

Dr. Keith J. Perks
University of Brighton
Brighton Business School
Mithras House
Lewes Road
Brighton BN2 4AT
Email: k.j.perks@brighton.ac.uk
Tel +44 1273 642179
Fax: +44 1273 642153

Influences on international market entry method decisions by European entrepreneurs

Abstract

The internationalization of small to medium-sized firms has been the subject of scholarly activity for several decades initially focusing on describing the gradual incremental stages starting with exporting evolving to a firm investing in foreign markets. More recently the fields of international new ventures and international entrepreneurship have emerged. International entrepreneurship has shifted the focus of analysis to the entrepreneur and how international decisions are determined by entrepreneurial competencies and capabilities such as developing and exploiting international partner and customer networks and relationships. Much of the extant research examines external market condition influences on internationalization strategies but neglects the role of the international decision making capabilities of entrepreneurs. The research addresses the various influences on the internationalization strategies of entrepreneurs through in-depth interviews with owner entrepreneurs of fast growth medium-sized firms in four European countries. Entrepreneurs were probed about how they internationalized their businesses using open ended questions and responses analyzed through open and axial coding identifying themes and patterns to arrive at a grounded explanation and understanding of their decision making behaviour.

The study finds that the most important influences on international decisions about international market entry mode (IMEM) were determined by the personal preferences and mindset of the entrepreneur, the nature of the product and their priority of being close to and in direct contact with their customers. On the other hand industry globalization, resource limitations and national culture have a limited influence on the entrepreneur's international market entry mode decision making.

Key words: International market entry mode decision making, entrepreneur's perspective, product and customer interaction.

Introduction

International marketing involves making a choice between competing expansion strategies depending on the nature of the market, firm resources and managerial philosophy (Reid, 1983). The choice of international market entry mode (IMEM) is a significant international decision facing top managers and has been the subject of extensive research in the export behaviour, international marketing and international business literature (Malhotra, Agarwal, and Ulgado 2003). Entry mode is part of the early stage of the international evolution of the firm (Johanson and Vahlne 1990) and in the stages model of internationalization or the establishment chain approach has tended to present entry modes as part of a sequence from indirect export, through to foreign direct investment (Johanson and Wiedersheim-Paul, 1975). Mode of entry has also been the subject of research in the literature on strategic alliances and foreign direct investment (Buckley, 2002) and in the literature and theories of the International Product Life Cycle Theory (IPLC), Market Imperfections Theory, Strategic Behaviour Theory, Resource Advantage Theory, Transaction Cost Analysis Theory, Eclectic Theory, Internationalization Theory and Network Theory (Malhotra, Agarwal, and Ulgado 2003). These theories have been used in the study of internationalization of small exporter and large multi-national firms. Others have examined the antecedents of and influences on mode changes (Calof and Beamish, 1995).

Given the diversity and contexts (e.g., sector, firm size) internationalization has been presented as multi-theoretical (Coviello and McAuley 1999) and multi-disciplinary (Shenkar, 2004). Peng (2004) suggests that in order for the field of international business to move forward there should be a return to international business

strategic decision-making and the firm as a unit of analysis and more attention paid to theory. The entrepreneurship field offers a rich vein of research and concepts to explain internationalization and more specifically the international strategic decision making behaviour of managers. My paper addresses this issue by using the firm and in particular the entrepreneur as the unit of analysis.

Although extant research on internationalization focuses on new ventures, small and very large firms (Coviello and Jones, 2004) there is a lack of attention to medium-sized firms. My research uses firm size as a measure of medium size (number of employees, 100-500 Dun & Bradstreet; Corbetta, 2005; Simon, 1996). The selection of number of employees is rather arbitrary and varies according to region (OECD, 2005). My research also focuses on the entrepreneur (entrepreneur (s) owns a minimum of 15% of equity, independent not a subsidiary of another company and no industrial shareholder own more than 50% of equity) country location to evaluate possible cultural differences and contexts (Italy high context culture, France, medium context culture Germany and UK low context cultures) (Hall, 1959; Hofstede, 1991; Axtell, 1995) and industry sector (conventional-engineering and metal and high-technology-electronic, telecommunications and software) (Boter and Holmquist, 1996) as possible moderating influences on the international market entry mode strategies of entrepreneurs. Finally, to assess the affect of time on the mode of entry decision-making from the inception of exports to several years later I selected firms that had been involved in international business for 10 years or more.

Building on the propositions from the literature my paper reports on the findings of exploratory research to examine the factors influencing the choice of mode of entry grounded in the experiences of top managers in medium-sized firms to develop a framework for international decision-makers, and explore the lessons that can be learnt for practice. First of all I develop the propositions from the literature before explaining the methodology adopted for the empirical study. I then present the results, discussion and implications for entrepreneurs, advisors and policy-makers.

