

ATHABASCA UNIVERSITY

SME INTERNATIONALIZATION:
The Influence of Attitude on the Decision to
Commit to Advanced Market Entry Modes

By

Richard E. Game

A Dissertation
Submitted to the Faculty of Graduate Studies
In Partial Fulfillment Of The Requirements For The
Degree of Doctor of Business Administration

Faculty of Business

Athabasca, Alberta
July, 2013

© Richard E. Game

Approval of Dissertation

The undersigned certify that they have read the dissertation entitled

**“SME Internationalization: The Influence of Attitude on the Decision to Commit to
Advanced Market Entry Modes”**

Submitted by

Richard E. Game

In partial fulfillment of the requirements for the degree of

Doctor of Business Administration

The dissertation examination committee certifies that the dissertation
(and the oral examination) is approved.

Co-Supervisors

Dr. Gerhard Apfelthaler (External)
California Lutheran University

Dr. Kay Devine (Internal)
Athabasca University

Committee members

Dr. David Stewart
Athabasca University

Dr. Shawn Fraser
Athabasca University

Dr. Nancy Napier
Boise State University

September 11, 2013

Epigraph

“There are risks and costs to a program of action. But they are far less than the long range risks and costs of comfortable inaction” (John F. Kennedy, 1917-1963).

Acknowledgements

To my supervisors and committee members, who never failed to be genuinely curious about my research and provided support and guidance along the path I was taking.

To my family and friends who have held strong during this period.

Dedication

To the wondrous and seductive world of international business.

Abstract

Participation and success of small and medium-sized enterprises (SME) in global markets is of strategic interest to business and public policy makers. Despite empirical evidence that generally demonstrates that performance improves with the level of internationalization mode, there is an identified problem in getting SME decision-makers to make a significant commitment to more advanced modes of internationalization.

A review of international business, entrepreneurship and organizational behavior research demonstrated that the attitudes of the SME decision-maker significantly impact the decision-making process to commit to advanced modes of internationalization. Further, the factors that influence and contribute to these attitudes are not well understood. The explicit objective of this research is to determine the important factors that affect a SME decision-maker's attitude and how they influence the decision to commit to a more advanced foreign market entry mode of internationalization.

A quantitative online survey directed at 3117 Canadian manufacturing SME decision-makers who are in advanced and non-advanced modes of internationalization was undertaken. The responses from 224 participants were used for both hypothesis testing and to extend current theory that only marginally acknowledges the effect of attitude on the decision-making process.

This research has demonstrated support for attitudinal factors being a differentiator between advanced and non-advanced internationalization modes; and hence these factors are supported as influencers in the complex SME decision-making process. In addition, there is full statistical support for two constructs (Knowledge of culture, Perceived benefits) and moderate

support for an additional two constructs (International experience, International commitment). Cross validation further validated the results and provided confidence for the conclusions generated.

This research's conceptual framework and empirical results should make valuable additions to the literature on international business activities, specifically in the context that relates to the importance of attitudes in the decision-making process of mode choice. The research has reinforced some elements of existing international business theories and cast some doubt on the influence of other elements contained within these theories. The empirical results of this study also contribute to business practices and governmental agencies by identifying areas of improvements in internationalization support programs.

Table of Contents

<i>Approvals</i>	<i>i</i>
<i>Epigraph</i>	<i>ii</i>
<i>Acknowledgments</i>	<i>ii</i>
<i>Dedication</i>	<i>ii</i>
<i>Abstract</i>	<i>iii</i>
<i>Table of Contents</i>	<i>v – xiii</i>
1. Introduction	1
1.1. Setting the Context	1
1.2. The Research Question	4
1.3. Relevance of Research	5
1.3.1. Rationale	5
1.3.2. Theoretical Relevance	6
1.3.3. Practical Relevance	7
1.4. Structure of Dissertation	8
2. Review of Literature	10
2.1. Introduction	10
2.2. The Small-Medium Enterprise (SME)	11
2.3. Internationalization Models and Theories	14
2.3.1. Introduction and Historical Construct	14

2.3.2. Foundational International Business Theories	16
2.3.2.1. Market Imperfections (Hymer)	16
2.3.2.2. International Product Life Cycle (IPLC) Model	17
2.3.2.3. Eclectic Theory	18
2.3.2.4. Transaction Cost	20
2.3.2.5. Resource Based View	21
2.3.2.6. Uppsala Internationalization Stages Model	22
2.3.2.7. International Entrepreneurship	25
2.3.3. Gaps in Current Theory Research	27
2.4. Foreign Market Entry Mode as Part of the Internationalization Process	28
2.4.1. Introduction and Definition	28
2.4.2. Importance of the Foreign Market Entry Mode Choice	29
2.4.3. Description and Classification of Foreign Market Entry Mode Choices	32
2.5. Factors Affecting Foreign Market Entry Mode Choice	36
2.5.1. Introduction	36
2.5.2. External Factors	37
2.5.3. Internal Factors	39
2.5.4. Performance Results	41
2.5.5. Management Attitudes	41
2.6. Organizational Behaviour: Decision Making and Attitudes	46
2.6.1. Introduction	46
2.6.2. Rational Models of Decision-Making	48

2.6.2.1.	Classic Rationality	48
2.6.2.2.	Bounded Rationality	49
2.6.2.3.	Neoclassical Rationality	50
2.6.2.4.	Fit of SME Entrepreneurs in General Decision Theory	52
2.6.3.	Behavioral Models of Decision-Making	54
2.6.3.1.	Theories of Attitudes and Behavioural Intention	54
2.6.3.2.	Attitude	55
2.6.3.3.	Theory of Planned Behavior	56
2.6.3.3.1.	Review of Theory of Planned Behavior	56
2.6.3.3.2.	Empirical Support for Theory of Planned Behavior	61
2.6.3.3.3.	Risk and the Theory of Planned Behavior	62
2.7.	Chapter Summary	63
3.	Research Framework and Hypotheses	67
3.1.	Introduction	67
3.2.	Identified Factors Affecting Attitude	68
3.3.	Conceptual Framework	72
3.4.	Hypothesis Development and Exploratory Elements	73
3.5.	Chapter Summary	85
4.	Research Design and Methods	86
4.1.	Introduction	86
4.2.	Research Design	86
4.2.1.	Research Design Overview	86

4.2.2. Target Population	87
4.2.3. Sample Size Requirements	88
4.2.4. Sampling Plan/Frame	89
4.2.5. Questionnaire Development	89
4.2.6. Pre-Test Process/Content Validity	91
4.2.7. Operationalization of the Constructs/Scale	92
4.3. Data Analysis Approach	93
4.3.1. Data Collection Results	93
4.3.2. Data Variables	94
4.3.3. Data Analysis	95
4.3.4. Reliability and Validity	96
4.4. Limitations and Delimitations	96
4.5. Chapter Summary	97
5. Data Analysis and Results	98
5.1. Introduction	98
5.2. Demographic Analysis of Respondents	98
5.3. Scale Validation	108
5.4. Data Analysis	114
5.4.1. Introduction	114
5.4.2. Univariate Modelling	115
5.4.3. Multivariate Modelling	118
5.4.3.1. Hotelling T-Squared	118

5.4.3.2. Discriminant Analysis	122
5.4.3.3. Binary Logistical Regression	128
5.5. Chapter Summary	130
6. Discussion of Results, Limitations and Implications	132
6.1. Introduction	132
6.2. Discussion of Results	132
6.2.1. Attitude is a Factor	132
6.2.2. Education	134
6.2.3. International Experience	135
6.2.4. International Commitment	137
6.2.5. Knowledge of Business Culture	140
6.2.6. Risk Propensity	141
6.2.7. Risk Perception	144
6.2.8. Perceived Benefits	145
6.2.9. Likelihood of Success	148
6.2.10. Market Knowledge	149
6.3. Contribution	150
6.3.1. Theoretical	151
6.3.2. Management	154
6.3.3. Policy Makers	156
6.4. Limitations	157
6.5. Future Research	160

6.6. Conclusions	161
References	165
Appendices	
Appendix 1: Survey Instrument	192
Appendix 2: Ethics Approval	203
Appendix 3: Sample Size Calculation	204
Appendix 4: Normality Assessment Results	208

List of Figures

Figure 2.1: Historical Timeline for Internationalization Foundational Theories	15
Figure 2.2: Summary of Foundational Theories	16
Figure 2.3: Stages Theory Knowledge-Commitment Learning Process	23
Figure 2.4: Risk - Control: Evolution of Entry Methods	32
Figure 2.5: Choice of Foreign Market Entry Modes	33
Figure 2.6: Factors Affecting Mode Change	37
Figure 2.7: Stimuli Supporting Entry Mode Choice	43
Figure 2.8: Theory of Planned Behavior Framework	58
Figure 2.9: Influence of Culture on Values and Attitudes	60
Figure 3.1: Comprehensive Research Framework	73
Figure 4.1: Constructs	92

List of Tables

Table 3.1: Past Research on Attitude Related Factors Affecting Mode Change	71
Table 5.1: Demographic Characteristics of Participants	99
Table 5.2: Internationalization Characteristics of SMEs	102
Table 5.3: Effectiveness of Government Assistance Programs	104
Table 5.4: Market Research Methods	105
Table 5.5: Ranking of Benefits to Internationalization	107
Table 5.6: Cronbach Alpha of the Construct Scales	108
Table 5.7: Sensitivity Analysis of Alphas – International Experience	112
Table 5.8: Sensitivity Analysis of Alphas – Knowledge of Culture	112
Table 5.9: Sensitivity Analysis of Alphas – Perceived Benefits	113
Table 5.10: Comparison between Means (T-Test, Mann Whitney)	116
Table 5.11: Multivariate Hotelling T-Squared Test	119
Table 5.12: Discriminant Analysis	122
Table 5.13: Discriminant Analysis using Stepwise	125
Table 5.14: Jackknife Analysis of Discriminant Function Coefficients	126
Table 5.15: Binary Logistic Regression	128
Table 5.16: Binary Logistic Regression with Stepwise	130
Table 6.1: Summary of Hypothesis Testing	134
Table 6.2: Hypothesis Results	151

List of Charts

Chart 5.1: Box Plot of Discriminant Scores

125

1. Introduction

1.1. Setting the Context

Small and medium-sized enterprises (SMEs) account for almost thirty percent of international trade, yet relatively little is known about how and why they internationalize and make foreign entry mode decisions (Oortwijn, 2011; Sommer, 2010; Perk, 2009; Sousa, Martinez-Lopez & Coelho, 2008; Perk & Hughes, 2008; Zahra, Korri & Yu, 2005; Brouthers & Nakos, 2004; McNaughton, 2001; Aaby & Slater, 1988; Katsikeas, 1996). Foreign market entry (FME) mode choice is a critical strategic component of an internationalization strategy that has the most impact on success or failure of the program (Root, 1987). These FME modes range from low management commitment, low investment methods, such as indirect and direct exporting to more committed, higher investment advanced modes such as joint ventures or wholly owned subsidiaries (Pan & Tse, 2000). Each entry mode requires different resource commitments (Vernon, 1983) and offers differences in risk and return profiles with a mix of advantages and disadvantages (Anderson & Gatignon, 1986). Indirect exporting is the most frequently used foreign market entry mode chosen by SMEs (Zhao & Zou, 2002). This entry method provides the firm with a cost-effective, flexible and lower risk way of entering new foreign markets rapidly with minimal commitment of resources; however performance upside is limited relative to more advanced modes such as the establishment of an in-country sales subsidiary or a greenfield manufacturing facility (Sousa et al, 2008; Stray, Bridgewater & Murray, 2001; Woodcock, Beamish & Makino, 1994; Tang and Yu, 1990; Tang & Yu, 1990; Beamish, Karavis, Goerzen & Lane, 1999; Daniels & Bracker, 1989).

