.

major resource-based explanation of this (the organisational capabilities perspective, or OCP).

RBV as a More Appropriate Theoretical Foundation than Preceding Explanations

Reasons for the application of the RBV were set out in section 1.6.2. It was noted there that the theory appears to provide the most appropriate theoretical foundation for the study when compared to the five other major theoretical explanations for entry mode choice just discussed. As will be seen, the RBV offers a more powerful (if imperfect) explanation of the influence marketing resource and strategy factors (the entry mode choice variables that are the focus of this study) have on SMEs' choice between independent and collaborative entry modes (the particular mode choice decision investigated here).

In the context of the present study, the RBV's advantage over each of the other five major theoretical explanations can be summarised as follows:

Advantage over TCA. The TCA's entry mode choice explanation (discussed in section 2.4.1.1) focuses on cost minimisation. The RBV's explanation centres on firm resources and their exploitation to best effect and so is much more relevant to this study with its focal entry mode variables all pertaining (with one exception, this being entry mode restrictions) to firm resources (the variables concerned are the three marketing resources) or the exploitation of firm resources (the three marketing strategy variables).

Advantage over Eclectic Framework. The ownership ('O') element of the Eclectic Paradigm (section 2.4.1.2), more specifically ownership advantages, can be considered conceptually similar to firm-specific resources since both are internal factors that enable firms to achieve competitive advantage (Fladmoe-Lindquist and Tallman, 1997). While this may be so, Hitt et al (1997, 769) maintain that "resource-based theory [the RBV] provides a more independent and richer perspective on actions taken by firms moving into international markets [including their entry mode choice] than does the ownership explanation from Dunning's eclectic theory".

Hence, the RBV explanation of entry mode choice is more useful to the present study.

Advantage over Institutional Perspective. With only one study variable representing an institutional factor (this being entry mode restrictions), the still-emerging institutional perspective (section 2.4.1.3) would be of limited use as an underpinning theory.

Advantage over Stages/Process Models of Firm Internationalisation. These models (section 2.4.1.4), which relate firms' entry mode choice to their phase of internationalisation, do not offer a rationale for firms choosing between independent and collaborative entry modes. While the original Uppsala model suggests an 'establishment chain' that sees firms moving from exporting via agents (a collaborative entry mode) to the establishment of foreign subsidiaries (if WOS, an independent mode; if an EJV, a collaborative mode), this does not provide a meaningful explanation for firms' choice between independent and collaborative modes.

Advantage over Networks Perspective. The network approach (section 2.4.1.5) does not provide a comprehensive explanation for entry mode choice, especially not for the choice by firms between independent and collaborative modes.

RBV as a More Suitable Resource-Based Explanation of Entry Mode Choice than OCP

The ('core') RBV is overshadowed in the universe of resource-focused entry mode research by the 'organisational capabilities perspective' (the OCP) (e.g., Madhok, 1997)[107]. Although the RBV has similarities with the OCP and with other resource-based approaches, as well as with the other theoretical explanations for entry mode

[107] This may be explained by the initial application of the OCP to entry mode research, by Madhok (1997), having been at a time when evolutionary theories of the multinational enterprise (e.g., Kogut and Zander, 1993), these being rooted in the OCP (Forsgren, 2008), became well-established in international business (IB) research. With entry mode studies being largely focused on MNEs, for IB scholars the OCP represented a welcome alternative explanation to the transaction cost approach for (MNE) entry mode choice.

choice already discussed[108], their assumptions and predictions concerning entry mode choice vary[109].

As far as the present study is concerned, the RBV was seen as more suitable for this than the OCP as formulated and applied in the extant entry mode literature (e.g., Madhok, 1997; Burgel and Murray, 2000; Erramilli, Agarwal, and Dev, 2002; Sharma and Erramilli, 2004; Sánchez-Peinado, Pla-Barber, and Hébert, 2007). One reason is that the RBV takes a broader view of the firm resources (including capabilities) that may affect entry mode choice; the OCP focuses on firm capabilities (with firms' knowledge also being an important factor in the case of some - but not all - studies). Another reason is that the RBV takes a wider perspective of the factors that result in firm resources (including capabilities) being inadequate or of lesser value in the context of international markets; in relation to this the OCP emphasises difficulties associated with the actual transfer of the resources to the markets on account of the characteristics of the resources.

The RBV, with its resource exploitation and market-seeking orientation, makes assumptions and predictions that vary from those of the OCP. As pointed out by Erramilli et al (2002), the RBV stresses the need by a firm to avoid its resources being replicated by competitors whereas the OCP emphasises the need for the same resources to be replicated by firms collaborating with the firm. Where firms' preference for independent or collaborative entry modes is concerned, whereas the RBV holds that *independent* modes are firms' 'default' entry modes (Tan et al, 2001; Ekeledo and Sivakumar, 2004) (this will be discussed in detail in section 2.4.2.2) the OCP suggests that *collaborative* modes are preferred unless firms find that the transfer of key resources to partner firms in the international markets concerned

[108] For instance, the RBV is said to be compatible with the Eclectic Paradigm (as well as with another theory of FDI, the Monopolistic Advantage Theory - Hymer, 1960) (Trevino and Grosse, 2002).
[109] In view of their diverging rationale for and predictions of entry mode choice, it would be better for entry mode researchers to treat the ('core') RBV separately from other resource-based perspectives of entry mode choice (including from the OCP - e.g., Schramm-Klein, 2012) rather than consolidating these under the banner of the RBV (e.g., Brouthers and Hennart, 2007).

through such modes may erode their value (Madhok, 1997; Sharma and Erramilli, 2004)[110].

2.4.2.1 Fundamental Tenets and Concepts of RBV

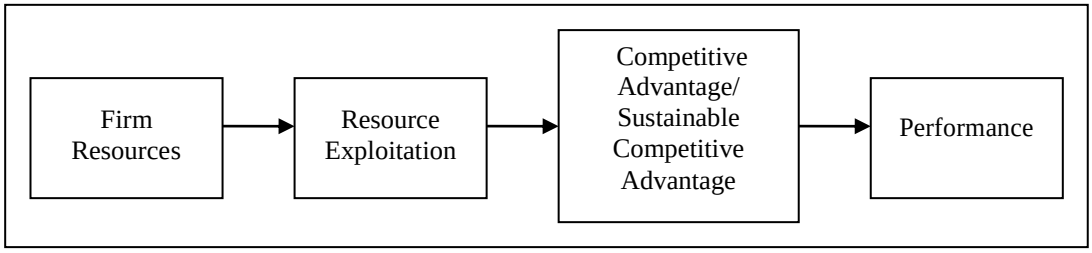
Although the ('core') RBV continues to evolve, its fundamental tenets and associated key concepts (Barney, 1991; Grant, 1991; Peteraf, 1993; Barney, 2002; Peteraf and Barney, 2003; Sirmon et al, 2007) are well established. Essentially, the theory as developed so far holds that the possession by a firm of certain resources *and* their exploitation can result in the firm achieving competitive advantage that, if sustained, can lead to it performing superiorly to its competitors. These fundamental tenets and concepts of the RBV and their relationships are depicted by Figure 2.3 on page 103. As the figure illustrates, the RBV does *not* suggest a simple link between firm resources and firm performance but that resource exploitation and competitive advantage have a mediating role between a firm's resources and its performance. This is confirmed by the nature and role in the RBV of (i) firm resources, (ii) resource exploitation, (iii) competitive advantage/sustainable competitive advantage, and (iv) performance, an overview of which follows.

(i) Firm Resources

Resources Generally. The RBV assumes that resources are heterogeneously distributed among firms and imperfectly mobile between them. It holds that the possession by a firm of resources having certain attributes that make them advantageous to the firm *and* their exploitation can result in the firm achieving competitive advantage, and, potentially, sustainable competitive advantage vis-à-vis its competitors (Barney and Clark, 2007).

Firm resources, central to the RBV, have been defined in many different ways over

[110] The OCP recognises that firms with a strong resource base would prefer internalisation but holds that these are likely to cooperate with other firms when entering unfamiliar foreign markets and thereby encountering capability constraints (Madhok, 1997).



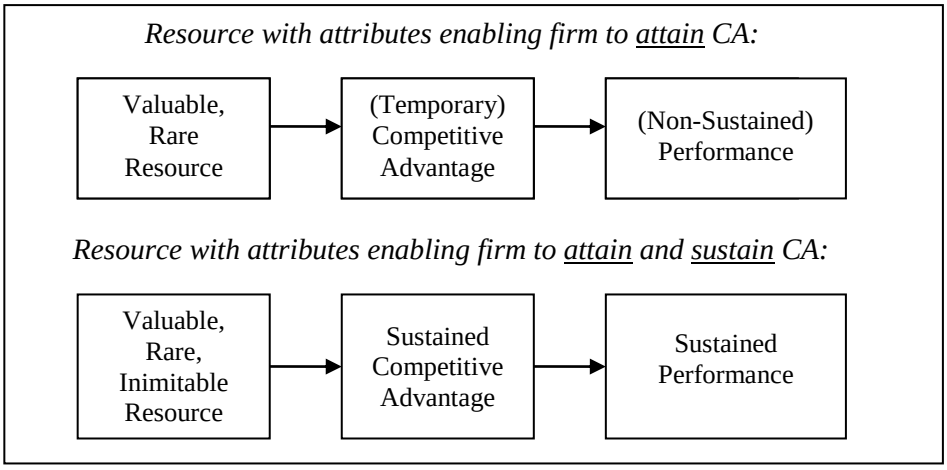
Source: adapted from Ketchen, Hult, and Slater (2007, 962).

Figure 2.3 – Fundamental Tenets and Concepts of RBV

Valuable? ('V')	**Rare? ('R')**	**Costly to Imitate? ('I')**	**Exploited by Organisation? ('O')**	**Competitive Implications**	**Economic Performance**
No	-	-	No ↕ Yes	Competitive disadvantage	Below normal
Yes	No	-		Competitive parity	Normal
Yes	Yes	No		(Temporary) CA	Above normal
Yes	Yes	Yes		SCA	Above normal

Source: Barney (2002, 173). CA: competitive advantage; SCA: sustainable CA.

Figure 2.4 – The VRIO Framework



Source: adapted from Newbert (2007, 123). CA: competitive advantage.

Figure 2.5 – Strategic Resource Core Attributes, Competitive Advantage, and Firm Performance

the years[111]. Although the term 'resources' is commonly used to refer collectively to firm resources and capabilities, RBV theorists have come to follow Amit and Schoemaker (1993) and others in making a conceptual distinction between firm *resources* and *capabilities*. The definitions of Helfat and Peteraf (2003, 999) reflect the contemporary interpretation RBV theorists generally have of resources and capabilities. These authors define a firm resource as:

> "an asset or input to production (tangible or intangible) that an organization owns, controls, or has access to on a semi-permanent basis."

The same authors define a firm capability as:

> "the ability of an organization to perform a coordinated set of tasks, utilising organizational resources, for the purpose of achieving a particular end result."

Thus, in the context of the RBV *capabilities* are mechanisms by which *resources* are deployed (Amit and Schoemaker, 1993). More specifically, capabilities are those attributes of a firm that enable it to exploit its resources in implementing strategies (Hill and Jones, 1992, and Harrison et al., 2001, as cited by Barney et al, 2012).

In line with the foregoing, a conceptual distinction is made here between firm resources and capabilities[112]. For convenience, following Combs and Ketchen Jr. (1999), Kozlenkova et al (2014), and others *the term 'resources' is used in its encompassing sense to refer to resources and capabilities where these are not discussed individually*.

According to the RBV, resources (including capabilities) vary in their usefulness and significance to firms. Relatively few resources have the potential to be sources of

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[111] The lack of a standard definition and resultant ambiguity caused confusion and slowed the evolution of the RBV (Priem and Butler, 2001) in earlier years. Whereas early resource-based contributions took a broad perspective of what constitutes resources (e.g., Wernerfelt, 1984, 172, defines resources as "anything which could be thought of as a strength or weakness of a given firm"), subsequent ones have been more precise.

[112] Some authors (e.g., Wilden and Gudergan, 2015) following the dynamic capabilities perspective (Teece et al, 1997; Eisenhardt and Martin, 2000) further distinguish between capabilities that are 'ordinary' or 'operational' and those that are 'dynamic' (to them, the latter enables a firm to sense and adapt to change). Unless dynamic capabilities are specifically discussed, the term 'capabilities' is used here as an all-inclusive one.

competitive advantage for a firm. The resources that have such potential are referred to as strategic resources (e.g., Chi, 1994; Black and Boal, 1994; Crook et al., 2008). Also known as 'strategic assets' (e.g., Dierickx and Cool, 1989; Amit and Schoemaker, 1993) and 'critical resources' (e.g., Peteraf and Barney, 2003), strategic resources represent the 'crown jewels' of a firm (Grant, 1991; Montgomery, 1995) since they have the most competitive potential of all firm resources and thus are valuable to the firm that owns or controls them.

Of the various attributes RBV theorists (including Barney, 1991; Grant, 1991; Amit and Schoemaker, 1993; Collis and Montgomery, 1995) suggest resources (including capabilities) need to possess in order to be strategic resources, three such attributes have been widely accepted by such scholars as the core attributes of strategic resources. These attributes (and their meaning ascribed to by Barney, 1991) are value (the resources need to help a firm exploit opportunities and neutralise competitive threats; this would result in an increase in the firm's revenues, a decrease in its costs, or both - Barney and Hesterly, 2008), rarity (the resources cannot be widely held by other firms - they must be scarce[113]), and inimitability (the imitation or duplication of the resources must be difficult or impossible due to such factors as unique firm history, causal ambiguity, and social complexity).

These three core attributes of strategic resources are reflected in Barney's VRIO framework (VRIO standing for valuable, rare, inimitable, and organisation) (Barney, 2002). The framework also emphasises the need for a firm to be organised to effectively exploit its resources, with the organisation ('O') element of the framework providing the organising context necessary for a firm to develop and exploit its resources in such a way so as to realise their potential (Newbert, 2007). Barney, holding that a firm's structure and control mechanisms must be aligned in order to provide its managers with the ability and incentive to exploit the firm's resources (Barney, 2002; Barney and Clark, 2007; Barney and Hesterly, 2008), considers organisation to be a firm-level orientation, strategy, or context

[113] Besides the scarcity of the respective resource *type*, the scarcity of equally serviceable substitutes needs to be considered since dissimilar resources in type may serve as effective substitutes in terms of producing the same end product or its equivalent (Peteraf and Bergen, 2003).

accompanying a general and unified approach to the utilisation of resources (Newbert, 2007).

As illustrated by Figure 2.4 on page 103, the VRIO framework (whose forerunner was the 'VRIN'/'VRIS' framework[114]) provides a guide as to whether the exploitation of a particular resource by a firm would potentially provide it with a competitive advantage (temporary or sustained) and of the firm's possible performance resulting from this[115].

The core attributes of strategic resources[116], the VRI attributes, can be divided into those that help a firm *attain* competitive advantage (such attributes representing *ex ante* limits to competition - Peteraf, 1993) and those that help it *sustain* competitive advantage (*ex post* limits to competition). Of the VRI attributes, value and rarity are the resource characteristics that can enable a firm to achieve (short-term) competitive advantage vis-à-vis its rivals. The remaining attribute, inimitability, is the characteristic that can enable the firm to sustain this advantage and thus attain sustained competitive advantage.

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[114] Barney's (1991) VRIN framework, also known as the VRIS framework, reflects non-substitutability (close substitutes for the resources cannot be readily available) as a (fourth) core resource attribute (i.e. VRIN = valuable, rare, inimitable, non-substitutable). However, Barney subsequently integrated this element of the VRIN framework into the inimitability attribute, with the author thereafter referring to substitution as one of two forms of imitation (the other form of imitation being direct duplication) rather than as a distinct core attribute of a strategic resource. Barney's focus on value, rarity, and inimitability as the core attributes of a strategic resource is reflected in his VRIO framework that supersedes the VRIN one and which replaced non-substitutability with organisation as the fourth element.

[115] While the VRIO framework is a useful tool (research suggests that it is superior to other tools used by managers for strategic decision-making - Bresser and Powalla, 2012), some scholars contend that *value* and *inimitability* are effectively the primary core attributes of strategic resources since *rarity* is an important attribute only if a resource is *valuable* and exists only if the resource is *inimitable* by competitors. This includes Hoopes, Madsen, and Walker (2003, 890), who point out that "concentrating on *value* and *inimitability* gets to the heart of the RBV".

[116] The growing body of empirical work in relation to the RBV seems to confirm the importance of strategic resources, particularly their impact on competitive advantage and firm performance. In their meta-analysis of 125 resource-based studies encompassing over 29,000 organisations, Crook et al. (2008) found strong support for the assertion that strategic resources enhance firm performance, and that this held across a wide range of contexts (manufacturing and service firms; diversified and non-diversified firms; small and large firms). Empirical studies relating to the RBV also confirm the relationships between the core tenets and associated key concepts of the RBV. For example, Newbert (2008), examining the relationship between resource value and rareness (two of the VRI attributes), competitive advantage, and performance, found that value and rareness are related to competitive advantage, that CA is related to performance, and that CA mediates the rareness-performance relationship.

The sustainability of competitive advantage depends on the possibility and extent of the direct duplication or substitution by competitors of a firm's resource. This is because the inimitability of a resource, which has substitutability as a dimension, is an isolating mechanism[117] that shields a firm from competition and which, according to the RBV, sustains its advantage[118]. Figure 2.5 on page 103 depicts the relationships between the core (VRI) attributes of a strategic resource, competitive advantage/sustained competitive advantage, and firm performance, and shows that inimitability is the resource attribute that is central to a resource enabling a firm to achieve *sustained* competitive advantage and superior performance.

The capacity of resources to be strategic[119] varies by their type. This is because some types of resources are generally easier to obtain by firms than others and, consequently, have less potential to be sources of competitive advantage than those that are more difficult to come by. In general, those resources that are more difficult to obtain or create through internal development, acquisition in factor markets[120],

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[117] An 'isolating mechanism' protects firms from imitation and preserves their rent (profit) streams (Rumelt, 1984).

[118] The reasons for resource inimitability include causal ambiguity (whereby competitors do not understand, at least not fully, the link between a firm's resources and the competitive advantage they confer), unique firm history (competitors are unable to duplicate the situations and circumstances that gave rise to a firm's resources), time compression diseconomies (competitors do not have the same length of time to develop the necessary resources), and social complexity (competitors may not understand or be able to replicate the multifarious relationships within the firm and between the firm and key stakeholders that impacted a firm's resources) (Lippman and Rumelt, 1982; Rumelt, 1984; Dierickx and Cool, 1989; Reed and DeFillippi, 1990; Barney, 1991; Collis and Montgomery, 1995). In addition, a firm's property rights (including patents and copyrights) may make imitation by competitors of its strategic resources difficult or impossible (Hall, 1993).

[119] Strategic resources are not limited to individual resources (including individual capabilities). They also include resource bundles (i.e. combinations of multiple resources and capabilities) as well as particular resource-capability combinations. Resource-capability combinations are seen as particularly important due to the view that both resources *and* capabilities are required to attain competitive advantage since the value of an individual resource (or capability) can, due to its nature, only be realised when combined with a corresponding capability (in the case of a capability, with a corresponding resource) (Newbert, 2008). Newbert (2008) points out that firms do not necessarily have to possess rare resources *and* rare capabilities in order to attain a competitive advantage. This is because a firm may derive a competitive advantage from a resource-capability combination whereby the resource is not valuable and rare (e.g., naturally occurring chemical compounds) but the corresponding capability is (e.g., a patented chemical process that uses the compounds); the same holds true where the capability is not valuable or rare but the corresponding resource is.

[120] According to the Collins Dictionary of Economics (2006; retrieved: 05 March, 2015, from <http://search.credoreference.com/content/entry/collinsecon/factor_market/0>), a factor market is "a market in which factors of production are bought and sold and in which the prices of labour and other

acquisition of other firms possessing the resource, or cooperation with such firms (the four ways by which firms attain resources - Barney, 1999; Bowman and Collier, 2006; Teng, 2007), are more likely to exhibit VRI attributes. Whereas tangible assets (physical, touchable objects such as machines and buildings - Sanchez, Heene, and Thomas, 1996) infrequently offer a firm competitive advantage because they generally are transparent, can be obtained through factor markets, and are weak at resisting duplication by competitors, intangible assets (non-physical assets, including capabilities, knowledge, information, reputation, and intellectual property rights - Sanchez et al, 1996) often exhibit all three VRI attributes of strategic resources and are the primary source of competitive advantage[121]. Intangible assets are difficult to obtain, create, and imitate due to their inherent complexity, the specificity of their accumulation, and possible legal protection (such as in the form of patents and trademarks in the case of intellectual property) (Fahy, 2001).

Of the various types of intangible assets, firm capabilities appear to be the most likely to represent strategic resources for firms (e.g., Newbert, 2007). This is because capabilities are organisationally embedded, firm-specific attributes that cannot easily be imitated by firms' competitors. The development of capabilities is a process that is lengthy, complex, and influenced by multiple organisational factors (Montealegre, 2002). Moreover, capabilities on their own cannot be bought easily or at all and tend to be transferred between firms only when one of the firms purchases that in which the capabilities are embedded (Hall, 1989; Wernerfelt, 1989)[122]. Consequently, capabilities need to be built by firms (Teece et al, 1997).

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factor inputs are determined by the interplay of demand and supply forces" (Factors of production "are the resources that are used by firms as factor inputs in producing a good or service. There are three main groups of factor inputs: natural resources, labour and capital.").

[121] The appropriability of returns stemming from advantage-generating resources can be a particular problem in the case of intangible assets (such as brand names and copyrights) (Grant, 1991). Consequently, firms must take appropriate action to maximise the benefit they derive from their resources.

[122] Although firms can and do share certain capabilities, at least in part (e.g., R&D capabilities).

In the context of particular individual firm resources (including capabilities) acting as sources of competitive advantage, complementary resources (including complementary capabilities) are those *non-strategic* individual resources (or capabilities)[123] that enable *other* resources to be strategic (Barney, 1995) (in other contexts, complementary resources may relate to individual resources that 'fit' together[124] or which have another association[125]). Barney (Barney, 1995; Barney et al, 2012) states that complementary resources have limited ability to be sources of competitive advantage in isolation but that in combination with others can enable a firm to realise its full (resource-based) competitive potential. Crucially, the implementation by a firm of strategies to exploit its strategic resources (the importance of resource exploitation from the RBV perspective is discussed in the next section) depends on its complementary resources[126]. In the words of Barney (2001, 54):

> "…[strategy] implementation depends on resources that are not themselves sources of sustained advantage but, rather, are strategic complements to the other valuable, rare, costly to imitate, and nonsubstitutable resources controlled by a firm (Barney, 1995, 1997)."

Thus, various complementary resources (including complementary capabilities) can be 'strategic complements'.

Marketing resources. Marketing resources, consisting largely of intangible assets (the type of resources most likely to generate advantages - Newbert, 2007), can represent

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[123] Non-strategic resources generally constitute the bulk of a firm's resource base (Collis and Montgomery, 1995).

[124] As in the case where two or more firms pool complementary resources in strategic alliances or other arrangements (e.g., Harrison et al, 2001).

[125] According to Amit and Schoemaker (1993, 39), the strategic value of a strategic resource's relative magnitude may increase with an increase in the relative magnitude of another of a firm's strategic resources. The authors state that this is also known as 'positive externalities'.

[126] Barney, highlighting that the 'organisation' variable in VRIO is a complementary resource, suggests that explicit management control systems, formal reporting structures, and compensation policies can be considered to be such resources since they "are not sources of competitive advantage by themselves but are useful to convert potential resources into real ones, able to generate competitive advantage" (Barney et al, 2012, 128). Meanwhile, the (pre-RBV) conceptualisation of complementary resources by Teece (1986), whose complementary assets framework has been influential in strategic management research (Kapoor and Furr, 2014), differs to that of Barney. Teece, seeking to explain why firms often fail to obtain significant economic returns from their innovations while their customers and other industry participants benefit, holds that complementary assets are required by firms to exploit the know-how associated with innovation. The author states that complementary assets can include finance, marketing and sales, distribution and logistics, and customer service.

strategic resources for firms (Srivastava, Fahey, and Christensen, 2001; Hooley et al., 2005). This holds true of a firm's individual marketing resources as well as of its marketing ability, which can also be a strategic resource in its own right where it has the (VRI) attributes of such a resource. A firm can have a competitive advantage over other firms in a particular market on the basis of its overall marketing ability, as it can on that of its individual marketing resources (including marketing capabilities) on which the marketing ability is founded. Where marketing capabilities represent strategic resources for firms, the competitive advantages resulting from their exploitation is likely to be sustained (i.e. to be sustainable competitive advantage). This is because marketing capabilities have a high degree of inimitability (the resource attribute central to competitive advantage being sustained) due to their tacit nature and embeddedness within firms (Day, 1994; Brush and Artz, 1999; Vorhies and Morgan, 2005; Grewal and Slotegraaf, 2007; Krasnikov and Jayachandran, 2008; Vorhies, Orr, and Bush, 2011)[127].

International marketing resources and international marketing can also be strategic resources in their own right where they have the (VRI) attributes of such a resource. In the case of individual marketing resources (including marketing capabilities), these mostly intangible assets can, where they have strategic resource attributes, generate advantages for firms in international markets. This is especially so with individual marketing capabilities (e.g., pricing capability relating to an international market) due to their high degree of inimitability. As for international marketing, a firm can have a competitive advantage over other firms in an international market based on its marketing ability (overall marketing capability) *in relation to that market*, as it can on that of its individual marketing resources (including individual marketing capabilities) supporting the ability.

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[127]This applies to both a firm's *individual* marketing capabilities (e.g., pricing capability) and its *overall* marketing capability (i.e., marketing ability). An example of how firms' marketing, marketing resources, and marketing capabilities can be a source of competitive advantage and so can represent strategic resources is provided by Nike Inc. The firm's marketing (which represents an advanced overall marketing capability), marketing resources (including its brand and 'swooch' symbol, which is among the firm's most value assets), and individual marketing capabilities (especially branding and NPD capabilities) are particularly important to it achieving competitive advantage in the markets in which it is active. These visible strategic resources are supported by a substantial number of complementary resources, both marketing and non-marketing in nature.

Although firms' international marketing and their related marketing resources can be strategic resources with respect to international markets, for many firms - and most SMEs (given their apparent insufficient marketing resources for international markets) - these are more likely to be complementary resources. This is because firms' marketing resources in general and their marketing capabilities in particular, which are required for marketing to be undertaken, can be market-specific and/or difficult to transfer between country markets (as will be discussed in section 2.5.2.1, marketing resources can be location-specific or location-bound). Even where they are not, these resources may lose their competitive value in part or in full when redeployed to an international market due to differences in competitive, institutional, and other characteristics between country markets (Madhok, 1997; Cuervo-Cazurra, Maloney, and Manrakhan, 2007; Brouthers, Brouthers, and Werner, 2008). Thus, a marketing resource (including marketing capability) that may be strategic in the context of a firm's domestic market or one of its international markets may not be so in the case of a particular international market.

Just as a firm's strategic resources can lose their importance when deployed to another country market, so can its complementary resources. Thus, even where a firm's marketing and marketing resources are (only) complementary outside an international market they may not be so with respect to that particular market. For this reason, firms commonly find that they need to develop their marketing resources with respect to international markets so as to be able to exploit their strategic resources in relation to these. Otherwise they are not in a position to undertake the marketing necessary for the international markets concerned. Without adequate marketing firms may find that their success elsewhere does not extend to the international markets they seek to develop, even where they may have the strategic resources necessary to potentially offer superior value to consumers in the markets and so to achieve competitive advantage there[128].

[128] This highlights that a firm's ability to offer value to consumers in a particular country market - be it its domestic market or an international market - may not be easily replicated in relation to another country market, at least not profitably. Differences in consumer needs, demand, and behaviour as well as variations in competitive, institutional, and other circumstances between country markets can mean

(ii) Resource Exploitation

Exploitation generally. Besides stipulating that firms must possess strategic resources to attain and sustain competitive advantage, the RBV has come to highlight the need for firms to take appropriate action in relation to these resources[129]. This is because the mere *possession* by a firm of strategic resources is insufficient for competitive advantage (Barney and Arikan, 2001; Priem and Butler, 2001). Strategic resources are enablers but not guarantors of competitive advantage and need to be *exploited* by the firm to achieve such advantage.

According to the RBV, resource exploitation involves the deployment by firms of their strategic resources in *product* markets in order to create value, more specifically to "create *value for customers* and wealth for [resource] owners" (Sirmon et al, 2007, 283, emphasis added). In exploiting its resources, a firm matches its strategic and other resources with opportunities in relevant product markets[130] (according to the RBV, product markets are the loci of firm competition[131] and where the value of firm resources is determined[132]) to create and offer to customers within these products

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that what is seen as a superior product by consumers (or a consumer segment) in one country market may be regarded by their counterparts in another market as an inferior product (and *vice versa*).

[129] RBV theorists have only recently began to focus their efforts on developing the RBV so that it provides an explanation as to how the possession by firms of strategic resources can result in these achieving competitive advantage and attaining resultant benefits. Notably, Sirmon et al (2007) "built theory about the underexplored processes (i.e., the 'black box') that lie between resources on the one hand and superior profitability on the other" (Barney et al, 2011, 1302).

[130] From an economics perspective, a product market is "a market in which products are bought and sold and in which the prices of goods and services are determined by the interplay of demand and supply forces" (Collins Dictionary of Economics, 2006; retrieved: 02 December, 2013, from <http://search.credoreference.com/content/entry/collinsecon/product_market/0>). From a customer (demand-side) perspective, Srivastava, Alpert, and Shocker (1984, 32) define a product market as "the set of products judged to be substitutes within those usage situations in which similar patterns of benefits are sought by groups of customers".

[131] This is reflected by the definition of competitive advantage offered by Peteraf and Barney (2003, 314, emphasis added), this being the ability of a firm to "create more economic value than the marginal (breakeven) competitor in its *product market*". The fact that the RBV requires further development to provide greater insight into how firms actualise their resource-based advantages in product markets has been acknowledged by Barney (2001 and 2014b) and others.

[132] See, for example, Peteraf and Bergen (2003). Schmidt and Keil (2013, 207) state that the value of firm resources "is a function of both internal (the firm's resource base and its managers' characteristics) and external factors (the firm's market position and customers valuing the firm's output, as well as access to information)."

reflecting the advantages the resources convey[133] (Peteraf and Barney, 2003). Such products offer the customers more *value* than competing products, by providing greater benefits at the same cost (i.e. they are differentiated from competitors' products) or the same benefits at lower cost (they are priced lower than those of competitors) (Peteraf and Barney, 2003).

In order to offer products of superior customer value so as to actualise advantages conveyed by strategic resources, firms have to formulate and implement suitable strategies. This includes marketing strategies. Marketing strategy and activity are central to resource exploitation since they are a requirement for products of superior value to be offered to customers. The creation of customer value through marketing involves a firm undertaking the marketing tasks and activities discussed in section 1.5.1 in line with an appropriate marketing strategy and an effective marketing programme and marketing mix. Marketing strategy and the marketing activity that takes place pursuant to this strategy are guided by or complement the firm's other strategies (competitive strategy, functional strategies other than marketing strategy, etc). The marketing mix is the means by which a firm actualises its strategy in the market[134]. The formulation of marketing strategy, of the marketing programme and marketing mix, and the resultant marketing activity (including that associated with the core marketing tasks of creating, communicating, and delivering value offerings; such activity is indicated by Table 1.2 on page 36) are central to the strategic action

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[133] Conner (1991, 132) provides an apt analogy in this respect: "Distinctiveness in the product offering or low costs are tied directly to the distinctiveness of the inputs - resources - used to produce the product, much as the quality and cost of *boeuf bourguignonne* depend on the particular ingredients used and the way in which they are mixed."

[134] The marketing mix has been criticised by academics and "is often considered the cause for embarrassment in marketing academia" (Baker and Hart, 2008, xxxi). However, it remains useful some 50 years after its inception (the term was first used by Borden, 1964) and continues to be applied by marketing scholars, including in the context of international marketing (e.g., Bahadir, Bharadwaj, and Srivastava, 2015). The marketing mix is well known by academics and practitioners around the world, being "a prominent concept across countries, regardless of the countries' stages of development or cultural properties" (Kemper, Engelen, and Brettel, 2011, 89), and "is particularly useful in helping practitioners structure their thinking about marketing problems" (Baker, 2008, 247). The 'mix' is now commonly referred to as the '4Ps' (product, price, place, promotion) that represent its basic elements (the four Ps actually predate the marketing mix, having been suggested by McCarthy, 1960). McDonald (2008, 88) notes that "there is some debate about whether or not the four Ps are adequate to describe the marketing mix" and that "some academics advocate that people, procedures and almost anything else beginning with 'P' should be included"; the same author believes that "these 'new' factors are already subsumed in the existing four Ps."

necessary for the firm to exploit its strategic resources in relation to a product market and, through such exploitation, to realise competitive advantage/sustainable competitive advantage with respect to that market.

Vital to the implementation of strategies enabling resource exploitation are firm capabilities. Capabilities are required by firms to exploit their resources (Hill and Jones, 1992, and Harrison et al, 2001, as cited by Barney et al, 2012). Where a firm does not have the capabilities and other resources required to exploit its strategic resources, the firm may have to develop these. Thus, resource development may have to take place parallel or prior to resource exploitation. Resource exploitation and resource development are two, often interrelated crucial tasks that managers must perform[135]. From the perspective of the RBV, the role of firm managers is to exploit strategic resources and to develop new ones. More specifically, it is to identify, develop, protect, and deploy strategic resources in order to achieve competitive advantage (Grant, 1991; Amit and Schoemaker, 1993). Given the importance of complementary resources (including complementary capabilities) to the exploitation of strategic resources, with complementary resources being required for the implementation of strategies for resource exploitation and thus representing strategic complements (Barney, 1995, 1997, 2001), resource development also extends to complementary resources where these are inadequate for strategic resource exploitation.

Effective resource exploitation and, as necessary, development in relation to product markets can be a difficult task for firm managers. This is especially so where firms enter new product markets. A major reason for this is that competitive, institutional, and other factors can differ between markets (Oliver, 1997; Priem and Butler, 2001). This can result in a firm's resources being valuable with respect to some markets but

[135] Simon, Welling, and Freiling (2006, 167) offer a decision matrix indicating when a firm's managers would exploit or develop its resources (strategic and otherwise) in relation to a particular market. The matrix is based on the premise that this decision depends on the state of the resources and on the attractiveness of the market in question. If the market is highly attractive, the firm would exploit its resources where these are adequate or develop the resources where they are not. If the attractiveness of the market is low, the firm would not exploit or develop its resources in relation to that market.

not to others. Consequently, the firm's managers may find that its strategic resources may not be strategic in the case of other product markets and, for these to attain the same competitive significance as they have elsewhere, require development. This is especially so with international (product) markets.

Exploitation in relation to international markets. Firms' entry into and development of international markets (i.e., international market development) represents a way for these to exploit their strategic resources in additional product markets and, thus, to derive greater benefit from the resources. This requires the firms to offer customers within the international markets concerned products of superior value, and, thus, to engage in marketing in relation to the markets (i.e., in international marketing).

From the viewpoint of the RBV, the desire by firms to exploit the potential of their strategic resources is the main driver behind their expansion into international markets. Firms' strategic resources, which can include distinctive technological, marketing, and other resources (including capabilities and other intangible assets), encourage firms to diversify into new international markets to exploit the economic value of the resources (Tallman, 1992; Luo, 2002). Thus, international diversification strategy, which commonly centres on international market development, effectively is a corporate strategy to exploit firm resources (Sirmon et al, 2011).

The resources firms have are important to their international competitiveness (Collis, 1991; Fahy, 2002), enabling them to compete against other firms in both domestic and international markets. In the case of international markets, resource-based advantages both push firms to enter these and are the basis of the successful development of the markets. Resource-based advantages are effectively 'firm-specific advantages' (FSAs) that drive firms' international expansion through FDI; in line with Caves (1971), Rugman (1981), and others, and as reflected by the 'ownership' (O) element of Dunning's (1980, 1988, 1995) Eclectic Paradigm[136], FSAs in the form of proprietary assets (e.g., a well-regarded brand) encourage firms

[136] The Eclectic Paradigm's asset-based ownership advantages (referred to as 'Oa' advantages) are in line with the RBV (Lundan, 2010).

with such advantages to enter new international markets in order to exploit the advantages and also enable them to achieve competitive advantage over indigenous firms.

Resource-based advantages over competitors in international markets can drive firms to enter and compete in these markets through exporting (e.g., Dhanaraj and Beamish, 2003; Morgan et al, 2004). Exporting is an international market development method that allows firms to exploit their resource advantages in relation to international markets[137]. In an export setting, successful firms are those that leverage their resources (including capabilities) to exploit opportunities in export (international) markets in order to attain competitive advantage over other firms competing in the markets not possessing the same or similar resources[138]. Thus, while a range of firm resources (including managerial, physical, organisational, and relational resources) can be important to successful exporting (Ibeh and Wheeler, 2005), "a firm will have greater satisfaction with export performance to the extent that it can leverage *unique* resources [i.e. strategic resources[139]] in international markets" (Wilkinson and Brouthers, 2006, 237, emphasis added).

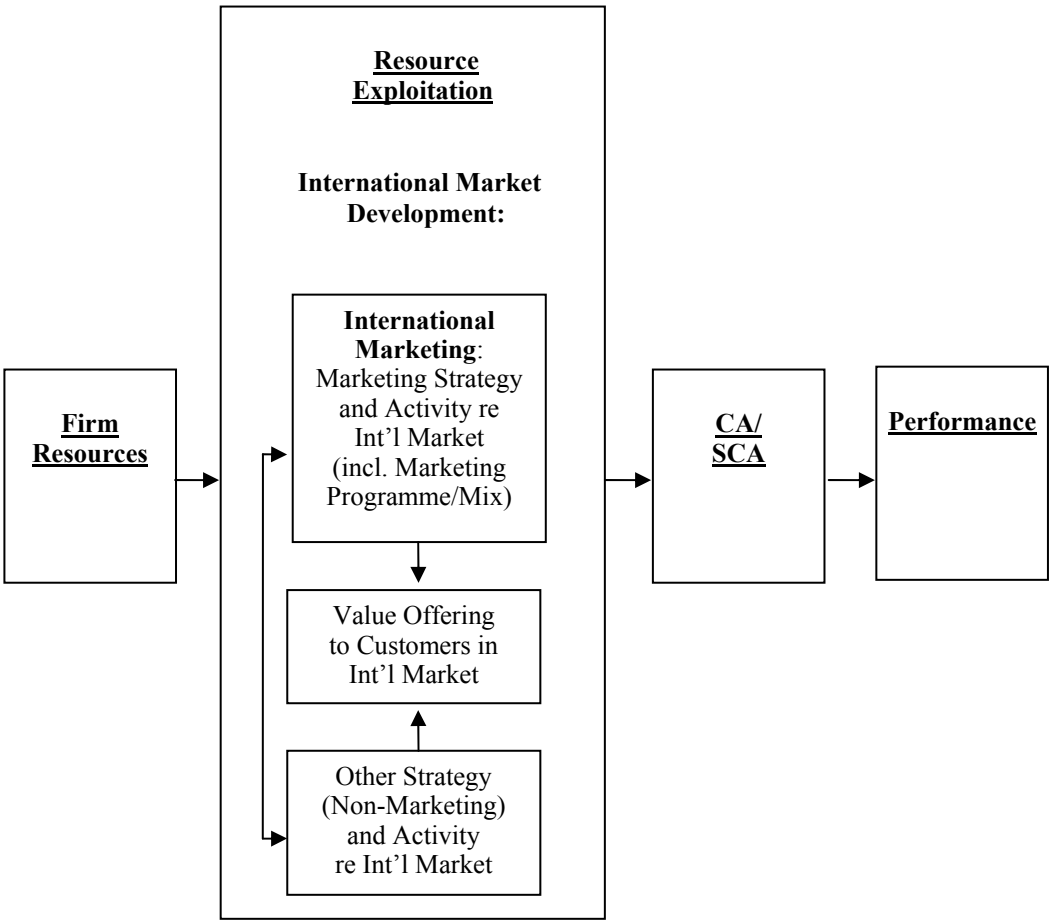
Regardless of whether a firm engaged in international market development seeks to exploit its resources in relation to an international (product) market through FDI, exporting, or in other ways, it will usually need to engage in international marketing. This is because resource exploitation involves firms offering to consumers - irrespective of whether the consumers are located in domestic or international markets - products embodying the firms' resource-based advantages and providing superior value. In the case of consumers in international markets, international marketing (the nature of which was discussed in section 1.5.2) enables firms to provide these with the value offerings required for the achievement of competitive

[137] Rugman and Verbeke (2004b) state that in the case of exporting, firm-specific advantages (FSAs) are embodied in firms' products transferred to international markets.
[138] Competitive advantage could, depending on the circumstances, also be attained over competitors that possess such resources but who are not exploiting these effectively or at all.
[139] Unique firm resources possess VRI attributes of strategic resources. Unique resources would be rare and, thus, should also be valuable to the firm that possess them.

advantage/sustainable competitive advantage in relation to the international markets concerned.

Further detail about the role of international marketing (and of international market development) in the exploitation by a firm of its strategic resources in respect of international markets is offered by Figure 2.6 on page 118. As the figure illustrates, as in the case of its domestic market a firm needs to formulate and implement an appropriate marketing strategy in relation to an international market and, based on this, also an effective marketing programme and marketing mix for that market. The formulation of marketing strategy, of the marketing programme and marketing mix, and the resultant marketing activity (including that associated with the core marketing tasks of creating, communicating, and delivering value offerings; such activity is indicated by Table 1.2 on page 36) are central to the strategic action necessary for the firm to exploit its strategic resources in relation to an international (product) market and, through such exploitation, to realise competitive advantage/sustainable competitive advantage with respect to that market.

In allowing firms to effectively exploit their strategic resources in relation to international (product) markets, in the context of the RBV international marketing has an important role in the achievement by firms of competitive advantage. Another reason why international marketing has an important role in this context is that international marketing and the marketing resources relating to this (*such resources are broadly defined here as any resource, including capability, associated with international marketing by firms*) represent strategic or complementary resources. As already discussed, from the RBV perspective marketing and marketing resources are of competitive significance in that these can be strategic or complementary resources to their firms. This is also the case with international markets. A firm's international marketing ability (its *overall* marketing capability) and the marketing resources (including individual marketing capabilities - e.g., pricing capability) on which this is based can represent strategic or complementary resources in relation to the international markets to which they are deployed.



CA = competitive advantage; SCA = sustainable competitive advantage; Int'l = international

Figure 2.6 – Simplified Overview of Role of International Market Development and International Marketing in Context of RBV

Source: Author.

International marketing and resources relating to this are, for the reasons outlined, *de facto* requirements for firms to offer value to consumers in international markets and to achieve competitive advantage there.

(iii) Competitive Advantage/Sustainable Competitive Advantage

The RBV holds that competitive advantage, especially sustainable competitive advantage, is an objective of firms. This is because such advantage can result in superior firm performance.

In the absence of a standard definition of competitive advantage (Rumelt, 2003), Peteraf and Barney (2003, 314, emphasis added) have defined this as the ability of a firm to:

> "create more economic value than the marginal (breakeven) competitor in its *product market*".

The same authors define the economic value created by a firm in the course of providing a good or service as "the difference between the perceived benefits gained by the purchasers of the good and the economic cost to the enterprise". The authors suggest that economic value is created when a firm offers in the market products having an advantage over those of its competitors because they provide greater benefits at the same cost or the same benefits at lower cost (i.e., economic value is created in the course of resource exploitation)[140].

In order to derive competitive advantage in a product market, regardless of whether the market is domestic or international, a firm only needs to generate more value for consumers *than the least efficient competitor capable of breaking even*. A firm does *not* need to be the best performer in the market. Consequently, competitive advantage may be held by several or many firms in an industry (Peteraf and Barney, 2003).

[140] This corresponds with the definition of competitive advantage provided by Kay (1993, 372) as "the ability of a firm to add more value than another firm in the same market".

The duration of a firm's competitive advantage is not fixed. The length of such an advantage depends primarily on the abilities and efforts of a firm's competitors at duplicating its source of advantage - its strategic resources (Barney, 1991; Barney and Arikan, 2001). The securing by a firm of a competitive advantage that is *sustained* over time (i.e. sustainable competitive advantage) requires the firm to possess and exploit strategic resources that are difficult or impossible to imitate[141].

(iv) Firm Performance

Although a firm may enjoy a competitive advantage (temporary or sustained) in a domestic or international product market as a result of it exploiting its strategic and other resources in connection with the market, this does *not* guarantee the firm superior performance in relation to its competitors in that market. From the perspective of the RBV, competitive advantage and performance are distinct (Barney, 1991; Peteraf and Barney, 2003; Newbert, 2008). Competitive advantage *may* lead to improved and/or superior firm performance (but not *vice versa*). This is dependent on the ability of a firm to capture the economic rents resulting from such advantage.

Firm performance is generally conceptualised by resource-based theorists as the economic rents (the "excess that a factor earns over the minimum amount needed to keep that factor in present use" - Lynch, 2003, 222)[142] a firm accrues as a result of the implementation of value-creating strategies, with economic rents manifesting themselves as returns for a firm, including as profits. A firm can improve its actual and relative (to competitors) performance by achieving competitive advantage or sustainable competitive advantage since this would allow it to earn more rents. By achieving competitive advantage, a firm can earn above normal rents in the market and thus perform better than its competitors (at least in comparison to those that do

[141] Sustainability does not imply that advantages persist permanently. All competitive advantages generating economic rent (economic rent will be discussed in the next subsection, that relating to firm performance) erode over time and eventually need to be replaced by others (McGrath, Macmillan, and Venkataraman, 1995). This is especially so in dynamic markets in which the competitive environment is changing rapidly.

[142] Economic rents exist when firms generate more value with their resources than expected by the owners of those resources (Barney and Arikan, 2001). The RBV emphasises two kinds of rents, Ricardian rents and quasi-rents.

not have a competitive advantage of their own). However, with competitive advantage the above-normal rents being generated due to the advantage and any consequent returns are only temporary. Where a firm can *sustain* its competitive advantage (as has been discussed, this would require its strategic resources to be inimitable), the firm would enjoy sustained competitive advantage, persistent and superior economic rents, and, thus, superior performance relative to its competitors (Barney, 2002).

The performance benefits a firm can attain from achieving competitive advantage/sustained competitive advantage depend on its ability to appropriate the economic rents that arise from such achievement. Firms do not necessarily appropriate all or even any of the economic rents they generate since employees, customers, suppliers, or other parties may appropriate these in part or in full (Coff, 1999; Barney and Arikan, 2001). With firm profits representing that part of the competitive advantage/economic rent firms are able to appropriate (Barney and Clark, 2007), a firm will only enjoy increased returns - including greater profits - from any improvement in its position in a domestic or international market if it can appropriate the economic rents resultant from this.

2.4.2.2 RBV Explanation for Entry Mode Choice

From the perspective of the ('core') RBV (with its market-seeking orientation - Trevino and Grosse, 2002), entry modes are - in the context of international market development - mechanisms by which firm resources (including capabilities) are deployed, exploited, and, where necessary, developed in relation to international markets.

Optimal Resource Exploitation as Primary Basis of Entry Mode Choice

From the RBV perspective entry modes are chosen by firms developing international markets on the basis of these enabling the optimal exploitation of their resources in relation to the markets while protecting their strategic resources (the firms' sources

of competitive advantage) from competitive imitation (Tan et al, 2001; Datta et al, 2002; Ekeledo and Sivakumar, 2004).

As discussed in the preceding section, the RBV holds that firms need to exploit their strategic resources (i.e. resources that have the VRI attributes of value, rarity, and inimitability) in product markets in order to attain competitive advantage (if possible, sustainable competitive advantage) in relation to the markets and to derive benefits that include higher profits. The entry into and development of international markets by firms represents a way for these to exploit their strategic resources in additional product markets and, thus, to derive greater benefit from the resources. This is provided that the strategic resources are exploited in an optimal way.

From the RBV perspective, optimal resource exploitation entails firms maximising for themselves the benefits their strategic resources (resources that have the VRI attributes) can bring when leveraged in relation to product markets. Accordingly, firms deploying their resources with respect to international markets in order to exploit worthwhile opportunities within the markets (developing resources as required for the exploitation prior to and/or concurrently with this) need to do so in ways that allow them to secure as much of the profits resulting from the exploitation as possible *and* to best protect their strategic resources from competitive imitation.

The implication of this for entry mode choice is that firms choose and employ modes for the respective international markets that allow for such ways of exploitation. Limiting both the ways in which firms can exploit their resources and their choice of entry modes are cost, time, and other considerations (while cost may be a limiting factor, cost minimisation is *not* the primary motivation behind firms' entry mode choice - in contrast to what is suggested by the transaction cost approach).

Independent Modes as 'Default' Entry Modes

Independent entry modes (whose characteristics were discussed in section 1.1) are firms' 'default' entry modes from the RBV perspective (Tan et al, 2001; Ekeledo and Sivakumar, 2004). This is due to this type of modes allowing firms to exploit and,

where necessary, develop their resources independently in relation to the international markets for which they are employed. Independent exploitation and development - enabled only through independent entry modes, which are mechanisms for these activities - allow firms to exercise maximum control over the strategic and other resources being exploited or developed in relation to international markets, over the associated exploitation and development activities, and over the resultant benefits[143]. Hence, independent modes offer firms engaged in international product market resource exploitation significant advantages over collaborative modes (the characteristics of collaborative modes were also discussed in section 1.1).

Independent resource exploitation enabled through independent entry modes means that a firm does not have to share economic rents[144] with other firms that would be involved if the exploitation was collaborative. Also, the firm is not dependent for the exploitation on others whose interests may not align with those of the firm, resulting in the exploitation being inadequate or even detrimental to the firm[145]. Moreover, the firm may be able to better protect its strategic resources from competitive imitation and for longer than if it exploited these in cooperation with other firms since the resources would stay within the boundaries of the firm. As noted by Tan et al (2001, 326), a firm collaboratively exploiting its resources in relation to an international market "risks that the values of the resources may be expropriated by its overseas partner (Hill and Kim, 1988; Agarwal and Ramaswami, 1992; Driscoll and Paliwoda, 1997)" and, since the resources may form its life-blood, would be "wary of seeing them disseminated" and earning lower economic rents.

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[143] The RBV rationale for independent resource exploitation and development: This is based on the premise that (1) firms seek *internal*, long-term resource advantages *over other firms* and that they aim to *secure for themselves* the benefits resulting from these advantages, and that (2) a firm's strategic resources need to reside *within its boundaries*. Some of the benefits of independent resource exploitation and development in the context of international markets will be discussed next in the main text.

[144] As discussed, the part of the economic rent a firm appropriates represents its profits.

[145] As Ellis (2007, 377) points out, (foreign) firms' 'partners' in international market development may attempt to prolong their involvement in this and may act against the interests of the firms. This could include deliberately distorting market signals. Illustrating such distortion in the case of exporting, the author writes that "export intermediaries have been known to disguise information identifying exchange parties by removing products from their original packaging (Kelly and Lecraw, 1985). Another tactic is to split buyers' orders over a large number of suppliers, thus keeping individual manufacturers in the dark concerning the true state of foreign demand (Wortzel and Wortzel, 1983)."

The foregoing is why, according to Tan et al (2001, 337), the RBV holds that:

> "firms will opt for the highest possible mode [in terms of international market involvement and control] to achieve utmost exploitation of their resources."

As far as independent resource development enabled through independent modes is concerned, this allows a firm to accumulate and control the resources concerned and places it in a better position to both develop these according to its own needs and to subsequently deploy and exploit them to its benefit.

That the preference from the RBV perspective for independent entry modes centres on these modes allowing firms to control their resources is confirmed by the importance the theory ascribes to a firm being able to control both its strategic and complementary resources in relation to an international market. According to Johnson and Tellis (2008, 2):

> "The resource-based view holds that as the degree of control increases, the firm's chances of success increase because the firm can deploy key resources that are essential to success (Gatignon and Anderson, 1988; Isobe, Makino, and Montgomery, 2000). These resources can be intangible properties, such as brand equity and marketing knowledge (Arnold, 2004), or tangible properties, such as a patent or a process blueprint. Control over such properties gives a firm the freedom to deploy resources flexibly, thus enhancing its chances of success...In addition, a firm can control key complementary resources, such as access to local distribution channels, which can be important to its success in any country."

Besides placing firms in a better position to deploy and exploit their resources in relation to international markets (provided that their resources are adequate or that the independent development of these is feasible), the employment of an independent mode is also better than that of a collaborative mode with respect to the preservation of the competitive value of their strategic resources - the firms' sources of competitive advantage. As Datta et al (2002, 87) state:

> "[The] RBV posits that the prime drivers of strategy (including the choice of entry mode) are the unique resources and capabilities of a firm. In other words, entry modes that best exploit firm resources and competencies are likely to be favored. However, [the] RBV also

> emphasizes that for resources and competencies to result in a competitive advantage, they must remain unique. Given that shared control [i.e. collaborative] modes are typically associated with a greater dissemination risk (i.e. the risk that firm-specific advantages or knowledge will be expropriated by a partner in the foreign venture), firms with valuable firm-specific assets are likely to avoid such modes. Instead, they can be expected to choose modes that allow for higher control."

All of the foregoing illustrates that from the perspective of the RBV, firms would be inclined to use independent instead of collaborative modes to enter and develop international markets. Independent modes provide the control necessary for firms to exploit their strategic resources in ways that benefit them, principally by leaving it within the firms' powers to decide where and how the resources are exploited with respect to international markets, by allowing the firms to secure the profits resulting from the exploitation, and by enabling them to best protect the resources.

Situations Where Collaborative Entry Modes Chosen

The employment of independent entry modes by firms developing international markets is not always feasible or desirable. According to RBV logic, firms would be inclined to use collaborative modes instead when they are unable to *independently* exploit their resources in relation to an international market efficiently or at all. This would be the case where strategic resources and/or complementary resources are lacking[146] *and* their *independent* development would be too costly (Das and Teng,

[146] Firms seeking to develop international markets may find that they lack strategic resources for this. In other words, they may not have strategic resources to exploit in relation to the markets concerned (and, thus, would not be able to achieve competitive advantage in the markets). This could be because their strategic resources are not strategic in the context of the respective international markets. As already mentioned and as will be discussed further later, marketing resources (including marketing capabilities) may be location-specific or location-bound. Another reason that firms could find their strategic resources not being strategic in relation to international markets they are seeking to develop is that they may lack the requisite complementary resources. A firm's complementary resources, which from the perspective of the RBV are those resources that allow *other* resources to be strategic, may not be adequate or appropriate in relation to the international markets concerned. In the context of these markets, the characteristics of complementary resources that make these resources indispensable to strategic resources may, for the same reasons that strategic resources may not be strategic with respect to international markets, be diminished or wholly eroded. Complementary resources that are affected in this way include marketing resources. Considering that marketing resources may be market-specific and/or difficult to transfer between country markets, firms may find that these resources are lacking for the international markets they seek to develop. Besides this leaving their strategic resources without an important complementary resource (with consequential negative effects on the strategic nature and competitive value of the strategic resources in relation to the

2000), take too long (Helfat and Lieberman, 2002), or be infeasible for another reason. In this situation a firm would, from the RBV perspective, be disposed towards cooperating with another firm provided it can protect its strategic resources from competitive imitation. The firm would develop the lacking resources in cooperation with another firm or would access the resources held by the other firm outright[147]. This involves the use of a collaborative entry mode.

Figure 2.7 (on page 128), which illustrates firms' choice of independent and collaborative entry modes suggested by the RBV[148,149], shows that firms are expected

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international markets concerned), a lack of marketing resources means that firms may be unable to undertake marketing in relation to the international markets in question and, thus, not in a position to exploit their resources in relation to these markets.

[147] The RBV rationale for collaborative resource exploitation and development/resource access: If a firm lacks required resources and finds internal resource development or the acquisition of another firm to be infeasible or impossible, the firm will instead resort to collaboration with other firms to obtain the required resources (Barney, 1999; Combs and Ketchen Jr., 1999; Das and Teng, 2000; Tsang, 2000; Madhok, 2002; Barney and Clark, 2007). From the RBV perspective, inter-firm collaboration is a tactic employed by firms to obtain resources of other firms. Collaboration represents a method by which firms secure resources they do not have and is a way for them to overcome resource constraints. In cooperating with other firms and in being able to access certain resources controlled by them and/or to also develop their own resources through their combination with those of other firms, firms may be in a position to attain through subsequent resource exploitation otherwise unavailable competitive advantages and economic profits (Das and Teng, 2000; Ireland et al, 2002). According to RBV logic, a firm would only collaborate with another where it "cannot efficiently get needed resources from elsewhere" (Das and Teng, 2000, 40). Moreover, collaboration will only take place when the resource-seeking firm expects to obtain through cooperation greater returns for the resources *it* provides to the collaborative effort (resource-seeking firms also need to provide valuable resources to the firm(s) it is collaborating with) than if the firm used the same resources itself or disposed of them (Das and Teng, 2000). In the context of product market resource exploitation, this implies that a firm will only seek to obtain another firm's resources and employ these together with its own in offering products to customers where the returns from this to the firm are greater than if it only employed its own resources.

[148] The figure also shows the four resource attainment methods, namely (1) internal development, (2) acquisition in factor markets, (3) the acquisition of other firms that possess the required resources, and (4) cooperation with firms that have these resources (Barney, 1999; Bowman and Collier, 2006; Teng, 2007). Methods 1-3 represent avenues for the independent development of a firm's resources whereas method 4 represents an avenue for collaborative resource development as well as for a firm to access another firm's resources without developing its own.

[149] The figure reflects that the RBV, with its particular rationales for independent and collaborative resource exploitation and development (refer to the earlier footnotes in the present section), makes certain predictions about firms engaged in product market resource exploitation undertaking this activity independently or collaboratively: (1) firms possessing adequate strategic and complementary resources will likely *exploit* these independently; (2) firms with inadequate strategic and/or complementary resources will *develop* these independently if feasible (given cost, time, and other considerations) and possible, and that this will likely result in the firms *exploiting* their resources independently; and (3) if firms with inadequate strategic and/or complementary resources find their independent development infeasible or impossible, they will *develop* these in collaboration with other

to choose an independent mode unless they resort to collaboration with other firms to obtain resources they lack *and* whose independent development is infeasible due to cost, time, or other considerations. In other words, firms will tend to choose a collaborative mode *only* where independent resource development is infeasible and they decide to develop their missing or inadequate strategic and/or complementary resources in cooperation with other firms or to gain access to the other firms' resources without developing their own.

That, from the RBV perspective, firms likely resort to collaborative entry modes where their strategic and/or complementary resources are inadequate with respect to international markets *and* where the independent development of these is infeasible is an acknowledgement by the RBV that cost is a limiting factor for firms and also that these adopt strategies which their resources can support (Ekeledo and Sivakumar, 2004). Also, it would explain why many firms, particularly SMEs, choose such modes to enter and develop international markets (SMEs' propensities to collaborate in this respect has been examined by various authors - e.g., Coviello and Munro, 1995; Jones, 1999; Camisón and Villar, 2009).

In situations where the cost, time scale, etc of resource development for international markets makes independent development infeasible, firms would be inclined to cooperate with others in the development and, thus, in the exploitation of their resources in relation to these markets provided that their strategic resources are protected in some way. Given the importance of strategic resources, firms in such situation would seek ways of collaborating that allow them to protect as far as possible the resources and to keep adequate control over these and the activities in relation to which they are employed. With some collaborative entry modes offering higher control than others (Table 2.2 on page 73 illustrates this in the case of control over marketing), this, as well as the varying resource augmenting ability of individual collaborative modes (with EJVs, particularly majority EJVs, generally

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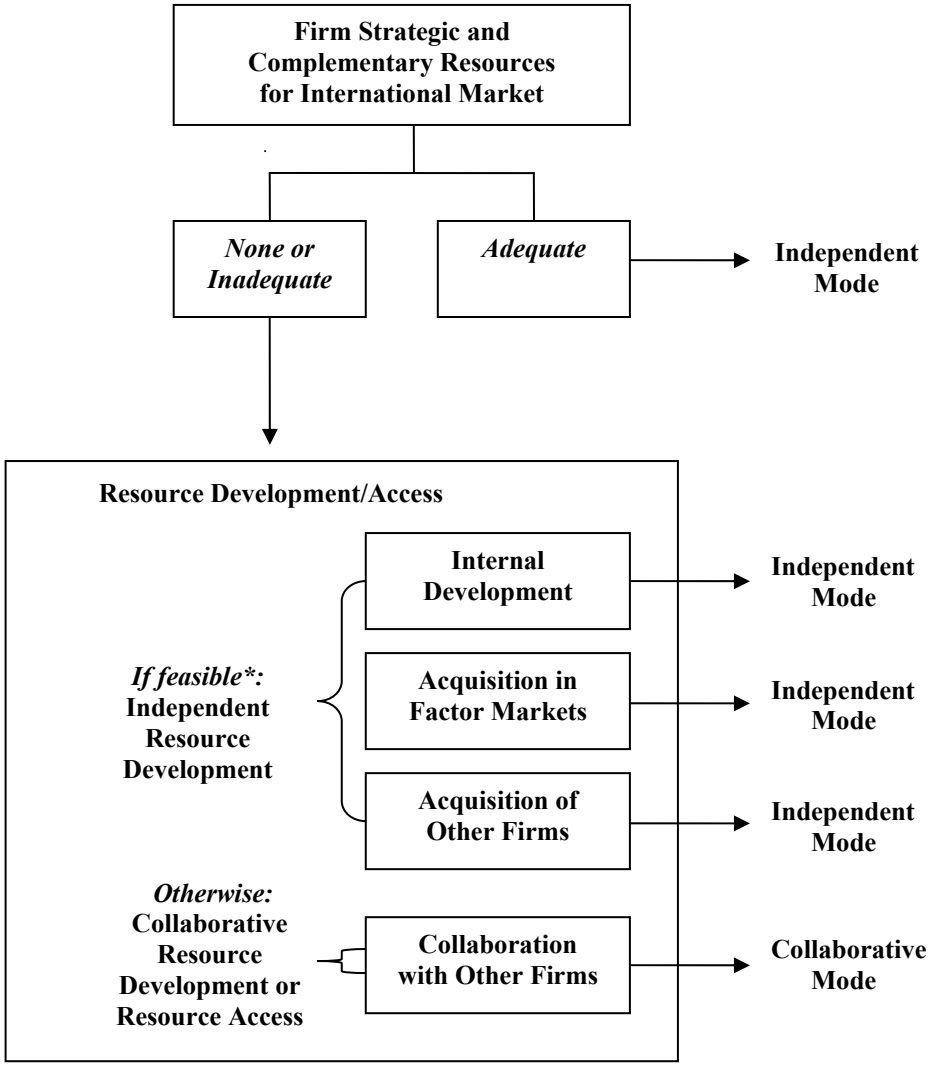
firms or resort to accessing resources from them, which will likely result in the firms *exploiting* their resources collaboratively.



*in view of cost, time, and other considerations

Figure 2.7 – Firms' Choice of Independent and Collaborative Entry Modes for International Market Development Suggested by RBV

Source: Author.

offering a firm the greatest potential for resource augmentation through cooperation with another firm) (Meyer et al, 2009, 567, Figure 1), will influence the nature and form of collaboration (Das and Teng, 2000; Ortiz-de-Urbina-Criado, Montoro-Sánchez, and Mora-Valentín, 2014). In doing so, the firms concerned are attempting to reconcile two competing imperatives: to protect their strategic resources (their sources of competitive advantage) with the need to turn to other firms so as to exploit these very resources.

These two competing imperatives are commonly faced by SMEs. Smaller firms, due to their more limited resources, generally seem to find independent resource development a less viable option than their (typically large) MNE counterparts (however, MNEs can also come to the same conclusion[150]). Therefore, in the context of international markets, for which resource development is generally costlier and riskier (one reason being that firms commonly possess less knowledge about these markets than their domestic markets), smaller firms appear to rely more on collaborative resource development and, hence, on the collaborative exploitation of their resources - i.e., on activities that require the use of collaborative modes.

2.4.2.3 Limitations of RBV Explanation for Entry Mode Choice

As with all theories of entry mode choice, the ('core') RBV has significant limitations in explaining this managerial decision. The limitations can be grouped into (i) general limitations, and (ii) limitations pertaining specifically to the theory's explanation of independent-collaborative entry mode choice.

Perhaps the primary general limitation of the RBV's explanation for entry mode choice is its lack of consideration of external factors that may influence a firm's ability to capture value from the exploitation of its resources in international markets.

[150] An example of this is provided by Barney (1999), who states that a firm requiring a distribution network in an international market would, in accordance with the RBV perspective on independent and collaborative resource exploitation, prefer collaborating with a firm owning such network (cooperating with the firm to access the network) where the cost of developing the required network itself is high and it is not possible to acquire the firm owning the (existing) network.

Brouthers (2013, 20) notes this is unlike the transaction cost approach (the TCA was discussed in section 2.4.1.1), which "includes consideration of external and behavioural uncertainties". The same author goes on to comment that "these uncertainties might influence the ability of firms to capture value from the resources they have, especially when expanding abroad" and that "simply having a resource-based advantage may not be enough to drive mode choice if external uncertainties restrict the value of such resources, or if behavioural uncertainties make the application and transfer of these resources unwise".

As for limitations pertaining specifically to the RBV's explanation of independent-collaborative entry mode choice (the theory being best suited to explaining such choice; with individual entry modes being categorised as independent or collaborative on the basis of control, its explanation also extends to firms' choice between full control and shared control modes), the RBV does not predict whether the independent or collaborative (or, the full control or shared control) mode would be an equity mode (WOS or EJV) or a non-equity mode (export or contractual mode)[151]. Unlike some other theories of entry mode choice, including the TCA, the RBV cannot distinguish conceptually between equity and non-equity modes (Wang, 2007).

Another limitation relating to the independent-collaborative entry mode choice explanation offered by the RBV is its explanation for the choice of collaborative (or, shared control) modes by firms being narrow and not capturing all potential reasons for firms selecting these modes. As discussed, the theory holds that a firm would be inclined to employ such a mode when it does not possess adequate resources (specifically, strategic and/or complementary resources) for the development of an international market *and* is unable to develop these *by itself* efficiently or at all. The theory, in its present state, does not accommodate the scenario where a firm cooperates with another in international market development even where it has the necessary resources or is in a position to develop these efficiently on its own and so could, if it wanted to, exploit them independently. It may be that a firm in such

[151] The classification of equity and non-equity modes suggested by Pan and Tse (2000).

position has concluded that the benefits of cooperation in the development of an international market with another firm far outweigh those it can obtain through independent market development. In other words, the firm believes that its resources are best exploited in relation to an international market cooperatively even where independent exploitation is feasible. Considering that from the RBV perspective optimal resource exploitation together with the protection of strategic resources from competitive imitation is the basis of entry mode choice, the theory should be able to accommodate such scenario. Clearly, the RBV explanation of entry mode choice needs to be developed in this regard if possible[152].

2.5 Influence of Key Marketing Factors on SMEs' Entry Mode Choice – 1. Marketing Resources

This section (2.5) and the two that follow (2.6 and 2.7) constitute the third part of the present chapter. It is in this part that the literature on the focal marketing factors' influence on SMEs' independent-collaborative mode choice is reviewed. The review is divided into three segments. The first segment (hosted by this section) is dedicated to the focal marketing resources. The second segment (section 2.6) pertains to the marketing strategy factors being considered by the study. In the third segment (section 2.7), the influence of the focal marketing resources and marketing strategy factors suggested by the literature is summarised. The first segment follows:

Marketing resources can be factors in the international market entry mode choice of firms, including in that of SMEs. The reasons for this as well as the potential influence that three key marketing resources have on SMEs' choice between

[152] The ('core') RBV regards the *individual firm* as the institutional arrangement through which competitive advantage is achieved. This premise, which distinguishes the theory from certain offshoots of and suggested extensions to the RBV that include the 'relational view' (which holds that inter-firm networks may be more efficient than individual firms at achieving resource-based advantages - Eisenhardt and Schoonhoven, 1996; Dyer and Singh, 1998) and the 'interconnected firm' (representing, in part, a conciliation of the RBV and the 'relational view' - Lavie, 2006), may hamper the development of the RBV explanation of entry mode choice aimed at this better accommodating the preference for collaborative modes in certain situations.

independent and collaborative modes are examined in this segment. As already mentioned, the focal marketing resources are:

1. Marketing capabilities: marketing capabilities for an international market. More specifically, the individual marketing capabilities (e.g., pricing capability) a firm has in relation to an individual international (foreign country) market. *Not* a firm's overall marketing capability/ability for such market.

2. Language skills: language skills relevant to an international market. These are the language skills a firm possesses with respect to an individual international market.

3. Market knowledge: knowledge of an international market. A firm's knowledge relating specifically to an individual international market. *Not* its accumulated knowledge of all international markets.

The nature and importance of each of these marketing resources to SMEs and the influence they have on the firms' choice between independent and collaborative entry modes as suggested by the literature and the resource-based view (RBV) will be discussed (in sections 2.5.3, 2.5.4, and 2.5.5 respectively) and hypotheses concerning their influence on this choice stated.

Preceding and providing background for the aforementioned examination is an overview of the nature and importance (including to SMEs) of marketing resources generally and of marketing resources in the context of international markets (i.e., of international marketing resources) (in section 2.5.2). As part of this, two important aspects to international marketing resources, these being the effect of location on these resources (section 2.5.2.1) and the methods by which firms can attain the resources (section 2.5.2.2), are discussed.

2.5.1 Marketing Resources

Where firms engage in marketing their resources include marketing resources. Marketing resources (which include marketing capabilities) are required for and

enable firms to undertake marketing. Thus, firms that carry out marketing will have marketing resources. The extent of marketing resource possession varies between firms and may not be sufficient for individual firms, often resulting in firms in such position accessing the resources of other firms through collaboration and in other ways.