Development of the propositions from the literature

Managers may have different biases for focusing their efforts on either domestic or international markets based on their educational background or prior experiences of living in other countries. Dichtl, Koeglmayr and Mueller (1990) found that internal mental and psychological attitudes were linked to an outward movement of a firm's operations. Further, some managers may have stronger international capabilities due to their prior international experience or ability to leverage their tacit knowledge about international opportunities (Liesch and Knight, 1999; Mitchell, Smith, Seawright, and Morse, 2000; Peng and York, 2001). I therefore propose:

Proposition 1: Personal factors (namely, bias, preferences and prior experience) of the entrepreneur will strongly influence their IMEM choice of entry method.

The decision about market entry mode may vary depending upon the nature of the product or service (Corey, Cespedes and Rangan, 1989). The level of complexity of a product or service may determine the nature of supplier-buyer relations. With a complex product or service, users may want a direct relationship with the original source of the technology (the producer, or an intermediary service provider). Similarly, if the product requires user education, customization to their needs or is subject to rapid technical change, then the buyer may demand direct links with the knowledge or technical source rather than a commercial intermediary (Rangan, Menezes, and Maier, 1992). Further, in the innovation literature (Urban and Von Hippel, 1986; Herstatt and Von Hippel, 1992) in high technology and mature product categories the lead user customer plays a critical role in the development of innovative products in collaboration with the supplier. The buyer, or customer, is a critical influence on a firm's international strategy (Whitelock, 2002). If domestic firms build strong ties with internationally active companies, they may become client followers and start their internationalization process (Perks, 2003; Sharma and Blomstermo, 2003). Buyers may be important for strategic reasons, or because the relationship contributes a significant level of revenues or profits (Campbell and Wilson, 1996). Consequently, the level of international involvement by the seller will rise as the significance of the relationship increases. In the internationalization process of the firm domestic and international customer networks also act as an influence on the internationalization process, particularly mode of entry (Coviello and Munro, 1995). I therefore suggest that:

Proposition 2: Product or services that require a high involvement from users (technological usage and application; supply arrangements) act as a strong influence on the entrepreneurs IMEM choice of entry method.

Proposition 3: The importance of the customer acts as a strong influence on the entrepreneurs IMEM choice of entry method.

A firm needs to support market growth and sustain competitive advantage through heterogeneous resources which are valuable, rare, inimitable and non-substitutable (Wernerfelt, 1984; Dierickx and Cool, 1989; Barney, Wright, and Ketchen, 2001). Arguably, SMEs encounter more financial and managerial resource constraints than larger firms, when making the decision to enter international markets (Chetty and Campbell-Hunt, 2003; Malhotra, Argawal and Malhotra, 2003; Alvarez, 2004) however, the perception of adequacy should encourage a decision. From this I suggest:

Proposition 4: The availability of adequate resources acts as a strong constraining influence on the entrepreneurs IMEM choice of entry method.

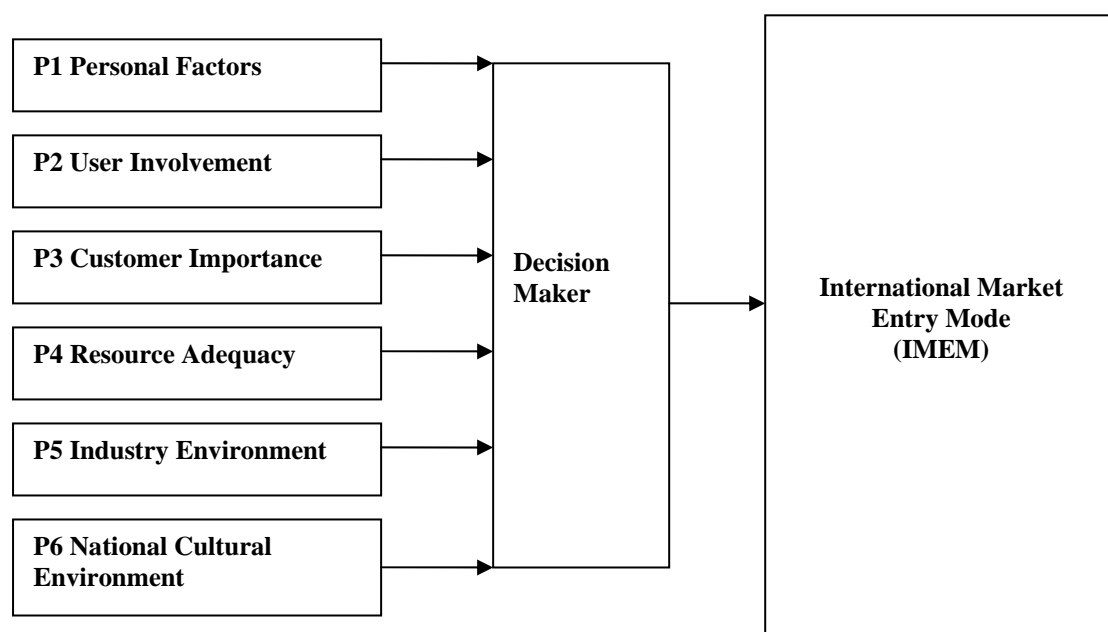
The industry influence has been acknowledged by Porter (1986) and Grant (2002) in the globalization of businesses. Others in the field of population ecology (Hannan and Freeman, 1977) and entrepreneurship (Covin and Slevin, 1991; Dess, Lumpkin and Covin, 1992; Zahra, 1993; Tan, 1996) recognize that the environmental context shapes entrepreneurial strategies in particular internationalization (Garner, 1982; Rao, 1990). Customer preferences and the demands they make on suppliers affect internationalization decisions (Bell, 1995). For example, a domestic or international customer may require a supplier to sell directly to its subsidiaries in international markets. On the other hand the international customer may prefer to deal with locally based intermediaries. The impact of the industry environment on the IMEM decision provides the basis for the fourth proposition.