Significant to this research is an understanding of the process that a company follows as it undergoes internationalization. International business theory has generally taken a stage, resource, network or international entrepreneurship theoretical perspective; or a combination thereof (Ruzzier, Hisrich & Antoncic, 2006). The Uppsala Internationalization Stages model (Johanson and Vahlne, 1977, 1997, 2003) is one of the more significant theories explaining the process of internationalization. The main premise of this Stages model is that firms follow gradual and sequential steps as they acquire experiential knowledge and establish network relationships and increase their resource commitment and control in determined stages in order to enhance performance. The theory's primary stages are (1) indirect export (2) exports using third parties (3) sales subsidiary and (4) local production or service. Organizations are seen to be committed to internationalization (Pan & Tse, 2000) when they reach stage three as this is the stage where a more significant investment in time and resources is required.

Within the process of manufacturing-based SME internationalization, there is an identified problem in getting decision-makers to commit (invest time and resources) to their foreign market activity. Despite research that has often produced inconsistent results (Sousa, et al., 2008; Wheeler, Ibeh & Dimitratos, 2008; Delios & Beamish, 1999) empirical evidence has generally demonstrated that performance improves with the level of internationalization mode (Pangarkar, 2007; Brouthers & Brouthers, 2003; Tang & Yu, 1990). Government and Industry publications targeted at SME decision-makers have promoted the benefits of committing to more advanced modes of internationalization (Yannopoulos, 2010; Orser, Spence, Riding and Carrington, 2008). Yet, a very small number of manufacturing-based SMEs actually make a commitment beyond simple indirect export methods. In Canada, 98% of the total 2.4 million

businesses are SMEs, i.e. less than 500 employees (Nadeau, Prefontaine & Mei, 2010). While almost 100% of large enterprises export and account for 63% of total export value (DFAIT, 2006), only eight percent of the SMEs export and of these only about two percent of these Canadian SMEs are estimated to make any advanced commitment beyond simple direct exporting as part of an internationalization strategy (Keegan & Seringhaus, 1996). Government programs have not increased the internationalization commitment and business leaders, public policy makers, researchers and companies that finance SMEs are stymied on how to significantly increase the level of commitment by SMEs to more advanced modes of internationalization (Orser et al, 2008; Mayer & Ottaviano, 2007).

A review of past research has revealed that many different variables influence commitment to internationalization and to more advanced foreign market entry modes (Wheeler, Ibeh & Dimitratos, 2008; Brouthers & Brouthers, 2003; Calof & Beamish, 1995). However, it is acknowledged that the decision-maker's role in international activity is crucial, particularly in the case of SMEs (Maignan & Lukas, 2008; Calof & Beamish, 1995; Buckley, 1989; Aaby & Slater, 1988). For example, there is increasing evidence that a global mindset of top managers is a prerequisite for sustainable internationalization success (Apfelthaler, Shane & Hruby, 2012; Kyvik, 2011; Manolova, Brush, Edelman & Greene, 2002; Dichtl, Koeglmayr & Mueller, 1990). It is also apparent that SME decision-makers do not necessarily rely on sophisticated or structured processes to choose their entry modes; rather, attitudes, perceptions, and the influence of past experiences seem to guide their actions. In other words, the attitude of the SME decision-maker is a major element in the decision to internationalize

and in the selection of a committed foreign entry mode (Perk, 2009; Maignan & Lukas, 2008; Sousa et al, 2008; Calof & Beamish, 1995; Aaby and Slater, 1988; Axinn, 1988; Cavusgil, 1984).

There is limited use of multi-disciplined approaches to understand the decision-making processes of the SME (Keupp & Gassmann, 2009; Aaby and Slater, 1988). This lack of theoretical base is beyond doubt the reason why we know so little about the SME decision-maker's motivations to internationalize their firms' operations and how these motivations influence the selection of the mode of entry or other mechanisms by which international opportunities are exploited (Zahra, Korri & Yu, 2005, p. 143).

Zahra et al (2005) further noted that the traditional approaches to internationalization research could be overcome by using alternative organizational lenses that consider non-economic motivations in shaping the internationalization decision-making process. A multi-disciplined review of international business (IB), international entrepreneurship (IE) and organizational behavioral (OB) theory will therefore be conducted to explore the problem of the lack of commitment in the decision-making by SME managers to advanced modes of internationalization. No true seminal article has driven and tied together this diverse area of research and hence there is an apparent lack of a consistent framework and approaches.

1.2 Research Question

The explicit objective of this research is to determine the important factors that affect a SME decision-maker's attitude and to what degree they influence the decision to commit to a more advanced foreign market entry mode of internationalization.

First, a review of international business (IB), international entrepreneurship (IE) and organizational behavioral (OB) research will explore and define management attitudes in the SME decision-maker which are believed to have a significant impact on the decision-making process to commit to increased internationalization (Canabal & White, 2008; Aaby & Slater, 1988; Calof & Beamish, 1995; Buckley, 1989). Second, this review of literature will result in the creation of a model by which to analyze this research area.

The development of an explanatory model containing factors that influence and contribute to attitudes will specifically help explain the hurdles SME decision-makers face in their internationalization commitment decision. This research will add value to international business literature by providing a platform for future researchers to further study the decision-making processes in SMEs and to develop programs that will increase commitment to internationalization. It will be of use to SME decision-makers by providing tools with which they may make more informed export commitment decisions. In addition, this research can help public policy-makers develop better support programs that address the key components of the decision-making process.

1.3 Relevance of Research

1.3.1 Rationale

An exploration of the decision-making process as part of internationalization and foreign export mode selection has both academic and practical merits and extends research in several ways. Firstly, the focus is on the dynamics of the mode choice and in particular the hurdle of going from a low commitment, low investment indirect export mode to a more committed,

advanced internationalization mode. A better understanding of what firms actually do and why they do it is of valuable input for further development of international business and internationalization theories. Existing studies generally focus on the foreign market entry mode choice and not the decision-making process (Oortwijn, 2011; Perk, 2009; Brouthers & Nakos, 2004; Zahra et al., 2005; McNaughton, 2001; Buckley, 1989).

Secondly, management attitudes as a key determinant of the decision-making process for international business FME modes have been relatively under-studied or have been a secondary variable. The most significant exception is a dissertation by Calof (1991) which reviewed the importance of management attitudes on mode change. However, this research was at the general level and suffered from a number of limitations: it focused on determining if attitude was important rather than exploring the antecedents or sources of attitudes, it was not focused on any particular foreign market entry mode, there was no understanding of the hurdles involved in mode change and the primary focus was on companies exporting to the United States thus giving it a narrow geographic and cultural perspective. While this study has significant academic interest to this author, its findings cannot be generalized to the specific and targeted focus of understanding the decision-making process for an SME decision-maker to commit to a more advanced FME mode of internationalization.

Lastly, this research has practical relevance to management and public policy decision-makers. Unlike many external, uncontrollable environmental factors that an SME decision-maker may face, attitudes are changeable and correctable over time (Ajzen & Cote, 2008) and hence this research may shape export assistance programs that are useful.

1.3.2 Theoretical Relevance

The internationalization and foreign entry mode field is a divided and sometimes conflicting field (Canabal & White, 2008) with multiple major and innumerable lesser theories focussed on explaining, predicting and understanding the process. Existing studies have generally focused on the market entry mode choice, performance implications or resource requirements rather than on the decision-making process or the managerial factors that influence this process (McNaughton, 2001; Buckley 1989).

By developing an understanding of the factors that influence and contribute to the SME internationalization decision and the development of a useful theoretical decision-making framework, this research will help outline the hurdles faced by SME decision-makers in moving to advanced modes of entry in international markets. In so doing, this research will add value to the international business community by providing future researchers a framework and alternative perspective in which to further study the decision-making processes in SMEs.

1.3.3 Practical Relevance

Foreign entry mode choice is a significant decision for SME managers as part of their internationalization strategy and has a significant effect on the overall business performance of the firm (Root, 1987). In addition, understanding the internationalization decision-making process is of interest to public policy makers within government export focussed agencies that are developing export assistance programs (Yannopoulos, 2010).

Market entry mode choice as part of the internationalization process is a significant strategic choice made by managers that involves risk paradigms not seen within a firm's

domestic markets. This choice involves a substantial commitment of human resources, capital and management time and hence the downside risk due to poor decision making could be significant. Conversely, the upside benefits of accessing more and larger markets can make the outcome of a good entry mode decision very significant and enhance the long term survival of the business (Root, 1997, Delios & Beamish, 1999).

Internationalization of firms is also a significant public policy issue. It is in the interest of the government to assist in the development of a healthy export sector as part of long term sustainability and prosperity objectives, as a way of raising foreign exchange reserves, improving productivity of domestic firms and decreasing unemployment (Czinkota, 1994). There are a significant number of programs geared to supporting export development, however Crick and Czinkota (1995) found significant differences between the programs exporters actually needed and the types of programs available to compete in foreign markets. For public policy makers, understanding the fit of export support programs is important for planning future funding, program development and for the overall success of these programs (Karakaya & Yannopoulos, 2010).

1.4 Structure of Dissertation

This dissertation is organized around five main chapters. In chapter 2, a review of literature is undertaken which analyzes and explores the various theories within foreign market entry mode choice, international business, international entrepreneurship and organizational behavior. Chapter 3 builds on the literature review from Chapter 2 to develop a conceptual

and comprehensive research model that provides the foundation for the study's research question and hypotheses. Chapter 3 develops and provides for the hypothesis development.

Chapter 4 describes research design and methodical approach used to investigate the research hypotheses/constructs. Chapter 4 outlines the study's field survey design, sampling plan, survey questionnaire, data collection procedures, and data analysis approach. It develops research operationalization for all dependent variables used to test research constructs.