This is also so with SMEs. Regardless of how smaller firms practice marketing (that the practice of marketing differs between these firms was discussed in section 1.5.1), they need to possess (or have access to) marketing resources. Their general lack of sufficient marketing resources constrains the firms' marketing ability and is a major reason for many smaller firms relying on non-conventional marketing practices, resorting to the marketing resources of other firms, and/or undertaking inadequate marketing.

Hooley et al (2005, 19, emphasis added), adopting a strategic, resource-based perspective, define a marketing resource as:

> "any attribute, tangible or intangible, physical or human, intellectual or relational, that can be deployed by the firm to achieve a *competitive advantage* in its markets".

The same authors hold that marketing resources are resources that create *value* in the marketplace (hence these resources having a function in the achievement of competitive advantage according to the definition).

In the context of the resource-based view (RBV), marketing resources are requirements for firms to offer customer value and to achieve competitive advantage. Marketing resources represent complementary resources or, where they have the (VRI[153]) attributes of resources, strategic resources (the roles of marketing and marketing resources from the RBV perspective were discussed earlier).

In view of the role of marketing resources and of marketing being a firm activity focused on value creation, *any resource (including capability) associated with*

[153] Value, rarity, and inimitability.

marketing by firms can be considered a marketing resource. This is irrespective of whether such resource underpins marketing (e.g., a firm's marketing communications capability) or is generated through marketing. Consequently, a broad range of resources internal and external to a firm may be regarded as marketing resources. These include tangible marketing resources (e.g., a firm's customer database) and intangible marketing resources (e.g., its brands), with intangible marketing resources including marketing capabilities.

The diversity of firm resources that are marketing resources (including marketing capabilities), which encompass 'marketing-specific resources' and 'market-based assets' (Srivastava, Shervani, and Fahey, 1998), is illustrated by the classification schemes that have been proposed for these. For instance, Hooley et al (2008) categorise marketing resources (which the authors refer to as marketing assets), while treating marketing capabilities separately, into 'customer-based assets' (these include relationships with customers; company name and reputation; brands), 'internal support assets' (information systems; technical skills; copyrights and patents), 'supply chain assets' (distribution network and relationships; distribution control), and 'alliance-based assets' (access to markets; shared technology). The authors categorise marketing capabilities into core marketing capabilities (e.g., product and service management capability) and dynamic marketing capabilities (market sensing capability).

2.5.2 International Marketing Resources

Marketing resources are required for and enable firms, including SMEs, to carry out marketing. This is also so with international marketing (in relation to which marketing resources are referred to here as 'international marketing resources'). Without possessing or having access to the resources they need to engage in effective marketing, firms are not in a position to undertake the marketing activities necessary for them to provide customers in international markets with value offerings (the role of international marketing in this was discussed in section 1.5.2). As in the case of

domestic markets, marketing resources are essential to value creation in international markets and, hence, to firms' success within these (Morgan et al, 2004).

In the context of the resource-based view (RBV), international marketing resources (and the international marketing they enable) are, as discussed earlier, requirements for the exploitation by firms of their strategic resources in relation to international markets. As such, they represent key complementary resources for international (product) market resource exploitation. What is more, international marketing resources can also represent strategic resources in their own right where they possess the (VRI) attributes of such resources and, where they do so, as mainly intangible assets have the potential to generate long-lasting competitive advantages for firms in international markets.

The international marketing resources firms have are commonly inadequate when these enter new international markets. Firms in such situation may be missing particular marketing resources specific to those markets (e.g., language skills pertaining to the new markets). The firms may also find that their existing marketing resources may be less suitable or outright unsuitable in the context of other country markets (as will be discussed in the following section, marketing resources are influenced by location). Regardless of the reasons for their international marketing resources being inadequate, there are several ways by which firms can attain such resources (the resource attainment methods will be discussed in section 2.5.2.2).

2.5.2.1 International Marketing Resources and Location

Marketing resources, including those of SMEs, are affected by location. These resources are developed by firms in relation to and in accordance with specific country markets. This means that some marketing resources cannot simply be transferred from one country market to another, at least not without these losing their effectiveness and usefulness. For example, marketing knowledge does not 'travel

well' across borders (Buckley and Casson, 2011)[154]. The primary reason is that particular marketing resources may be location-*specific* or location-*bound*.

Where a marketing resource is location-*specific* (i.e., specific to a particular international market), it is usually inadequate, irrelevant, or inappropriate in the context of other international markets. Of the marketing resources whose influence on SMEs' entry mode choice will be examined in detail here, language skills and market knowledge can be considered location-specific. The language skills a firm may have developed in the context of a particular international market (e.g., France) may be of little use in another market the firm is seeking to develop (e.g., India), so the transfer of this resource (French language skills) to the other market would be inappropriate. In the case of the knowledge a firm has of a particular international market (e.g., the USA), this, as well as the experience it has gained of that market, is often of little *direct* relevance to another international market (e.g., China) (although the firm's *collective* knowledge of its international markets may facilitate its further international development).

Whereas language skills and market knowledge can be considered location-*specific*, particular individual marketing capabilities can be regarded as location-*bound*. This includes, apparently to a lesser extent (research is lacking in this area), the individual marketing capabilities that will be examined here in detail (namely product capability; pricing capability; distribution capability; marketing communications capability; market information management capability). Marketing capabilities collectively lack fungibility, an attribute of a resource that facilitates its deployment in multiple market settings (Anand, 2002). In other words, these capabilities are not flexible in terms of their deployment. The limited fungibility of firm capabilities generally is a problem for internationally active firms since this is a reason for the transfer of these intangible resources between countries being difficult and frequently impossible (Cuervo-Cazurra et al, 2007). Marketing capabilities specifically are not, on the whole, fungible across borders, even within a firm (Anand and Delios, 2002). This is why firms commonly find it challenging to establish in an international

[154] Neither does marketing expertise (Nocke and Yeaple, 2007)

market the various individual marketing capabilities they have in their other country markets or to replicate the competitive advantages these may provide in the other markets. Difficulties in re-establishing existing marketing capabilities in international markets is one reason why firms form international joint ventures (IJVs) with other firms that have the necessary marketing capabilities (Lu and Hébert, 2005) or, as is especially the case with (typically large) MNEs, acquire such firms outright (Anand and Delios, 2002).

Poor transferability of marketing capabilities and other marketing resources between country markets is not only an issue for firms seeking to undertake marketing *within* an international market (carrying this out in the actual market). It also has implications for firms that undertake marketing *across* national borders (carrying this out from outside an international market; in the case of SME exporters this is usually from their domestic markets). While such marketing does not involve the *transfer* of marketing capabilities (within a firm or otherwise) between country markets, it necessitates their *application* across markets. The macro-environmental factors - including culture and language - that contribute to the lack of fungibility of marketing resources also make the cross-border use of marketing capabilities challenging. Firms undertaking marketing in relation to international markets from outside these (such firms commonly not having a presence in the respective markets - i.e., not 'an ear on the ground' in them) using marketing capabilities also located outside the markets can have a formidable task in understanding and meeting local customer needs and demands.

2.5.2.2 International Marketing Resource Attainment Methods

Where firms, including SMEs, do not have the marketing resources they require for international markets, they need to obtain these. There are four main ways for firms - for both SMEs and MNEs - to attain international marketing resources. These (international marketing) resource attainment methods, which are synonymous with the (general) resource attainment methods mentioned earlier in the context of the resource-based view (RBV), are (1) the internal development of required resources,

(2) the acquisition of the resources in factor markets, (3) the acquisition of other firms that possess the resources, and (4) cooperation with firms that have the resources (Barney, 1999; Bowman and Collier, 2006; Teng, 2007). Three of the four methods (methods 1-3) represent avenues for the independent development of the resources; the fourth method (method 4) represents an avenue for their collaborative development as well as a way for the resources of other firms to be accessed where a firm prefers this over resource development.

(i) Internal Development

The internal development of international marketing resources (which appears to be influenced by firms' own marketing cultures and market orientation[155]) can be difficult, take a long time, and be costly. There is often little certainty that such resource development by a firm will be successful. The challenge of tailoring marketing resources to the unique contexts of particular international markets can represent a formidable task for a firm since it is effectively an outsider to the markets in question and thus may not be fully aware of their characteristics and requirements (this is especially so where the firm is a new entrant to the markets).

The internal development of marketing *capabilities* for international markets (whose nature and importance will be discussed in section 2.5.3) can be especially problematic. Marketing capabilities generally, being "organisational processes through which resources are combined and transformed into value offerings" (Murray et al, 2011, 255), are complex and cannot be replicated or adapted easily (Lippman and Rumelt, 1982; Dierickx and Cool, 1989; Day, 1994), including not in the case of international markets (Chen, 2008). Such capabilities, which include core

[155] A strong internal marketing culture and orientation seem to facilitate the development of marketing resources in general and marketing capabilities in particular, with market orientation being regarded as a precursor to marketing capability development (Murray, Gao, and Kotabe, 2011) since such a firm orientation acts as an enabling mechanism for the building of the capabilities (Merrilees, Rundle-Thiele, and Lye, 2011). Conversely, a weak marketing culture and orientation, or the lack thereof, may actually hinder such development. This is evident from the case of Chinese manufacturers. These firms generally have weak marketing capabilities due to their widespread reliance on contract manufacturing (Eng and Spickett-Jones, 2009) that encourages a technical rather than marketing culture. When the same firms seek to develop international markets, they seem to overcome their culturally-induced difficulties in or (even) unwillingness to develop appropriate marketing capabilities by acquiring firms local to these markets that possess the required marketing capabilities (Kaufmann and Roesch, 2012) and other marketing resources.

marketing capabilities (e.g., pricing capability), are, as Zou, Fang, and Zhao (2003, 36) point out in the case of core marketing capabilities in an exporting context, "rooted in the knowledge, skills, and experience of employees and others in the value chain (Prahalad and Hamel, 1990)".

(ii) Acquisition in Factor Markets

In some instances it is better for firms to obtain required international marketing resources through factor markets[156]. However, relatively few marketing resources can be attained this way. Notably, marketing-related resources effectively held (literally embodied) by *individual* persons could possibly be secured through factor markets. For example, firms can hire through labour markets managers and other personnel possessing specific characteristics (such as foreign language skills) that allow the firms to obtain a required marketing resource (foreign market language skills). Marketing-related resources effectively held by numerous persons in an organisation may lend themselves to factor market transactions but may be limited to the *ad hoc* provisioning of services by these on an external basis (e.g., a marketing consultancy offering its services to firms).

(iii) Acquisition of Other Firms

Given the potential difficulties associated with the internal development of international marketing resources and their limited availability in factor markets, the acquisition of other firms that possess the required marketing resources could be a more appropriate option (Chen, 2008; de Beule, Elia, and Piscitello, 2014). The purchase of other firms operating in an international market (or appropriate parts of the firms, such as operations specific to an international market) can allow the acquiring firms to obtain all of the required marketing resources - including marketing capabilities – relatively quickly and comprehensively. Thus, even large MNEs from developed countries (which can be expected to have the resources necessary for internal marketing resource development) prefer, at least in some

[156] In the context of international business and MNEs, Kim, Hoskisson, and Lee (2015, 519) define a strategic factor market as "a resource market where the output of the factors of production or the strategic resources necessary to implement a product market strategy - such as the labor market, the capital market, and the market for natural resources - are acquired by the MNEs (e.g., Barney, 1986b; Khanna and Palepu, 1997; Porter, 1990; Ricardo, 1817)".

situations, to acquire other firms operating in relevant international markets when they require marketing resources in relation to those markets (e.g., Slangen and Dikova, 2014).

Besides the obvious disadvantage of cost (firms, especially SMEs, may not have the necessary financial resources to acquire other firms), the challenges involved in having to operate or, as is common, integrate acquired firms located in foreign markets makes this international marketing resource attainment method unviable for many firms[157]. This is particularly so for SMEs, whose limited managerial resources generally make it very difficult for these firms to overcome such challenges.

(iv) Inter-Firm Collaboration

Resource limitations combined with the difficulty of independent resource development mean that inter-firm collaboration is often the only viable international marketing resource attainment method for SMEs. The same limitations mean that these firms commonly collaborate with other firms for international market development (e.g., Coviello and Munro, 1995; Jones, 1999; Camisón and Villar, 2009) as well as generally (Street and Cameron, 2007). As Dickson, Weaver, and Hoy (2006, 490) point out, "for SMEs resource dependency rather than resource sufficiency is often the norm (Calof, 1993) requiring them to seek out cooperative linkages with firms possessing the requisite resources". Consequently, when SMEs enter and develop international markets they have a tendency to collaborate with other firms. In doing so, they are able to overcome the often substantial resource requirements associated with 'breaking into' international markets, including those

[157] For the challenges associated with international acquisitions see, e.g., Shimizu et al. (2004). The macro-environmental differences between country markets that contribute to the market-specificity of marketing resources also greatly complicate cross-border acquisitions (and mergers) and are a primary reason for the frequent failure of these. Macro-environmental differences between country markets (especially those relating to language and culture) and the varying marketing contexts to which they give rise also explain why it may not always be possible for the acquiring firms to fully secure or utilise the marketing resources that come with the purchased firms. One reason is that the acquiring firms may not, due to the aforementioned differences, be in a position to fully understand, value, or effectively manage the marketing and other resources of the purchased firms. Considering that various key marketing resources (especially marketing capabilities) are effectively intangible and embodied in a firm's managers, there is the possibility that the acquiring firm may not recognise or appreciate the vital role certain managers have in relation to these. This may result in the resources being degraded or even lost (such as where the managers associated with the resources are reassigned within or leave the firm).

related to the marketing that needs to be carried out in these markets to establish new entrants' products there (i.e., marketing resource requirements).

Collaboration between firms for the purpose of international marketing is commonplace and not confined to SMEs. MNEs also often cooperative with other firms in relation to international marketing. While SMEs generally lack managerial and financial resources and are constrained by this in their development of foreign markets and in their marketing activities relating to the markets, MNEs often find that their marketing and other complementary resources may not be adequate in relation to international markets (Cuervo-Cazurra et al, 2007). Such inadequacy, which affects SMEs as well, stems from the market-specificity of these resources (including from their location-specificity and location-boundedness, as just discussed) and from the firms being 'outsiders' to the markets and thus incurring certain 'liabilities'[158].

Inter-firm collaboration allowing for international marketing resource attainment - through collaborative resource development or through resource access - can take various forms. Important forms of collaboration allowing for resource attainment are represented by collaborative entry modes (independent and collaborative entry modes were discussed in section 1.1). These forms of collaboration include a firm cooperating with a foreign export intermediary (the respective entry modes would be direct exporting through a distributor or through an agent) and with a joint venture partner (contractual or equity joint ventures). As discussed earlier (in section 2.3.1) in relation to the resource return attribute of collaborative entry modes, the greatest scope for resource sharing/transfer with collaborative modes is generally offered by joint ventures (Ainuddin et al, 2007), especially by equity joint ventures. Other collaborative modes, such as direct exporting through a distributor, tend to allow for

[158] Four such liabilities have been suggested, namely those of expansion (due to a firm operating on a larger scale), newness (to a competitive environment), foreignness (to an institutional environment), and outsidership (to relevant local networks) (Cuervo-Cazurra et al, 2007; Johanson and Vahlne, 2009). Where SMEs specifically are concerned, an additional liability has been suggested, that of smallness (due to the firms having limited resources; consequently, even where SMEs develop markets on their own, any foreign market subsidiaries they establish may be small and vulnerable to environmental change) (Lu and Beamish, 2006).

a more limited sharing/transfer of resources; however, the nature and extent of this varies and depends on such factors as the type and depth of the cooperation between firms.

In the case of SMEs, whose primary method of international market development is exporting, perhaps the most common form of collaboration by which international marketing resources are attained is that with a foreign export intermediary. Such intermediary, usually in the form of a local distributor or agent, is expected to have marketing resources required for the firm's products to be marketed in the international market in which that intermediary is active. Depending on the nature and exact role of the intermediary (distributors commonly offer sophisticated marketing services in relation to a foreign firms' products in the respective international markets whereas agents do not), the intermediary would have appropriate marketing capabilities, market knowledge, positions in local networks, and other localised marketing resources. The intermediary may undertake part or even all of the necessary marketing on behalf of the (foreign) firm in the international market or a specific segment thereof, in which case the (foreign) firm is benefitting from the marketing resources of the intermediary by accessing these without developing its own (at least not on a significant scale). In the case of MNEs, and for an increasing number of SMEs, joint ventures (JVs) are a common form of collaboration to access or attain international marketing resources. These can be contractual or equity joint ventures (CJVs or EJVs) and are often established for the express purpose of marketing a (foreign) firm's products in a particular international market. In many JVs, marketing activities are performed by only one firm, especially when such firm has marketing resources of competitive importance in relation to the respective international market (such as a locally established brand) that its venture partner does not.

Regardless of the form of collaboration through which international marketing resources are attained, for the resource-seeking firm such collaboration may

effectively represent an alliance[159] (possibly a strategic alliance[160]) due to the central role that marketing (and other) resources have in this and the importance that the resources have for the firm's success in an international market. Marketing is a major reason for alliances (strategic or otherwise) between firms. Firms commonly ally themselves with others, including competitors (Hamel, Doz, and Prahalad, 1989), in order to be able to undertake or to improve the marketing of their products. In doing so, they can overcome insufficient marketing capabilities (Hult, 2011) or otherwise inadequate marketing and other resources (Das and He, 2005). Where international alliances are concerned, marketing is also a major reason for firms forming these. Considering the broad interpretation of what constitutes an alliance (the term has come to be used as an umbrella concept, including in the international context[161]), the many forms of international exchange and collaboration this can take, and that marketing resource challenges are a driver of cross-border alliances, it is evident that marketing is central to most international alliances (international alliances formed for marketing purposes can be characterised as international marketing alliances[162]).

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[159] Alliances, which have been defined as "intentionally long-term contractual and equity-based (e.g., joint ventures) co-operative arrangements between firms" (Bell, den Ouden, and Ziggers, 2006, 1607) are a fact of life in business today (Kanter, 1994) and a characteristic of the age of the 'global factory' (Buckley, 2009). Alliances facilitate the flow of resources between cooperating firms (Dickson et al, 2006) and are an important means by which firms can access resources they do not have themselves. In the context of international business generally (including in that of international market development - Welch et al, 2007), alliances cover "a wide variety of economic institutions, from simple supply contracts to equity joint ventures (EJVs) and to everything else in between (licensing, franchising, distribution agreements, lending contracts, etc)" (Hennart, 2006, 1622). At their core, however, alliances centre on cooperation between firms to achieve common goals (Contractor and Lorange, 2002).

[160] Strategic alliances are differentiated from 'regular' (non-strategic) alliances by the focus of the allied firms on competitive advantage and by the central role resources have in the alliances. This is evident from some of the definitions offered in the literature for strategic alliances. For instance, Ireland et al (2002, 413, emphasis added) consider strategic alliances to be "cooperative arrangements between two or more firms to improve their competitive position and performance by *sharing resources* (Hitt et al, 2000; Jarillo, 1988)". The objective for firms entering such arrangements is, as succinctly stated by Bretherton and Chaston (2005, 278), "to augment strengths, while ameliorating weaknesses". As is the case with alliances generally (Kanter, 1994), strategic alliances can involve either exchange or collaborative relationships. This is also the case with international strategic alliances (Chen and Chen, 2003), such alliances being similar to domestic alliances except for their border-spanning nature.

[161] For example, according to Ortiz-de-Urbina-Criado et al (2014, 4) international alliances include "any agreement between companies in different countries for the purpose of exporting, licensing, franchising or similar activities (Anderson and Gatignon, 1986)".

[162] Where alliances - including strategic alliances - are formed for marketing purposes, such alliances can be referred to as marketing alliances. In the case of alliances created for marketing in relation to international markets, these can be termed international marketing alliances. Although some authors have restricted the scope of such alliances (e.g., Welch et al, 2007, exclude from their definition

Inter-firm collaboration as a means by which firms attain international marketing resources is not without its disadvantages. A fundamental drawback is that the resource-seeking firm may only have limited control over the collaborating firm's marketing resources. This is because in most non-equity relationships (i.e., outside of international equity joint ventures), the ownership of marketing resources generally remains with the firm making these accessible to another firm. Consequently, unless the firms agree otherwise, control of the resources also remains with that firm. Not having full or adequate control of these marketing resources means that the resource-seeking firm may not be in a position to optimise or even determine the use of the resources.

2.5.3 Key Marketing Resource Factor 1: Marketing Capabilities

The first of the three marketing resources whose influence on SME entry mode choice is examined here are marketing capabilities for an individual international (foreign country) market[163]. The capabilities in question are firms' individual marketing capabilities (e.g., pricing capability), *not* their overall marketing capability. Individual marketing capabilities are particularly important marketing resources and, thus, can impact the choice by SMEs between independent and collaborative modes.

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alliances involving equity), it is suggested here that any inter-firm alliance involving the sharing of marketing resources among firms in connection with international markets (i.e., where at least one firm in the alliance is foreign to the respective country market) can be considered an international marketing alliance. Since this encompasses alliances where only one particular marketing resource is shared (e.g., knowledge of a specific country market) as well as those where only one firm makes the resource(s) available (e.g., where a foreign market distributor undertakes all marketing in an international market for an exporter), and given that a marketing resource includes any resource associated with marketing by firms, the scope of an international marketing alliance can vary greatly.

[163] When referring to marketing capabilities, some authors (e.g., Day, 1994) use the terms 'capabilities' and 'competencies' interchangeably.

Marketing capabilities (individual marketing capabilities) are the marketing-related processes by which firms actually create value for customers. According to Vorhies, Harker, and Rao (1999, 1175), marketing capabilities are:

> "...integrative processes designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business, enabling the business to add value to its goods and services and meet competitive demands (Day, 1994; Tuominen, Möller, and Rajala, 1997)".

In a similar vein, Morgan, Katsikeas, and Vorhies (2012, 273) define marketing capabilities as:

> "...processes by which firms select intended value propositions for target customers and deploy resources to deliver these value offerings in pursuit of desired goals (Day, 1994; Vorhies and Morgan, 2005)".

Offering a more comprehensive definition, one reflecting three core marketing tasks (choosing, creating, and delivering customer value), Morgan and Slotegraaf (2012, 90), consider marketing capabilities to be:

> "the processes by which organizations define, develop, and deliver value to their customers by combining, transforming and deploying their resources in ways that meet market needs (e.g., Day, 1994; Vorhies and Morgan, 2005)."

As market-relating mechanisms (Morgan, Vorhies, and Mason, 2009), marketing capabilities enable firms to identify and meet customers' needs. The capabilities allow firms to repeatedly deliver the desired 'benefit bundles' to customers (Noble, 1999, cited by Vorhies, Morgan, and Autry, 2009). Given their crucial role in marketing, it is not surprising that Hult (2011) states that the activities of the 'marketing organisation' are rooted in its marketing capabilities. In fact, firms that have a market orientation (MO)[164] require strong marketing capabilities (Day, 1994), with such capabilities *not* being limited to a market information management

[164] A common definition of 'market orientation' (MO) has eluded scholars. While Kohli and Jaworski (1990, 6, emphasis added) regard MO as "the organization-wide generation of *market intelligence* pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it", Narver and Slater (1990, 21, emphasis added) interpret MO as "the *organization culture* (i.e., culture and climate, Deshpande and Webster 1989) that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business".

capability (Vorhies and Morgan, 2005)[165,166]. It is also not surprising that, given their importance, marketing capabilities relate positively to firm performance (Srivastava et al, 1998; Hooley et al, 2005; Vorhies and Morgan, 2005; Delmulle, Grehan, and Sagar, 2015).

Marketing capabilities, which form part of the operational capabilities of a firm[167], are particularly significant in the context of the resource-based view (RBV) (the importance of marketing resources, including marketing capabilities, in that context was discussed in section 2.4.2.1). This is because marketing capabilities are intangible assets that, due to their tacit nature and embeddedness within firms, are difficult to imitate. For this reason, where an individual marketing capability actually represents a strategic resource for a firm, the competitive advantages resulting from its exploitation are likely to be sustained (i.e., to be sustainable competitive advantages).

As for SMEs, marketing capabilities in general appear to be important to these firms for the reasons outlined. The few studies that have concerned themselves with this topic indicate that for smaller firms some individual marketing capabilities may be more important than other such capabilities. For example, in the case of Spanish family-owned SME manufacturers Pérez-Cabañero, González-Cruz, and Cruz-Ros (2012) found that marketing planning, pricing, and product differentiation

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[165] The market information management capability (one of the individual marketing capabilities that will be examined) represents key firm processes relating to market intelligence and would thus be a crucial capability for market orientation (MO) as per the interpretation of MO by Kohli and Jaworski (1990) (see preceding footnote).

[166] Marketing capabilities are distinct from yet complementary to market orientation (MO). MO can be regarded as a precursor to marketing capability development (Murray et al, 2011), acting as an enabling mechanism for the building of marketing capabilities (Merrilees et al, 2011). While both MO and marketing capabilities can be viewed as individual sources of competitive advantage for firms (Morgan et al, 2009), a firm must successfully develop marketing capabilities to actually create competitive advantage since market-oriented behaviours only have *potential* value in the marketplace (Murray et al, 2011).

[167] Some authors following the dynamic capabilities perspective (Teece et al, 1997; Eisenhardt and Martin, 2000) label marketing capabilities as 'ordinary' or 'operational' capabilities to distinguish these from 'dynamic' capabilities (DCs). These authors include Wilden and Gudergan (2015), who suggest that the use of DCs strengthens marketing capabilities. Their empirical study found that two DCs, namely sensing and reconfiguring capabilities, have a significant, positive relationship on marketing capabilities. Their finding is in line with the view that DCs support the alignment of marketing capabilities with market conditions (e.g., Danneels, 2008).

capabilities had a positive influence on financial performance or stakeholder satisfaction whereas communication capabilities (the fourth marketing capability examined by the authors) had a negative influence on financial performance[168]. Considerably more empirical research is required to determine whether these and other potential differences in the relative importance of marketing capabilities hold true for SMEs irrespective of their location, industry, size, and other characteristics.

Marketing capabilities are important to firms developing international markets. Market-seeking expansion into international markets by firms requires these to have capabilities relating to the execution and coordination of downstream value chain activities that include marketing (Hashai, 2011). In the case of marketing, such capabilities are marketing capabilities. Marketing capabilities are necessary for and determine a firm's ability to adapt to the requirements of an international market (Morgan et al., 2003) and to offer value to customers within that market. Consequently, marketing capabilities influence a firm's performance in an international market (Katsikeas, Piercy, and Ioannidis, 1996; Zou et al, 2003; Morgan et al, 2004; Tan and Sousa, 2015).

The firm capabilities that can be considered marketing capabilities are diverse. Such capabilities include mid-level marketing mix capabilities (e.g., pricing capability) (the nature of the marketing mix was outlined in section 1.5.1) and higher-level integrative capabilities (e.g., customer relationship management capability) (Merrilees et al, 2011). Illustrating the range of marketing capabilities is the research done by marketing scholars in relation to particular sets of individual capabilities (such research is still limited, which is a reflection of the literature on marketing capabilities being relatively new - Morgan and Slotegraaf, 2012). For example, the marketing capabilities examined by Vorhies and Morgan (2005) were pricing, product development, channel management, marketing communications, selling, market information management, marketing planning, and marketing implementation. Ramaswami, Srivastava, and Bhargava (2009) investigated NPD

[168] The authors attribute this to the surveyed firms preferring informal and less costly communication practices over traditional advertising and promotion.

capabilities (specifically, customer-driven development and cross-functional integration) and customer management capabilities (customer asset orientation, focus on high value customers, and responsiveness to customers). Looking into a myriad of individual marketing capabilities instead, Conant, Mokwa, and Varadarajan (1990), in what was an early study of marketing capabilities[169], examined those relating to customer and competitor knowledge, market segmentation and targeting, product differentiation, pricing, advertising, marketing activity integration, and other marketing aspects.

In line with the diverse nature of marketing capabilities, various classifications of marketing capabilities have been proposed. Day (1994) categorises these capabilities by their respective locus: outside-in (where the locus is outside the firm - e.g., market sensing capability), inside-out (internal locus - e.g., financial management capability), and spanning (dual locus - e.g., pricing capability). In contrast, Vorhies and Morgan (2005) and Vorhies et al (2009) classify marketing capabilities based on their role in firms' marketing, dividing them into 'specialised marketing capabilities' and 'architectural marketing capabilities'. Specialised marketing capabilities are those marketing capabilities that relate to marketing mix processes. Such capabilities, representing fundamental marketing processes, are specific to the respective activities associated with the marketing mix, including pricing, product, distribution, and marketing communications. These 'mix' activities, as indicated by Table 1.2 on page 36, are linked with the core marketing tasks of creating/providing, communicating, and delivering value to customers. Architectural marketing capabilities, on the other hand, are those that relate to marketing strategy development and execution, and are associated with the core marketing task of choosing the value to be provided to customers. Day (2011, 2014) offers another categorisation of marketing capabilities, one in line with developments in the strategy literature. This categorisation is based on a particular strategic characteristic of such capabilities, namely their ability to help firms respond to turbulent markets. The author suggests that marketing capabilities can be categorised as 'static',

[169] The authors employed the term 'distinctive marketing competencies' to refer to individual marketing capabilities.

'dynamic', or 'adaptive'. Whereas static marketing capabilities are stable capabilities such as those related to the marketing mix where process activities are routinised, dynamic marketing capabilities can be reconfigured and augmented so that new opportunities can be pursued, while adaptive marketing capabilities (e.g., vigilant market learning) enable a firm to anticipate changes in the market. According to the author, firms generally require all three types of marketing capabilities working together in order to compete in complex and volatile markets.

2.5.3.1 Five Core Marketing Capabilities

The individual marketing capabilities firms require for international marketing can vary. However, these generally include five core marketing capabilities already indicated. The capabilities - and the fundamental marketing activities they are associated with - are product, pricing, distribution, marketing communications, and market information management (Vorhies and Morgan, 2005[170]) (product, pricing, and marketing communications capabilities are 'spanning' processes, whereas distribution and market information management capabilities are 'outside-in' processes - Day, 1994). It is through these capabilities that firms can adapt as necessary to varying market requirements and can offer products of value to customers. This is irrespective of the location of the customers - i.e., regardless of whether they are in domestic or international markets. Thus, the capabilities are needed for both domestic and international marketing.

2.5.3.2 Nature and Importance

Four of the five core marketing capabilities (product, pricing, distribution, and marketing communications) represent marketing mix capabilities (the nature of the marketing mix was outlined in section 1.5.1) and 'specialised marketing capabilities' (Vorhies and Morgan, 2005; Vorhies et al, 2009). Besides being the 'basic instruments' of the marketing mix (Webb et al., 2011, 549), the capabilities (which

[170] The authors also suggest that selling, marketing planning, and marketing implementation are fundamental marketing capabilities. The narrower focus here on the other five marketing capabilities will be justified below.

correspond with the basic elements/4Ps of the marketing mix, namely product, price, place, and promotion) are also 'implementation capabilities' since they allow firms to implement their marketing programmes as well as other aspects of their marketing strategies (El-Ansary, 2006; Hooley et al, 2008). The capabilities are central to the core marketing tasks of creating, communicating, and delivering value to customers (as indicated by Table 1.2 on page 36) - the tasks by which firms actually offer products embodying their response to customers' needs, wants, and demands (Bradley, 2003).

The four marketing mix capabilities are especially important to firms following a generic competitive strategy of differentiation (Porter, 1980). Such firms (which include most SMEs in developed economies[171]) need to have these capabilities to help differentiate their products from those of competitors (Sirmon et al, 2011) since "the components of the marketing mix inform customers about key sources of the product's differentiation to attract the customer and to convey how the product's benefits satisfy customer needs" (Webb et al, 2011 549) and, thus, of the value the product offers. This will be discussed further in section 2.6.2, where the influence of product differentiation on SMEs' entry mode choice is examined.

That the marketing mix capabilities are crucial to international marketing is evident from the importance of the marketing mix to the provision of value to customers in international markets and its consequent role in firms' international performance (e.g., Bahadir et al, 2015). The marketing mix constitutes the *market offering* aspect of international marketing strategy (Lim, Acito, and Rusetski, 2006), by which firms align their activities to create, communicate, and deliver offerings to customers in international markets. That the marketing mix has a similar role in export marketing is illustrated by Leonidou et al (2002) holding that each of the mix's elements (the basic elements/4Ps of product, price, place, and promotion) also represents the elements of export marketing strategy[172].

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[171] Such firms tend to compete on product differentiation or niche market strategies as they commonly lack the economies of scale and/or low-cost labour to be able to compete on cost.

[172] The '*export* marketing mix' and its elements are also emphasised by other authors (e.g., Noonan, 1999; Czinkota and Ronkainen, 2007).

The fifth marketing capability, market information management capability, is an 'architectural marketing capability' (Vorhies and Morgan, 2005; Vorhies et al, 2009) associated with the acquisition and dissemination within firms of information about consumers in a market. Consequently, the capability is crucial to the core marketing task of identifying the value that firms will actually create, communicate, and deliver to customers in international markets. Due to the apparent interdependence of the capability with the other four marketing capabilities (Solberg, Stöttinger, and Yaprak, 2006; Kaleka, 2012), the market information management capability is also crucial to the creation, communication, and delivery in international markets of the value itself.

The five marketing capabilities under discussion (product, pricing, distribution, marketing communications, and market information management), which are stable and associated with routinised activities (Day, 2011), are threshold capabilities without which marketing (as per the current American Marketing Association definition of marketing - refer to section 1.5.1) cannot be undertaken in domestic or international markets. The capabilities are required for a firm to carry out in a domestic or international context the aforementioned core marketing tasks as well as the task of identifying products of value (i.e., to carry out all of the core marketing tasks crucial to customer value creation).

Besides representing fundamental marketing capabilities that all firms seeking to undertake marketing require, the five core marketing capabilities act as a foundation on which other, higher-order marketing capabilities (such as customer relationship management) can be employed by a firm. Nike Inc. provides a good example of this. Its several superior marketing capabilities (including branding and the co-ordination/integration of marketing activities) were developed on the basis of and require the five core marketing capabilities discussed here.

From the perspective of the resource-based view (RBV), the importance of the five core marketing capabilities in most situations arises from these representing

complementary resources that enable the exploitation by firms of their strategic resources in relation to domestic and international markets (the significance in the context of the RBV of marketing resources, including marketing capabilities, in relation to product markets generally and in regards to international marketing was discussed in section 2.4.2.1). In some situations, the marketing capabilities may represent strategic resources (i.e., resources that have the VRI attributes of value, rarity, and inimitability) and, thus, sources of competitive advantage. This may be the case where firms entering international markets find the marketing capabilities in question are not widely held by competing firms.

The importance of the five marketing capabilities to international marketing is indicated by empirical research. Most studies specifically investigating one or more of these capabilities in the context of international markets suggest that they are important to firm performance. The majority of studies examining the capabilities in this context pertain to exporting, apparently because for SMEs (representing most exporters by number) the capabilities in question vary to a much greater extent than they do for their (typically large) MNE counterparts. Of particular interest are studies of *multiple* individual marketing capabilities. Such studies have only been undertaken recently, in line with research on firms' individual marketing capabilities in general (i.e., not only with research about the capabilities in an international marketing context) being a fairly new area of enquiry (Morgan and Slotegraaf, 2012). The studies, which relate to exporting, collectively indicate that the five capabilities examined here affect the performance of export ventures. It appears that the extent to which firms possess these and other marketing capabilities influence their performance in export (international) markets, with better performing exporters possessing such capabilities to a significantly greater extent than their counterparts performing less well (e.g., Piercy, Kaleka, and Katsikeas, 1998).

The relationship between the five marketing capabilities and export performance seems to be both direct and indirect (Tan and Sousa, 2015). The indirect contribution

to export performance of these (and other) marketing capabilities[173] is through them variously allowing for the establishment of differentiation or low-cost competitive advantages (e.g., Zou et al, 2003; Murray et al, 2011; Tan and Sousa, 2015), for a choice of competitive strategies (e.g., Morgan et al, 2004), and for the execution of planned export marketing strategy decisions (e.g., Morgan et al, 2012).

That the five marketing capabilities can have an indirect effect on export performance is also indicated by studies *not* specifically investigating these capabilities. For example, Knight and Cavusgil (2004), in their study of 'born globals'/'early internationals'[174], found that aspects of the capabilities (measured as part of the authors' 'international marketing orientation' construct[175]) were factors in the firms' development of unique products, quality focus, and the leveraging of foreign distributor competencies, all of which, in turn, positively affected their performance in international markets.

The importance of the five marketing capabilities to firm performance in an international context is also apparent from the significance of the capabilities in relation to various export marketing strategy variables that involve the capabilities or require these to various extents. Reviews of the firm export performance literature by Aaby and Slater (1989), Zou and Stan (1998), Wheeler, Ibeh, and Dimitratos (2008), and Sousa, Martínez-López, and Coelho (2008) report a number of export marketing strategy variables that seem to positively impact firm export performance. These include variables relating to firms' products (the variables being product adaptation and strengths), pricing (price adaptation, competitiveness, and determination), distribution (distribution channel adaptation, relationships, and types), marketing communications (promotion adaptation and intensity), and market information

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[173] The indirect side of the marketing capabilities-export performance relationship explains why some studies of two or more of the capabilities under consideration (e.g., Kaleka, 2012; Freeman and Styles, 2014) have found that at least one such capability does not have a *direct* effect on export performance.
[174] In her critical review of the authors' work, Coviello (2015) suggests that the firms they examined may have been 'early internationals' - specifically, 'survivors' of early internationalisation - rather than 'born globals'.
[175] Coviello (2015, 20) also points out that following scale purification the authors' international marketing orientation (IMO) construct consisted of seven items relating "largely to marketing mix actions regarding product, price, distribution, and promotion".

management (market research utilisation). Not all of the studies covered by the reviews found these variables to have a positive relationship on export performance. Reasons for this may include surveyed firms having made inappropriate strategic choices, including adapting marketing mix-related variables to the point where the costs of adaptation outweighed the benefits (marketing adaptation will be discussed in section 2.6.3), firms need to find a balance between adaptation and standardisation); another reason may be that the relationship between the variables and export performance was assessed on the basis of this being direct when such relationship, at least in certain circumstances, could actually be an indirect one (as appears to be the case with marketing capabilities, as suggested by the recent studies of multiple individual marketing capabilities). Nevertheless, most studies found a positive, direct relationship. As the variables involve or require to differing extents the five marketing capabilities, particularly the individual marketing capability most closely associated with the respective variable (e.g., product adaptation, one of the variables the study by Cavusgil and Zou, 1994, found to impact export marketing performance directly, involves all five marketing capabilities to some degree, especially the product capability), this suggests that the five marketing capabilities are, in general, important to export performance.

Not all firms consider each of the five marketing capabilities to be important to their performance in international markets. In the case of British exporters, Styles and Ambler (1994) report that the exporters the authors surveyed did not rate a number of variables associated with the five marketing capabilities highly in terms of the contribution these made to their successful export performance. This echoes the findings of prior surveys of British exporters (discussed by Piercy, 1981, 292) which indicate that some such variables - including those relating to pricing - are rated much more highly than others - such as those pertaining to marketing communications - as factors for successful exporting. A possible explanation for this, one put forward here, is that exporters assign greater importance to the activities *they* have to carry out themselves to a major extent than to those they leave largely to other firms with whose cooperation they develop international markets. It can be assumed that many of the surveyed exporters effectively externalised marketing they

needed to undertake in relation to their international markets, relying on intermediaries (particularly distributors) within these markets to carry out some or most of the necessary marketing activities (as will be discussed, the *de facto* externalisation of international marketing is common among SME exporters). This provides a plausible reason as to why pricing, which even exporters relying on intermediaries would still undertake (setting for or guiding the prices of their intermediaries - Noonan, 1999), was *rated by the surveyed firms* as much more important to their export performance than marketing communications activities such as advertising, an activity commonly left to intermediaries[176]. The explanation also provides another possible reason for the aforementioned reviews of the export performance literature indicating that some of the studies they examined found particular export marketing strategy variables not to have an impact on export performance or to have a negative effect on this; this is that a number of these studies simply *report the actual ratings assigned by exporters* to factors assumed to affect their performance instead of statistically analysing the relationships among the respective variables (a lack of statistical analysis having been characteristic of much export research until recently - Katsikeas et al, 2009).

In view of the growing evidence that the five marketing capabilities are important to international marketing, an increasing number of scholars are calling for SMEs to possess these capabilities when undertaking the activity. Despite their limited marketing and other resources, smaller firms are advised to develop and retain individual marketing capabilities in relation to international markets (Hashai and Almor, 2004; Gabrielsson and Gabrielsson, 2009; Theingi and Purchase, 2011). Even where these firms cooperate with (or rely on) other firms to undertake marketing in relation to international markets, they should still have the capabilities in question to a certain extent. This is because the firms need to understand their international markets and be able to devise, support, coordinate, and assess the marketing programmes and activities undertaken by their marketing partners within these (Noonan, 1999; Theingi and Purchase, 2011).

[176] Providing a reason as to why very few studies examine marketing communications in an exporting context, Leonidou and Katsikeas (2010, 884) note that "the advertising/promotion task is usually undertaken by [firms'] foreign partners who are closer to the end-user."

The development of the five core marketing capabilities (and of other marketing capabilities) for an international market is generally a more complex and challenging task than for a domestic market due to differences between country markets and the greater levels of uncertainty inherent in international markets (Lisboa, Skarmeas, and Lages, 2011). In view of this and of the lack of certain other marketing resources (particularly of the two other marketing resources that will be examined here in detail, these being language skills and market knowledge), many SMEs are without even basic marketing ability in relation to international markets and choose or have to let other firms undertake the necessary marketing.

Discussed next is each of the five core marketing capabilities. Due to their complexity and for other reasons (which will be stated later), in the case of two of the marketing capabilities (product capability and distribution capability) certain key aspects of the capabilities (product development and channel management respectively) are reviewed rather than of all their respective aspects. Despite being limited in scope, the reviews still illustrate the nature of the capabilities and their importance to international marketing.

Product Capability[177,178]

> "Products are a key element in the overall market offering. Marketing mix planning begins with building an offering that brings value to target customers. This offering becomes the basis on which the company builds profitable customer relationships." - Kotler and Armstrong (2014, 249)

Products (manufactured goods, services, or a combination thereof) have a pivotal role in the offering by firms of value to customers. This is due to the benefits products provide customers. Product-related benefits include the 'core benefits' of a product (the core, problem-solving benefits or services sought by consumers – Kotler

[177] This capability corresponds with the 'product' element of the marketing mix's basic elements (as represented by the 4Ps: product, price, place, promotion).
[178] The examination of the capability is limited to its product development aspect. The reasons for this are mentioned in the discussion.

and Armstrong, 2014) provided through its functional features, performance, perceived value, image, and technology; they also include benefits provided through product attributes such as brand name, quality, packaging, and design, as well as through support services relating to the product (e.g., product warranty) (Avlonitis and Papastathopoulou, 2006).

In view of products' role in value creation, firms require a product capability. Such capability can take a very broad form due to the various marketing and non-marketing (e.g., production) processes and activities involved in creating a product[179]. From a marketing perspective, however, the task of matching customer needs with products offering benefits that meet these needs is at the heart of product capability. Consequently, for marketers product development and its associated dimensions are central to product capability.

Product development, which some authors (e.g., Zou et al, 2003; Vorhies and Morgan, 2005; Kaleka, 2012) consider a distinct marketing capability that draws on other marketing capabilities as well as on non-marketing capabilities, has two dimensions. These are the development by a firm of new products (i.e., new product development) and the modification by it of existing products (Vorhies and Morgan, 2005). Both dimensions are important to a firm creating the products customers in domestic and international markets demand, and thus affect its ability to deliver value to these (Cooper and Kleinschmidt, 1985; Calantone, Schmidt, and Song, 1996). This also applies to SMEs, many of which compete on the basis of being able to provide superior products as part of a niche strategy (Pelham, 1997). Thus, in the context of international markets, SMEs also have to "develop new products or modify existing products periodically to gain or sustain their competitive advantage to deliver new products of higher uniqueness that in the long term allows for better export performance (Avlonitis and Salavou, 2007)" (Freeman and Styles, 2014, 189).

[179] The various firm activities required for the creation of a product are illustrated by *product management*, which is distinct from product development and product marketing (Roach, 2011). Product management was institutionalised by Procter & Gamble during the 1930s, when it designated a single manager to be responsible for the *development, production, and marketing* of a particular product line; today, product management is, at least in larger firms, the responsibility of multifunctional teams (Roach, 2011).

With new products being the lifeblood of a firm (Perks, 2000), new product development is crucial to firms needing to offer their own unique products to customers in domestic and international markets[180]. The various activities such firms have to undertake to develop their own products are illustrated by the sequence of the typical NPD process: the generation of ideas for products, the investigation of these ideas, the development and testing of the new products, and their launch in the market (Hart, 2008). NPD activities can be challenging for a firm. A major reason for this is that the firm may not have the information - the 'base currency' of the NPD process (Hart, 2008) - required for each stage of the NPD process or may not adequately disseminate the information it has to appropriate managers and others involved in the process.

The development of new products relating to international markets, the ability of which is instrumental for the offering of superior value to customers within these (Morgan et al, 2004), can be especially challenging for a firm. As consumer needs, demands, and behaviours vary between country markets, which can result in different levels of acceptance of new products (e.g., Yeniyurt and Townsend, 2003; Stremersch and Tellis, 2004), a firm may not be familiar with these crucial factors in relation to a particular international market. This unfamiliarity, as well that pertaining to local product laws and regulations, makes the attainment of information relevant to NPD activities and the utilisation of this information especially important in relation to that market. However, possible language, cultural, and other barriers resulting from differences between country markets can make such information acquisition and use difficult or outright impossible (the challenges associated with the acquisition and use of information relating to international markets will be discussed in the context of marketing information management capability). It may also be that particular market-related knowledge required for NPD is only generated through direct exposure and consequent experience of a particular international market (this will be discussed in section 2.5.5), so a firm without experience of that

[180] As opposed to marketing the products of other firms or products that customers believe to be such (e.g., in the case where a firm imitates another firm's product and copies all of its key characteristics).

market may not be able to obtain this. The aforementioned potential barriers can also affect the usefulness of the information a firm obtains in relation to an international market as well as its actual use of the information; this extends to its ability to transfer and deploy tacit knowledge about international markets, which is crucial for transnational NPD (Subramaniam and Venkatraman, 2001) (such NPD being commonly undertaken by MNEs).

The second dimension of product development, product modification, is especially important in the context of international markets. In the case of such markets, all of the *existing* products of a firm will be new to customers in an international market if these are not already marketed there (assuming that 'grey' or parallel imports of these into the market are insignificant - Li, 2003). As long as it meets (or exceeds) the requirements of local customers and provides them with sufficient value, a firm may prefer to introduce an existing product into an international market instead of developing a new product for that market. This is because the modification of existing products is usually substantially less expensive and much faster than the development of new products. In view of this, firms, particularly SME exporters, commonly introduce 'new' products into international markets that are already offered in their domestic markets or elsewhere. Such products should be adapted (modified) as necessary to meet the requirements of local customers. In reality, due to the lack of requisite information concerning such requirements and for other reasons, firms, especially smaller ones, often modify existing products for new markets only in minor ways (e.g., by adapting the packaging to correspond with local languages and regulations) or not at all. Consequently, many of these essentially unmodified products do not adequately meet local customer requirements and fail in the international market concerned.

In view of the nature of new product development and of product modification, and of the challenges associated with undertaking these in relation to international markets, the development of a product capability in relation to an international market can be difficult for a firm. This is even more so when additional dimensions of product development are also considered. An example of a further dimension is

the third dimension to product development that Kaleka (2011, 2012) proposes in the context of international markets (the first two dimensions being NPD and product modification). This relates to the process of producing a good or service, more specifically the adaptability of the production process. The addition of this dimension enables the aforementioned author to suggest that product development (as reflected by the three dimensions) encompasses a number of processes - and their associated capabilities (e.g., NPD capability) - enabling firms to develop, test and modify products that meet customer needs; in line with this, the same author also holds that product development could be regarded as a surrogate for the respective underlying processes and capabilities (Kaleka, 2012). Considering the significance of the adaptability of a firm's production process to its product modification, the relative importance of product modification and adaptation in the case of international markets, and the fact that the introduction of existing products into these markets is common practice, the addition of this third dimension to product development seems appropriate, at least in relation to international markets.

Pricing Capability[181]

According to Dutta, Zbaracki, and Bergen (2003), pricing capability has two major dimensions. The first is price-setting within a firm. The activities involved with this dimension include the identification of competitor prices, the setting of pricing strategy, and the translation of pricing strategy to price. The second dimension is price-setting vis-à-vis the firm's customers. The activities of this dimension include the convincing of customers and intermediaries on the logic of price changes and the negotiation of price changes with major customers.

Pricing capability in relation to international markets appears to correspond with this interpretation. This is indicated by the few studies examining firms' pricing capability that are part of the expanding yet fragmented literature on export pricing (for a recent review of this literature see Tan and Sousa, 2011). Zou et al (2003, 37), investigating multiple marketing capabilities in an export context, regard pricing

[181] This capability corresponds with the 'price' element of the marketing mix's basic elements (as represented by the 4Ps: product, price, place, promotion).

capability in relation to export (international) markets as the extent to which a firm can "effectively use and manage pricing tactics to respond to competitors' challenges and customer changes". Revealing what activities are actually associated with this, Tzokas et al. (2000), found that this capability (which the authors refer to as 'export pricing competence') entails anticipating competitors' pricing initiatives, responding to competitors' changes in their pricing structures, protecting a customer or market segment from competitors' pricing activities, and responding to customers' pricing complaints.

As to the importance of pricing capability, this capability is positively related to firm performance in both domestic (Dutta et al, 2003; Liozu and Hinterhuber, 2013) and international markets (Zou et al, 2003; Murray et al, 2011). The ability of a firm to meet price competition (which is especially important where it is following a cost leadership strategy) and to generally set prices appropriate to market circumstances and changes has, in view of pricing decisions directly affecting firm revenues, an impact on the performance of firms in their respective markets. From a strategic point of view (and that of the RBV), pricing capability is essential to firms achieving competitive advantage. This is because pricing has an important role in firms creating value for customers (value creation being necessary for competitive advantage). The reason for this is that the pricing of products affects customers' perceptions of their value. For customers, prices not only represent the cost to be paid for the benefits they receive from a product but also act as a signal of their quality and value (Zeithaml, 1988). Thus, it is important for a firm to price its products correctly. Otherwise, a mismatch can result between the intended value of a product and that actually perceived by customers. Correct pricing is also important for firms capturing value *from* customers since prices that are set too low may leave the firm with little or no such value. Without an appropriate pricing capability, the setting of prices that are correct for customers and for firms themselves may be difficult or impossible (Dutta et al, 2003).

The development of a pricing capability is complicated, especially in relation to international markets. Inherent differences between country markets, greater

managerial uncertainty, and various other factors make pricing in relation to an international market - let alone the development of this capability with respect to such market - a formidable task (Cavusgil, 1996). Some of the main specific reasons that firms have for adapting their pricing to international markets illustrate the difficulty of this task, with both internal factors (such as differences in firms' marketing objectives for and cost structures relating to international markets) and external factors (varying country inflation rates, competitive policies, and government controls) necessitating pricing adaptation (Theodosiou and Leonidou, 2003). Given these and other challenges, including those associated with limited managerial resources, it appears that many firms - especially SMEs - do not develop a sufficient pricing capability in relation to international markets and consequently resort to inadequate pricing methods (especially 'cost-plus' pricing) that result in unsatisfactory outcomes (Piercy, 1981; Myers, 1997).

Distribution Capability[182,183]

Firms need to make their products (manufactured goods, services, or a combination thereof) available to the consumers or users of these wherever they are located. For most firms, particularly manufacturers, achieving the required distribution involves the effective management of distribution channels[184]. Also referred to as marketing channels (the terms 'distribution channel' and 'marketing channel' are used interchangeably here), which consist of "interdependent organizations involved in the process of making a product or service available for use or consumption" (Coughlan et al., 2001, 3), distribution channels are systems by which firms' products 'flow' to consumers. Firms need to manage these channels and thus require sufficient channel management capability. This capability centres on a firm's ability to "establish and maintain channels of distribution that effectively and efficiently deliver value to end-user customers" (Vorhies and Morgan, 2005, 82).

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[182] This capability corresponds with the 'place' element of the marketing mix's basic elements (as represented by the 4Ps: product, price, place, promotion).
[183] The examination of the capability is limited to its channel management aspect. The reasons for this are provided in the discussion.
[184] Other distribution-related activities include those associated with logistics and supply chain management.

The actual characteristics of channel management capability vary and depend on such factors as the nature of a firm's channels, including whether these are direct or indirect. As Morgan (2012, 107) notes:

> "A wide variety of potential channel management-related capabilities exist and are reflective of the high levels of variation seen in organizations. For example, direct-to-customer companies are expected to develop only those channel capabilities that relate to order processing, shipping, return processing, and customer service. In contrast, those with channel intermediaries between the firm and end users need broader channel capabilities such as attracting new channel members, adding value to channel member businesses, etc."

Thus, firms with indirect channels (also referred to as intermediated channels) require a substantially more complex channel management capability than those whose only channels are direct channels. The establishment and management of indirect channels involves numerous tasks, including designing the channels, selecting its members, motivating and supporting the members in various ways, and periodically evaluating their performance (Rosenbloom, 2012). These tasks, which entail the establishment and management of relationships with channel intermediaries, can be challenging. The need by a firm to involve and manage other firms (channel intermediaries) means that relationship management is a key aspect of channel management capability for the firm. As Holden (1998, 316, emphasis added) has stated, channel management "means in practice the management of *relationships* with channel intermediaries".

The tasks involved with channel management in domestic and international contexts are essentially the same. However, the difficulties associated with channel management in relation to international markets are much greater. This is especially so where firms use indirect channels, which appear to be employed more frequently by firms in the case of international markets than their domestic markets. Reasons for the greater reliance on channel intermediaries in international markets vary, and include the need by many firms to access the local marketing resources of intermediaries in international markets - especially where the firms' international marketing ability is inadequate in relation to the markets concerned. Due to this and

other reasons, academic research on international marketing channels focuses almost exclusively on the management of *indirect* channels, principally those involving distributors[185,186]. Accordingly, the focus here is also on such channels and intermediaries.

International channels are one of the most complex and dynamic aspects of international marketing (Bello, 2010). A reason for this is that channels differ between international markets. This is so in terms of both their availability and characteristics. The presence of particular channels, the relative importance of different channels, their length, and specific characteristics can vary by country market. For example, channels in Japan tend to be longer than those in most other advanced economies, commonly including one or more additional layers of intermediaries compared to those in the UK, USA, and other country markets. This greater channel complexity, which increases the cost of moving a product to consumers through the channel and reduces the control a firm will have over the channel (Coughlan et al, 2001), makes channel management more difficult.

Another reason for international channels being more complex and for their management being more difficult is that the management of relationships with channel intermediaries operating in other country markets can be much more challenging for firms than is the case with those of intermediaries in their domestic markets. Linguistic, cultural, and other differences between a firm and its intermediaries in foreign markets complicate the relationships between these and cause a range of problems (such as decreased communication, which is detrimental since constant communication is essential to the development of close, mutually beneficial relationships). These may hinder the necessary interaction between the firms as well as the establishment of the trust and commitment required for a successful relationship (Samiee and Walters, 2003).

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[185] This is reflected by most textbooks on international marketing.
[186] The extant (academic) literature on channel management capability in the context of international markets focuses on distributors and firms' relationships with these.

For SMEs developing international markets the management of channel intermediaries can be especially difficult. Many smaller firms do not have the necessary managerial and financial resources required to instigate *and sustain* mutually beneficial relationships with these. Within smaller firms, managers (or, frequently, the managing directors of firms) commonly develop international markets on their own and may also have other responsibilities that interfere with the time-consuming, human-intensive task that is relationship building with international channel members (Bello, Chelariu, and Zhang, 2003). In combination with limited financial resources that also restrict relationship-building (by, for example, limiting or preventing visits to intermediaries) and which can make it difficult or impossible for the firms to support their intermediaries adequately (including in the marketing of the products of the firms), many firms fail to nurture or maintain their relationships with channel intermediaries in international markets (Bello et al, 2003; Solberg, 2006).

The consequences to firms of not having adequate relationships with their channel intermediaries in an international market can be far-reaching. Considering that these intermediaries are instrumental to the distribution of the firms' products in international markets and are often (in the case of SMEs, commonly) also active in their marketing in other ways, the firms will be negatively affected by this. At a minimum, a firm in such a position may not be able to realise the full potential of its products in the international market. At worst, it can be left 'without distribution' in that market where its already inadequate relationship deteriorates to the point of collapse.

Marketing Communications Capability[187]

Marketing communications are "communications with target audiences on all matters that affect marketing performance" (Pickton and Broderick, 2005, 4). Firms, including SMEs, need to communicate effectively with actual and potential customers as well as with other audiences (such as marketing channel intermediaries)

[187] This capability corresponds with the 'promotion' element of the marketing mix's basic elements (as represented by the 4Ps: product, price, place, promotion).

in domestic and international markets in order to succeed in these. They can do so through traditional marketing communications activities and tools that include advertising, sales promotions, exhibitions and trade shows, and personal selling, as well as with 'online' and 'alternative' methods of communication such as database marketing, direct response marketing, sponsorships, online marketing, social media, guerrilla marketing, and external public relations (Smith and Zook, 2011; Clow and Baack, 2014). Their ability to undertake these activities and employ these tools is central to marketing communications capability.

Morgan (2012, 107) comments on the importance of firms being able to communicate with customers and indicates several key manifestations of marketing communications capability:

> "Communicating effectively with customers and prospects is an essential marketing capability [i.e., marketing communications capability] associated with customer value delivery (e.g., McKee et al., 1992)…Communicating the benefits of the firm's new products and services to potential customers, reminding current users of the product about product benefits and availability, and reinforcing the purchase decision to reduce cognitive dissonance are essential skills that firms must have in order to possess a strong marketing communications capability (e.g., McKee et al, 1992)."

Creating awareness of and desirability for a firm's products, effective marketing communications fosters positive views of these, of the firm's brands, and of the firm itself among target audiences in its domestic and international markets. These and other outcomes are instrumental in shaping perceptions among customers that a firm's products are of value to them. In view of this and of the importance of such perceptions to successful marketing, marketing communications and the associated marketing capability essentially are about firms managing customers' perceptions of their products (Vorhies and Morgan, 2005).

In managing the value perceptions customers in international markets have of their products, firms can persuade these to view their products positively and build brands differentiated from those of competitors in the markets (Zou et al, 2003; Murray et al, 2011). Branding is especially important to firms competing on the basis of

differentiation (Sirmon et al, 2011; Webb et al, 2011), which, as mentioned earlier, in the case of developed economies includes most SMEs. Where firms pursuing a cost leadership strategy are concerned, marketing communications and the associated capability are also important to these in relation to international markets, apparently because these improve the communication of these firms with marketing channel partners such as foreign market distributors (Zou et al, 2003). Regardless of their competitive strategy, effective marketing communications by firms in relation to international markets positively affects their product, brand, and corporate reputations in the markets and, with such reputations being key factors in a firm's ability to increase market share and sales volume (Hooley et al, 2005), benefits their performance in the markets.

Actually developing an adequate marketing communications capability and undertaking effective marketing communication in relation to an international market can be challenging for a firm. This is especially so where the firm is new to that market, even more so if that firm is a SME - for which "it is critical that sufficient resources are allocated to [international] marketing communications" (Wong and Merrilees, 2008, 303). A firm entering an international market is an outsider to the market and has to establish its reputation as well as that of its products and brands[188]. Doing so can be complicated by various factors. To begin with, the firm's country of origin (COO) may have a negative image among consumers in the international market that also 'attaches' to the firm and its products and makes these less desirable in relation to those of other firms (Usunier, 2006). Even where the COO is neutral or positive, varying consumer needs, demands, and behaviours as well as language, cultural, and other macro-environmental differences between country markets may affect marketing communications (Monye, 2000) and represent obstacles for the firm in developing a sufficient communications capability for that market and in fostering positive perceptions about its products among local consumers.

[188] This is unless its reputation precedes the firm. For instance, the products of a firm with a global brand may not be officially available in a particular international market but could be well known to and demanded by local consumers.

Consumer and macro-environmental differences can impact every aspect of a firm's marketing communications. This includes the fundamental decisions relating to the communications (targeting; positioning; the setting of objectives; budgeting), decisions concerning communication implementation (the mix of communications elements; creation of messages; selection of media; the establishment of momentum), and, perhaps most crucially, key outcomes of marketing communications. These outcomes are the perception and behaviour of actual and potential customers towards a firm's products and the enhancement of its brand equity (Shimp, 2010).

The extent of the impact of the aforementioned differences on marketing communications is well illustrated by two fundamental aspects of a marketing communications programme, these being the message a firm sends consumers and the media it uses to do so. Unless the firm fully understands the local language and culture, it may create and send to consumers in an international market a message that is ineffective or even detrimental to the aforementioned key outcomes (such as where it commits a *faux pas*[189]). Even where the firm has created an effective message, it may not be able to or should not transmit this message to consumers in the market through its preferred media. Due to differences in local consumer preferences, laws, and communication infrastructure, and for other reasons, one or more of the tools a firm uses in its other markets (as mentioned, key marketing communications tools include advertising, sales promotions, exhibitions and trade shows, and personal selling, as well as database marketing, direct response marketing, sponsorships, online marketing, social media, guerrilla marketing, and external public relations programmes) may be unavailable or ineffective in an international market or may have very different characteristics (Bamossy and Johansson, 2009)[190].

[189] Most international marketing textbooks provide several examples of these as a way of illustrating the mistakes firms can make in communicating with consumers in international markets whose linguistic and cultural differences they do not sufficiently appreciate.

[190] For example, in many countries direct postal mail campaigns are infeasible due to poor postal services or legal restrictions concerning such campaigns; where a firm has relied on such tool in its other country markets, it would have to use others to reach the targeted consumers.

Market Information Management Capability

Whereas each of the four core marketing capabilities that have been discussed so far corresponds with a particular element of the marketing mix, the market information management (MIM) capability does not. This capability is, however, important to the four 'mix' capabilities. Besides its role in orchestrating marketing mix capabilities (Vorhies and Morgan, 2005), the MIM capability appears to enhance these (Tsai and Shih, 2004). The various activities relating to marketing mix capabilities are supported by the activities associated with the MIM capability. This is because MIM provides market-related *information* essential for the 'mix' activities as well as for other important marketing activities firms undertake to market their products in international markets. Consequently, MIM has a crucial role in international marketing and the associated capability can thus be regarded as a core marketing capability.

Information is at the heart of the market information management capability, as is illustrated by its two dimensions. The dimensions are the *acquisition* of market information by a firm and its *use* by the firm (Menon and Varadarajan, 1992; Day, 1994; Vorhies and Morgan, 2005). To appreciate the nature and significance of these dimensions as well as those of the capability itself, it is necessary to understand the importance of market-related information to a firm.

Information about a market (i.e., market-related information), particularly about consumers, competitors and other firms, and the institutional factors (laws, regulations, etc) that shape the market's environment, is essential for a firm to make marketing-related decisions (Menon and Varadarajan, 1992; Churchill Jr., Brown, and Suter, 2010). In order to market its products in any market - domestic or international - a firm needs to make numerous decisions, ranging from which market segments to target to (in the case of many manufacturers) how necessary post-sales installation and servicing can best be provided to customers. Such decisions can have far-reaching consequences for a firm. In fact, the success of marketing by a firm depends to a great extent on these decisions and, thus, on the information it has available to inform its decision-making. In the words of Köksal (2008, 417):

> "Information is a crucial element in making sound marketing decisions. It helps managers to track changes in the marketplace, design appropriate marketing strategies in order to respond to market changes, find sound solutions to specific marketing problems, and also assess company performance in the marketplace."

In view of the importance of market-related information to firms, the MIM capability is centred on the premise that firms should acquire this information systematically and continuously. This necessarily involves firms undertaking formal, objective marketing research. By relying on such market research to acquire the information they need for their marketing-related decisions firms achieve a greater understanding of their markets and better performance in relation to these than if they resorted to informal, *ad hoc* information gathering. This also applies to smaller firms, including where international markets are concerned (Koh, 1991; Hart and Tzokas, 1999).

The *acquisition* of information (representing the first dimension of the MIM capability) relating to international markets can be a major challenge for a firm. Being foreign to such markets and possibly facing language, cultural, and other barriers, a firm may fail to locate the required local market information. This possibility rests on the assumption that the sought-after market information is actually available. In the case of many international markets, especially in that of emerging country markets, market-related data that may be widely or easily available in relation to firms' domestic markets may not exist, be outdated, or restricted to certain audiences (Craig and Douglas, 2001). Thus, firms may have to undertake primary market research themselves or commission such research. Where this research is not possible, they may have to resort to other, more informal means to obtain the required information. Informal means include firm managers seeking information from contacts elsewhere, even if this may be piecemeal and unreliable.

Although firms undertaking marketing in relation to international markets should rely on formal methods to obtain the information they require about these for their marketing, informal methods are used by many firms in some or even all situations. This is especially so with exporters, who generally appear to take more of an informal rather than a systematic approach to the acquisition of international market

information (Diamantopoulos et al., 2003) and often rely only on their intuition. As most exporters are SMEs (Leonidou et al, 2002), this may be explained by firms having managerial and financial resource limitations that make a systematic approach unviable. Firms in such a position, despite needing to systematically acquire reliable information to make optimal decisions relating to export (international) markets (Toften, 2005), may have little choice but to rely on information methods and sources that are informal (such as their networks, including interpersonal links - Ellis, 2000) or semi-formal (such as participating in international trade missions and fairs) to obtain as much of the required market-related information as they can[191]. Few of these firms would, therefore, develop the capacity to acquire through formal, objective market research information relating to international markets.

The *use* by firms of the information they have acquired in relation to international markets (the second dimension of the MIM capability) can be affected by numerous factors (Souchon and Diamantopoulos, 1996). Alone or in combination these can influence the value of the information to firms as well as the actual utilisation of the information by them (both of these aspects of information use are collectively referred to hereafter as 'use'). Information that is properly utilised enhances the quality of managerial decisions relating to international marketing, including those pertaining to exporting (Leonidou and Theodosiou, 2004).

One factor affecting the use by firms of information relating to international markets they acquire is the inadequate dissemination of the information within firms. This is more of an issue for larger firms, especially MNEs. Due to complex organisational structures, marketing responsibilities being dispersed between managers in different locations, and other factors the 'flow' of information to the appropriate managers within such firms may be impeded with the result that this reaches them late or never. Thus, potentially crucial information may be devalued or effectively lost by a firm through its own actions.

[191] The nature and sources of the market-related information exporters rely on are well detailed in the export literature (e.g., Leonidou and Theodosiou, 2004).

Another factor affecting the use of international market-related information is whether firm managers are able to understand the information. As in the case with the acquisition of information relating to foreign markets, variations in language, culture, and other macro-environmental factors may impede managers from making sense of the information they have. 'Information overload' in situations where a copious amount of information is readily available (including from online sources) may also hinder managers in the same way. Whatever the reason for a firm not being able to 'take stock' of the information available to it, this usually relates to its managers not having the appropriate attributes, particularly language skills and market knowledge, and/or the time required to analyse the information.

Also affecting the use of international market-related information is the inability by firms to be able act upon the information they obtain. In many cases, especially in that of SMEs, firms do not have the resources necessary to take the action that the information suggests is necessary for the marketing of their products in the international markets concerned. This may be because they do not have sufficient marketing mix capabilities. For instance, a firm may determine, based on market-related information it has acquired, that one of its products may have to be substantially modified in order to succeed in that market. However, the firm may not have the requisite product capability to effectively change the product. Consequently, it may undertake insufficient product modifications or not modify the product at all.

Where firms have any of the aforementioned problems in acquiring or using information relating to their international markets, this may indicate that they lack the necessary capacities relating to these two dimensions of the MIM capability. If so, it cannot be said that they have an adequate MIM capability. Without a firm being able to obtain all of the market-related information it needs in a timely, reliable, and continuous manner *and* being able to use this information, a firm is deficient in market information management.

2.5.3.3 Influence on Entry Mode Choice

Studies specifically investigating the influence individual marketing capabilities have on firms' choice of international market entry modes are scarce. The dearth of such studies is a reflection of scholars having begun to examine firms' individual marketing capabilities only fairly recently (Morgan and Slotegraaf, 2012), including in the context of international markets (e.g., Zou et al, 2003).

The lack of research into the impact marketing capabilities have on entry mode choice extends to those fundamental marketing capabilities that all firms - including SMEs - need to possess to undertake, at a minimum, a basic level of marketing in relation to their domestic and international markets. These fundamental marketing capabilities include the five core marketing capabilities (product capability, pricing capability, distribution capability, marketing communications capability, and market information management capability) just discussed.

In the absence of empirical evidence to the contrary, it can be assumed that firms being able to perform *on their own* the fundamental marketing activities associated with the five marketing capabilities under consideration (e.g., pricing in the case of pricing capability) would be more inclined, other factors notwithstanding, to choose independent rather than collaborative entry modes (the nature of independent and collaborative modes was discussed in section 1.1) and to further develop, where necessary, the respective marketing capabilities by themselves.

As Table 2.5 on page 174 and Table 2.6 on page 175 indicating the primary locus of basic, 'marketing mix' capabilities in the case of the main entry modes highlight, independent entry modes would allow a firm to carry out the marketing activities in relation to the international markets concerned, whereas in the case of collaborative modes this would depend on the particular mode and on other factors (where joint ventures are concerned, on the nature of the venture and on the agreement between the parties involved).

	Entry Mode[1]	Product[2] (F/O)	Pricing (F/O)	Distribution[3] (F/O)	Marketing Communi-cations (F/O)
Independent Modes	Direct Exporting – internet	F	F	F	F
	Direct Exporting – home country-based sales force	F	F	F	F
	Direct Exporting – sales office/ subsidiary in int'l market	F	F	F	F
	WOS (sole venture) – greenfield	F	F	F	F
	WOS (sole venture) – acquisition	F	F	F	F

F = Focal firm; O = Other firm. WOS = Wholly-Owned Subsidiary.