Proposition 5: The industry environment in which the firm operates will act as a strong influence on the entrepreneurs IMEM choice of entry method.

Once a firm engages in foreign markets managers have to cope with psychic distances and barriers in terms of culture and language which may disturb the flow of internationalization of a firm (Moen, Gavlen, and Enderesen, 2004). Marcella, Davies, and Williams (2002) argue that the language element can cause a certain degree of ambivalence when making decisions about the IMEM. Managers are more likely to select a market entry mode that will overcome language and cultural barriers, such as local agents if they lack confidence or are uncertain about a particular country. On the other hand if they perceive cultural similarity between the home country and the potential market (Sharma and Blomstermo, 2003; Wei and Christodoulou, 1997; Erramilli and Rao, 1993) they may be more likely to deal directly with customers.

Proposition 6: National culture has a strong influence on the entrepreneurs IMEM choice of entry method.

Figure 1 The five theorized influences on the IMEM decision



Methodology

To meet the research aims both grounded theory (Strauss and Corbin, 1998) and case study methodologies were employed; the latter because it is viewed as “valuable at all stages of the theory building process” (Eckstein, 1992). Its particular strength is the collection of rich data, *in vivo*, facilitating the evaluation of interrelated definitions and propositions and the exploration of the relations between them. The approach I have adopted is ‘theory-first’, whereby theory is developed via a ‘deductive strategy’ with the researcher identifying “some orienting constructs and propositions to test or observe in the field” (Miles and Huberman, 1994, p.155). A case study reveals theoretical relations *in situ* and can be used to uncover processes that link inputs and outputs within a system (Lacey, 1976). This implies that the researcher may “literally see them (processes) occur” (Glaser and Strauss, 1967, p.40). The multiple-case methodology allows for replication and development of “a rich theoretical framework” (Yin, 1994, p.46). The methodology for the research does not seek to apply sampling logic because it would be ‘misplaced’ (Yin, 1994). The research is based on sixteen case studies, from a population of 500 firms (Europe 500, 2004) and interviews with the lead entrepreneur of firms in France, UK, Italy and Germany. The ‘ideal’ number of cases is, in the main, judgmental (Yin, 1994) and it would also be inappropriate in the light of the methodology to imply a calculated sample size. The interview data was compared with data from company documents to improve the validity and accuracy of the analysis and discussion. All of the responding firms provided me with information ranging from internal company documents, catalogues, books, annual reports and press cuttings. This method helps to overcome the problem of ‘mistaken’ memories on the part of interviewees as it facilitates confirmation of a statement(s) via comparison with documentary evidence. The coding system applied was based on the structure of the questionnaire used in the process of interviewing and was analyzed in two stages allowing for several iterations and interpretations from micro-analysis to the linking of concepts and propositions (Strauss and Corbin, 1998). The first level of analysis coded the documents into 28 free nodes within ‘Nvivo’ software. The coding structure and content was developed around the questionnaire and adjusted as new codes emerged. This enabled me to identify cross-case patterns, replications and differences. The second level of coding and analysis in this stage broke the data down to develop the influences on the IMEM.

Results

The analysis of market entry mode starts with a summary of the entrepreneurs choices and then expands this to discuss channels, partners and subsidiaries. The questioning elicited the extent to which the firms were engaged in direct export, exports through subsidiaries, joint venture partners, or indirect exports (agents or distributors). The case study findings are analyzed and presented in table 1 below in terms of direct versus indirect entry modes.

Table 1 Summary of the international market entry methods of the case firms by location/sector/number of employees

Case Location/Sector/Employees	Direct export	Foreign subsidiaries	Partners/jv /licensing	Agent-distributor
Case 1 Germany/ Software/130	Yes	Yes	Yes	No
Case 2 Germany/ Software/410	Yes	Yes	Yes	No
Case 3 Germany/ Metal/150	Yes	No	Yes (Licence)	No
Case 4 Germany/Electronic/200	Yes	Yes	No	Yes
Case 5 Germany/ Electronic/181	Yes	No	Yes	No
Case 6 Germany/ Electronic/375	Yes	Yes	No	Yes
Case 7 France/ Software/230	Yes	Yes	No	No
Case 8 France/ Metal/185	Yes	No	No	Yes
Case 9 France/Electronic/245	Yes	No	No	Yes
Case 10 France/Electronic/110	Yes	No	No	Yes