Chapter 5 discusses data analysis and the results. Data analysis begins with a demographic analysis of the respondents to ensure that the sample fits the target criteria, followed by a series of univariate and multivariate modeling to test the dependent variables against the various hypothesis/constructs and various model validation techniques to ensure validity.

Chapter 6 concludes the dissertation by discussing research results, describing theoretical contributions to the international business literature, providing relevant implications for SME entrepreneurs, and offering policy recommendations for governments. Chapter 6 also identifies key limitations of the research design and offers suggestions for future research in international business.

2. Review of Literature

2.1. Introduction

The increasing globalization of the world's economy has made the study of international management and internationalization processes a dynamic area. Canada is an export-based economy with forty percent of its gross domestic product dependent on export accounts (DFAIT, 2006). Small and medium-sized enterprises (SMEs) account for ninety-eight percent of all businesses and have a critical role in Canada's economy (Yannopoulos, 2010; Orser, Spence, Riding and Carrington, 2008). Despite the small percentage of these firms involved in internationalization, these firms by number comprise the majority of Canadian firms that sell goods and services abroad (Halabisky & Parsley, 2005). Similar statistics are also apparent in the United States and in the European Union with ninety-eight percent (ITA, 2009) and ninety-nine percent (Schmiemann, 2008) respectively being SMEs. By number and value, it appears that Canadian, U.S. and EU small business exporters are very similar (DFAIT, 2006). Like many western nations within the EU and the U.S., Canada has designated exporting and the internationalization development of its large SME base as of critical strategic importance to its future prosperity (Czinkota 1994). This review will demonstrate that there is a rich and eclectic diversity of studies on foreign export mode choice based on multiple and sometimes conflicting theories, frameworks and paradigms, yet research addressing the SME decision-making process is limited (McNaughton, 2001, Buckley 1989) and this will be the focus of this research.

Internationalization, foreign market entry mode and export performance research saw rapid growth in the 1980's with an almost exponential growth with only a few articles published at the beginning of this period to almost 100 published in the last decade as reported by

Canabal & White (2008) in their historical review of entry mode research. No true seminal article has driven and tied together these diverse areas of research.

This review of literature is broken up into five broad themes which connect the internationalization decision-making process of SME managers. First, in section 2.2 a review of the SME context will be undertaken, which will define the importance of this segment and discuss the challenges and success this category of firms face. Specifically, the lack of commitment to more advanced modes of international participation will be discussed. The concept of foreign market entry modes and the factors that may influence an entry mode change is the next major theme reviewed in sections 2.3 and 2.4. The various international business models and theories will then be discussed in section 2.5 followed by a review of relevant literature from international entrepreneurship in section 2.6. The fifth theme brings in organizational behavior theories and specifically the Theory of Planned Behavior (Ajzen, 1991) as a tool to tie the various elements together into a research framework.

2.2. The Small-Medium Enterprise (SME)

International trade and SMEs encompass two of the fastest-growing areas of the Canadian and much of the world's economy. As such, SME export success is of critical importance (Yannopoulos, 2010; Orser et al, 2008).

Industry Canada (DFAIT, 2006) follows the United States Small Business Administration (ITA, 2009) definition of a small business as one that has fewer than 100 employees (manufacturer) or fewer than 50 employees (service); however, the focus of this research is on manufacturing-based SMEs only since the firms' characteristics, resource commitments and

structures are significantly different from service firms. A manufacturing firm that has more employees than these cut-offs, but fewer than 500 employees, is classified as a medium-sized business (DFAIT, 2006). The European Union has a similar definition for small business but limits a medium size business to less than 250 employees (Gallup, 2008). Fifty-six percent of Canadian SMEs have been in the exporting business for ten years or less (Nadeau et al., 2010; Orser et al., 2008) indicating the relative immaturity of these firms in terms of international experience. The United States was ranked first in terms of export importance to the Canadian SMEs (DFAIT, 2008), which is not surprising given its geographic proximity and cultural similarities.

Firm size has a complex relationship with a SME's export behavior; empirical research has resulted in inconsistent conclusions (Katsikeas, 1996; Miesenböck, 1985). Ruiz-Fuensanata (2010) and Reuber and Fischer (1997) found that firm size was not a significant differentiator in overall export performance. Dhanaraj and Beamish (2003) pointed out that size can be considered as a proxy for a firm's human and financial resources which are crucial for the decision to expand internationally. However, these resource constraints inherent in SMEs seem to decrease once a firm has passed a minimum size threshold of more than 50 employees (Julien, Joyal and Deshaies, 1997). This observation is consistent with other studies that show that in comparison to large multinational enterprises (MNEs), SMEs are typically resource and capital constrained, risk averse, lack management depth and experience and have limited market resources to succeed in international markets (Knight, 2000). Yet, despite these handicaps of small size and resource constraints, and the general characteristics of being risk averse and lacking management depth, as the SME increases in size an increasing number of SMEs are successful in international markets (Lu & Beamish, 2001). This research will correct for

a potential resource constraint bias for smaller SMEs by excluding those with less than 50 employees from being sampled in the research.

Concern has been also expressed by Canadian business and public policy makers (Conference Board of Canada, 2006; Orser, 2008) about the export propensity of Canadian SMEs, of the challenges to get them to export more and how to further commit to internationalization more aggressively (Dhanaraj & Beamish, 2003). The following are selected highlights from the 2004 empirical study by Orser, (2008) conducted in partnership with Industry Canada that highlighted the current state of Canadian SMEs relative to their export activity:

- Ninety-eight percent of all businesses in Canada were SMEs
- Seventy-four percent of SMEs had less than 50 employees, 12% from 50-99, 8% from 100-199 and 6% from 200-499
- Eight percent of Canadian SMEs export
- Forty-four percent of exporting SMEs have export sales less than ten percent of total revenue
- Fifty-two percent of exporting SMEs have export sales less than twenty-five percent of total revenue
- Fifty-nine percent of all SMEs export to the U.S. exclusively, 19% to other countries and 22% to both

These results are quite typical of most modern economies with the EU reporting similar SME export success rates of less than eight percent on average (Gallup, 2008; Schmiemann, 2008; Sommer & Haug, 2011) and the United States with a ten percent success rate (ITA, 2009). This study also demonstrated that there is much work to do to raise the export propensity of Canadian SMEs; in particular, the evidence suggests that the forty-four percent of SMEs who

export less than ten percent of their revenue are doing so on an ad hoc or 'lucky sale' basis and not on a strategic basis. These results were also confirmed by others such as Dosoglu-Guner (1999) who noted that despite the benefits, most firms are still reluctant to get involved in more advanced modes of internationalization due to perceived difficulties and challenges in handling the unknown and the lack of support and infrastructure to the decision-makers in SMEs who often play a singular and central role. It was also noted that the low investment, low advanced indirect exporting entry mode is by far the most popular mode choice for Canadian firms with about two-thirds of companies using this method (Keegan & Seringhaus, 1996) and the noted reluctance (Lu and Beamish, 2006) of SME decision-makers to commit to further investment in other more advanced modes of internationalizations.

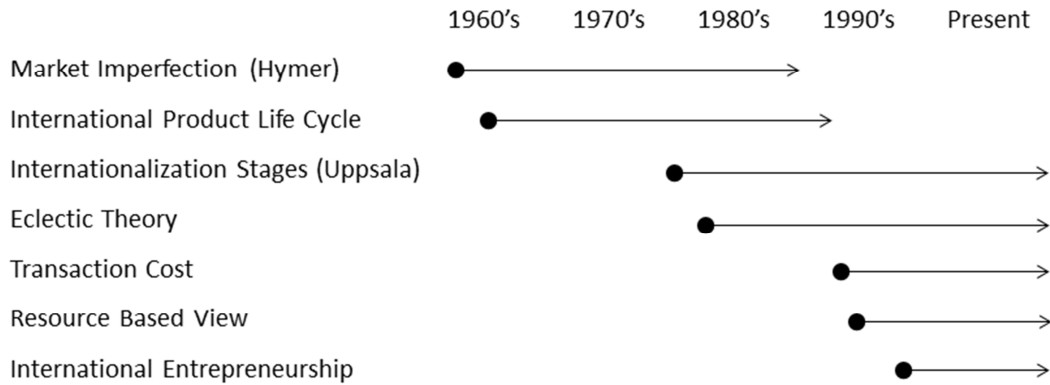
2.3. Internationalization Models and Theories

2.3.1. Introduction and Historical Context

Chronologically, international entry mode theory has developed and is supported by at least seven major foundational theories and innumerable lesser and emerging theories. This time line is illustrated in Figure 2.1 and illustrates the fragmentation and eclectic nature of international business studies (Sousa et al., 2008). The initial focus of the efforts to explain entry mode behaviour as part of the internationalization process began by focussing primarily on large multinational enterprises (MNEs) and in particular international joint venture activity. The focus on SMEs has been a relatively recent activity. Existing studies of international activity of SMEs tend to concentrate on the firm, managerial or environmental factors, but not on the

how or why of choosing a specific entry mode or the decision-making process that the managers have used (McNaughton, 2001; Oviatt & McDougall, 1997).

Figure 2.1: Historical Timeline for Internationalization Foundational Theories



A discussion will follow of the seven foundational international entry theories along with a new paradigm related to explaining more dynamic activities in international entrepreneurship. Figure 2.2 outlines the core foundation and summarizes the strengths and weaknesses of these theories. A review and ranking of the relevance of these theories will allow a theoretical basis to be used to examine foreign market entry mode behavior and choice within the context of the SME environment. A discussion of each theory entails a review of the main premise, its theoretical construct, supporting evidence, strengths and weaknesses and a review of its relevance to the SME entry mode behaviour and the specific research questions.

Figure 2.2: Summary of Foundational Theories

	Lead Author	Foundation	Strength	Weakness
Market Imperfection	Hymer, 1960	Firm specific advantages drives behavior	Considers internal and external factors	Focus only on FDI, excludes all others
International Product Life Cycle	Vernon, 1966	Applying product life cycle to international markets	Empirical support. Rooted to Resource and Eclectic	Time dependent and deterministic
Internationalization Stages (Uppsala)	Johanson & Vahlne, 1977	Cultural distance, experience & networks drive gradual commitment	Empirical support. Rooted to Resource and Eclectic	Time dependent, fails to account for collaborative modes
Eclectic Theory	Dunning, 1980	Ownership, location & Internationalization drive advantage	Multi theoretical approach	Fails to account for internal characteristics.
Transaction Cost	Anderson & Gatignon, 1986	Characteristics of transaction drive behavior	Explains vertical integration decisions	Static, non-transaction benefits, separates transaction from strategy
Resource Based View	Wernerfelt, 1984	Exploitation of firm specific resources	Dynamic, explains exploitation of resources	Internal focused
International Entrepreneurship	Oviatt & McDougall, 1997	Accelerated internationalization through entrepreneurial actions	Work in progress. Explaining unexplained behaviour	No valid framework

2.3.2. Foundational Theories

2.3.2.1. Hymer (Market Imperfections)

Developed in the 1960's (published in 1976), the theory of market imperfections (Hymer, 1976) became known as Hymer's theory and focused on how companies behaved in monopolistic or oligopolistic environments and how they transferred this behaviour to foreign markets. Using the study of foreign direct investment, Hymer (1976) postulated that a firm's entry mode choice was determined by its existing market imperfection (monopolistic) advantage. This means that the higher the degree of advantage, the greater the chance of

foreign direct investment. He used this approach to show how a foreign firm that has limited knowledge of in-country conditions can successfully compete in that market.