[1]Ordered by export, contractual, and investment mode types. [2]Product development aspect of capability. [3]Channel management aspect of capability. Management of local channel members.

Source: Author.

Table 2.5 – Typical Primary Locus of Fundamental Marketing Activities Associated with Major Entry Modes for International Market Development: A. Independent Modes

	Entry Mode[1]	Product[2] (F/O)	Pricing (F/O)	Distribution[3] (F/O)	Marketing Communi-cations (F/O)
Collaborative Modes	Indirect Exporting	F	O	O	O
	Direct Exporting – agent	F	F	F	F
	Direct Exporting – distributor	F	O	O	O
	Licensing	O[6]	O	O	O
	Franchising[4]	F	O	O	O
	Management contracts[5]	F	F	F	F
	Contractual JV	F/O	F/O	F/O	F/O
	Equity JV (minority; equal; majority)	F/O	F/O	F/O	F/O

F = Focal firm; O = Other firm. JV = Joint Venture.

[1]Ordered by export, contractual, and investment mode types. [2]Product development aspect of capability. [3]Channel management aspect of capability. Management of local channel members, excluding export intermediaries, joint venture partners, and other firms only involved where collaborative entry modes employed by focal firms. [4]In case of master franchising. [5]In case of hotel industry (international hotel group offering comprehensive hotel management package that includes marketing services). [6]Where a product is *not* licensed (e.g., a proprietary manufacturing process is licensed).

Source: Author.

Table 2.6 – Typical Primary Locus of Fundamental Marketing Activities Associated with Major Entry Modes for International Market Development: B. Collaborative Modes

The reasons for a firm seeking to undertake the fundamental marketing activities associated with core marketing capabilities on its own and those for the primary locus of these marketing activities in relation to international markets being the focal firm or other firms are indicated by the resource-based view (RBV).

(i) Influence Suggested by the Resource-Based View (RBV)

Irrespective of whether the core marketing capabilities considered by the present study represent strategic or complementary resources in relation to international markets[192], the ('core') RBV suggests that these influence firms' choice of entry modes. From the perspective of the theory it is the adequacy of these capabilities with respect to international markets as well as firms' ability to develop the capabilities internally (where they are inadequate) that influences the choice between independent and collaborative modes. In essence, a firm would be inclined to choose an independent mode where these marketing capabilities (representing strategic or complementary resources) are adequate (from a subjective perspective) or at a high level (from an objective perspective) for an international market and enable a firm to undertake the associated marketing activities (e.g., pricing the case of pricing capability) in relation to that market on its own and so allow that firm to exploit its (other) resources - especially its strategic resources - independently; a firm would also be likely to select an independent mode where the marketing capabilities are inadequate for an international market but it is able to develop these independently.

[192] For the capabilities to be strategic, they need to be superior to those of other firms (both local and foreign) competing in a country market. However, it is unlikely that these fundamental marketing capabilities would represent strategic resources *in their own right* for most firms developing international markets. This is for at least two reasons. Firstly, the capabilities in question are required by firms to undertake a basic level of marketing, so it can be expected that most firms (local and foreign) operating in international markets possess the capabilities (as mentioned earlier, marketing is an imperative in nearly all country markets). Consequently, the capabilities are not rare and so do not meet the rarity criterion for strategic resources (the 'R' in VRI). Exceptions may present themselves, particularly in some developing country markets where the marketing resources (including marketing capabilities) of local firms are relatively weak and foreign firms developing these markets can successfully deploy superior core marketing capabilities in relation to the markets. Secondly, even where their core marketing capabilities are superior elsewhere, foreign firms may find that these are not easily transferable or applicable to other country markets for the reasons discussed earlier. Thus, it can be expected that firms, including MNEs (whose superior marketing capabilities are more likely to be higher-order capabilities such as branding), will in many situations find that their core marketing capabilities are complementary resources when deployed to international markets. This is especially so in the case of SMEs, which commonly lack marketing resources (including core marketing capabilities) required to undertake effective marketing in relation to international markets on their own.

Conversely, a firm would be inclined to choose a collaborative mode where the marketing capabilities in question are inadequate and where it decides to develop these in cooperation with other firms or to gain access to the other firms' capabilities without developing its own, where such capability development/access is more appropriate than independent development due to cost, time, or other considerations or where independent development is impossible. Figure 2.7 on page 128 provides an overview of the influence suggested by the RBV of the adequacy of a firm's core marketing capabilities (as strategic or complementary resources) and the feasibility of their independent development on its choice between independent and collaborative entry modes.

Table 2.7 on page 179 shows the influence the level of the five core marketing capabilities (product capability, pricing capability, distribution capability, marketing communications capability, and market information management capability) possessed by firms in relation to international markets has, according to the RBV, on the choice between independent and collaborative entry modes for those markets (it is assumed that a high level of the respective capabilities would allow firms to undertake the marketing they require with respect to international markets and that a low level would not). As the table (which is relevant to all firms and not just to SMEs) indicates, the influence on entry mode choice of low or high levels of these marketing capabilities is the same in the case of each of the five capabilities except in the case of one sub-capability. The exception is where the distribution capability relates specifically to the management of export intermediaries (distributors, etc) and other firms based in an international market with which the focal firm would cooperate when a collaborative entry mode is employed. The exception arises because a firm that cooperates with these firms would generally do so irrespective of whether its capability to manage the firms is inadequate/low or adequate/high and would thus use a collaborative entry mode either way. Firms resorting to (and, frequently, relying on) export intermediaries (distributors, etc) commonly do so for various reasons, including a lack of marketing ability, and would be expected to do so even where their capability to manage and develop their relationships with the firms is weak (although this may result in the firms developing poor relationships

with their export intermediaries and, consequently, in the firms experiencing unsatisfactory performance in the international markets concerned - Rosson and Ford, 1982; Cavusgil and Zou, 1994).

(ii) Influence Suggested by the Entry Mode Literature

Very few entry mode studies investigate the influence of individual marketing capabilities on firms' mode choice. Those relating to MNEs examine the choice between independent FDI entry modes, in particular the choice between greenfield and acquisition modes (e.g., Anand, 2002; Anand and Delios, 2002), so are not relevant to the present study. In contrast, the studies pertaining to SMEs provide useful insights into the impact individual marketing capabilities have on these firms' choice between independent and collaborative modes.

In the case of Belgian SMEs, Blesa and Ripollés (2008) found that higher levels of marketing capabilities consisting of 'outside-in' capabilities, 'inside-out' capabilities, 'spanning' capabilities, and networking capabilities[193] resulted in these firms being more likely to choose 'high direct investment' entry modes (wholly owned subsidiaries, both greenfield and acquisitions) over 'low direct investment' entry modes (joint ventures; licensing; franchising; joint production agreements; subcontracting of marketing; direct exporting) for international markets; however, the authors found this not to be the case with the Spanish SMEs part of the same study. In Ripollés and Blesa (2012) the authors report a study where they found that higher levels of the same marketing capabilities (except for 'inside-out' capability, which they did not assess) influence Spanish international new ventures (including

[193] The authors follow Day (1994) in their consideration of marketing capabilities, also adding networking capabilities as a marketing capability. According to these authors (p. 653, emphases added), "*outside-in capabilities* are those skills and competences that help the firm to understand changes taking place in its markets and enable it to operate more effectively in the market place…[and include] market sensing capabilities, such as market research, and market bonding capabilities, such as customer relationship management…*inside-out capabilities* focus on the firm's internal resources and capabilities such as financial management, cost control, technology development and integrated logistics….*spanning capabilities* are the skills and competences that serve to integrate inside-out and outside-in capabilities…[and] include information sharing and dissemination throughout the organisation, coordination mechanisms to integrate market knowledge into internal processes and activities such as new product/service development which require market input as well as internal technical competence…*networking capabilities* include the ability to create mutual trust and commitment between partners, as well as sharing expertise and more tangible assets".

Marketing Capability	Influence on Entry Mode Choice of Low Capability		Influence on Entry Mode Choice of High Capability
	ID[1]:	CD[2]:	
Product[3]	I	C	I
Pricing	I	C	I
Distribution[4]			
Management of:			
(a) local channel members[5]	I	C	I
(b) export intermediaries, etc[6]	C[7]		C
Marketing Communications	I	C	I
Market Information Management	I	C	I

C = Contractual entry modes; I = Independent entry modes.

[1]ID: Where independent development (ID) of respective capability feasible in terms of cost, time, and other considerations.

[2]CD: Where independent development of respective capability infeasible in terms of cost, time, and other considerations, so collaborative development (CD).

[3]Product development aspect.

[4]Channel management aspect.

[5]Management of local channel members, excluding export intermediaries, joint venture partners, and other firms only involved where collaborative entry modes employed by focal firms.

[6]Management of export intermediaries, joint venture partners, and other firms only involved where collaborative entry modes employed by focal firms.

[7]CD of this distribution sub-capability not applicable where export intermediaries, etc are channel members.

Source: Author.

Table 2.7 – Influence of Levels of Five Core Individual Marketing Capabilities on Entry Mode Choice Suggested by RBV

'born global' firms) into choosing 'higher resource commitment' (wholly owned subsidiaries, both greenfield and acquisitions, as well as joint ventures and direct exporting) over 'lower resource commitment' (licensing and indirect exporting) entry modes[194] for international markets.

While the studies of Blesa and Ripollés (2008) and Ripollés and Blesa (2012) provide useful indications as to the influence that marketing capabilities have on SMEs' choice between independent and collaborative modes, an examination of these capabilities at a categorical/'coarse-grained' level (i.e., in terms of 'inside-out' capabilities, etc) cannot be as insightful as an examination of marketing capabilities at an individual/'fine-grained' level (i.e. one of individual marketing capabilities representing specific key marketing activities - pricing capability, product capability, etc) - the level at which marketing capabilities are examined by the present study[195].

(iii) Influence Suggested by Other Literature

The small firm internationalisation/international entrepreneurship literature hosts an increasing number of studies investigating the role of marketing capabilities in the internationalisation and performance of international new ventures (INVs). Besides suggesting that such firms "are equipped with superior marketing capabilities (Cavusgil and Zou, 1994) which emphasize the skill with which management performs traditional marketing functions such as product promotion, pricing, and distribution that directs the flow of goods to buyers located in international markets" and that the capabilities may be influenced by the owner-managers' profiles (in terms of international entrepreneurial orientation, geocentric mindset, prior international experience, etc) (Weerawardena et al., 2007, 301), these studies indicate that various

[194] The authors included ten entry modes (p. 282) but only state (pp. 277-279) whether they consider an individual mode to be 'higher resource commitment' or 'lower resource commitment' in the case of those indicated. The authors do not state to which category the other modes (these being commercialisation agreements; franchising; production agreements) belong. It is assumed that these modes are 'lower resource commitment' modes.

[195] 'Outside-in' and 'inside-out' marketing capabilities (part of the classification of marketing capabilities suggested by Day, 1994) are two *categories* of marketing capabilities (Jaakkola et al., 2010). Hult (2011) considers an examination of marketing activities involving firms' marketing capabilities to be 'course-grained' if these capabilities are 'outside-in', 'inside-out', and 'spanning', and 'fine-grained' if the capabilities are actually based on key marketing activities - product capability, pricing capability, channel management capability, etc.

other actors may also be important in the firms having the capabilities. While some studies suggest that INVs' networks in general are important in the development of the firms' marketing capabilities (e.g., Zhou, Wu, and Barnes, 2012), which is in line with such firms resorting to their networks to obtain resources they lack (Oviatt and McDougall, 1994; Coviello and Cox, 2006), others have identified specific actors that are crucial to this. Evers, Andersson, and Hannibal (2012) have found that 'cooperative stakeholders' - including export intermediaries in the form of distributors - as having a role in the development of pricing, distribution, and branding capabilities. This suggests that SMEs in general and INVs in particular with low levels of one or more individual marketing capabilities would be likely to cooperate with other firms in their international marketing and thus be more likely to employ collaborative entry modes.

Studies that are part of the export literature and which examine the effect of firms' individual marketing capabilities on their export performance (Morgan et al, 2003; Zou et al, 2003; Morgan et al, 2004; Murray et al, 2011; Kaleka, 2012; Morgan et al, 2012) shed little light as to whether the capabilities influence exporters into choosing independent or collaborative entry modes. Zou et al (2003), investigating distribution (channel management) capability in the context of export markets, hold that cooperation between exporters and distributors is important to the former's performance in an international market, with a good relationship between the parties resulting in more effective marketing of the exporter's products (including in better product adaptation and branding) and at lower cost than if the relationship was otherwise. The authors' contention is in line with the export literature recognising that a positive relationship between an exporter and its distributor built on mutual trust and the former's ongoing support of the latter positively affects the exporter's performance in relation to the international market (Rosson and Ford, 1982; Cavusgil and Zou, 1994). This suggests that SME exporters with low levels of one or more individual marketing capabilities would be more likely to export through distributors and hence to employ the respective collaborative entry mode (this being direct exporting through a distributor).

(iv) Resultant Hypothesis

In view of the apparent influence of marketing capabilities on SMEs' choice between independent and collaborative entry modes as suggested by the resource-based view (RBV), by the entry mode literature, and by other literature, the following hypothesis is stated:

Hypothesis 1 (H1): *Ceteris paribus*, marketing capabilities for an international market are positively related to the choice by a SME of an independent entry mode for that market.

2.5.4 Key Marketing Resource Factor 2: Language Skills

The language skills firms possess in relation to international markets are the second of the three marketing resources whose influence on SME entry mode choice is examined by the present study.

2.5.4.1 Nature and Importance

The language skills a firm has pertaining to an individual international (foreign country) market are likely to be important to its successful marketing in relation to that market[196]. This is because the firm cannot undertake truly effective marketing in respect of the market on its own without being sufficiently skilled in the market's language(s). Insufficient language skills would mean that the firm would find it difficult to carry out effectively the core marketing tasks of creating, communicating, and delivering value (as indicated by Table 1.2 on page 36) in relation to the international market since a language barrier would affect the flow of communication between the firm and customers and between the firm and other firms involved in these marketing tasks (such barrier being a factor in the 'psychic distance' between a firm and an international market - Johanson and Vahlne, 1977). Knowledge of the

[196] The importance of these skills is illustrated by Tan et al (2001) considering foreign language skills and local market knowledge being important enough to alone constitute their 'foreign market skills' construct.

local language allows a firm to, at a minimum, become well acquainted with "local needs and requirements" (Eriksson et al., 1997, 344). In order to fully understand actual and potential customers and to offer them products of value, firms quite literally need to speak their language.

A language barrier can not only hinder direct and indirect communication between a firm and its customers but is also an obstacle to the firm understanding their culture comprehensively. Differences in culture between (and often within) country markets are one of the most significant macro-environmental factors whose variations between countries results in dissimilar consumer needs, demand, and behaviour. A firm cannot be in a position to respond to culturally-induced differences effectively without fully understanding the respective culture itself. This is because culture affects every aspect of marketing, including decisions relating to the marketing mix. It is only by being deeply familiar with a culture that a firm can adequately determine which aspects of its marketing, if any, need to be adapted to correspond with the culture of customers in an international market and, thus, to be effective for that market. This requires sufficient fluency by a firm's managers in the respective language, in the oral and written aspects of the language as well as its nonverbal characteristics (e.g., body language; time perception; separating space) (Leonidou, 2004).

Illustrating the dual imperatives of language fluency and cultural familiarity in the context of the marketing mix and of marketing communications in particular, Thirkell and Dau (1998, 826) state that:

> "Effective marketing promotion requires an understanding of the nuances of local market conditions, and the subtle differences across cultures. Foreign language skills are often intertwined with an appreciation of the associated culture, suggesting that higher levels of language and cultural skill may translate into a more effective communications programme."

Without having sufficient language skills a firm is unlikely to be in a position to formulate and implement on its own a marketing programme and mix truly

appropriate to the international market in question. A fundamental reason for this is that without these skills the firm will find it difficult or impossible to obtain all of the market-related information it requires for these and other important marketing activities. Inadequate language skills are (also) an obstacle to a firm acquiring and using information relating to the respective international market; most of the potential difficulties associated with firms obtaining a market information management (MIM) capability (the difficulties having been discussed in the preceding section) are caused at least in part by firms not having the requisite language skills. With market-related information being crucial for marketing, including for the activities relating to the four other individual marketing capabilities (product capability; pricing capability; distribution capability; marketing communications capability) discussed in the previous section, a firm's lack of sufficient language skills in relation to an international market may hinder it from successfully marketing its products on its own in relation to that market.

That language skills can influence a firm's performance in relation to an international market is indicated by some studies. Of the five studies investigating the impact of language skills on exporters' performance reviewed by Leonidou, Katsikeas, and Piercy (1998), four reported a positive relationship while one did not find a relationship. Separately, Turnbull and Welham (1985, 38) note that "the ability to understand and communicate with foreign customers will have a fundamental impact on potential marketplace performance".

2.5.4.2 Influence on Entry Mode Choice

Despite the apparent importance of language skills to international marketing, and the fact that "language lies at the heart of international business (IB) activities" (Brannen, Piekkari, and Tietze, 2014, 495), only a relatively small number of studies have concerned themselves with the influence of firms' language skills on their choice of entry modes. In the words of Piekkari, Welch, and Welch (2014, 175), "we know little about the language-[entry] mode connection because there has been very little research conducted on this topic".

(i) Influence Suggested by the Resource-Based View (RBV)

As in the case of marketing capabilities for an international (foreign country) market, and for the same reasons (these having been outlined in section 2.5.3.3), the ('core') RBV suggests that the extent of a firm's language skills for a particular international market[197] would influence its choice of entry mode for that market. Firms that possess an adequate (from a subjective perspective) or high (from an objective perspective) level of these skills or which do not but can develop the skills on their own through internal development or the acquisition of another firm would be inclined to exploit their strategic and other resources in relation to the respective international markets independently and thus employ an independent mode. Where these skills are inadequate or low and their independent development infeasible (due to cost, time, or other factors) or impossible then firms would tend to resort to collaboration with other firms to access or develop the skills and, thus, use a collaborative mode. Figure 2.7 on page 128 provides an overview of the influence suggested by the RBV of the adequacy of a firm's language skills (as a complementary or, potentially, strategic resource) and the feasibility of their independent development on its choice between independent and collaborative entry modes.

(ii) Influence Suggested by the Entry Mode Literature

That foreign language skills can be a factor in firms' entry mode choice has been appreciated for some time (e.g., Goodnow, 1985). In fact, it has been recognised that "language considerations may…be one of the decisive factors in selecting an appropriate foreign operation mode to serve a target market" (Journal of International Business Studies, 2012). Despite this, few entry mode studies have investigated the

[197] Local market language skills represent a complementary resource. This is because language skills are required by firms to exploit their strategic and other resources in relation to an international market. Such skills are unlikely to be a source of competitive advantage for a firm because firms (both local and foreign) competing in a given country market can be expected to have language skills relevant to that market (perhaps less so in the case of foreign firms new to or less involved in the market and for which the local language differs from that of their home country). Language skills cannot be considered rare and so do not meet the rarity criterion for strategic resources (the 'R' in VRI). Thus, the competitive significance of this marketing resource is that of a complementary resource enabling a firm to deploy its other marketing resources (including marketing capabilities) as well as its non-marketing resources in relation to an international market.

influence of firms' foreign language capacity on their choice of entry modes.

Most entry mode studies that concern themselves with language do so in relation to the effect that *national-level differences in language*, usually expressed in terms of the 'language distance' between a firm's home country and the host (international) market, have on firms' mode choice. These studies, which do *not* concern themselves with the effect that *firms' actual language skills* (or lack thereof) have on their mode choice, report varying findings[198,199]. Demirbag, Glaister, and Tatoglu (2007), in their study of foreign firms' investments in Turkey, found that the greater the 'linguistic distance' between home and host country, the more likely it is that a firm will choose a joint venture (JV) or a lower equity mode (i.e., collaborative modes) over a wholly owned subsidiary (WOS) (independent modes); this is in line with the uncertainty created by language differences resulting in firms selecting entry modes that lower the cost and potential risk of their investment. In contrast, López-Duarte and Vidal-Suárez (2010 and 2013) found that Spanish manufacturers and service firms prefer to employ WOS over JVs in host markets whose primary language differs from that of the home country (i.e., Spanish), so where language barriers may exist; the authors suggest that language barriers between a firm and its JV partner impede effective communication between the firms[200]. Meanwhile, Dow and Larimo (2009) did not find that language differences are a statistically significant predictor of Nordic manufacturing firms choosing JVs or WOS in relation to their FDI in various host countries.

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[198] Some such studies investigate the influence of language differences on entry mode choice as part of a set of factors whose impact on mode choice is measured in combination rather than separately. For example, Dow and Ferencikova (2010) assess language differences based on a composite index of five of the dimensions of 'psychic distance' put forward by Dow and Karunaratna (2006) that also include differences in religion, industrial development, education, and degree of democracy. The authors find that these 'psychic distance' factors do not, in combination, result in foreign firms investing in Slovakia having a preference for joint ventures (collaborative modes) over wholly owned subsidiaries (independent modes).

[199] Other such studies focus on the impact of linguistic differences on the choice between independent FDI modes (which is outside the scope of the present study); for example, Dow and Larimo (2011), treating language differences as a dimension of 'psychic distance', find that these negatively affect MNEs' propensity to use acquisition instead of greenfields (both WOS) as an entry mode.

[200] Glaister, Husan, and Buckley (2003, 98) hold that such impediments "may cause misunderstandings between the partners…[that] may, in some circumstances, lead to a loss of trust and ultimately to weakening in JV performance".

The very few entry mode studies that have firms' language skills (as opposed to national-level differences in language) as a variable do not assess the actual level of the skills or do so but aggregate these with one or more other variables. In their study of internationally active Danish SMEs (the majority of which operate in industrial markets), Hollensen, Boyd, and Ulrich (2011) had the firms rate the relative importance (to other factors such as international experience) of their employees having foreign language skills but did not assess the actual level of these skills (nor took into account the owner-manager's language skills, which are especially important in the case of smaller firms where this person is solely or largely responsible for driving firm internationalisation[201])[202]. Providing a useful indication of the impact of firms' language skills on their mode choice despite aggregating these skills with another variable, Tan et al (2001), found that manufacturers based in Australia and Hong Kong with greater 'foreign market skills' consisting of foreign language skills and foreign market knowledge are more likely to employ higher entry modes (in terms of sunk cost, specificity of commitment, and scope of corporate activity - wholly-owned subsidiary representing the highest entry mode). The authors (p.334) attribute this to "firms with formidable foreign market skills [being] able to place their products closer to the customers".

(iii) Influence Suggested by Other Literature

The broader international business literature offers a rationale for firms being more likely to choose independent modes where their language skills are high and for selecting collaborative modes where they are low, and provides some empirical evidence of this.

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[201] Studies (e.g., Dichtl, Koeglmayr, and Mueller, 1990; Reuber and Fischer, 1997) have found that an entrepreneur's foreign language skills positively influence the propensity to internationalise.

[202] The authors report that firms employing entry modes providing low or high control (the low control modes considered by the authors were exporting through distributors, agents, and home-country intermediaries; high control modes were WOS and direct selling to international customers, such as OEM [original equipment manufacturer] sales) rated the relative importance of employees having such skills similarly but that those employing intermediate/medium control modes (joint ventures and strategic alliances) rated the importance of these skills somewhat lower.

The ‘psychic distance’ concept appears to provide an explanation for firms that follow traditional internationalisation patterns (which seems to include most manufacturing firms) being more likely, other factors notwithstanding, to choose independent modes where they have language skills relevant to international markets. With psychic distance being represented by the “sum of factors preventing the flow of information from and to the [international] market” of which language differences are one such factor (Johanson and Vahlne, 1977, 24)[203], the concept suggests that a firm being competent in the language(s) of an international market reduces its perceived distance to that market. Leading on from this, better knowledge of the market that its language skills afford the firm should result in the firm being more inclined to commit greater resources to the market (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977, 1990; Pedersen and Petersen, 1998). Accordingly, the firm would be more likely to employ a corresponding entry mode, specifically a mode requiring relatively greater resource commitment[204]. Given the nature of entry modes (the characteristics of entry modes in terms of their resource requirements, associated risk, control, etc was discussed in section 2.3.1), such a mode would also offer relatively greater control. Considering that independent modes generally offer greater control than collaborative modes, the firm’s chosen mode is, hence, more likely to be an independent mode.

Offering a rationale for firms’ entry mode choice being influenced by their level of language skills and providing empirical evidence of this is the export literature. Of the studies that concern themselves with the language skills of exporting firms (such studies examine the impact of these skills on aspects that include the propensity to export and export performance - e.g., Dichtl et al, 1990; Thirkell and Dau, 1998[205]),

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[203] These factors are the various individual national-level distances that, in combination, result in perceived psychic distance. The distances include ‘linguistic distance’ (which, as already discussed, is examined by some entry mode studies), ‘national cultural distance’, and ‘institutional distance’ (Dow and Larimo, 2009).

[204] The logic behind this is the same as that behind the ‘establishment chain’ proposed in connection with the original Uppsala firm internationalisation model. The model, including its limitations, was discussed in section 2.4.1.4 in the context of it providing a theoretical explanation for entry mode choice.

[205] Leonidou et al (1998) reviewed fourteen export studies that examined the influence of language skills on *export propensity* and found that nine of these studies reported a positive relationship, one study identified a negative relationship, and that four studies did not find a relationship; the same

Marcella and Davies (2004, 1386) found that some Scottish food and drink exporters overcome a lack of language skills by relying on distributors and agents to "introduce them to new markets and ensure customer satisfaction" - i.e., to be involved in the marketing of their products in relation to the respective international markets; in the same vein, Visser (1995) reports on Scottish SME exporters meeting their foreign language needs by using agents. These findings are in line with the belief of other scholars that exporters, whose expectations of foreign intermediaries include these taking on "an important language node role for the exporter" (Piekkari et al, 2014, 197) where appropriate, can be expected to resort to export intermediaries where they do not have local language skills; commenting on the limited language skills of European exporters (particularly of British exporters) revealed by their study, Turnbull and Welham (1985, 40) state that "companies must either rapidly improve the overall level of language competence in their export departments, by recruitment and training, or be dependent on local agents and/or distributors for their local marketing effort." The finding also appears to be in line with the actual practice of many SMEs in the UK, at least as indicated by a recent large-scale survey (consisting mostly of SMEs but not limited to exporters) commissioned by the UK Government which found that language and cultural factors are a major reason for these firms relying on distributors and agents as well as engaging in licensing and franchising and entering into JVs (OMB Research, 2008, Table 8.2.8) - all actions requiring the use of a collaborative entry mode.

(iv) Resultant Hypothesis

In view of the apparent influence of language skills on SMEs' choice between independent and collaborative entry modes as suggested by the resource-based view (RBV), by the entry mode literature, and by other literature, the following hypothesis is stated:

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authors also reviewed five studies investigating the impact of language skills on *export performance* and found that four of the studies reported a positive relationship while one did not find a relationship.

Hypothesis 2 (H2): *Ceteris paribus*, language skills relevant to an international market are positively related to the choice by a SME of an independent entry mode for that market.

2.5.5 Key Marketing Resource Factor 3: Market Knowledge

The knowledge firms have of their individual international (foreign country) markets, including their experiential knowledge of these markets, can influence their choice of entry mode for the markets. Market knowledge is the third and final marketing resource whose influence on SME entry mode choice is examined here.

2.5.5.1 Nature and Importance

Marketing requires a firm to have sufficient knowledge about the markets in relation to which it undertakes the activity. In an international context, this means that it needs to possess knowledge pertaining to its individual international markets. Much of this knowledge is specific to the respective international markets.

Knowledge pertaining to an individual international market (i.e., local market knowledge) is distinct from a firm's accumulated knowledge of (all) international markets[206]. Although "acquired market knowledge relating to specific product-market combinations and across [international] markets over time provides a platform and a capability for future international expansion of the firm (Kogut and Zander, 1993; Yang, Leone, and Alden, 1992; Nelson and Winter, 1982; Liesch and Knight, 1999)" (Lamb and Liesch, 2002, 9), this is tempered by the fact that much of the knowledge pertaining to an individual international market is specific to that market and firms need to acquire this market-specific knowledge in order to develop that particular international market successfully.

[206] Such accumulated knowledge is, confusingly, also commonly referred to as 'international market knowledge', 'foreign market knowledge', etc.

Knowledge relating to an individual international market, which is primarily tacit in nature, is "deeply embedded within the local environment" (Wu et al., 2007, 284). Consequently, firms develop this knowledge mainly through *experience* of the international market (Andersen, 1993; Eriksson et al, 1997) and *over time*. This means that much market knowledge cannot be acquired by firms external or new to an international market simply by obtaining market-related information through market research, network contacts, etc.

The development of market-specific knowledge in relation to individual international markets can have a steep learning curve associated with it. Differences between country markets, especially with respect to language and culture, have, as discussed with regard to market information management (MIM) capability (in section 2.5.3), a profound impact on a (foreign) firm's acquisition and use of market-related information. With information use being essential to knowledge development within firms (Macdonald, 1995), this can impede the development of market knowledge.

Another factor that complicates market knowledge development in relation to individual international markets is that much market knowledge can, as already mentioned, only be generated as a consequence of direct exposure to and experience of a market. As the market knowledge in question is essential to marketing, a firm without this experiential market knowledge is less likely to be able to successfully undertake marketing in relation to an international market for which it does not have this knowledge.

Experiential knowledge is an integral part of a firm's stock of knowledge. According to Huber (1991, 91, emphasis added):

> "...organizations acquire some of their knowledge through *direct experience*. Sometimes this learning is a result of intentional, systematic efforts. Much more frequently it is acquired unintentionally or unsystematically."

Unlike objective knowledge (explicit or codified knowledge) that can be acquired through market research, experiential knowledge, which is learned 'from doing' (Penrose, 1959), generally cannot be easily obtained, taught, or transferred (Fletcher

and Harris, 2012). Where it does not have such knowledge, a firm needs to place itself in a position to gain the experience that allows for the knowledge to be generated. In the case of international markets, this would entail a firm operating in or otherwise being directly exposed to an individual international market. The greater its exposure to that international market, the more extensive the firm's experience of this market will be; in turn, the greater the firm's experience of the market, the better its experiential market knowledge relating to the market. Considering that experiential learning and knowledge relating to international markets appear to positively impact firm performance (Li, 1995; Barkema, Bell, and Pennings, 1996), it can be expected that greater experiential market knowledge will be beneficial to a firm.

The scope of experiential market knowledge is broad and includes knowledge relating to local market characteristics, conditions, and opportunities that is gained through experience. Eriksson et al (1997) suggest that experiential market knowledge specifically includes business knowledge (experiential knowledge of clients, the market, and competitors) and institutional knowledge (experiential knowledge of government, institutional frameworks, rules, norms, and values). Each of these two specific types of knowledge is important to any firm operating in a market. However, business knowledge and institutional knowledge are especially important to foreign firms in a market since - as outsiders - they need to acquire these to succeed in the market. Insufficient business knowledge relating to a market represents a 'liability of outsidership' associated with a firm not being or having been part of local market networks; inadequate local institutional knowledge creates 'psychic distance' between the firm and the market and is a 'liability of foreignness' (Johanson and Vahlne, 2009). By reducing the aforementioned 'distance' and 'liabilities', greater business knowledge and institutional knowledge also diminish the cost for the firm of doing business in the market as an outsider and thus helps to eliminate the competitive disadvantages vis-à-vis local firms that these obstacles represent (Zaheer, 1995; Eden and Miller, 2004). For these and other reasons, experiential knowledge is a crucial determinant of firm internationalisation and driver of small

firm internationalisation (Johanson and Vahlne, 1977 and 1990; Oviatt and McDougall, 1994 and 1997).

From a marketing standpoint, experiential knowledge about an individual market (including business and institutional knowledge) is likely to be important to a firm successfully marketing its products in relation to that market (e.g., Xie, 2012). This is because such knowledge is required by a firm for it to fully understand local consumers and the unique marketing context that inevitably affects every aspect of the marketing it needs to undertake to offer products of value to them. Much of this understanding cannot be obtained through market research since it also requires direct experience of the consumers and market in question. In effect, direct experience of a market provides firms with the market knowledge they cannot obtain elsewhere and which they need to fill their consequential knowledge gap about the market (i.e., that representing the difference between the market knowledge a firm can obtain about a market without being directly exposed to it and which it requires for successful marketing). This is why when firms acquire knowledge of an international market through experience of that market they "develop a better understanding of their environment, market and customers" (Lu and Hébert, 2005, 743).

With experiential knowledge being required by a firm for it to fully understand local consumers and the unique marketing context of an individual international market, this knowledge is likely to be important to its marketing in relation to that market. A firm cannot undertake marketing in relation to an international market that comprehensively reflects local factors without that firm having host country experience (Fang et al., 2007) and the experiential knowledge about the market that it accumulates as a result of this. Its marketing should be guided by such knowledge so that it accommodates local market factors and is locally relevant.

As for its very marketing ability in relation to an international market, the adequacy of this could be influenced by a firm's experiential knowledge of that market. Considering that "market knowledge may be required to build individual marketing

capabilities (e.g., Dutta et al, 2003)" (Morgan et al, 2009, 916), a firm without adequate experiential knowledge may risk developing inappropriate or inadequate individual marketing capabilities, other marketing resources, and, thus, overall marketing ability.

Although experiential knowledge of an international market needs to guide the development of marketing capability if it is to be relevant to that market, due to its very nature such knowledge is acquired by a firm primarily only *after* it enters and is immersed in the market (i.e., *post*-entry). Thus, firms cannot obtain all of the experiential knowledge they require to guide their marketing in relation to an international market without first undertaking such marketing.

Firms new to an international market (including those that have not yet entered the market) may have insufficient knowledge of the market to make crucial decisions, such as about entry strategy and resource allocation (including of marketing resources[207]) for the market, confidently. This is especially problematic where an international market differs substantially from a firm's home (domestic) market and the other country markets it is operating in[208]. Differences in institutions, culture, language, and other aspects of the international market cause uncertainty and make it important for firms new to the market to have knowledge of that market to overcome this uncertainty; as pointed out by Estrin, Baghdasaryan, and Meyer (2009, 1175) in the case of one factor creating 'distance' between a firm and an international market, "the larger the difference in the informal institutions of the home and host countries, the greater is the need for local knowledge". Although firms new to an international market commonly draw on the experiential and other knowledge that firms in their networks have of that market (Blomstermo et al., 2004), such 'second-hand' knowledge has significant limitations.

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[207] Morgan et al (2003) find firms' marketing planning and marketing implementation capabilities (representing separate individual marketing capabilities) are positively affected by their experiential knowledge of the international markets they export to, and that marketing planning capabilities are also positively influenced by non-experiential knowledge.

[208] Mitra and Golder (2002) refer to the knowledge firms generate by operating in markets that are culturally and economically similar to a focal market as 'near-market knowledge'.

While firms require *direct* experience of an international market to acquire all of the experiential market knowledge they need for marketing, they can also obtain *some* of this knowledge through *indirect* experience *prior* to entry (i.e. *pre*-entry). Indirect experience by a firm refers to experiential knowledge acquired and held by others external to the firm (it can thus be referred to as 'external experiential knowledge', whereas direct experience represents 'internal experiential knowledge - Fletcher and Harris, 2012). A firm can 'tap' the knowledge other firms and various organisations (e.g., government agencies) have of an international market as a consequence of their own experience of the market. However, the ability by a firm to access and use this 'second-hand' knowledge (Huber, 1991) is limited. This is because internationalisation knowledge[209] (Fletcher et al, 2013) and market-specific knowledge are highly firm-specific. The experiential knowledge others have of an international market, which may not be easily transferable to the focal firm anyway, generally cannot be expected to be directly relevant or appropriate to it since it was acquired by the other parties under particular circumstances and in specific contexts unlikely to be identical to that of the firm.

The same applies to a lesser extent to the experiential knowledge of managers that a firm may hire to develop the international market in question. While the transfer of their pertinent knowledge to existing managers may be much less difficult than that of external firms and organisations, such knowledge may not be fully relevant to the firm unless the new managers have acquired this under circumstances and in contexts similar to that of the firm. Unless this is the case *and* the firm can assimilate the new managers' knowledge, the firm may not have sufficient experiential market knowledge for successful marketing and, thus, may need to obtain this through its own *direct* experience of the market.

[209] According to Blomstermo et al (2004, 358), 'internationalisation experiential knowledge' - or simply 'internationalisation knowledge' (Fletcher, Harris, and Richey Jr., 2013) - is "experiential knowledge about internationalization in general" and is an antecedent to *market-specific* experiential knowledge since it is "procedures and routines for how to learn in local markets".

Despite the disadvantages associated with indirect experiential knowledge about an international market, such knowledge is still likely to assist a firm to make marketing-related decisions concerning the market *pre-entry*. These decisions include whether to enter the market at all, the appropriate mode of entry, the optimal marketing strategy, and the ideal marketing programme and mix. In doing so, indirect experiential market knowledge can reduce uncertainty concerning the market in question and thus provide the firm with greater confidence about the market. This may encourage it to 'take the leap' and enter that market, in the process mustering the potentially substantial marketing and other resources required for successful marketing[210]. Considering the plethora of challenges firms face in developing new international markets and in having to market to new consumers, the availability of indirect experiential knowledge to a firm can be the decisive factor in its decision to enter an international market[211].

2.5.5.2 Influence on Entry Mode Choice

Unlike marketing capabilities and language skills, market knowledge has been examined by numerous entry mode studies as a specific factor in the mode choice of firms. The extant entry mode literature on its own provides sufficient insights into the effect firms' levels of international (foreign country) market knowledge have on their mode choice and allows for hypotheses concerning this to be stated. The RBV enriches these insights.

(i) Influence Suggested by the Resource-Based View (RBV)

As in the case of marketing capabilities and language skills, and for the same reasons (these having been outlined in section 2.5.3.3), the ('core') RBV suggests that the

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[210] According to the original model of Johanson and Vahlne (1977), a firm's experiential knowledge of a market influences the level and speed of its resource commitment for that market. This can also be expected to impact the firm's resource commitment to the market *prior* to entry.

[211] The availability of indirect experiential knowledge explains the paradox of firms reluctant to enter *new* markets unless they *already* have experience of these markets; the experience is actually that of others on which the firms can draw. This has parallels with the paradox of international new ventures (including 'born global' firms). These firms internationalise rapidly from or soon after inception but do not appear to have the prior international experience that would be associated with such pace of internationalisation; actually, these firms resort to their founders' previous international experience (McDougall et al, 1994; Madsen and Servais, 1997; Weerawardena et al, 2007).

extent of a firm's knowledge of an international (foreign country) market[212] would influence its choice of entry mode for that market. Firms having an adequate (from a subjective perspective) or high (from an objective perspective) level of this knowledge or which do not but can develop the knowledge on their own through internal development or the acquisition of another firm would be inclined to exploit their strategic and other resources in relation to the respective international markets independently and thus employ an independent mode. Where their knowledge is inadequate or low and its independent development infeasible (due to cost, time, or other factors) or impossible then firms would tend to resort to collaboration with other firms to access or develop the knowledge and, thus, use a collaborative mode. Figure 2.7 on page 128 provides an overview of the influence suggested by the RBV of the adequacy of a firm's market knowledge (as a complementary or, potentially, strategic resource) and the feasibility of its independent development on the firm's choice between independent and collaborative entry modes.

(ii) Influence Suggested by the Entry Mode Literature

According to the entry mode literature, firms with an adequate or high level of knowledge of their international markets appear to be more inclined, other factors notwithstanding, to employ independent entry modes for these markets. A fundamental reason for this is that firms' experience of individual international markets and their consequent knowledge of such markets "reduces the need to access local knowledge through local partners" (Meyer et al, 2009, 570) and, thus, to cooperate with other firms. Another reason is that independent entry modes allow firms to more readily obtain local market knowledge (Brouthers, Brouthers, and Werner, 2002). This is because firms' *direct* exposure to and experience of an

[212] This knowledge generally would represent a complementary resource for a firm that is foreign to the market to which the knowledge relates. A foreign firm's knowledge of an international market is unlikely to represent a strategic resource since such knowledge would be widely held by local firms (although possibly not by all other foreign firms competing in the same market) and, thus, would not be rare (rarity being one of the criteria for resources to be strategic - the 'R' in VRI). The competitive significance of this marketing resource is most likely to be that of a complementary resource enabling a firm to deploy its other resources in relation to the respective international market, including the strategic resources that it would seek to exploit in the context of the market. Even as a complementary marketing resource, knowledge of an international market would have an important role in a firm being able to achieve competitive advantage and, potentially, sustainable competitive advantage.

international market is greater when employing an independent mode since they would not have a collaborating firm (export intermediary, joint venture partner, etc) undertaking or cooperating in the marketing, sales, and other customer-facing activities carried out in relation to the markets. A further reason is that independent entry modes include the establishment of a WOS through acquisition, the acquisition of a firm representing the most efficient way of absorbing local knowledge held by that firm (Dikova and van Witteloostuijn, 2007). For these and other reasons, firms lacking adequate local market knowledge but which are in a position to obtain this knowledge on their own through internal development or the acquisition of another firm possessing the required knowledge seem to prefer to do so and use WOS and other independent modes (Osland, Taylor, and Zou, 2001). This is especially so where the knowledge gap is not substantial or where the firm is otherwise reasonably confident of being able to narrow the gap relatively quickly.

Although firms may prefer to obtain the local market knowledge they require on their own, this is often not feasible. Such knowledge may take too long to attain through direct exposure to and experience of an international market (i.e., through internal development). As an alternative to internal development, acquisitions of firms possessing the required knowledge may not be possible due to suitable acquisition targets being unavailable, being too costly, or for other reasons. In the case of most SMEs the acquisition of another firm is usually not an option due to financial constraints. Hence, unless the required knowledge can be developed internally in a rapid and economic manner, for the majority of SMEs the only viable option for obtaining this is to collaborate with other firms that possess the knowledge. Such collaboration requires the use of collaborative entry modes.

Thus, the entry mode literature suggests both that firms prefer to develop local market knowledge on their own and that firms - especially where these are SMEs[213] -

[213] This appears to include international new ventures ('born global' firms), at least where the firms require extensive local market knowledge (such as where products need to be thoroughly adapted to local markets) beyond that held by their founders and the (indirect) knowledge available through their networks. These firms usually already possess indirect experiential knowledge of international markets before their first entry into these due to the prior experience of their founders (McDougall et al, 1994; Madsen and Servais, 1997; Weerawardena et al, 2007).

are more likely, other factors notwithstanding, to choose collaborative entry modes where their knowledge of an international market is insufficient or low. "Partnering arrangements [all of which require the use of collaborative modes] are often used to make up for the firm's *lack* of host-country knowledge" (Malhotra, 2003, 956, emphasis in original). Such lack of knowledge is typical of a firm new to an international market, in which case its "dependence on local firms with regard to local knowledge and access is relatively great" (Yiu and Makino, 2002, 669). In the case of many SME manufacturers, these local firms are export intermediaries; distributors in particular are a crucial source of local market knowledge for these SMEs (Wu et al, 2007; Theingi and Purchase, 2011; Madsen, Moen, and Hammervold, 2012).

A firm with inadequate knowledge of a foreign market, particularly where the difference between the market and the firm's domestic and other markets (as indicated by various distances - e.g., 'cultural' distance') is substantial, may - especially where the firm is a SME - have a higher perception of risk associated with the market than it would otherwise have and seek to minimise the risk by limiting its resource commitment to the market. As perceived market uncertainty due to knowledge gaps related to foreign markets "may curb firms' inclinations to commit resources to these markets" (Petersen, Pedersen, and Lyles, 2008, 1097), it appears that firms dedicate resources to international markets in line with the accumulation of knowledge of these markets (Johanson and Vahlne, 1977, 1990; Pedersen and Petersen, 1998). Hence, firms with low levels of local market knowledge would be more inclined to cooperate with another firm to obtain or have access to the necessary knowledge (Benito and Welch, 1994; Brouthers and Brouthers, 2001) and would be more likely to use collaborative modes. This is, in general, unlike firms that "possess greater knowledge of their markets, [which] tend to be more aggressive in their entry mode choice" (Erramilli and Rao, 1990[214]).

[214] The authors based their conclusion on the service firms in their study. However, subsequent entry mode research indicates that the same applies to manufacturers.

Another reason that firms with inadequate local market knowledge would be more likely to resort to collaborative modes is that independent modes, in general, actually require more local market knowledge than collaborative modes to be employed successfully for market development (with acquisition mode being an obvious exception). This is especially so with greenfield WOS, an entry mode requiring considerable local market knowledge and understanding (Herrmann and Datta, 2006)[215].

The entry mode literature suggests that firms cooperating with others to attain local market knowledge, which is a major reason for firms (including SMEs) entering joint ventures with local firms (Beamish and Banks, 1987; Lee and Beamish, 1995; Lu and Beamish, 2006), are able to overcome location-specific disadvantages that includes inadequate local knowledge created by various differences (including institutional differences - e.g., Anand and Delios, 1997) between their home markets and the host (international) market. The loss of control and use of lower-equity entry modes (characteristically JVs instead of WOS) such cooperation entails is compensated for by the acquisition of the required local knowledge (Tihanyi et al, 2005). This knowledge should result in the firm being in a better position and more confident to subsequently develop or otherwise operate in the market on its own through WOS or other independent entry modes (Guillén, 2003).

(iii) Resultant Hypothesis

In view of the apparent influence of market knowledge on SMEs' choice between independent and collaborative entry modes as suggested by the resource-based view (RBV) and by the entry mode literature, the following hypothesis is stated:

Hypothesis 3 (H3): *Ceteris paribus*, knowledge of an international market is positively related to the choice by a SME of an independent entry mode for that market.

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[215] This is a reason why, in the case of firms entering new international markets, WOS may perform suboptimally compared to other entry modes when substantive local knowledge is required (Pan, Li, and Tse, 1999).

2.6 Influence of Key Marketing Factors on SMEs' Entry Mode Choice – 2. Marketing Strategy Factors

This, the second segment of the literature review relating to the focal marketing factors, pertains to the marketing strategy factors with which the study is concerned. Like marketing resources, marketing strategy variables can be important marketing factors in the international market entry mode choice of firms, including in that of SMEs.

The reasons for marketing strategy variables (perhaps more correctly, marketing strategy variables *other* than entry mode choice[216]) being entry mode choice factors are examined in this segment. Also examined here is the potential influence that three key marketing strategy variables have on SMEs' mode choice. The three marketing strategy variables in question are:

1. Product differentiation: product differentiation in relation to an international market. This is the extent to which a firm differentiates its products in an individual international (foreign country) market to those of its competitors in that market.

2. Marketing adaptation: marketing adaptation in relation to an international market. The degree to which a firm adapts its marketing to an international market.

3. Market importance: the importance of an international market. More specifically, the importance a firms assigns to an individual international market.

The nature and importance of each of these key strategy variables to SMEs and the influence they have on the firms' choice between independent and collaborative entry modes as suggested by the literature and the resource-based view (RBV) will be discussed (in sections 2.6.2, 2.6.3, and 2.6.4 respectively) and hypotheses concerning their influence on this choice stated.

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[216] As discussed in section 1.1, marketing scholars tend to regard international market entry mode choice as a marketing strategy decision, more particularly an international marketing strategy decision. Most international business scholars, however, see entry mode choice as a decision belonging to corporate and business level strategies and so as a decision area external to marketing.

Preceding and providing background for the aforementioned examinations is an overview (in the following section) of the nature and importance (including to SMEs) of marketing strategy and marketing strategy variables. This overview covers marketing strategy and marketing strategy variables in a general/domestic context (in section 2.6.1.1) as well as international marketing strategy and international marketing strategy variables (section 2.6.1.2).

2.6.1 Marketing Strategy and its Variables

Marketing strategy is an important and complex aspect of marketing, including of international marketing. As a firm strategy, marketing strategy involves firms taking various crucial decisions pertaining to their marketing. This is so with marketing strategy relating to their domestic markets as well as with that pertaining to their international markets (international marketing strategy). Irrespective of the product markets to which marketing strategy relates, the decisions associated with such strategy - the decisions representing marketing strategy variables - pertain to firms offering products of value to customers and so concern the various marketing aspects of this.

SMEs undertaking marketing, regardless of whether this is domestic or international, also deal with such decisions. Thus, even where an individual SME does not have a formal marketing strategy it would still make marketing decisions that are strategic in nature (i.e., marketing strategy decisions). For this reason, such a firm is likely to have a *de facto* marketing strategy or components thereof, even if these are not explicit.

In the context of international marketing, among the many marketing strategy variables that a SME typically deals with are variables in the form of individual marketing strategy decision areas, such as those concerning product differentiation and marketing adaptation (two of the three marketing strategy variables whose influence on SMEs' entry mode choice is investigated here). A SME undertaking

international marketing is also likely to deal with variables that influence decisions relating to these areas, including, for example, the importance of an individual international market (market importance is the third marketing strategy investigated by this study).

2.6.1.1 Marketing Strategy and Marketing Strategy Variables in a General/Domestic Context

Marketing Strategy

Marketing strategy is an organisational strategy[217] whose nature has evolved considerably in recent decades, as is illustrated by the need for scholars to clarify its characteristics and delineate its boundaries periodically (e.g., Wind and Robertson, 1983; Greenley, 1989; Varadarajan and Jayachandran, 1999; Varadarajan, 2010). Although interpretations of marketing strategy vary, and the very term has been used in a myriad of contexts, in its most basic sense this strategy is "a broad plan of managerial initiatives and actions relating an organization to its customers and markets" (Shankar and Carpenter, 2012, 2).

At its core, marketing strategy "focuses on strategic *decisions* in the domain of marketing (e.g., positioning, branding) related to generating and sustaining competitive advantage" (Varadarajan and Jayachandran, 1999, 124, emphasis added). These crucial decisions, which are also relevant to SMEs (more below), are at the heart of marketing strategy. Varadarajan (2010, 128, emphasis added), offering

[217] In line with Varadarajan (2010 and 2012) and others, 'marketing strategy' is differentiated here from 'strategic marketing' whereby marketing strategy is regarded as an organisational construct and strategic marketing as a field of study. The domain of strategic marketing "encompasses the study of organizational, inter-organizational and environmental phenomena concerned with (1) the behavior of organizations in the marketplace in their interactions with consumers, customers, competitors and other external constituencies, in the context of the creation, communication and delivery of products that offer value to customers in exchanges with organizations, and (2) the general management responsibilities associated with the boundary spanning role of the marketing function in organizations" (Varadarajan, 2010, 126). Accordingly, "marketing strategy decisions only constitute one subgroup of strategic marketing decisions" so that "while every marketing strategy decision is also a strategic marketing decision, not every strategic marketing decision is a marketing strategy decision" (Varadarajan, 2012, 19).

one of the most comprehensive definitions of marketing strategy, clarifies the nature and importance of the decisions:

> "…an organization's integrated pattern of *decisions* that specify its crucial choices concerning products, markets, marketing activities and marketing resources in the creation, communication and/or delivery of products that offer value to customers in exchanges with the organization and thereby enables the organization to achieve specific objectives."

Numerous managerial *decisions* are associated with marketing strategy. Table 2.8 on page 205 illustrates some of these in the context of marketing strategy generally (and in that of international marketing strategy). As the table indicates, marketing strategy decision areas are diverse and reflect the complex nature of marketing (the nature and importance of marketing was discussed in section 1.5.1). The many individual decisions managers need to take, which can be complicated due to these being interrelated and to other reasons, pertain to the actions necessary for their firms to offer customers products of value. These actions, which can be categorised into those that are 'customer interfacing' and those that are precursors to such actions, include the formulation of strategies pertaining to market segmentation, targeting, and positioning as well to product/brand, pricing, distribution, and marketing communications. The setting of the latter strategies is "a prelude to tactical strategy implementation decisions involving the 4Ps or the marketing mix" (El-Ansary, 2006, 282).

Marketing strategy and the marketing activity that takes place pursuant to this strategy, which are guided by firms' other strategies (including their competitive strategy) or complement these (including their functional strategies other than marketing strategy), require firms to possess (or have access to) marketing resources (including capabilities) (the nature and importance of marketing resources was discussed in section 2.5.1). One of the main characteristics of marketing strategy is that it involves firms taking the strategic decisions necessary to allocate marketing and other resources and, where necessary, to develop or otherwise obtain these. Thus, "marketing strategy represents the effective allocation and coordination of

Key Product Market Decisions (selected)	Marketing Strategy and International Marketing Strategy Constructs and Decision Areas (selected)		Additional International Marketing Strategy Decision Areas (selected)
	A. Precursors to Customer Interfacing Actions		
Which markets?	Target Market Strategy	Markets to serve. Market segments to serve.	International market concentration/spreading.
When to enter the markets?	Order and Timing of Market Entry	First mover/early follower/late entry.	Simultaneous/sequential product launch (rollout) across international markets.
How to enter the markets?	Market Entry Strategy	Internal development/ acquisition/collaboration (JV/SA/etc).	International market entry modes.
	B. Customer Interfacing Actions		
How to compete in the markets?	Positioning	Product positioning.	Marketing standardisation/ adaptation across international markets.
	Product and Brand(ing) Strategies	Broad/narrow product line. Single/multiple brands. Product introduction with existing/new brand.	
	Pricing Strategy	Market penetration/ market skimming.	
	Distribution and Channel Strategies	Intensive/selective/ exclusive distribution. Single/multi-channel. Online/online and offline.	
	Marketing Communications Strategy	Predominantly push/pull.	

Source: Author, based on Varadarajan (2010 and 2012).

Table 2.8 – Fundamental Marketing Strategy and International Marketing Strategy Constructs and Decision Areas (Selected)

marketing resources to accomplish the firm's objectives within a specific product market" (Walker, Boyd, and Larréché, 1992, 13).

Despite SMEs' general lack of marketing resources, and the practice of marketing varying between these firms (as was discussed in section 1.5.1), marketing strategy appears to be important to smaller firms engaged in marketing. To survive in competitive markets, SMEs, irrespective of their size and other characteristics, have to offer customers in these products of value and so need to undertake marketing (e.g., Gilmore et al, 2012). For this they have to possess (or have access to) marketing resources and to make decisions relating to marketing that are of strategic importance (i.e., marketing strategy decisions). Making marketing strategy decisions is necessary for firms even where they do not have (or want) a formal or explicit marketing strategy, in which case the decision-making may be unstructured, reactive, and *ad hoc*. Firms without an explicit marketing strategy still make decisions pertaining to many - if not most - marketing strategy decision areas (including those indicated by Table 2.8) and thus are likely to have a *de facto* marketing strategy or components thereof. For example, such firms would have to decide the extent of any product differentiation in relation to a product market and the basis thereof as even the smallest of firms need to consider whether and how they can set themselves apart from their competitors.

Marketing Strategy Variables

Definitions for and conceptualisations of a 'marketing strategy variable' are scarce, in the marketing literature and elsewhere. As was noted some thirty years ago and which still appears to be the case today, "the conceptualization of marketing strategy variables…has not received the attention from scholars that other marketing areas have" (Cravens, 1987, 155).

Numerous variables can be associated with a firm's marketing strategy. This is suggested by the very nature of such strategy, this having just been discussed. Variables associated with marketing strategy (i.e., marketing strategy variables) are, in accordance with the (broad) definition of marketing strategy put forward by

Varadarajan (2010), linked to firms' *decisions* taken in the context of marketing strategy. More specifically, marketing strategy variables are represented by the various decision areas in marketing strategy. Decision areas in marketing strategy include, as indicated by Table 2.8, those concerning market segmentation, targeting, and positioning as well as those relating to product/brand, pricing, distribution, and promotion. These commonly accepted decision areas in marketing strategy (e.g., Rau and Preble, 1987) are also widely viewed as 'elements' of marketing strategy.

A broader perspective of marketing strategy variables, one corresponding with the foregoing definition of marketing strategy, would suggest that marketing strategy variables are also represented by factors *influencing* marketing strategy decisions as well as those representing the *outcome* of these decisions. The treatment of these factors as marketing strategy variables reflects the need - and heeds calls made by marketing scholars (e.g., Wind, 1988) - for the domain of marketing strategy variables to extend beyond basic marketing strategy elements. Factors influencing marketing strategy decisions are numerous and include, for example, those relating to the characteristics of a given product market, such as market growth rate. Factors representing the outcome of marketing strategy decisions include, for example, the market/competitive response to a firm's marketing strategy (e.g., Wind, 1988).

Accordingly, and in line with the dictionary meaning of the term variable[218], a marketing strategy variable is conceptualised here as:

> Any decision area in marketing strategy or any factor influencing marketing strategy decisions or the outcomes thereof.

As to the importance of marketing strategy variables, the nature of this depends on the attributes of the individual variables. Marketing strategy variables representing decision areas in marketing strategy formulation and implementation are the 'building blocks' of marketing strategy and decisions pertaining to these are firm-controlled determinants of marketing strategy success or failure. For example,

[218] The Oxford English Dictionary has the following entry for variable: (B., *n*., 3): "Something which is liable to vary or change; a changeable factor, feature, or element." ("Variable, adj. and n.", OED Online, March 2015, Oxford University Press, accessed: 02 April 2015 at <http://www.oed.com/view/Entry/221514?redirectedFrom=variable&>).

product differentiation (one of the three marketing strategy variables considered by the present study) can be important to a firm's marketing since it may allow the firm to increase customer loyalty, therefore requiring the firm to carefully decide on the appropriate degree of and basis for such differentiation. As for marketing strategy variables consisting of factors influencing marketing strategy decisions or factors representing the outcome of these decisions, their importance centres on these affecting marketing strategy decision-making (in the case of both types of factors) and reflecting the results of this (in the case of factors representing decision outcomes). For instance, the importance of a market (market importance being another of the marketing strategy variables examined here) can have a bearing on the marketing strategy decision areas since a firm may have different strategic priorities for those markets of great importance to it compared to markets that are of much lesser importance.

As discussed, firms without an explicit marketing strategy (primarily smaller SMEs) still have to make decisions pertaining to many - if not most - of the marketing strategy decision areas. For example, such firms would have to decide the extent of any product differentiation and the basis thereof. Firms without an explicit marketing strategy are also affected in their marketing decision-making by factors influencing marketing strategy decisions or which represent the outcome of these decisions. For instance, their marketing decisions may be influenced by the importance of an individual product market (i.e., by market importance) even where the role of this marketing strategy variable is not fully perceptible to the firms.

2.6.1.2 International Marketing Strategy and International Marketing Strategy Variables

International Marketing Strategy

Scholarly research concerning firms' international marketing strategy is fragmented and focused mainly on a relatively small number of topics, most prominently on the issue of marketing standardisation-adaptation (essentially, whether firms should standardise their marketing across international markets or adapt this to individual

markets). Therefore, it is not surprising that interpretations of international marketing strategy vary and that comprehensive definitions for this strategy (or for export marketing strategy and, to a lesser extent, for global marketing strategy) are lacking. With some scholars taking a narrow view of international marketing strategy and treating such strategy as if it was synonymous with and delineated to standardisation-adaptation strategy (e.g., O'Cass and Julian, 2003[219]), others (e.g., Lim et al, 2006) suggest that the study of international marketing strategy should take on a holistic view and not be confined to a single dimension (standardization-adaptation, etc).

While there seems to be consensus that international marketing strategy (including its export and global marketing variants) concerns firms achieving their objectives relating to international markets, the exact nature of such strategy varies by the definitions suggested for this. For example, Cavusgil and Zou (1994, 4) define 'export marketing strategy' as "the means by which a firm responds to the interplay of internal and external forces to meet the objectives of the export venture [i.e., of the firm's objectives in relation to an individual export market]". Codita (2011, 15), adapting the definition of (general, not international) marketing strategy by Walker et al (1992), defines 'international marketing strategy' as "the effective allocation and coordination of marketing resources to accomplish the organization's objectives within a specific product market situated outside the domestic borders". Offering one of the most comprehensive definitions, Varadarajan (2012, 24), adapting his own definition of (general) marketing strategy (Varadarajan, 2010), holds that 'global marketing strategy' is "an organization's integrated pattern of decisions that specify its crucial choices concerning marketing behaviors directed at customers in multiple country markets to effect specific affective, cognitive and behavioral predispositions in them towards its product offering in order to facilitate their engaging in revenue-generating transactional and relational exchanges with the organization and thereby enable the organization to achieve specific objectives".

[219] The authors state (p. 373) that "export marketing strategy can be seen as the degree of adaptation or standardisation of the marketing mix required in the foreign market (Cavusgil and Zou, 1994)".

In line with the aforementioned consensus, with marketing strategy (as discussed in the preceding section), and with international marketing (in 1.5.2), international marketing strategy is, based on the definition of (general) marketing strategy offered by Varadarajan (2010) (which was stated in the preceding section), conceptualised here as:

> A firm's integrated pattern of decisions that specify its crucial choices concerning products, markets, marketing activities and marketing resources in the identification, creation, communication and/or delivery of products of value to customers in international markets and thereby enables the firm to achieve specific objectives.

This conceptualisation, which broadly accommodates both export and global marketing strategy[220] and corresponds with the conceptualisation of international marketing adapted here[221], highlights that the nature and importance of *marketing* strategy in relation to an international market (i.e., of international marketing strategy) is similar to that of (general) marketing strategy with respect to a domestic market (the nature and importance of general/domestic marketing strategy was discussed in the preceding section). Table 2.8 on page 205 indicates that the fundamental marketing strategy decision areas are the same in relation to marketing strategy regardless of whether this pertains to firms' domestic or international markets[222], except that in the case of the latter there are also additional decision areas.

As in the case of domestic marketing strategy, the many individual decisions managers need to take in connection with international marketing strategy pertain to actions necessary for their firms to ultimately offer products of value to customers. As indicated by Table 2.8, these include decisions about the product markets in which to compete and about how to compete in the product markets. The latter ('how') decisions, pertaining to 'customer interfacing' actions, are reflected in

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[220] Export marketing and global marketing were discussed in section 1.5.2.

[221] As stated in section 1.5.2, international marketing is conceptualised here as *the identification, creation, communication, and delivery by a firm of products of value to customers in international markets*.

[222] Other authors also take this view and relate to the general/domestic marketing strategy literature to identify international marketing strategy variables, including with regard to SMEs (e.g., Gabrielsson, Gabrielsson, and Seppälä, 2012).

market positioning, product/brand(ing), pricing, distribution, marketing communications, and other strategies that need to be formulated.

Unlike domestic marketing strategy, international marketing strategy focuses on customers located in international markets. This greatly complicates marketing strategy decision-making. Firm managers have to make important decisions in the context of international markets that may be distant to them (including in terms of 'psychic distance' - e.g., Dow and Larimo, 2009), with which they may be far less familiar than with their firms' domestic markets, and in relation to which they often underestimate the differences with the domestic markets (Pedersen and Petersen, 2004). Managers are also presented with additional strategy decision areas. The additional areas, some of which are also indicated by Table 2.8, include decisions about whether a firm should concentrate on a smaller number of international markets or spread its efforts and resources across a larger number of markets (i.e., international market concentration versus spreading) (e.g., Ayal and Zif, 1979), the individual international markets to enter (international market selection) (e.g., Papadopoulos and Denis, 1988), the entry modes to employ (international market entry mode choice), and the issue of whether to standardise marketing across or to adapt this to individual international markets (marketing standardisation versus adaptation) (e.g., Jain, 1989).

Besides featuring these and other additional strategic decision areas relating to *marketing*, international marketing strategy is interrelated with or greatly influenced by (strictly) non-marketing strategic decisions. These decisions pertain to competitive strategy (generic competitive strategies will be discussed in section 2.6.2 in the context of product differentiation), internationalisation strategy (including concerning the extent and pace of internationalisation), and other firm strategies (e.g., Solberg, 1997; Solberg and Durrieu, 2008). This interrelationship causes great complexity since elements of non-marketing strategies can influence marketing strategy pertaining to international markets. For instance, the type of international expansion path chosen by a firm (in terms of traditional or rapid internationalisation) could influence its international marketing strategy (e.g., Gabrielsson et al, 2012).

As to the importance of international marketing strategy to firms, this is indicated by the nature and purpose of this strategy. More particularly, "international marketing strategy is crucial to company success because optimizing the interface between consumer preferences and [firms'] marketing resources and capabilities in international markets can increase revenue and enlarge market share (Yip, 2003)" (Marinov and Marinova, 2006, 1). In that it involves firms taking the strategic decisions necessary to allocate marketing and other resources towards meeting their objectives relating to international markets, international marketing strategy is indispensible to their successful international marketing and international market development (IMD). This also appears so for the international marketing and IMD of SMEs.

Smaller firms undertaking marketing in relation to international markets, the primary form of which appears to be export marketing (this was discussed in section 1.5.2), also seem to benefit from having a strategy for this. Marketing strategy is an important success factor in export marketing (e.g., Cooper and Kleinschmidt, 1985; Cavusgil and Zou, 1994; Leonidou et al, 2002). Marketing strategy variables are integral to an export marketing strategy (e.g., Noonan, 1999). A large number of such variables have been identified as being applicable to the exporting context (more below). Most of the decision areas associated with international marketing strategy generally (including those indicated by Table 2.8) can also be considered export marketing strategy decision areas, the majority of such decision areas having been investigated in an exporting context by scholars to various extents.

Not all SMEs engaged in international (including export) marketing have a formal or even an explicit international marketing strategy. It appears that smaller firms whose resources for, experience of, and commitment to international markets are greater in relation to those of their peers are more likely to develop and implement formal marketing strategies for their international markets (e.g., Doole and Lowe, 1997). This suggests that SMEs with a greater dependency on international markets have a higher tendency to have such marketing strategies. The same seems to apply to more

market oriented firms[223], which can be expected to be more likely than other firms to have formal marketing strategies in relation to both their domestic and international markets.

Even where SMEs carrying out international marketing do not have (or want) a formal or explicit international marketing strategy, these still make decisions relating to international (including export) marketing that are of strategic importance (i.e., international marketing strategy decisions). Such firms are faced with many or most of the international marketing decision areas that have been discussed. In relation to international (including export) marketing these firms - excluding the indirect, sporadic, and reactive/opportunistic exporters among them (which, as stated in section 1.3.3, are not considered by this study) - make decisions about the international markets in which to compete and about how to compete in the markets, with the latter involving decisions about market positioning, product/brand(ing), pricing, distribution, marketing communications, and other fundamental marketing strategy areas. These decisions, which involve the allocation of marketing resources, ultimately relate to the firms achieving their objectives for their international markets.

International Marketing Strategy Variables

In the absence of definitions for and conceptualisations of the term, an international marketing strategy variable is conceptualised here as:

> Any decision area in international marketing strategy or any factor influencing international marketing strategy decisions or the outcomes thereof.

This broad conceptualisation, the rationale for which is similar to that for the conceptualisation of a 'marketing strategy variable' adopted here (that rationale was

[223] Kohli and Jaworski (1990, 6) regard market orientation (MO) as "the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it". Narver and Slater (1990, 21) interpret MO as "the organization culture (i.e., culture and climate, Deshpande and Webster 1989) that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business".

outlined earlier), encompasses the various marketing strategy decision areas associated with international (including export and global) marketing. The conceptualisation also captures the diverse factors *influencing* the associated decisions and the *outcome* of the decisions.

Factors influencing international marketing strategy decisions and/or representing the outcome of these decisions constitute a considerable number of international marketing strategy variables. Compared to domestic/general marketing strategy, international marketing strategy has more such factors due to the nature of international marketing. Only firms foreign to an international market encounter these additional marketing strategy variables. For example, for many firms developing international markets the economic stability of a host (international) market is an important consideration in their marketing strategy for the markets. Another example, one pertaining to a decision outcome, is that in the case of some international markets the market/competitive response to a firm's marketing strategy may culminate in officially-sanctioned or –executed retaliatory measures the firm would not encounter in its domestic market.

Also representing a considerable number of international marketing strategy variables are the international marketing strategy decision areas (some of these have been discussed and are indicated by Table 2.8). The diversity of these variables is illustrated by the individual marketing strategy variables that have been the subject of empirical international marketing studies. In the context of global marketing, where marketing strategy needs to leverage "the firm's competitive position in global markets and take advantage of potential synergies arising from global market operations" (Craig and Douglas, 1996, 71), variables relating to marketing standardisation (mainly in terms of product, price, distribution, and marketing communications) as well as to the concentration and co-ordination of marketing activities have been examined (e.g., Zou and Cavusgil, 2002). In relation to export marketing, the variant of international marketing practised most by SMEs, in their meta-analysis of marketing strategy determinants of export performance Leonidou et al (2002) alone found that the studies they reviewed examined 38 different marketing

strategy variables (which the aforementioned authors classified under targeting, product, price, distribution, and promotion). These include variables relating to some of the decision areas unique to international marketing strategy (these being the additional decision areas already referred to). Unique international marketing strategy decision areas that have been researched empirically in an exporting context include international market selection (e.g., Brouthers and Nakos, 2005), market concentration versus spreading (e.g., Katsikeas and Leonidou, 1996), and marketing standardisation versus adaptation (e.g., Cavusgil and Zou, 1994).

The relative importance of these and of other individual marketing strategy variables to firms, including to SMEs, engaged in international (including export) marketing may vary. This is indicated by empirical studies providing mixed results in the case of some such variables, notably in that of standardisation/adaptation (this will be discussed in section 2.6.3 in the context of marketing adaptation). Substantially more empirical research is required before the importance of various individual variables to firms engaged in international marketing can be determined. Research into this is made more difficult by numerous factors internal and external to firms that may influence the relationship between marketing strategy variables and firms' performance in international markets (e.g., Hultman, Robson, and Katsikeas, 2009). That these contextual factors impact the marketing strategy variable-performance relationship is increasingly suggested in the literature. A growing number of researchers (e.g., Katsikeas, Samiee, and Theodosiou, 2006) are underscoring the linkage between a firm's international marketing strategy and the context in which it is implemented, espousing the concept of 'strategic fit' that has its roots in the contingency perspective (e.g., Zeithaml, Varadarajan, and Zeithaml, 1988).