Case 11 Italy/Electronic/105	No	Yes	No	Yes
Case 12 Italy/Metal/333	Yes	No	No	Yes
Case 13 Italy/Metal/101	Yes	No	No	No
Case 14 Italy/Metal/129	No	No	Yes	No
Case 15 UK/Software/139	Yes	No	Yes (Licence)	No
Case 16 UK/Metal/150	Yes	No	No	Yes

The method of market entry and the subsequent pattern of internationalization for the firms in the study display both common and divergent patterns. What is common to all of the firms is that regardless of the chosen market entry method there is a strong preference to have direct links with the customer. These may be through direct sales to end-users or OEMs, joint ventures, partnerships, or sales subsidiaries. Over an extended period of time (average of 10 years in exporting) these firms have not changed their mode of market entry which contradicts the stage theory and mode change theory of internationalization. There were some industry sector differences in the mode of entry. The 6 firms that had chosen IMEM in the form of a subsidiary were in the high-technology sectors. None of the metal or mechanical engineering firms use this form of market entry mode. All 4 firms involved in partnerships were in the high-technology industries none in the metal mechanical sector. However there were no sector differences in the use of agents or distributors.

Proposition 1: Personal factors (namely, bias, preferences and prior experience) of the entrepreneur will strongly influence their IMEM choice of entry method.

The evidence from the empirical research is that the entrepreneur has a very strong influence on the IMEM of the firm. The strength of this influence is evident in many of the respondents' discussion of the importance of the entrepreneur's role and involvement in international market entry mode decisions.

"I travelled to a bank, we went to their office in London, a big American bank. We then set up a subsidiary" (respondent firm 1).

"In the consumer market we do address the end-user, but we sell into distribution retail system integration and PC OEMs so we classically mix two modes of market entry" (respondent firm 6).

"I prefer to enter a country through direct sales first to get started, to support the start up of subsidiaries" (respondent firm 7).

"I am in direct and close contact with clients. When you transfer an industrial unit it is necessary to work with trust. It is not necessary to use an intermediary, because marketing close to the potential client, we do not want the foreign agent" (respondent firm 8).

"I prefer to sell directly to the radio operators. In each country there is only one operator" (respondent firm 9).

"As the president I prefer to sell directly 92/93% of sales are from supplying components (pumps, motors etc) directly to manufacturers of white goods" (respondent firm 12).

"I work directly with OEM car makers in Germany, France and in the UK. As they are suppliers of key components to the car industry for special cars, and products need to be designed into the client's products, then we have direct links with customers" (respondent firm 13).

"My approach is direct and simple go into any store, look at the back of the boxes and make contact with the companies who make the machines and then sell directly to them (respondent firm 15).

"I prefer to work with OEM customers in Germany, Japan and the USA. Exactly, then at that point we picked three companies, phoned them cold and asked to go and see them directly" (respondent firm 16).

The entrepreneur was mainly responsible for initiating export sales activities. Even when the firm's international business developed and other specialist export managers took on the responsibility for international sales, the simple organizational structure for exports left the entrepreneur still actively involved in domestic and international mode of entry decision making and direct selling.

Proposition 2: Product or services that require (a) high involvement from users (technological usage and application; supply arrangements) act as a strong influence on the entrepreneurs IMEM choice of entry method.

The interplay between the nature of the product, service and the preferences of the customer influences the mode of international market entry for these firms. For example, there is evidence to suggest that firms with complex products or systems serving customers where the buyer requires direct support select direct market entry modes. Where firms use sales subsidiaries a critical factor in making the decision is the customer demand for local support. Conversely where the customer does not demand a local presence and the product is relatively standardized agents are used as a mode of market entry. The literature suggests that a firm's international market entry mode is in part influenced by the nature of the product and service offering (Corey, Cespedes and Rangan, 1989). Complex products and co-design with major customers are a strong characteristic of the software and electronics firms and the need for integrated supply systems is a feature of firms in the metal mechanic sectors working with OEMs:

"We have a product-a product that needs direct near contact with the customer because the product is complex" (respondent firm 5).

"We adapt the products to the buyer" (respondent firm 6).

"I think our product is quite special and requires a technical background we need to train and have control persons specific to servicing the product, good positioning, well documented, we want control over deals" (respondent firm 7).

"Yes it is determined by the product, the distribution system is determined by the product. We have many different products, we do not have rules, each product is different we take a different approach. We are now focusing on producing only global products we do not want to produce products for the French market only" (respondent firm 9).

Proposition 3: The importance of the customer acts as a strong influence on the entrepreneurs IMEM choice of entry method.

The discourse from the interviewees provides very strong evidence that the internationalization process was started by 'following the customer' and responding to a customer need or demand. The firms clearly view themselves to be customer oriented and there is evidence that the firms' internal staff and processes are set up to disseminate and respond to customer information, following Kohli and Jaworski (1990). The association between customer demands and IMEM is evident in comments from most of the firms and is one of the strongest influences from the respondents' perspective. Several of the responses support Homburg's (2000) 'closeness to customer' construct and the strong connection between the firm and the market (Srivastava, Fahey and Christensen, 2001). There was also evidence that whatever the market entry mode the firm uses, the preference was for some direct interaction with the customer:

"We need subsidiaries to keep our customers happy, they need a local person they can talk to" (respondent firm 2).