As an early foundational theory, this paved the way for other research, in particular within the international product life cycle (IPLC) research area. Time has overcome this theory (Sharma & Erramilli, 2004); while it did a good job of predicting when a foreign direct investment is desirable, it did a poor job in a number of areas such as ignoring the export mode, was limited to larger monopolistic companies, did not explain joint ventures and other collaborative modes and was limited to a single locational dimension.

Hence, this theory is of little use in understanding foreign market entry behaviour for SMEs. It does not specifically explain export modes, the large company context and potential monopolistic behaviour are not relevant to SMEs and most importantly, no consideration is placed on the role of individual decision-makers.

2.3.2.2. International Product Life Cycle (IPLC) Model

Developed by Vernon (1966), the main premise of this theory is that international trade, from a U.S. perspective, follows a four phase life cycle similar to the well-known product life cycle concept in mainstream marketing. The four stages included: (1) a firm begins in the exporting mode; (2) the firm starts local production to protect its newfound market share from the threat of local competition; (3) strong foreign competition develops; and (4) foreign firm competition enters the core U.S. market. Initially IPLC was modelled from a U.S. perspective, however it was later modified by Onkvisit and Shaw (1983) and Toyne and Walters (1993) by

reducing the stages to three to make it more universally applicable and to simpler phases which were labelled new product, maturity and standardization.

IPLC, also as an early theory, had significant strengths and weaknesses. Most significantly, it was based on a very limited set of company criteria; generally those that are larger, U.S. based and with dominant or monopolistic market shares. Firms such as those in high technology sectors, among others, produced less valid results (Molhotra, Agarwal & Ulgado, 2003). IPLC theory's main contribution is that it was effective at explaining how a firm will follow mechanistic stages as it starts to export and subsequently grow and protect its core markets and monopolistic advantages. This concept is one of the core foundations in explaining entry mode choice and is used as a basis for subsequent theories.

However, IPLC theory has a number of weaknesses that make it less useful and that have hindered its ability to grow over time. Its dependency both on time frame and a deterministic evolutionary approach gave it little flexibility to explain new age companies or SMEs. It was also limited to export and foreign direct investment as entry mode choices and ignored collaborative modes such as joint ventures or licensing.

Hence, this theory is of limited use in explaining foreign market entry behaviour for SMEs as it does not explain the motivation and decision-making processes behind the initial export entry, nor in the investment in production facilities. In fact, this theory did skip some of the lower investment entry modes altogether.

2.3.2.3. Eclectic (OLI) Theory

Developed by Dunning (1980), the Eclectic theory is another frequently applied perspective (Brouthers and Hennart, 2007) within foreign market entry mode research. Using a multi-theoretical approach, this perspective combines an ownership, location and internalization (OLI) framework that utilizes three core organizational theories (i.e. resource based (firm ownership), institutional (location) and transaction cost (internalization), and four decision criteria (risk, return, control, and resources). The theory focuses on three entry modes; exporting, licensing and foreign direct investment and was later enhanced by Agarwal and Ramaswani (1992) to include collaborative modes such as joint ventures.

The Eclectic theory's use of the resource and institutional lenses has helped it develop an understanding of the motives that firms would use in making foreign market entry decisions as part of their internationalization process. The added perspective of transaction costs has also helped guide entry mode decisions. For example, if the contractual risks (i.e. risk of getting paid) with local partners is high, transaction cost theory would predict that foreign direct investment is the optimal entry mode. Conversely, if the opposite were true and contractual risk with a local partner is low, exporting would be the better mode.

While this theory strongly supported larger firm internationalization, it has some significant challenges that have to be recognized. The framework, being multi-theoretical, suffers from inconsistency and redundancy. For example, if the resource perspective suggests one approach to optimize firm specific resources and the transaction perspective suggests another because transaction costs are high, there is an apparent conflict. In addition, the use of three theories and four criteria have made critics complain about its complexity and challenging

use for practical applications (Ekeldo & Sivakumar, 2004; Andersen, 1997). More importantly, the framework has limited current support with SMEs and does not look at the decision-making process involved in the foreign market entry process, nor does it acknowledge management's role in this process.

Hence, the Eclectic theory, while it has its strong points, fails to consider the management decision-making process and lacks relevance in evaluating SMEs, thus making it a less than optimal foundational theory.

2.3.2.4. Transaction Cost

Developed from an internationalization perspective by Anderson and Gatignon (1986), the Transaction Cost (TC) theory's main premise is that foreign market entry mode decisions are based on their transaction costs and that an entry mode decision is predominantly a function of transaction costs and risk mitigation (Sharma & Erramilli, 2004; Das & Teng, 2000). More specifically, it is argued that the firm would always seek the most efficient entry mode, i.e. the one that ultimately minimizes its transaction costs and risk level (Luo, 2001; Anderson & Gatignon, 1986).

Control and commitment are inextricably linked factors in mode of entry (Luo 2001). High control in entry strategies entails high commitment. Transaction cost theory suggests that the higher the resource commitment and desired control of an entry mode, the higher the cost. Wholly owned subsidiaries and joint ventures are high-cost entry modes because of the level of resource commitment needed to set up operations (Pan & Tse, 2000)

The TC theory suffers in its singular perspective to the foreign market entry mode decision. Brouters and Hennart (2007) argue that it is not clear how the transaction cost influences entry mode choices, and questions whether it is realistic to assume a firm's executives always choose through rational choice a mode that minimizes its transaction costs. For example, are there strategic forces or management influences that could also affect the decision-making process that may have higher transaction costs? Hence, its use in understanding the decision-making process in SMEs has limited value.

2.3.2.5. Resource Based View

Developed by Wernerfelt (1984), the resource based view (RBV) of the firm has emerged as a major theory to explain foreign market entry mode choice (Sharma and Erramilli, 2004). The main premise of the theory is that a firm's competitive advantage stems from its internal firm specific resources. These resources could be human, financial, technical, product, organization, and relational and that the optimal use of these resources will allow firms to gain competitive advantage and deliver superior financial performance. RBV emphasizes value maximization of a firm through pooling and utilizing valuable resources (Das & Teng, 2000). For example, RBV theory would predict that firms with valuable resources and strong capabilities will select higher control entry modes and those producing low value commodity products with limited internal capabilities will select lower control modes.

RBV helps to overcome one of the major shortcomings of all market-based perspectives, namely to account for the firm's idiosyncratic resources and capabilities (Ekeledo & Sivakumar, 2004). However, the RB view has some specific limitations that need to be recognized within

the context of this review. Its use within SME specific environments has been limited and some of the more entrepreneurial environments have been difficult to explain given obvious success for smaller, more dynamic SMEs. While the RBV theory has done a good job of explaining most entry mode decisions and is, along with the Uppsala Internationalization Stages Model the only one to explain indirect exporting, it does not explain the decision-making process. Finally, because it is internally focussed, RBV theory restricts itself to internationalization modes of control (exporting, foreign direct investment) versus the collaborative licensing and joint ventures modes.

2.3.2.6. Uppsala Internationalization Stages Model

Developed by Johanson and Vahlne (1977) and updated in 1997 and again in 2003, the Uppsala Internationalization Stages model is one of the more significant theories to explain the process of internationalization and foreign market entry mode decisions. It is also known as the Stages or Uppsala model to reflect its roots in the study of Swedish companies and of the university name of the two principle researchers. The main premise of the model is that firms follow a gradual and sequential time dependent four step path to internationalization that involves an increasing commitment in resources. These steps as outlined by Johanson and Vahlne (1977) were (1) no strategic exports (2) exports using third party representatives (3) establishment of a sales subsidiary and (4) investment in local production. Using this model, the first stage that involves a significant commitment of resources, along with the associated risk, is considered to be stage three (Pan & Tse, 2000; Johanson and Vahlne, 1977).

The Uppsala Internationalization Stages model established a paradigm in explaining the process and behaviour of a firm as part of internationalization. In particular, the concepts of market knowledge, psychic distance and successive commitment were introduced. Firms follow a low resource commitment process of entering into markets which are a lower psychic distance from their home country. Psychic distance is a proxy for both physical distance and cultural differences. As the firm acquires market and experiential knowledge, management through this learning process becomes more comfortable with the perceived risk associated with foreign country operations and gradually increases its resource commitment and control in determined stages in order to enhance performance. This experiential knowledge – commitment (learning) process is essentially a sequential loop as demonstrated in Figure 2.3.

Figure 2.3: Uppsala Internationalization Stages Knowledge-Commitment Learning Process. Modified from Johanson and Vahlne (1977, pp. 26).



While this theory has withstood the test of time, it has been enhanced in recent years by Johanson and Vahlne (1990; 1997; 2003) in order to handle more dynamic firms and environments and to add the concept of the use of business networks (elements of network

theory) as facilitators in the process of gaining market and experiential knowledge. Its core contribution to foreign market entry mode choice theory is that it provides a dynamic view of the foreign market entry mode choice process; it clearly outlines a staged, commitment based approach, and most importantly recognizes management's contribution in the entry mode change choice.

However, the Stages theory does have some important limitations that need to be understood when applying it to this research's context. While it does limit mode choice and ignores collaborative choices such as non-equity licensing or the more committed equity based joint ventures, its time and evolutionistic rigidity has called into question its relevance for all environments. In particular, there is considerable support that not all internationalization follows the sequential approach (Calof & Beamish, 1995) and firms may either start further along or skip non-equity entry modes entirely. For example, born global firms have shown accelerated internationalization which has spawned a new research area in international entrepreneurialism.

In summary, the Stage Uppsala Internationalization Stages model has significant relevance in explaining the behaviour of SMEs as they internationalize. Its recognition of the importance of management decisions and beliefs in the successive commitment approach make it relevant for this research and support the assertion that management characteristics are a key element to mode change decisions.