Although particular international marketing strategy variables may be of lesser importance to firms in some situations or may not be of importance at all, it appears that firms, including SMEs, undertaking marketing in relation to international markets generally have a strategy for this. Even where firms - primarily SMEs - carrying out international marketing do not have a formal international marketing strategy, these still make, as already discussed, international marketing strategy

decisions and so have a *de facto* marketing strategy - in its broadest sense - or components thereof, even if these are not explicit.

Regardless of whether their international marketing strategy decisions are part of a formal international marketing strategy or not, for most firms, including SMEs, these decisions include those pertaining to product differentiation and marketing adaptation. These two key marketing strategy variables are discussed in the following sections (in sections 2.6.2 and 2.6.3 respectively) in the context of SMEs' entry mode choice. Thereafter, market importance, another key marketing strategy variable but one influencing international marketing strategy decisions rather than representing such a decision, will be discussed in the same context (section 2.6.4).

2.6.2 Key Marketing Strategy Factor 1: Product Differentiation

Firms engage in product differentiation, the first of the three marketing strategy variables whose influence on SME entry mode choice is examined here, when they offer products that differ from those of their competitors in some respect. Distinguishing product offerings in ways that appeal to customers is a competitive imperative for many - perhaps the majority of - firms including SMEs. This is so in the case of the firms' domestic and international markets, in relation to which they may follow differentiation as a competitive strategy (Porter, 1980) and a marketing strategy (El-Ansary, 2006).

Besides representing a strategy or variable thereof (this being the concern of the present study), product differentiation can also represent a firm resource. More specifically, the ability by a firm to differentiate its products is a firm capability. Depending on the basis of a firm's product differentiation (bases of product differentiation are discussed below), this can be purely a marketing capability or, more likely, a 'grand capability' encompassing marketing and other firm capabilities (particularly product innovation capability). Where a firm's product differentiation capability is superior to those of its competitors in domestic or international markets, the capability would constitute a strategic resource in relation to the respective

markets and, provided that this is exploited in the markets through the implementation of appropriate strategy, can place the firm in a position to attain competitive advantage and, potentially, sustainable competitive advantage (the nature and competitive importance of strategic resources from the perspective of the resource-based view (RBV) were discussed in section 2.4.2.1). In the context of international markets, a (foreign) firm's superior product differentiation capability is considered to be a firm-specific advantage (FSA) (e.g., Erramilli, Agarwal, and Kim, 1997). As discussed earlier (in the context of the RBV perspective on resource exploitation in international markets, in section 2.4.2.1), FSAs encourage firms to enter new international markets in order to exploit the advantages and also enable them to achieve competitive advantage over indigenous firms.

The need by a SME to differentiate its products in relation to an individual international (foreign country) market, either as part of a formal strategy or as an *ad hoc* competitive response, can be a significant factor in its entry mode choice for that market. This is because to be successful and enduring product differentiation, which can be achieved in various ways, generally requires firms to undertake marketing. SMEs seeking to differentiate their products within international markets may not, given their relative lack of marketing resources (including of individual marketing capabilities) in relation to the markets, be in a position to undertake the necessary marketing-related activities on their own. Consequently, in order to achieve the desired product differentiation smaller firms may have to collaborate with other firms active in the international markets concerned - and to employ corresponding, collaborative entry modes.

2.6.2.1 Nature and Importance

Product differentiation exists when "a product offering is perceived by the consumer to differ from its competition on any physical or nonphysical product characteristic including price" (Dickson and Ginter, 1987, 4). From a strategic perspective such perception is desirable for a firm provided the difference between its products and those of competitors is favourable. By differentiating its products successfully, a firm

can achieve various benefits, including greater customer loyalty and higher profit margins (e.g., Ramaswami et al, 2009). Consequently, many firms follow product differentiation as a strategy - i.e., product differentiation strategy[224].

Product differentiation strategy is associated with the generic competitive strategy of differentiation (Porter, 1980) by which a firm sets out to offer products unique in its respective industry where it has "the ability to provide unique and superior value to the buyer in terms of product quality, special features, or after-sale service" (Porter, 1990, 37). A product differentiation strategy can be followed in conjunction with a market segmentation strategy[225] when segments are perceived to exist, resulting in a segment-based product differentiation strategy (Dickson and Ginter, 1987). In terms of generic competitive strategy this would equate with a differentiation focus strategy, whereby the market scope of the differentiation strategy is focused on a narrow market segment rather than broadly on an industry (Campbell-Hunt, 2000).

Product differentiation appears to be important to the competitive success of most SMEs in developed countries, including to UK SMEs. Developed country SMEs seem more likely to follow a differentiation strategy than a cost leadership strategy, right from the time they are founded (e.g., Leitner and Güldenberg, 2010; Block et al., 2015). Differentiation is seen as a more appropriate competitive strategy for these SMEs than cost leadership (O'Gorman, 2006) since relatively few such firms are able generate the economies of scale necessary to compete on the basis of the latter (Borch, Huse, and Senneseth, 1999). When the market scope of competitive strategy is also considered, differentiation focus strategy is regarded as a more attractive competitive strategy for SMEs in general than a broad-based differentiation strategy (Burns and Harrison, 1996; Karami, 2007). Indeed, besides competing primarily on the basis of differentiated products (goods and services) SMEs commonly target

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[224] Dickson and Ginter (1987, 4) define product differentiation strategy as "the alteration of perceptions so as to result in a state of product differentiation". Other authors emphasise the competitive importance of product differentiation in their definitions (e.g. Barney, 2014a, whose definition will provided below).

[225] Product differentiation is not an alternative to market segmentation. There has been confusion in marketing about the concept of product differentiation and its relationship to market segmentation. The origin of the confusion is explained by Hunt (2011).

particular market segments, frequently niche markets where they do not compete directly with larger firms (Cooper, Willard, and Woo, 1986; Deloitte & Touche, 1998).

Product differentiation, in its broadest sense (and in line with the conceptualisation of Dickson and Ginter, 1987), can be achieved in various ways. Most obviously, the attributes (characteristics) of a product can be differentiated. These bases of product differentiation include product quality, technical superiority, performance, benefits, usefulness, attractiveness, uniqueness, novelty, image, and purchase price (Cooper, 1979; Porter, 1980; Hambrick, 1983; Miller, 1986; Mintzberg, 1988). Other bases of product differentiation, some not relating to immediate product attributes, include product customisation, reputation, distribution channels, and service and support (Barney and Hesterly, 2008).

From a strategic perspective, whereby product differentiation is an attempt by firms "to gain a competitive advantage by increasing the willingness of customers to pay for the products or services they sell" (Barney, 2014a, 158), to benefit from differentiating their products firms need to offer products whose *value* compared to those of competitors is superior (Day and Wensley, 1988). This requires firms to undertake marketing to various extents. As discussed in section 1.5.1 (and in line with the American Marketing Association's definition of marketing stated there), marketing essentially is about providing products offering *value* to customers. Marketing is central to value creation since it (1) allows firms to identify and understand customer needs and provides the methods by which such needs can be responded to and satisfied, and because (2) marketing-related activities, including those shown by Table 1.2 (page 36), can create substantial value in their own right. It is not surprising, therefore, that marketing is "allied to the notion of product differentiation as a means of gaining competitive advantage" (Baker and Hart, 2008, xxviii).

The role marketing has in value-oriented product differentiation is evident from some of the basic tasks associated with this. These include the identification and

monitoring of customers' needs and of competitors' products (which involves activities associated with the market information management capability, one of the five core marketing capabilities examined here, including the acquisition and use of pertinent information), the decision about the bases of product differentiation (activities related to any of the five core marketing capabilities as well as other marketing capabilities), and the corresponding development of new or modification of existing products (activities associated with product capability, particularly its product development aspects). Marketing's role in such differentiation is also evident from the need to implement an appropriate marketing programme and mix in line with and in support of the product differentiation effort. Such 'mix' is likely to include advertising and other appropriate marketing communications aimed at achieving the desired consumer perception of the differentiated product. This may include promoting a brand with which the product is associated, since a strong brand supports product differentiation. Depending on the chosen bases of differentiation, other elements of the mix (besides the product element) may also be involved (e.g., distribution where a basis of differentiation is the product's availability to consumers).

Considering the various marketing activities associated with value-oriented product differentiation, it is evident that "a differentiation strategy emphasizes marketing activities" (Homburg et al, 2004, 1333). However, other (non-marketing) firm activities are also important to product differentiation. Innovation, quality, and service - the realisation of which usually involves various business functions and value-adding activities (such as R&D, sourcing, and production) - have been highlighted as important bases for product differentiation, including for SMEs. Empirical research suggests that some of the main bases of differentiation of UK SMEs are product quality, tailored offerings, innovation, and customer service (e.g., O'Donnell et al., 2002). Similarly, for smaller manufacturers (not only those in the UK) product innovation, marketing, quality, and service have been suggested as

important 'differentiators' (e.g., Beal, 2000[226]). For industrial goods manufacturers specifically, the physical, service, and image aspects of these firms' offerings seem to be the main bases for differentiation (Sashi and Stern, 1995).

In the context of international markets, the nature and potential importance of product differentiation to firms, including to SMEs, is the same as that in the general context just discussed. As in the case of their domestic markets, firms may find that the differentiation of their products in international markets represents a competitive necessity. In successfully differentiating their offerings in international markets, foreign firms competing in these markets are able to provide the required value to customers as well as to other firms they have business relationships with (such as local distributors) (Tolstoy, 2014). Where they are able to offer superior value to local customers, product differentiation in international markets may also represent a competitive advantage for foreign firms (and a reason for the firms entering the markets[227]). For firms from developed countries, including for UK SMEs, this is often so in emerging markets such as China where their products are frequently perceived by local consumers to be of superior quality to those of local firms and where relatively few local competitors have established brands or other means of differentiation (Murray, Kotabe, and Zhou, 2005).

The limited evidence about whether SMEs following differentiation as a competitive strategy in relation to their domestic markets also pursue such strategy with respect

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[226] The author expands on Miller (1986), who suggests that product innovation and marketing are two 'varieties of differentiators', by holding that quality and service are additional important differentiators in the case of smaller manufacturers.

[227] The ability to offer differentiated products is regarded as a driver behind firms' international expansion. Product differentiation, which is seen as a proprietary asset and 'firm-specific advantage' (FSA), encourages firms with such ability to enter new international markets in order to exploit this and to enable them to achieve competitive advantage over local firms. As such, product differentiation is an impetus to firms engaging in FDI and international production, and, with FSAs being the *raison d'être* of MNEs (Birkinshaw, Hood, and Jonsson, 1998), one factor behind the existence of MNEs. From the perspective of the market imperfections explanation for FDI (Caves, 1971, building on Hymer, 1960 and Kindleberger, 1969), product differentiation represents a way in which a firm can create and exploit entry barriers in (imperfect) foreign markets that allows it to earn excess profits which compensate for the higher costs of operating abroad. The Eclectic Paradigm (Dunning, 1980, 1988, 1995), reflecting in part the market imperfections explanation, regards a differentiated product as an ownership ('O') advantage ('O' factors indicating who will produce abroad - Dunning, 1993) that would encourage a firm to engage in international production.

to their international markets suggests this to be the case[228]. SMEs from developed countries, including UK SMEs, following a segment-based (niche) product differentiation strategy in relation to their domestic markets also seem to pursue such strategy with regard to their international markets (e.g., Ibeh, 2005). This is particularly visible in the case of 'born global' firms[229], ventures that are well known for offering distinctive (i.e., differentiated) niche products to customers worldwide (Knight and Cavusgil, 1996; Madsen and Servais, 1997; Borchert and Ibeh, 2008; Hennart, 2014) [230].

The role of marketing in product differentiation in an international context is also the same as that discussed in the general context. Marketing is central to value creation for customers in international markets and has an important role in value-oriented product differentiation in these markets. Marketing-related tasks associated with such differentiation (including the identification and monitoring of customers' needs and competitors' products; the decision about the bases of product differentiation; the development of new or modification of existing products) and the implementation of an appropriate marketing programme and mix (that includes advertising and other marketing communications, possibly to promote an associated brand) normally have to be carried out in relation to an international market in which the given product is to be differentiated. However, the actual importance of marketing activities to a firm in achieving product differentiation in a given international market may vary. As in the case of firms' domestic markets, this will depend on the product (the differentiation of consumer products usually requires more marketing effort than of industrial products) and the firm (already having established a reputation for itself

[228] Little research has been undertaken into the international strategies of SMEs, including their competitive strategies (Hagen, Palamara, and Zucchella, 2008). It appears that these firms generally carry over aspects of their domestic competitive strategies into international markets (Stewart, 1997).
[229] Born globals are defined as new ventures that internationalise rapidly and on a global basis from or soon after inception (Bell et al., 2011). That differentiated products are also important to the competitive success of rapidly internationalising new ventures (INVs) whose focus is regional rather than global, and that the influence of product differentiation on firm internationalisation patters may result in more INVs - at least those in certain knowledge-intensive industries - choosing regional rather than global pathways of internationalisation, is indicated by the results of the study of Baum, Schwens, and Kabst (2015).
[230] Although there are some examples in the literature of born globals following a broad (industry-wide) rather than a focused differentiation strategy when operating in high-growth industries without global competition, the literature suggests that born globals will "normally follow a niche focus strategy" (Aspelund et al, 2007, 1433).

and its brands in an international market may mean less marketing is required in relation to that market). Additionally, in the case of international markets this will also depend on the particular country market since the degree of differentiation that needs to be achieved for a product can vary between countries. This is partly because the level of product differentiation (and, consequently, that of marketing intensity) in a particular industry may differ across country markets, meaning that the extent of marketing required by a firm to successfully differentiate its products in those markets could also vary.

As is the case with product differentiation in a general context, both marketing and non-marketing firm activities are important to product differentiation in international markets. Marketing, innovation, quality, and service are important bases for SMEs' product differentiation in international markets - just as they are in the firms' domestic markets. This is suggested by various studies. For example, Namiki (1988) found that smaller exporters employ strategies differentiating the firms from their competitors on exactly these four bases for differentiation[231]. In the case of 'born global' firms, McDougall, Oviatt, and Shrader (2003) (who characterise product innovation, quality, service, and marketing as the firms' 'strategic weapons') also found this to be the case. In the same vein, Aspelund and Moen (2005) confirm that such bases of differentiation are important to born globals and, to a lesser extent, to 'early international' and 'late international' firms[232]; Knight and Cavusgil (2004), in their study of 'born globals'/'early internationals'[233] that focuses more directly on the product embodiment of differentiation, found that the firms' unique products and quality focus positively affect their performance in international markets, while Larimo (2007) found that quality has a mainly positive influence on the export

[231] While the firms (smaller US computer hardware exporters) examined by the study variously followed what the author refers to as 'marketing differentiation', 'differentiation focus', 'innovative differentiation', and 'product strategy', "all the strategies [were] aimed at differentiating [the] firms from their competitors through marketing, innovation, or product quality and service" (Namiki, 1988, 36).

[232] The authors assess the competitive profiles of 'born global', 'early international', and 'late international' firms. The profiles consist of 'market advantage', 'technology advantage', 'niche market strategy', 'differentiation strategy', and 'product and product quality'. As is indicated by the measurement items used by the authors (p.55), these profiles involve marketing to various extents and (with the exception of 'market advantage') can be associated with product differentiation.

[233] As mentioned earlier, Coviello (2015) suggests that the firms examined by the authors were 'early internationals' - specifically, 'survivors' of early internationalisation - rather than 'born globals'.

performance of 'born internationals' (as well as on that of traditional exporters). In the case of *Mittelstand* firms, another well-known group of SMEs (with relatively few born globals among their ranks[234]) competing in international markets on the bases of product differentiation and the targeting of niche markets, the same bases for differentiation also appear to be important to international success; many *Mittelstand* firms in Germany, especially the medium-sized manufacturers among these[235] (which include a number of 'hidden champions' - Simon, 1996), offer distinctive, high-quality and innovative products (most famously, specialised machinery and components) and have a strong presence in niche markets worldwide.

The importance of marketing, innovation, quality, and service as bases for SMEs' product differentiation internationally is also indicated by the export performance literature. Reviews of this literature (Madsen, 1987; Miesenbock, 1988; Aaby and Slater, 1989; Gemünden, 1991; Zou and Stan, 1998; Sousa et al, 2008), including of that pertaining specifically to UK firms (Wheeler and Ibeh, 2002; Wheeler et al, 2008), confirm that these and allied product differentiation factors play a role in export success. The underlying studies (i.e., those covered by the reviews) variously find that product factors (including product uniqueness, quality, and design), innovativeness (technology and R&D), and service and support (both pre-sales and post-sales) have a positive impact on export performance, including on that of SME exporters.

Despite the importance of marketing to product differentiation, it can be expected that many SMEs differentiating their products in international markets are unable to undertake the marketing activities required to achieve their desired level of differentiation. SMEs commonly lack marketing resources required for international marketing. This includes core marketing capabilities, which are needed for marketing activities associated with product differentiation in international markets to be

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[234] Unlike born globals, the internationalisation of *Mittelstand* firms in general can be characterised as gradual (McDonald et al., 2003).

[235] Although the *Mittelstand* is sometimes characterised as consisting of medium-sized German manufacturers (e.g., The Economist, 2014), officially it includes all German SMEs (Federal Ministry for Economic Affairs and Energy (Germany), 2013).

performed (e.g., Knight and Cavusgil, 2004[236]). Although SMEs following a differentiation strategy can be expected to be more market-oriented (Narver and Slater, 1990; Pelham and Wilson, 1996; Homburg, Krohmer, and Workman Jr., 2004) and willing to invest in marketing resources than those that are not, many such firms still require the cooperation of other firms to achieve the desired differentiation of their products in international markets.

SMEs pursuing differentiation in international markets can, in addition or as an alternative to collaboration with other firms for the purpose of marketing, place a greater emphasis on non-marketing 'differentiators' such as innovation. In doing so, they may be able to reduce the extent of the marketing required for differentiation. It seems that many smaller firms are taking this route to differentiation in relation to international markets. This is evident from innovation apparently being a major method by which smaller firms differentiate their products for these markets (Zucchella and Palamara, 2007; O'Cass and Weerawardena, 2009).

2.6.2.2 Influence on Entry Mode Choice

Where SMEs seek to differentiate their products in relation to international markets, this can be expected to have implications for their choice of entry modes for the markets, including for that between independent and collaborative modes. The entry mode literature does not provide clear insights into these implications as the empirical evidence offered by entry mode studies pertaining to product differentiation relates largely to MNEs, is affected by suboptimal measurement of product differentiation, and is equivocal. However, the RBV as well as other literature provide unambiguous indications as to the effect of product differentiation on SMEs' mode choice.

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[236] The authors assess aspects of individual marketing capabilities, specifically aspects of four of the five core marketing capabilities examined by the present study (these were discussed in section 2.5.3.1), through their 'international marketing orientation' construct. As mentioned earlier, Coviello (2015, 20) points out that following scale purification the authors' international marketing orientation (IMO) construct consisted of seven items relating "largely to marketing mix actions regarding product, price, distribution, and promotion".

(i) Influence Suggested by the Resource-Based View (RBV)

From the perspective of the ('core') resource-based view (RBV), product differentiation represents a strategy for firms to exploit their resources (Barney and Clark, 2007). Resource exploitation involves firms offering to consumers products embodying the firms' resource-based advantages and providing superior value. Thus, a successful differentiation strategy, which enables a firm to charge higher prices than another firm that is not differentiating its products (Porter, 1980), requires firms to possess and utilise resources (including capabilities) that are strategic, these having the attributes of value, rarity, and, preferably, inimitability (the VRI attributes) (value and rarity are sources of competitive advantage and, together with inimitability, of sustainable competitive advantage). Strategic resources exhibiting all three VRI attributes are more likely to be intangible assets (non-physical assets, including capabilities, knowledge, information, reputation, and intellectual property rights - Sanchez et al, 1996) since these are difficult to obtain, create, and imitate due to their inherent complexity, the specificity of their accumulation, and possible legal protection.

That intangible assets are of competitive importance to SMEs and that differentiation represents a strategy for the firms to exploit these resources, including in relation to international markets, is noted by Camisón and Villar-López (2010, 128):

> "…it seems logical that SMEs that possess intangible assets will attempt to differentiate their products. We would thus expect that SMEs with a high endowment of intangible assets will be more inclined to follow differentiation competitive strategies."

The same authors found that of the internationally active Spanish industrial SMEs examined by their study those "with a high economic performance were characterized by their high endowment of intangible assets and by their differentiation-based competitive strategy" (p.139).

Inimitability is an important consideration when selecting the bases for product differentiation since the ability of competitors to imitate (through direct duplication or substitution) a firm's product or the resources which it embodies means that any benefit the firm will derive from a differentiated product may be short-lived. Certain

product differentiation bases are more resistible to imitation than others and so offer a firm potentially greater benefits (including better performance). While product features themselves usually can be easily duplicated and at low cost (including through reverse engineering), more intangible product differentiation bases such as the reputation of a product (and that of a brand and firm) are difficult and costly to duplicate (Barney, 2014a). This is illustrated by firms that manage to differentiate their products successfully over long periods against imitators. For example, to successfully differentiate its highly-imitated luxury products, Louis Vuitton Malletier (part of LVMH Moët Hennessy - Louis Vuitton, S.A. of France) relies heavily on their reputation as quality products (The Economist, 2009). To achieve such reputation the firm exploits numerous strategic resources, just one of which being its in-house craftsmen with superior production skills.

Marketing - being central to the value creation process - enables firms possessing strategic resources (which generally allow firms to differentiate their products in superior ways and/or to price them lower than those of competitors - Hooley et al, 2008) to create superior value offerings and, therefore, places them in advantageous positions in product markets, including with respect to achieving competitive advantage and, potentially, sustainable competitive advantage in relation to the markets. Considering the importance to product differentiation of marketing generally and of various marketing-related activities in particular, firms also require relevant marketing resources (including marketing capabilities) to differentiate their products. These marketing resources may represent strategic resources, complementary resources, or both depending on the source of a firm's competitive advantage. The example of Louis Vuitton also illustrates this. Its visible strategic marketing resources include its brand and the exclusive distribution of its products through company-owned (i.e., integrated) channels[237]. These and its other strategic marketing resources are exploited by the firm and deployed together with numerous,

[237] Such distribution is one reason for Louis Vuitton Malletier having avoided the 'commodity trap' facing luxury product makers (Riot, Chamaret, and Rigaud, 2013).

less visible marketing resources representing complementary resources to undertake marketing activities in support of its product differentiation (and generally[238]).

For SMEs in general, marketing in support of product differentiation represents a challenge. While relatively few smaller firms possess strategic *marketing* resources, many of these firms are short of even the complementary marketing resources (including marketing capabilities) required to differentiate their products effectively through marketing. The apparent result of this is that SMEs seem to have a tendency to focus their differentiation efforts on innovation and other non-marketing 'differentiators' and/or collaborate with other firms to undertake the required marketing. This way the firms are able to differentiate their products and to exploit in domestic and international markets their (non-marketing) resource-based advantages embodied in the products.

That SMEs would resort to collaboration so that the marketing necessary for the differentiation of their products in relation to international markets is undertaken and that they consequently would employ collaborative modes for these markets is in accordance with the RBV. The theory suggests that the extent of a firm's marketing ability[239] influences its choice of entry modes. The RBV, as illustrated by Figure 2.7 on page 128, indicates that where a firm's marketing ability with respect to a particular international market is adequate, or where it is not but the firm is in a position to develop the ability on its own through internal development or the acquisition of another firm, the firm would use an independent entry mode for that market. Conversely, where the ability is inadequate or low the firm would resort to using a collaborative entry mode where it needs to develop its marketing ability but finds independent development infeasible (due to cost, time, or other factors) or impossible; in such a scenario the RBV suggests that a firm would resort to collaboration with other firms for the development. Thus, where a SME's marketing ability is adequate in view of its product differentiation requirements pertaining to an

[238] An executive of LVMH (of which Louis Vuitton Malletier is part) reportedly stated that the firm has to "do such a fantastic job" on the first three elements of its business model - effectively the marketing mix elements - of product, distribution, and communication "so that people forget all about the fourth" (price) (The Economist, 2009).
[239] A complementary or, much less likely in the case of SMEs, a strategic resource.

international market or this is not but the firm finds it feasible to develop the ability on its own, that firm would be inclined, other factors notwithstanding, to undertake the corresponding marketing activities by itself (whereby it would exploit its resources independently) and thus employ an independent entry mode. If, however, the marketing ability required for the intended product differentiation is inadequate and its development solely by the firm is infeasible, then the firm would resort to collaboration so that the marketing necessary for the desired differentiation of its products can be undertaken and, hence, would use a collaborative mode.

(ii) Influence Suggested by the Entry Mode Literature

The entry mode literature, in line with the wider international business literature, has long suggested that firms protect the bases of their product differentiation (marketing, innovation, etc) in international markets by internalising as far as possible associated activities, resources (including capabilities), and other aspects thereof. Accordingly, MNEs (the focus of the literature) would prefer to employ entry modes that allow for the firm-specific advantage that is their product differentiation ability to stay 'within the firm'. These entry modes, the literature suggests, are independent entry modes, particularly wholly-owned subsidiary. While such entry modes require relatively greater resource commitments than other entry modes, they also offer firms maximum control over product differentiation. These entry modes also have the least dissemination risk (the perceived risk of a contractual partner expropriating firm-specific advantages - Hill et al, 1990), which may be the most important entry mode attribute for a firm with respect to product differentiation (Driscoll and Paliwoda, 1997) (the attributes of entry modes were discussed in section 2.3.1). The undesired dissemination to third parties of their products' bases of differentiation, which centre on knowledge and other, mostly intangible firm assets (such as the reputation of a firm and its brand), is of concern to (foreign) firms entering and developing international markets.

The results of empirical entry mode studies do not, however, universally support the foregoing. Empirical entry mode studies pertaining to product differentiation tend to assess advertising intensity, widely regarded as an appropriate proxy for product

differentiation[240,241]. The studies, most of which relate to MNEs' choice between WOS and JV, arrive at differing conclusions about the impact of product differentiation/advertising intensity on mode choice. Whereas some studies have found this to be positively related to the use of entry modes offering higher levels of ownership and control (e.g., Stopford and Wells, 1972; Fagre and Wells, 1982; Anderson and Coughlan, 1987) other studies have not (e.g., Gomes-Casseres, 1989; Hennart, 1991; Hennart and Park, 1993). The meta-analysis by Morschett, Schramm-Klein, and Swoboda (2008a) of factors influencing the choice between WOS and cooperative modes (which the authors did not detail) that covers 61 entry mode studies published over some 35 years found that advertising intensity, a factor in 22 studies included in the analysis, has a positive and significant influence on the propensity of a WOS being chosen. Conversely, the recent meta-analysis by Wulff (2015) of a range of dependent variables (including WOS versus JV, equity versus non-equity modes, and full versus shared control modes) covering 89 entry mode studies published during 2000-2013 found that the proposed positive relation of advertising intensity (assumedly to WOS in the case of WOS-JV, equity modes in that of equity-non equity modes, and full control modes in that of full-shared control modes) is empirically supported in only a small minority of the 18 studies examining the variable covered by the analysis[242].

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[240] Entry mode studies applying the transaction cost approach (the TCA was discussed in section 2.4.1.1) commonly employ advertising intensity as an indicator of asset specificity (see, e.g., Zhao et al, 2004).

[241] Entry mode studies variously treat advertising intensity (usually advertising expenditure divided by sales) as a firm characteristic, home country industry characteristic, and host country industry characteristic (see, e.g., Datta et al, 2002). That entry mode scholars regard advertising intensity as a firm characteristic is in line with the wider international business literature, where advertising intensity is employed as a proxy for a range of variables including firms' marketing efforts (e.g., Kotabe, Srinivasan, and Aulakh, 2002), marketing capabilities (e.g., Goerzen, Asmussen, and Nielsen, 2013), and marketing assets (such as brand name, reputation, and goodwill) (e.g., Lu and Beamish, 2004). As to being treated as an industry characteristic, differences in advertising intensity between countries are said to reflect variations in market capabilities and of product/brand awareness between countries (Dikova and Brouthers, 2009).

[242] According to the author, who does not relate the finding about the influence of advertising intensity on entry mode choice to the various dependent variables covered by the study, advertising intensity "was mostly non-significant with 14.3% supporting the proposed positive relation, 21.4% contradicting by showing significantly negative results, and 64.3% being non-significant" (p.13) and so "did not show particular[ly] convincing results" (p.14).

Few empirical SME entry mode studies offer insights into the impact of product differentiation. For example, Celly and Beamish (2004), examining Japanese SMEs in manufacturing and service industries, did not find advertising intensity to be a significant predictor in their choice between WOS and JVs. The authors rationalise this by taking the view that SMEs can be expected to "compete on the basis of niche technologies rather than advertising or brand related capabilities" (p.2).

Considering that, as discussed earlier, (1) for SMEs in general marketing in support of product differentiation is a challenge, (2) the firms appear to have a tendency to collaborate with other firms to undertake the required marketing, and (3) innovation and other non-marketing bases of differentiation are of importance to the firms generally, it seems appropriate for entry mode scholars looking into product differentiation by SMEs to also examine non-marketing 'differentiators'. A small number of such scholars have investigated R&D intensity, which given the role of innovation in smaller firms' product differentiation could be expected to provide useful indications as to the influence of product differentiation on their mode choice - at least for firms with significant R&D activity (R&D intensity[243,244], specifically R&D expenditure, is commonly used to assess firms' technological know-how and innovation capabilities). For example, Celly and Beamish (2004) also assessed the influence of R&D intensity on the mode choice of the SMEs in their sample. The authors found that firms with high R&D intensity were more likely to use WOS than JVs. However, this did not apply to the full sample[245], with firms with low R&D intensity not being influenced by this in their mode choice. Burgel and Murray (2000), who included R&D intensity as a control variable in their study of UK

[243] R&D intensity is another indicator of asset specificity commonly employed by entry mode studies applying the transaction cost approach (the TCA was discussed in section 2.4.1.1) (see, e.g., Zhao et al, 2004). R&D intensity is also employed as an indicator of asset specificity in studies investigating firm multinationality. According to the results of the meta-analysis by Kirca et al. (2011) of the predictions of internalisation theory in the context of the multinationality-performance relationship, who included 111 studies in their analysis, R&D intensity appears to have a more significant effect on firm multinationality than advertising intensity.

[244] As in the case of advertising intensity, entry mode studies variously treat R&D intensity (usually R&D expenditure divided by sales) as a firm characteristic, home country industry characteristic, and host country industry characteristic (see, e.g., Datta et al, 2002).

[245] The authors split their sample into high and low R&D intensive firms (firms respectively spending more or less than 1.5% of total revenues on R&D) after not finding support across the full sample for their hypothesis (H2b) pertaining to the influence of R&D intensity on SME mode choice.

international new ventures in high-technology industries, found this to somewhat influence these firms into choosing direct exporting without an agent or distributor over direct exporting through a distributor; the authors note that this influence is statistically significant but its effect weak and so its impact quite small.

The usefulness of assessing the impact R&D intensity has on the entry mode choice of firms in general - on that of MNEs and SMEs - can, however, be questioned in view of the results of the meta-analyses by Morschett et al (2008a) and Wulff (2015). Both analyses found R&D intensity to be a poor predictor of entry mode choice. Morschett et al (2008a), whose analysis covered 27 studies with R&D intensity as a variable, concluded that the variable does not have a significant influence on the choice between WOS and cooperative modes. Wulff (2015), whose analysis included 36 such studies, found R&D intensity to have a largely non-significant influence on various dependent variables (dependent variables examined by the author include the choice between WOS and JV, equity and non-equity modes, full and shared control modes)[246].

In view of the foregoing, of the fact that not all SMEs carry out significant R&D, and in consideration of the role of marketing in product differentiation not being limited to advertising, it would appear that entry mode scholars concerned with the influence of product differentiation on SMEs' entry mode choice should look beyond both advertising intensity and R&D intensity and also consider other measures for this. Some entry mode studies, including studies not actually concerned with product differentiation/advertising intensity/R&D intensity, may provide guidance as to what these measures could be. For instance, in their study of US software firms, Brouthers et al (1996)[247] found that firms with unique service offerings (and high service and technology intensity) preferred integrated modes, suggesting that consideration

[246]The author, who does not relate the finding about the influence of R&D intensity on entry mode choice to the various dependent variables covered by the analysis, notes that "57.9% of the tests [of the variable] were non-significant, 26.3% significantly positive…, and 15.8% significantly negative" (p.13).

[247] The authors, investigating the effects of ownership ('O') and location ('L') advantages on entry mode choice, examine product differentiation as one of four variables representing ownership advantages.

should be given towards the uniqueness of service offerings/aspects representing a possible element of an alternative measure. Wong and Merrilees (2009) examine brand orientation and found this to encourage Australian firms (mainly SMEs in various manufacturing and service sectors) to employ non-export modes, indicating that brand orientation (which may impact product differentiation in various ways, such as by way of brand name) should also be considered for a part in an alternative measure.

The wider international business literature also offers directions to SME entry mode researchers as to other potential measures of product differentiation. Studies investigating SMEs in the context of market-seeking internationalisation that have product differentiation as a variable (as an independent or control variable) variously employ, besides advertising intensity (e.g., Brouthers et al., 2009), measures such as the extent to which firms' products represent new ways of addressing customer needs and their uniqueness with respect to design, technology, customisation, performance, and other aspects (e.g., Knight, Madsen, and Servais, 2004; Baum et al, 2015)[248].

(iii) Influence Suggested by Other Literature

The international distribution channels literature, which is distinct from the international market entry mode literature[249], indicates that firms prefer integrated (firm-owned) distribution channels rather than independent (external) channels for products that are highly differentiated. The suggested rationale for this is that "such products require higher consumer awareness because of unique features along with high levels of before- and after-sales service", necessitating "marketing activities be performed in-house rather than contracted to independent entities, since integrated channels provide the firm with more control over necessary channel functions (Aspinwall, 1958; Keegan, 1984)" (Aulakh and Kotabe, 1997, 154).

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[248] Bloodgood, Sapienza, and Almeida (1996), not actually measuring the degree of product differentiation, took a different approach. They determined whether a firm in their sample followed differentiation as a competitive strategy by reviewing their IPO (initial public offering) prospectuses.

[249] The international market entry mode and channels literatures are distinct bodies of knowledge and only overlap to a limited extent (and only in the case of international channels) (Arnold, 1996). They also employ different terminologies. For example, an '*independent* channel' is an external rather than a firm-owned channel of distribution, whereas an '*independent* entry mode' is an entry mode whose use entails a firm entering and developing an international market by itself.

Anderson and Coughlan (1987, 81), on the basis of their study of US firms in the semiconductor industry (assumedly mostly large firms), surmise that firms entering international markets "integrate the distribution of products whose differentiation protects them from price competition". Similarly, Aulakh & Kotabe (1997) found that the global differentiation strategy of US Fortune 500 firms (representing the largest US firms) influences their channel integration in international markets, whereby a greater such strategy results in a higher degree of channel integration.

As for SMEs, Osborne (1996, 51), having conducted exploratory interviews with 20 New Zealand manufacturer exporters, found "some relationship" between product differentiation and channel integration and that this was "particularly true" of firms with engineering products requiring substantial pre-sales and some post-sales service, which "preferred to sell directly to users for whom they had specially designed the product"[250]. In their large-scale study, Rialp, Axinn, and Thach (2002) examine the influence of product differentiation by Spanish exporters (principally smaller firms) in various (mainly manufacturing) industries on the firms' choice between integrated channels, commercial alliances (considered by the authors to be a form of semi-internalisation), and independent channels. The authors found that firms which offered differentiated, high-priced products in international markets had a greater tendency to use integrated channels and commercial alliances than firms which had more standardised products or did not have a competitive strategy, which relied more on independent distribution systems. However, the authors also found that the tendency by firms to prefer any of the three channel choices was influenced by their industry, which they attribute to distributive outlets and practices varying by industrial sector. Moreover, the authors found that small-sized firms had a greater tendency to use independent channels than medium-sized and large firms, which chose integrated channels more; as for commercial alliances, the use of this was not related to firm size.

[250] The study also found that some of the firms utilised a combination of channels, using different channels for different products in the same market. The author (p. 51) notes that "this careful and deliberate channel strategy was integral to their successful international marketing efforts".

Thus, it would appear that firms in general, including SMEs, may prefer integrated distribution channels in international markets for their differentiated products. Whether they actually use such channels seems to depend on factors that include the industry they operate in and their resources. Many smaller firms, with their limited resources, may find it overly difficult to internalise international channels for their differentiated products. While SMEs with some types of differentiated products (such as computer software - e.g., McNaughton, 1996) may need to establish integrated channels for these so as to protect the products (more specifically, their bases of differentiation) from competition and to facilitate their differentiation on the basis of customisation, other smaller firms may have little choice but to use non-integrated channels for their products. Besides being constrained by resources in undertaking the marketing necessary to achieve the desired differentiation of their products in international markets, such firms may achieve lower levels of customer service and satisfaction distributing their products internationally through integrated channels than via independent channels (Minor, Wu, and Choi, 1991).

Another body of knowledge, this being the small firm internationalisation/ international entrepreneurship literature, emphasises the role of resources in SMEs' decisions about whether to offer their differentiated products in international markets on their own or in cooperation with other firms. This literature indicates that SMEs entering an international market would cooperate with local firms where they cannot achieve differentiation-based competitive advantage in relation to that market by themselves. As noted by Bernardino and Jones (2003, 202), such an advantage generally requires "an in-depth knowledge about local market demand, customer preferences and tastes" which "local partners are well-suited to provide" and so "pragmatism suggests that the firm cooperate with local partners in order to obtain from the outset competitive advantage".

That SMEs find it difficult to offer differentiated products in international markets on their own is emphasised by Baum et al (2015, 5), who take the position that smaller firms' limited resources can make international market development and the offering

of differentiated products in their international markets unmanageable for these firms:

> "Entering distant foreign markets is resource demanding since liabilities of foreignness need to be overcome (Rugman and Verbeke, 2004b). Creating differentiated products is an innovative process stressing the resource base of small firms. Thus, stimulating both, international scope extension and innovation at the same time might overburden the limited resource endowment of small firms (Brouthers et al, 2009). This argument is consistent with Kumar (2009) showing a negative correlation between product diversification and the scope of international activities."

Indeed, in their empirical study Camisón and Villar (2009) found that Spanish SMEs following differentiation as a competitive strategy had a greater propensity for cooperative internationalisation, which, according to the authors, is manifested by firms' use of export consortiums, foreign distributors, joint ventures, etc. The authors note that this finding coincides with "the scarce empirical evidence on this [differentiation strategy-cooperation] relationship [in the case of smaller firms] (Golden and Dollinger, 1993)" and that their results suggest that "the propensity for [SMEs'] international growth strategies grounded in cooperation is significant with *any* source of differentiation" (p. 142, emphasis added).

In view of the foregoing, it would appear that even where SMEs focus their product differentiation efforts in relation to international markets on innovation and other non-marketing bases of differentiation, they have a tendency to collaborate with other firms for this. Although less marketing is involved where firms differentiate their products on the basis of (non-marketing) resource-based advantages embodied in their products and exploit these advantages in relation to international markets, it seems that SMEs in general do not have sufficient marketing and other resources (which would act as complementary resources in this exploitation) for such differentiation and so tend to rely on other firms. To enable the necessary cooperation they would have to employ collaborative entry modes.

(iv) Resultant Hypothesis

The international entry mode and channel literatures do not provide clear insights into the influence product differentiation has on the choice of entry modes by SMEs in general, including on their choice between independent and collaborative modes. The literatures appear to suggest that smaller firms seeking to offer highly differentiated products in international markets are inclined to employ independent entry modes (and integrated channels) for these markets but that this would depend on such factors as their size, the industries the firms compete in, and the products they offer. However, considering the limited empirical research that has been undertaken in this regard whose results are partly ambiguous, substantial further research is required before this can be accepted with any confidence, with future empirical studies in this direction needing to employ, where possible, measures of product differentiation not limited to advertising intensity and R&D intensity.

In contrast to the equivocality of the international entry mode and channel literatures, the small firm internationalisation/international entrepreneurship literature indicates that SMEs in general seeking to differentiate their products effectively in international markets are likely to resort to cooperation with other firms for this, even where the differentiation is centred largely on innovation and other non-marketing bases of differentiation. This corresponds with the RBV. The theory suggests that SMEs' generally inadequate marketing ability (due to insufficient marketing and other resources and other factors) in relation to product differentiation would, where the independent development of this ability is infeasible, result in the firms resorting to collaboration so that the marketing required for the achievement of their desired product differentiation and of their differentiation strategy/strategic intentions is undertaken. This way smaller firms in general are able to exploit their products (which embody their resource-based advantages) in international markets despite lacking the necessary complementary (marketing and other) resources. In such a situation, a firm can be expected to seek ways of collaborating that allows it to protect as far as possible its (advantage-generating) strategic resources and to keep some degree of control over these and the activities in relation to which they are employed, which will influence the nature and form of collaboration (Das and Teng,

2000; Ortiz-de-Urbina-Criado et al, 2014). In doing so, a firm attempts to reconcile the two competing imperatives of protecting its strategic resources (its source of competitive advantage) with the need to turn to other firms so as to exploit these very resources.

In view of the insights offered by the RBV and by the small firm internationalisation/ international entrepreneurship literature, it can be assumed that, on balance, SMEs in general are more inclined, other factors notwithstanding, to choose a collaborative entry mode where they emphasise product differentiation in relation to international markets. Hence:

Hypothesis 4 (H4): *Ceteris paribus*, product differentiation in relation to an international market is negatively related to the choice by a SME of an independent entry mode for that market.

2.6.3 Key Marketing Strategy Factor 2: Marketing Adaptation

Marketing adaptation, the second of the three marketing strategy variables whose influence on SME entry mode choice is examined by the present study, is an important consideration for SMEs. Whether or not they adapt their marketing to individual international (foreign country) markets as well as the nature and extent of such adaptation can have significant implications on the development of international markets by the firms and on their choice of entry modes for these markets. Marketing adaptation by firms is most visible in their marketing programmes/mixes, the standardisation-adaptation thereof having been the focus of scholarly research. Further investigation into the adaptation of the marketing mix is warranted, with it "being timely and meaningful to investigate specific dimensions of the marketing mix" in this context (Hultman et al, 2009, 15). A related topic that also requires greater research effort is the impact that such adaptation has on the choice by firms, including by SMEs, of entry modes for the international markets in relation to which the adaptation is undertaken.

2.6.3.1 Nature and Importance

Firms can standardise or adapt their marketing with respect to individual international markets. By standardising their marketing strategies and programmes pertaining to product, pricing, distribution, and communications across international markets, firms attempt to achieve economies of scale, reduce complexity, and attain other benefits (e.g., Szymanski, Bharadwaj, and Varadarajan, 1993). By adapting these strategies and programmes, the firms aim to maximise the value they offer local consumers and to generate more sales. Marketing standardisation and adaptation are not mutually exclusive objectives since a firm can standardise some aspects of its marketing and adapt other aspects in an attempt to maximises its local relevance while containing the (often considerable) costs associated with adaptation.

Differences between country markets (between firms' domestic and international markets, and between their international markets) persist in an era of accelerated globalisation and complicate international marketing. Variations in consumer needs, demand, and behaviour as well as in macro-environmental factors between countries that give rise to these dissimilarities (including in culture, language, laws, and economic development) result in distinct marketing contexts. These can have profound implications on firms' marketing in relation to individual international markets. Most firms find that they need to adapt at least some aspects of their marketing for the international markets they are developing so as to be able to offer products of value to local consumers. Relatively few firms, principally those operating in highly globalised industries (e.g., information technology - Johansson and Yip, 1994), are in a position to standardise their marketing across international markets without compromising the value of their offerings to local consumers. The inability of most firms to fully standardise their international marketing is in line with the position taken by Porter (1986, 21) about marketing standardisation 30 years ago:

> "Is Ted Levitt [Levitt, 1983] right about the globalization of markets? Yes. Does that mean that you standardize and homogenize the way you perform marketing in every country in the world throughout the marketing mix? Of course not."

That firms, including SMEs, should adapt their marketing to some extent is indicated by the results of empirical research into the impact the standardisation of international marketing strategy (defined by Jain, 1989, 70, as the use of "a common product, price, distribution, and promotion program on a worldwide basis") has on firms' international performance. Although the numerous empirical studies investigating the impact of marketing standardisation on firm performance (for reviews of research on international standardisation and adaptation see, e.g., Theodosiou and Leonidou, 2003; Schmid and Kotulla, 2011)[251] have arrived at varying (and often contradictory) findings concerning the influence that the standardisation of each marketing mix element has on this, the meta-analyses by Shoham (2003) and Tan and Sousa (2013) both indicate that *product* standardisation has a *negative* impact on performance. Thus, it may be that product standardisation can, at last in certain circumstances, result in firms offering products not adequately meeting the needs of local customers.

In view of the foregoing, and of the possibility that the standardisation of the other marketing mix elements may also result in similarly undesirable outcomes[252], "a delicate balance has to be achieved between the advantages of standardization and those of localization to maximize performance" (Czinkota and Ronkainen, 2012, 357). Such 'contingency perspective' of marketing standardisation appears to be followed by most firms engaged in international market development and international marketing, apparently even by the largest MNEs (e.g., Yip, 1997). This is also promulgated by an increasing number of scholars in view of evidence suggesting that a positive impact of standardisation on firm performance in relation to an international market depends on various factors internal and external to a firm (e.g., Schilke, Reimann, and Thomas, 2009). That standardisation benefits are contingent in nature is also evident in exporting (the method of international market

[251] Whether firms should standardise their international marketing strategy (including their marketing programmes and mixes) across international markets has been debated for decades and has resulted in a substantial body of scholarly research.

[252] The studies by Shoham (2003) and Tan and Sousa (2013) also found that promotion standardisation has a non-significant impact on firm performance but had conflicting findings as far as price and distribution standardisation is concerned.

development most commonly employed by SMEs), with Cavusgil, Zou, and Naidu (1993, 497) stating that "…it is difficult to make blanket statements about suitable standardization/adaptation strategy without an examination of the company background, product/industry features, and the characteristics of the export market."

Marketing adaptation maximises a firm's local relevance (Ghemawat, 2007). This can be a strategic necessity rather than a choice for firms competing against other firms in an international market. Illustrating this is the need by many firms to adapt their *products* to compete better locally, as indicated by the aforementioned meta-analyses by Shoham (2003) and Tan and Sousa (2013). Quite simply, "an adapted product can satisfy foreign consumers' needs and preference better" (Zou and Stan, 1998, 348), add value for these, and so can improve a firm's competitive position in the respective market. The competitive importance of product adaptation - including as a means of product differentiation - is emphasised by Paliwoda and Thomas (1998, 22):

> "Product adaptation is required if not ostensibly by customers then by the needs of local competition to create product differentiation. The costs of adaptation are falling and the costs of not doing so are increasing making it easier for competitors to make inroads against a standardized product which can be as easily transferred to other markets."[253]

Besides maximising a product's local relevance, marketing adaptation can allow the firm offering the product to benefit from advantageous local market conditions. For example, *price* differentiation enables firms to take advantage of price differences between markets resulting from market idiosyncrasies. By adapting prices to international markets (i.e., by charging higher or lower prices relative to those in their other country markets), firms can actively exploit such idiosyncrasies and so increase their profit margins and/or improve their competitive positions in the markets concerned. Price differentiation appears to be widely practised by firms active in multiple international markets, including in the case of neighbouring

[253] Technology may have reduced the costs of adaptation but, as a major driver behind what Czinkota and Ronkainen characterise as "the precarious balance between global and local", also has made adaption more challenging in certain ways. As the same authors point out, "customizing for local markets has become more difficult as online viewers access information originating in various countries" (Czinkota and Ronkainen, 2012, 618).

country markets with a high degree of economic interdependency (such as Canada and the USA; Germany and Poland). While MNEs (e.g., large car manufacturers such as Volkswagen AG) are well-known to vary the prices for their products across country markets, exporters generally - especially more internationally experienced firms - also do so (e.g., Solberg et al, 2006).

Reflecting the need by firms to adapt their marketing in order to be relevant and competitive within international markets are the 'think global, act local' maxim[254] and the associated 'glocalisation' perspective. As these indicate, even marketing and other strategies with a global orientation usually require an element of adaptation. Prominent followers of such thinking include McDonald's Corporation, Inc. The marketing mix of McDonald's is standardised to a large extent across countries but adapted where necessary. For example, in terms of the product element of the mix the structure of the firm's menu is standardised[255] while individual products are adapted in terms of their names, ingredients, and in other ways to accommodate differences in the preferences of local customers.

Although McDonald's and other large MNEs are the most visible practitioners of marketing that is adapted where necessary, empirical evidence suggests that most firms engaged in international marketing attempt to be locally relevant by adapting to various extents their marketing programme and mix to international markets. Research indicates that relatively few firms engaged in international marketing (which, as discussed in section 1.3.3, would not include firms taking an export *sales* approach) fully standardise - or, for that matter, fully adapt - their marketing mix across all of their international markets (Schmid and Kotulla, 2012).

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[254] This adage (also in the form of 'think globally, act locally') seems to have been first applied in a marketing context during the 1980s. Levitt (1986, xiii) notes that 'think global, act local' is a way for some to "concede the new globalization while insisting on the old localization".

[255] As noted by Vignali (2001, 100), "…the structure of the McDonald's menu remains essentially uniform the world over: main course burger/sandwich, fries, and a drink - overwhelmingly Coca-Cola. The keystone of this winning combination is not, as most observers might assume, the Big Mac or even the generic hamburger, it is the fries. The main course may vary widely, but the signature innovation of McDonald's - thin, elongated fries cut from russet potatoes - is ever-present and consumed world-wide by all McDonald's customers…".

SMEs in general also appear not to fully standardise their marketing mix across international markets (Larimo and Kontkanen, 2010)[256]. Even SMEs taking a sales rather than a marketing approach towards international markets adapt to some extent elements of the marketing mix, albeit in a limited way (e.g., Merrilees and Tiessen, 1999).

Marketing adaptation can be problematic for SMEs. That is because marketing adaptation generally requires firms to undertake more marketing in relation to international markets than they would if they standardised their marketing across the markets. With smaller firms commonly lacking adequate marketing ability in respect of their international markets, they may find it difficult if not impossible to carry out on their own marketing to the extent required by their intended marketing adaptation.

In adapting their marketing in relation to individual international markets, which can be the result of the implementation of formal strategy or of *ad hoc* responses to circumstances, firms adjust aspects of their marketing. Depending on the nature and extent of these adjustments, these may involve substantial marketing activity that requires high levels of particular marketing resources such as individual marketing capabilities (for instance, when marketing adaptation results in new products having to be developed for and launched in an international market). SMEs, given their characteristic resource constraints, may not have the requisite marketing resources, at least not to the extent required, and so have to turn to other firms to achieve the desired adaptation.

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[256] Recent research indicates that the extent to which SMEs following different internationalisation pathways (essentially traditional versus rapid internationalisation pathways, with the latter consisting of global, regional, and other variants) adapt their marketing mix may be broadly similar (Kontkanen and Larimo, 2015). This appears to be at odds with the contention (e.g., Hennart, 2014) that international new ventures (INVs) (rapid internationalisers that include 'born globals') have a lesser need to adapt their marketing mix since their customers' tastes and use conditions are much more homogeneous. Confusing the picture further are the findings of Baum et al (2015) which indicate that INVs - at least those in certain knowledge-intensive industries - with relatively higher levels of product differentiation have a greater tendency to choose a regional rather than a global internationalisation pathway. Clearly, more research is required into the effects of marketing resources and strategies (including product differentiation and marketing standardisation/adaptation) on various aspects of INVs' internationalisation.

2.6.3.2 Influence on Entry Mode Choice

Studies investigating the impact marketing adaptation by firms has on their choice of entry modes for the international markets to which the adaptation relates are scarce. Slangen and Dikova (2014, 81) note that "although the international marketing literature has extensively examined the antecedents of marketing adaptation decisions, it has largely abstained from studying whether such strategic decisions codetermine the choice of foreign expansion mode." Nonetheless, extant entry mode studies as well as the insights provided by the RBV firmly indicate the influence that marketing adaptation has on the choice by SMEs between independent and collaborative entry modes.

(i) Influence Suggested by the Resource-Based View (RBV)

Marketing adaptation places greater demands on firms' marketing ability in relation to international markets than standardisation. From the perspective of the ('core') RBV, the adequacy of this ability (the ability representing a strategic or complementary resource) as well as firms' capacity to develop the ability on their own (where it is inadequate) influences their choice between independent and collaborative modes (Figure 2.7 on page 128 illustrates this). Essentially, a firm would be inclined, other factors notwithstanding, to choose an independent mode where its marketing ability with respect to an international market is sufficient and enables the firm to undertake marketing reflecting the intended adaptation. That is because a firm in such situation would prefer to exploit its products independently. Conversely, where a firm's marketing ability is inadequate in terms of allowing it to carry out marketing sufficiently adapted to an international market and where the firm is not in a position to develop the ability on its own through internal development or the acquisition of another firm, the firm would be inclined to cooperate with another firm to achieve the intended marketing and thus employ a collaborative mode.

(ii) Influence Suggested by the Entry Mode Literature

The few published studies that concern themselves with entry mode aspects of marketing adaptation hold that firms adapting their marketing in relation to

international markets look to other firms to achieve this and that their mode choice is influenced accordingly. A (foreign) firm entering an international market in respect of which it intends to adapt its marketing is unlikely to have all of the marketing resources needed to achieve the desired adaptation on its own. Thus, it would tend to resort to acquiring firms with the required resources or to collaborate with such firms.

Conceptual entry mode studies (e.g., Florin and Ogbuehi, 2004) suggest that marketing adaptation by firms results in these tending to collaborate with other firms for this purpose. The primary reason for collaboration in this respect is that cooperation allows (foreign) firms to take advantage of the marketing resources of the other, (usually) local firms. Such collaboration affects entry mode choice, including that between independent and collaborative modes.

That firms' mode choice is actually influenced in this way is indicated by the available empirical studies, which relate to MNEs and their choice between investment modes. These have found that MNEs intending to achieve relatively high levels of marketing adaptation in connection with international markets are more likely to choose joint ventures (JVs) over wholly owned subsidiaries (Rau and Preble, 1987; Ozsomer, Bodur, and Cavusgil, 1991). Where the firms' choice is between establishing a WOS through acquisition or greenfield modes, MNEs planning a higher level of marketing adaptation for international markets seem to favour acquiring another firm (Slangen and Dikova, 2014). That MNEs have a tendency to turn to other firms when intending to adapt their marketing to international markets, either integrating the firms or cooperating with them, is attributed to the need by the firms to access the marketing resources of other, local firms to facilitate local marketing adaptation. These resources include local market knowledge and locally established brand names (Slangen and Dikova, 2014).

Although entry mode research relating to the influence of marketing adaptation has focused on MNEs, the aforementioned findings of this research strongly suggest that

SMEs would have a greater inclination to choose collaborative modes for the international markets in relation to which they adapt their marketing.

SMEs normally have a much greater need than MNEs to rely on other firms to obtain marketing resources they lack for international market development. Already deficient in adequate marketing ability in relation to international markets due to insufficient marketing resources and for other reasons, SMEs in general can be expected to have an even greater need to turn to other firms for their marketing where they decide to adapt this to the markets. At the same time, unlike (typically much larger) MNEs smaller firms are commonly not in a position to acquire the firms that possess the required resources. Financial and other resource limitations combined with the difficulty of independent resource development mean that inter-firm collaboration is often the only viable international marketing resource attainment method for SMEs (the various resource attainment methods were discussed in section 2.5.2.2).

The extent of the additional need for inter-firm cooperation by SMEs for marketing purposes resultant from marketing adaptation, and the firms' consequent greater inclination to employ collaborative modes, can be assumed to be in line with the nature and level of adaptation. Whereas the minor adaptation of its marketing to an international market may not result in a SME having a much greater need for cooperation with another firm for marketing, substantial adaptation (e.g., that resulting in the development and launch of new products) is likely to result in the firm having such greater need for cooperation.

(iii) Resultant Hypothesis

In view of the apparent influence of marketing adaptation on SMEs' choice between independent and collaborative entry modes as suggested by the resource-based view (RBV) and by the entry mode literature, the following hypothesis is stated:

Hypothesis 5 (H5): *Ceteris paribus*, marketing adaptation in relation to an international market is negatively related to the choice by a SME of an independent entry mode for that market.

2.6.4 Key Marketing Strategy Factor 3: Market Importance

The importance of an individual international (foreign country) market to a firm, treated here as a marketing strategy variable (in line with the adopted conceptualisation of an 'international marketing strategy variable'[257]) and representing the third such variable whose influence on SME entry mode choice is examined by this study, can be a factor in mode choice. Despite having been the subject of entry mode research, extant knowledge about the impact of market importance on firms' entry mode choice is incomplete. The results of empirical studies investigating this are inconclusive. Moreover, few such studies concern themselves with SMEs.

Studies investigating the impact of market importance on firms' mode choice consider this variable to have a direct rather than an indirect influence on this[258]. The present (entry mode) study takes the same position.

2.6.4.1 Nature and Importance

The importance of an individual international market to a firm[259] has a significant impact on the marketing behaviour of the firm and on the nature of its strategic

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[257]The conceptualisations of a 'marketing strategy variable' and of an 'international marketing strategy variable' adopted here were stated in sections 2.6.1.1 and 2.6.1.2 respectively. According to these, market importance is a factor influencing marketing strategy decisions and, as such, can be regarded as a marketing strategy variable (the nature and importance of marketing strategy variables in the contexts of domestic marketing strategy and of international marketing strategy were discussed in the same respective sections).

[258] By contrast, *non*-entry mode studies, such as those relating to international marketing strategy (e.g., Valla and Turnbull, 1986) and facets thereof (such as international market selection - e.g., Malhotra, Sivakumar, and Zhu, 2009), tend to regard market importance and associated factors as having an indirect influence on the dependent variable in question, treating this as a moderator.

[259] Market importance is distinct from another marketing strategy variable, this being the number of international markets firms are active in (i.e., market concentration versus spreading).

choices towards that market (Valla and Turnbull, 1986). Notably, "whether the market under consideration is perceived as being of marginal, significant, or great interest to the firm (or its managers), will affect the allocation of resources to the market" (Valla and Turnbull, 1986, 272). This appears to be so with firms developing international markets, most of which seem to focus their efforts and resources (including marketing resources) on those markets most important to them. SMEs in particular, with their characteristic resource constraints, appear to marshal their marketing and other resources towards the international markets of greatest importance. As noted by Larimo (2007, 29): "Because of the resource limitations, the operations of SMEs have to be more concentrated than those of their larger competitors in order to be competitive in the foreign markets."

The importance a firm assigns to a particular international market depends on various factors. These include the sales a firm already generates in the market (actual sales) as well as the sales the firm can potentially generate in the market (i.e., market potential). Entry mode researchers and other international business scholars, however, mainly consider market potential. This is mostly in terms of market size, which they tend to equate with the size of a country's GDP (gross domestic product) or other macro-measures (Ellis, 2008).

That entry mode researchers would consider market size as being synonymous with the actual importance of an international market to a firm may, it is suggested here, be a reason for entry mode studies concerned with market importance arriving at contradictory conclusions as to the influence of this on firms' entry mode choice (details below). The importance a firm attaches to a given international market at a point in time is not necessarily synonymous with the size of that market, especially not when this is proxied by means of a macro-measure. Although an international market may be relatively small, it can be of much greater importance to a firm than another international market whose size is considerably larger. This is especially so where SMEs are concerned. A SME may already derive substantially higher revenues from developing a smaller international market than it is from another, larger market (which it may find more difficult to penetrate). For that firm the *actual*

importance of the smaller market would be greater than that of the (underdeveloped) larger market. Thus, it can be argued that a firm's actual sales in an international market may be a better (if still imperfect) indicator of the importance of that market to the firm[260] than market size (which, at best, represents *potential* market importance).

2.6.4.2 Influence on Entry Mode Choice

As mentioned, extant knowledge about the impact of market importance on firms' entry mode choice is incomplete. The entry mode literature reflects this, with empirical entry mode studies, focusing on MNEs, being inconclusive about this impact. Nonetheless, in conjunction with the insights offered by the RBV and other literature, the entry mode literature provides useful indications as to the impact of market importance on firms' mode choice, including of that of SMEs.

(i) Influence Suggested by the Resource-Based View (RBV)

From the perspective of the ('core') RBV, firms are more inclined to exploit international markets independently where these represent important markets. Consequently, firms would be more likely, other factors notwithstanding, to employ independent entry modes in the case of such markets.

While the RBV rationale for firms choosing between independent and collaborative entry modes on the basis of the extent of their marketing ability and their capacity to use certain marketing ability development methods[261] applies to all international

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[260] Just as the overall importance of (all) international markets to a firm may be measured by their share of its total annual turnover (Pehrsson, 2008), the importance of a particular international market to a firm may also be represented by its share of the firm's total annual revenues generated by that particular market.

[261] Essentially, the RBV, as illustrated by Figure 2.7 on page 128, suggests that where a firm's marketing ability with respect to a particular international market is adequate (from a subjective perspective) or high (from an objective perspective), or where it is not but the firm is in a position to develop the ability on its own through internal development or the acquisition of another firm, the firm would use an independent entry mode for that market. Conversely, where the ability is inadequate or low the firm would resort to using a collaborative entry mode where it needs to develop its marketing ability but finds independent development infeasible (due to cost, time, or other factors) or impossible; in such a scenario the RBV suggests that a firm would resort to collaboration with other firms for the development.

markets, in the case of their key markets there is a greater tendency for firms to undertake resource exploitation and development independently. Key markets usually represent the best opportunities firms have to exploit their strategic resources internationally (otherwise the markets would not be highly important to the firms). This means that firms, including SMEs, can be expected to concentrate their complementary resources (including marketing resources) on these markets. Where the resources are insufficient, firms can be expected to favour their independent development rather than rely on collaboration for this since they would prefer to undertake on their own the exploitative efforts for which these resources are subsequently deployed. By not involving another firm in the resource exploitation, a firm can achieve greater benefits from this (this is because a firm would not have to share economic rents/profits, can retain control over marketing and other activities, and can better protect its strategic resources from competitive imitation for longer). In the case of key markets, the potential benefits from independent resource exploitation are likely to be considerably greater. In concentrating complementary (including marketing) resources and in being more inclined to develop these internally where they are insufficient, in the case of important international markets firms, the RBV suggests, are more likely to choose independent entry modes for the markets.

(ii) Influence Suggested by the Entry Mode Literature

The entry mode literature, including the prescriptive literature (e.g., Root, 1994), in the main suggests that market size affects the choice of entry modes. The impact on mode choice, the literature suggests, is in two ways. The first way market size affects entry mode choice is through its influence on a firm's choice between export, contractual, and investment modes. This is because a particular mode type may be inappropriate where market size is limited. As discussed in section 2.3.1, the resource requirements of entry modes vary, with those of investment modes generally being greatest. In the case of smaller markets (which have lower sales potential and for which higher-cost entry modes are less likely to be appropriate), firms would appear more likely to choose export over investment modes whereas investment modes are favoured for larger markets (these having higher sales

potential). However, empirical evidence is mixed. Some empirical entry mode studies (e.g., Kwon and Konopa, 1993) provide support for this while others (e.g., Chung and Enderwick, 2001) do not. This may, as proposed earlier, be due to entry mode studies generally assuming that market potential, most frequently considered by these to be represented by market size (commonly measured on the basis of the host country's GDP), equates with the actual importance of individual international markets to firms.

The entry mode literature also suggests that the size of international markets affects firms' mode choice in a second way (one that is of greater relevance to the present study). This is through its influence on a firm's choice between independent and collaborative entry modes. Essentially, larger markets are more conducive to firms' employment of independent modes since the resource demands of these modes is generally greater than those made by collaborative modes. At the same time, by employing independent modes firms can enjoy the potential benefits associated with entering and developing international markets through these modes (these benefits, also discussed in section 2.3.1, include the potential benefits associated with independent resource exploitation just discussed). However, the empirical evidence in this regard is also mixed. Some empirical entry mode studies investigating the influence that market size has on the choice between higher control (mainly independent entry modes) and lower control (collaborative) modes suggest that firms are more likely to employ higher control modes in the case of larger markets (e.g., Agarwal and Ramaswami, 1992; Taylor et al, 1998) whereas others (e.g., Davidson and McFetridge, 1985; Brown et al, 2003) have not found market size to be a significant influence on the choice between such modes. In their meta-analysis, Morschett et al (2010) found that the seven studies they covered which had market size as a variable suggest, in aggregate, that this influences firms into choosing cooperative entry modes (which the authors did not detail) over WOS[262]. The authors note that the studies measured market size mostly through GDP or similar measures,

[262] The meta-analysis also examined three other indicators that fall under the rubric of 'market attractiveness', these being income level (included in 10 studies covered by the analysis), market growth (in 13 studies), and perceived market attractiveness (7 studies). None of these variables were found to have a significant influence on the choice between WOS and cooperative entry modes.

which, it is suggested here, are suboptimal measures. Nonetheless, this result may indicate that in the case of the largest country markets - which, as already discussed, are not necessarily firms' most important international markets - firms (including MNEs) may not have all of the necessary marketing and other resources to develop these independently.

(iii) Influence Suggested by Other Literature

The broader international business literature concerns itself with market importance mainly in the context of firms' selection of individual international markets. As in the case of the entry mode literature, the respective studies focus mainly on the size of a market (again, commonly in the form of the host country's GDP).

Market size is a driver of firm internationalisation (Mitra and Golder, 2002) that "at the level of the firm…has been consistently linked with the direction and value of both exports and foreign direct investment" (Davidson, 1980; Dow, 2000; Engwall and Wallenstål, 1988; Johanson and Wiedersheim-Paul, 1975; Mitra and Golder, 2002; Terpstra and Yu, 1988)" (Ellis, 2008).

It appears that the size of an international market is one of the most important factors in firms' choices of international markets and, thus, in the sequence of their international market entry. With market-seeking firms being drawn towards international markets to exploit market opportunities, managers may be attracted towards larger markets first (Ellis, 2008). A number of studies have found market potential to influence international market selection (e.g., Dow, 2000; Mitra and Golder, 2002; Whitelock and Jobber, 2004; Ellis, 2008; Malhotra et al, 2009).

(iv) Resultant Hypothesis

The influence market importance has on the choice by firms of entry modes, including between independent and collaborative modes, as suggested by the entry literature has not been unanimously confirmed by empirical entry mode research. However, the insights provided by the RBV indicate that entry mode researchers' assumption of the importance of an international market affecting the choice of an

entry mode for that market may be correct. Firms, especially SMEs, are likely to focus their resources (including marketing resources) on international markets of greatest importance to them. In line with this, and with both the position taken by entry mode scholars broadly and the insights offered by the RBV, firms appear more likely to choose independent modes for their key markets. As for SMEs specifically, although their marketing and other resource constraints also affect their choice between independent and collaborative modes with respect to their key markets, due to the foregoing they can, on balance, be expected to have a greater tendency to choose independent modes for their more important international markets than for their less important markets. Accordingly, the following hypothesis is stated:

Hypothesis 6 (H6): *Ceteris paribus*, the importance of an international market is positively related to the choice by a SME of an independent entry mode for that market.

2.7 Influence of Key Marketing Factors on SMEs' Entry Mode Choice – 3. Summary of Expected Influence

In this, third segment of the literature review relating to the focal marketing factors, the expected influence on SMEs' choice between independent and collaborative entry modes of the marketing resource and strategy factors under consideration is summarised.

In the preceding sections (2.5 and 2.6) the nature and importance of the entry mode choice factors that are the focus of this investigation - these being particular marketing resources (marketing capabilities; language skills; market knowledge) and marketing strategy variables (product differentiation; marketing adaptation; market importance) - was reviewed and the factors' influence on SME entry mode choice, more particularly on the firms' choice between independent and collaborative modes, as suggested by the resource-based view (RBV) and the entry mode and other literatures discussed. Relevant hypotheses were stated on the basis of this.

The expected influence on SMEs' entry mode choice of the (key) marketing resource and strategy factors examined here, which stem from the factors' roles in firms' marketing ability in relation to international (foreign country) markets (in the case of the focal marketing resources) or in their marketing needs with respect to these markets (in that of the marketing strategy variables), can be briefly summarised as follows.

2.7.1 Expected Influence of Key Marketing Resources

The particular marketing resources examined by this study appear to be important to the ability by firms to undertake marketing in relation to international markets (i.e., to their international marketing). Consequently, where SMEs have insufficient levels of these marketing resources it can be expected that this will, given the firms' characteristic resource constraints and their resultant difficulties in developing the marketing resources by themselves, increase the likelihood of the firms choosing collaborative entry modes for the respective markets.

Table 2.9 on page 257 summarises the expected influence low and high levels of the marketing resources investigated here have in terms of their impact on SMEs' marketing in relation to international markets, on their need for inter-firm collaboration for this, and on the expected influence on their choice between independent and collaborative modes for the markets. In essence, where a SME has a low level of these resources its marketing ability in relation to an international market would likely be inadequate which increases the need for the firm to collaborate with other firms so that the marketing required in connection with that market is undertaken (sufficiently or at all). Collaboration allows for inter-firm sharing and transfer of marketing and other resources whereby a (foreign) firm entering an international market can access or develop at least some of the lacking marketing resources from a firm which it has involved in its entry into and development of the market and in the marketing of its products in relation to that market. In collaborating with another firm, however, the firm would forego some of

the potential benefits associated with international market entry and development on its own through an independent mode. For example, it would not normally have full control over marketing and other activities, not be able to retain all of the profits resulting from the exploitation of its products, nor be able to protect through full internalisation its knowledge or other basis of competitive advantage that is the driver for this exploitation and which its products embody.

The hypotheses stated earlier (H1, H2, H3) concerning the influence on SMEs' choice between independent and collaborative modes of the marketing resource variables investigated here are summarised by Table 2.11 on page 258. In line with the foregoing, the RBV, and the entry mode and other literature, it is expected that the possession by a SME of these marketing resources has a direct, positive influence on the choice by the firm of an *independent* entry mode for that market. In other words, the greater the level of these marketing resources possessed by a SME for an international market the greater is the likelihood of that firm choosing an independent rather than a collaborative entry mode for the market.