"Yes-we follow our customers. If they request this then we must work with them wherever they want us to" (respondent firm 5).

"Have to check that the needs of the client are being met. We want to satisfy our customers. Most important thing we developed products with the clients, they decided on the product (respondent firm 7).

"The company is close to clients? Sure, very close yes. When you transfer an industrial unit it is necessary to work with trust because in such a project you are responsible for many things, and it is important that the client can trust you" (respondent firm 8).

"We need to be trusted by the customer because we develop their products. We do not give them products, we give them our know-how. We have some niche products specialized around a customer. We change products to customer demands. We have to be close to our customer, our technical department, our engineering department they work very closely with the customer" (respondent firm 10).

"When we moved into the market in 1993 it was on the back of developing products to a customer in the USA. We followed the customer to other locations in international markets. We are close to our customers"(respondent firm 15).

Proposition 4: The availability of adequate resources acts as a strong constraining influence on the entrepreneurs IMEM choice of entry method.

None of the entrepreneurs expressed the opinion that resources constrained or influenced their decision about the IMEM. One respondent discussed some financial difficulties caused by the lack of capital and the underperformance of management in a foreign subsidiary however this was not perceived as a resource problem as the firm quickly resolved the issue and recovered the situation.

“With the first subsidiary (in the USA) totally undercapitalised the entire group is basically living from hand to mouth as we say in Germany. The biggest hurdle for such an expansion is two fold. The one is definitely while you are so busy in your domestic market then a faraway subsidiary requiring attention is hard to support. The second aspect certainly is local management quality however we were strongly committed to this mode of market entry and we were willing and able to allocate resources to resolving the problem” (respondent case 6).

This is at variance with the literature on small firms and resource constraints (Kedia and Chokar, 1986) but is consistent with Crick and Spence (2005) who determined that the resource-based view of the firm does not fully explain internationalization decisions by entrepreneurs. A possible reason might be found in the nature of the entrepreneurial mindset. The theory of entrepreneurial orientation is defined as how firms act and take entrepreneurial decisions. Entrepreneurial firms tend to be predisposed to take risk (such as internationalization and IMEM) in the face of resource uncertainty (amongst other types of uncertainties) because they believe in the rewards available to them (Lumpkin and Dess, 1996). For example, their knowledge of and strong ties to the customer base might ease the decision on IMEM. This allows the firm to ignore resource concerns because the nature of the investment is more clearly known. Resource limitations are problematic only when the requirements are unclear but if the firm has greater knowledge of what the international investment decision requires, then limited resources may not necessarily hinder decision-making. This is not to say that resource limitations will not hinder performance. The prevailing logic would be that some moderation effect is likely. This implies that further research is needed to understand how resources influence the internationalization process and what role they play in determining IMEM.

Proposition 5: The industry environment in which the firm operates will act as a strong influence on the entrepreneurs IMEM choice of entry method.

Most of the industries served by the firms studied are international in nature and so push entrepreneurs to engage in international activities. The software firms are linked to international banking, large projects, global software houses, telecommunications, retailing, information technology, and pharmaceuticals. The electronic firms serve international clients in the automobile, medical, retail, telecommunications, information technology, and computer games industries. The metal-mechanic firms supply the global automobile industry, mobile communications, international projects, domestic appliances, medical, and military markets. For many of the firms the industry environment can so be classed as global or international in nature. The combination of both an internationally focused supplier industry and customer industry may be thought to exert a strong influence on the IMEM of the case study firms. Only one firm, however, explicitly acknowledged the influence of the industry environment on internationalization but not IMEM.

“The internet is the driving force of our industry yes definitely. The PC periphery business and client access business is a global industry and either you play in a global dimension or you don’t play” (respondent case 6).

One possible explanation is that the firms follow multinational customers into international markets serving them through a direct market entry mode. Consequently these entrepreneurs are more focused on the immediate micro-customer environment rather than the distant macro-industry environment. A more likely explanation might be that the nature of the industry is but one consideration. Although one school of thought suggests that firms behave in accordance to its industry, other schools such as the resource-based view argue that firms behave in accordance with their unique resource endowments, and are not governed by industry structure (Ekeledo and Sivakumar, 2004; Farjoun, 2002). The degree of sensitivity of a firm’s internationalization decision-making it could be suggested relies on balancing resources with the nature of the industry. This observation explains the growing interest in the resource based view in international research (for example, Erramilli, Agarwal, and Dev, 2002). On balance, despite the intuitive appeal of drawing on industry environment as an explanatory variable of international decision-making, it should be viewed as one cog in a holistic decision-making process (see for example, Jones, 1999).

Proposition 6: National culture has a strong influence on the entrepreneurs IMEM choice of entry method.