2.3.2.7 International Entrepreneurship (IE)

While not yet a foundational theory, a new area of study known as international entrepreneurship (IE) has arisen out of the inability of existing theories to explain the accelerated internationalization of some SMEs and divisions with MNEs. Turnbull (1987), Bell (1995) and others have reported that conventional internal business theories such as the Uppsala Internationalization Stages models do not explain the behavior in many smaller high technology firms. International entrepreneurship was first introduced by Morrow (1988) as a new growth opportunity for both new ventures and established firms (Zahra & George, 2002). McDougall's (1989) study of the "born global" firms was the first empirical work to support the term "international entrepreneurship" as it showed significant differences between international new ventures and domestic new ventures in terms of their strategy and industry structure. This pioneering work was further developed by Oviatt and McDougall (1994) who focused on trying to explain this dynamic behaviour.

This area of study is still immature as evidenced by the multiple labels that have been applied to the new kind of firm: "International New Ventures" (Oviatt & McDougall, 1997), "Born Globals" (Knight & Cavusgil, 1996), "Global Start-ups" (Oviatt & McDougall, 2005), "Born-Again Global Firms" (Bell, McNaughton and Young, 2001), "Committed Internationalists" (Bonaccorsi, 1992), "Early Internationalizing Firms" (Rialp, Rialp & Knight 2005), "Instant Internationalists" (Preece, Miles & Baetz, 1999), "High Technology Start-ups" (Jolly, Vijay, Alahuhta & Jeannet, 1992) and "Internationally Focused Knowledge-Intensive Firms" (Bell, 1995). Not only are these firms internationalizing immediately upon conception, but there is empirical support for innovative SMEs skipping the traditional internationalization stages,

sometimes moving immediately to foreign direct investment (Lu & Beamish, 2001; Nakos & Brouthers, 2002) and not following traditional or expected behaviour.

Oviatt and McDougall (2005, p. 540) have defined international entrepreneurship as “the discovery, enactment, evaluation, and exploitation of opportunities, across national borders, to create future goods and services.” While the theory is still being developed, the three main characteristics of international entrepreneurship that Oviatt and McDougall (2005) provide are: (1) an international domain or perspective (2) entrepreneurial behaviour and (3) value creation which highlights the importance of the behavioral aspect of this domain.

There have been a number of explanations to rationalize the dynamic behaviour that is evidenced in the field. Oviatt and McDougall (1994, 1997) argued that the international expansion was due to these firms’ ability to exploit global niches and to overcome access to scarce resources through alliances and networking. Others, and more recently Oviatt and McDougall (2004, 2005) as well, have argued that other factors such as the entrepreneurial behaviours and attitudes of the owners and management (Zahra, 1993, Bell, McNaughton & Young, 2001), their access and leverage of new worldwide communication technology such as the internet (Bell, McNaughton & Young, 2001) and a cultural connection to the foreign country (Jolly, Vijay, Alahuhta & Jeannet, 1992) are the root causes to explain some of these behaviors.

While the born global SMEs are still a small minority compared to the more traditional, risk averse late globals, they are growing and are becoming more prevalent in some markets such as the U.S., Canada, Scandinavia and Australia (Moen & Servais, 2002) where there are high technology or foreign culture clusters. Any work in analyzing the export behavior of SMEs must look for and recognize that the entrepreneurial attitudes of owners and management can

and will have a significant effect on their foreign market entry mode decisions (Bell, McNaughton & Young, 2001). Zahra and George (2002), using a meta-analysis of a ten year window, developed a schematic (model) that they name their “Integrated Model of International Entrepreneurship” (IMIE). This conceptual model linked antecedents, types, and outcomes of international entrepreneurship. The core aspects (independent variables) of the IMIE are organizational, strategic, and external environmental factors; and a key element to this model is the acknowledgement of the mindset (attitude) and behaviour of the entrepreneurs as a source of the firm’s competitive analysis.

In addition, recent IE research efforts by Sommer & Haug (2011) on the use of Theory of Planned Behavior (TPB) to develop a cognitive framework to link the intention to internationalize with attitude and behaviour have also identified some promising results. They found that knowledge, perceived control and experience were strongly correlated with intention to internationalize; and that intention and attitude were also strongly correlated. Sommer & Haug (2011) concluded that TPB identified the importance of the attitudinal aspects of the SME decision-maker and that this area deserves further attention and research.

2.3.3. Gaps in Current Theory Research

Summarizing the review of internationalization theories, there is still more research needed in the area of foreign market entry mode choice in terms of managerial decision-making. The identified gaps include lack of SME context for most research, very little knowledge and modelling of the decision-making process with most effort going into predicting the optimal choice, and in many cases, the lack of support for the early stage non-equity modes

such as exporting. In fact, McNaughton's (2001) research confirms these gaps; internationalization theory explains the motives and in some cases the selection of entry modes, but they provide little or no understanding on how the decision-making process works.

With respect to the context of this review, several theories have interesting contributions towards support of the research area of interest. The Uppsala Internationalization Stages model has significant relevance in explaining the behaviour of SMEs as they internationalize and its recognition of the importance of management decisions. Beliefs in the successive commitment approach make it useful and relevant for this research. The Resource Based and Eclectic views have shown support for recognizing firm specific attributes, which can influence attitudes, as a key to competitive advantage in foreign markets. Transaction cost theory has highlighted the importance of risk mitigation by the decision-maker. Finally, a key element in the discussion of IE is the acknowledgement of the mindset (attitude) and behaviour of the entrepreneurs as a source of the firm's competitive advantage as it internationalizes.

2.4. Foreign Market Entry Mode

2.4.1. Introduction and Definition

A firm's internationalization success rests on its ability to determine an optimal foreign market entry strategy (Werner, 2002; Agarwal & Ramaswami, 1992; Root, 1987). The actual identification of an optimal entry method is difficult and the first step is recognizing the complexity of the vast array of foreign market entry modes. These foreign market entry modes range from non-equity methods, including indirect exporting and other contractual forms like licensing or franchising, to more committed equity based methods such as joint ventures or

wholly owned subsidiaries. Each entry mode also requires different resource commitments (Vernon, 1983) and offers differences in risk and return with a mix of advantages and disadvantages (Anderson & Gatignon, 1986).

Further demonstrating the eclectic and conflicting nature of international business (IB) studies, there are several definitions of foreign market entry mode and what makes an entry mode successful that have been constantly modified and renewed by the research community since the late 1980's. One of the broadest definitions offered by Root (1987, p.5) describes entry mode as an "institutional arrangement that makes possible the successful entry of a company's products, technology, human skills, management, or other resources into a foreign country." However, as new theories and approaches were developed within IB studies, this definition of successful entry has been honed and modified to reflect control, transaction, resource and contingency perspectives. Luo's (2001) definition of success seems to have captured the use of these new perspectives and in particular, built on the resource-based view of Anderson and Gatignon (1986). Luo (2001) defines a successful entry mode as a fit between the internal capabilities of the firm, its strategic goals and environmental contingencies.

2.4.2. Importance of the Foreign Market Entry Mode Choice

Foreign market entry mode choice is a critical component of the internationalization strategy that has a significant impact on success or failure of the program (Werner, 2002; Agarwal & Ramaswami, 1992; Cavusgil & Zou, 1994; Root, 1987). A commitment to an entry mode has implications with respect to increasing investment levels, risk, control and ultimately in the level of expected performance (Brouthers, 2002) that must be considered as part of the

SME decision-making process. As discussed in the international theories section and specifically within the Stages, Resource based and Eclectic theory discussions, commitment is often considered to become higher once significant resources have been made, usually starting with a foreign direct investment (FDI) act.

Increasing commitment to more advanced stages of internationalization or foreign market entry modes is generally assumed to result in increasing performance (Rasheed, 2005; Pangarkar, 2007; Brouthers & Brouthers, 2003; Delios & Beamish, 1999; Tang & Yu, 1990). This performance increase would help provide the motivation for why an SME should transition to a more committed entry mode choice. However, in reviewing the field of export performance, there is acknowledgment of both the lack of research consistency and the complexity in measuring export performance (Durmusoglu, Apfelthaler, Nayir, Alvarez & Mughan, 2011; Sousa et al, 2008; Zou & Stan, 1998) so that results are not comparable across studies and countries (Wheeler, Ibeh & Dimitratos, 2008). Export marketing literature has not only produced fragmented and inconsistent results, but has widely accepted a practice of not utilizing theoretical models to explain performance (Sousa, et al., 2008; Cavusgil & Zou, 1994). This lack of a theoretical base has meant that little advancement has been made in the evolution of a consistent export performance framework, despite repeated attempts by researchers such as Durmusoglu et al, 2011, Cavusgil & Zou, 1994, Aaby & Slater (1989), Zou & Stan (1988) and others. Studies by Lu and Beamish (2001), Geringer, Tallman & Olsen (2000) and others have also questioned the relationship between performance and increasing FDI.

However, despite agreement on what constitutes performance, whether it be financial, stakeholder or strategic based performance measurements (Durmusoglu et al, 2011), there is

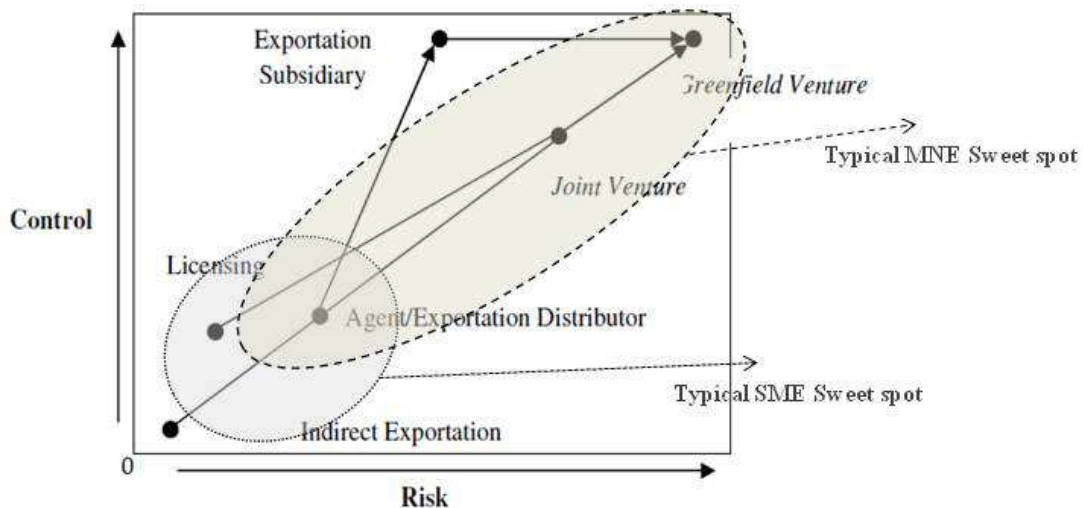
evidence that performance generally increases along the internationalization process and that entry mode performance and entry mode choice are closely related (Brouthers and Brouthers, 2003; Rasheed, 2005). However, numerous studies by Daniels and Bracker (1989), Tang and Yu (1990), Woodcock, Beamish and Makino (1994), Beamish, Karavis, Goerzen and Lane (1999), Stray, Bridgewater and Murray (2001) and others have generally supported this relationship despite inconsistent results. In fact, Tang and Yu (1990) demonstrated that the highest level of performance is achieved the farthest along the internationalization process with the wholly owned foreign subsidiary. Beamish et al (1999) were also able to demonstrate a direct relationship between export revenue, growth and the progress along the stages of internationalization. They found in their study of Australian firms, that those in the highest stage of internationalization (wholly owned subsidiary) had five times the export revenue growth of those in the lowest stage of internationalization (indirect export). Similarly, Mardanov (2003) determined in a study of western companies who were entering Eastern Europe, that equity based entry modes had a significant positive correlation with greater profitability.