Figure 2.8 on page 259 illustrates the hypothesised relationships of the focal marketing resources to entry mode choice by SMEs, specifically to that between independent and collaborative modes.

2.7.2 Expected Influence of Key Marketing Strategy Variables

The particular marketing strategy variables investigated by this study (product differentiation; marketing adaptation; market importance) seem to influence the need by firms to undertake marketing in relation to international markets. Basically, the more emphasis a firm places on these the greater the extent of the marketing it has to undertake. Considering their generally inadequate international marketing ability, SMEs for which product differentiation and marketing adaptation are important can be expected to be more likely to choose *collaborative* entry modes for the respective markets. In the case of market importance, where an individual international market is key to a firm it can be expected that this actually increases the likelihood of the

firm selecting an *independent* entry mode since it would concentrate its marketing ability, efforts, resources, etc on that market.

Table 2.10 on page 257 summarises the expected influence low and high levels of importance of the marketing strategy variables examined here have in terms of their impact on SMEs' marketing in relation to international markets, on their need for inter-firm collaboration for this, and on the expected influence on their choice between independent and collaborative modes for the markets. In essence, where a SME places high importance on these strategy variables the consequent need to undertake more marketing in relation to an international market would increase the need for the firm to collaborate with other firms so that the marketing required in connection with that market is undertaken (for the reasons just outlined in relation to the expected influence of key marketing resources). Where a market is of major importance to a firm, however, the firm would be expected to offset the greater need for collaboration by concentrating its marketing and other resources together with its marketing ability and efforts on that market and where these are insufficient to favour their independent development. This is because a firm would be inclined to develop key markets on its own. Thus, where product differentiation or marketing adaptation are important strategy variables, this would increase the likelihood of a firm choosing a collaborative mode. If the market is of relatively major importance to a firm, however, this increases the likelihood of the firm selecting an independent mode. In doing so, the firm can take advantage of the potential benefits associated with entering and developing an important international market on its own through an independent mode (as per the reasons also outlined in relation to the expected influence of key marketing resources).

The hypotheses stated earlier (H4, H5, H6) concerning the influence on SMEs' choice between independent and collaborative modes of the marketing strategy variables investigated here are also summarised by Table 2.11 (on page 258). In line with the foregoing, the RBV, and the entry mode and other literature, it is expected

	Extent of a SME's Marketing Capabilities, Language Skills, and Market Knowledge with respect to an International Market	
	Low	**High**
Expected Impact on Marketing in Relation to an International Market	Inadequate marketing ability.	Adequate marketing ability.
Need for Inter-Firm Collaboration for Marketing	Greater.	Lesser.
Expected Influence on Choice of Entry Mode for an International Market	Increases likelihood of collaborative mode being selected.	Increases likelihood of independent mode being selected.

Source: Author.

Table 2.9 – Expected Influence of Key Marketing Resource Factors on a SME's Marketing and Choice of Entry Mode in Relation to an International Market

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	(1) Degree of a SME's Intended Product Differentiation and Marketing Adaptation with respect to an International Market. **(2) The Importance of an International Market to a SME.**	
	Low	**High**
Expected Impact on Marketing in Relation to an International Market	Less marketing involved.	More marketing involved.
Need for Inter-Firm Collaboration for Marketing	Lesser.	*In relation to (1):* Greater. *In relation to (2):* Greater but offset by SME's actions re most important markets (resource concentration, etc).
Expected Influence on Choice of Entry Mode for an International Market	*In relation to (1):* Increases likelihood of independent mode being selected. *In relation to (2):* Increases likelihood of collaborative mode being selected.	*In relation to (1):* Increases likelihood of collaborative mode being selected. *In relation to (2):* Increases likelihood of independent mode being selected.

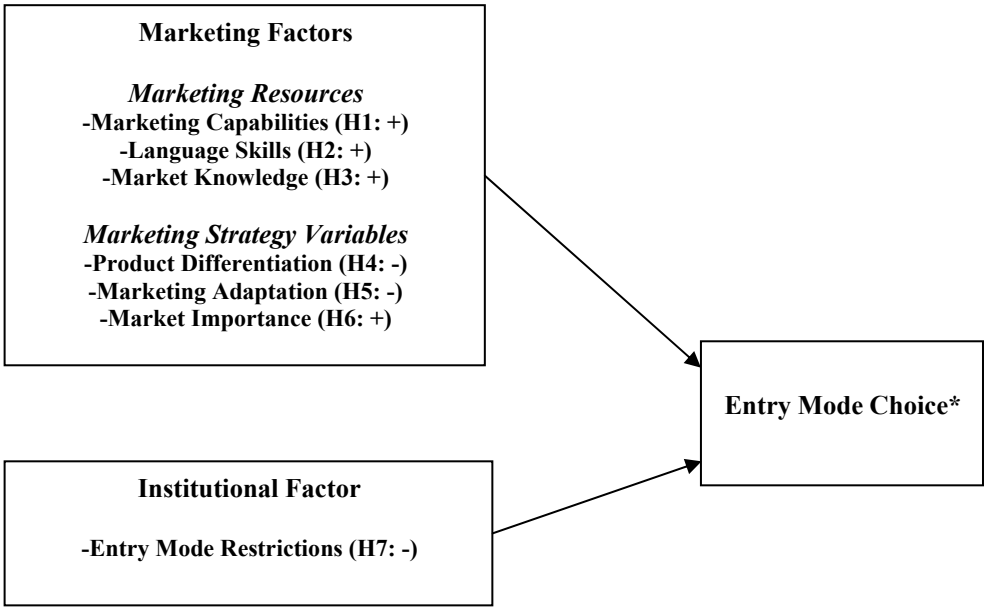
Source: Author.

Table 2.10 – Expected Influence of Key Marketing Strategy Factors on a SME's Marketing and Choice of Entry Mode in Relation to an International Market

	Hypotheses
	Ceteris paribus:
H 1	**Marketing capabilities** pertaining to an international market are **positively** related to the choice by a SME of an independent entry mode for that market.
H 2	**Language skills** relevant to an international market are **positively** related to the choice by a SME of an independent entry mode for that market.
H 3	**Knowledge** of an international market is **positively** related to the choice by a SME of an independent entry mode for that market.
H 4	**Product differentiation** in relation to an international market is **negatively** related to the choice by a SME of an independent entry mode for that market.
H 5	**Marketing adaptation** in relation to an international market is **negatively** related to the choice by a SME of an independent entry mode for that market.
H 6	The **importance of an international market** is **positively** related to the choice by a SME of an independent entry mode for that market.
H 7	**Entry mode restrictions** pertaining to an international market are **negatively** related to the choice by a SME of an independent entry mode for that market.

Table 2.11 – Overview of Hypotheses

Focus is at level of/ all variables pertain to an individual international (foreign country) market



*choice of independent over collaborative modes. Hypothesised relationships (+ or -) given in brackets.

Figure 2.8 – Hypothesised Relationships of Focal Marketing and Institutional Factors to SMEs' International Market Entry Mode Choice

Source: Author.

that the importance for a SME of product differentiation and marketing adaptation has a direct, *negative* influence on the choice by the firm of an *independent* entry mode for an international market. Thus, the greater the importance of the two marketing strategy variables for a SME the lesser the likelihood of that firm choosing an independent entry mode for the market. Conversely, it is expected that the importance for a SME of a particular international market has a direct, *positive* influence on the choice by the firm of an *independent* entry mode for that market. In other words, the greater the importance of an international market the greater the likelihood of the firm selecting an independent rather than a collaborative entry mode for the market.

Figure 2.8 (on page 259) illustrates the hypothesised relationships of the focal marketing strategy variables to SMEs' choice between independent and collaborative modes.

2.8 Other Factors Influencing SMEs' International Market Entry Mode Choice

In this, the fourth and final part of the chapter, selected other factors that can impact the mode choice under consideration and which are particularly relevant are briefly discussed and, where appropriate, relevant hypotheses stated.

Various factors besides those already examined in detail here can also influence the choice by firms of entry modes, including by SMEs. These factors, which were outlined in section 2.3, include firm and product characteristics (including marketing factors besides those investigated here) as well as factors relating to firms' domestic and international markets.

Of particular relevance to and examined by the present study are three other factors which the entry mode literature indicates may influence the choice by SMEs between independent and collaborative entry modes (due to various constraints, particularly those imposed by the statistical techniques employed as part of the data analysis, a

greater number of additional factors could not be considered by this study). The factors are (as indicated by Figure 1.3 on page 26) entry mode restrictions, firm size, and product type.

The nature of the respective factors and insights offered by the entry mode literature as to their potential influence on SMEs' choice between independent and collaborative modes are reviewed next. In the case of entry mode restrictions (the subject of the following section), which unlike firm size (of section 2.8.2) and product type (section 2.8.3) are treated as a main rather than a control variable, a hypothesis pertaining to their influence on this choice will be stated.

2.8.1 Entry Mode Restrictions

Legal restrictions imposed by host countries on the organisational forms (foreign) firms can utilise in their development of local markets influence the firms' choice of entry modes for the markets. This is especially so in relation to their choice between independent and collaborative modes. Consequently, entry mode restrictions, perhaps the most important institutional factor[263] in firms' selection between such modes (e.g., Brouthers et al, 2008), are also considered here in terms of their impact on the choice by SMEs between independent and collaborative modes.

Entry mode restrictions usually pertain to independent entry modes, particularly independent investment modes. In a significant number of international markets, host country laws, regulations, and other measures restrict foreign firms' mode choice to increase domestic ownership of various industries (primarily affecting foreign firms' FDI) or to enhance participation by local firms in the sale of foreign products (foreign firms' exporting).

Foreign firms wishing to establish wholly-owned subsidiaries (WOSs) can be forced

[263] Institutional factors were discussed earlier (in section 2.4.1.3) in context of the theoretical explanation for entry mode choice known as the institutional perspective.

by host country restrictions into collaborating with local firms and so have to form joint ventures (JVs) and other cooperative arrangements instead. As noted by Slangen and Dikova (2014, 69), "many local market-oriented JVs, especially those in less developed countries, are…only chosen when WOSs are legally prohibited (Kale and Anand, 2006)".

Independent export modes can also be the subject of entry mode restrictions. In some countries, mainly emerging markets, host country restrictions mandate that (foreign) exporters develop product markets in their countries in cooperation with local firms. The participation of these firms, often owned or controlled by individuals connected with host country governments, may not be in the exporters' best interests[264].

(i) Influence Suggested by the Entry Mode Literature

A substantial number of entry mode studies have investigated (foreign) firms' choice of entry modes in the face of host country legal restrictions on this. The results of these studies generally indicate that when host countries impose such restrictions the firms choose entry modes with lower levels of ownership (e.g., Kobrin, 1987; Gomes-Casseres, 1990; Brouthers, 2002). In their meta-analysis of external factors influencing firms' choice between WOS and cooperative modes, Morschett et al (2010, 69) covered nineteen entry mode studies that had legal restrictions as a variable and found this to be "a negative antecedent for the choice of a WOS as a mode of market entry".

Brouthers (2002, 206) captures the effect restrictions have on entry mode choice by stating that "where legal restrictions exist, firms tend to seek legitimacy, as well as efficiency, by utilizing less integrated modes of entry (Delios and Beamish, 1999)." This means that firms, including SMEs, would choose collaborative over independent modes. In the context of FDI, this would mainly entail firms employing

[264] Exporters may find, for instance, that the value of their products to local consumers/end users is diminished as a consequence of the involvement of export intermediaries effectively forced upon the exporters.

JVs instead of WOS[265]. In that of exporting, in relation to which some host governments impose restrictions on (foreign) exporters, this means exporting directly via a local export intermediary (distributor, etc) instead of directly without such intermediary.

(ii) Resultant Hypothesis

In view of the insights provided by the entry mode literature concerning the influence of entry mode restrictions on firms' choice between independent and collaborative modes, the following hypothesis is stated:

Hypothesis 7 (H7): *Ceteris paribus*, entry mode restrictions pertaining to an international market are negatively related to the choice by a SME of an independent entry mode for that market.

Figure 2.8 (on page 259) illustrates the hypothesised relationship of entry mode restrictions to SMEs' choice between independent and collaborative modes.

2.8.2 Firm Size

Firm size has long been seen as a factor in entry mode choice. A firm's size is commonly linked with the level and depth of its resource endowment (including its marketing resources), with firm size being used as a proxy for firm resources.

Firm size as an entry mode choice factor is not exclusively associated with SMEs since variations in MNEs' size also affect these firms' resource endowments relative to each other and so could influence their mode choice. However, the effect of firms' size on their choice of entry modes can be expected to be greater for SMEs - with their more limited resources - than MNEs.

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[265] Where they still decide to engage in FDI in the international market instead of developing the market through exporting. That foreign firms facing restrictions on WOS may decide to export to the respective international markets instead is indicated by studies examining the impact of these restrictions on firms' choice between export, contractual, and investment entry modes (e.g., Kwon and Konopa, 1993).

(i) Influence Suggested by the Entry Mode Literature

It is widely believed that SMEs generally are restrained from choosing individual entry modes requiring relatively high levels of financial and other resources, notably WOS. This appears especially so with the smallest SMEs, including micro enterprises. Considering that independent entry modes generally call for more resources than collaborative modes, the entry mode literature broadly suggests that smaller firms are more likely to employ collaborative modes.

Most empirical entry mode studies examining firm size as a variable and which include SMEs find this to influence firms' mode choice, mainly in that firm size positively influences the propensity of entry modes involving greater equity and offering higher levels of ownership and control being selected (e.g., Agarwal and Ramaswami, 1992; Claver and Quer, 2005); such entry modes tend to be independent rather than collaborative modes. However, other such studies do not find this to be the case or have mixed results (e.g., Ekeledo and Sivakumar, 2004). Moreover, meta-analyses investigating the impact of firm size on entry mode choice do not arrive at uniform conclusions. While Suh, Yi, and Houston (2011) report that firm size has a significant, positive effect on the level of ownership across the 24 entry mode studies they considered, Wulff (2015), covering 37 entry mode studies using firm size as a control variable, only found mixed results. Meanwhile, Morschett et al (2008a), encompassing 26 entry mode studies where firm size is a variable, discovered that firm size as measured by number of employees influences firms' choice of WOS over cooperative modes but that when size was measured by firm assets or sales this does not have a significant effect on this.

(ii) Treatment as a Control Variable

The present study does not offer predictions as to the influence of firm size on SMEs' choice between independent and collaborative modes nor a hypothesis concerning this. Instead, firm size is controlled for. This is in line with other entry mode studies, with firm size being "the most popular control variable in entry mode research" (Wulff, 2015, 22).

Having firm size as a control variable allows for the impact of firm size in relation to SMEs' entry mode choice to be identified. In this study, the influence on the choice between independent and collaborative modes of individual SMEs being micro, small, or medium enterprises is identified. Prior research indicates that a SME's status as one of these firms may influence its decisions in respect of international markets (e.g., Westhead, Wright, and Ucbasaran, 2002). In particular, it may be that medium-sized firms, which can be expected to possess greater marketing and other resources than micro and small firms, behave differently than their smaller counterparts in some ways and that this could extend to their choice of entry modes (e.g., Pinho, 2007).

2.8.3 Product Type

The type of products firms offer in international markets may also be a factor in their choice of entry modes for the markets. Of interest to the present study, which focuses on manufacturers, is whether mode choice differs between manufacturers offering consumer products and those offering industrial products.

(i) Influence Suggested by the Entry Mode Literature

Studies investigating the entry mode decisions of manufacturers and service firms (e.g., Brouthers et al, 2002; Ekeledo and Sivakumar, 2004) find that the varying characteristics of these types of products affect the firms' mode choice. Thus, it can be expected that other product type distinctions may also affect firms' mode choice. This includes the distinction between consumer and industrial goods.

Empirical research into the influence the dissimilar characteristics of consumer and industrial goods have on the entry mode decisions of manufacturers is lacking. Some scholars suggest that the importance to and use of entry modes by these differs according to whether the firms offer consumer or industrial goods in international markets. For example, Andersson (2011) suggests that firms whose customers/end

users are other organisations have a tendency to use various different entry modes simultaneously whereas those serving consumers do not.

In terms of manufacturers' actual choice of entry mode, it appears that industrial goods manufacturers have a greater need to employ independent modes specifically due to the nature of these goods. Many such goods are complex and/or customised for their end users, which fosters a more intensive and interdependent relationship between seller and buyer than in the case of consumer goods (Håkansson, 1982; Campbell, 1985). Independent entry modes may be more conducive for such relationship since, compared to collaborative modes, a manufacturer would be able to interact directly or more directly with the end user of its products.

An example of a specific characteristic of industrial goods that may influence manufacturers into selecting independent modes for the international markets in which the products are offered is their potential requirement for after-sales service. Where manufacturers seek tight control over the provision of such service (to ensure its quality, protect their intellectual property, and for other reasons) or where externalising this would be difficult (such as where there are an inadequate number of local firms that can carry out the necessary service), the firms can be expected to provide the service themselves and so would employ independent modes for this (Morschett, Schramm-Klein, and Swoboda, 2008b).

(ii) Treatment as a Control Variable

As with firm size, predictions as to the influence of product type on SMEs' choice between independent and collaborative modes and a hypothesis concerning this are not offered here. Rather, product type is controlled for. Having product type as a control variable allows for the varying influence of consumer and industrial goods on the choice by SME manufacturers between independent and collaborative modes to be assessed.

2.9 Chapter Summary

As this chapter has shown, the choice of an international market entry mode represents a crucial managerial decision for a firm engaged in international market development, including for a SME. Firms, which typically only consider a small number of modes when entering and operating in international markets, can be influenced in their entry mode choice by numerous factors. These include the attributes of entry modes, the bias the firms have towards particular modes, factors relating to the characteristics of the firms and their products (i.e. internal/firm factors), as well as those pertaining to their home and international markets (external/environmental factors).

From the perspective of the resource-based view (RBV), whose explanation for entry mode choice was discussed in this chapter along with other major theoretical explanations, the choice between independent and collaborative entry modes (the entry mode choice decision with which the present study is concerned) depends on whether a firm's strategic and complementary resources are adequate for international (product) market exploitation and on the method of resource development/access where they are not. Such exploitation requires a firm to undertake marketing and so to possess requisite marketing resources (including marketing capabilities) and to implement appropriate marketing strategies. The marketing resources concerned would normally include the particular key marketing resources whose influence on SMEs' independent-collaborative mode choice is the focus of this study (i.e., marketing capabilities, language skills, and market knowledge). As for marketing strategies, these commonly have variables associated with them that are also the focus of the study (product differentiation, marketing adaptation, and market importance).

As indicated by the RBV, the entry mode literature, and other relevant literatures, it appears that the key marketing resources under examination here, which seem important to firms' ability to undertake marketing in relation to international markets (i.e., international marketing), directly influence the choice SMEs make between

independent and collaborative entry modes. It would appear, as reflected by the relevant hypotheses (H1, H2, and H3) stated in this chapter, that the possession by smaller firms of these marketing resources has a positive impact on their choice of an independent mode. Basically, SMEs possessing the resources in question would, other factors notwithstanding, be inclined to develop on their own the international markets to which the resources pertain.

As also indicated by the RBV and the entry mode and other literatures, it appears that the key marketing strategy variables considered here, which seem to impact firms' needs to undertake international marketing, also directly influence SMEs' choice between independent and collaborative modes. As reflected by the respective hypotheses (H4 and H5), it seems that an emphasis by smaller firms on product differentiation and marketing adaptation in relation to international markets has a negative influence on their choice of an independent mode for those markets. Where the firms assign particular importance to international markets, this, as reflected by the appropriate hypotheses (H6), would appear to have a positive impact on such choice. Essentially, SMEs emphasising product differentiation and marketing adaptation in relation to international markets would place an additional burden on their generally inadequate international marketing ability and resources that would result in the firms having, other factors notwithstanding, a tendency to opt for inter-firm collaboration. However, where international markets are particularly important to them, the firms would, on balance, be more inclined to exploit their resource-based advantages (reflected in their products) on their own and so focus their marketing ability and resources on these markets.

Other, non-marketing factors can also significantly impact firms' entry mode choice, including that of SMEs. Of particular importance to the choice between independent and collaborative modes are the entry mode restrictions imposed on firms entering international markets. As reflected by the entry mode literature and the relevant hypothesis (H7), such restrictions are likely to have a negative influence on the choice by SMEs of independent modes. As also reflected by the entry mode literature, the size of individual SMEs and the type of products they offer in

international markets, factors treated by this study as control variables, may also influence the firms' choice of such modes.

Chapter 3 -
Methodology

3.1 Introduction

The influence key marketing factors have on SMEs' choice of entry modes for their international markets is investigated by this study. In the preceding chapter, the impact the literature suggests the focal marketing resources and marketing strategy variables exert on the firms' choice between independent and collaborative entry modes was reviewed and hypotheses pertaining to the expected influence of these factors on this choice stated.

In this chapter, the methodology of the research undertaken for the present study is presented. The research methodology ("the procedural framework within which…research is conducted" - Remenyi et al., 1998, 28) is discussed after the philosophy that guided the research, including the formulation of the methodology, is outlined (in the next section). The discussion of the methodology (in section 3.3) includes, among various points, the design and process of the research and the particular research methods employed. Following on from this (in sections 3.4 and 3.5) is a review of the rationale for and nature of the empirical research that was undertaken in two phases. It is here that details about the exploratory interviews and the large-scale survey that were conducted are provided, including about the interview and survey processes, the firms that participated in these and their selection, and the instruments employed to capture relevant data and insights. The outcome of the interviews is also discussed there (the data resulting from the survey and their analysis will be discussed in Chapter 4).

3.2 Research Philosophy

All academic marketing research has philosophical foundations (Hunt, 2012). Marketing researchers "make assumptions about how the world is (ontology) and how we can come to know it (epistemology)" (Easton, 2002, 108).

The philosophy whose ontological and epistemological precepts and methodological implications guided the present research is scientific realism and critical pluralism. This philosophy, espoused in relation to marketing research by Hunt[266] (Hunt, 1991; Hunt, 1994; Hunt and Hansen, 2010), "is open without being anarchic; it is critical, without being nihilistic; it is tolerant, without being relativistic; and it is fallible, without being subjectivistic" (Hunt, 1994, 24).

It is widely accepted that realism is an appropriate philosophy of science in relation to marketing[267] (Easton, 2002; Davis et al, 2013). Scientific realism (see, e.g., Chakravartty, 2011; Agazzi, 2014), which is "the dominant philosophy of science today" and "the tacit philosophy of most working scientists" (Haig, 2013, 8), views marketing research (and managerial research generally) as a truth-seeking enterprise and, according to Hunt (1990, 2012), emphasises the testing of marketing theories

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[266] Hunt's prominence in the marketing philosophy debates of the 1980s and 1990s is noted by Tadajewski (2014), who observes (p.313) that "Hunt has challenged marketing academics to be more historically and philosophically literate, particularly when they make claims about dominant paradigms or logical empiricism" and that Hunt, despite him having adopted an explicit scientific realist stance for over 20 years, "is often taken as an exemplar of some variant of positivism" (p.314).

[267] The shift over the past 60 years or so of the majority view about the philosophy of science most appropriate to the marketing discipline is summarised succinctly by Davis et al. (2013, 1246): "In response to criticisms of a lack of rigor in the 1950s, marketing scholars adopted a positivist approach to research and theory development (Easton, 2002). As arguments ensued, the driving paradigm transformed into logical empiricism (in reaction to idealism) and then realism (in response to relativism)." According to Hunt and Hansen (2010, 111), when marketing scholars "consider relativism as a [philosophical] foundation, they recognize that all forms of philosophical relativism lead to nihilism. That is, all forms of philosophical relativism lead to the conclusion that all knowledge claims the researcher can possibly make are equally good, equally bad, equally right, equally wrong, equally ethical and equally unethical. Because most researchers do not wish to be associated with nihilism, philosophical relativism is unacceptable. On the other hand, when researchers consider logical positivism or logical empiricism as a foundation, they recognize that these positivistic philosophical positions have been thoroughly evaluated in the philosophy of science and have been shown to provide unsatisfactory guidelines for conducting research in both the physical and social sciences." Acknowledging that the foregoing is not a universal view, Hunt (2014, 374) notes "there will always be differences among marketing researchers as to the most appropriate philosophy for guiding research" and, consequently, that "marketing's philosophy debates will never be over".

and accounts for these being empirically successful[268]. In the absence of a 'grand theory' of scientific realism[269], Hunt suggests that its fundamental tenets are classical realism (essentially, the world exists independently of its being perceived), falibilistic realism (although science develops genuine knowledge about the world, such knowledge will never be known with certainty), critical realism (which recognises the fallibility of perceptual processes involved in testing for the truth of knowledge claims), and inductive realism (the long-term success of a scientific theory gives credence to the belief that postulated entities and structures actually exist).

Critical pluralism, based on the premise that dogmatism is antithetical, holds that researchers should be open to and tolerate new theories and methods and that these should be evaluated critically. Marketing scholars were urged to adopt such thinking decades ago[270]. It seems that many have not, even in an era where there is greater recognition of pluralism in marketing (Möller, Pels, and Saren, 2010). This may be due to marketing scholars' widespread adherence to particular research paradigms and the scholars' varying views about their commensurability with other paradigms[271]. Research paradigms have their own assumptions about ontology and epistemology and about appropriate methodologies (Kuhn, 1970). Academic marketing, being a diverse discipline with various subfields (consumer behaviour, B2B, advertising, etc[272]) and research traditions/schools (marketing management,

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[268] Hunt (2013, 2015) proposes an inductive realist model of theory generation that links discovery and justification.

[269] Hunt (2012) states that scientific realism, often used as an umbrella term for various forms of realism, was first proposed in marketing by Bagozzi (1980), then developed by Hunt (1990), and is associated with philosophers that include Boyd (1984), Kuipers (2000), Leplin (1984), Manicas (1987), McMullin (1984), Niiniluoto (1999), Psillos (1999), Putnam (1975), and Siegel (1983, 1987). Scientific realism in marketing is not without its critics (see, e.g., Peter, 1992).

[270] Hunt (1991, 41) notes that 'critical pluralism' "is a label originally suggested by Siegel (1988) to characterize how scholars should view their own and others' theories and methods" and that the "clarion call [to marketing scholars] for critical pluralism" was made by Lutz (1989).

[271] For Hunt (1991), paradigm incommensurability is a discredited notion (p.41) and only serves as a rhetorical tool for those "who wish to stop debate rather than encourage it, freeze positions rather than thaw them, encapsulate research programs rather than open them up, or build disciplinary walls rather than tear them down" (p.42, footnote).

[272] These and other marketing subfields, including international marketing, represent distinct areas of study for which there are specialised scholarly journals.

services marketing, marketing channels, etc[273]) that overlap these fields, is home to different research paradigms[274]. Consequently, marketing scholars hold diverse views, including about appropriate research methodologies[275].

3.3 Research Methodology

Research methodology is linked to research philosophy. As noted by Davis et al (2013, 1246), "a discipline's philosophy of science prescribes the problems that are explored and the methods used to attack these (Deshpande, 1983; Easton, 2002)". The same authors also observe that in the case of the marketing discipline the "mid-[20th] century call for increased rigor" that resulted in the adoption of positivism led to marketing research being "dominated by a relatively small set of quantitative methods" and suffering from methods myopia. While this may be more true of marketing research published in the leading US marketing journals (to which the authors limit their consideration), the marketing discipline generally requires a more complex, holistic approach to methodology (Möller et al, 2010). As part of this, marketing scholars would consider methods not traditionally associated with the paradigms they adhere to and with the 'camps' they place themselves into. Currently, many marketing scholars restrict themselves to particular research methods on the grounds that the methods in question are associated with the scholars' respective paradigms and because these scholars place themselves into one of two main camps: the positivist/realist camp with its quantitative orientation, or the interpretivist/relativist/subjectivist camp with its qualitative orientation. This is so even where a research philosophy associated with a paradigm or camp does not

[273] Möller et al (2010) discuss seven research traditions in marketing from the perspective of the firm (thus excluding consumer behaviour and the societal aspects of marketing): marketing management, services marketing, marketing channels studies, interaction and network approach, relationship marketing, market orientation studies, and service-dominant logic approach (the last representing an emerging tradition).

[274] As to whether there is a dominant paradigm in marketing, Hunt holds that there is none. Tadajewski (2014, 312) outlines some of the thoughts of other marketing academics, including his own, about a "definite framing mechanism operating in marketing theory and consumer research".

[275] Referring specifically to marketing subfields, each with particular paradigms, Zinkhan (2006, 281) notes that "there is a core of shared methods [among marketing scholars], but each subarea has its own commonly accepted ways of 'doing research'".

actually prescribe the use of certain methods[276]. In the case of positivism and realism, Hunt points out that "positivism does not imply quantitative methods" (Hunt, 1994, 18)[277] and that "scientific realism does not imply any specific mathematical or statistical technique, or more strongly, mathematical/statistical techniques at all" (Hunt, 1990, 11)[278].

In line with the philosophical foundation of the research, a realist methodology was adopted for the present research. Realist methodology is critically aim-oriented, focuses on ontic depth[279], and is concerned with reliabilism[280] (Olsen, 2010; Haig, 2013). This methodology places the research problem and questions to be addressed at the centre of research considerations, including those concerning the choice of research methods. The methodology in question "undergirds a wide variety of methods, strategies, and heuristics" (Haig, 2013, 9). These include various data collection and analysis methods commonly characterised as quantitative or qualitative. In fact, scholars adopting realism have "promoted the use of methodological pluralism for several decades (Bryman, 1988; Carter and New, 2004)" and "this particular form of pluralism entails the use of both quantitative and qualitative methods (e.g. Olsen, 2004)" (Olsen, 2010, xxxiii).

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[276] Firat (2014) suggests that an attachment to particular methods rather than the logic of meaningful knowledge may drive some marketing scholars towards particular paradigms and camps.

[277] Hunt (1994, 18) states that "positivism does not imply quantitative methods; nor does it imply scientific realism; nor does it imply that researchers should search for causal relations; nor does positivism assume that theories must be deterministic".

[278] Noting that "many marketers seem to associate scientific realism only with his [Bagozzi's] advocacy of LISREL (1980, 1984)", Hunt (1990, 11) maintains that such modelling techniques require realism but that scientific realism does not imply the use of the techniques.

[279] According to Olsen (2010, xxi) "ontic depth refers to having a conceptual map of the world's nature that allows for multiple layers, complexity, interweaving and dynamic interaction of the parts of that world. The challenge of having ontic depth has been laid by realists at the door of two opposing groups - firstly methodological individualists, whom they accuse of being both simplistic and empiricist; and secondly post-modernists, whom they accuse of avoiding the possibility of the existence of structures."

[280] Scientific realism holds that "belief is justified to the extent that it is acquired by reliable processes" (Haig, 2013, 9).

3.3.1 Research Design and Process; Research Methods

The present research had two empirical phases. During the first empirical phase (Empirical Research Phase 1) exploratory interviews were undertaken. The second, main empirical phase (Empirical Research Phase 2) saw quantitative data being collected through a large-scale survey. This particular research design allowed for the obtainment of insights and data necessary for the research problem and questions (outlined in sections 1.2 and 1.3 respectively) to be addressed and for the hypotheses (stated in the preceding chapter) to be developed and tested.

The two research methods employed - the interview and the survey - were deemed the most suitable research methods. They are among some of the methods used by realists (Olsen, 2010, xx, Figure 1) and correspond with the adopted research philosophy. The interviews assisted with the development of the hypotheses by offering valuable insights into the influence of marketing factors on SMEs' entry mode choice. The survey was the means by which the data needed for the testing of the hypotheses were collected (hypothesis testing being in line with the adopted research philosophy and methodology - Norris, 2004, 6; Olsen, 2010, xx, Figure 1).

Further detail about the two research methods employed, the insights offered by the interviews, and the data generated through the survey will be provided in sections 3.4 (in the case of the interviews) and 3.5 (in that of the survey).

Figure 3.1 on page 276 illustrates the four mains stages of the research and its two empirical phases. The following are synopses of the research stages, including of the empirical phases associated with these:

Stage 1 involved the review of the extant literature. Relevant literatures (besides the entry mode literature this included the wider international business literature, including the international marketing, international distribution channels, exporting, and small firm internationalisation/international entrepreneurship literatures) were reviewed carefully and critically. This allowed for a thorough understanding of the

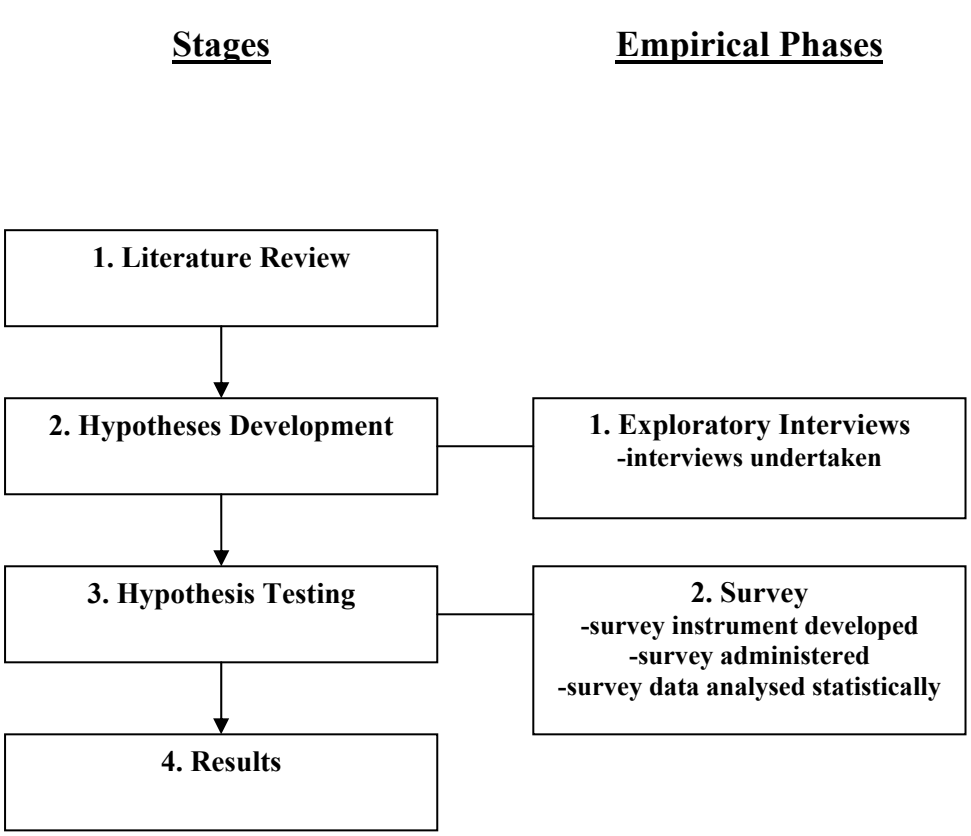

Figure 3.1 – Stages and Empirical Phases of the Research

research area and problem to be arrived at. The review also provided the foundation for the development of the hypotheses (undertaken as part of Stage 2). An outcome of this conceptual work is the chapter in this thesis relating to the literature (Chapter 2).

During Stage 2 the hypotheses were developed. This involved further synthesis and an analysis of current knowledge concerning the influence on SME entry mode choice of the six marketing factors that are the subject of H1 – H6[281] and of the single institutional factor that is the subject of H7[282]. This knowledge, which is embedded in the literature reviewed during Stage 1, was complemented by the insights obtained through the exploratory interviews undertaken during Empirical Research Phase 1. The interviews, carried out in support of the hypotheses development, will be discussed in section 3.4.

Stage 3 was the stage at which the hypotheses were tested. To enable this testing, the large-scale survey was undertaken as part of Empirical Research Phase 2. The associated work included the development (including testing) of the survey instrument, the administration of the survey, and, following this, the statistical analysis of the data. This work and the survey will be discussed in detail in section 3.5. The nature and results of the quantitative data analysis - including the support of the data for the hypotheses - are the subject of Chapter 4.

Stage 4, the final stage of the research, involved intense reflection about the results of the hypothesis testing (the results will be presented in Chapter 4), including about their wider implications (for theory, etc). These reflections are embodied in the chapter that discusses the findings (Chapter 5) and elsewhere (including in parts of Chapter 6, such as where the implications are discussed).

[281] These being marketing capabilities (H1), language skills (H2), market knowledge (H3), product differentiation (H4), marketing adaptation (H5), and market importance (H6).
[282] This being entry mode restrictions.

3.3.2 Unit of Analysis

The present study took the individual international market entry mode choice decision of firms as the unit of analysis. This corresponds with the research problems and questions addressed by the study and is reflected by the hypotheses that were stated. The same unit of analysis has been taken by other entry mode studies (e.g., Burgel and Murray, 2000; Ekeledo and Sivakumar, 2004).

The empirical research was designed accordingly. Relevant data at the level of the entry mode decision were collected through the interviews and the survey. More specifically, appropriate data pertaining to the choice by firms of entry modes for their international markets were obtained through these.

3.3.3 Research Population

For this study the research population was defined as the body of independent UK SMEs active in certain industries and engaged in international market development. Thus, to be a member of the population a firm had to meet all of the following criteria:

- be independent (not part of another firm or group of firms, whether domestic or foreign);
- be based in the UK (in England, Northern Ireland, Scotland, or Wales);
- be a SME (have a total of 1-249 employees and annual revenues not exceeding £42.5 million, as per the EU definition of a SME[283]);
- be developing international markets (active in at least one international market through the use of export, contractual, and/or investment modes, excluding indirect exporting); and
- be active in a particular industry.

[283] As stated at the outset of this thesis, the EU definition considers SMEs to be firms with fewer than 250 employees in total and annual revenues not exceeding €50 million. At the time of the empirical research €50 million equated to approximately £42.5 million.

With regard to the last criterion, to be considered a member of the research population a firm had to be active in the respective industries that were the focus of this study. For the interviews (discussed in section 3.4), this was the software industry. In the case of the survey (discussed in section 3.5), this could be any manufacturing industry. Although a single-industry focus (recommended for entry mode studies since it allows for 'finer-grained data' and more detailed analysis - Brouthers and Hennart, 2007) would have been preferable for both the interviews and the survey, there were simply not enough software firms meeting the foregoing criteria for the desired sample size to be achieved in relation to the survey (survey sample size will be discussed in section 3.5.4.3). Consequently, for the survey the focus was expanded to include all manufacturing industries[284,285].

3.3.4 Key Informant Technique

The key informant technique was adopted for the research whereby data pertaining to a firm is obtained from a knowledgeable person associated with that firm. This is the most widely used data collection approach in organisational research (Morgan et al, 2003). To avoid potential problems associated with collecting data from a single informant, including potential systematic and random sources of error (Phillips, 1981), the guidelines suggested by Huber and Power (1985) for the identification and motivation of the most knowledgeable key informant in a firm and for eliciting and interpreting data from this person were followed. In line with these guidelines, every effort was made in relation to both the interviews and the survey to identify the most appropriate person within the firms targeted. In the case of the interviews, it was confirmed at the time these were arranged that the interviewee was the most

[284] Software firms producing packaged software were considered part of the manufacturing sector. Such software can be treated as a manufactured good (unlike customised software, which is regarded as a service).

[285] In terms of the official classification of the industries covered by the survey, the UK Standard Industrial Classification of Economic Activities 2007 (SIC 2007) codes for the industries were 10 to 33 (manufacturing industries) and 58.2 (software publishing). The equivalent US Standard Industrial Classification (SIC) codes were those from 2000 to 3990 inclusive (covering the manufacturing sector) and 7372 (pre-packaged software).

knowledgeable person in the firm concerned. In relation to the survey, attempts were made to identify such person during the construction of the sampling frame (discussed in section 3.5.4.1) and the subsequent selection of the sample[286] (section 3.5.4.4). Also, a *post hoc* check on respondent competency was conducted following the survey to confirm respondents' knowledgeability and suitability as key informants, the check having been made on the basis of their answers to relevant questions contained in the questionnaire (the results of the competency assessment will be discussed in section 4.2.1.2 as part of the preliminary statistical assessment). Furthermore, in the case of some firms interrater agreement was assessed on the basis of a second respondent providing answers to the same questions and in relation to the same international market and product/product line as that person's key informant colleague (i.e., the first respondent) (the results will be discussed in section 4.2.1.3).

To elicit responses, various measures were taken. In relation to both the interviews and survey, respondents were (i) informed of the nature and importance of the study before being asked to assist with the research by participating in an interview or the survey, and (ii) assured that the information they provide would be treated as confidential. The interview and survey instruments employed (which will be discussed later) were carefully designed so that the questions were organised logically, clear to the respondents, not leading, etc.

3.4 Empirical Research Phase 1: Exploratory Interviews

3.4.1 Purpose of Interviews

As discussed at the outset of this thesis (in Chapter 1) and demonstrated by the literature review, relatively little scholarly research has been undertaken into the

[286] As will be discussed, during the second step of the sample selection process an attempt was made to obtain the name and direct email address of an appropriate key informant where this was unknown (firms for which these details could not be obtained were removed from the sample).

factors influencing SMEs' entry mode choice, including into those impacting the firms' choice between independent and collaborative modes. This is especially so in respect of the influence marketing factors have on this important mode choice decision. Prior research into the influence the marketing factors that are the focus of this study (marketing resources in the form of marketing capabilities, language skills, and market knowledge; marketing strategy variables consisting of product differentiation, marketing adaptation, and market importance) exert on smaller firms' choice between independent and collaborative modes is especially limited. This meant that in the case of most of the focal factors the literature review had to be broadened to also include insights from literatures other than the entry mode literature. With its wider scope the literature review provided the foundation for the development of the hypotheses. In view of the limitations of the literature, however, it was appropriate for the knowledge it offered about the influence marketing factors have on SMEs' entry mode choice to be complemented with insights obtainable from other sources.

Following a review of potential non-literature sources offering the required insights, it was determined that the most appropriate source would be SMEs themselves and that exploratory interviews (e.g., Deshpande, 1983; Johnson and Weller, 2001) with their mangers would offer these insights. These interviews allowed for information to be obtained that included that about the firms' choice of entry modes, particularly about the reasons for these having selected independent or collaborative entry modes and the influence of marketing factors on this choice.

As already mentioned, a single industry focus was adopted for this empirical phase of the research, with the software industry having been chosen as the focal industry.

3.4.2 Nature of Interviews

In-depth interviews with key informants in three firms (one informant per firm) were carried out, with further interviews covering additional firms having been planned if these were necessary to attain the required insights (they were not). Sufficient

background knowledge about the software industry and the internationalisation of its firms was acquired ahead of the interviews, primarily through a review of relevant literature. The interviews[287], which lasted between 60 and 150 minutes, were semi-structured and undertaken face-to-face with key informants working for relevant SMEs. The firms, all headquartered in the Glasgow area and independent SMEs selling their own B2B software products[288] internationally, were proactively developing international markets and so employing entry modes (other than indirect exporting) for this[289]. The key informants were managers with detailed knowledge of their firms' international market development activities. The type of interview employed - the semi-structured interview - is a qualitative method of interviewing that can be used when the researcher is reasonably familiar with the topic (Morse, 2012).

3.4.3 Insights Obtained through Interviews

The interviews provided valuable insights into the influence of marketing factors on SMEs' independent-collaborative entry mode choice decision, these allowing for the knowledge gained about this through the literature review to be affirmed. The interviews showed that for the three subject firms a lack of marketing (and other) resources for the development of international markets was a major factor in these having to employ collaborative modes for this purpose in relation to various markets. For example, with respect to language skills (a key marketing resource investigated by this study) one manager commented that his firm would develop the German market by itself (cutting ties with its existing partner there) had it someone in-house with German language skills. The interviews also showed that an emphasis on marketing strategy variables in relation to international markets affected the subject firms' choice between independent and collaborative entry modes. The need for

[287] Interviews can be considered a qualitative or quantitative method, depending on their exact nature. The interviews undertaken as part of the present research were more qualitative in nature.
[288] In terms of the software product-service mix, products accounted for at least 80% of the firms' annual revenues and services not more than 20%.
[289] The firms employed various independent and collaborative entry modes for this purpose, including multiple modes in relation to key country markets.

product differentiation (which was important to the three firms) and marketing adaptation (to various extents) in relation to their international markets favoured the employment of collaborative modes for various country markets. However, crucially, this was not so in relation to their most important international market (this being the USA for all three firms) to which they devoted the resources necessary to enter and develop this strategic market on their own through direct exporting without an intermediary and, in the case of one firm, WOS. One of the firms also developed this market in collaboration with a local value-added reseller (effectively an export intermediary) but only in relation to a particular market segment of lesser importance for which it did not possess the requisite knowledge and contacts.

3.5 Empirical Research Phase 2: Survey

3.5.1 Purpose of Survey

A large-scale, cross-sectional survey of firms part of the research population identified earlier (in section 3.3.3) was undertaken to collect the quantitative data required for the testing of the hypotheses developed on the basis of the literature review and the interviews.

Surveys are a commonly used data collection method in marketing research. Best suited to research whose orientation is verification, surveys allow primary data to be obtained that can be subjected to rigorous statistical analysis (Baker, 2001; Churchill Jr. and Iacobucci, 2002).

The survey, whose nature will be discussed next, involved the development of a survey instrument (discussed in section 3.5.3), the drawing of a sample (3.5.4), and the implementation of the survey (3.5.5). The data obtained through the survey were analysed subsequently (this will be discussed in Chapter 4).

3.5.2 Nature of Survey

The type of survey chosen for the present study was the internet survey. Internet surveys are a category of surveys that include web surveys (where respondents fill in web forms and the data in these are then transferred across the internet to the researcher) and other internet-mediated surveys (where the internet is the medium for delivering responses to the researcher) such as surveys embedded in emails and surveys in the form of fillable PDFs returned by a respondent via email (Vehovar and Manfreda, 2008; Callegaro, Manfreda, and Vehovar, 2015)[290]; for details about these particular survey modes see, e.g., Dillman, Smyth, and Christian, 2014[291]. Internet surveys are increasingly used by academic researchers over more traditional survey formats (postal mail, telephone surveys, etc) for reasons that include time and cost savings (for the advantages and disadvantages of internet surveys see, e.g., Smyth and Pearson, 2011 and Callegaro et al, 2015).

Further details about the nature of the survey that was undertaken will follow, including about the questionnaire employed (discussed next) and the implementation and outcome of the survey (3.5.5).

3.5.3 Survey Instrument

The survey instrument was in the form of a self-administered questionnaire purposely designed for use in the internet survey. The questionnaire was the mechanism by which data were captured from the firms taking part in the survey, more specifically from the key informants who were the respondents. In line with the unit of analysis (as set out in section 3.3.2, this was the individual international

[290] The terms 'internet survey', 'web survey', and 'online survey' are often used interchangeably. Vehovar and Manfreda (2008) and Callegaro et al (2015) are more precise, suggesting that a web survey is a type of internet survey and that internet surveys come under the umbrella of online surveys. Other researchers use the term 'online survey' to refer to both internet and web surveys. For example, Ackland (2013, 25) defines 'online surveys' as "surveys that are delivered via email and the web".

[291] These authors consider email surveys and fillable PDFs to be different 'electronic options' for collecting survey data over the internet, and distinguish such survey options from web surveys.

market entry mode choice decision of firms) the data centred on (but were not limited to) the firms' entry mode choice. These data pertained to only one particular international market for each firm, with respondents having been asked to report about a specific international market their firms had been active in for at least one year and about which they were familiar (respondents were also asked to report on only one important product/product line sold in the respective international market). The data related to background information about each firm (and its respondent), its engagement with the respective international market, the entry mode(s) it employed in relation to that market, its marketing resources and strategy for the market, and to other aspects of the firm's involvement with the market (some of which are outside the scope of the present study[292]).

Two versions of the questionnaire were developed for and employed in relation to the survey. The first version was a web questionnaire hosted by Qualtrics (Qualtrics, LLC, Provo, UT, USA) accessible to respondents through the internet. This questionnaire (*hereafter referred to as the 'Qualtrics questionnaire'*), created using tools made available by Qualtrics, is reproduced in Appendix A (where condensed screenshots of its actual sequence are shown). The second version was a fillable (interactive) PDF questionnaire that respondents would download, complete, and return by email. That questionnaire (*referred to as the 'PDF questionnaire'*), created using Adobe Acrobat X Pro (Adobe Systems, Inc, San Jose, CA, USA), is shown in Appendix B (some of its features, including drop-down answer menus, are not reproduced in what is a print-out of the questionnaire).

The reason for employing two versions of the same questionnaire - each effectively representing a different internet survey mode - was to increase the response rate. Although it would have been preferable to only use the Qualtrics questionnaire and so to only employ a web survey, it was thought necessary to offer respondents the choice of completing this or the PDF questionnaire and to employ what is a second internet survey mode. While both questionnaires have exactly the same questions and present these in the same order, some respondents would not have completed the

[292] The questionnaire also captured data for separate, future studies.

survey without having been offered the PDF questionnaire. Reasons for this include their preference for the more traditional survey layout of the PDF questionnaire, the ability to complete this questionnaire offline (such as when travelling internationally[293]), and the option to print out the completed questionnaire and to store this with paper records. That many of the respondents actually preferred to complete the PDF version is demonstrated by the fact that some 47% of the usable questionnaires returned during the survey were the PDF version.

The questionnaire will be discussed further below in terms of the operationalisation of the study variables (discussed next), the design of the questionnaire (3.5.3.2), its testing through the pilot survey that was undertaken (3.5.3.3), and its deployment in relation to the main survey (3.5.5).

3.5.3.1 Operationalisation of Variables

The variables in the present study about which the survey captured relevant data for the purpose of testing the hypotheses are indicated by Table 3.1 on page 287, by Table 3.2 on page 288, and by Table 3.3 on page 289. The tables also indicate the measures used to operationalise these variables and their sources.

Multi-item scales previously used by other researchers in contexts similar to that of the present study and for research published in reputable scholarly journals were employed to capture data for variables where available and appropriate. Data for other variables were obtained through single-item measures where this was more in line with research practice in international business/marketing and where such

[293] The roles of the key informants in their respective firms meant that these were travelling internationally much of the time and so could find a PDF questionnaire they were able to download to their notebook computers more convenient than a web questionnaire they could only access when online. Other researchers have commented on the impact that this travel has on the managers concerned. For instance, in the case of UK exporters, Kaleka (1999, 36) wrote that "it should be remembered that the role of managers with export performance responsibility is typically characterised by frequent international travel, often at short notice, and by discontinuous and fragmented work patterns."

Variable	Measures/Items	Source
A. Dependent Variable		
Entry Mode Choice	Individual entry mode employed. (select one)	Young et al (1989); Root (1994); Welch et al (2007).
B. Independent Variables		
Marketing Capabilities	*Unweighted composite measure of 5* variables:* *-Product Capability;* *-Pricing Capability;* *-Distribution Capability*;* *-Marketing Communications Capability;* *-Market Information Management Capability.* Compare aspects of firm's marketing capabilities for this particular market with those of its main competitors there: (1 = much worse *to* 7 = much better) *See Appendix C for measurement items:* *-3 items for Product Capability* *-4 items for Pricing Capability* *-4 items for Distribution Capability** *-3 items for Marketing Communications Capability* *-5 items for Market Information Management Capability*	Kaleka (2011, 2012); Vorhies & Morgan (2005); Zou et al (2003).
Language Skills	Firm's competency of language(s) spoken in the market with regard to negotiating in the language(s). (1 = none *to* 7 = native fluency)	Based on Swift (2002).
Market Knowledge	Number of years of experience of the market.	Wu et al (2007).

*distribution capability was eliminated as part of the composite marketing capabilities measure before statistical analysis took place.

Table 3.1 – Overview of Variables and Measures – Part 1

Variable	Measures/Items	Source
B. Independent Variables (continued)		
Product Differentiation	Extent to which firm competes in the market on the following: (1 = None at all *to* 7 = Substantially) 1. Maintaining higher quality standards for our products. 2. Maintaining unique image for our products. 3. Differentiating products and services from competitors.	Aulakh, Kotabe, and Teegen (2000).
Marketing Adaptation	Extent to which variables are adapted compared to the home market: (1 = None at all *to* 7 = Substantially) 1. Product 2. Price 3. Distribution 4. Promotion/communication.	Navarro et al (2010a and 2010b).
Market Importance	Percentage of firm's total overall sales generated by the market. (0 to 100%)	McNaughton and Bell (2001).
Entry Mode Restrictions	Legal restrictions on how foreign firms can operate in the market. (1 = None *to* 7 = Substantial/Extensive/High)	Brouthers, Brouthers, and Werner (2003).

Table 3.2 – Overview of Variables and Measures – Part 2

Variable	Measures/Items	Source
C. Control Variables		
Firm Size	A. Number of employees: (select one) 1. 1-9; 2. 10-49; 3. 50-249 4. >250 B. Annual sales (revenues): (select one) 1. <£1,780,000; 2. £1,780,000-£8,900,000; 3. £8,900,000-£44,500,000; 4. >£44,500,000	European Commission (2005)
Product Type	Product/product line is: (select one) 1. Consumer; 2. Industrial; 3. Other (specify)	Cavusgil and Zou (1994)

Table 3.3 – Overview of Variables and Measures – Part 3

measures were suitable in view of the concreteness and unidimensionality of the construct (Fuchs and Diamantopoulos, 2009).

Besides the variables about which the survey captured relevant data for hypothesis testing (as indicated by Table 3.1, Table 3.2, and Table 3.3), various characteristics about the firms participating in the survey and about the respondents (key informants) were obtained through the employment of appropriate measures incorporated within the questionnaire. The capture of these characteristics allowed for descriptive analysis concerning the firms and respondents.

Most of the measures employed featured closed-ended questions. The response format of these varied (the original response formats of previously employed questions were maintained). Some included Likert-type scales, all of which were 7-point with anchors of 1 (variously representing 'none', 'much worse', etc) and 7 ('substantial', 'much better', etc).

Further details about the operationalisation of the study variables follow:

A. Dependent Variable

Entry mode choice. A firm's choice between an independent and a collaborative entry mode for an individual international (foreign country) market was determined on the basis of the individual entry mode it selected for that market. Each respondent was asked to identify the individual entry mode employed by that person's firm in relation to the particular international market about which the respondent reported, choosing the respective mode from a list of eight distinct individual entry modes that covered the major export, contractual, and investment modes (Young et al, 1989; Root, 1994; Welch et al, 2007). By their very nature individual entry modes are either independent or collaborative modes, so the respondents effectively also identified whether their firms had chosen an independent or a collaborative entry mode. Where a firm used more than one individual entry mode for an international market, respondents were instructed to identify the mode they considered to be the

most important (where multiple individual entry modes are employed by a firm in relation to a market, one such mode is usually primary - Welch et al, 2007).

B. Independent Variables

Marketing capabilities. The extent of a firm's marketing capabilities for an individual international (foreign country) market was assessed on the basis of its ability to undertake aspects of the five core marketing capabilities of interest to this study - the capabilities being those discussed in section 2.5.3, namely product capability, pricing capability, distribution capability, marketing communications capability, and market information management capability - compared to that of its competitors in the market. The ability of a firm to carry out key aspects of each core marketing capability was assessed separately through dedicated measures. These measures of the core marketing capabilities were then averaged to form a composite, unweighted measure of marketing capabilities. Appendix C provides an overview of the measures used in relation to the individual marketing capabilities, the sources of the measures, the reason for their use, and the nature of their adaptation. As the overview shows, in the case of three of the five marketing capabilities (pricing capability; marketing communications capability; market information management capability) measures developed by Vorhies and Morgan (2005) for marketing in a domestic context were employed. This is because suitable measures for the three capabilities developed specifically for an international marketing context could not be identified, unlike in the case of the measures used for product capability and distribution capability[294]. Other authors have also used the scales of Vorhies and Morgan (2005) in the context of international marketing (e.g., Spyropoulou, Skarmeas, and Katsikeas, 2011) and of small firm internationalisation (Ibeh and Kasem, 2014), adapting these as appropriate to the respective contexts. In the case of the present study, all the measures relating to the individual marketing capabilities were (as

[294] Individual marketing capabilities in an international context are commonly assessed through proxy indicators (for example, Raymond and St-Pierre, 2011, assess SMEs' product development capability in an international context by measuring R&D budgets and the number of employees tasked with this). Of the measures that *directly* assess key aspects of core individual marketing capabilities in relation to international marketing, it appears that most were designed for an exporting context. This corresponds with studies specifically investigating one or more of these capabilities in the context of international markets largely pertaining to exporters (as noted earlier).

indicated by the same overview) adapted in only minor ways to increase their applicability to the research context.

Distribution (channel management) capability was removed as an element of the composite measure after the survey was undertaken and was not included in the subsequent statistical analysis due to insufficient responses (the measure related to exporting through distributors[295], which was the only or most important entry mode for only a small proportion of the sample firms[296]). Although this reduced the comprehensiveness of the composite measure since it no longer reflected distribution capability, the measure, based on the four other marketing capabilities, still allowed for the sufficient assessment of the firms' core marketing capabilities (which, for most firms in the sample, would not include the type of distribution capability assessed by the measure employed).

Language skills. The language skills a firm had in respect of an individual international market were measured on the basis of its ability to carry out negotiations in the primary language(s) of that market. Negotiation is a key international marketing-related task demanding foreign language expertise, including in the case of exporting (Piekkari et al, 2014) where the lack of the ability to negotiate in the customer's language puts the exporter at a competitive disadvantage (Feely and Harzing, 2003). For these and other reasons, the language ability that was assessed for can be regarded as being representative of that required by most market-seeking firms to enter and develop international markets on their own successfully (Swift, 1991; Lernoux et al., 2012).

Market knowledge. The knowledge a firm had of an individual international market, more specifically its experiential knowledge of that market, was assessed on the basis

[295] The available measures of distribution capability (e.g., those used by Zou et al, 2003) are generally limited to measuring aspects of the principal-distributor relationship. As discussed earlier, the extant literature regarding distribution capability in the context of international markets focuses on distributors rather than on the range of channel intermediaries that firms developing such markets could use. Consequently, available measures of distribution capability are generally limited to assessing the principal-distributor relationship.

[296] The primary entry modes employed by the sample firms will be discussed as part of the descriptive analysis of the survey data.

of its experience of that market. Entry mode and other studies concerning themselves with firms' knowledge of individual international markets (i.e., of local/host market knowledge) (e.g., Larimo, 2003; Demirbag, Tatoglu, and Glaister, 2008) - as opposed to the firms' accumulated knowledge of (all their) international markets (i.e., their international knowledge) - commonly examine experiential knowledge and use the firms' experience of the respective international markets (i.e., local/host market experience) as a proxy for this. According to Dow and Larimo (2011, 326), "experiential knowledge is an abstract and difficult to measure construct; and thus, virtually all [entry mode] studies use some measure of experience as a proxy [for] experiential knowledge." In line with this, the present study measured the experiential knowledge a firm had of an international market on the basis of its experience of the market (market experience). This rests on the premise that a firm's experience of an international market corresponds with its experiential knowledge relating to that market; essentially, the longer a firm's experience of an international market, the greater its opportunity to accrue experiential knowledge relating to that market (this was discussed in detail in section 2.5.5). In terms of the actual assessment, market experience was assessed by determining the number of years of experience the firm had of the particular country market (e.g., Wu et al, 2007). Following Schwens and Kabst (2011) and others, the number of years of experience was calculated by subtracting the year a firm first sold its products in/to the market from the year the survey was conducted.

Product differentiation. The extent to which a firm differentiated its products in relation to an individual international market (product differentiation was discussed in section 2.6.2) was measured through a three-item scale previously used by Aulakh et al (2000) and others that gauged emphasis on quality, unique image, and on differentiation generally vis-à-vis the firm's competitors in that market.

Marketing adaptation. The degree to which a firm adapted its marketing mix in respect of an individual international market (marketing adaptation was discussed in section 2.6.3) was measured through a four-item scale employed by Navarro et al

(2010a and 2010b) and others that assessed the adaptation for that market of the product, price, distribution, and marketing communications elements of the 'mix'.

Market importance. In the context of the present study, a firm's actual sales in an individual international market appears to be the best indicator of the importance of that market to the firm (this was discussed in section 2.6.4.1). Consequently, the importance of an international market to a firm was measured on the basis of the share of a firm's total sales accounted for by that market. The operationalisation of market importance in this way follows McNaughton and Bell (2001) and others. Values of market importance were obtained from the respondent's answers to two questions in the survey questionnaire: (1) the percentage of the firm's international sales generated by the international market in question, and (2) the percentage of the firm's total overall sales accounted for by all its international markets.

Entry mode restrictions. Following Brouthers et al (2003) and others, the legal restrictions imposed by the host country on foreign firms' use of entry modes were measured through a single-item scale.

C. Control Variables

Firm size. The size of a firm was measured in terms of total number of employees and total annual sales. To encourage firms to provide such information, respondents were asked to indicate the particular category their firms' employee numbers and annual sales fell into rather than to state actual values. These categories corresponded with the European Union's classification of SMEs (European Commission, 2005), so that employee and sales categories 1 represented a micro firm, 2 a small-sized firm, 3 a medium-sized firm, and 4 a large firm.

Product type. In line with Cavusgil and Zou (1994) and others, respondents were asked to identify the product/product line they reported about as either a consumer or industrial product/line. They were given the option of describing the product/line instead.

3.5.3.2 Questionnaire Design

The questionnaire (both its Qualtrics and PDF versions) was designed carefully and in line with best practice. The 'tailored design method' (TDM) espoused by Dillman, Smyth, and Christian (2009) was adopted for this. This scientific approach to surveying, formerly referred to by Dillman as the 'total design method', focuses on reducing survey error and encouraging sample members to respond. It "encompasses a number of rigorous techniques and steps that, when accurately followed, are proposed to increase survey response rates considerably" (Anseel et al., 2010, 337).

The TDM recommendations concerning questionnaire design that were followed incorporate those relating to critical aspects of such design, including the appearance and length of the questionnaire, its structure, and the order of the questions (Churchill Jr. and Iacobucci, 2002; Dillman et al, 2009). These aspects were thoroughly considered so that a questionnaire would be arrived at whose appearance ('look and feel') was good, length reasonable, structure sound, and questions sequenced logically. The crafting and employment of such user-friendly questionnaire is one of the methods that can be used to improve the response rate (other methods for this include those relating to survey implementation, which were also followed; these will be discussed in section 3.5.5).

Considering that the questionnaire was to be used in an internet survey, the design of the questionnaire also took into account contemporary best practice for the design of internet surveys as suggested by Best and Krueger (2008), Couper (2008), and Dillman et al (2009). This applied mainly to the Qualtrics version of the questionnaire but also extended in various respects to the PDF version. The design of the PDF questionnaire was kept as uniform as possible with that of the Qualtrics questionnaire, including in relation to the questions it contains. The questions of the Qualtrics and PDF questionnaires are identical in wording, order, and all other respects, this having been necessary for the data captured by both questionnaire versions to be consistent and combinable.

Once the questionnaire was designed it was reviewed by others, pre-tested, and revised. The questionnaire was scrutinised by Strathclyde Business School (SBS) academics who were experts in research methodology and revised on the basis of their comments. Thereafter the questionnaire was pre-tested on SBS academics and doctoral researchers whose research interests were allied to the topic of the present study and then revised once more. The questionnaire was then further pre-tested by being deployed in a pilot survey (discussed next) after which it was revised for the final time based on the comments of the managers who took part in the pilot.

3.5.3.3 Pilot Survey

A small-scale pilot survey was conducted to pre-test the questionnaire on managers and to determine the effectiveness of this and of various aspects of the survey. As part of the pilot, participants provided feedback that allowed improvements to be made to these before the (main) survey was launched.

Firms included in the sampling frame created for the (main) survey (the sampling frame is discussed in section 3.5.4.1) were randomly selected for possible participation in the pilot survey. Potential key informants within 43 of the selected firms (one informant per firm) were contacted by telephone, informed of the study, and asked to consider taking part in the survey. Of these, 31 agreed to do so and were sent an email confirming the nature of the study and their requested participation in the survey. They were given the choice of completing the Qualtrics version of the questionnaire (a link to this was provided in the email) or the PDF version (which was attached to the email). Ten of the potential informants who were sent the email returned a completed questionnaire (some after a follow-up email) and so participated in the pilot. Eight of the questionnaires were fully completed (two were not and were unusable), four of which were the Qualtrics version and four the PDF version. All ten respondents were contacted by telephone again after they submitted the questionnaires and asked to provide feedback about these (concerning the clarity of the instructions and questions, the ease of completing the questionnaire, etc) and about the survey-related communications (telephone calls and emails). The

respondents' comments were then used to improve the questionnaire and the initial and follow-up emails that would be sent to respondents taking part in the (main) survey.

3.5.4 Survey Sample

Sampling is "the process by which inference is made to the whole by examining only a part" (Som, 1996, 1). The 'part' that is examined is a sample of the research population in question. Such sample needs to be carefully designed. In the case of the present study, the sequence of decisions made in relation to the design of the survey sample corresponded with the six-step procedure for drawing a sample suggested by Churchill Jr. and Iacobucci (2002). This procedure involves:

(1) defining the target research population (the target population was identified in section 3.3.3);

(2) specifying the sampling frame (discussed in the following section);

(3) selecting the sampling procedure (in section 3.5.4.2);

(4) determining the sample size (section 3.5.4.3);

(5) selecting sample elements (i.e. the sample) (section 3.5.4.4); and

(6) collecting data from the designated elements (sections 3.5.4.4 and 3.5.5).

3.5.4.1 Sampling Frame

A sampling frame is a list or other record of the research population from which the sampling units (elements of the population that are sampled) are drawn (Vogt, 2005). Despite an exhaustive search, a sampling frame that covered the research population specifically and comprehensively could not be located (as discussed in section 3.3.3, for the survey the research population consisted of UK manufacturers that were independent SMEs and which were developing international markets through exporting, contractual, and/or investment entry modes). The potential frames that were identified did not capture or delineate firms based on *all* aspects of the definition of the population. While some of the available frames purposely captured

exporting firms and hence either excluded firms developing international markets through contractual arrangements and investment or did not identify such firms when these were part of the frame, other sampling frames included and identified internationally active firms regardless of the mode employed but only if they met certain financial criteria that effectively excluded many smaller firms[297]. For this and other reasons, the coverage of the research population by the potential sampling frames was limited. None of the available frames sufficiently encompassed on its own the elements of the population (i.e. the firms relevant to the present study).

In the absence of an existing sampling frame suited as such for the present study, a frame was constructed for the purposes of the research. The construction of the sampling frame was undertaken in three stages. The first stage involved the selection of the sources to be used in the creation of the frame. Following a thorough evaluation of the various sources that were available, it was decided that two commercial databases would be used to create the sampling frame. The two databases were the British Exporters Database contained on CD-ROM and the Global Reference Solution online company database (details about both databases follow). Unlike some of the other sources that were considered, these databases captured a large number of firms within the research population; in combination, the two databases appeared to provide extensive coverage of the population. Moreover, the firms captured by the databases represented all types of UK-based SME manufacturers in terms of firm size and industry. While the databases did not explicitly identify firms on the basis of these developing international markets

[297] An example of such a database is FAME, a product of Bureau van Dijk Electronic Publishing BV (Brussels, Belgium). The version of this online database that was considered only included firms with an annual turnover or shareholder funds in excess of £1 million or whose profits were at least £75,000. Notwithstanding this restriction, a search of FAME for internationally active firms on the basis of firms having overseas turnover (the only available search criterion in relation to firms' international market development) would result in a considerable number of internationally active firms *included in the database* being omitted from the search results. This is because the overseas turnover criterion is based on the firms themselves having reported such turnover separately from their total turnover in their annual accounts sent to Companies House (the UK government agency with which all limited liability companies in the UK are registered). As firms incorporated in the UK are not required to provide in their publicly available financial accounts a breakdown of their revenues in terms of their generation within and outside the UK, not all firms do so; this is especially so with SMEs, most of which only have to file partial (abbreviated) annual accounts. This issue has been noted by others (e.g., Fast Track, 2011, 2) and also appears relevant to other databases that offer search criteria based on firms' self-reported overseas turnover taken from their publicly available financial accounts.

through contractual arrangements and investment, it was assumed that many of the included undertook these forms of international market development.

The British Exporters Database (*hereafter referred to as 'BED'*), contained on the British Exporters CD-ROM published by UK Exporters Ltd (Bristol, UK), had been used previously for academic research relating to British exporters (e.g., Beleska-Spasova and Glaister, 2009[298]). The 2011 version of the database used for the present study included 14,228 firms, most of which were manufacturers exporting from the UK (the remaining firms were UK subsidiaries of foreign firms; firms only exporting services; trading/wholesaling firms; firms providing business services to exporters; trade associations; other entities). The entries for many firms included the name and email address of a person (most commonly, that responsible for international sales) representing a suitable key informant for this study.

Global Reference Solution (*hereafter referred to as 'GRS'*) is an online database offered by Dun & Bradstreet, Inc. (Short Hills, NJ, USA). Dun & Bradstreet databases have been used extensively in academic research[299]. The GRS database itself has been employed for studies relating to British MNEs (e.g., Sheehan, 2012) and indicated by Johnston et al. (2011) as being suitable for research into SMEs. At the time it was used for this study, GRS delineated 6,694 UK firms as manufacturers (of all sizes) that exported. The entries for these firms included the name of a person (most frequently, the managing or another director), many of which represented suitable key informants for this study.

The second stage of the construction of the sampling frame involved the identification of population members through the BED database, the first source that was selected. Following verification that each of its entries represented a firm

[298] These authors validated the comprehensiveness of the database in terms of it capturing British exporters by "cross-referencing the directory with the TradeYorkshire Business Database (UK Trade & Investment) and the list of winners of the Queen's award for excellence in exporting [the Queen's Award for Enterprise in the category of international trade, formerly known as the Queen's Award for Export] for the previous 5 years" (Beleska-Spasova and Glaister, 2009, 297).

[299] Dun & Bradstreet databases are also used in relation to research into SMEs commissioned by the UK government, including for the drawing of survey samples (e.g., BMG Research, 2013).

meeting the criteria for inclusion in the research population[300], it was determined that 5,804 of the 14,228 firms contained in the database represented members of the research population. These (5,804) firms were then entered onto a Microsoft Excel 2007 spreadsheet (Microsoft Corporation, Redmond, WA, USA) that became the sampling frame.