In terms of the influence of national culture on internationalization overall the case study results suggest that, contrary to some of the literature on cross-cultural and entrepreneurial management (Busenitz, Gomez and Spencer, 2000) few respondents considered national culture as a significant issue in IMEM decision-making. This finding supports Mitchell et al. (2002) and Mitchell et al. (2000) who found a common cultural perception of entrepreneurship. A specific component of the home country environment which may impact on internationalization is the ability to deal with different languages and cultures. Language and cultural issues

have not prevented the firms in the study from exporting and they are not seen as significant barriers to IMEM decisions. However, the organizations that are more domestically oriented in their sales appear to lack the linguistic confidence of some of the more internationally oriented firms in the study:

“It really becomes difficult with these external organizations where there is also the culture and the language system that is different”(respondent case 2).

“The mentality of Italian entrepreneurs is we are good on technological processes good technical developers but we are no good for example at languages and exporting” (respondent case 10).

These quotes suggest that the educational context within the home country may be influential on a firm's openness to exploiting international market opportunities. If the education system emphasizes the development of foreign language skills then this may ultimately serve to encourage the internationalization of firms within that country. As such this suggests there can be varieties in the national environmental conditions for stimulating IMEM decisions (for example, Wong, Ho, and Autio, 2005). This finding however appears somewhat at odds with Dwyer, Mesak, and Hsu (2005) who found that broad national culture types (based on the work of Hofstede [1991, 2001]) influenced the cross-national diffusion of innovations. Since my research relates to IMEM as opposed to the cross-national diffusion rates, it would seem that research is needed to reconcile the influence of culture on post internationalization performance in addition to pre-internationalization expectancies. Whilst culture may not have hindered IMEM in the firms we studied in terms of forming a decision, it would be valuable to discover if this triggered naivety in entry and post-entry strategy.

Conclusions and implications

The implications of the findings are that the entrepreneurs in these firms who have been exporting for at least 10 years are that they use a mix of 2 or 3 market entry modes simultaneously rather than change market entry mode over time in a singular linear progression. Rather these entrepreneurs in medium-sized firms have common and some divergent patterns of IMEM influenced by personal factors and biases of the owner manager, the nature of the product or service, and the preferences of the customer. There is evidence of differing mode of entry decisions depending on the sector. Electronic and software firms were more likely to use partnerships and subsidiaries as an IMEM. However, there were no sector differences in the use of agents or distributors. On the other hand there is less influence of resource adequacy, industry and cultural environment on the IMEM. The results suggest that generally entrepreneurs follow similar patterns of influences when making IMEM decisions. These entrepreneurs do not perceive they have resource limitations, as they are more likely to have adequate resources in comparison with micro or small firms. The industry did not appear to be important rather the product is a more important criterion for IMEM. Finally, these entrepreneurs appear to overcome cultural barriers and select the IMEM which is appropriate to them and the nature of their products and customers.

The implications for theory are that international market entry mode decisions are not static but dynamic contingent on the influences of the factors outlined in the research propositions. My paper addresses the shortage of theoretical development in international business and entrepreneurship by developing a relatively parsimonious framework. The implications for international managers are the importance of IMEM decisions which are driven by a mix of personal bias, product factors and the requirements of their customers. The implications for policy makers are that any intervention and advice should be specific and contingent to the individual business, the biases and preferences of the entrepreneurs' the products and services and the customers rather than a generic programme of one size fits all. Finally policy makers in their training and advice to entrepreneurs should play down the resource, industrial environment and cultural obstacles to decisions about international market entry modes.

For future research it would be interesting to further test the propositions in other regions of the world and extend the work to a larger scale empirical study. The paper contributes to future empirical studies by offering a set of propositions grounded in the experiences of the entrepreneurs in the study. Future research can build hypotheses based on the propositions developed.