While the performance increase with increasing level of internationalization is generally supported in literature, evidence presented earlier in section 2.2 suggests that while SMEs are increasingly transitioning to low commitment exporting, a commitment to higher modes is not occurring. While the above arguments suggest that SMEs should internationalize and commit to higher foreign market entry modes, the fact that they are not in significant numbers suggests that there are more issues to consider that will be explored in subsequent sections.

2.4.3. Description and Classification of the Foreign Market Entry Mode Choices

Prior to describing the foreign market entry modes, it is important to understand the methodologies used to classify them and the differences between the modes. There are two different approaches for classifying foreign market entry modes that will be reviewed as each has a relevant perspective to this research. Root (1987) developed a conceptual model based on a Risk - Control paradigm, demonstrated in Figure 2.4, to explain the evolution of entry modes. These two aspects are of critical importance to SMEs who are generally a risk adverse and resource constrained group (Knight, 2000). In essence, this model postulates that to gain more control over the export approach, a firm must commit more resources which increases its risk and commitment.

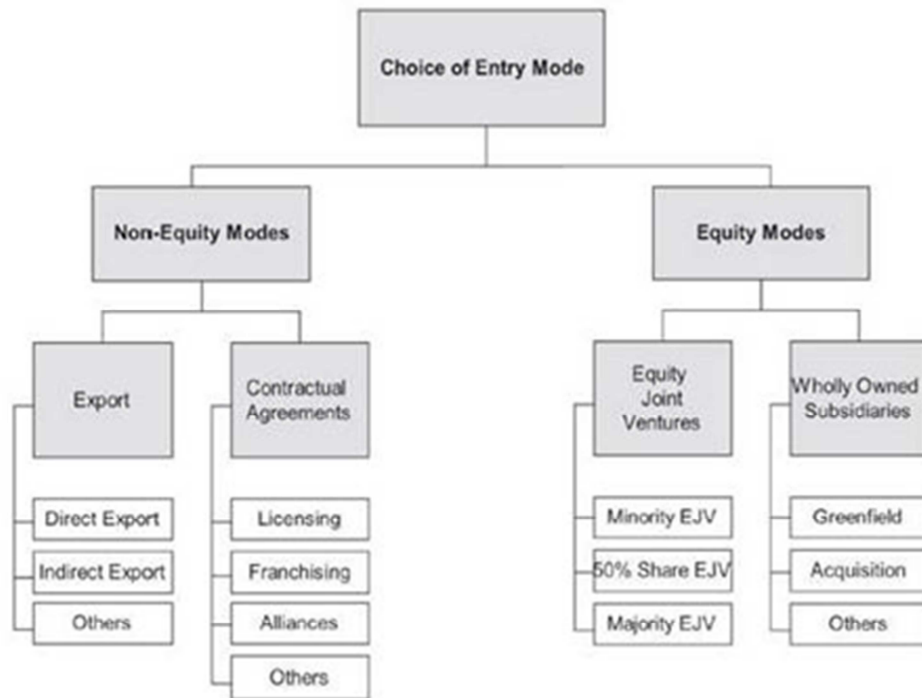
Figure 2.4: Risk - Control: Evolution of Entry Methods Modified from Root (1987, p 18)



Another useful model to classify entry modes, described by Pan and Tse (2000), focuses on an equity and non-equity structure within a hierarchical model that demonstrates

commitment differences. This model is very consistent with the theories of international business, and specifically the discussions within the Stages and Resources based theories. Shown in Figure 2.5, the model demonstrates that commitment differences between non-equity and equity mode decisions are strategic to the operation of the business. Specifically, non-equity modes will require lower commitment of investment and provide subsequent lower control; equity modes (FDI) will require a progressively higher commitment of investment and will provide higher levels of control of strategic assets.

Figure 2.5: Choice of Foreign Market Entry Modes.
 Modified from: Pan and Tse, (2000, pp. 538)



The various components of the Pan and Tse (2000) model and Root (1987) are briefly defined (for clarification purposes only) below which are important when considering the commitment levels that the SME must make to each mode.

- *Exporting* is the business activity of selling and shipping goods to a foreign country (Nelson, 1999). A variant of exporting, known as indirect exporting uses an intermediary located in the firm's own country who do the exporting.
- *Licensing* is defined as an agreement where a firm transfers the right to use its intellectual property in return for a royalty (Root, 1987).
- *Franchising* is a variant of licensing in which a franchisor transfers to a franchisee the right to use its trademark or trade-name as well as certain business systems and process to produce and market a good or service according to certain specifications (Pan and Tse, 2000).
- A *non-equity alliance* is defined as a non-financial, formal business arrangement with mutual agreeable goals and obligations (Glaister and Buckley, 1996).
- An *equity or investment foreign market entry mode* is defined as a company commitment (Anderson & Gatignon, 1986) in a foreign country engaging in foreign direct investments such as in wholly owned subsidiaries and joint venture activities.
- A *wholly owned subsidiary* is defined as a company controlled entity in a foreign country (Calof & Beamish, 1995). This entity can take the form of the lowest level of commitment which is a sales subsidiary or progressing to an acquisition or a Greenfield build out.
- *Joint venture* is defined as the joining of resources (equity capital) of a foreign company with the resources of a local partner in agreed proportions (Hennart, 2000). Joint ventures

can have different level of equity and ownership structures and can be majority, equal or minority based.

These models have a significant relationship with understanding SME exporting behaviour. As noted earlier, two-thirds of exporting SMEs are involved in the least committed export entry mode (Keegan & Seringhaus, 1996), with a noted reluctance to commit to further investment. In their analysis of SME behaviour, Lu and Beamish (2006) found that indirect exporting is far more attractive for small firms and is the sweet spot for these resource constrained, generally risk adverse firms. The characteristic of indirect exporting make it attractive for an SME and is very consistent with the Uppsala Internationalization Stages model (Johanson and Valle, 1977; 1997). For example, indirect exporting is relatively easy, fast, low commitment, low risk, flexible, leverages existing infrastructure and provides increased sales benefits which provide greater economies and management efficiencies domestically. However, at some point in the internationalization process, the potential downsides of indirect exporting become apparent; the SMEs face trade barriers such as custom duties, are subject to cost disadvantages over local firms and suffer a potential lack of alignment of third party distribution goals.

Traditionally it has been the MNE that has made the higher commitment to equity based entry modes as described in the Stages international business theory, with the wholly owned subsidiary producing the maximum performance benefits (Woodcock, Beamish & Makino, 1994). The benefits to the committed SME are just as available if they can overcome the resource requirements that may be traditionally beyond their capability (Johanson & Vahlne, 1977; 1997); these include performance benefits, greater control over proprietary

knowledge and assets, control over customer access and potentially a more competitive cost structure against local competition. However, there are risks as well to pursuing an equity-based, foreign direct investment; in particular, it is the assumption of significantly more operating risk, whether it is financial or country related. It is this risk, this hurdle, that must be overcome to take SMEs beyond the export mode and have them commit to a more significant investment to achieve longer term success and performance benefits.

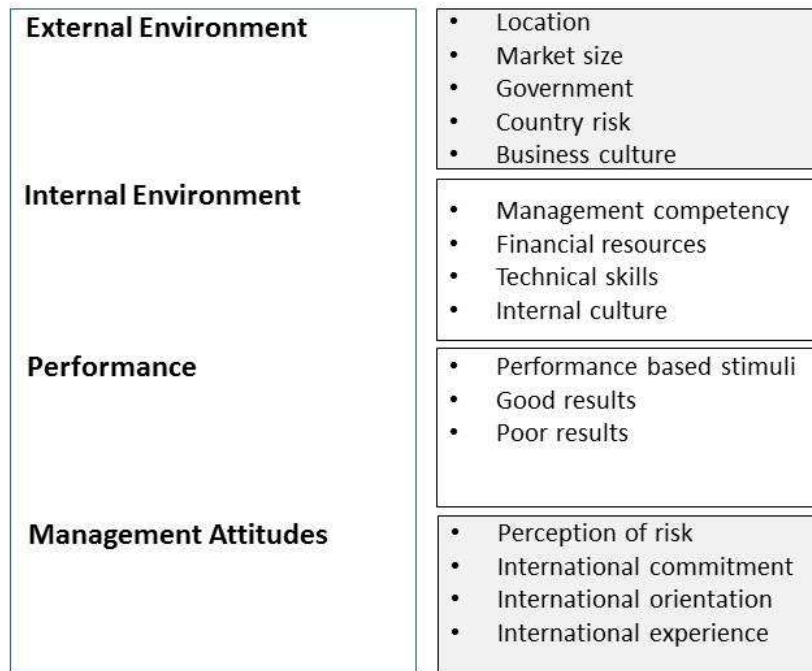
2.5. Factors Affecting Mode Choice

2.5.1. Introduction

A number of studies using various international business theories and perspectives have tried to explain within narrow perspectives, what factors influence the selection of mode and how and why mode change occurs. For example, Dunning's (1980) Eclectic theory discussed in section 2.3.2.3 specifically looks at the interaction between environmental, strategic and transaction variables to explain mode choice in MNEs. One of the more interesting and relevant studies was conducted by Calof and Beamish (1995) in which they asked the managers why they made the mode decision that they did. Their responses were used to generate a prescriptive model shown in Figure 2.6 which was segmented into four independent categories: external environment (outside of the firm's control), internal environment (within the firm's control), performance stimuli and management attitude. While this model is more comprehensive than other efforts to develop criteria for mode choice/change, its segmentation of categories is consistent with other research frameworks generated by Sousa et al, 2010, Canabal & White (2008), Zou and Stan, 1998, Vernon and Wells (1986), Anderson and Gatignon

(1986), and Root (1987). It will be used as a basis for the upcoming review and to support hypothesis development as it specifically highlighted factors which contributed to attitudes.