The third and final stage of sampling frame construction involved the identification of population members through the GRS database, the second selected source. Through the application of relevant search criteria[301], 5,987 of the firms included in the database were indicated to be members of the research population. Each of the identified firms was then verified as a firm meeting the criteria for inclusion in the research population[302]. This resulted in 3,318 of the identified firms representing additional population members. These firms were then added to the spreadsheet that was the sampling frame. This completed the construction of a sampling frame containing a total of 9,122 firms.

3.5.4.2 Sampling Procedure

Circular systematic sampling was selected as a randomisation process in order to minimise bias in the selection of sample firms. Systematic sampling appears to be the most widely used method of sampling, not least due to its relative ease (Levy and

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[300] The verification process involved ascertaining that each firm included in the database was an independent SME manufacturer developing international markets. The verification was necessary because a substantial number of entries did not pertain to independent UK manufacturers or were outdated, otherwise incorrect, duplicates, or incomplete. Also, entries in BED did not provide information as to the size of the firms included in the database; an option to search the database - published in the form of a CD-ROM - for firms of a particular size was not provided. As part of the verification process, relevant information about the firms was obtained from various other sources (including from the websites of the firms themselves) and cross-checked.

[301] In line with the definition of the research population, the search criteria were that firms: (1) had to be headquartered in the UK, (2) have 1-249 employees, (3) have a maximum turnover of £44.5 million, (4) have a primary US SIC code from 2000 to 3990 inclusive (the codes covering the manufacturing sector) or 7372 (pre-packaged software), and (5) be engaged in exporting. Another search criterion was that firm branches were excluded.

[302] The verification effort in relation to the GRS database was, as in that of the BED database, necessary to ascertain that each firm was an independent SME manufacturer developing international markets. Not all of the firms identified by GRS actually matched the search criteria (the criteria are outlined in the previous footnote). Numerous firms were part of large UK-based manufacturers or were UK subsidiaries of foreign firms. The verification process, as in the case of BED, involved the acquisition of relevant information about the firms from various other sources and cross-checking this.

Lemeshow, 2008). The circular type of systematic sampling features a circular pattern to the selection of the sample, with the selection process starting from a random number on a list of population members (the random number having been selected between "1" and "*N*") and moving down the list until its end before continuing from the beginning of the list (Daniel, 2012). Provided that the starting point is randomised, circular systematic sampling is a type of probability sampling. The implementation of this sampling procedure will be discussed in the section on sample selection (3.5.4.4).

3.5.4.3 Sample Size

The aim was for 200 firms to be included in the achieved (final) sample. A sample of this size was considered adequate for the present research. Such a sample satisfied the requirements of the statistical methods (including logistic regression) that would be used in the analysis of the data generated through the survey (the quantitative data analysis undertaken will be discussed in the following chapter). Also, such sample is larger than the median sample size of 180 that Yang, Wang, and Su (2006) found for 1,296 empirical articles published in leading international business journals from 1992 to 2003. Moreover, such sample is comparable to the bigger sample sizes of typical entry mode studies relating to SMEs published in recent years, as indicated by Table 3.4 on page 302.

Although a larger achieved sample would have been preferred since it helps minimise sampling error and for other reasons (Mazzocchi, 2008), this was not attainable. In view of the factors that affected the size of the achieved sample (discussed next), an inability to expand the size of the sampling frame (discussed thereafter) meant that the size of the sample could not be increased significantly.

The most important factors affecting the size of the achieved sample were the sample selection process and the response rate of the firms included in the initial sample. Due to these two factors, at the survey planning stage it was estimated that only about 200 of the 9,122 firms contained in the sampling frame would form the

Author(s)	Journal	Sample Location	Size of Final Sample
Maekelburger, Schwens, and Kabst (2012)	JIBS	Germany	206
Ripollés, Blesa, and Monferrer (2012)	IBR	Spain	135
Schwens et al (2011)	JMS	Germany	227
Prashantham (2011)	BJM	India	102
Li and Qian (2008)	JIE	n.s.	166
Cheng and Yu (2008)	IBR	Taiwan	165
Ojala and Tyrväinen (2007)	JIM	Finland	51
Pinho (2007)	IMR	Portugal	87

BJM: British Journal of Management; IBR: International Business Review; IMR: International Marketing Review; JIBS: Journal of International Business Studies; JIE: Journal of International Entrepreneurship; JIM: Journal of International Marketing; JMS: Journal of Management Studies.

n.s.: not stated.

Source: Author.

Table 3.4 – Sample Sizes of Typical Survey-Based Studies Examining Entry Mode Choice of SMEs, 2007-2012

	Factor	Percentage of Firms Retained*	Number of Firms Remaining	
Sampling Frame	Sampling Frame Creation	(n.a.)	9,122	
	Sample Selection – Step 1: Probabilistic Sampling	50%	4,561	
	Sample Selection - Step 2: Exclusion of Firms without Key Informant Details	25%**	1,140**	← Anticipated initial sample.
Achieved Sample Size	Firms Responding with Usable Questionnaires	17.5%**	200**	← Anticipated achieved (final) sample.

*from the previous step; **estimated at survey planning stage.

Figure 3.2 – Factors Affecting Achieved Sample Size

achieved sample (which, if correct, would result in the size of the achieved sample matching that aimed for). Figure 3.2 on page 303 illustrates the respective impacts of the sample selection process and of the firm response rate on the formation of the achieved sample.

It was anticipated that through the two-step sample selection process (which will be discussed in further detail in the next section) an estimated 1,140 of the 9,122 firms in the sampling frame would be selected for inclusion in the initial sample. The first step in the selection of the initial sample entailed probabilistic sampling (through the use of the sampling procedure discussed in the previous section) whereby a maximum of 50% of firms in the frame (i.e. 4,561 firms) could possibly be selected for inclusion in the sample. The second step involved the exclusion of firms chosen during the first step for which the name and direct email address of an appropriate key informant was unknown and could not be obtained. It was assumed, based on experience obtained from the verification process undertaken in relation to the BED and GRS databases during the construction of the sampling frame, that such details would be available in the case of circa 25% (1,140) of the 4,561 firms[303].

The second most important factor affecting the size of the achieved sample was the response rate of the firms chosen through the sample selection process and which were subsequently asked to participate in the survey. More specifically, this was the response rate of the key informants within the selected firms (typically senior managers), the informants having been asked to be respondents in the survey. Response rates appear to be relatively low in the case of surveys involving senior managers within firms (Anseel et al, 2010), particularly where self-administered questionnaires are concerned (Cycyota and Harrison, 2006, found that 231 studies of executives using traditional mail surveys and which appeared in leading management

[303] The names and direct email addresses of appropriate key informants were captured during the construction of the sampling frame for a sizeable number of firms in the frame (for example, for 677 firms in the case of firms identified through BED). These details had been included in their respective database entries (in the case of BED) or became apparent during the course of the verification process relating to the firms in the databases (BED and GRS). Based on this experience, it was thought that the details would be available for about one out of every four firms of those retained after the first step in the sample selection process.

journals from 1992 to 2003 had a median response rate of 32%). Moreover, internet surveys seem to have a response rate that is even lower than those for traditional mail surveys (Shih and Fan, 2009) and one that has been declining in recent years. This appears to be due to a growing reluctance on the part of managers to read and respond to email invitations to participate in surveys and to their greater disinclination to complete internet surveys. Besides being symptomatic of 'survey fatigue' that has been emerging as a consequence of the increasing number of surveys that managers are being asked to participate in (Cycyota and Harrison, 2006), this behaviour can be attributed to concerns about unwanted bulk (spam) emails, infection by malicious software (malware), internet fraud, and the misuse of information (Harzing, Reiche, and Pudelko, 2013). In view of the foregoing, it was anticipated that the response rate would be 15-20% (a response rate comparable to that achieved by other studies relating to SME internationalisation - e.g., Cadogan, Cui, and Li, 2003; Freeman and Styles, 2014). Thus, it was estimated that 17.5% of the 1,140 firms in the initial sample would respond with usable questionnaires, resulting in an anticipated 200 firms forming the achieved sample.

Given the factors affecting the size of the achieved sample, in order for a larger sample to be achieved an increase in the size of the sampling frame would have been necessary. However, further development of the sampling frame so that it included more than 9,122 firms could not be undertaken due to time and financial constraints. Even without these constraints, the lack of available sources allowing for the identification of firms representing additional population members would have made further development difficult. As discussed earlier, the two databases used to create the sampling frame appeared to provide the greatest coverage of the research population. The use of additional data sources that were available would, in view of their limited population coverage and for other reasons, probably not have resulted in a sizeable number of additional firms being added to the sampling frame. Thus, alternative methods for obtaining additional population members would have to be resorted to, such as contacting UK-based SME manufacturers not captured by the two databases to ascertain whether they met the profile of the research population and could thus be included in the sampling frame.

3.5.4.4 Sample Selection

As just discussed in relation to the size of the sample, the sample was selected through a two-step procedure. The first step involved the application of circular systematic sampling (this sampling procedure was outlined in section 3.5.4.2) to randomly select an appropriate number of firms for inclusion in the sample. In view of the sample size requirements, 50 per cent of the firms contained in the sampling frame were chosen. After a firm whose entry in the spreadsheet (the spreadsheet representing the sampling frame) from 1 to 9,122 (the final firm entry in the spreadsheet) inclusive was randomly selected to represent the starting point, every second firm thereafter was chosen in a circular pattern until half of the firms in the sampling frame were selected. Thus, 4,561 firms were chosen for inclusion in the sample (and came to represent the probabilistic sample).

The second step in the selection of the sample involved the exclusion of firms chosen during the first step for which the name and direct email address of an appropriate key informant was unknown and could not be obtained. This step was necessary because appropriate key informants within the sample firms were targeted as respondents for the survey and would be contacted by email for this purpose. Of the 4,561 firms probabilistically selected for the sample, 3,613 firms were removed because the aforementioned details were not available despite an attempt having been made to obtain these from various sources[304]. Hence, the initial sample came to consist of 948 firms.

3.5.5 Survey Implementation & Outcome

The implementation of the survey followed the guidelines of the tailored design method (TDM) proposed by Dillman et al (2009). Besides providing guidance for questionnaire design, the TDM offers detailed guidelines about the administration of a survey, including on interacting with potential respondents, with a view to maximising the response rate.

[304] The sources included a range of databases (other than BED and GRS) and social media resources.

As the survey was an internet survey, also taken into account was contemporary best practice for the administration of such surveys as suggested by Vehovar and Manfreda (2008), Dillman et al (2009), Fan and Yan (2010), and others.

The potential key informant who had been identified[305] in each of the 948 firms included in the initial sample was sent an email inviting that person to take part in the survey. This carefully designed and worded invitation email (reproduced in Appendix D) was sent to the potential informant's direct email address[306], addressed the person by name, informed the person about the nature and importance of the survey and his/her participation, and asked him/her to complete the questionnaire. The persons concerned were offered a choice of questionnaires, with the email providing a link to the Qualtrics web-based questionnaire (shown in Appendix A) and another link to the PDF questionnaire (in Appendix B) that would allow them to download that particular questionnaire.

A follow-up email was sent about two weeks after the initial email to the potential informants who had not returned a completed questionnaire (except to those who had responded to the initial email by advising that they would not take part in the survey). This email (reproduced in Appendix E) was similar to the initial email in various ways, re-emphasised the importance of the person's participation in the survey, and again provided links to the two versions of the questionnaire.

Of the 948 potential informants contacted, 206 responded to the emails. Nine declined to take part (citing various reasons, including lack of time, firm policy, and firm/respondent ineligibility/inappropriateness). Of the 197 questionnaires that were returned (resulting in a response rate of 20.8%[307]), two were deemed unusable due to excessive missing data. Of the 195 usable questionnaires, one was excluded because the firm concerned was ineligible (the firm engaged in indirect exporting). Thus, 194

[305] As noted earlier, potential key informants were identified during the creation of the sampling frame and during the sampling process.
[306] The direct email address assigned by the person's firm, not any private email address.
[307] This fell approximately within the rate of 15-20% anticipated during the survey planning stage (the estimated response rate was discussed earlier).

firms comprised the achieved (final) sample[308] (resulting in a maximum sampling error of ± 7.04%).

The data concerning the responding firms, contained in the questionnaires returned by the informants (103 of which chose the Qualtrics version, 91 the PDF version), would be analysed subsequently[309].

Discussed in detail in the following chapter are the characteristics of the responding firms, the nature of the analysis of the data about these, and the results of this analysis.

3.6 Chapter Summary

The methodology of the research was discussed in this chapter. As part of the discussion, the research philosophy was outlined and the nature of and rationale for the research design, the process of the research, and the research methods employed explained. The two empirical research phases were discussed as were the exploratory interviews and the survey carried out during the first and second phases respectively. Details about the interview and survey processes, the firms that participated in these and their selection, and the instruments employed to capture relevant data and insights were provided. In the case of the exploratory interviews, some of the insights obtained from these were discussed. The outcome of the survey is the subject of the next chapter.

[308] The firms that participated in the pilot survey did not take part in the main survey. They were removed from the sample, together with the firms which refused to take part in the pilot explicitly or which did not return completed questionnaires.
[309] The data obtained from the firms taking part in the pilot survey were not included in the (quantitative) data analysis.

Chapter 4 -
Quantitative Data Analysis and Results

4.1 Introduction

In the two preceding chapters, the literature review and hypotheses that are part of this study's investigation into the influence key marketing factors have on SMEs' international market entry mode choice, specifically on that between independent and collaborative entry modes, were presented. Also presented was the methodology of the research. As discussed, during the main empirical phase of the research (Empirical Research Phase 2, discussed in section 3.5), quantitative data were collected through a large-scale survey for the purpose of hypothesis testing. The quantitative data analysis that followed involved the analysis of these data, of various aspects relating to their acquisition, and of other relevant facets[310]. The data analysis together with the results of the analysis is the subject of this chapter.

The quantitative data analysis consisted of three phases that will be discussed sequentially, these being preliminary analysis, descriptive analysis, and hypothesis testing. As will be seen (in the following section), the preliminary analysis pertained to the survey sample, to the multi-item measures employed for the survey, and to other aspects of the survey. The descriptive analysis (discussed in section 4.3) consisted of an examination of the data obtained through the survey, including about the demographic characteristics of the firms, the international markets about which they reported, the entry modes employed for the markets, particular marketing resource and strategy variables relating to the markets of interest to this study, and other characteristics. The hypothesis testing (discussed in section 4.4) was carried out specifically to determine whether the survey data provide empirical support for the

[310] Unless stated otherwise, analyses were performed using SPSS v. 22 software (SPSS Inc., Chicago, IL, USA).

hypotheses. For the testing of the hypotheses, logistic regression analysis was performed. The reasons for the employment of this analytical technique as well as its nature and assumptions will be reviewed together with the analysis undertaken and its outcome.

4.2 Preliminary Analysis

The preliminary analysis carried out before the hypothesis testing included an assessment of the survey sample and of the respondents (discussed in the next section), of the measurement properties of the multi-item scales used for the survey (in section 4.2.2), and of the presence of common method bias (4.2.3). The analysis was preceded by an examination for and treatment of missing and insufficient data (discussed in section 4.2.4).

4.2.1 Assessment of Sample and Respondents

The survey sample was assessed for representativeness and the respondents for their competency as respondents in the survey. Interrater agreement was also assessed.

4.2.1.1 Representativeness of Sample

The representativeness of a sample to the population from which it is drawn can be affected by various errors (including sampling error and nonresponse error). Consequently, sample representativeness should be examined. In the case of the present study this was done through (1) the assessment of nonresponse bias, (2) a formal assessment of sample representativeness, and (3) an informal assessment of sample representativeness.

Nonresponse Bias

Nonresponse bias was assessed through a comparison of early and late respondents

in respect of various firm characteristics. This comparison, which is based on the premise that late respondents can be expected to be similar to non-respondents (Armstrong and Overton, 1977), saw the last 25% of the firms to complete the survey treated as late respondents (and the first 75% of firms as early respondents) (e.g., Weiss and Heide, 1993).

Chi-square tests of homogeneity were undertaken to determine whether statistically significant differences exist between the early (N = 146) and late respondents (N = 48) with respect to the proportions of the firms falling into categories pertaining to firm geographic location (the respective categories being location in England and location elsewhere in the UK), size (micro- and small-sized and medium-sized), and primary sector (consumer goods and industrial goods). The tests, carried out after relevant null and alternative hypotheses were formulated (with the respective null hypotheses stating that there are no differences in the proportions of early and late respondents falling into the aforementioned firm location, size, or sector categories), did not reveal statistically significant differences ($p \leq 0.05$ was regarded as statistically significant). Table 4.1 on page 312 summarises the results of the tests. In view of the test results, and of the null hypotheses not being rejected, it was concluded that nonresponse bias is not a major problem.

Formal Assessment of Representativeness

Besides the evaluation of nonresponse bias, the representativeness of the sample was formally assessed in two ways: (1) the achieved sample was assessed to the population from which it was drawn, and (2) the achieved sample was assessed to the initial sample, to the probabilistic sample, and to the sampling frame.

Assessment 1 (of achieved sample to population). Representativeness assessment on the basis of a comparison of a specific dimension common to a sample and a population can be made using data relating to the particular dimension to be compared; the relevant data need to originate from both the survey that was undertaken as well as from a reliable external source (Wilcox, Bellenger, and Rigdon, 1994).

Firm Characteristics	Early Respondents (N = 146) N	(%)	Late Respondents (N = 48) N	(%)	
Location					
-England	124	(84.9)	42	(87.5)	**[(χ^2 (1) = .193, p = .660]**
-Other UK	22	(15.1)	6	(12.5)	
Size					
-Micro & Small	74	(50.7)	19	(39.6)	**[(χ^2 (1) = 1.784, p = .182]**
-Medium	72	(49.3)	29	(60.4)	
Sector					
-Consumer	76	(52.1)	23	(47.9)	**[(χ^2 (1) = .248, p = .619]**
-Industrial	70	(47.9)	25	(52.1)	

Table 4.1 – Summary of Chi-Square Results for Nonresponse Bias

Test 1: Firm Location – Achieved Sample vs. UK SME Manufacturers [(χ^2 (1) = .257, p = .612]		
Location	**Achieved Sample** (N = 194) N (%)	**UK SME Manufacturers** (N = 124,725) N (%)
England	166 (85.6)	108,300 (86.8)
Other UK	28 (14.4)	16,425 (13.2)

Table 4.2 – Summary of Chi-Square Results for Sample Representativeness: Assessment 1

Test 2.1.1: Firm Location – Achieved vs. Initial Sample
[(χ^2 (1) = .303, p = .582]

Location	Achieved Sample (N = 194) N (%)	Initial Sample (N = 948) N (%)
England	166 (85.6)	824 (86.9)
Other UK	28 (14.4)	124 (13.1)

Test 2.1.2: Firm Location – Achieved vs. Probabilistic Sample
[(χ^2 (1) = .065, p = .798]

Location	Achieved Sample (N = 194) N (%)	Probabilistic Sample (N = 4,561) N (%)
England	166 (85.6)	3,932 (86.2)
Other UK	28 (14.4)	629 (13.8)

Test 2.1.3: Firm Location – Achieved Sample vs. Sampling Frame
[(χ^2 (1) = .526, p = .469]

Location	Achieved Sample (N = 194) N (%)	Sampling Frame (N = 9,122) N (%)
England	166 (85.6)	7,964 (87.3)
Other UK	28 (14.4)	1,158 (12.7)

Table 4.3 – Summary of Chi-Square Results for Sample Representativeness: Assessment 2 – Part 1 (Firm Location Dimension)

Test 2.2.1: Firm Size – Achieved vs. Initial Sample
[(χ^2 (1) = .045, p = .832]

Size	Achieved Sample (N = 194) N (%)	Initial Sample (N = 948) N (%)
Micro & Small	93 (47.9)	462 (48.7)
Medium	101 (52.1)	486 (51.3)

Test 2.2.2: Firm Size – Achieved vs. Probabilistic Sample
[(χ^2 (1) = 0.592, p = .442]

Size	Achieved Sample (N = 194) N (%)	Probabilistic Sample (N = 4,561) N (%)
Micro & Small	93 (47.9)	2,312 (50.7)
Medium	101 (52.1)	2,249 (49.3)

Test 2.2.3: Firm Size – Achieved Sample vs. Sampling Frame
[(χ^2 (1) = 1.691, p = .193]

Size	Achieved Sample (N = 194) N (%)	Sampling Frame (N = 9,122) N (%)
Micro & Small	93 (47.9)	4,796 (52.6)
Medium	101 (52.1)	4,326 (47.4)

Table 4.4 – Summary of Chi-Square Results for Sample Representativeness: Assessment 2 – Part 2 (Firm Size Dimension)

Test 2.3.1: Firm Sector – Achieved vs. Initial Sample
[(χ^2 (1) = .260, p = .610]

Sector	Achieved Sample (N = 194) N (%)	Initial Sample (N = 948) N (%)
Consumer	99 (51.0)	466 (49.2)
Industrial	95 (49.0)	482 (50.8)

Test 2.3.2: Firm Sector – Achieved vs. Probabilistic Sample
[(χ^2 (1) = .182, p = .670]

Sector	Achieved Sample (N = 194) N (%)	Probabilistic Sample (N = 4,561) N (%)
Consumer	99 (51.0)	2,258 (49.5)
Industrial	95 (49.0)	2,303 (50.5)

Test 2.3.3: Firm Sector – Achieved Sample vs. Sampling Frame
[(χ^2 (1) = .233, p = .630]

Sector	Achieved Sample (N = 194) N (%)	Sampling Frame (N = 9,122) N (%)
Consumer	99 (51.0)	4,498 (49.3)
Industrial	95 (49.0)	4,624 (50.7)

Table 4.5 – Summary of Chi-Square Results for Sample Representativeness: Assessment 2 – Part 3 (Firm Sector Dimension)

In the case of the present study, appropriate data relating specifically to the research population (i.e., to the body of independent UK manufacturing SMEs developing international markets) were not available[311]. Consequently, data pertaining to UK SME manufacturers *generally* - not only to such firms that are developing international markets - were carefully reviewed for their suitability in the assessment of sample representativeness. Considerations in determining the suitability of the substitute data included (1) the population to which the data relate had to be representative of the research population, and (2) the comparison of dimensions would be limited to those for which relevant data were acquired through the survey. Given these considerations, it was determined that the assessment of the achieved sample to the population would have to be restricted to the geographic location of the sample firms. Only in the case of this particular dimension were necessary data collected through the survey *and* there was reasonable confidence that the available external data (in this case, official statistics about the location of UK manufacturers - Office for National Statistics, 2013, table B2.1 of accompanying dataset) were representative of the research population.

A chi-square goodness-of-fit test was performed to establish whether there are statistically significant differences between the firms in the achieved sample and the population (i.e., the wider population of UK SME manufacturers) in terms of their geographic location. The test, undertaken after a relevant null and an alternative hypotheses were stated (the null hypothesis holds that there is no difference in the distribution of the sample firms and the population in terms of location), suggests that the variation between the sample firms and the population in relation to their geographic location is not statistically significant (statistical significance would have

[311] Comprehensive data about the number and characteristics of UK firms - SMEs or otherwise - developing international markets (through exporting, contractual arrangements, and/or investment) are unavailable. Official statistics only capture some aspects of the activity for certain purposes (e.g., the value of particular exports from the UK, which is obtained for the compilation of trade statistics). A formal mechanism by which the full spectrum of UK firms' international market activity as well as pertinent demographic data about the firms carrying out this activity are captured does not exist. Hence, government, researchers, and others commonly resort to survey data to form an understanding of the activity and the firms involved. The underlying surveys relate primarily to exporting, vary significantly in terms of their quality, coverage, and findings, and have other issues. For these and other reasons, in the case of the present study the data they provide could not be relied on to formally assess the representativeness of the research sample to the population to which it belongs.

been indicated where $p \leq 0.05$). The results of the test, summarised in Table 4.2 on page 312, indicate that the null hypothesis cannot be rejected. Thus, it can be said that the sample is representative of the population on the dimension of geographic location.

Assessment 2 (of achieved sample to initial sample, probabilistic sample, and sampling frame). In view of the assessment of the achieved sample to the population (i.e., Assessment 1) having been restricted to one dimension, the achieved sample (N = 194) was also assessed on the basis of comparisons with the initial sample (N = 948), with the probabilistic sample (N = 4,561), and with the sampling frame (N = 9,122). Appropriate data relating to the firms in these samples and in the sampling frame were available from both the survey that was carried out and from the databases used to construct the sampling frame (the samples originated from the sampling frame; the sampling frame, sampling procedure, and sample selection were discussed in section 3.5.4). Such data included that pertaining to the firms' geographic location, size, and primary sector. These particular firm characteristics - which were those in relation to which nonresponse bias was assessed - represent the three dimensions on the basis of which the achieved sample was assessed to the initial and probabilistic samples and to the sampling frame.

Chi-square goodness-of-fit tests were undertaken to determine whether there are statistically significant differences between the firms in the achieved sample and those in (1) the initial sample, (2) the probabilistic sample, and (3) the sampling frame in terms of their location, size, and sector. Relevant null and alternative hypotheses were formulated beforehand (with the respective null hypotheses stating that there are no differences in the distributions of the firms in the achieved sample and those in the initial and probabilistic samples and the sampling frame in terms of location, size, or sector). The results of the tests, summarised in Table 4.3 on page 313 (in relation to the firm location dimension), Table 4.4 on page 314 (firm size dimension), and Table 4.5 on page 315 (firm sector dimension) indicate that the difference between the firms in the achieved sample and those in the other samples and in the sampling frame is not statistically significant (with $p \leq 0.05$ having been

seen as statistically significant) and, hence, that the null hypotheses are not rejected. Therefore, it can be said that the achieved sample is representative of the initial sample, of the probabilistic sample, and of the sampling frame on the dimensions of geographic location, size, and primary sector.

Informal Assessment of Representativeness

An examination of the demographics of the firms in the achieved sample reveals that micro firms (firms with 1 to 9 employees) are substantially underrepresented in the sample. As shown by Table 4.6 on page 319, only circa 6% of the sample firms are micro firms. Micro-sized firms in the UK - both manufacturers and non-manufacturers - appear to be considerably less likely to engage in international market development (through any of the three main modes of such development - exporting, contractual, and investment) than small-sized firms (firms with 10 to 49 employees), medium-sized firms (50-249 employees), and large firms (firms with 250 or more employees) (Harris and Moffat, 2013, table 1.8; BMG Research, 2013, table 5.5)[312]. At the same time, however, micro firms dominate the ranks of SMEs in the UK manufacturing sector (in 2012 representing some 77% of all SME

[312] Comprehensive, authoritative data about the international market development of micro-sized, small-sized, and medium-sized UK manufacturing firms are not available. While survey data relating to the international activity of these firms have been published, the data from the few large-scale surveys concerned with the activity are limited in scope (not covering certain methods of international market development and/or excluding particular types of SMEs) and/or are not broken down by firm size and sector (and so pertain to firms or SMEs generally, including to non-manufacturers). One such survey is the 2012 Small Business Survey commissioned by the Department for Business, Innovation and Skills (BIS). Capturing exporting and certain contractual arrangements by firms - but not their foreign investment - the results of this survey of 4,768 UK SMEs - manufacturers and non-manufacturers - were that 17% of the micro-sized firms sold goods or services or licensed products outside the UK, 26% of the small-sized firms did so, and that 40% of the medium-sized firms undertook these activities (BMG Research, 2013, table 5.5). Another survey relating to SMEs' international activity is the Europe-wide Community Innovation Survey 2010 that includes responses to questions about exporting - but not about contractual arrangements or investment - from 7,284 UK SMEs with 10-249 employees - i.e., not from micro firms. The results of the survey are that 50% of manufacturing firms with 10-19 employees exported in 2010, 60% of the firms with 20-49 employees did so, while 76% of those with 50-199 employees exported; of firms with 200+ employees - a category that includes the largest SMEs as well as large firms - 86% exported (Harris and Moffat, 2013, table 1.8). The results of these surveys illustrate that UK SMEs' international activity varies by firm size, sector, and industry. As to the tendency by firms in the manufacturing sector to export, firms in some manufacturing industries are much more likely to export than firms in other such industries. For example, the Community Innovation Survey 2010 indicates that 86% of all firms - not just SMEs - in the UK chemical industry exported in 2010 but only 30% of firms in the wood products industry did so (Harris and Moffat, 2013, table 1.5).

Firm Size	Sample Count	Sample %
Micro (1-9 employees)	11	5.7
Small (10-49 employees)	82	42.3
Medium (50-249 employees)	101	52.1
TOTAL	194	100

Table 4.6 – Distribution of Sample Firms by Size

Indicators	Mean	SD
Knowledge of Strategies and Resources of their Firms	6.24	0.759
Knowledge of Strategies and Resources of Main Competitors	5.21	0.839
Involvement in Decisions and Strategies	6.20	0.784
Confidence in Answering Survey Questions	6.14	0.766

SD = standard deviation

Table 4.7 – Indicators of Respondent Competency

manufacturers, whereas small firms were 18% of the total number of firms while medium firms were 5% - Office for National Statistics, 2013, table B2.1 of accompanying dataset). This strongly suggests that a sample representative of the various types of SMEs (micro-, small-, and medium-sized firms) would feature substantially more micro firms than the 11 included in the sample under consideration.

That small- and medium-sized SMEs dominate the sample can be attributed to three reasons. The first reason is that one of the databases employed in the construction of the sampling frame (the process of which was outlined in section 3.5.4.1), this being the British Exporters Database (BED) published by UK Exporters Ltd, included relatively few micro firms; moreover, the micro firms included in this database as well as in the second database used in the sample frame construction, Dun and Bradstreet's Global Reference Solution (GRS), had a greater tendency to have ceased trading or to have withdrawn from international markets than their larger SME counterparts that were also included. The second reason is that firms identified through the databases as members of the target population were only included in the sampling frame after their eligibility for this was verified. The verification involved locating relevant information about the firms from various other sources. For most micro firms this information either did not confirm their eligibility or was unavailable, which resulted in the firms concerned not being included in the sampling frame. The third reason is that firms included in the sampling frame were subsequently removed from this where details of key informants could not be obtained. Such details were more readily available for small- and medium-sized firms than for micro-sized firms, resulting in the exclusion of a proportionally greater number of micro firms.

Considering that micro-sized firms are substantially underrepresented in the sample, the results of the statistical analysis and the findings of the study should be treated with caution as far as their applicability to these firms is concerned.

4.2.1.2 Respondent Competency

A *post-hoc* evaluation of the competency of the respondents to answer the survey questions was undertaken. The evaluation, which served to confirm respondents' suitability as key informants (the adoption of the key informant technique and some of the steps taken to address its potential shortcomings were discussed in section 3.3.4), was based on the assessment by the respondents of certain aspects of their knowledge and involvement in relation to the international markets they chose to report about in the survey as well as their confidence in answering the survey questions.

Table 4.7 on page 319 indicates the four areas the respondents assessed on seven-point Likert-type scales (with 1 representing no knowledge/involvement/confidence and 7 representing full knowledge/involvement/confidence), the measures having been taken from Spyropoulou, Skarmeas, and Katsikeas (2010, 2011)[313]. As the table indicates, the respondents in general were highly knowledgeable of and deeply involved with the international markets they choose to answer about. This can be attributed to the respondents having been carefully identified and targeted as appropriate key informants within their firms, with the vast majority representing senior decision-makers (most commonly, owner-managers and sales directors) responsible for their firms' international market development. Another reason is that the respondents were able to choose the international markets in relation to which they answered the survey questions, resulting in the respondents generally selecting markets with which they were very familiar.

That the respondents were highly competent to provide the required data - and that they can be regarded as respondents of high quality - alleviates some of the concerns about the key informant technique being employed.

4.2.1.3 Interrater Agreement

[313] The measures are similar to those employed by Morgan et al (2004).

To further check against potential shortcomings of the key informant technique in relation to the survey, the level of consensus among different individuals within the same firms which participated in the survey was assessed. Interrater agreement represents the extent to which different raters assign the same ratings across the same sets of parameters or variables (Tinsley and Weiss, 2000)[314] and provides another indicator of the validity of key informant data (e.g., Lenartowicz and Roth, 2004). To measure this agreement through the calculation of an interrater index (see, e.g., Gisev, Bell, and Chen, 2013), second responses were obtained from firms participating in the survey. This was possible for only 14 of the 194 firms part of the final (achieved) sample, a primary reason being that in the case of most firms only one person - the key informant - was familiar with the international market about which the survey data related (as discussed earlier, the key informant could report about an international market of that person's choice). It was necessary to ask the second respondent/informant to only report about the international market and the particular product/product line selected by the first respondent since data needed to be comparable. Of the 14 completed questionnaires received from second respondents, 13 were usable and the data concerning selected constructs were compared with that provided by their colleagues in the same firms (i.e., by the first respondents). The intraclass correlation coefficient (ICC) was calculated through a two-way mixed model (e.g., Narver, Slater, and MacLachlan, 2004). The median ICC, which indicates interrater agreement (Shrout and Fleiss, 1979), was 0.819 and so suggested satisfactory interrater consensus and, in doing so, provided a further indication of the validity of the key informant data (e.g., Morgan et al, 2012).

4.2.2 Assessment of Measures

The measurement properties of the multi-item scales were assessed primarily through confirmatory factor analysis (CFA). CFA, which is the measurement model of

[314] The same authors discuss the difference between interrater agreement and interrater reliability, terms that are often used interchangeably but which are technically distinct. Interrater reliability "provides an indication of the extent to which the variance in the ratings is attributable to differences among the objects rated" (p. 98) and therefore is a reliability measure. Interrater agreement, by contrast, is an agreement measure.

structural equation modelling (SEM), allows for second-generation psychometric analyses and represents a more powerful tool than traditional techniques in providing accurate estimates of reliability and validity (Steenkamp and van Trijp, 1991; Hult et al., 2006; Terblanche and Boshoff, 2008). The CFA undertaken, which was conducted through EQS v. 6.1 (Multivariate Software, Inc., Encino, CA, USA) and used the maximum likelihood (ML) estimation procedure, allowed for the assessment of internal consistency on the basis of composite reliability (discussed in the section on reliability analysis, which follows), convergent validity (in the section on validity analysis, section 4.2.2.2), and discriminant validity (in the same section) (CFA also allowed for a test assessing the potential of common method bias to inhibit the reliability and validity of the results to be performed; this will be discussed in section 4.2.3).

As part of the measurement assessment, an initial CFA model was specified that consisted of seven constructs (product capability; pricing capability; distribution capability; marketing communications capability; market information management capability; product differentiation; marketing adaptation) measured by 26 items. These constructs and items respectively represented the multiple-item measures and their items (these are shown by the tables providing an overview of the study variables and measures - Table 3.1 on page 287 and the subsequent tables). After a composite reliability assessment identified four items whose individual scores were below the required threshold (composite reliability assessment and minimum reliability criteria will be discussed in the next section), these were eliminated. This resulted in the marketing adaptation construct being dropped entirely (which had two of the four offending items)[315] and in the items of the product capability construct and product differentiation construct being reduced by one each[316]. Also eliminated -

[315] The two items eliminated from the marketing adaptation construct related to product adaptation and marketing communication adaptation respectively. Of the two remaining items of the four-item construct, one related to distribution adaptation, which was irrelevant after the distribution capability construct was also eliminated (separately) and distribution was not considered further by the study. With only the item pertaining to pricing adaptation remaining, the marketing adaptation construct was eliminated entirely.

[316] In the case of the product capability construct, the item relating to adopting new methods/ideas in the production process was dropped. As for the product differentiation construct, this was the item pertaining to maintaining higher quality standards for products.

on separate grounds - was the distribution capability construct with its four items (as will be discussed in section 4.2.4, the associated survey data were insufficient for hypothesis testing). Thereafter, the CFA model was respecified accordingly. The final model, which like the initial model appeared to fit well[317], consisted of five constructs[318] measured by 16 items. The respective constructs and items are indicated by Table 4.8 on page 327 and Table 4.9 on page 328 (the tables also summarise data pertaining to the assessments of their internal consistency and convergent validity - these assessments are discussed next). The survey data pertaining to these (retained) constructs and items (i.e., the data obtained through the employment of the measures and items represented by these constructs and items), were used for hypothesis testing (the testing of the hypotheses will be discussed in section 4.4).

4.2.2.1 Reliability Analysis

According to Churchill Jr. (1979, 65), a measurement scale can be considered reliable when "independent but comparable measures of the same trait or construct of a given object agree". The reliability of a multi-item scale is typically assessed on the basis of its internal consistency, more specifically of those of the scale items.

Internal Consistency

Internal consistency refers to the consistency of measurement across items (Schwab, 2005). Scale items should exhibit high intercorrelations (DeVellis, 2012).

The internal consistency of the multi-item scales employed for the operation of the study variables was assessed on the basis of Cronbach's coefficient alpha (Cronbach, 1951) and composite reliability (Gerbing and Anderson, 1988). Cronbach's alpha, the reliability indicator marketing scholars appear to use most commonly, has

[317] The assessment of model fit was satisfactory, indicating the unidimensionality of each of the constructs. In relation to the final model: The chi-square (χ^2=197.02) for this model was statistically significant ($p < 0.000$) for 94 degrees of freedom. Given the sensitivity of this test to sample size (Bagozzi and Yi, 1988), additional fit indices were assessed. Their values suggested a good model fit: Bentler-Bonett Normed Fit Index = 0.956; SRMR = 0.023; RMSEA = 0.075.

[318] These being product capability, pricing capability, marketing communications capability, market information management capability, and product differentiation.

various limitations (see, e.g., DeVellis, 2012) and so was not relied on as the sole indicator of internal consistency. A Cronbach's alpha coefficient of 0.7 is widely regarded as the minimum for reliability to be indicated (Nunnally and Bernstein, 1994).

Composite reliability (also referred to as construct reliability) is based on standardised factor loadings and on the measurement errors for each item[319]. Established guidelines recommend a composite reliability score of at least 0.7 and an item reliability score (that for the reliability of each item)[320] of at least 0.5 (Fornell and Larcker, 1981).

Table 4.8 (on page 327) and Table 4.9 (page 328) demonstrate that the internal consistency of the retained constructs (the tables do not show the constructs and items eliminated on the basis of poor item reliability as revealed by the initial CFA) was evident from the Cronbach's alpha coefficients (the lowest of which was 0.87), composite reliability scores (also 0.87), and item reliability scores (0.76).

4.2.2.2 Validity Analysis

According to Churchill Jr. (1979, 65), a measurement scale can be considered valid when "the differences in observed scores reflect true differences on the characteristic one is attempting to measure and nothing else". There are different forms of validity, including convergent validity and discriminant validity.

Convergent Validity

Convergent validity is apparent when scores from two or more measures of the same construct correspond (Schwab, 2005). Following the suggestions of Bagozzi and Yi (1988) and Hair Jr et al. (2006), convergent validity was examined through standardised factor loadings, construct reliability, and the variance extracted. Since, as illustrated by Table 4.8 and Table 4.9, all standardised factor loadings exceeded

[319] Composite reliability is the squared correlation between a construct and an unweighted composite of its indicators.
[320] Individual-item reliability is the squared correlation between a construct and one of its indicators.

0.5, construct reliability was greater than 0.7, and average variance extracted[321] was more than 0.5 - thus surpassing the minimum accepted levels (Fornell and Larcker, 1981; Hair Jr et al, 2006) - convergent validity was evident.

Discriminant Validity

To assess discriminant validity, which is apparent when scores from measures of different constructs that should not be related are not related (Schwab, 2005), the method suggested by Fornell and Larcker (1981) was adopted whereby a determination was made as to whether the average variance extracted (AVE) for each construct was greater than its shared variance with any other construct[322]. As Table 4.10 on page 328 indicates, the variance extracted for each pair of constructs was greater than the square of the correlation between each of the two constructs concerned. This suggests that discriminant validity was supported (Fornell and Larcker, 1981; Hair Jr et al, 2006).

4.2.3 Common Method Bias Analysis

Common method bias is caused by common method variance, this being the variance attributable to the method of measurement rather than to the constructs (Podsakoff et al., 2003). To investigate common method bias, Harman's single-factor test was undertaken through CFA whereby a method bias model in which all scale items loaded onto a single (bias) factor was assessed for fit (e.g., Cadogan et al., 2005; Murray et al, 2011). A poorly-fitting model reduces concerns about common method bias. Indeed, the model had a poor fit ($\chi^2(275)=2225.07$, $p < 0.000$; Bentler-Bonett Normed Fit Index = 0.55; SRMR = 0.131; RMSEA = 0.192).

[321] Average variance extracted is the proportion of the total variance in all indicators of a construct accounted for by the construct.

[322] Hence the method also being referred to as the average variance extracted versus shared variance test (e.g., Farrell, 2010).

Constructs & Items*	Factor Loading	Item Reliability	CR	AVE	CA
Product Capability			0.87	0.77	0.87
Developing new products for the market.	0.88	0.77			
Improving/modifying existing products for the market.	0.87	0.76			
Pricing Capability			0.95	0.83	0.95
Effective job of pricing products/services for market.	0.94	0.88			
Pricing skills & systems to respond quickly.	0.92	0.85			
Knowledge of competitors' pricing tactics.	0.89	0.79			
Monitoring competitors' prices & price changes.	0.90	0.81			
Marketing Communications Capability			0.96	0.88	0.96
Developing and executing advertising programmes for the market.	0.92	0.85			
Skills and processes to manage brand's image.	0.94	0.88			
Managing firm's image and reputation in the market.	0.95	0.90			

*those retained for hypothesis testing.
CR = composite/construct reliability; AVE = average variance extracted; CA = Cronbach's alpha.

Table 4.8 – Internal Consistency and Convergent Validity Assessment Values – Part 1

Constructs & Items*	Factor Loading	Item Reliability	CR	AVE	CA
Market Information Management Capability			0.99	0.93	0.96
Gathering information about customers and competitors in the market.	0.97	0.94			
Using market research skills to develop effective marketing programme.	0.97	0.94			
Tracking wants and needs of customers in the market.	0.97	0.94			
Full use of marketing research information relating to the market.	0.97	0.94			
Analysing information firm has about the market.	0.95	0.90			
Product Differentiation			0.93	0.88	0.93
Unique image for products.	0.97	0.94			
Differentiating products and services.	0.90	0.81			

*those retained for hypothesis testing.
CR = composite/construct reliability; AVE = average variance extracted; CA = Cronbach's alpha.

Table 4.9 – Internal Consistency and Convergent Validity Assessment Values – Part 2

Construct*	1	2	3	4	5
1. Pricing Capability	0.83				
2. Product Capability	0.58	0.77			
3. Marcomms[1] Capability	0.77	0.40	0.88		
4. MIM[2] Capability	0.75	0.60	0.59	0.93	
5. Product Differentiation	0.01	0.02	0.01	0.02	0.88

*those retained for hypothesis testing.
[1]Marketing communications capability. [2]Market information management capability.

Note: AVE (average variance extracted) estimates (underlined) are presented on the diagonal; squared correlations are below the diagonal.

Table 4.10 – Discriminant Validity Matrix

4.2.4 Treatment of Missing & Insufficient Data

Missing and insufficient data were proactively identified and dealt with. Missing data were looked for after the survey ended. The data from the completed questionnaires were visually inspected for excessive missing values, as a result of which two were excluded. Thereafter the data from the 194 usable questionnaires retained for the study were examined for missing values through the missing value analysis function of SPSS. This indicated that the threat of missing values to the present study was not serious, with only a small minority of items having generated missing data and the rates of missing values for these items not exceeding 2% (such rate being considered manageable - Acuña and Rodriguez, 2004). To determine whether the missing values were random, Little's MCAR (missing completely at random) test was employed. The result ($\chi^2(769)=778.191$, $p = 0.401$) was not significant, suggesting that the missing data were completely random (and so supporting the null hypothesis of Little's test that stated this) (Little, 1988). The missing data were then treated. The mean substitution method was employed to impute the missing values (Acuña and Rodriguez, 2004). This method, which Hair Jr et al. (2014) suggest should be chosen when there are fewer than 5% values missing per indicator, is best used when the levels of missing data are relatively low and the relationships among variables relatively strong (Hair Jr et al, 2006).

As to the treatment of insufficient data, the data relating to distribution capability were excluded from the data analysis. Only a small proportion of survey respondents answered the question relating to distribution capability (being those whose firms used direct exporting through a distributor as the primary entry mode in relation to the international market about which they reported). The resultant data pertaining to this individual marketing capability were insufficient for the statistical analysis undertaken as part of hypothesis testing. Thus, it was decided that distribution capability would be removed as one of the five composites of the marketing capabilities measure (this was already discussed in section 3.5.3.1) and that the respective data would be excluded from analysis.

4.3 Descriptive Analysis

The descriptive analysis of the survey data undertaken before the hypothesis testing allowed for a better appreciation of the characteristics of the responses. It also allowed for insights to be obtained about characteristics of the data that potentially influence the findings and the conclusions based on these.

Presented next are overviews of selected demographic characteristics of the firms (in section 4.3.1), of the international markets the firms chose to report about and the entry modes they employed for these markets (section 4.3.2), of particular firm marketing resource and strategy variables relating to the markets and which are of interest to this study (4.3.3), and of the entry mode restrictions present in the international markets (4.3.4).

4.3.1 Demographic Characteristics of Sample

Two demographic characteristics of the sample firms relevant to this study are the size of the firms and the importance to the firms of international markets.

Firm Size

All of the firms in the sample are SMEs, each with fewer than 250 employees and annual sales of less than €50 million (in line with the EU's definition of SMEs). The distribution of the firms in terms of size was discussed earlier in relation to sample representativeness. As is indicated by Table 4.6 (page 319), 101 (52.1%) of the firms are medium-sized firms, 82 (42.3%) small firms, and 11 (5.7%) micro firms.

Importance of International Markets

The percentage of the firms' overall sales accounted for by all of their international markets (i.e., by their international sales) was 43.8% on average (standard deviation = 21.50), having ranged for individual firms from 5% to 90%. As for the total number of international markets the firms sold their products in/into, on average this

International Market	Count	%
USA	29	14.9
Germany	23	11.9
France	13	6.7
Australia	8	4.1
China	7	3.6
Spain	7	3.6
Others	107	55.2
TOTAL	194	100

Table 4.11 – International Market Selected for Survey

Entry Mode	Type (Independent/ Collaborative)	Count	%
Direct Exporting – home country-based sales force	I	56	28.9
Direct Exporting – distributor	C	54	27.8
Direct Exporting – agent	C	41	21.1
Direct Exporting – sales office/ subsidiary in international market	I	26	13.4
WOS	I	11	5.7
JV	C	4	2.1
Licensing	C	2	1.0
TOTAL		194	100

Table 4.12 – Entry Mode Employed for Selected International Market

Variable	Mean	Range	SD
Marketing Capabilities	3.63	1.00-6.81	1.45
Language Skills	3.97	1.00-7.00	2.71
Market Knowledge (log values)	14.25 (0.992)	2-112 (0.30-2.05)	15.26 (0.37)
Product Differentiation	5.85	1.00-7.00	1.12
Marketing Adaptation	----------(not analysed)----------		
Market Importance	12.19	0.35-63.0	11.56

SD = standard deviation.

Table 4.13 – Marketing Resource and Strategy Variables for Selected International Market

Variable	Mean	Range	SD
Entry Mode Restrictions	2.26	1.00-7.00	1.81

SD = standard deviation

Table 4.14 – Entry Mode Restrictions of Selected International Market

was 15.9 (standard deviation = 16.06) and ranged from 1 to 123. Thus, it can be said that international markets generally were important to the firms.

4.3.2 International Market Selected for Survey and Entry Mode Employed

Each survey respondent (key informant) was asked to choose one international market that person's firm had been active in for at least one year and about which the respondent was familiar. The respondent was also asked to report about only one important product/product line sold in the respective international market. The entry mode that the respondent subsequently identified related to the particular international market and product/product line.

International Market Selected

In total, the respondents chose 59 different international (foreign country) markets to report about. Table 4.11 on page 331 provides an overview of the most commonly selected international markets.

Product Sold in Selected International Market

In the case of 99 (51.0%) of the firms, the respondents reported about a consumer product or product line. The remaining 95 firms (49.0%) reported about an industrial product/product line.

Entry Mode for International Market

The primary entry mode employed by the firms for the respective international markets (and product/product lines) are shown by Table 4.12 on page 331. As the table illustrates, direct exporting modes (home country-based sales force; distributors; agents; sales office/subsidiary in the international market) were employed for 177 (91.2%) of the 194 markets; non-export (contractual and investment) modes (WOS; JV; licensing) were used in relation to 17 markets (8.8%). In terms of the choice between independent and collaborative entry modes the employment of the aforementioned individual entry modes represents, collaborative

modes were chosen in the case of 101 (52.1%) international markets and independent modes in that of 93 (47.9%) international markets.

4.3.3 Marketing Resources and Strategy Variables for Selected International Market

For the international markets about which they reported, the respondents provided information concerning particular marketing resources and marketing strategy variables relating to the markets and that are of interest to the present study. Table 4.13 on page 332 provides an overview of the variables in question and of their respective values. In detail:

Marketing Capabilities

The firms' marketing capabilities for the respective international markets, assessed on the basis of their product, pricing, marketing communications, and market information management capabilities for these markets (but not their distribution capability[323]), had a mean value of 3.63 (out of a maximum of 7). While it can be said that the firms generally had what could be described as average marketing capabilities in relation to the international markets and the competitors within these, as reflected by the range of values for this variable some firms did not effectively have marketing capabilities whereas some others had extensive capabilities.

Language Skills

The language skills firms had in respect of the international markets was 3.97 on average (out of a maximum of 7). It should be kept in mind that a sizeable number of firms selected and reported about international markets whose primary language (or one of whose primary languages) was English and, hence, where their language fluency was at the native (maximum) level.

[323] As discussed earlier, distribution capability was eliminated as part of the composite marketing capabilities measure before data analysis took place.

Market Knowledge

The knowledge the firms had of the international markets, assessed on the basis of the number of years of experience they had of these markets, varied considerably. The mean (years of experience) was 14.25, so it appears that the firms generally would have accumulated significant experiential knowledge about the markets. (For the statistical analysis log values were calculated and used.)

Product Differentiation

The firms in general competed in the international markets on the basis of product differentiation, as indicated by the average value for this measure of 5.85 (out of a maximum of 7). Again, this varied by individual firm, with some indicating that differentiation was not a basis on which they competed in their chosen international markets.

Marketing Adaptation

This variable was not assessed for the reasons set out in section 4.2.2.

Market Importance

The relative importance of the individual international markets about which the respondents reported varied considerably. With the share of the firms' overall (combined international and domestic) sales accounted for by the markets ranging from 0.35% to 63%, for some firms the particular international market that was reported about was relatively insignificant whereas for some others it represented a high proportion of sales and so was vital to them. The mean value of 12.19% indicates that, in general, the particular market about which the firms reported was of importance.

4.3.4 Entry Mode Restrictions of Selected International Market

The respondents also reported about the legal restrictions on the use of entry modes by (foreign) firms in relation to the international markets. The mean value for this was 2.26 (out of a maximum of 7). While some firms indicated that there were no

such restrictions and others indicated that these were extensive, it can be said that entry mode restrictions were generally modest.

4.4 Hypothesis Testing

Logistic regression analysis was performed to test the hypotheses. Discussed next is the logistic regression analytical technique, including the rationale for its use, its nature, and its assumptions. Thereafter (in section 4.4.2), the logistic regression analysis undertaken will be reviewed together with the results of the analysis, including the empirical support the findings offer the hypotheses.

Table 2.11 on page 258 provides an overview of the hypotheses. One of the hypotheses - H5 (marketing adaptation) - could not be tested since, as was discussed in sections 4.2.2 and 4.2.4, the relevant measure was eliminated and the data collected through its employment not analysed.

4.4.1 Logistic Regression Analysis

Binary logistic regression analysis was carried out to test the hypothesised relationships to entry mode choice of the focal marketing factors - marketing resources in the form of marketing capabilities (H1), language skills (H2), and market knowledge (H3); marketing strategy variables consisting of product differentiation (H4) and market importance (H6) - and of the institutional factor under consideration, this being entry mode restrictions (H7).

It had been hypothesised that the marketing and institutional factors, which represent independent variables, directly impact entry mode choice. Entry mode choice here is the choice firms make between independent and collaborative modes. This variable, representing the dependent variable, is dichotomous since there are two distinct

outcomes: the choice by a firm of either an independent entry mode or of a collaborative mode.

4.4.1.1 Rationale for Use of Analytical Technique

Logistic regression analysis (also known as logit analysis), increasingly relied on by marketing scholars (Akinci et al., 2007), is the most commonly used analytical technique in empirical research on the subject of entry mode choice by firms. In their review of entry mode research published between 1980 and 2006, Canabal and White III (2008) found that 66 of the 126 articles they considered employed logistic regression. Commenting on this, the authors (p. 275) state that:

> "This type of analysis is logical for studies looking at entry mode choice; entry mode choice can easily be coded as a dichotomous variable."

Where, as in the present study, entry mode choice is a dichotomous variable, the particular form of logistic regression that is employed is binary logistic regression (e.g., Gatignon and Anderson, 1988; Erramilli and Rao, 1993; Pan and Tse, 2000; Ekeledo and Sivakumar, 2004; Maekelburger et al, 2012). The nature of this analytical technique will be discussed in the following section and the assumptions it makes in the section thereafter (4.4.1.3).

4.4.1.2 Nature of Analytical Technique

The term 'logistic regression' is frequently used to refer to binary logistic regression (also known as binomial logistic regression), whereby the dependent variable is binary (if the dependent variable has more than two categories then the logistic regression would be multinomial or ordered logistical regression). As in the case of multiple regression, binary logistic regression allows for the measurement of the simultaneous effects of independent variables on a dependent variable. Unlike multiple regression, the technique can be employed where the dependent variable is binary (such as where entry mode choice is dichotomous). It does not make assumptions about the distribution of the independent variables and can

accommodate a non-linear relationship between independent and dependent variables. Hence, binary logistic regression appears to be "the data analysis tool of choice" for entry mode studies that have a binary dependent variable (Ekeledo and Sivakumar, 2004, 85). This includes the present study[324].

Binary logistic regression determines the impact of simultaneously presented independent variables on the probability (*p*) of an event occurring. The occurrence of the event (e.g., the choice of a particular type of entry mode) represents the dependent variable. As part of the logistic regression procedure, the dependent variable is transformed into a logit variable (the natural log of the odds of the dependent variable equalling a value of 1) and maximum likelihood estimation applied. To estimate the odds of the event occurring (the probability of occurrence over the probability of non-occurrence), changes in the log odds of the dependent variable are calculated. The logistic regression model (often referred to as the multiple logistic regression) provides coefficients that can be interpreted in the context of the research in relation to which the analysis is undertaken. These coefficients, expressed in both original (β) and exponentiated (Exp(β)) forms, indicate the direction and magnitude of the impact of the independent variables on the dependent variable. While the direction of the impact can be assessed through either form of coefficient (directly in the case of original coefficients; indirectly in the exponentiated coefficients), the magnitude of the impact is best assessed through the exponentiated coefficient (Hair Jr et al, 2006; Hosmer Jr., Lemeshow, and Sturdivant, 2013).

4.4.1.3 Assumptions of Analytical Technique

Although binary logistic regression makes fewer assumptions than multiple regression (and some other multivariate data techniques), it nonetheless makes

[324] With entry mode choice as examined here being dichotomous and this being reflected in the binary nature of the dependent variable, other data analysis techniques that had been considered for the testing of the hypotheses were ruled out. This includes structural equation modelling (SEM). The use of SEM with a categorical variable, particularly a binary categorical variable, can create potential problems (one reason for this is that the basic assumption of data normality is violated) and, despite possible solutions for these (e.g., Kupec, 2006), is widely regarded as impractical.

similar assumptions about multicollinearity. High intercorrelations among predictor variables are undesirable since these can result in the inflation of the standard errors of regression coefficients (β), in corresponding tests having reduced power, and in the assessment of the importance of an individual regression coefficient being made more difficult (Harrell Jr, 2002). Collinearity between predictor variables can be identified through the assessment of the variance inflation factor (VIF) and tolerance measures. According to Allison (1999), the VIF value for an individual predictor variable should not exceed 2.5 while the tolerance value should be a minimum of 0.4.

Before the logistic regression analysis was carried out, the variables included in the regression were examined for multicollinearity. Table 4.15 on page 341 contains the data reviewed as part of the examination. The correlation matrix shows that all of the Pearson correlation coefficients for the predictor (independent and control) variables (the variables numbered 1 to 8) are below 0.5 (indicating low and, in some cases, little correlation) except for language skills whose correlation, at 0.68, can still be considered moderate (Hinkle, Wiersma, and Jurs, 2003)[325]. Thus, it appears that collinearity is not a problem. The collinearity statistics seem to confirm this, with the VIF values for the predictor variables (the highest of which is 2.14) as well as their tolerance values (the lowest being 0.47) meeting Allison's (1999) criteria (VIF < 2.5, tolerance > 0.4).

Binary logistic regression also makes assumptions about sample size. Adequate sample size is important since parameter estimates may be biased and tests of significance may not be valid when the ratio of the number of observations per variable analysed becomes too small (Peduzzi et al., 1996). The literature does not offer a standard rule about sample size applicable to logistic regression (Peng, Lee, and Ingersoll, 2002). Instead, several authors have made their own recommendations. A widely accepted rule of thumb is that there should be least ten observations for each independent variable in a logistic regression analysis (e.g., Harrell Jr et al., 1984), with the observations referring to the smaller number of observations

[325] According to Hinkle et al (2003) *r* values of <0.3 indicate little correlation, 0.3–0.5 suggest low correlation, and 0.5-0.7 indicate moderate correlation.

associated with the two binary outcomes (e.g., if outcome A has 321 observations and outcome B has 177 observations, then the rule would relate to outcome B)[326]. The sample of the present study was considered adequate in view of it meeting this rule of thumb, with the smallest number of observations associated with the binary outcomes having been 93 (this being the number of firms having chosen independent entry modes) and there having been nine independent variables.

4.4.2 Overview and Results of Analysis

The binary logistic regression analysis that was carried out employed a specification in which the regression coefficients estimate the impact of the respective independent or control variable on the probability of the chosen entry mode being an *independent* mode (which assumed the value of 1) (Dikova and van Witteloostuijn, 2007). Thus, the logistic regression analysis undertaken assessed the impact of the focal marketing factors (the subject of H1 to H6) and of the institutional factor (H7) on the probability of an *independent* entry mode being chosen.

The binary logistic regression model can be expressed as (Erramilli and Rao, 1993; Dikova and van Witteloostuijn, 2007):

$$P(Y) = \frac{1}{1+e^{-Z}} P \qquad (1)$$

where P stands for probability, Y is the dependent variable (the choice of an independent mode), e is the natural logarithm base, and Z represents the linear

[326] Some authors (e.g., Vittinghoff and McCulloch, 2007) suggest that this rule is too stringent and can be relaxed.

Variables	1	2	3	4	5	6	7	8	9
Mean	3.63	3.97	0.99	5.85	12.2	2.26	2.46	1.49	0.48
Standard deviations (s.d.)	1.45	2.71	0.37	1.12	11.6	1.81	0.60	0.50	0.50
Variance inflation factor (VIF)	2.04	2.14	1.23	1.09	1.26	1.24	1.13	1.06	-
Tolerance	0.49	0.47	0.81	0.92	0.79	0.81	0.89	0.94	-
1. Marketing capabilities	1								
2. Language skills	0.68***	1							
3. Market knowledge (log)	0.31***	0.39***	1						
4. Product differentiation	0.11	0.15*	0.05	1					
5. Market importance	0.42***	0.37***	0.17*	0.16*	1				
6. Entry mode restrictions	-0.28***	-0.37***	-0.23***	-0.16*	-0.20**	1			
7. Firm size	0.16*	0.10	0.19**	-0.12	-0.02	0.13	1		
8. Product type[1]	-0.06	-0.12	-0.05	-0.20**	-0.08	0.07	0.10	1	
9. Entry mode[2]	0.67***	0.52***	0.23**	0.08	0.44***	-0.39***	0.10	0.03	1

N =194. *≤0.05; **p≤0.01; ***p≤0.001 (two-tailed).
[1]coded 1 = industrial, 0 = consumer. [2]coded 1 = independent, 0 = collaborative.

Table 4.15 – Logistic Regression Analysis: Mean Values, Standard Deviations, Collinearity Statistics, and Correlations

Variables	Model 1.1 (Baseline)			Model 1.2 (Full)		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Independent variables						
Marketing capabilities				**1.482*** **	**0.274**	**4.402**
Language skills				**-0.045**	**0.110**	**0.956**
Market knowledge (log)				**-0.604**	**0.731**	**0.546**
Product differentiation				**-0.211**	**0.226**	**0.810**
Market importance				**0.089****	**0.028**	**1.093**
Entry mode restrictions				**-0.546*** **	**0.168**	**0.579**
Control variables						
Firm size	-	-	-	-	-	-
-Micro[1] vs. medium[2]	**-1.032**	**0.706**	**0.356**	-1.199	0.919	0.302
-Small[1] vs. medium[2]	**-0.195**	**0.300**	**0.823**	-0.331	0.481	0.718
Product type (industrial[1] vs. consumer[2])	**0.093**	**0.291**	**1.098**	0.668	0.464	1.950
Constant	0.009	0.254	1.009	-3.408*	1.633	0.033
Model χ^2 (sig.)		2.66 (0.447)			137.94 (0.000)	
d.f.		3			9	
Hosmer & Lemeshow χ^2 (sig.)		0.76 (0.86)			6.25 (0.62)	
R^2 - Cox & Snell		0.014			0.509	
R^2 - Nagelkerke		0.018			0.679	
Correct classification (%)		53.6%			83.5%	

N = 194. *p≤0.05; **p≤0.01; ***p≤0.001; $^{+}$p≤0.10 (two-tailed).
B = logistic coefficient. Exp(B) = exponentiated coefficient. sig. = significance.
Dependent variable: 0 = collaborative mode; 1 = independent mode.
[1]coded 1; [2]coded 0.

Table 4.16 – Logistic Regression Analysis: Models

combination of the independent and control variables. That is:

$$Z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + ... + \beta_n X_n \qquad (2)$$

where β_0 is the intercept term, $\beta_1 ... \beta_n$ are the regression coefficients, and $X_1 ... X_n$ represent the independent and control variables.

Logistic Regression Models

Two logistic regression models were defined and estimated individually using the maximum-likelihood method. The establishment of different models allows for alternative models to be compared on the basis of their fit and the explanatory power of their variables (Aiken and West, 1991).

The two models, models 1.1 and 1.2, are depicted by Table 4.16 on page 342.

Model 1.1 (the baseline model) includes all of the control variables (firm size, specifically categories of firms based on their size, with comparisons being made between micro- and medium-sized firms and between small- and medium-sized firms; product type) and their effect on the choice of an independent entry mode.

The model is weak and not statistically significant, with χ^2 (3, N =194) = 2.66, p = 0.447, suggesting that the predictor variables collectively do not discriminate between independent and collaborative modes. The model only explains between 1.4% (Cox & Snell R^2) and 1.8% (Nagelkerke R^2) of the variance in entry mode choice, and correctly classifies 53.6% of observations (not substantially higher level than the 52.1% correctly classified if only the constant was included in the model).

None of the control variables are significantly associated, positively or negatively, with the choice of an independent entry mode.

Model 1.2 (the full model) includes the control variables as well as all other predictor variables, these being the marketing and institutional factors (except for marketing adaptation, which was not analysed).

The inclusion of the marketing and institutional factors as predictor variables results in a statistically significant model (χ^2 (9, N =194) = 137.94, p = 0.000) with good predictive ability. The change in model χ^2 compared to model 1.1 is 135.28. The current model explains between 50.9% (Cox & Snell R^2) and 67.9% (Nagelkerke R^2) of the variance in entry mode choice, and correctly predicts 83.5% of observations.

The model shows that *marketing capabilities* have a substantial and positive impact on the choice of an independent mode (p = 0.000; Wald = 29.360). The odds ratio (Exp(β)) of 4.402 indicates that a firm is over four times more likely to choose an independent entry mode over a collaborative mode for each one unit improvement in its marketing capabilities.

Market importance is also shown by the model to have a significant and positive impact on the choice of an independent entry mode (p = 0.002; Wald = 9.898). This variable has a marginal influence on the choice of an independent mode, as indicated by the odds ratio (Exp(β)) of 1.093.

The model indicates that *entry mode restrictions* have a significant and negative impact on the choice of an independent mode (p = 0.001; Wald = 10.595). The odds ratio (Exp(β)) suggests that for every extra unit of entry mode restrictions the odds of a firm choosing an independent over a collaborative mode decreases by 0.579.

None of the other independent variables (language skills; market knowledge; product differentiation) or control variables (firm size; product type) makes a unique, statistically significant contribution to the model. These variables are not significant predictors of the choice by a firm of an independent entry mode.

Implications for Hypotheses

The results of the logistic regression analysis provide empirical support for some of the hypotheses but not for others.

Hypothesis 1 (H1) (that marketing capabilities for an international market are positively related to the choice by a SME of an independent entry mode for that market) is supported. As suggested by the results of the analysis, marketing capabilities are an important predictor in the choice by firms of an independent entry mode. Put simply, the greater the marketing capabilities of a firm in relation to a particular international market, the more likely it is to choose an independent rather than a collaborative mode for that market.

H2 (that language skills relevant to an international market are positively related to the choice by a SME of an independent entry mode for that market) is not supported. The results of the analysis show that the effect of language skills on independent mode choice is not statistically significant.

H3 (that knowledge of an international market is positively related to the choice by a SME of an independent entry mode for that market) is also not supported. Again, the results of the analysis show that the effect of market knowledge on independent mode choice is not statistically significant[327].

H4 (that product differentiation in relation to an international market is negatively related to the choice by a SME of an independent entry mode for that market) is also not supported. Once more, the results of the analysis show that the effect of product differentiation on independent mode choice is not statistically significant.

H5 (that marketing adaptation in relation to an international market is negatively related to the choice by a SME of an independent entry mode for that market) was not tested.

[327] The same result is obtained when the market knowledge variable is included in these models in natural form instead of in log form.

H6 (that the importance of an international market is positively related to the choice by a SME of an independent entry mode for that market) is supported. The results of the analysis suggest that the importance of an international market to a firm positively influences its choice of an independent entry mode for that market (although not of the magnitude of its marketing capabilities). Put differently, the greater the importance of an international market, the more likely a firm is to employ an entry mode for that market.

H7 (that entry mode restrictions pertaining to an international market are negatively related to the choice by a SME of an independent entry mode for that market) is supported by the results of the analysis which indicates that such restrictions negatively influence the choice of an independent mode. In other words, the greater the restrictions on the use by foreign firms of entry modes in relation to a given international market, the less likely they are to use independent modes in the case of that market.

Table 4.17 on page 347 summarises the empirical support for the hypotheses (H1-H7) provided by the results of the logistic regression analysis.

Implications for Control Variables

As for the control variables (firm size and product type), the results of the logistic regression analysis do not provide empirical support of these influencing SMEs' choice between independent and collaborative entry modes.

The results indicate that firm size, more particularly differences between SMEs in terms of these being micro-, small-, and medium-sized firms, does not impact the entry mode choice in question. This is because the analysis did not find micro- and small-sized firms to be less likely to choose independent over collaborative modes. However, due to the underrepresentation of micro firms in the sample (this was discussed in section 4.2.1.1 in relation to the informal assessment of sample

	Hypotheses	Outcome of Statistical Testing[1]
	Ceteris paribus:	
H 1	**Marketing capabilities** pertaining to an international market are **positively** related to the choice by a SME of an independent entry mode for that market.	Supported ($p = 0.000$[2])
H 2	**Language skills** relevant to an international market are **positively** related to the choice by a SME of an independent entry mode for that market.	Not supported
H 3	**Knowledge** of an international market is **positively** related to the choice by a SME of an independent entry mode for that market.	Not supported
H 4	**Product differentiation** is **negatively** related to the choice by a SME of an independent entry mode for that market.	Not supported
H 5	**Marketing adaptation** is **negatively** related to the choice by a SME of an independent entry mode for that market.	*Not tested*
H 6	The **importance of an international market** is **positively** related to the choice by a SME of an independent entry mode for that market.	Supported ($p = 0.002$[2])
H 7	**Entry mode restrictions** pertaining to an international market are **negatively** related to the choice by a SME of an independent entry mode for that market.	Supported ($p = 0.001$[2])

[1]of logistic regression analysis. [2]two-tailed.

Table 4.17 – Summary of Empirical Support for Hypotheses

representativeness), the finding needs to be interpreted with caution as far as these (micro-sized) firms are concerned.

As for product type, the results do not show this to affect the entry mode choice under consideration. The analysis did not find smaller firms with industrial goods to be more likely to select independent over collaborative entry modes than their counterparts offering consumer goods.

4.5 Chapter Summary

The nature and results of the quantitative data analysis undertaken were discussed in this chapter. The preliminary analysis carried out before the hypothesis testing included an assessment of the survey sample and the respondents, of the multi-item scales employed, and of common method bias. It was found that the sample was representative of the population except for the underrepresentation of micro firms. The respondents were determined to be of high quality and suitable as key informants. Potential concerns about the use of the key informant technique were further allayed by high interrater agreement. As to the measurement properties of the multi-item scales, it was shown that these can be considered reliable and valid after the removal of certain measures and items (the data obtained through which was excluded from subsequent, other analysis pertaining to the quantitative data). The assessment for common method bias did not find grounds for concern.

The descriptive analysis also carried out before the hypothesis testing provided useful details about the firms in the sample. These include details about their demographic characteristics, the international markets about which they reported, the entry modes employed for the markets, and about particular marketing resource and strategy variables relating to the markets of interest to this study.

The hypothesis testing, for which logistic regression analysis was carried out, revealed that the survey data partially support the hypotheses. Of the marketing and

institutional factors about which the hypotheses relate, only marketing capabilities, market importance, and entry mode restrictions have a significant influence (positive in the case of the first two variables, negative in that of the third) on the sample firms' choice of independent entry modes. Language skills, market knowledge, and product differentiation do not have a significant effect on this choice. (One variable, marketing adaptation, was not tested.)