References

- Alvarez, R. (2004) Sources of export success in small- and medium-sized enterprises: The impact of public programs, *International Business Review*, 13 (3): 383-400.
- Axtell, R. (1995) Do's and taboos of using English around the world, New York: Wiley & Son.
- Barney, J.B., Wright M., and Ketchen D.J. Jr. 2001. Special Issue-The Resource-Based View of the Firm: Ten Years after 1991. From the Special Issue Editors, *Journal of Management*, 27(6): 625-641.
- Bell, J. (1995) The internationalization of small computer software firms-a further challenge to stages theories. *European Journal of Marketing*, 29(8): 60-75.
- Boter, H., and Holmquist, C. (1996) Industry characteristics and internationalization processes in small firms. *Journal of Business Venturing*, 11, 471-487.
- Buckley, P.J. (2002) Is the international business research agenda running out of steam? *Journal of International Business Studies*, (33) 2: 365-373.
- Busenitz, L.W., Gomez, C., and Spencer, J.W. (2000) Country institutional profiles: Unlocking entrepreneurial phenomena. *Academy of Management Journal*, 43 (5): 994-1003.
- Calof, J.L., and Beamish, P.W. (1995) Adapting to Foreign Markets: Explaining Internationalization. *International Business Review*, 4, (2): 115-131.
- Campbell, A.J., and Wilson, D.T. (1996) Managed Networks-Creating Strategic Advantage: In *Networks in Marketing* Iacobucci, D (Ed.), Newbury Park: Sage.
- Chetty, S. and Campbell-Hunt, C. (2003) Paths to internationalisation among small- to medium-sized firms: A global versus regional approach, *European Journal of Marketing*, 37, (5/6): 796-820.
- Corbetta, G. (2005) Threats to Success Continuity in Italian Medium-Sized Firms': In *Medium-Sized Firms And Economic Growth*, Prašnikar, J (Ed.), New York: Nova Science Publishers, Inc, :27-44.
- Corey, E.R., Cespedes, F.V., and Rangan, V.K (1989) *Going to Market, Distribution Systems for Industrial Products*, Boston MA: Harvard Business School Press.
- Coviello, N.E., and Jones M.V. (2004) Methodological issues in international entrepreneurship research. *Journal of Business Venturing*, 19: 485-508.
- Coviello, N.E., and McAuley, A. (1999). Internationalisation and the smaller firm: a review of contemporary empirical research. *Management International Review*, 39 (3): 223-256.
- Coviello, N.E., and Munro, H.J. (1995) Growing the entrepreneurial firm: Networking for international market development. *European Journal of Marketing*, 29(7): 49-62.
- Covin, J.G., and Slevin, D.P. (1991) A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory and Practice*, 16(1): 7-25.
- Crick, D., and Spence, M. (2005) The internationalisation of 'high performing' UK high-tech SMEs: A study of planned and unplanned strategies. *International Business Review*, 14(2): 167-185.
- Dess, G., G. Lumpkin, and J. Covin (1997) Entrepreneurial Strategy Making and Firm Performance: Tests of Contingency and Configurational Models, *Strategic Management Journal*, 18, (1): 2-23.
- Dichtl, E., Koeglmayr, H., and Mueller, S. (1990) International orientation as a precondition for export success. *Journal of International Business Studies*, 1st. quarter: 23-40.
- Dierickx, I., and Cool, K. (1989) Asset stock accumulation and sustainability of competitive advantage. *Management Science*, 35: 1504-1511.
- Dwyer, S., Mesak, H., and Hsu, M. (2005) An Exploratory Examination of the Influence of National Culture on Cross-National Product Diffusion. *Journal of International Marketing*, 13(2): 1-27.
- Eckstein, H. (1992) *Regarding Politics: Essays on Political Theory, Stability and Change*. Berkeley: University of California Press.
- Ekeledo, I., and Sivakumar, K. (2004) The impact of e-commerce on entry-mode strategies of service firms: A conceptual framework and research propositions. *Journal of International Marketing*, 12(4): 46-70.
- Erramilli, M. K. and Rao, C. P. (1993) Service firms international entry mode choice: A modified transaction-cost analysis approach. *Journal of Marketing*, 57: 19-38.
- Erramilli, M.K., Agarwal, S. and Dev, C.S. (2002) Choice of non-equity modes: An organizational capability perspective. *Journal of International Business Studies*, 33: 223-242.
- Europe 500. (2004) available at <URL:http://www.europes500.com>.
- Farjoun, M. (2002) Towards an Organic Perspective on Strategy. *Strategic Management Journal*, 23: 561-594.
- Garner, G. (1982) Comparative Export Behaviour of Small Canadian Firms in the Printing and Electrical Industries. In *Export Management: An International Context* M.R. Czinkota and G. Tesar (Eds.), New York: Praeger Publishers: 113-131.
- Glaser, B.G. and Strauss, A.L. (1967) *The Discovery of Grounded Theory: Strategies for Qualitative Research*. Chicago: Aldine.
- Grant, R. (2002) *Contemporary Strategy Analysis*. Oxford: Blackwell.
- Hall, E. T. (1959) *The silent language*, Garden City, NY: Doubleday & Company.