Figure 2.6: Factors Affecting Mode Change



2.5.2. External Factors

There is some support within existing internationalization theory that suggests certain environmental factors influence foreign market entry mode choice. Specifically, the Uppsala Internationalization Stages model, the Eclectic and the Hymer theories which were reviewed in a previous section all recognize and acknowledge that external environmental influences shape the process of internationalization of firms. In particular, these theories acknowledge the importance of location and country risk as important external factors. However, field research

has produced inconsistent conclusions on the specific effects of external factors and in particular, which factors do have influence (Sousa et al, 2010; Leon et al, 1998; Calof, 1991)

The external environment includes elements such as government, location, economy, market size, market characteristics, country risk, cultural, social, and political influences, and many other external elements that have been postulated to influence export management and performance. There is some support for the following factors affecting mode choice and internationalization: country environments (Dunning, 1988); firm characteristics (Porter, 1990); resource asymmetries (Fahy, 2001); country-of-origin effects / trade barriers (Balabanis & Diamantopoulos, 2004); legal and political environment (Beamish, Craig, & McLellan, 1993; Cavusgil & Zou, 1994); cultural similarity (Lado, Martinez-Ros & Valenzuela, 2004); market competitiveness (McGahan & Porter, 1997); non-hostile environments (Balabanis & Katsikea, 2003); economically similar (Balabanis & Katsikea, 2003); and access to distribution (O’Cass & Julian, 2003). The studies measuring the effect of these individual variables on entry mode decisions or export performance have been mixed. Researchers such as Aaby and Slater (1988) have stated that since exporters have no control over the external environment, they must either adapt or exit and that this makes these factors irrelevant to export choices. Others, such as Ojala and Tyrvaïnen (2007) in their study of SME technology firms, found that selected external factors such as market attractiveness and size were influential as external factors, while other factors such as culture distance and country risk were extraneous and did not have any effect on entry mode selection.

At another end of the spectrum, researchers such as Wheeler, (2008), Morchetti, Schramm-Klein and Swoboda (2010) and Dunning (1988) believe in the importance of the

external environment on export strategy. In one specific meta-analysis, Morchetti, et al (2010) studied thirteen external factors to determine their effect on export mode selection and performance. They found that of the thirteen, only five had demonstrated influence on export behaviour. These were market size, market growth, country risk, legal environment and culture. All other common external factors such as competition, trade barriers, political risks, currency risks and general country risks produced ambiguous results.

Since most environmental factor studies did not address the actual decision-making process on the part of SME managers, very few have actually asked export managers why an entry mode choice was made. In an interesting twist, Calof and Beamish (1995) found it wasn't so much the external factors themselves that influenced the entry mode choice decisions, but rather the manager's perception or belief of the importance of these factors.

2.5.3. Internal Factors

Similarly to the effect of external factors, support for the effect of internal factors on entry mode selection is grounded in internationalization theories. Specifically, the Resource based and Eclectic views take a strong stance that firm specific resources affect mode choice. Internal resources include factors such as human skills, management competency, technology, financial resources, internal culture and others. However, as discussed in the review of both these theories, while they have had some empirical success in predicting mode choice, neither theory is able to explain the decision-making process.

Research has also been inconclusive on the effect of the internal environment on entry mode choice. Similar to external factors, studies on internal factors have also used export

performance as the proxy for justifying export mode selection. Thus, several significant studies such as Zou and Stan (1998), Aaby and Slater (1988) and Beamish, et al. (1999) directly correlated internal factors to export performance with the entry mode often as a secondary variable. However, what was also significant in these studies is that they did not look at the decision-making process of the export managers to determine why a mode choice selection was made and what internal factors specifically influenced the decision. Rather, after a mode choice was made, the effect of these internal factors was measured.

Three significant studies specifically looked at and asked managers about the decision-making process and the effect of internal factors. Perk (2009), whose study of European entrepreneurs formed the basis for his development of an International Market Entry Mode (IMEM) model, found that personal characteristics such as attitudes and bias of the entrepreneurs had the most significant impact on entry mode selection. In fact, contrary to other studies, he also found that the lack of resources, cultural barriers, and internal market knowledge were all barriers that could be overcome and did not influence selection. Others, such as Beamish, et al. (1999) and Aaby and Slater (1988) found a direct correlation between export performance, export choices and a committed organizational structure. In fact, Aaby and Slater (1988) specifically identified that management commitment, positive attitudes towards export markets, management beliefs and perceptions were more important to the decision-making process than any other internal factors such as firm size and the related resource strength that comes with larger firms.

2.5.4. Performance Results

Financial performance results and the stimuli produced by such results were identified by Calof and Beamish (1995) in their research as significant factors that influenced almost fifty percent of foreign market entry mode decisions. Their findings, which have been supported in subsequent more recent research by Perks (2009) and Ruzzier et al (2006) has indicated that the manager's perception of the results of their exporting activity has a significant effect on their learning process and on their subsequent decision to increase, or decrease, their export activity. Arguably, achieving satisfactory performance in an entry mode and then using this as part of the decision-making process to expand this commitment is very consistent with the Uppsala Internationalization Stages model and Eclectic theories. It is important to note that in the above noted research, that it was the perception of successful or unsuccessful performance in an export mode that influenced the decision-making process; indicating that management attitudes were clearly important.

2.5.5. Management Attitudes

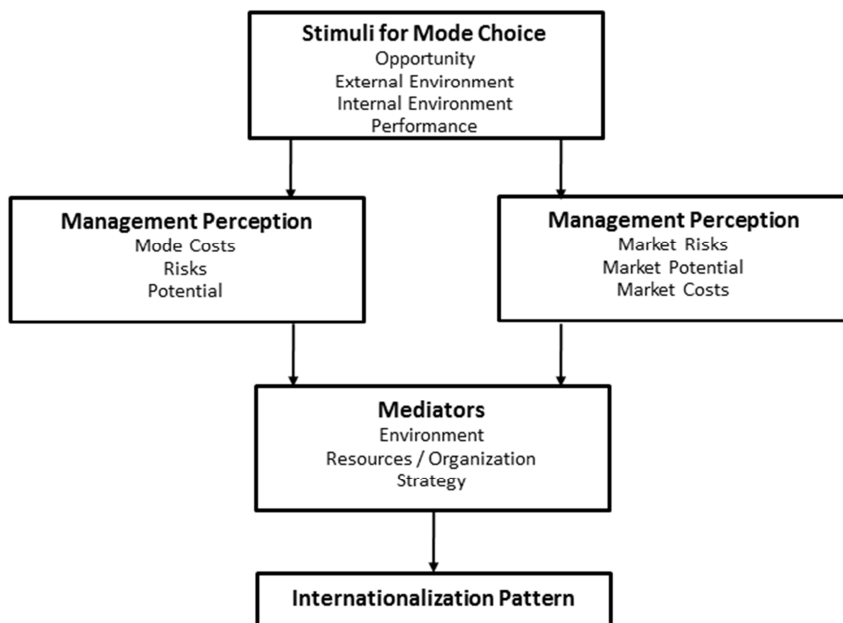
In a review of the research, mode selection cannot be explained solely by external, internal and performance factors and clearly there are other factors at play, such as attitudes. Mixed results were obtained in studies on the correlation between external and internal factors and the selection of foreign market entry mode. In some firm specific cases, the effects were significant, while in other cases the same factor was shown to have little or no effect (Sousa et al, 2008; Calof & Beamish, 1985; Gray, 1997; Joynt & Welch, 1985). Similar research by Gray and McNaughton (2010), Morchett et al. (2010), Canabal and White (2008), Aaby and Slater

(1998) and Calof and Beamish (1995) have identified management attitudes as having a significant impact on the decision-making process for mode choice.

Calof (1991) found that the majority (80%) of foreign market entry mode decisions were made on the basis of an intuitive or gut-feel process on the part of the SME decision-maker. He found little effort was made to conduct formal studies or get advice from external experts. O'Farrell, Wood, and Zheng (1996) carried out another study that confirmed these results. Their research focused on entry mode decisions of UK based, small firms. They found that only nineteen per cent evaluated alternative entry modes and only half performed a formal study. Interestingly, in Calof and Beamish's (1995) follow up study, they found that in twenty four percent of all export mode change decisions, the basis was the manager's belief that they were comfortable with their results in the existing mode and it was time to increase commitment. This is very consistent with the international stages theory and highlights the importance of management experience and comfort with the entry mode they are in prior to making the jump to the next entry mode.

Calof and Beamish (1995) developed an empirically derived framework (Figure 2.7) that demonstrated, with 82 percent accuracy, that mode choice was mainly stimulated by management perceptions of market potential, mode cost/benefits or changes in significant mediating factors. However, what Calof (1991) and Calof and Beamish (1995) were missing in their research was actual identification of the specific entry modes, if the decision-making process was different between modes, and if there were any obvious hurdles in making the transition from the lowest entry mode, exporting, to any of the more committed, equity based entry modes.

Figure 2.7: Stimuli Supporting Entry Mode Choice.
 Modified from Calof and Beamish's (1995, pp. 126)



Overall, while it appears that foreign market entry mode choice is a complex process and that there are several factors in play, the key decision to select an entry mode was based on firm specific situations and an intuition or attitude on behalf of management that the time was right to change (Calof and Beamish, 1995). While this may appear to indicate an irrational process, Calof (1991) warned that intuition may be a complex proxy for factors such as experience that may in fact make the decision-making model more rational and bounded than it appears and hence, make it more consistent with the internationalization theories.

The Leonidou, Katsikeas, and Piercy (1998) review of literature on the impact of managerial influences indicates that the most widely investigated managerial variables were of an objective nature (e.g., age, education, experience), which in general received weak or

inconsistent empirical support. Less researched, subjective managerial characteristics (attitudes, risk perception, risk propensity) were found to more consistently show a stronger association with exporting success, underlining their superior influence in this field. Traditionally, more attention has been devoted to demographic variables than to cognitive factors because of their convenience and the ease of data collection (Priem, Lyon, and Dess 1999). However, it may be more appropriate to focus on psychographic or management variables because they have been found to be better predictors and may contain less noise than demographic indicators (Hambrick & Mason 1984; Priem, et al., 1999).

Management attributes was the most significant factor that showed up repeatedly and was empirically supported to have a significant positive correlation on mode selection and subsequent export performance. Sousa, et al. (2008) in their 1998 - 2005 meta-review of the determinants of export performance found that management characteristics were important. Specifically, they identified commitment, attitudes, support, experience and innovativeness as the key attributes that had positive correlation with increased export performance. Their results were consistent with a similar review done a decade earlier by Zou and Stan (1998) that confirmed management commitment and support were critical to increased performance.