The partial empirical support for the hypotheses and potential reasons for this are addressed in the following chapter, in which possible explanations are suggested for the inconsistencies between the expected and actual influence some of the focal entry mode factors (i.e., those whose associated hypotheses are not supported by the results of the analysis) have on SMEs' choice between independent and collaborative entry modes.

Chapter 5 -
Discussion

5.1 Introduction

The present study investigates the influence key marketing factors have on the international market entry mode choice of SMEs, more particularly on that between independent and collaborative entry modes. Hypotheses pertaining to the expected influence of these marketing factors were stated on the basis of the literature review (the review was presented in Chapter 2) and exploratory interviews (the interviews were discussed in section 3.4). In order for the hypotheses to be tested, empirical data were obtained through a large-scale survey (the survey was the subject of section 3.5). Quantitative data analysis was undertaken for the hypothesis testing (the analysis was discussed in the preceding chapter). The results of the analysis are discussed in the present chapter. As part of this, the findings of the hypothesis testing are reviewed and their implications discussed in detail. The findings relating to the control variables are also examined thoroughly.

The discussion is in four parts. The first part (hosted by section 5.2) is concerned with the three key marketing resources examined by the study. These are marketing capabilities (to which H1 pertains), language skills (H2), and market knowledge (H3). The importance of these marketing resources and their expected influence on SMEs' independent-collaborative entry mode choice as suggested by the ('core') resource-based view (RBV), the entry mode literature, and other relevant literature are summarised before their actual influence as indicated by the results of the quantitative data analysis is discussed. As seen in the preceding chapter, the empirical (survey) data point to the actual influence on the focal entry mode choice decision of some of these marketing resources not corresponding with that suggested by the RBV and the literature. Where there are inconsistencies between the

marketing resources' expected and actual impact, potential explanations for these are offered. Each of the variables is discussed separately (in sections 5.2.1, 5.2.2, and 5.2.3), followed by an integrative discussion (in section 5.2.4) about the variations in the influence of the individual marketing resource factors on the focal entry mode choice decision.

The second part of the discussion is similar to the first except for the variables being considered. In the second part (in section 5.3), the discussion concerns the three key marketing strategy variables investigated by the study. These are product differentiation (to which H4 pertains), marketing adaptation (H5), and market importance (H6). The importance of these marketing strategy variables and their expected impact on SMEs' independent-collaborative entry mode choice decision are reviewed before their actual impact as suggested by the results of the data analysis is discussed. As with the marketing resources that are the subject of investigation, the survey data indicate that the expected and actual influence of the marketing strategy variables under consideration on the entry mode choice decision of interest differs for some of the variables. These disparities are identified and possible explanations for their existence suggested as part of the separate discussions of each marketing strategy variable (in sections 5.3.1, 5.3.2, and 5.3.3). This is followed by an integrative discussion (in section 5.3.4) about the variations in the influence the respective variables have on the focal entry mode choice decision.

In the third part of the discussion (section 5.4), the main findings pertaining to all six focal marketing factors (i.e., to the three particular marketing resources and the three marketing strategy variables under investigation) are presented and discussed in detail. These represent the key findings of this study.

The fourth and final part of the discussion (section 5.5) turns to the institutional factor, this being entry mode restrictions (H7), and to the control variables of the study, which are firm size and product type. As in the case of the marketing resources and marketing strategy variables under consideration, inconsistencies between the anticipated and actual influence of each of these variables on SMEs'

independent-collaborative entry mode choice are pointed out and possible reasons for these put forward (in sections 5.5.1, 5.5.2, and 5.5.3).

5.2 Key Marketing Resource Factors and SMEs' International Market Entry Mode Choice

Marketing resources are potentially important factors in SMEs' choice between independent and collaborative entry modes. These marketing factors enable the firms' marketing and so are crucial to their marketing ability in relation to international markets. As discussed in section 2.5 (in which the nature and importance of marketing resources was reviewed, including in the context of international markets), without possessing or having access to the marketing resources they need to engage in effective marketing, firms are not in a position to undertake the marketing activities necessary for them to offer customers in international markets products of value on a continuous basis (the role of international marketing in this was discussed in section 1.5.2); as in the case of domestic markets, marketing resources are essential to value creation in international markets and, hence, to firms' success within these. From the perspective of the ('core') resource-based view (RBV), international marketing resources (and the international marketing they enable) are (as discussed in section 2.4.2.1) requirements for the exploitation by firms of their strategic (advantage-generating) resources in relation to international markets. As such, they represent key complementary resources for international (product) market resource exploitation; the resources can also represent strategic resources in their own right where they possess the VRI attributes (value, rarity, and inimitability) of such resources[328] and, where they do so, as mainly intangible assets have the potential to generate long-lasting competitive advantages for firms in international markets.

[328] The nature and importance of strategic and complementary resources was discussed in section 2.4.2.1.

SMEs commonly have inadequate marketing resources when entering new international markets. Firms in such situation may be missing particular marketing resources specific to these markets and/or may also find that their existing marketing resources may be less suitable or outright unsuitable in the context of other country markets. Regardless of the reasons for their international marketing resources being inadequate, financial and other resource limitations combined with the difficulty of independent resource development mean that inter-firm collaboration is often the only viable international marketing resource attainment method for SMEs despite its disadvantages (the resource attainment methods were discussed in section 2.5.2.2). Inter-firm collaboration allowing for international marketing resource attainment - through collaborative resource development or through resource access - can take various forms. Important forms of collaboration allowing for marketing resource attainment are represented by the various collaborative entry modes (collaborative modes were discussed in section 1.1). Thus, the use of collaborative entry modes is a way for firms to overcome marketing resource deficiencies in relation to their development of international markets. The use of collaborative entry modes also represents the choice of an option for the development of these markets (i.e., for international market development - IMD), this being to undertake IMD collaboratively (Figure 1.2 on page 20 depicts marketing factors' relation to firms' options for IMD and that of the IMD options to the choice between independent and collaborative entry modes).

This study examines the impact on SMEs' choice between independent and collaborative entry modes of certain marketing resources that appear to be crucial to IMD. The key marketing resources in question are marketing capabilities, language skills, and market knowledge. The nature and importance of these resources as well as their influence on entry mode choice as suggested by the RBV and the literature was discussed in sections 2.5.3, 2.5.4, and 2.5.5 respectively, where relevant hypotheses (H1, H2, H3) about this influence were stated.

The RBV, providing a theoretical perspective on the influence the focal marketing resources have on SMEs' independent-collaborative entry mode choice, suggests that

(as discussed in detail in sections 2.4.2, 2.5.3.3, 2.5.4.2, and 2.5.5.2) the adequacy of the focal marketing resources with respect to international markets as well as firms' ability to develop the resources independently (where they are inadequate) influences their choice between independent and collaborative modes; Figure 2.7 on page 128 provides an overview of the influence suggested by the RBV of the adequacy of the focal resources (as strategic or, more likely, complementary resources) and the feasibility of their independent development on firms' choice between independent and collaborative entry modes.

The effect the three marketing resources investigated here are expected to have on the independent-collaborative entry mode choice decision of SMEs according to the RBV and the entry mode and other literatures was summarised in section 2.7.1. Essentially, where SMEs have insufficient levels of these marketing resources it can be expected that this will, given the firms' characteristic resource constraints and their resultant difficulties in developing the marketing resources by themselves, increase the likelihood of the firms choosing collaborative entry modes for the respective markets. A SME with a low level of the resources will find that its marketing ability in relation to an international market would likely be inadequate, which increases the need for the firm to collaborate with other firms so that the marketing required in connection with that market is undertaken (sufficiently or at all). Conversely, a SME with a high level of the resources will likely find its marketing ability to be adequate and, considering the advantages of independent market development (including a firm having maximum control over strategic and other resources, over market exploitation and development activities involving the resources, and over the resultant benefits), is likely to develop the international market on its own and therefore employ an independent mode. Table 2.9 on page 257 summarises the expected influence low and high levels of the focal marketing resources have in terms of their impact on SMEs' marketing in relation to international markets, on their need for inter-firm collaboration for this, and on the expected influence on their choice between independent and collaborative modes for the markets.

In line with the foregoing, it can be expected that the possession by a SME of the focal marketing resources would have a direct, positive influence on the choice by the firm of an *independent* entry mode for that market. In other words, the greater the level of these marketing resources possessed by a SME for an international market the greater is the likelihood of that firm choosing an independent rather than a collaborative entry mode for the market. However, the expected influence of the marketing resources in question is confirmed by the data obtained through the survey undertaken for the present study (*hereafter referred to as 'the survey data'*) in the case of only one such resource, this being marketing capabilities. Table 5.1 on page 356 provides a summary of the expected influence of the focal marketing resources on SMEs' choice between independent and collaborative entry modes and that actually suggested by the empirical data. In detail:

5.2.1 Key Marketing Resource Factor 1: Marketing Capabilities

The study found that SMEs' marketing capabilities, more specifically the individual core marketing capabilities that comprise marketing capabilities for the purposes of this investigation (product capability, pricing capability, distribution capability[329], marketing communications capability, and market information management capability), influence the firms' choice between independent and collaborative entry modes. The survey data indicate that the level of marketing capabilities a smaller firm has in relation to an individual international (foreign country) market is positively related to the likelihood of the firm choosing an independent over a collaborative entry mode for that market. This represents empirical support for H1 (which states that *marketing capabilities for an international market are positively related to the choice by a SME of an independent entry mode for that market*). In fact, the data suggest that marketing capabilities have a substantial impact on this choice.

[329] Distribution capability was eliminated as part of the composite marketing capabilities measure before the analysis of the survey data and so the capability is excluded from this discussion.

Factor	Respective Hypothesis	Expected Influence on Entry Mode Choice*	Actual Influence on Entry Mode Choice* As Suggested by Empirical Data**	Hypothesis Supported
Marketing Capabilities	H1	+	+	Yes
Language Skills	H2	+	n.s.	No
Market Knowledge	H3	+	n.s.	No

*choice of independent over collaborative modes. **data obtained through this study's survey. IM = international market; n.s. = not significant.

Table 5.1 – Summary of Expected and Actual Influence of Key Marketing Resource Factors on SMEs' International Market Entry Mode Choice

Factor	Respective Hypothesis	Expected Influence on Entry Mode Choice*	Actual Influence on Entry Mode Choice* As Suggested by Empirical Data**	Hypothesis Supported
Product Differentiation	H4	-	n.s.	No
Marketing Adaptation	H5	-	n.t.	No
Market Importance	H6	+	+	Yes

*choice of independent over collaborative modes. **data obtained through this study's survey. n.s. = not significant; n.t. = not tested.

Table 5.2 – Summary of Expected and Actual Influence of Key Marketing Strategy Factors on SMEs' International Market Entry Mode Choice

Factor	Respective Hypothesis	Expected Influence on Entry Mode Choice*	Actual Influence on Entry Mode Choice* As Suggested by Empirical Data**	Hypothesis Supported
Entry Mode Restrictions	H7	-	-	Yes

*choice of independent over collaborative modes. **data obtained through this study's survey.

Table 5.3 – Summary of Expected and Actual Influence of Institutional Factor on SMEs' International Market Entry Mode Choice

This finding is in line with the RBV and the extant literature. As discussed in detail in section 2.5.3.3, the very few prior entry mode studies specifically investigating the influence of marketing capabilities on entry mode choice and which are relevant to the present study (e.g., Blesa and Ripollés, 2008; Ripollés and Blesa, 2012) as well as the limited insights offered into this by the small firm internationalisation/ international entrepreneurship and export performance literatures indicate that higher levels of marketing capabilities of firms would lead to them being more inclined to choose independent entry modes whereas lower levels would encourage the firms to select collaborative modes.

The finding appears to confirm that firms able to perform the fundamental marketing activities associated with the focal marketing capabilities (e.g., pricing in the case of pricing capability) are better placed to develop their international markets independently and have a lesser need to collaborate with others for this than firms with lower ability to perform these marketing activities in relation to their international markets. Considering the importance of marketing capabilities (including their strategic importance) together with the difficulty firms have in obtaining these, it is logical that firms with such capabilities would be more likely, other factors notwithstanding, to enter and develop the respective international markets on their own and, thus, to employ independent entry modes for the markets.

Marketing capabilities are essential to firms' ability to undertake marketing on their own in relation to international markets, with the core marketing capabilities examined here representing threshold capabilities without which marketing cannot be undertaken (this was discussed in section 2.5.3.2). Required for firms to meet (preferably, exceed) the needs of local consumers on a continuous basis, marketing capabilities have an important role in the establishment of competitive advantage by firms in international markets and in their performance in relation to the markets. This is not only suggested by the RBV but also indicated by the export performance literature.

From the perspective of the ('core') RBV, the marketing capabilities firms have can

represent strategic resources (resources with the VRI attributes of value, rarity, and inimitability) that act as sources of competitive advantage in international markets or - more likely for the (basic) marketing capabilities considered here - represent complementary resources enabling the exploitation by firms of their strategic resources. Irrespective of their exact strategic importance, the RBV suggests that a firm is likely to choose an independent entry mode where its marketing capabilities are adequate in relation to the international market concerned since it can undertake the associated marketing activities on its own and so exploit its strategic and other resources independently; a firm would also be inclined to select such mode where it is able to develop lacking marketing capabilities independently.

The export performance literature suggests that individual marketing capabilities have both a direct and indirect influence on firms' export performance. In their meta-analysis of eleven studies concerned with the marketing capabilities-export performance relationship, Tan and Sousa (2015) found that product capability, pricing capability, distribution capability, and marketing communications capability (the capabilities they examined and which represent four of the five capabilities considered by the present study) positively influence the establishment of low-cost advantage and differentiation advantage and, through this (indirectly) as well as separately (directly), financial and non-financial export performance. The authors (p. 94) suggest that exporters require a high level of basic marketing capabilities, noting that the results of their study indicate that "an exporting firm needs to develop professional skills and knowledge in designing and developing new products [i.e., product capability], responding to market changes with pricing tactics [pricing capability], managing good relationships with distributors and customers [distribution capability], and delivering communication messages effectively [marketing communications capability]".

While SMEs clearly require marketing capabilities for their international markets, having sufficient levels of even basic marketing capabilities for these markets is a challenge for most smaller firms. Although they may have marketing mix capabilities (representing the marketing capabilities examined by this study, with the

exception of market information management capability) sufficient for their domestic markets, such firms may find that these are inadequate when entering international markets due to being less suitable or even unsuitable in the context of other country markets (as discussed in section 2.5.2.1, international marketing resources are affected by location). At the same time, the *independent* development of marketing capabilities can be difficult, take a long time, and be costly (the methods of international marketing resource attainment were the subject of section 2.5.2.2).

That the surveyed firms had a respectable level of marketing capabilities for their international markets (as indicated by Table 4.13 on page 332, the mean value of the firms' rating of their marketing capabilities compared to those of their main competitors in the international markets was 3.63 on a 7-point scale) suggests that the firms, in general, both appreciate the importance of marketing capabilities in relation to their international market development and are able to overcome the difficulties in obtaining the capabilities or, at least, access those of other firms (in the case of surveyed firms developing international markets collaboratively, with export intermediaries or with contractual or venture partners).

5.2.2 Key Marketing Resource Factor 2: Language Skills

Where language skills are concerned, the study found this marketing resource not to have a role in the independent-collaborative entry mode choice decision of SMEs. The survey data do not indicate that the language skills a SME has in respect of an individual international (foreign country) market are a significant influence in its choice of an independent over a collaborative entry mode for that market. This, and the consequent lack of empirical support for H2 (which states that *language skills relevant to an international market are positively related to the choice by a SME of an independent entry mode for that market*), is surprising considering the apparent importance to successful international marketing of local language skills.

The finding concerning language skills is at odds with the insights provided by the RBV and the current literature about the likely influence these skills have on entry

mode choice. The insights were presented in section 2.5.4.2. The ('core') RBV suggests that firms possessing adequate language skills (language skills represent a complementary resource) or which do not but can develop these independently would be more likely to exploit their strategic and other resources in relation to the respective international markets on their own and so employ independent entry modes for this. The very few entry mode studies concerned with firms' actual language skills (e.g., Tan et al, 2001) suggest that where (foreign) firms possess languages appropriate to international markets they are more likely to choose higher entry modes for these; WOS, an independent mode, represents the highest mode. The broader international business literature offers the 'psychic distance' concept that suggests that language skills relevant to an international market afford a (foreign) firm better knowledge of an international market and that the firm, more willing to commit greater resources to that market (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977, 1990; Pedersen and Petersen, 1998), would be inclined to employ a mode for the market requiring relatively greater resource commitment and offering greater control; such a mode would, given the nature of independent modes, more likely be an independent mode. The export literature suggests that a lack of language skills is a factor in firms relying on export intermediaries to develop international markets (e.g., Marcella and Davies, 2004), such intermediaries taking on an important language role for the exporter (Piekkari et al, 2014), and would therefore choose the collaborative modes of direct exporting through an agent or direct exporting through a distributor.

In view of the finding of the present study, it may be that Piekkari et al (2014, 200) are correct in their argument that "in general, language is not a strong influence on mode choice and use". In an age of accelerated globalisation, where Business English is the new *lingua franca* and there has been a proliferation of intermediaries acting as a bridge between firms and foreign customers, the role of language in firm internationalisation may have changed (Hurmerinta, Nummela, and Paavilainen-Mäntymäki, 2015) and language may be less of an obstacle to international market development and other international activities.

While this may be so, little is known about the language-entry mode relationship due to a lack of empirical research, a fact conceded by Piekkari et al (2014, 175) who add the caveat to their position concerning language not being a major factor in entry mode choice that "this does not always apply" (p. 200). Thus, it may be premature to attribute the finding of the present study about language skills to there not being a significant relationship between the entry mode choice of firms and their foreign language skills.

There are at least three potential reasons for the present study in particular finding a significant relationship between SMEs' language skills and their choice between independent and collaborative entry modes to be absent, and for adequate language skills not making it more likely for the firms to choose independent over collaborative entry modes. These relate to UK firms being in the advantageous position of having English as their native language and so being potentially less influenced by language in some - but not all - entry mode choice decisions.

The first possible reason for the finding is that many of the firms in the survey chose to report about international markets where English is the or a primary language and so indicated their language ability for the markets as high irrespective of the type of mode employed[330].

The second potential reason for the finding is that among the sample firms reporting about international markets where English is *not* a primary language there may be numerous firms which benefit from the widespread knowledge of the English language among local consumers, industrial buyers, etc. The firms in question, especially those employing direct exporting through a home county-based (i.e., UK-based) sales force[331], were likely in a position to enter the respective international

[330] 64 firms, representing 33% of those in the sample, reported about such an international market. Of these firms, 33 employed independent entry modes while 31 firms used collaborative modes.

[331] This independent entry mode would have been indicated by firms reporting about international markets where English is not a primary language which they serve solely or primarily by means of direct exporting through the internet, more particularly through websites (most of which, it can be assumed, are only in English). The survey questionnaire did not include a separate response choice for direct exporting through the internet, so firms serving the international markets they chose to report

markets through *independent* modes without meaningful local language ability. Although these and other UK firms, among which are firms finding that "the global use of English as a business lingua franca forms an attractive basis for native Anglophone decision-makers to disassociate themselves from the necessity of learning foreign language skills at all" (Knowles, Mughan, and Lloyd-Reason, 2006, 624), may be in a position to enter international markets without local language skills, whether the firms concerned actually succeed in developing the respective markets without local language skills is another matter[332].

The third possible reason for the finding, one related to the prevalence of English in the global marketplace, is that some of the sample firms may have rated their ability to communicate with (English-speaking) export intermediaries, venture partners, consumers, industrial buyers, etc in the respective international markets rather than their own local language ability.

If the second of these potential reasons for the finding is confirmed, then it can be expected that firms from English-speaking countries besides the UK and those with a native-level command of the English language would also not be as significantly influenced by language skills in their entry mode choice as firms without this fluency. Should the first reason - which is intuitive but lacking sufficient empirical support[333] - be confirmed, then for non-UK firms entering international markets that are part of their 'language bloc' (for example, Mexico in the case of Spanish firms) language skills would also not exert a major influence on the entry mode choice for the markets.

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about in this way would have selected the response for exporting through home country-based sales force.

[332] Set against the background of "insufficient UK investment in the languages and cultures of other countries" resulting in foregone foreign trade in the region of 3.5% of UK GDP (Foreman-Peck and Wang, 2014, 1), the performance implications of UK SMEs entering and developing international markets without possessing local language skills clearly warrant greater attention.

[333] As discussed in section 2.5.4.2, most entry mode studies concerned with language do so in relation to the effect that national-level differences in language, usually expressed in terms of the 'language distance' between a firm's home country and the host (international) market, have on firms' mode choice but do *not* concern themselves with the effect firms' *actual language skills* (or lack thereof) have on their mode choice.

Much more scholarly research is required into the language-entry mode relationship before even tentative conclusions can be reached concerning the impact of firms' foreign language skills on their independent-collaborative entry mode choice and entry mode choice generally.

5.2.3 Key Marketing Resource Factor 3: Market Knowledge

As with language skills, this study found market knowledge not to have an impact on SMEs' choice between independent and collaborative entry modes. The knowledge a SME has in respect of an individual international (foreign country) market ('market knowledge') is not, as suggested by the survey data, a significant influence in its choice of an independent over a collaborative entry mode for that market. This, and the resultant lack of empirical support for H3 (which states that *knowledge of an international market is positively related to the choice by a SME of an independent entry mode for that market*), is unexpected.

The finding is contrary to the insights offered by the RBV and the extant literature about the likely influence of market knowledge on entry mode choice. These insights were discussed in section 2.5.5.2.

Knowledge relating to an individual international market is primarily tacit in nature, "deeply embedded within the local environment" (Wu et al, 2007, 284), and, crucially, developed by firms mainly through *experience of the market* and over time (Andersen, 1993; Eriksson et al, 1997). Experiential knowledge is the focus of the present study for this reason and because it appears to be the most important type of knowledge pertaining to an international market, particularly as far as informing firms' strategic actions - including their choice of entry mode - and their marketing (e.g., Eriksson et al, 1997; Lu and Hébert, 2005; Fang et al, 2007; Xie, 2012) (the nature and importance of experiential knowledge was discussed in section 2.5.5.1).

The ('core') RBV suggests that the extent of a firm's knowledge of an international market (with market knowledge likely being a complementary resource for firms foreign to the market) influences its choice of entry mode for that market. A firm that has accumulated sufficient experiential knowledge of an international market or has not but can do so on its own generally would be attracted to independent entry modes for that market, being inclined to exploit its strategic and other resources in relation to the respective market independently. This is in line with the extensive entry mode literature concerned with market knowledge. According to this literature, firms with adequate experiential knowledge of individual international markets would be more likely to employ independent entry modes for these markets. This is because their experience of the markets and consequent local market knowledge reduces the need to obtain such knowledge from other firms (e.g., Meyer et al, 2009). Also, independent modes - notably WOS - allow firms to more readily acquire local market knowledge than collaborative modes (e.g., Brouthers et al, 2002), provided that the firms are in a position to obtain and absorb this knowledge on their own (through internal development or the acquisition of another firm). For these and other reasons, the entry mode literature suggests that firms prefer to develop local market knowledge by themselves and to employ independent modes in the process but frequently are not in a position to do so, turning instead to other firms to overcome insufficient market knowledge and so use collaborative modes. This is especially the case with SMEs new to individual international markets, which commonly look to export intermediaries (especially agents and distributors) and other local actors for local market knowledge (e.g., Wu et al, 2007).

There are several potential explanations for the finding by the present study that a significant relationship between SMEs' market knowledge and their choice between independent and collaborative entry modes does not exist, and that sufficient market knowledge does not make it more likely for the firms to choose independent over collaborative entry modes. These include sample firms unwilling or unable to switch from collaborative to independent entry modes despite appearing to have accrued substantial market knowledge, the measure of market knowledge employed by the study having captured experiential knowledge inadequately, and forms of knowledge

other than experiential knowledge having a greater than expected role in entry mode choice.

The knowledge a firm has of an individual international market increases over time with its experience of the market. According to the literature, greater market knowledge would make it more likely for firms to develop the respective international markets independently and, hence, to employ independent entry modes. However, a sizeable number of sample firms appear to have accrued substantial market knowledge but continued to employ collaborative instead of independent modes. An examination of the empirical data for differences in the level of market knowledge between sample firms using various export modes (177 of the 194 firms in the survey employed an export mode for the international markets they reported about[334]) reveals that there is little difference in the average number of years of experience with their respective international markets between firms exporting through distributors (a collaborative entry mode) and those exporting without intermediaries (independent entry modes) (although there is a notable difference in this average between firms exporting through agents and those exporting without intermediaries; such difference also exists between firms employing collaborative non-export modes and independent non-export modes)[335]. It would appear that for many of the firms exporting through distributors, this (collaborative) entry mode represents an optimal or satisfactory mode for the respective international markets or does not but has not been replaced with another mode due to inertia or to difficulties associated with mode change. If it is confirmed that entry mode satisfaction, inertia, and/or change difficulties impact the market knowledge-entry mode relationship to a significant extent, then these would represent moderating factors in the relationship.

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[334] A majority of the 177 firms (95 firms) exported via a collaborative mode (through an export intermediary in the form of a distributor or agent), while the remaining firms (82 firms) exported through an independent mode (a home country-based sales force or a sales office/subsidiary in the international market).

[335] Average years of experience by export entry mode employed (ordered by mean values): agent = 8.83 years (N = 41, standard deviation = 5.78); distributor = 15.46 years (N = 54, SD = 20.21); sales office in international market = 16.15 years (N = 26, SD = 9.00); UK sales force = 16.16 years (N = 56, SD = 17.57). Average years of experience by contractual and investment mode employed (also ordered by mean values): JV = 4.75 years (N = 4, standard deviation = 2.06; licensing = 7.0 years (N = 2; SD = 1.41); WOS = 19.00 years (N = 11; SD = 8.00).

This is not addressed to any significant extent in the extant literature and requires scholarly investigation.

Another potential explanation for this study's finding is that the measure employed to assess market knowledge captured experiential knowledge (the focal type of knowledge) inadequately. In line with the entry mode literature (Dow and Larimo, 2011), the present study measured the experiential knowledge a firm had of an international market on the basis of its experience of the market (market experience) in terms of the number of years of experience the firm had of the particular country (e.g., Wu et al, 2007). As discussed in section 3.5.3.1, this rests on the premise that a firm's experience of an international market is in line with its experiential knowledge relating to that market; essentially, the longer a firm's experience of an international market, the greater its opportunity to accrue experiential knowledge relating to that market. In view of the finding of this study concerning market knowledge, it may be that this premise does not hold. This could be particularly the case with firms using certain collaborative entry modes, notably direct export through distributors. Firms relying on distributors can have little *direct* exposure to the respective international markets and have the distributor as a conduit of market-related information. Thus, the measure employed by this study may not allow for the effective assessment of experiential knowledge in the case of firms using certain collaborative modes. Assuming one such mode is direct export through distributors, this may suggest that many exporters do not acquire substantial experiential knowledge of the individual international markets where they rely on (local) distributors and so do not have an impetus to switch to an independent entry mode (insufficient experiential knowledge may be another reason why the sample firms which employed distributors had a length of experience of their respective international markets similar to that of their counterparts employing independent modes; they may not have the market knowledge required to switch to an independent export mode). Given the possible inadequacy of assessing experiential knowledge on the basis of the length of time a firm has been involved with an international market, with such involvement and the resultant market experience varying considerably, future studies should consider

employing more direct measures of experiential knowledge (e.g., Eriksson et al, 1997).

A further possible explanation for the finding is that forms of knowledge other than experiential knowledge are factors in this choice whose influence is underestimated. It may be that objective knowledge (explicit or codified knowledge)[336], which unlike experiential knowledge can be acquired through market research, has a greater influence on firms' choice between independent and collaborative modes than previously thought. Entry mode studies have focused on experiential knowledge because objective knowledge is widely believed to be of lesser importance than experiential knowledge in firms' uncertainty reduction in connection with their international markets and their consequent greater inclination to employ higher entry modes for these markets (Johanson and Vahlne, 1977). In the present era where SME managers have internet-facilitated access to a plethora of information about international markets, it may be that objective knowledge has come to have a major role in smaller firms' entry mode choice. Given this possibility, which needs to be explored, entry mode researchers should consider assessing both experiential and objective knowledge when investigating the influence of market knowledge on entry mode choice, including on that between independent and collaborative modes.

5.2.4 Key Marketing Resource Factors: Integrative Discussion

The survey data indicate that the respective influence of each of the three focal marketing resources (marketing capabilities; language skills; market knowledge) on the choice by SMEs between independent and collaborative entry modes for their international markets varies. Marketing capabilities (positively related to the likelihood of a SME choosing an independent entry mode) have a significant role in this choice whereas language skills and market knowledge (not related to this likelihood, positively or negatively) do not. This does not, however, mean that

[336] The experiential-objective schema of knowledge is widely adopted in the small firm internationalisation/international entrepreneurship literature (see, e.g., Casillas, Barbero, and Sapienza, 2015).

language skills and market knowledge are unimportant to SMEs' successful entry into and development of international markets.

An explanation for the varying influence the focal marketing resources have on SMEs choice between independent and collaborative entry modes lies with the differing ability of the firms to develop the respective resources *independently* for the purpose of *independent* market entry and development (the independent resource development options - these being internal development, acquisition in factor markets, the acquisition of another firm - were discussed in section 2.5.2.2). Of the three marketing resources investigated, marketing capabilities appear to be the most difficult to develop independently. As discussed earlier (also in section 2.5.2.2), marketing resources effectively held by numerous persons in an organisation - which include marketing capabilities - cannot be easily acquired from outside the firm or developed internally. Moreover, even where a firm has adequate marketing capabilities for a given country market (its home market or an international market), due to individual marketing capabilities generally being location-bound to some degree (this was discussed in section 2.5.2.1), including in the case of firms marketing across national boundaries (e.g., exporters), these may have limited fungibility and so may not be easily deployable to other country markets.

Where language skills and market knowledge are concerned, a SME could, potentially, obtain the language skills for and knowledge of a particular international market it requires to develop that market successfully by hiring a single manager with the requisite language ability and experience of the market. Also, a SME may not even have to develop these marketing resources purposely or at all in the case of particular international markets. With regard to language skills specifically, in many instances the native language of a SME is the same as the primary language of its international market. As for market knowledge, where a SME has developed an international market collaboratively (with an export intermediary, joint venture partner, etc) it would be expected to have accumulated experiential knowledge of that market over time (although not to the same depth and extent as if it developed the market independently, especially not where firms rely on distributors to funnel

market information to them) that may suffice, at least initially, for the firm developing the same market independently instead.

With marketing capabilities being more difficult to obtain than language skills and market knowledge, and with firms possessing marketing capabilities for international markets consequently more likely to have obtained these specifically for the purpose of developing the markets independently, it can be expected that the influence of these on independent mode choice is greater relative to those of the other two focal marketing resources.

5.3 Key Marketing Strategy Factors and SMEs' International Market Entry Mode Choice

Marketing strategy variables can, like marketing resources, be important marketing factors in SMEs' choice between independent and collaborative entry modes. Marketing strategy in the context of international markets involves firms taking various crucial decisions in relation to these markets. As discussed in section 2.6 (in which the nature and importance of marketing strategy and its variables was reviewed, including in the context of international markets), irrespective of the product markets to which marketing strategy relates, the decisions associated with such strategy - the decisions representing marketing strategy variables – ultimately pertain to firms offering products of value to customers. To develop their international markets successfully, SMEs, even where they do not have a formal or explicit marketing strategy, have to offer customers products of value for which they need to undertake marketing and make decisions relating to this that are of strategic importance (i.e., marketing strategy decisions). The many individual decisions managers need to make in connection with international marketing strategy, such strategy invariably being more complex and challenging than domestic marketing

strategy, include those about product differentiation, marketing adaptation, and market importance[337].

This study examines the impact on SMEs' choice between independent and collaborative entry modes of the aforementioned marketing strategy variables (i.e., of product differentiation, marketing adaptation, and market importance). The nature and importance of these variables as well as their influence on entry mode choice as suggested by the ('core') RBV and the literature was discussed in sections 2.6.2, 2.6.3, and 2.6.4 respectively. Relevant hypotheses (H4, H5, H6) about this influence were stated there.

The RBV provides a theoretical perspective on the influence the focal marketing strategy variables have on SMEs' choice between independent and collaborative entry modes. This was discussed in detail in sections 2.4.2, 2.6.2.2, 2.6.3.2, and 2.6.4.2. Essentially, in the case of product differentiation and marketing adaptation, which place demands on firms' marketing in relation to international markets, the RBV suggests that the adequacy of their marketing ability (the ability representing a strategic or, more likely in the case of SMEs, complementary resource) as well as firms' capacity to develop the ability on their own (where it is inadequate) influences their choice between independent and collaborative modes (this is illustrated by Figure 2.7 on page 128). A firm would be inclined to choose an independent mode where its marketing ability with respect to an international market is sufficient and enables the firm to undertake marketing reflecting the intended adaptation/standardisation; a firm in such a position would prefer to exploit its products independently. Conversely, where a firm's marketing ability is inadequate in terms of allowing it to differentiate its products or adapt its marketing to an international market as intended and where the firm is not in a position to develop the ability on its own through internal development or the acquisition of another firm, the firm would be inclined to cooperate with another firm; the focal firm would, thus, be more likely to employ a collaborative mode. In the case of market importance, the

[337] As stated earlier, the importance firms assign to individual international markets (i.e., market importance) is treated here as a marketing strategy variable in line with the adopted conceptualisation of an 'international marketing strategy variable'.

RBV suggests that where individual international markets represent important markets, firms are disposed towards exploiting these independently; consequently, firms would be more likely to employ independent entry modes in the case of such markets.

The effect the three marketing strategy variables examined here are expected to have on the independent-collaborative entry mode choice decision of SMEs according to the RBV and the entry mode and other literatures was summarised in section 2.7.2. In essence, with the variables influencing the need by firms to undertake marketing in relation to international markets, the more emphasis a firm places on these variables then the greater the extent of the marketing it has to undertake. Given SMEs' generally inadequate international marketing ability, smaller firms for which product differentiation and marketing adaptation are important would, except in the case of their most important markets, be expected to be more likely to collaborate with other firms in developing the respective markets since this allows for the marketing required in connection with the markets to be undertaken. In the case of market importance, where an individual international market is of major importance to a firm it can be expected that this actually increases the likelihood of the firm developing that market independently. To take advantage of the potential benefits associated with entering and developing what is a key international market on its own, the firm would concentrate its marketing and other resources as well as its marketing ability and efforts on that market. Table 2.10 on page 257 summarises the expected influence low and high levels of importance of the three marketing strategy variables have in terms of their impact on SMEs' marketing in relation to international markets, on their need for inter-firm collaboration for this, and on the expected influence on their choice between independent and collaborative modes for the markets.

In accordance with the foregoing, it can be expected that product differentiation and marketing adaptation by a SME in relation to an international market would have a direct, *negative* influence on the choice by the firm of an *independent* entry mode for that market. In other words, the greater the emphasis on product differentiation and

marketing adaptation by a SME for an international market, the lesser is the likelihood of that firm choosing an independent rather than a collaborative entry mode for the market. As for market importance, it can be expected that the importance a SME attaches to an international market would have a direct, *positive* influence on the choice by the firm of an *independent* entry mode for that market. Stated differently, the greater the importance of an international market to a SME, the greater the likelihood of that firm choosing an independent entry mode in relation to the market.

The expected influence of the three marketing strategy variables considered here is, however, confirmed by the survey data in the case of only one such variable, namely market importance. Table 5.2 on page 356 offers a summary of the expected influence of the focal marketing strategy variables on SMEs' choice between independent and collaborative entry modes and that actually suggested by the empirical data. In detail:

5.3.1 Key Marketing Strategy Factor 1: Product Differentiation

The study found product differentiation not to have a role in SMEs' choice between independent and collaborative entry modes. The survey data suggest that the extent to which a SME differentiates its products in an individual international (foreign country) market does not significantly influence its choice of a collaborative over an independent entry mode for that market. This, and the lack of empirical support for H4 (which states that *product differentiation in relation to an international market is negatively related to the choice by a SME of an independent entry mode for that market*), is unanticipated.

The non-significant finding concerning product differentiation is inconsistent with the insights provided by the RBV and the extant literature about the likely influence of this marketing strategy variable on entry mode choice. These insights were discussed in section 2.6.2.2. The ('core') RBV suggests that firms seeking to exploit their products (which embody the firms' resource-based advantages) in international

markets and which have the marketing ability to achieve the desired product differentiation in relation to the respective markets or which do not but can develop this independently would develop the markets on their own and, consequently, employ independent entry modes. Where sufficient marketing ability is lacking and its independent development is infeasible, firms would cooperate with others so that the required marketing is undertaken and use collaborative entry modes. Considering SMEs' generally inadequate marketing ability (due to insufficient marketing and other resources and other factors) and their consequent difficulty in differentiating products highly in international markets, smaller firms would, in general, resort to collaboration where their products need considerable differentiation vis-à-vis those of their competitors in the markets.

The entry mode and international distribution channels literatures do not provide clear insights into the influence of product differentiation on SMEs' choice between independent and collaborative entry modes. These literatures appear to suggest that smaller firms with highly differentiated products are inclined to employ independent entry modes (and integrated channels) for their international markets but that this depends on various factors. As discussed in section 2.6.2.2, the entry mode literature has long held that firms internalise as far as possible firm-specific advantages (FSAs) such as product differentiation ability and would use independent entry modes (particularly WOS) for this. However, empirical studies tend to use proxies for product differentiation (most commonly, advertising intensity), focus on MNEs' choice between WOS and JV, and arrive at different conclusions about the influence of differentiation (Morschett et al, 2008a; Wulff, 2015). As for the international channel literature, this indicates that smaller firms seeking to offer greatly differentiated products in international markets prefer integrated (firm-owned) distribution channels but that firms' size, industries, and products also influence the channel decision (e.g., Rialp et al, 2002). Unlike the entry mode and international channel literatures, the small firm internationalisation/international entrepreneurship literature is less equivocal and corresponds with the RBV. This literature suggests that SMEs resort to inter-firm cooperation to differentiate their products highly in

international markets (e.g., Camisón and Villar, 2009) and hence employ collaborative entry modes.

There are several possible reasons for the present study finding a significant relationship between SMEs' product differentiation and their choice between independent and collaborative entry modes to be absent, and for high levels of differentiation not making it more likely for the firms to choose collaborative over independent entry modes.

A potential reason for the finding is that the sample firms, whose products were substantially differentiated in international markets relative to those of their competitors (as Table 4.13 on page 332 shows, the mean rating by the firms of the extent to which their products were differentiated to those of their competitors in the international markets they reported about was 5.85 on a 7-point scale), may have focused their differentiation efforts on innovation and other non-marketing 'differentiators' to a greater extent than anticipated. As discussed in section 2.6.2, marketing is not the only basis for SMEs' product differentiation internationally. Innovation, quality, and service represent other bases of product differentiation in international markets for the firms. By placing greater emphasis on these non-marketing bases for differentiation, which appears to be the route to differentiation taken by many smaller firms, SMEs may be able to reduce the extent of the marketing required for differentiation. Consequently, where firms differentiate their products highly in international markets through non-marketing-based differentiation, they would not be inclined to collaborate with other firms for this to the same extent than if they emphasised marketing-based differentiation. This is because product innovation and quality tend to originate within the focal firms themselves, are mainly reflected in their products, and so in general are less difficult to establish as points of differentiation for customers in international markets than those achieved through marketing-based differentiation. As for service, firms may be able to provide superior service to customers in international markets by themselves, as necessary and where feasible outsourcing aspects of this to local firms (e.g., product repair to independent technical services firms). Taken together, this means

that SMEs not differentiating their products in international markets on the basis of marketing or which place lesser emphasis on marketing-based differentiation are less likely to choose collaborative entry modes (having a lesser need to cooperate with other firms for marketing) than their counterparts which do so.

Another possible reason for the finding is suggested by the international channel literature. As discussed in section 2.6.2.2, the tendency by firms with highly differentiated products to prefer particular channels (integrated channels, commercial alliances, and independent channels) can be influenced by their industry (Rialp et al, 2002). It may be that, with distributive outlets and practices varying by industrial sector, a significant number of sample firms offered highly differentiated products in their respective international markets, distributed the products through integrated channels in the markets due to this being customary for their industries, and employed independent entry modes in connection with this.

A further potential reason for the finding is that the measure used to assess the sample firms' differentiation of their products in international markets may not have fully captured all traits of this. The three-item scale employed by the study (previously used by Aulakh et al, 2000, and others) was reduced by one item (that worded "maintaining higher quality standards for your products") after composite reliability assessment identified its individual score to be below the required threshold (refer to section 4.2.2). However, the remaining two scale items were thought to cover product differentiation adequately, especially since one of the items (worded "differentiating products and services from competitors") captured this broadly (the other remaining item, with the wording "maintaining a unique image for your products", relates to a particular dimension of product differentiation). The use of the scale with only two of its three items was also seen as more appropriate than the employment of proxies of product differentiation such as advertising intensity and/or R&D intensity, such proxies being suboptimal in the case of SMEs (this was discussed in section 2.6.2.2, along with the need for new, direct measures of product differentiation in the context of international markets).

5.3.2 Key Marketing Strategy Factor 2: Marketing Adaptation

The present study does not provide insights into the influence marketing adaptation has on SMEs' choice between independent and collaborative entry modes. This is because the survey data relating to the variable had to be excluded from statistical analysis due to concerns about measurement reliability. Consequently, it was not possible to determine whether the data offer support for H5 (which states that *marketing adaptation in relation to an international market is negatively related to the choice by a SME of an independent entry mode for that market*).

That the measure of marketing adaptation employed by the present study appears to be unreliable was a disappointment. The measure, having been used by Navarro et al (2010a and 2010b), assesses the extent to which a firm adapts the elements of its 'marketing mix' in terms of product, price, distribution, and marketing communications compared to its domestic market. Composite reliability assessment undertaken as part of the present study identified two items of the four-item marketing adaptation measure whose individual scores were below the required threshold (refer to section 4.2.2). This resulted in the two offending items (relating to product adaptation and marketing communications adaptation) being dropped. Of the two remaining items, one related to distribution. This was irrelevant after the distribution capability construct was eliminated (separately) and distribution was not considered further by the study. With three of the four measurement items having been discounted, it was decided that the entire marketing adaptation construct and the associated survey data would be abandoned.

5.3.3 Key Marketing Strategy Factor 3: Market Importance

The study found that the importance to SMEs of individual international (foreign country) markets influences the firms' choice between independent and collaborative entry modes for the markets. The survey data indicate that the degree to which an international market is of importance to a firm is positively related to the likelihood of the firm choosing an independent over a collaborative entry mode for the market.

This represents empirical support for H6 (which states that *the importance of an international market is positively related to the choice by a SME of an independent entry mode for that market*).

The finding concerning market importance is in line with the RBV and the extant literature. As discussed in detail in section 2.6.4.2, from the perspective of the ('core') RBV firms can be expected to concentrate their resources and resource exploitation efforts on their key international markets. Such markets represent the best opportunities the firms have to exploit their (advantage-generating) strategic resources internationally. Accordingly, firms - including SMEs – would focus their marketing ability and efforts on these markets and have a greater tendency to enter and develop the markets independently. Where their marketing ability is inadequate, firms can be expected to be more inclined to develop this internally since they would prefer to undertake on their own the exploitation of their strategic resources so as to achieve greater benefits from these (the benefits of independent resource exploitation, discussed in section 1.1 and, from the RBV perspective, in section 2.4.2, include a firm not having to share economic rents/profits, retaining control over marketing and other activities, and better protecting its strategic resources from imitation). In the case of key international markets, the potential benefits from independent resource exploitation and development are likely to be considerably greater than in that of other international markets, making the internalisation of the associated marketing and other activities and the consequent use of independent entry modes potentially more lucrative relative to other (less important) markets.

The explanation provided by the RBV broadly corresponds with the insights offered by the entry mode literature. Focusing on market size, this literature suggests that larger international markets are more conducive to firms' employment of independent entry modes (in the form of higher control and more resource-intensive modes, particularly WOS) since the greater resource demands of these modes relative to collaborative entry modes are offset by the potential financial and other returns offered by more sizeable markets (Young et al, 1989; Root, 1994; Welch et al, 2007). While the empirical evidence is mixed (c.f. Agarwal and Ramaswami,

1992, and Taylor et al, 1998, with Davidson and McFetridge, 1985, and Brown et al, 2003), possibly due (it is suggested here) by the focus on market size (as measured by GDP and other macro indicators) instead of the actual importance of individual markets to firms, the empirical literature indicates a positive relationship between the importance of an international market to a firm and its likelihood of choosing an independent entry mode for the market. This indication is reinforced by the broader international business literature, which suggests that the size of an international market (and the opportunities it presents) is a primary factor in firms' choice of the sequence of their international market entry. According to this literature, market-seeking firms are attracted towards larger markets (generally offering the greatest opportunities) first (e.g., Ellis, 2008).

That the sample firms had a tendency to choose independent entry modes for more important international markets is illustrated by the actual importance to the firms of the markets for which they selected independent entry modes. The mean percentage of total sales accounted for by international markets for which the sample firms chose independent entry modes was 17.42% but only 7.38% in the case of international markets where collaborative modes were selected (as shown by Table 4.13 on page 332, the mean for all markets is 12.19%). Also illustrating this, and suggesting that the indications that the entry mode and broader international business literatures provide of a positive relationship between market importance and independent mode choice are correct, the firms had a greater tendency to employ independent entry modes for the largest international markets as measured by GDP. For the five largest international markets (by GDP), these having been the USA, China, Japan, Germany, and France (World Bank, 2013), the majority of the (76) firms reporting about these markets chose to employ independent entry modes (61.8%) rather than collaborative modes (38.2%).

5.3.4 Key Marketing Strategy Factors: Integrative Discussion

The two focal marketing strategy variables (product differentiation; market importance) included in the analysis of the survey data (the third focal marketing

strategy variable, marketing adaptation, was excluded from the analysis) vary in terms of their influence on the choice by SMEs between independent and collaborative entry modes for their international markets. Market importance (positively related to the likelihood of a SME choosing an independent entry mode) has a significant role in this choice whereas product differentiation (not positively or negatively related to this likelihood) does not.

An explanation for the differing influence the focal marketing strategy variables have may be found by examining the impact the emphasis on these by a SME has on the firm's marketing resources. A firm's marketing strategy for an international market influences its marketing requirements for that market and places demands on its marketing ability and resources. Essentially, the more emphasis a firm places on marketing strategy variables, then the greater the extent of the marketing it has to undertake and the more marketing resources it requires. Whether a firm has the respective resources and, where it does not, the ability to develop these independently or not will influence its choice of entry mode. Where it possesses the resources in question or the capacity for their independent development, the firm is more likely to choose an independent mode; otherwise, the firm is less likely to select such mode.

The emphasis by a SME on product differentiation may substantially increase the marketing resources it requires for an international market or not have a significant influence on this requirement. This is because the firm could differentiate its products in an international market on the basis of marketing (resulting in more marketing resources being required), on a non-marketing basis (in which case its marketing resource requirements may not increase significantly), or both. That SMEs can achieve differentiation in various ways and that the associated marketing resource requirements are dissimilar has divergent implications for their choice between independent and collaborative entry modes and may, as already suggested, be a reason for the non-significance of product differentiation as a factor in this choice.

As for market importance, an international market that is important to a SME is more likely to be entered and developed independently. While it can be expected that a firm undertakes more marketing in relation to its key markets and so requires greater marketing resources for these, it appears that the firm will also concentrate its marketing and non-marketing efforts and resources on the development of such markets. By doing so, it reduces the need to rely on other firms for the required marketing resources and for the employment of a collaborative mode.

5.4 Key Marketing Resource and Strategy Factors: Main Findings

In this, third part of the discussion, the main findings pertaining to all six focal marketing factors - i.e., to the three marketing resources and the three marketing strategy variables - whose influence on SME entry mode choice is the focus of this study's investigation are presented and discussed. These represent the key findings of the study.

The findings are the following:

1. *Not all marketing factors have a role in SMEs' entry mode choice*.
The extant literature suggests that marketing factors are important to the entry mode choice decision of firms in general. It does not indicate that some marketing factors may *not* have a role in the decision. In contrast, the results of this study show that not all marketing factors exert a significant influence on the entry mode of choice of SMEs, at least not on that between independent and collaborative entry modes.

Of the six marketing factors examined by this study (one of which could not be tested empirically), it was expected, on the basis of the perspectives offered by the ('core') RBV and the insights provided by the literature, that all would influence SMEs' choice between independent and collaborative entry modes for their international markets. The empirical (survey) data, however, suggest that

only two marketing factors - marketing capabilities and market importance - actually impact the focal entry mode choice in a significant way (both positively influencing the likelihood of smaller firms selecting independent over collaborative modes).

Although the possibility that the study failed to capture fully the influence of particular marketing factors due to inadequacies in variable measurement cannot be ruled out, this would be limited to two marketing factors (market knowledge and product differentiation) for which this was one of the possible explanations for the inconsistencies between the factors' expected and actual impact. Thus, this possibility does not extend to every marketing factor found not to influence the focal entry mode choice decision.

2. *Marketing capabilities may be the most important marketing factor in SMEs' entry mode choice*.

The study found that of the six marketing factors with which it was concerned, marketing capabilities have - by far - the greatest influence on the choice by SMEs between independent and collaborative entry modes. The extant literature does not highlight the importance to this choice of individual marketing capabilities relative to other marketing factors. A reason for this is the absence of prior entry mode studies investigating the influence of a range of marketing factors on the focal entry mode choice decision on the scale of the present study.

That marketing capabilities may be the most crucial marketing factor in SMEs' independent-collaborative entry mode choice is perhaps this study's most important finding.

The finding suggests that a lack of marketing capabilities may be one of the greatest barriers to the use of independent entry mode by SMEs. SMEs, with their characteristic marketing and other resource constraints, commonly find that they lack sufficient individual marketing capabilities - including the basic, 'marketing mix' capabilities - for developing international markets, that they need to involve

other firms in the development because of this, and that collaborative entry modes will need to be employed as a consequence. The tendency by SMEs lacking adequate marketing capabilities for international markets to employ collaborative entry modes for these markets can be attributed to individual marketing capabilities (1) being crucial to the firms successfully developing international markets *on their own*, (2) not being easily transferable between country markets, and (3) being difficult for the firms to come by.

Marketing capabilities are among the most important marketing resources for international market development, possibly being the most important of these resources. They are essential to SMEs' ability to undertake marketing in relation to international markets, being required for them to meet (preferably, exceed) the needs of local consumers on a continuous basis. Smaller firms without sufficient individual marketing capabilities for particular international markets are not in a position to enter and develop the markets successfully *on their own* - and, thus, not able to employ independent entry modes for these - unless the firms concerned can redeploy existing marketing capabilities or develop new capabilities. However, marketing capabilities are location-bound to some extent, have limited fungibility, and so may not be easily deployable elsewhere. At the same time, marketing capabilities are the marketing resources most difficult for firms to develop independently. These crucial resources cannot easily be developed internally or acquired from outside the firm, especially not by smaller firms.

The finding that marketing capabilities appear to be the most important marketing factor in the focal entry mode choice decision also suggests that SMEs seeking to employ independent entry modes in relation to their international markets should focus on this marketing resource. This rationale for resource prioritisation (which will be discussed as part of the managerial implications) is supported by the (just discussed) reasons for SMEs lacking adequate marketing capabilities tending to employ collaborative entry modes.

3. *SMEs may have a tendency to employ independent entry modes for key international markets, collaborative modes for other markets*.
The study found smaller firms to be more likely to employ independent entry modes for international markets that are of importance to them in respect of the actual sales accounted for by these markets.

This finding, which is in line with the RBV and the literature, confirms that in the case of international markets that are important to them, SMEs enter and develop the markets independently to a greater extent than other markets. Important markets offer smaller firms the greatest opportunities to exploit their (resource-based) competitive advantages, so the firms would be more inclined to develop these on their own and so would be more likely to employ independent entry modes for the markets. For important markets, the firms would have a greater tendency to undertake without the involvement of an export intermediary, joint venture partner, etc the marketing and other activities associated with the development of the markets, in the process mobilising, deploying, and developing their limited marketing resources (including marketing capabilities) and other resources for this.

Considering the potential advantages of independent international market development (IMD) and the concomitant use of independent entry modes together with their higher resource demands relative to collaborative IMD and entry modes, it could be that SMEs, with the firms being more likely to employ independent entry modes for important markets, have a tendency to 'reserve' independent IMD and entry modes for their key foreign markets.

Whereas SMEs are more inclined to choose independent development and entry modes in relation to their key international markets, they are more likely to select collaborative development and entry modes for other markets. Focusing their limited marketing and other resources on important markets, smaller firms may find themselves unable to enter and develop other international markets on their own due to a lack of requisite resources and so cooperate with other firms and

employ collaborative entry modes for these. In many cases, this is so even where independent market development and the concomitant use of an independent entry mode would be preferable to the firms.

4. *Some marketing factors may have become less significant in SMEs' choice between independent and collaborative entry modes, other marketing factors more so.*

The study found particular marketing factors not to influence the independent-collaborative entry mode choice decision of smaller firms. In the case of two such factors, language skills and market knowledge, this finding of non-significance is surprising and counter-intuitive. After all, firms entering and developing international markets would, as discussed in detail earlier, be expected to be able to communicate in the languages of the markets and to have sufficient knowledge of the markets to succeed in these. Although various explanations have been put forward here for language skills and market knowledge not being factors in the focal entry mode choice decision, it may be that these factors as well as other marketing factors not considered by this study are less important in the contemporary, global marketplace.

The possible historical decline in the importance to successful international market development (IMD) of some marketing factors, which would be reflected in their lesser role in SMEs' entry mode choice, would have been precipitated by fundamental changes over the past twenty years or so in the ways smaller firms approach and compete in international markets. In general, international markets have become much more accessible to smaller firms (at least for those from the UK). These can now easily obtain a plethora of information in their respective language about most foreign markets as well as benefit from a much greater range of government and private sector support and services designed to facilitate their entry into and development of the markets. This, together with advances in information technology, the rise of the (commercial) internet, and other developments that have enabled such information, support, and services to flourish, has resulted in traditional barriers to IMD being less of an obstacle.

These traditional barriers include a lack of foreign language skills (whose possible decline as a barrier can also be attributed to the greater prevalence of Business English globally, to the better availability and sophistication of electronic translation tools, etc) and of host country knowledge (with objective knowledge being much easier to acquire than before, etc).

While some marketing factors may be less important for international market development today, and have a lesser impact on SME entry mode choice, the opposite could be true for others. This may be especially so with one marketing resource in particular, namely marketing capabilities. Individual marketing capabilities - which are the marketing-related processes by which firms actually create value for customers - are likely to be more instrumental for (foreign) firms meeting the needs of increasingly sophisticated consumers in ever-more competitive international markets. If marketing capabilities and other particular marketing factors actually have become more important to IMD, then these would also now be generally more important in SMEs' entry mode choice, including in that between independent and collaborative entry modes.

5.5 Other Factors and SMEs' International Market Entry Mode Choice

Non-marketing factors can also significantly impact SMEs' choice between independent and collaborative entry modes. Three such factors are examined by this study. These factors, discussed in section 2.8, are entry mode restrictions, firm size, and product type. The influence each of these factors was expected to have on the independent-collaborative entry mode decision of smaller firms and its actual influence as indicated by the survey data are reviewed next.

5.5.1 Entry Mode Restrictions

One of the findings of the present study is that entry mode restrictions influence SMEs' choice between independent and collaborative entry modes. The survey data indicate that legal restrictions imposed by a host country on the entry modes (foreign) firms can employ are negatively related to the likelihood of a smaller firm choosing an independent over a collaborative entry mode for the respective individual international (foreign country) market. This finding, which provides support for H7 (which states that *entry mode restrictions pertaining to an international market are negatively related to the choice by a SME of an independent entry mode for that market*), was anticipated.

Entry mode restrictions appear to be the most important institutional factor in firms' choice between independent and collaborative entry modes (e.g., Brouthers et al, 2008) (which is why they were included in the present study, being the sole institutional factor under consideration[338,339]). The study's finding concerning their impact on the focal entry mode decision is consistent with the entry mode literature. As discussed in section 2.8.1, this literature stipulates that entry mode restrictions will lead to firms, including SMEs, being inclined to employ collaborative instead of independent entry modes in relation to the international markets where the restrictions are in place; this is also so in the case of exporters, with restrictions on export modes usually resulting in firms having to export to the market via a local export intermediary (distributor, etc). Empirical entry mode studies widely confirm this (e.g., Morschett et al, 2010).

Only a minority of the 59 different international markets the sample firms reported about would actually have had formal legal restrictions on the entry modes the firms could employ (the majority of the international markets were developed country markets to which UK firms broadly have unfettered access). That the firms generally did not face major entry mode restrictions is indicated by the firms themselves. As Table 4.14 on page 332 shows, the mean rating by the firms of entry mode

[338] As mentioned earlier, additional entry mode factors - including institutional factors - could not be considered by the study due to various constraints, particularly those imposed by the statistical techniques employed as part of the data analysis.
[339] Institutional factors were discussed in section 2.4.1.3 in the context of the emerging theoretical explanation for entry mode choice known as the institutional perspective.

restrictions relating to the international markets they reported about was 2.26 on a 7-point scale. Where restrictions were in place, these did influence the firms' independent-collaborative entry mode choice. More specifically, the affected firms were likely to choose a collaborative entry mode.

By prohibiting the employment of certain independent entry modes or making this commercially unattractive, entry mode restrictions normally force foreign firms to collaborate with host market entities (this being the very rationale for the restrictions). Thus, it is not surprising that firms entering international markets with such legal restrictions react to these by resorting to collaborative entry modes.

5.5.2 Firm Size

Treated as a control variable, firm size was included in the analysis of the survey data so that potential differences in the independent-collaborative entry mode choice decision of various types of SMEs could be identified. The differences in question are variations in the likelihood of micro-, small-, and medium-sized firms selecting independent over collaborative entry modes.

As discussed in section 2.8.2, firm size has long been seen by entry mode scholars to be a factor in firms' entry mode choice. The size of firms is commonly linked to the level and depth of their resource endowments. SMEs, by their very nature, have fewer resources in comparison to their larger counterparts. Considering their constrained resources (including marketing resources) for international market development, it is widely believed that smaller firms in general are restrained from choosing individual entry modes requiring relatively high levels of financial and other resources (notably WOS) (the resource characteristics of entry modes were discussed in section 2.3.1). Such entry modes typically are independent modes, with independent export modes or independent investment modes generally requiring greater resources than the counterpart collaborative modes (e.g., in the case of investment modes, WOS generally have greater resource requirements than EJVs).

Consequently, SMEs have a greater tendency to choose collaborative entry modes than large firms.

Despite the foregoing view being widely held and a considerable number of entry mode studies having included firm size as a variable, the empirical evidence as to the influence of firm size on entry mode choice is mixed. Not even meta-analyses concerned with the impact of firm size on entry mode choice arrive at a uniform conclusion about this (c.f., Morschett et al, 2008a, Suh et al, 2011, and Wulff, 2015).

Of interest to the present study is whether the likelihood of SMEs choosing independent over collaborative entry modes differs by whether they are micro-sized (according to the classification for SMEs adopted here[340], firms with fewer than 10 employees), small-sized (firms with 10 to 49 employees), or medium-sized firms (50 to 249 employees). Prior research indicates that a SME's status as one of these firms may influence its decisions in respect of international markets (e.g., Westhead et al, 2002). Crucially, it may be that medium-sized firms, which can be expected to possess greater marketing and other resources than micro and small firms, behave differently than their smaller counterparts in some ways, including in their choice of entry modes (e.g., Pinho, 2007).

Despite the aforementioned indications in the literature, this study did not find differences in the likelihood of micro-, small-, and-medium-sized firms choosing independent over collaborative entry modes. The logistic regression models (shown by Table 4.16 on page 342) indicate both micro-sized and small-sized firms are not less likely than medium-sized firms to employ independent entry modes.

While the finding that micro firms do not have a lesser tendency to choose independent modes compared to medium firms needs to be treated with caution since the former are underrepresented in the sample (this was discussed in section 4.2.1.1 in relation to the informal assessment of sample representativeness), the explanation offered here for the lack of statistically significant differences between micro-, small-

[340] This is the European Union's current classification of SMEs (European Commission, 2005).

, and-medium-sized firms in their tendency to choose independent over collaborative entry modes may explain this. The explanation is that micro and small firms employing *independent* entry modes rely more on individual independent modes requiring relatively fewer resources than other such modes; in contrast, medium-sized firms more frequently employ independent modes requiring more substantial resources since these firms have a greater ability, given their comparatively larger resource endowments, to use such modes. As discussed earlier, direct exporting via a home country-based sales force is less resource intensive than direct exporting through a firm-owned sales office/subsidiary in an international market (another independent mode), which, in turn, typically demands fewer resources than independent investment modes (WOS).

Indeed, the sample firms employing direct exporting through a firm-owned sales office/subsidiary in an international market (generally the most resource intensive independent export mode) and WOS (the most resource intensive entry mode overall) predominantly were medium-sized firms. Of the 37 firms having chosen one of these two modes (Table 4.12 on page 331 provides an overview of the entry modes employed by the sample firms), all but six were medium-sized. More specifically, 22 of the 26 firms having chosen exporting through a firm-owned sales office/subsidiary were medium-sized firms; the remaining four were small-sized firms. As for WOS, nine of the eleven firms having selected this mode were medium-sized firms; the other two firms with WOS were small-sized firms.

That none of the micro-sized firms in the sample selected a more resource intensive independent entry mode does not necessarily indicate that such firms generally abstain from employing these. It may be that for none of the very small number of micro firms included in the survey (as Table 4.6 on page 319 shows, only eleven of the 194 firms in the survey were micro firms) such a mode was unsuitable for various reasons other than its resource requirements. However, the fact that hardly any of the small-sized firms (representing 82 of the sample firms) actually employed one of the modes in question serves as a strong indicator that resource considerations are greater for these firms than for medium-sized firms (101 of the sample firms).

Logically, the same considerations would be even more important for micro-sized firms.

5.5.3 Product Type

Also treated as a control variable, the type of product offered by manufacturing SMEs in their international markets in terms of this being a consumer or an industrial product was included in the analysis of the survey data. This was to allow for the varying influence of consumer and industrial goods on the choice by the sample firms (all of which were manufacturers) between independent and collaborative modes to be assessed.

As discussed in section 2.8.3, the entry mode literature indicates that entry mode choice can be affected by the type of products firms offer in international markets (e.g., Brouthers et al, 2002; Ekeledo and Sivakumar, 2004) and that due to the nature of their products industrial goods manufacturers may have a greater need to employ independent entry modes than consumer goods manufacturers.

The survey data, however, suggest that product type is not a significant influence on the choice by SMEs between independent and collaborative entry modes. For the firms in the study (99 of which sold a consumer product or product line in the international markets about which they reported; 95 sold an industrial product/product line), the characteristics unique to consumer or industrial goods were not a significant factor in their choice between these entry modes.

The finding by the present study of product type not affecting manufacturing SMEs' independent-collaborative entry mode choice may be explained by the attractiveness of particular *independent* export modes to both consumer and industrial goods firms. A major reason for this is that for many smaller firms offering consumer or industrial goods in international markets the internet has enabled the firms to offer their products directly to consumers or buyers (as the case may be) there. The mode they

would employ for this is an independent export mode, this being direct exporting through the internet.

While the survey did no explicitly capture the incidence of 'internet exporting' among sample firms since the survey questionnaire did not include a separate response choice for direct exporting through the internet[341], it can be assumed that many of the firms indicating that they exported through a home country-based sales force (one of the choice options) to the international markets they reported about actually exported via the internet'[342]. This is because firms serving the respective international markets in this way would have selected the response for exporting through home country-based sales force since this encompasses internet exporting. The 56 sample firms which indicated that they exported through a home country (i.e., UK)-based sales force were almost equally divided between those offering consumer goods (29 firms) and those offering industrial goods (27 firms). That there is little difference in the number of consumer and industrial goods firms having selected the aforementioned entry mode may provide support for the explanation put forward here in relation to product type not affecting manufacturing SMEs' independent-collaborative entry mode choice. Although the survey data do not allow for the direct identification of firms having employed direct exporting through the internet, the fact that direct exporting through a home country-based sales force (which, for the purposes of the survey, encompassed internet exporting) was reported by a multitude of sample firms regardless of the type of product they offer internationally shows the popularity of particular independent export modes and suggests that the explanation may be correct.

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[341]Entry mode scholars still have not addressed the issue of whether 'internet exporting' (Katsikeas et al, 2009, 176) represents a distinct (export) entry mode. This is despite the impact on exporting (and on firm internationalisation) of the internet having attracted scholarly attention, especially during the early years of the (commercial) internet (e.g., Hamill, 1997; Samiee, 1998).

[342] When a firm sells its products in an international market through a website (its own or that of another party) enabled for online transactions and sends the products (or makes these otherwise accessible) to the (foreign) buyers electronically via the internet and/or in physical form via traditional shipping methods, it engages in a form of direct exporting (one without an export intermediary). For some firms, especially SMEs, such 'internet exporting' represents the only method used to sell consumer goods, industrial goods, or separable services to consumers in international markets.

5.6 Chapter Summary

In this chapter, the results of the hypothesis testing were discussed. In the case of the focal marketing factors, the discussion was at three levels: at the level of the individual factor, at that of the category (marketing resources or marketing strategy variables) to which a factor belongs, and at an overall level. The key findings of the research were identified at the last level and presented and discussed accordingly (in section 5.4). As for the single institutional factor (entry mode restrictions) and the control variables (firm size and product type), the results were also discussed.

Where the empirical (survey) data appear to confirm the expected influence of a focal factor on SMEs' choice between independent and collaborative entry modes for their international markets, the reasons for the factors' impact as suggested by the RBV, the entry mode literature, and other relevant literature were discussed. The factors concerned are marketing capabilities (a marketing resource and the subject of H1), market importance (marketing strategy variable, H6), and entry mode restrictions (institutional factor, H7).

In relation to the focal factors whose expected influence on the entry mode choice decision in question as suggested by the RBV and the literature differs from their actual influence as indicated by the survey data, potential explanations for this were offered. The factors in question are language skills (a marketing resource and the subject of H2), market knowledge (ditto, H3), and product differentiation (marketing strategy variable, H4). Explanations were also offered for the two control variables, firm size and product type, not having a role in the entry mode choice of the sample firms.

The potential explanations offered for the inconsistencies between the three non-conforming focal factors' expected and actual impact on the entry mode choice decision under consideration vary. Some explanations relate to the characteristics of the sample firms. In the case of language skills, the firms were potentially less influenced by these in their entry mode choice because they have English as their

native language. Where product differentiation is concerned, many of the sample firms offering highly differentiated products in international markets may have selected integrative distribution channels and employed independent entry modes due to such channels being customary in their respective industries.

Other explanations for the inconsistencies relate to the potential inadequacy of variable measurement. This is so with market knowledge, whereby experiential knowledge may not have been captured adequately. It may also be the case with product differentiation, where the employed measure may not have captured all traits of the sample firms' differentiation of their products in international markets.

Some explanations for the inconsistencies pertain to the extant literature potentially providing insufficient or incorrect insights into the influence of some focal entry mode factors. In the case of market knowledge, it may be that entry mode satisfaction, inertia, and/or change difficulties impact the market knowledge-entry mode relationship to an extent unacknowledged by prior research; it may also be that forms of knowledge other than experiential knowledge (in particular, objective knowledge) have a greater influence on firms' independent-collaborative entry mode choice than previously thought. As for product differentiation, this could be more focused on innovation and other non-marketing 'differentiators' than suggested by the literature.

Chapter 6 -
Conclusion and Recommendations

6.1 Introduction

The study investigates the influence key marketing factors have on the choice by SMEs of international market entry modes, focusing on their choice between independent and collaborative entry modes. To this end, the research undertaken for the present study involved (1) a critical review of the literature to arrive at an understanding of extant knowledge about this influence (the literature review was presented in Chapter 2), (2) the development of appropriate hypotheses (the hypotheses were stated in the same chapter), (3) the testing of the hypotheses through the analysis of data obtained through a large-scale survey conducted for the study (the survey was discussed in Chapter 3; the hypothesis testing and other data analysis performed was the subject of Chapter 4), and (4) a comprehensive discussion of the results of the hypothesis testing (the results of the hypothesis testing were outlined in Chapter 4, discussed in Chapter 5).

In this, the concluding chapter, the research problem, objectives, and questions are revisited (in the following section) before the key findings of the study are summarised (section 6.3). Thereafter, the contributions of the study are reviewed (6.4). The implications of the research in terms of its theoretical and managerial implications are then discussed and practical recommendations for SMEs managers offered (6.5). Subsequently, the limitations of the study are outlined and avenues for future research suggested (6.6).

6.2 Research Problem, Objectives, and Questions

The problem addressed by this study and the ways in which it does this are revisited in the following section (6.2.1). Revisited thereafter are the research objectives (in section 6.2.2) and the research questions (6.2.3) guiding the study.

6.2.1 Research Problem

Knowledge about the role of marketing factors in SMEs' international market entry mode choice is scarce and needs to be expanded (this was discussed in section 1.1, which provided the background to and rationale for the study). Greater scholarly effort into understanding the influence of these particular factors on SME entry mode choice is warranted due to (1) the importance of international market development (IMD) to SMEs, (2) the firms' need to undertake marketing in relation to the international markets they are developing, (3) the difficulties the firms have in this due to marketing and other resource constraints, and (4) the implications of this on their choice of entry modes for the markets.

This study addresses the need for greater understanding of the influence marketing factors exert on SMEs' entry mode choice by investigating the impact certain key marketing factors have on the firms' choice between independent and collaborative entry modes. The factors in question are particular marketing resources - these being marketing capabilities, language skills, and market knowledge - and marketing strategy variables - namely, product differentiation, marketing adaptation, and market importance.