- Hannan, M.T., and Freeman, J.H. (1977) The population ecology of organizations. *American Journal of Sociology*, 82: 929-964.
- Herstatt, C., and von Hippel, E. (1992) From experience: Developing new product concepts via the lead user method: A case study in a lo-tech field. *Journal of Product Innovation Management*, 9: 213-221.
- Hofstede, G. (1991) *Cultures and organizations: software of the mind*, London: McGraw-Hill.
- Hofstede, G. (2001) *Culture's Consequences*. Thousand Oaks, CA: Sage.
- Homburg, C. (2000) *Closeness to customers of Industrial Firms: Conceptualization, Success Effects and Determinants* (3rd ed.). Gabler: Wiesbaden.
- Johanson, J., and Vahlne, J-E. (1990) The mechanism of internationalization. *International Marketing Review*, 7(4): 11-24.
- Johanson, J., and Wiedersheim-Paul, F. (1975) The Internationalization Process of the Firm: Four Swedish Case Studies. *Journal of Management Studies*, October: 305-322.
- Jones, M.V. (1999) The internationalization of small high-technology firms. *Journal of International Marketing*, 7(4): 15-41.
- Kedia, B.L., and Chokar, J. (1986) Factors inhibiting export performance in firms: an empirical investigation. *Management International Review*, 26(4): 33-44.
- Kohli, A., and Jaworski, B.J. (1990) Market orientation: The construct, research propositions and managerial implications. *Journal of Marketing*, 54(2): 1-18.
- Lacey, C. (1976) Problems of Sociological Research: A Review of the Methodology of Hightown Grammar. In *The Organization and Impact of Social Research* M. Shipman (Ed.), London: Routledge and Kegan Paul.
- Liesch, P., and Knight, G. (1999) Information internationalization and hurdle rates in small and medium enterprise internationalization. *Journal of International Business Studies*, 30(2): 383-394.
- Lumpkin, G.T., and Dess, G.G. (1996) Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1): 135-172.
- Malhotra, N. K., Agarwal, J., and Ulgado, F. M. (2003) Internationalization and entry modes: a multitheoretical framework and research propositions. *Journal of International Marketing*, 11 (4): 1-31.
- Marcella, R., Davies, S., and Williams, D. (2002) The language strategies of Scottish exporters in the food and drink sector. *Journal of Small Business and Enterprise Development*, 9, (4): 358-369.
- Miles M.B., and Huberman, M.A. (1994) *Qualitative Data Analysis*. Thousand Oaks: Sage Publications.
- Mitchell, R.K., Smith, B., Seawright, K.W., and Morse, E.A. (2000) Cross-cultural cognitions and the venture creation decision. *Academy of Management Journal*, 43(5): 974-993.
- Mitchell, R.K., Smith, B., Morse, E.A., Seawright, K.W., Peredo, A.M., and McKenzie, B. (2002) *Entrepreneurship Theory and Practice*, Summer: 9-32.
- Moen, O., Gavlen, M., and Eedresen, I. (2003) Internationalization of small, computer software firms: entry forms and market selection. *European Journal of Marketing*, 38, (9/10): 1236-1251.
- Peng, M.W. (2004) Identifying the Big Question in International Business Research. *Journal of International Business Studies*, 35: 99-108.
- Peng, M.W., York, A.S. (2001) Behind intermediary performance in export trade: Transaction, agents and resources. *Journal of International Business Studies*, 32(2): 327-346.
- Perks, K.J. (2003) The development of a theoretical framework for the internationalization process of fast growth medium-sized firms in Europe, unpublished doctoral thesis Loughborough University.
- Porter, M.E. (1986) *Competition in Global Industries*. Boston MA: Harvard Business School Press.
- Rangan, V.K., Menezes, M.A. J., and Maier, E.P. (1992). Channel Selection for New Industrial Products: A Framework, Method, and Application. *Journal of Marketing*, 56: 69-82.
- Rao, C.P. (1990) Impact of Domestic Recession on Export Marketing Behaviour. *International Marketing Review*, 7(2): 54-65.
- Sharma, D. D. and Blomstermo, A. (2003) The internationalization process of Born Globals: a network view. *International Business Review*, 12: 739-753.
- Shenkar, O. (2004) One More Time: International Business in a Global Economy. *Journal of International Business*, (35): 161-171.
- Reid, S.D. (1983) Export Research in Crisis. In *Export Promotion: The Public and Private Sector Interaction*, Czinkota, M.R. (Ed.), New York: Praeger: 129-153.
- Simon, H. (1996) *Hidden Champions-Lessons from 500 of the World's Best Unknown Companies*. Boston MA: Harvard Business School Press.
- Srivastava, R., Fahey, L., and Christensen, H.K. (2001) The resource-based view and marketing: The role of market-based assets in gaining competitive advantage. *Journal of Management*, 27: 777-802.
- Strauss, A., and Corbin, J. (1998) *Basics of Qualitative Research* (2nd ed.). Thousand Oaks: Sage Publications.
- Tan, J.(2002). Culture, nation, and entrepreneurial strategic orientations: Implications for an emerging economy. *Entrepreneurship Theory and Practice*, Summer: 95-111.

- Urban, G.L., and von Hippel, E. (1988) Lead user analyses for the development of new industrial products. *Management Science*, 34(5): 569-582.
- Wei, H. C. and Christodoulou, C. (1997) An examination of strategic foreign direct investment decision processes: The case of Taiwanese manufacturing SMEs. *Management Decision*, 35 (8): 619-630.
- Wernerfelt, B. (1984) A resource-based view of the firm. *Strategic Management Journal*, (5)2: 171-180.
- Whitelock, J. (2002) Theories of internationalisation and their impact on market entry. *International Market Review*, 19 (4): 342-347.
- Wong P., Ho, Y., and Autio, E. (2005) Entrepreneurship, Innovation and Economic Growth: Evidence from GEM Data. *Small Business Economics*, 24 (3) 335-50.
- Yin, R. (1994) *Case Study Research: Design and Methods* (2nd ed.). Newbury Park: Sage.
- Zahra, S.A. (1993) Environment, corporate entrepreneurship and financial performance: a taxonomic approach. *Journal of Business Venturing*, 8: 319-340.