Marketing resources and marketing strategy variables, including those examined by this study, have a role in the IMD of SMEs in general and, thus, are likely to be potential factors in their choice of entry modes for the international markets being developed. That these variables represent important factors in the independent-collaborative entry mode choice decision of SMEs is suggested by the firms commonly finding a gap - a mismatch - between their marketing ability in relation to

international markets and the marketing the firms need to undertake when developing these markets. The mismatch can be attributed to the firms characteristically lacking marketing resources needed for effective international marketing. Despite their insufficient marketing resources and consequent inadequate marketing ability, however, the firms continue to have international marketing requirements. Their need to offer customers in foreign markets products of value on a continuous basis necessitates the firms to undertake marketing in relation to the markets. The extent of this (and of the marketing resources required) depends partly on the firms' marketing strategy pertaining to the markets (which in the case of SMEs is not necessarily formalised).

The apparent marketing ability-requirements gap in the context of SMEs' IMD strongly indicates that the level of the firms' individual marketing resources (which influence their marketing ability) and their emphasis on individual marketing strategy variables (which influence their marketing requirements) may be key marketing factors in their choice between independent and collaborative entry modes. Consequently, scholars interested in this important SME entry mode choice decision should direct their research efforts towards these factors. The present study, examining the factors in question, represents an early attempt at understanding the influence of a range of the factors on this decision.

The independent-collaborative entry mode choice decision the study focuses on, the focus on this particular dichotomous entry mode choice being in line with much of the entry mode literature (e.g., Canabal and White III, 2008), is normally faced by all firms needing to select an entry mode. Entry mode choice effectively entails a choice between independent and collaborative modes since every individual entry mode is either an independent or a collaborative mode. The focal entry mode choice decision is a crucial - yet, in the case of SMEs, severely under-researched - strategic decision with significant implications for a firm's activities in relation to the international market for which a mode type is chosen (this was discussed in detail in section 1.1). Essentially, independent and collaborative entry modes represent two fundamentally different options for the establishment and exploitation in international markets by

firms of their competitive advantages and for undertaking the IMD activity associated with this. Whereas independent entry modes collectively represent the option by which a firm would establish and exploit its advantages in the respective international market on its own (independently), collaborative entry modes represent the option by which a firm establishes and exploits its competitive advantage in an international market together with another firm (collaboratively). In selecting between independent and collaborative modes, a firm may need to reconcile two imperatives: to protect its knowledge and other advantage-generating resources (which favours the use of an independent mode) with the need to turn to other firms so as to exploit these very resources (a collaborative mode). These two competing imperatives are commonly faced by SMEs developing international markets.

By employing an independent entry mode a firm is internalising its sources of competitive advantage, should be in a better position to protect these from its competitors, and, since it has total control, is able to exploit these through the implementation of marketing and other strategy and the undertaking of relevant marketing and other activities as it sees fit. However, smaller firms, for which the international exploitation of competitive advantage is increasingly important, commonly involve other firms in establishing and exploiting in international markets any competitive advantages the (focal) firms enjoy in their domestic markets and, consequently, employ collaborative entry modes. Among the most important factors for SMEs turning to other firms for competitive advantage exploitation in international markets - apparently even when independent exploitation and entry modes would represent preferred, more optimal ways of exploiting their advantages - are marketing factors.

Considering the importance of the choice by SMEs between independent and collaborative entry modes and the apparent influence of marketing factors on this choice, greater scholarly research into the impact of marketing factors on SMEs' independent-collaborative entry mode choice decision is clearly warranted.

6.2.2 Research Objectives

The main aim of this study is to further understanding of the influence important marketing factors have on the choice by SMEs of international market entry modes.

In line with this aim, the primary objective of the research is to offer insights into the role that key marketing resources and marketing strategy variables have on SMEs' entry mode choice.

More specifically, the primary objective is to:

1. Identify the influence of key marketing resources - specifically, of marketing capabilities, language skills, and market knowledge - on SMEs' choice between independent and collaborative modes.

2. Identify the impact of key marketing strategy variables - specifically, of product differentiation, marketing adaptation, and market importance - on SMEs' choice between independent and collaborative modes.

6.2.3 Research Questions

The research questions arising from the research objectives are the following:

1. To what extent, if any, do marketing resources influence SMEs' entry mode choice? In particular:
   (a) What is the extent to which marketing capabilities affect SMEs' choice between independent and collaborative modes?
   (b) What is the extent to which language skills affect the firms' choice between these modes?
   (c) What is the extent to which market knowledge affects the firms' choice between these modes?

2. To what extent, if any, do key marketing strategy variables influence SMEs' entry mode choice? In particular:

   (a) What is the extent to which product differentiation affects SMEs' choice between independent and collaborative modes?

   (b) What is the extent to which marketing adaptation affects the firms' choice between these modes?

   (c) What is the extent to which market importance affects the firms' choice between these modes?

6.3 Key Findings of the Research

The key findings of the study were presented in section 5.4 and discussed in detail there. The findings pertain to the marketing factors - i.e., to the six particular marketing resources and marketing strategy variables - whose influence on SME entry mode choice is the focus of this study.

The key findings can be summarised as follows:

1. *Not all marketing factors have a role in SMEs' entry mode choice*.

The results of this study show that not all marketing factors exert a significant influence on the entry mode of choice of SMEs, at least not on that between independent and collaborative entry modes. Contrary to expectations formed on the basis of the insights offered by the ('core') RBV and the literature, with the extant literature not indicating that some marketing factors may not have a role in entry mode choice, only two marketing factors - marketing capabilities and market importance - actually impact the focal entry mode choice in a significant way. Both of these factors positively influence the likelihood of smaller firms selecting independent over collaborative modes.

2. *Marketing capabilities may be the most important marketing factor in SMEs' entry mode choice*.

Of the marketing factors it investigated, the study found marketing capabilities to have the greatest influence on the choice by SMEs between independent and collaborative entry modes. This finding suggests that individual marketing capabilities may be the most important marketing factor in this choice, which is not indicated by the extant literature. The finding also suggests that a lack of marketing capabilities may, given the importance of these capabilities to independent international market development as well as firms' difficulties in having adequate levels of the capabilities for their international markets, be one of the greatest barriers to the use of independent entry mode by SMEs.

3. *SMEs may have a tendency to employ independent entry modes for key international markets, collaborative modes for other markets*.

The study found smaller firms to be more likely to employ independent entry modes for international markets that are of importance to them in respect of the actual sales accounted for by these markets. This finding confirms that SMEs enter and develop important international markets independently to a greater extent than other markets, having a greater tendency to undertake without the involvement of an export intermediary, joint venture partner, etc, the marketing and other activities associated with the development of the markets. Focusing their limited marketing and other resources on important markets, smaller firms may find themselves unable to enter and develop other international markets on their own due to a lack of requisite resources and so cooperate with other firms and employ collaborative entry modes for these.

4. *Some marketing factors may have become less significant in SMEs' choice between independent and collaborative entry modes, other marketing factors more so.*

In finding that language skills and market knowledge do not influence the independent-collaborative entry mode decision of SMEs, this study points to the possibility that these and other marketing factors as well as other entry mode factors are less important in the contemporary, global marketplace. At the same time, some entry mode factors - particularly individual marketing capabilities -

are likely to be more instrumental now to (foreign) firms in meeting the needs of increasingly sophisticated consumers in ever-more competitive international markets and, thus, more important in smaller firms' entry mode choice, including in that between independent and collaborative entry modes.

6.4 Contributions of the Research

In investigating the influence key marketing factors have on SMEs' choice of entry modes for their international markets, the present study, apparently the first to examine the impact of various crucial marketing resources and marketing strategy variables as factors in the firms' choice between independent and collaborative entry modes, makes several important contributions. The contributions relate to the enhancement of knowledge associated with the entry mode, small firm internationalisation/international entrepreneurship, and strategy literatures.

Contribution to the Entry Mode Literature

The entry mode literature is substantial and growing. Nonetheless, it has major gaps. The present study addresses one such gap, this being limited knowledge about the influence internal (firm and product) characteristics have on SMEs' entry mode choice.

Research into SMEs' entry mode choice is sparse and requires considerably more scholarly investigation. This has been noted by entry mode researchers, including Brouthers and Hennart (2007), Jones and Young (2009), and Laufs and Schwens (2014). Due to the paucity of research, little is known about the factors actually affecting the entry mode choice of smaller firms. This is especially so with factors that represent internal characteristics.

Marketing factors represent internal characteristics affecting entry mode choice. Given the importance of marketing to successful international market development (IMD), it can be expected that marketing factors play a significant role in SME entry

mode choice. Despite this, extant knowledge about the influence marketing factors have on the entry mode choice of these firms is scarce. The increased understanding about this influence provided by this study represents its primary contribution.

As an investigation into the influence of various key marketing factors on the entry mode choice of SMEs, more specifically on their choice between independent and collaborative entry modes, this study responds to the need for greater understanding of the impact such factors have on the firms' entry mode choice in general and on that between independent and collaborative modes in particular (the rationale for focusing on the independent-collaborative entry mode choice decision was set out in sections 1.1 and 6.2.1). In doing so, the study addresses the research problem with which it is concerned (the research problem and the study's response to this were outlined in section 6.2.1).

The particular marketing factors examined by the study consist of three marketing resources - these being marketing capabilities, language skills, and market knowledge - and of three marketing strategy variables - product differentiation, marketing adaptation, and market importance. These six, focal marketing factors were chosen for investigation because they appear to be important internal mode choice factors due to their crucial role in firms' IMD and international marketing. The review of the literature undertaken as part of the study (the literature review was presented in Chapter 2), which covers the entry mode literature and parts of the wider international business literature (including the international marketing, international distribution channels, exporting, and small firm internationalisation/international entrepreneurship literatures), summarises the nature and importance of each of the focal marketing factors and consolidates extant knowledge about their influence on SMEs' entry mode choice.

The present study enhances this knowledge by identifying the actual, respective influence of each of the focal marketing factors on SMEs' choice between independent and collaborative entry modes. This was achieved on the basis of empirical data obtained through a large-scale survey of relevant firms (the survey

was discussed in Chapter 3, the analysis of the resultant data in Chapter 4). These data reveal that of the focal marketing factors (one such factor, marketing adaptation, could not be tested), only marketing capabilities and market importance appear to have a significant influence on the independent-collaborative entry mode choice decision of smaller firms. This and other findings, their implications, and potential reasons for the non-significance of some of the variables (the variables concerned are language skills, market knowledge, and product adaptation), were discussed in detail (in Chapter 5). Also, the key (overall) findings of this study were presented and discussed (also in Chapter 5; they were revisited in section 6.3).

In arriving at an understanding of extant knowledge about the influence of the focal marketing factors on SMEs' independent-collaborative entry mode choice by consolidating this knowledge, in enhancing the knowledge by identifying the actual, respective influence of each focal factor on this choice, and in offering relevant findings, this study (1) fulfils its main objective, which (as stated in section 6.2.2) is to offer insights into the role key marketing resources and marketing strategy variables have on SMEs' entry mode choice by identifying the influence of the six focal marketing factors on the firms' choice between independent and collaborative entry modes, (2) offers answers to the research questions guiding the study, the questions centring on how each of the focal marketing factors affects this mode choice (the research questions are set out in section 6.2.3), and (3) contributes significantly to the entry mode literature.

In view of its contribution, the study represents a significant addition to the empirical entry mode literature. With empirical studies pertaining to SMEs lacking, the empirical literature offers few insights into the factors actually influencing the entry mode choice of smaller firms. The present study, shedding greater light on this important area, enhances this literature.

This study may also enhance the respective literature in another way. In increasing understanding of the influence marketing factors have on SMEs' entry mode choice, the study potentially also expands knowledge about the role of the factors in the

entry mode selection of firms *in general* (i.e., not only in the case of smaller firms). This is because marketing factors have attracted relatively little research attention in relation to their role in the entry mode decisions of (typically large) MNEs. The fact that the influence of marketing-related factors on firms' entry mode choice has been under-researched and that empirical research concerning this as well as the influence of these factors on associated managerial decisions is inadequate (Bradley and Gannon, 2000; Slangen and Dikova, 2014) has been widely overlooked, even by scholars calling for more entry mode research (e.g., Hennart and Slangen, 2015) in response to suggestions that it is time to move on from this (e.g., Shaver, 2013). Of course, the findings of the present study may not be generalisable to firms of all sizes due to MNEs' much larger resource endowments, including of marketing resources, and the various other characteristics that distinguish these firms from SMEs. At the very least, however, the findings point to the possibility that, as is apparently the case with SMEs, (1) not all marketing factors have a role in MNEs' entry mode choice, (2) marketing capabilities may be the marketing factor with the greatest influence on these firms' entry mode choice, (3) MNEs may have a tendency to employ independent entry modes for major international markets, collaborative modes for other markets, and (4) some marketing factors may have become less significant in these firms' choice between independent and collaborative entry modes, other marketing factors more so. Clearly, research is required to confirm whether this is so.

Contribution to the Small Firm Internationalisation/International Entrepreneurship Literature

The study makes additional contributions through its enhancement of particular knowledge associated with literatures other than the entry mode literature. Another contribution of this study is to knowledge about the reasons for smaller firms collaborating with other firms in their internationalisation, this knowledge being associated with the small firm internationalisation/international entrepreneurship literature. It is suggested here that a major reason for these firms commonly engaging in cooperative internationalisation is an inadequate ability to undertake marketing in relation to international markets and, hence, to develop the markets successfully on their own. That marketing factors can be reasons for cooperative internationalisation

is not well articulated in the literature in question. This study increases understanding of the role of marketing factors in relation to smaller firms' need to cooperate with others in their internationalisation. Deficiencies in the key marketing resources examined by the study (marketing capabilities; language skills; market knowledge) can be expected to lead to many SMEs, given their constrained financial and other resources that make the independent development of the focal marketing resources difficult if not impossible, collaborating with other firms. For this they would employ collaborative entry modes. With entry modes also being modes of (outward) internationalisation, so that firms seeking to internationalise independently would employ independent entry modes and those internationalising cooperatively would use collaborative modes, the influence of the key marketing resources on SMEs' independent-collaborative entry mode choice decision found by this study would be expected to parallel their impact on the firms' independent-cooperative internationalisation decision. The findings of the present study, specifically that individual marketing capabilities influence SMEs' independent-collaborative entry mode choice whereas language skills and market knowledge do not, suggest that deficiencies in marketing capabilities but not in language skills or market knowledge spur smaller firms to collaborate with other firms in their internationalisation.

Contribution to the Strategy Literature

A further contribution of this study is to knowledge about the exploitation by SMEs of their strategic (advantage-generating) resources in relation to international markets. Strategic resource exploitation by firms is an important theme in the strategy literature, the literature with which the knowledge in question is associated. However, this literature is underdeveloped as far as smaller firms' strategic resource exploitation in the context of international markets is concerned. For many smaller firms such exploitation, which is a driver of international market development, is hampered by a lack of requisite complementary resources, including marketing resources (although marketing resources, including marketing capabilities, can be strategic resources, for most SMEs they represent complementary resources). By examining the impact of key marketing resources on SMEs' choice between independent and collaborative entry modes, the present study also provides further

insights into some of the marketing resources that are crucial to smaller firms in the independent exploitation of their strategic resources in relation to international markets. The resources concerned are those that have a significant, positive impact on the firms' choice of independent modes. As indicated by the findings of the present study, the resources in question include marketing capabilities but not language skills or market knowledge; unlike language skills and market knowledge, the study found marketing capabilities to influence SMEs' independent-collaborative entry mode choice, making firms possessing these more likely to select independent entry modes. Where marketing capabilities and other marketing resources crucial to independent exploitation are inadequate, smaller firms can be expected to employ collaborative entry modes to access the resources of other firms and/or to develop their own. In effect, smaller firms use such entry modes as tools for overcoming complementary resource deficiencies that may otherwise prevent them from exploiting their strategic resources internationally.

6.5 Implications of the Research

6.5.1 Theoretical Implications

The study has important implications for entry mode and international business scholarship.

The implications for entry mode scholarship originate in large part from this having been narrowly focused and not adequately advancing knowledge in some important areas. While the output of this scholarship, embodied by the entry mode literature, is extensive, it is insufficient where SMEs and where particular entry mode factors affecting firms in general are concerned.

Due to its focus on MNEs and consequent emphasis on investment modes of entry, the entry mode literature provides few insights into the factors actually influencing the entry mode choice of smaller firms. That this literature effectively leaves a 'black

hole' even in relation to potentially important entry mode factors is illustrated by the present study. In consolidating extant knowledge about the influence of marketing factors appearing to be significant to SMEs' entry mode choice, this study had to draw mainly on the broader international business literature.

An incomplete understanding of SMEs' entry mode choice has led to the widespread belief among entry mode scholars that smaller firms' resource constraints and other idiosyncratic characteristics invariably affect their choice of entry modes and to the scholars holding relevant assumptions about the importance of individual factors to the firms' mode choice. The findings of this study challenge this belief, suggesting that particular individual entry mode factors pertaining to or impacting firm resources do not influence SME entry mode choice. In the case of the sample firms, two marketing resources (language skills and market knowledge) did not influence their choice between independent and collaborative entry modes significantly, nor did a marketing strategy variable (product differentiation) making resource demands. Although the possibility that the study failed to capture fully the influence of two of these marketing factors (market knowledge and product differentiation) cannot be ruled out, collectively the findings of the study caution against making blanket assumptions about individual entry mode factors on the basis of SMEs' characteristics.

Besides leaving a widely-held belief about SME entry mode choice open to questioning, another implication of the present study relating to entry mode scholarship is that entry mode researchers should investigate coherent 'sets' of entry mode factors instead of examining disparate factors in isolation. The majority of entry mode studies consider a very small, eclectic mix of factors whose inclusion may be justified on various grounds but whose potential in advancing entry mode knowledge is very limited. The merits of this practice are questionable when the neglect of entry mode scholars to investigate some potentially important entry mode factors properly or at all is considered. Such factors include marketing factors.

Marketing factors have received relatively little consideration in the case of MNEs and scant attention in that of SMEs. By investigating six marketing factors (three marketing resources and three marketing strategy variables) in relation to SME entry mode choice, this study increases understanding of the importance of these factors to the majority of internationally active firms (i.e., SMEs), highlights the need for a more coherent and comprehensive treatment of entry mode factors (especially where they have received inadequate attention), and provides an example of such treatment.

In arriving at some findings that contradict extant knowledge as embodied by the entry mode literature, a further - and even more fundamental - implication for entry mode scholarship is that the underdeveloped literature pertaining to SME entry mode choice needs to be expanded considerably. Entry mode scholars should direct their attention more towards smaller firms and examine factors appearing to be consequential to their choice of entry modes. Only through much greater empirical investigation of SME entry mode choice factors can the actual importance of individual factors be established.

As for implications for wider international business scholarship, among these are implications for international marketing scholarship. International marketing is important to SMEs engaged in international market development. To develop international markets successfully, these firms need to continually offer customers products of value and, thus, to undertake various marketing tasks and activities in line with an appropriate marketing strategy. Despite this, scholarly research into international marketing by smaller firms is limited. Although research relating to the broader topics of small firm internationalisation and exporting has generated some useful insights into this area, knowledge about international marketing by SMEs remains sparse. It is apparent that the firms commonly find a gap - a mismatch - between their marketing ability in relation to their international markets and the marketing the firms need to undertake, one that leaves many smaller firms with little choice but to involve other firms in the necessary marketing activities and so to effectively externalise the activities to some extent.

The findings of the present study suggest that SMEs' international marketing ability centres on their individual marketing capabilities for international markets to a much greater extent than previously thought. These marketing capabilities, including basic, 'marketing mix' capabilities (product, pricing, distribution, and marketing communications capabilities), may be the most important marketing resource for SMEs' marketing in relation to international markets and their success with this. This is indicated by the sample firms, for which marketing capabilities were a determinant in these entering and developing international markets independently; for the same firms, other marketing resources, specifically language skills and market importance, were not of importance in this regard. Thus, international marketing scholars should devote more attention to the abilities of smaller firms to undertake the core marketing tasks associated with each of the individual marketing capabilities (e.g., pricing in the case of pricing capability).

The findings of the study also suggest that international marketing scholars pay greater attention to the ways in which SMEs differentiate their products for international markets. That product differentiation was not a significant factor in the sample firms entering and developing their international markets independently despite effective differentiation on the basis of marketing increasing the firms' marketing requirements (straining their generally inadequate marketing ability and making collaboration more likely) raises the question of whether non-marketing bases of product differentiation such as innovation are actually more important than marketing 'differentiators'. This, in turn, raises additional questions, including whether smaller firms may be relying on non-marketing-based differentiation because this is less challenging than marketing-based differentiation and, if so, the options open to them to realistically change the balance in favour of the latter where this is more beneficial to the firms concerned.

6.5.2 Managerial Implications

International market entry mode choice can have far-reaching consequences for firms. This is especially so with the particular entry mode choice decision that is the

focus of this study, which is the choice between independent and collaborative entry modes. The independent-collaborative entry mode choice decision represents a crucial strategic decision. SMEs, with their typically constrained resources and consequent lesser ability to recover from costly strategic mistakes, need to consider this decision very carefully. The findings of this study have important implications for SME managers faced with this decision. These managerial implications are reflected in the recommendations for the managers offered by the study.

The value of this study to practitioners revolves around the insights it provides into the use of independent entry modes. Consequently, the recommendations have been formulated for SME managers considering employing these entry modes for international markets. While the recommendations will be of interest mainly to these managers, they may also prove useful to those inclined to use collaborative entry modes, if only to rule out the viability of independent modes.

SMEs face various obstacles in employing independent entry modes for their international markets. The obstacles generally are not a major issue in the case of collaborative entry mode use but their effect is to force many firms into resorting to these (collaborative) modes even when this is not in their best interests. While the use of collaborative entry modes can be beneficial to SMEs, for many smaller firms the cooperative international market development (IMD) associated with this may not be. A major reason for this is that involving other firms (export intermediaries, joint venture partners, etc) in the exploitation of competitive advantages in international markets represents a potential threat to the very sources of these advantages (e.g., proprietary knowledge) since cooperating firms often have their own (hidden) agenda and could become future competitors. Independent IMD circumvents this problem because it allows firms to internalise the respective sources and better protect them from competitive duplication. Another important reason why collaborative IMD may not be attractive is that firms engaging in this usually cannot exert full control over the exploitation of their strategic resources and over the associated activities, including marketing. In fact, smaller firms cooperating with other firms in these activities often have little effective control over the actions of the

collaborating firms, who may be more inclined to act in their own self-interests. Again, independent IMD avoids this problem since other firms are not involved in the exploitation. A further significant reason as to why collaborative IMD may be unattractive relates to the cost of this. Collaborating firms expect to benefit financially from their involvement in international market development activities and so exact a price for this, in the form of mark-ups (in the case of distributors), commissions (agents), profit sharing (joint venture partners), etc. Once more, this is not an issue with independent IMD since other firms are not involved.

The recommendations offered here are based on the study's key findings (these were revisited in section 6.3) and apply to smaller firms entering new international markets and choosing an initial entry mode as well as to those considering changing their current mode for existing markets. The recommendations are the following:

Recommendation 1: Particular attention should be paid to marketing capabilities.
A lack of marketing capabilities appears to be one of the greatest barriers to the use of independent entry modes by SMEs. Smaller firms wishing to employ independent modes for their international markets need to pay particular attention to these marketing resources. Crucially, such firms should be confident *before* employing an independent mode that they possess or are able to develop *on their own* the individual marketing capabilities they require to enter and develop the respective international markets.

Marketing capabilities are among the most important marketing resources for international market development (IMD). In fact, they may be the most important of these resources. Individual marketing capabilities are essential to firms' ability to undertake marketing in relation to international markets. Firms employing independent entry modes for IMD carry out *without* the assistance of an export intermediary, joint venture partner, etc the marketing activities required for them to meet (preferably, exceed) the needs of local consumers on a continuous basis. Firms with insufficient individual marketing capabilities for their international markets would not be able to do this unless they can redeploy existing marketing capabilities

or develop sufficient new capabilities *by themselves*. This can be very difficult or even impossible. Marketing capabilities may not be easily deployable elsewhere because they are location-bound to some extent and have limited fungibility. As far as their independent development is concerned, these capabilities cannot easily be developed internally or acquired from outside the firm, especially not by smaller firms given their resource constraints.

The finding by this study that basic, 'marketing mix' capabilities (product, pricing, distribution, and marketing communications capabilities) exert a strong influence on SMEs' choice between independent and collaborative entry modes confirms the foregoing. Due to smaller firms' characteristic marketing and other resource constraints, and given the challenges associated with the redeployment of existing marketing capabilities and the independent development of new ones, the adequacy of (even) core marketing capabilities are a major factor in whether such a firm employs an independent entry mode for an international market (much more likely for firms with higher levels of these capabilities) or a collaborative mode (much more likely for firms with lover levels of the capabilities).

Clearly, SMEs intending to employ independent entry modes for IMD need to ensure - before actually using these modes - that they are able to secure the exact set of individual marketing capabilities they need and that the level of these particular capabilities will be adequate. Without sufficient marketing capabilities, the firms are unlikely to be in a position to enter and develop the respective international markets successfully.

Recommendation 2: Consider reserving independent entry modes for the most important international markets.

The use of international market entry modes can make considerable resource demands on a firm. These demands typically are greater in the case of independent entry modes than in that of collaborative modes; independent modes generally require more resources than the counterpart collaborative modes (e.g., in the case of investment modes, WOS generally have greater resource requirements than EJVs).

Unlike when using a collaborative entry mode, a firm employing an independent mode and so developing the respective international market on its own cannot draw on the resources of a cooperating firm (export intermediary, joint venture partner, etc).

For many - if not for most - SMEs, resource constraints mean that they are unlikely to have the resources required to develop all of their international markets successfully on their own (of course, this may not be so where firms only develop a limited number of international markets; this is the very rationale behind Recommendation 3, which follows). It is probable that they lack adequate marketing and other resources for effective marketing in relation to these markets.

The finding of the present study that SMEs may have a tendency to employ independent entry modes for key international markets (which, by using such modes, they would enter and develop on their own) and collaborative modes for other markets (entering and developing the markets in cooperation with other firms) suggests that these firms have overcome resource challenges - including those associated with marketing, particularly potential difficulties in securing appropriate marketing capabilities - in relation to these markets. Importantly, it would appear that by limiting their *independent* market entry and exploitation to or at least largely concentrating this on key international markets the firms in question are in a better position to overcome such challenges while, at the same time, benefitting from exploiting their most promising foreign markets on their own. This may point the way for other SMEs intending to enter and develop international markets independently but which may not be able to do so in relation to all of the international markets they have targeted.

Recommendation 3: A market concentration strategy may be beneficial.

Market concentration is a generic international market entry strategy whereby a firm selects relatively few international markets and develops these intensely based on a longer-term view of opportunities (Ayal and Zif, 1979; Bradley, 2005). This strategy may be beneficial to SMEs intent on employing independent entry modes for all of

their international markets and concomitantly entering and developing the markets on their own.

In focusing their resources and efforts on a limited number of international markets, SMEs are in a better position to develop all of their markets independently and so to exclusively use independent entry modes for these. For some SMEs, particularly those which are not able or prepared to employ collaborative entry modes even for their less important international markets (and for which the preceding recommendation is not helpful), constraining their sights onto relatively few international markets carefully chosen for their excellent potential for more intense exploitation that - crucially - the firms are able to carry out themselves may represent the only way of ensuring the independent entry and development of all their markets. For these firms, independent entry modes, with their typically greater resource demands and accompanying risk but higher potential returns relative to collaborative entry modes, seem best matched with a market concentration strategy.

A market concentration strategy will not appeal to all SMEs. This is especially so with smaller firms whose primary entry mode is direct exporting through the internet. This independent entry mode, which of all the independent modes can have the least resource requirements, often corresponds better with a market diversification strategy (the alternative to market concentration). Many SMEs engaged in 'internet exporting' are keen to generate sales in as many international markets as possible, often only 'skimming' the markets rather than developing these deeply over the long-term.

Recommendation 4: The use of collaborative entry modes should be considered where independent entry modes are not an option.

This, final managerial recommendation is aimed at SMEs resisting the use of collaborative entry modes for their international markets. By eschewing these modes, smaller firms may be foregoing opportunities to exploit their competitive advantages in international markets or, worse, fail in their endeavours at this. This would be the case where the firms lack sufficient resources, including marketing resources (not

least marketing capabilities), to be able to develop foreign markets successfully on their own; the firms concerned would either abstain from such development because they are not in a position to develop the respective markets independently (which the employment of independent entry modes entails) or would proceed with this at considerable risk since their independent market development efforts - including marketing - may be jeopardised by resource deficiencies.

Firms for which independent entry modes effectively are not an option should seriously consider the only remaining entry mode option available to them, this being the employment of collaborative entry modes. The fact that so many (indeed, a slight majority) of the sample firms employ collaborative entry modes suggests that the use of these modes is worthy of exploration.

Although many firms opposed to collaborative entry modes are not in a position to cooperate with others in their international market development and so cannot employ these modes, typically because their intellectual property and other sources of competitive advantage would be inadequately protected where they are not fully internalised (such level of internalisation necessitating the use of an independent entry mode), other firms also opposed to the modes may be able to work profitably with export intermediaries, joint venture partners, etc and employ collaborative entry modes but are unduly inflexible about this. Firms are often 'fixed in their ways', including in the entry modes they employ for international markets. This can be very disadvantageous, with potentially high opportunity costs (where firms avoid international markets they cannot develop independently and which are not entered as a consequence) or actual costs (in the case of international markets firms cannot develop independently but which they still attempt to do so).

Provided that the actual and potential costs (the latter needing to reflect all of the risks) of cooperative international market development can be controlled and do not outweigh the potential benefits of such development, SMEs should explore the use of collaborative entry modes for international markets where independent entry modes are preferable but not viable. If the firms concerned do not, their only logical course

of action would be abstaining from entering the international markets concerned; if they are already developing the respective markets independently, then a withdrawal from the markets may be advisable.

6.6 Limitations and Future Research

6.6.1 Limitations of the Research

This study has significant limitations, some of which are attributable to its design.

The scope of the research, which was set out in section 1.3.3, is limited to manufacturing SMEs. Consequently, the study does not consider MNEs or service firms.

Two other design-related limitations pertain to the extent to which the study considers the international markets entered by the sample firms and the entry modes these employed for the markets.

The study only considers a single international market for each sample firm. The data obtained from the sample firms purposely pertain to one particular international market for each firm and to one important product/product line sold in the respective market by the firm. This focus allows for a better picture to emerge about the influence of the focal marketing factors on the entry mode choice under consideration since the marketing resources and marketing strategy variables that were assessed relate specifically to the market in question rather than to all of a firm's international markets. However, it does so at the cost of foregone insights into whether this influence holds in the case of the respective firm's other international markets.

The study also did not consider all of the entry modes a sample firm employed for the international market about which it reported. In line with contemporary entry

mode research, the study only took into consideration the primary entry mode employed by firms for their international markets. Some of the sample firms reported using more than one entry mode in relation to the international market they reported about (effectively employing entry mode combinations) but this was disregarded in favour of the entry mode they felt was the most important mode.

Other limitations were unforeseen. One such limitation is that micro-sized firms are substantially underrepresented in the sample selected for the survey. Therefore, as stated earlier, the results of the analysis of the survey data and the findings of the study should be treated with caution as far as their applicability to micro firms is concerned. Although other studies pertaining to SME internationalisation whose samples are also dominated by SMEs that are *not* micro-sized indicate their findings to be applicable to micro firms (e.g., Stoian, Rialp, and Rialp, 2011), there may be differences between micro firms and other SMEs (e.g., Martín-Tapia, Aragón-Correa, and Rueda-Manzanares, 2010) that call for a more cautious approach.

Another unforeseen limitation is that variable measurement potentially was inadequate in relation to two independent variables, these being market knowledge and product differentiation. In the case of market knowledge, only experiential knowledge was assessed (objective knowledge was not considered) and this may not have been captured fully (as discussed in section 5.2.3); in that of product differentiation, the employed measure may not have captured all traits of the sample firms' differentiation of their products in international markets (this was discussed in section 5.3.1). These potential inadequacies may, as discussed earlier, represent a reason for this study not finding the expected respective relationships between the factors and SMEs' choice between independent and collaborative entry modes. At the same time, however, there are, as also discussed, various other potential reasons for the variation in the expected and actual influence of these variables on the focal entry mode choice decision. In any case, the potential measurement inadequacies do not impact the key findings of this study (these were discussed section 5.4).

6.6.2 Directions for Future Research

The present study opens up the need for further research and indicates several avenues for this.

Firstly, the generalisability of the study's findings to SMEs in particular manufacturing industries and to SME manufacturers located outside the UK should be investigated.

This study examines SMEs across the manufacturing sector. While it controlled for differences in the independent-collaborative entry mode choice decision according to whether a firm offers consumer or industrial goods, it did not look into the impact of industry differences beyond this. It may well be that for firms in some industries one or more of the focal marketing factors may be of greater or lesser importance to entry mode choice than for those in other industries.

The firms investigated by this study are located in the UK. Whether its findings apply to SME manufacturers in other countries is unknown. Additional research is necessary to determine whether the influence of the focal marketing factors on the independent-collaborative mode choice decision of such SMEs elsewhere is similar. The extent to which manufacturing SMEs possess the marketing resources and emphasise the marketing strategy variables under consideration is likely to differ across countries. For example, Chinese SME manufacturers in general are known to be particularly deficient in marketing capabilities and to compete primarily on the basis of cost rather than on differentiation. This indicates that their relative importance as factors in the firms' mode choice will vary.

Secondly, future research should look into various aspects relating to the influence of marketing factors on SMEs' entry mode choice.

Entry mode scholars should examine additional marketing factors for their impact on the crucial entry mode decision that is the choice between independent and collaborative entry modes. The present study investigated the role of six such factors

in this choice, these being three marketing resources (marketing capabilities; language skills; market knowledge) and three marketing strategy variables (product differentiation; marketing adaptation; market importance). One marketing factor (marketing adaptation) was excluded from the analysis of the empirical (survey) data and should be considered for inclusion in other studies. More generally, future research should examine marketing resources and marketing strategy variables not investigated here. Considering the importance of marketing resources to successful international marketing and international market development, researchers may wish to focus their attention on these first. With many firm resources (including capabilities) being considered marketing resources, the individual marketing resources that can be examined for their effect on SMEs' independent-collaborative mode choice decision are numerous and varied. Particular attention should be given to marketing capabilities in view of their importance to this decision as found by the present study and the particular difficulty smaller firms appear to have in acquiring these for international markets.

When looking at the relationship between marketing factors and entry mode choice, researchers should also investigate the impact of other variables on this relationship. A host of factors (e.g., market uncertainty) may directly and indirectly affect the association between marketing factors and entry mode choice, including independent-collaborative entry mode choice, in some way.

Entry mode researchers should also look into interactions between marketing factors. It is likely that particular marketing factors have interaction effects on the choice of entry mode by a firm.

Other worthwhile avenues for future research include investigating the antecedents of the marketing factors influencing entry mode choice and, as far as marketing resources in particular are concerned, looking into firms' ability to reconfigure important marketing resources (including marketing capabilities) for different international markets.

The foregoing research recommendations illustrate that extant knowledge about marketing factors in the context of international market entry mode choice by firms, especially by SMEs, is inadequate. Although the present study increases understanding of this, it also highlights that this remains very much incomplete.

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Appendix A:

Survey Questionnaire – Qualtrics version

University of Strathclyde Business School

How Do UK Firms' Marketing Capabilities Impact their Competitiveness in Foreign Markets?

Survey Questionnaire

Confidentiality & Anonymity:

The information you provide will be held in confidence. It will not be passed on to any third party. Only the researchers involved with the study will see the information. They will combine it with that of the other firms taking part in the survey. Your firm is not identifiable from this aggregated information. If you prefer to provide your information anonymously, simply do not include your details at the end of this questionnaire.

Guidance for Questionnaire Completion:

Before starting, please select one foreign country market in/to which your firm has been selling its products for at least one year and with which you are familiar. Also choose one important product or product line your firm sells in/to that market. Neither have to be profitable for your firm. Most of the questions relate only to this particular market and product/product line.

Do answer the questions in the order presented and try to answer all questions. Where you cannot provide an exact answer, an approximation is acceptable.

Where questions are followed by an answer scale ranging from 1 to 7, the meaning of the scale is stated (example: 1= Much Worse to 7 = Much Better). Please choose the number from the drop-down answer menu that matches your rating.

If you start to answer the questionnaire but find that you are not in a position to complete it in one sitting, you can return to the point where you left off simply by clicking the link to the survey in the email we sent you or by bookmarking this or any other page of the questionnaire.

To start, please click the 'next' button displayed on the lower right of this page.

Thank you for answering the questionnaire and taking part in the survey.
If you have questions or require assistance, the Principal Researcher will be pleased to help:

Oliver Borchert
Department of Marketing
University of Strathclyde
173 Cathedral Street
Glasgow G4 0RQ
T: 0141-404 5853
F: 0141-555 5994
E: oliver.borchert@strath.ac.uk

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Part A: The Selected Market & Product/Product Line

Please provide the following information about the particular foreign country market and product/ product line you have selected.

A1. Name of foreign country:

A2. Description of product/product line:

A3. The product/product line is a (select one):

- ○ Consumer product.
- ○ Industrial product.
- ○ Other (describe):

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A4. Year product/product line first sold in/to this market:
(YYYY)

A5. Year your firm first sold anything in/to this market (any product/product line):
(YYYY)

A6. Percentage of your firm's total international sales generated by this market:
(0-100%)

Unless otherwise indicated, the remaining questions relate only to the foreign country market and product/product line you have selected.

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A7. In relation to the market and product/product line, please indicate the:
1= None to 7 = Substantial/Extensive/High

Amount of training sales persons need to handle the product.	
Product's service/maintenance requirements.	
Product's customisation for individual customers/users.	
Potential demand in the market for the product.	
Competitive intensity in the market.	
Legal restrictions on how foreign firms can operate in the market.	

A8. How would you assess the following aspects of your firm's involvement in the market?
1= None to 7 = Substantial

Extent of careful planning for the market.	
Extent of management commitment to the market.	
Extent of resource commitment to the market.	

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A9. Please select the one mode most closely matching that currently used by your firm to sell the product/product line in the market. If multiple modes are used, indicate the (one) most important mode.

- ○ Mode 1: Indirect export via UK-based intermediary, 'piggybacking', or similar arrangement.
- ○ Mode 2: Direct export through distributor in the market (incl. importer, dealer, wholesaler).
- ○ Mode 3: Direct export through an agent in the market (incl. manufacturers' representative, broker).
- ○ Mode 4: Direct export to end user using your own UK-based sales force.
- ○ Mode 5: Direct export through own sales office/subsidiary in market (own sales force based in market).
- ○ Mode 6: Licensing another firm (incl. franchising).
- ○ Mode 7: Joint venture in the market with another firm.
- ○ Mode 8: Own production and sales subsidiary in the market (wholly-owned by your firm).

0% 100%

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University of Strathclyde Business School

A10. Please select all the other mode(s) your firm is currently using to sell the product/product line in the market. Tick all that apply but do not include the mode already indicated by you as part of the previous question (A9).

- ☐ No other mode(s) used.
- ☐ Mode 1: Indirect export via UK-based intermediary, 'piggybacking', or similar arrangement.
- ☐ Mode 2: Direct export through distributor in the market (incl. importer, dealer, wholesaler).
- ☐ Mode 3: Direct export through an agent in the market (incl. manufacturers' representative, broker).
- ☐ Mode 4: Direct export to end user using your own UK-based sales force.
- ☐ Mode 5: Direct export through own sales office/subsidiary in market (own sales force based in market).
- ☐ Mode 6: Licensing another firm (incl. franchising).
- ☐ Mode 7: Joint venture in the market with another firm.
- ☐ Mode 8: Own production and sales subsidiary in the market (wholly-owned by your firm).

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University of Strathclyde Business School

A11. Please select the mode used by your firm at the time it first sold the product/product line in the market. If multiple modes were used, indicate the (one) most important mode.

- ○ Mode 1: Indirect export via UK-based intermediary, 'piggybacking', or similar arrangement.
- ○ Mode 2: Direct export through distributor in the market (incl. importer, dealer, wholesaler).
- ○ Mode 3: Direct export through an agent in the market (incl. manufacturers' representative, broker).
- ○ Mode 4: Direct export to end user using your own UK-based sales force.
- ○ Mode 5: Direct export through own sales office/subsidiary in market (own sales force based in market).
- ○ Mode 6: Licensing another firm (incl. franchising).
- ○ Mode 7: Joint venture in the market with another firm.
- ○ Mode 8: Own production and sales subsidiary in the market (wholly-owned by your firm).
- ○ Unknown

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University of Strathclyde Business School

Part B: Your Firm's Capabilities for the Selected Market

B1. Please rate the following aspects:
1= None to 7 = Extensive

Your firm's experience of foreign markets.	
Your firm's knowledge of the market under consideration.	
Its experience with operating in this market.	
Its experience with operating in similar foreign markets.	

B2. How would you rate your firm's competency of the language(s) spoken in the market with regards to the following?
1= None to 7 = Native Fluency

Conversing in the language(s).	
Negotiating in the language(s).	
Preparing a legal contract in the language(s).	

0% 100%

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B3. How would you compare the following aspects of your firm's marketing capabilities *for this particular market* with those of its main competitors there?
1= Much Worse to 7 = Much Better

Doing an effective job of pricing products/services for this market.	
Using pricing skills and systems to respond quickly to changes in the market.	
Knowledge of competitors' pricing tactics in relation to the market.	
Monitoring competitors' prices and price changes in the market.	
Developing new products for the market.	
Improving/modifying existing products for the market.	
Adopting new methods/ideas in the production process.	
Developing and executing advertising programmes for the market.	
Having the skills and processes to manage your brand's image in the market.	
Managing your firm's image and reputation in the market.	
Gathering information about customers and competitors in the market.	
Using market research skills to develop effective marketing programmes for the market.	
Tracking the wants and needs of customers in the market.	
Making full use of marketing research information relating to the market.	
Analysing the information your firm has about the market.	

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University of Strathclyde Business School

B4. Suppose your firm no longer had a distributor, agent, joint venture partner, or other collaborating firm working with/for it in this market. How would you then compare the same aspects of your firm's marketing capabilities f*or this particular market* with those of its main competitors there?
1= Much Worse to 7 = Much Better

Doing an effective job of pricing products/services for this market.	
Using pricing skills and systems to respond quickly to changes in the market.	
Knowledge of competitors' pricing tactics in relation to the market.	
Monitoring competitors' prices and price changes in the market.	
Developing new products for the market.	
Improving/modifying existing products for the market.	
Adopting new methods/ideas in the production process.	
Developing and executing advertising programmes for the market.	
Having the skills and processes to manage your brand's image in the market.	
Managing your firm's image and reputation in the market.	
Gathering information about customers and competitors in the market.	
Using market research skills to develop effective marketing programmes for the market.	
Tracking the wants and needs of customers in the market.	
Making full use of marketing research information relating to the market.	
Analysing the information your firm has about the market.	

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University of Strathclyde Business School

B5. Please rate the following additional aspects of your firm's capabilities *for this particular market* compared with those of its main competitors there.
1= Much Worse to 7 = Much Better

Attracting and retaining the best distributors in this market.	
Satisfying the needs of distributors in the market.	
Closeness in working with distributors/retailers in the market.	
Providing high levels of support to distributors in the market.	

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Part C: Your Firm's Competitive Position in the Selected Market

C1. To what extent does your firm compete in the market on the following?
1= Not At All to 7 = Substantially

Having lower costs than your main competitors.	☐
Achieving economies of scale.	☐
Maintaining higher quality standards for your products.	☐
Maintaining a unique image for your products.	☐
Differentiating products and services from competitors.	☐

C2. How would you assess your firm's competitive advantage *compared with its main competitors in the market* in relation to the following aspects?
1= Much Worse to 7 = Much Better

Cost per unit of production.	☐
Cost of goods sold.	☐
Selling price to end user.	☐
Product quality.	☐
Packaging.	☐
Design and/or style.	☐
Brand image.	☐
Firm reputation.	☐
Unique knowledge/know-how.	☐
Technical/production ability.	☐
Dependability/reliability from customers' perspective.	☐

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C3. To what extent does your firm adapt (make changes to) the following for the market compared to the home market?
1= Not At All to 7 = Substantially

Product.	
Price.	
Distribution.	
Promotion/communication.	

C4. Please rate your agreement with the following.
1= Strongly Disagree to 7 = Strongly Agree

We have good control of our product strategies in the market.	
We have good control of our pricing policies in the market.	
We have good control of our distribution in the market.	
We have good control of our brand profile in the market.	

0% 100%

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C5. How did your firm perform over the past year *compared with its main competitors in the market* in relation to the following?
1= Much Worse to 7 = Much Better

Growth in sales revenue.	
Increasing sales to current customers.	
Acquiring new customers.	
Growth in market share.	
Customer satisfaction.	
Delivering value to your customers.	
Profitability.	
Return on sales (ROS).	
Return on investment (ROI).	

0% 100%

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Part D: About Your Firm

Please provide the following information about your firm.
(The information will enable us to compare the firms taking part in the survey by their regional location, size, sector, etc. It will not be used to identify your firm.)

D1. Year of Founding:
(YYYY)

D2. Location (if multiple, that of UK head office):

- ○ England
- ○ Northern Ireland
- ○ Scotland
- ○ Wales

D3. Number of full-time employees (full-time equivalent):

- ○ 1-9
- ○ 10-49
- ○ 50-249
- ○ more than 250

D4. Approximate total annual sales (revenues) (in £):

- ○ less than £1,780,000
- ○ £1,780,000 - £8,900,000
- ○ £8,900,000 - £44,500,000
- ○ greater than £44,500,000

0% 100%

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D5. Main industrial/consumer sector(s) your firm sells into (please state):

D6. Number of foreign markets in/to which products sold:
(number of markets)

D7. Percentage of total overall sales generated by foreign markets:
(0-100%)

D8. Year products first sold in/to a foreign market:
(YYYY)

D9. Please rate your agreement with the following.
1= Strongly Disagree to 7 = Strongly Agree

Your firm aggressively seeks foreign markets for its products.	
Your firm has a substantial amount of resources for foreign market development.	

0% 100%

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University of Strathclyde Business School

Part E: About You

Please provide the following information about yourself.

E1. Your job title:

E2. Years you have been with this firm:
(Number of years)

E3. Years of experience you have with the market you selected (including that gained in prior positions):
(Number of years)

0% 100%

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E4. In relation to the market you selected, how would you rate your:
1= None to 7 = Full

Knowledge of your firm's strategies, resources, and capabilities.	
Knowledge of the strategies, resources, and capabilities of your firm's main competitors in the market.	
Involvement in decisions and strategies relating to the market.	
Confidence in answering the questions in this questionnaire.	

0% 100%

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***Thank you* for having taken the time to complete this questionnaire.**

Providing your details is optional. However, please do so if (tick all that apply):

- ☐ You would like a summary of the research results once available.
- ☐ We may contact you in case of a query relating to this questionnaire.
- ☐ We may consider you for a future study.

(Your details will be held separately from the answers you have provided above and not given to any third party.)

Your Name:	
Your Email:	
Your Firm:	

Please note any comments or additional information you may have here:

The Final Step:
Please click the 'next' button below one final time to submit your answers to the Principal Researcher.

0% 100%

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Appendix B:

Survey Questionnaire - PDF Version

University of Strathclyde Business School

How Do UK Firms' Marketing Capabilities Impact their Competitiveness in Foreign Markets?

Survey Questionnaire

Confidentiality & Anonymity:

The information you provide will be held in confidence. It will not be passed on to any third party. Only the researchers involved with the study will see the information. They will combine it with that of the other firms taking part in the survey. Your firm is not identifiable from this aggregated information. If you prefer to provide your information anonymously, simply do not include your details on the final page (page 8).

Guidance for Questionnaire Completion:

Before starting, please select one foreign country market in/to which your firm has been selling its products for at least one year and with which you are familiar. Also choose one important product or product line your firm sells in/to that market. Neither have to be profitable. Most of the questions relate only to this particular market and product/product line.

Do answer the questions in the order presented and try to answer all questions. Where you cannot provide an exact answer, an approximation is acceptable.

Where questions are followed by an answer scale ranging from 1 to 7, the meaning of the scale is stated (example: 1= Much Worse to 7 = Much Better*). Please select the number from the drop-down answer menu that matches your rating.*

Thank you for answering the questionnaire and taking part in the survey.
If you have questions or require assistance, the Principal Researcher will be pleased to help:

Oliver Borchert
Department of Marketing
University of Strathclyde
173 Cathedral Street
Glasgow G4 0RQ
T: 0141-404 5853
F: 0141-555 5994
E: oliver.borchert@strath.ac.uk

Part A: The Selected Market & Product/Product Line

Please provide the following information about the particular foreign country market and product/product line you have selected:

A1 Name of foreign country:

A2 Description of product/product line:

A3 The product/product line is a (select): Select product type.

If Other, please state type:

A4 Year product/line first sold in/to this market: (YYYY)

A5 Year your firm first sold anything in/to this market (any product/product line): (YYYY)

A6 Percentage of your firm's total international sales generated by this market: (0-100%)

Unless otherwise indicated, the remaining questions relate only to the foreign country market and product/product line you have selected.

A7 In relation to the market and product/product line, please indicate the:
1= None to 7 = Substantial/Extensive/High

Amount of training sales persons need to handle the product. Select your response.
Product's service/maintenance requirements. Select your response.
Product's customisation for individual customers/users. Select your response.
Potential demand in the market for the product. Select your response.
Competitive intensity in the market. Select your response.
Legal restrictions on how foreign firms can operate in the market. Select your response.

A8 How would you assess the following aspects of your firm's involvement in the market?
1= None to 7 = Substantial

Extent of careful planning for the market. Select your response.
Extent of management commitment to the market. Select your response.
Extent of resource commitment to the market. Select your response.

A9 Please select the one mode most closely matching that currently used by your firm to sell the product/product line in the market. If multiple modes are used, indicate the (one) most important mode.

- Mode 1: Indirect export via UK-based intermediary, 'piggybacking', or similar arrangement ☐
- Mode 2: Direct export through distributor in the market (incl. importer, dealer, wholesaler) ☐
- Mode 3: Direct export through an agent in the market (incl. manufacturers' representative, broker) ☐
- Mode 4: Direct export to end user using your own UK-based sales force ☐
- Mode 5: Direct export through own sales office/subsidiary in market (own sales force in market) ☐
- Mode 6: Licensing another firm (incl. franchising) ☐
- Mode 7: Joint venture in the market with another firm ☐
- Mode 8: Own production and sales subsidiary in the market (wholly-owned by your firm) ☐

Please remember the number of the Mode you have selected (example: Mode 3) before continuing.

A10 Please select all the other mode(s) your firm is currently using to sell the product/ product line in the market. Tick all that apply but do not include the mode already indicated by you as part of the previous question (A9).

- No other mode(s) used ☐
- Mode 1: Indirect export via UK-based intermediary, 'piggybacking', or similar arrangement ☐
- Mode 2: Direct export through distributor in the market (incl. importer, dealer, wholesaler) ☐
- Mode 3: Direct export through an agent in the market (incl. manufacturers' representative, broker) ☐
- Mode 4: Direct export to end user using your own UK-based sales force ☐
- Mode 5: Direct export through own sales office/subsidiary in market (own sales force in market) ☐
- Mode 6: Licensing another firm (incl. franchising) ☐
- Mode 7: Joint venture in the market with another firm ☐
- Mode 8: Own production and sales subsidiary in the market (wholly-owned by your firm) ☐

A11 Please select the mode used by your firm at the time it first sold the product/product line in the market. If multiple modes were used, indicate the (one) most important mode.

- Mode 1: Indirect export via UK-based intermediary, 'piggybacking', or similar arrangement ☐
- Mode 2: Direct export through distributor in the market (incl. importer, dealer, wholesaler) ☐
- Mode 3: Direct export through an agent in the market (incl. manufacturers' representative, broker) ☐
- Mode 4: Direct export to end user using your own UK-based sales force ☐
- Mode 5: Direct export through own sales office/subsidiary in market (own sales force in market) ☐
- Mode 6: Licensing another firm (incl. franchising) ☐
- Mode 7: Joint venture in the market with another firm ☐
- Mode 8: Own production and sales subsidiary in the market (wholly-owned by your firm) ☐
- Unknown ☐

Part B: Your Firm's Capabilities for the Selected Market

B1 Please rate the following aspects:
1= None to 7 = Extensive

Your firm's experience of foreign markets. Select your response.

Your firm's knowledge of the market under consideration. Select your response.

Its experience with operating in this market. Select your response.

Its experience with operating in similar foreign markets. Select your response.

B2 How would you rate your firm's competency of the language(s) spoken in the market with regards to the following?
1= None to 7 = Native Fluency

Conversing in the language(s). Select your response.

Negotiating in the language(s). Select your response.

Preparing a legal contract in the language(s). Select your response.

B3 How would you compare the following aspects of your firm's marketing capabilities *for this particular market* with those of its main competitors there?
1= Much Worse to 7 = Much Better

Doing an effective job of pricing products/services for this market. Select your response.

Using pricing skills and systems to respond quickly to changes in the market. Select your response.

Knowledge of competitors' pricing tactics in relation to the market. Select your response.

Monitoring competitors' prices and price changes in the market. Select your response.

Developing new products for the market. Select your response.

Improving/modifying existing products for the market. Select your response.

Adopting new methods/ideas in the production process. Select your response.

Developing and executing advertising programmes for the market. Select your response.

Having the skills and processes to manage your brand's image in the market. Select your response.

Managing your firm's image and reputation in the market. Select your response.

Gathering information about customers and competitors in the market. Select your response.

Using market research skills to develop effective marketing programmes for the market. Select your response.

Tracking the wants and needs of customers in the market. Select your response.

Making full use of marketing research information relating to the market. Select your response.

Analysing the information your firm has about the market. Select your response.

Answer the following question (B4) only if you indicated in A9 that your firm currently uses Mode 1, 2, 3, 6, or 7 in the market. If your firm uses Mode 4, 5, or 8, then proceed to C1 in Part C.

B4 Suppose your firm no longer had a distributor, agent, joint venture partner, or other collaborating firm working with/for it in this market. How would you then compare the same aspects of your firm's marketing capabilities *for this particular market* with those of its main competitors there?
1= Much Worse to 7 = Much Better

Doing an effective job of pricing products/services for this market. Select your response.

Using pricing skills and systems to respond quickly to changes in the market. Select your response.

Knowledge of competitors' pricing tactics in relation to the market. Select your response.

Monitoring competitors' prices and price changes in the market. Select your response.

Developing new products for the market. Select your response.

Improving/modifying existing products for the market. Select your response.

Adopting new methods/ideas in the production process. Select your response.

Developing and executing advertising programmes for the market. Select your response.

Having the skills and processes to manage your brand's image in the market. Select your response.

Managing your firm's image and reputation in the market. Select your response.

Gathering information about customers and competitors in the market. Select your response.

Using market research skills to develop effective marketing programmes for the market. Select your response.

Tracking the wants and needs of customers in the market. Select your response.

Making full use of marketing research information relating to the market. Select your response.

Analysing the information your firm has about the market. Select your response.

Answer the following question (B5) only if you indicated in A9 that your firm currently uses a distributor (incl. importer, dealer, wholesaler) in the market (Mode 2). If your firm does not use a distributor, proceed to the next question (C1 in Part C).

B5 Please rate the following additional aspects of your firm's capabilities *for this particular market* compared with those of its main competitors there.
1= Much Worse to 7 = Much Better

Attracting and retaining the best distributors in this market. Select your response.

Satisfying the needs of distributors in the market. Select your response.

Closeness in working with distributors/retailers in the market. Select your response.

Providing high levels of support to distributors in the market. Select your response.

Part C: Your Firm's Competitive Position in the Selected Market

C1 To what extent does your firm compete in the market on the following?
1= Not At All to 7 = Substantially

Having lower costs than your main competitors. Select your response.
Achieving economies of scale. Select your response.
Maintaining higher quality standards for your products. Select your response.
Maintaining a unique image for your products. Select your response.
Differentiating products and services from competitors. Select your response.

C2 How would you assess your firm's competitive advantage *compared with its main competitors in the market* in relation to the following aspects?
1= Much Worse to 7 = Much Better

Cost per unit of production. Select your response.
Cost of goods sold. Select your response.
Selling price to end user. Select your response.
Product quality. Select your response.
Packaging. Select your response.
Design and/or style. Select your response.
Brand image. Select your response.
Firm reputation. Select your response.
Unique knowledge/know-how. Select your response.
Technical/production ability. Select your response.
Dependability/reliability from customers' perspective. Select your response.

C3 To what extent does your firm adapt (make changes to) the following for the market compared to the home market?
1= Not At All to 7 = Substantially

Product. Select your response.
Price. Select your response.
Distribution. Select your response.
Promotion/communication. Select your response.

C4 Please rate your agreement with the following.
1= Strongly Disagree to 7 = Strongly Agree

We have good control of our product strategies in the market. Select your response.
We have good control of our pricing policies in the market. Select your response.
We have good control of our distribution in the market. Select your response.
We have good control of our brand profile in the market. Select your response.

C5 How did your firm perform over the past year *compared with its main competitors in the market* in relation to the following?
1= Much Worse to 7 = Much Better

Growth in sales revenue. Select your response.
Increasing sales to current customers. Select your response.
Acquiring new customers. Select your response.
Growth in market share. Select your response.
Customer satisfaction. Select your response.
Delivering value to your customers. Select your response.
Profitability. Select your response.
Return on sales (ROS). Select your response.
Return on investment (ROI). Select your response.

Part D: About Your Firm

Please provide the following information about your firm.
(The information will enable us to compare the firms taking part in the survey by their regional location, size, sector, etc. It will <u>not</u> be used to identify your firm.)

D1 Year of founding: (YYYY)

D2 Location (if multiple, that of UK head office) (select): Select location.

D3 Number of full-time employees (full-time equivalent) (select): Select number of employees.

D4 Approximate total annual sales (revenues) (in £) (select): Select annual sales.

D5 Main industrial/consumer sector(s) your firm sells into (please state):

D6 Number of foreign markets in/to which products sold: (no. of markets)

D7 Percentage of total overall sales generated by foreign markets: (0-100%)

D8 Year products first sold in/to a foreign market: (YYYY)

D9 Please rate your agreement with the following.
1= Strongly Disagree to 7 = Strongly Agree

Your firm aggressively seeks foreign markets for its products. Select your response.
Your firm has a substantial amount of resources for foreign market development. Select your response.

Part E: About You

Please provide the following information about yourself.

E1 Your job title:

E2 Years you have been with this firm: (number of years)

E3 Years of experience you have with the market you selected (including that gained in prior positions): (number of years)

E4 In relation to the market you selected, how would you rate your:
1= None to 7 = Full

Knowledge of your firm's strategies, resources, and capabilities.	Select your response.
Knowledge of the strategies, resources, and capabilities of your firm's main competitors in the market.	Select your response.
Involvement in decisions and strategies relating to the market.	Select your response.
Confidence in answering the questions in this questionnaire.	Select your response.

***Thank you* for having taken the time to complete this questionnaire.**

Providing your details is optional. However, please do so if (select <u>all</u> that apply):

You would like a summary of the research results once available .....

We may contact you in case of a query relating to this questionnaire...

We may consider you for a future study.....

(Your details will be held separately from the answers you have provided above and <u>not</u> given to any third party.)

Your Name:

Your Email:

Your Firm:

Please note any comments or additional information you may have here:

<u>The Final Step:</u>

Click the 'Submit' button below. On-screen instructions will appear within 45 seconds. Please follow these to email the completed questionnaire to us.

***If you are using a Web-based email service (such as Gmail, Hotmail, or Yahoo): When prompted to do so, please save this PDF file, attach it to a new, blank email and send this to* oliver.borchert@strath.ac.uk**

(Once the questionnaire is received at our end, the email to which it is attached will be deleted. Identifying details in the email such as your name will <u>not</u> be recorded).

SUBMIT

Appendix C:

Measures of Marketing Capabilities Used in Study

Measures of Marketing Capabilities Used in Study

Constructs & Measures (with adapted measurement items)	Source of Measures	Rationale for Use in Study	Considerations	Adaptation of Measurement Items
Product Capability[1] (1) Developing new products for the market. (2) Improving/modifying existing products for the market. (3) Adopting new methods/ideas in the production process.	Kaleka (2011, 2012)	Measure does not limit assessment of capability to NPD, unlike measures used by Zou et al (2003), Murray et al (2011), and others, but also assesses adaptation of existing products to international markets. Also unique in considering product creation process. Kaleka (2012) states that capability acts as surrogate for a number of processes enabling firm to develop, test, and modify products that meet customer needs, which is assumedly reflected by the measure.	*Unadapted Measurement Items:* Item (1) worded specifically for exporting context. Item (3) worded for manufacturing firms.	Item (1): changed *for our export customers* to *for the market* so that applicability of item not limited to exporting context and respondents relate question specifically to particular market under consideration. Item (2): added *for the market* so that respondents relate question specifically to particular market under consideration. Item (3): changed *manufacturing* to *production* so that applicability of item not limited to manufacturing firms.
Pricing Capability (1) Using pricing skills and systems to respond quickly to changes in the market. (2) Knowledge of competitors' pricing tactics in relation to the market. (3) Doing an effective job of pricing products/services for this market. (4) Monitoring competitors' prices and price changes in the market.	Vorhies & Morgan (2005)	Lack of suitable measures for assessment of capability in international context necessitates adaptation of appropriate measure originally developed for domestic context. As for measures used by prior studies investigating capability in an international context, Murray et al (2011, 265) question extent to which their measure and, by	*Unadapted Measure:* Measure appears applicable to international context and suited for adaption to this. The measures of Zou et al (2003) and Murray et al (2011) also seem applicable to domestic and international contexts.	Item (1): changed *respond quickly to market changes* to *respond quickly to changes in the market* so that respondents relate question specifically to particular market under consideration. Items (2) to (4): added *in/in relation to/for this market* for same reason. Item (3): changed *the market* to

		extension, that of Zou et al (2003) (on which theirs is based) sufficiently capture the capability. Others (e.g., Tzokas et al, 2000) employ measures that do not assess some of the capability's key aspects.		*this market* for the same reason (the item was the first item in its respective section of the questionnaire).
Distribution Capability[2] (1) Attracting and retaining the best distributors in the market. (2) Satisfying the needs of distributors in this market. (3) Closeness in working with distributors/ retailers in this market. (4) Providing high levels of support to distributors in the market.	Zou et al (2003)	Measure allows for comprehensive assessment of capability in line with focus of extant channel management literature on manufacturer-distributor relationship. Unlike this measure, those used by Morgan et al (2004) and Kaleka (2011 and 2012) only have one item relating specifically to capability as authors focus on relationship building generally (i.e. not just with distributors).	The measure, unadapted or adapted, is relevant only to firms using distributors. Unlike present study, Zou et al (2003) and Morgan et al (2004) limited their samples to such firms. *Unadapted Measurement Items:* Measurement items worded specifically for exporting context. Of measure's five original items, that relating to adding value to businesses of distributors was dropped since this aspect is sufficiently captured by Item 2 (satisfying the needs of distributors).	Item (2): replaced *export market* with *market* so that applicability of item not limited to exporting context. Item (4): added *in the market* so that respondents relate question specifically to particular market under consideration.
Marketing Communications Capability (1) Developing and executing advertising programmes for the market. (2) Having the skills and processes to manage your brand's image in the market. (3) Managing your firm's image and reputation	Vorhies & Morgan (2005)	Adaptation of appropriate measure originally developed for domestic context necessary due to dearth of suitable measures for assessment of capability in international context. As for	*Unadapted Measure:* Measure appears applicable to international context and suited for adaption to this. The measures of Zou et al (2003) and Murray et al	Items (1) to (3): added *for this/in the market* so that respondents relate questions specifically to particular market under consideration. Items (2) and (3): changed *our*

in the market.		measures used by prior studies investigating capability in international context, Murray et al (2011, 265) question (as in case of measure they employed in relation to pricing capability) extent to which their measure and, by extension, that of Zou et al (2003) (on which theirs is based) sufficiently capture the capability. Perhaps because of this, Spyropoulou et al (2011) use measure consisting of items from Zou et al (2003) and Vorhies and Morgan (2005).	(2011) also seem applicable to domestic and internat-ional contexts. *Unadapted Measurement Items:* Of measure's five original items, two were dropped as remaining items sufficiently capture relevant aspects of capability. The dropped item relating to advertising management and creative skills is captured by Item 1 (developing and executing advertising programmes); that relating to PR skills is captured by Item 3 (image and reputation manage-ment).	*brand's/firm's* to *your brand's/ firm's* to harmonise items with the others. Item (2): changed order of words to clarify meaning and prefixed item with *Having* to harmonise it with the other items (original wording: *Brand image management skills and processes in relation to the market.*). Item (3): changed *corporate image and reputation* to *our firm's image and reputation* to reflect terminology more commonly used by UK SME managers.
Market Information Management Capability (1) Gathering information about customers and competitors in the market. (2) Using market research skills to develop effective marketing programmes for the market. (3) Tracking the wants and needs of customers in the market. (4) Making full use of marketing research information relating to the market. (5) Analysing the information your firm has about the market.	Vorhies & Morgan (2005)	Lack of measures to assess together two key aspects of capability (acquisition and use of market information) in international context necessitates adaptation of appropriate measure originally developed for domestic context. As for measures used by prior studies investigating capability in international context, that of Morgan et al (2004), also employed by Piercy et al (1998) and Kaleka (2002, 2011, 2012), does not sufficiently capture these aspects. Those used by	*Unadapted Measure:* Measure appears applicable to international context and suited for adaption to this.	Items (1), (2), and (4): added *in the/for the/relating to the market* so that respondents relate questions specifically to the particular market under consideration. Item (3): changed *customer wants and needs* to *wants and needs of customers in the market* for the same reason. Item (5): changed *our market information* to *the information your firm has about the market* for the same reason.

		others (e.g., Diamantopoulos & Souchon, 1999) purposely relate only to elements of one of the aspects.		

[1]Product development aspect. [2]Channel management aspect.

Appendix D:

Initial Email to Sample

Oliver Borchert

From: Oliver Borchert (University of Strathclyde) [noreply@qemailserver.com]
Sent: 09 February 2012 13:03
To: Oliver Borchert
Subject: How do marketing capabilities impact your competitiveness abroad?

Dear Oliver,

As someone who is developing foreign markets for your firm, you have an appreciation of the challenges involved in competing in the global marketplace. Given recent proclamations that exporting is (once again) crucial to our economy, you may be wondering why more is not being done to help firms such as yours secure business abroad.

We at Strathclyde University assist UK exporters by researching topics relevant to their success. As part of our research into how exporters can improve their performance, we are currently investigating how various marketing capabilities impact their competitiveness in foreign markets.

Please help us with this important endeavour. We have selected your firm to be part of a small group of exporters from across the UK to take part in the investigation. All we need is some information about your firm's engagement with one foreign country market of your choice. We would be grateful if you would complete our questionnaire for this purpose. Doing so should only take about 15 minutes. Your response will be treated with absolute confidentiality.

In return for your time, we would be pleased to provide you with a summary of the results of the investigation once available. This will give you valuable insights into improving your position in foreign markets.

The questionnaire is web-based. It can be accessed and completed by clicking on the following link:
https://strathbusiness.qualtrics.com/WRQualtricsSurveyEngine/?Q_SS=3Cr0ZidOQ1skAmg_9n1Shmbwjv696Zu&_=1

Alternatively, if you prefer to complete the questionnaire without being connected to the internet (such as while travelling), you can download the questionnaire as a PDF document. Simply click here and then on the 'save' icon (top left) once the survey appears.

Detailed instructions are provided on the first page of the questionnaire. In case you have any questions or require assistance with the questionnaire, please contact us (contact details are also on the first page of the questionnaire). We will be pleased to help.

Thank you in advance for your anticipated co-operation.

Kind regards,

Prof. Kevin Ibeh
Head of Department

Oliver Borchert
Principal Researcher

Department of Marketing

Strathclyde Business School
University of Strathclyde
173 Cathedral Street
Glasgow G4 0RQ

http://www.strath.ac.uk/marketing/

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Appendix E:

Follow-Up Email to Sample

Oliver Borchert

From: Oliver Borchert (University of Strathclyde) [noreply@qemailserver.com]
Sent: 21 February 2012 11:22
To: Oliver Borchert
Subject: A few minutes of your time could improve your firm's competitiveness abroad

Dear Oliver,

We hope you received our recent email inviting you to take part in the study we are doing. The study is about how UK exporters' competitiveness in foreign markets is impacted by various marketing capabilities.

Please participate in this important study. Even if you do not have substantial marketing capabilities, or do not think that such capabilities matter, your input is vital. Without your involvement, our research cannot succeed.

In return for your time (of no more than about 15 minutes), we will help you improve your firm's competitive position in foreign markets by sharing key insights we will obtain through the study.

All we need is some information about your firm's engagement with one foreign country market of your choice. Please complete our web-based questionnaire for this purpose, which can be accessed by clicking on the following link:
https://strathbusiness.qualtrics.com/WRQualtricsSurveyEngine/?Q_SS=d5MEuqahHmP0PqI_9n1Shmbwjv696Zu&_=1

Alternatively, please download and complete the PDF version of the questionnaire. It can be accessed by clicking on the following link:
https://strathbusiness.qualtrics.com/CP/File.php?F=F_bsl1kw9LEYSj7gM

Whichever questionnaire you complete, you can do so anonymously.

Detailed instructions are provided on the first page of the questionnaire. Please do not hesitate to contact us if you have any questions or need help with the questionnaire.

Thank you in advance for your anticipated participation.

Kind regards,

Prof. Kevin Ibeh
Head of Department

Oliver Borchert
Principal Researcher

Department of Marketing
Strathclyde Business School
University of Strathclyde
173 Cathedral Street
Glasgow G4 0RQ

http://www.strath.ac.uk/marketing/

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