Cavusgil (1984) and Gray (1997) found that all variations in export activity could be explained by management characteristics. Axinn (1988) also found a positive correlation between manager's attitudes towards export and the actual performance metrics and noted that management attitudes had a significant effect on entry mode choice. She specifically found that it was the manager's perception of the benefits of exporting that correlated with the firm's performance. Wheeler et al. (2008) supported this observation noting the observed criticality of

managerial factors in predicting firm specific export performance. They also specifically noted that inconclusive results were seen when evaluating other factors such as company age, technology, marketing mix adaptation, foreign and domestic market environmental factors. Their concluding recommendation was that any UK firm who wished to be a successful exporter should place a priority on having managerial staff with pro-exporting attitudes and international experience.

Further supporting studies by Beamish et al. (1999) and Katsikeas (1996) demonstrated the importance of organizational structure and management attitudes to success. It was noted that a management commitment and pro-attitude towards internationalization, as evidenced by the establishment of a separate export organizational unit, increased export firm performance as measured by revenue growth by a factor of almost three times. More recently, Ruiz-Fuensanata (2010) concluded that international experience and managerial attitudes were the main factors influencing the export process.

Clearly, management attitudes are a significant factor in market entry selection and subsequent export performance. The correlation between management attitudes and performance and management attitudes and entry mode selection is both interesting, relevant to this review and reaffirms an earlier posit that entry mode performance and entry mode choice are closely related (Brouthers & Brouthers, 2003) and that management attitudes are a key factor in the internationalization decision-making process.

2.6. Organizational Behaviour: Decision Making and the Attitude Construct

2.6.1. Introduction

It is apparent that internationalization cannot occur within a vacuum. Theories and paradigms from other disciplines are required to help explain the complexity of the decision-making processes of SMEs and to assess the relative importance of all the factors that influence company internationalization and performance (Keupp & Gassmann, 2009; Canabal & White, 2008; Zahra, 2005; Gray, 2000). The review of past research has revealed that many different variables influence choice of entry modes. However, it is acknowledged that the decision-maker's role in international activity is crucial, particularly in the case of SMEs (Maignan & Lukas, 2008; Aaby & Slater, 1988; Calof & Beamish, 1995; Buckley, 1989). It is also apparent that SME decision makers do not necessarily rely on sophisticated or structured processes to choose their entry modes; rather, attitudes, perceptions, and the influence of past experiences seem to guide their actions. In other words, the attitude of the SME decision-maker is a major element in the decision to internationalize and in the selection of a committed foreign entry mode (Calof & Beamish, 1995; Aaby and Slater, 1988; Perk, 2009; Maignan & Lukas, 2008; Sousa, et al., 2008; Cavusgil, 1984; Axinn, 1988).

There is limited use of multi-theoretical and cross disciplinary approaches to understanding the decision-making processes of the executives of internationally focused SMEs. As recently as 2009, Keupp and Gassmann, in their review of international articles, found only four of the 179 articles reviewed over the past fourteen years addressed attitude,

cognition and decision-making processes in terms of internationalization. This lack of theoretical base contributes to why:

we know little also about these entrepreneurs' motivations to internationalize their firms' operations and how these motivations influence the selection of the mode of entry or other mechanisms by which international opportunities are exploited (Zahra, et al., 2005, p. 143).

However, there is some recent support for the use of organizational behaviour (OB) in international business applications. For example, researchers such as Sommer & Haug (2011), Zahra et al. (2005), Kalogeras, Pennings & Garcia (2006), and Hanning (2005) have recognized that internationalization decisions are driven not only by economic rationale but also by the decision-makers' cognitive and attitudinal aspects, risk-taking preferences and the dynamic interplay between personal, behavioral and environmental influences. However, the existing literature on internationalization is also characterized by a lack of agreement among scholars as to what constitutes critical factors in determining commitment to internationalization (Sousa, et al., 2008; Maignan & Lukas, 2008; Zahra, et al., 2005); a limitation that this research intends to explore.

Decision-making theory, as it applies to SMEs, has roots in both sociology and psychology, which has resulted in multiple perspectives being developed. Sociologists have viewed SME decision-makers' cognition as being influenced by environmental-constraints and the individual's experiences while psychologists have developed frameworks based on people's

internal attributes, i.e. risk aptitude and control (Ivanova & Gibcus, 2003). These two perspectives have taken either a classic decision theory approach based on economic rationality or viewed the SME through a psychological or behavioral lens. Within the economic camp most of the decision theory is based on rationality models which focus on how decisions under uncertainty should be made (prescriptive or normative approach) assuming an ideal decision-maker who is fully informed, able to compute with perfect accuracy, and fully rational; or on how decisions are actually made (descriptive approach) which assumes a relaxation of the optimal conditions (Anand, 1993). These two decision theory approaches drive the classical, bounded and neoclassical rationality theories which will be discussed with respect to their relevance to the SME decision making process. Within the behavioral literature, psychologists have developed a series of predictive models of attitudes and behavioral intentions to explain the decision making process (Ajzen & Fishbein, 1980).

This section will explore various models and theories of attitude and decision-making. Next, literature on relationship of attitudes and behavioral intentions of SME entrepreneurs on decision-making will be outlined. Finally, the attitudinal theory which will frame this research project will be analyzed: the Theory of Planned Behavior (TPB) (Ajzen, 1985).

2.6.2 Rational Models of Decision-Making

2.6.2.1 Classic Rationality

The original ruling paradigm for decision theory is the classic theory of rational choice which was developed extensively during the first half of the 20th century (Simon, 1979). The basis for this theory is the assumption that complex social phenomena can be explained in

terms of elementary individual actions and that people are driven in their economic actions by pure rationality. Therefore, according to classic rational decision theory, once the environmental factors are known and studied, behaviour is predictable using the assumption of perfect rationality (Simon, 1979).

Classic rational theory spawned recent advances in other rational choice approaches such as the theory of subjective expected utility (Savage, 1954) and game theory (Von Neumann, 1928). Utility theory is of relevance to this research since it is concerned with the measurement and representation of preferences on a scale, which is of particular interest in evaluating SME risk preferences. Based on rational choice, the managerial decision-making process was considered over time to comprise nothing more than calculating the output of normative utility models. However, reality was recognized to be considerably different. While the vast majority of managers do attempt to make optimal decisions, it was recognized there are numerous impediments preventing them from actually doing so (Ivanova & Gibcus, 2003). The behavioral decision theory and cognitive psychology literatures began to outline numerous deviations from perfectly rational behaviour (Tversky & Kahneman, 1986; Poulton, 1994) which formed the basis for approaches such as bounded and neoclassical rationality.

2.6.2.2 Bounded Rationality

Bounded rationality was developed as an alternative to classic rationality to solve several problems that had become apparent with rational choice approaches (Anand, 1993). It was recognized that decision makers could not obtain all information, people have only limited problem solving capabilities and often do not have time, motivation or foresight to review all

possibilities. Specifically, it was explained that decision-makers were not looking to make the most optimal decision, rather they were looking to make a satisfactory decision while minimizing or simplifying the cognitive effort involved (Fiske & Taylor, 1991). Simplifying the decision process was the precursor of the current heuristic approach to decision-making. In the heuristic model proposed by Tversky and Kahneman (1974), people use simplifying strategies or rules of thumb when they make complex decisions with limited information and cognitive limitations. Pratkanis (1989) connected attitudes with heuristics when he proposed that attitudes serve as heuristics, with positive attitudes invoking a favoring strategy toward an object and negative attitudes creating a disfavoring response.

2.6.2.3 Neoclassical rationality

Neoclassical rationality was developed in the 1970's as an extension of bounded rationality as part of the analysis of quasi-rational decision-making, particularly under conditions of risk and uncertainty (Ivanova & Gibcus, 2003). Decision-making is the heart of management and risk assessment is the essence of decision-making (Simon, 1960). Subsequently, this interest drove the development of several formal theories such as Tversky and Kahneman's (1986) prospect theory which was the dominant perspective in this domain.

Prospect theory predicts that there will be a contravention of rational decision rules and that people's attitudes toward risks concerning gains may be quite different from their attitudes toward risks concerning losses. Some of the problems of interpreting human behaviour in the face of risks have to do with the problem of people making decisions on the basis of subjective assessments of probabilities which may be quite different from the objective

or true probabilities (Kahneman and Tversky, 1986). Loss aversion is one of the key tenets of prospect theory and refers to the tendency for people to strongly prefer avoiding losses rather than acquiring gains, despite an economic rationale that suggests the opposite. Some studies suggest that losses are as much as twice (or more) as psychologically strong as gains (Kahneman, 2003). Another relevant key aspect of prospect theory is that risk is context dependent and that decision-makers prefer to gamble where they consider themselves knowledgeable. This perceived competence increases the likelihood that decision-makers will take risks and is consistent with a calculated risk being an acceptable risk. In evaluating the choice of foreign market entry mode, a SME decision maker's competence or perceived competence increases the probability that it will assume the higher risks (Tversky and Kahneman, 1974).

Other relevant and related factors within prospect theory are both the starting point (reference point) and the importance of the sequence of which the choices occur. The reference point can either be the actual present situation, or the situation to which the decision maker aspires (i.e. a specific foreign entry mode). The reference point matters in how a situation or decision is framed and determines how an outcome from which gain or loss is measured or perceived. On the other hand, the sequence in which the decisions occur can contribute to risk aversion in choices involving sure gains and to risk seeking in choices involving sure losses. This is known as the certainty effect and is in fact entirely consistent with the stages model of internationalization where the decision to proceed or commit to the next stage depends on the comfort of the decision-maker with the risk (Tversky & Kahneman, 1986).

Risk and uncertainty are believed to have a strong influence on the decision-making process and to the formation of attitudes (Kalogeras, 2006) and this area will be explored further in a subsequent section.

2.6.2.4 Fit of SME Entrepreneurs in General Decision Theory

Are the rational or quasi-rational decision theories relevant to the SME or entrepreneurial decision-making process? Rational choice bounded approaches and the lack of a human element make the 'irrational' decision-making of entrepreneurs a problematic fit (Ivanova & Gibcus, 2003). Casson (1982) argues that the lack of access to all the information required in making rational decisions, and the assumption of a mechanical mathematical utility function trivializes the complexity of decision-making processes. Economists are looking at scenarios involving imperfect information or incorporating human elements (Sanbonmatsu, Prince, Various & Posavac, 2005; Kalogeras 2006; Baretto, 1989) to address the limitations of rational approaches. Currently, rational choice limits the opportunity for dealing in environments of high uncertainty. While the neoclassical approaches, and in particular prospect theory, have made significant progress in evaluating the component of risk tolerance and preference, alternative approaches that look at the overall irrational decision-making of SME entrepreneurs are needed (Vermeulen & Curşea, 2008).

Most theories concerning the SME and entrepreneurial decision-making processes (Mador, 2000; Mintzberg, 1976) gravitate around a model of decision-making which comprises three components: the environment, the specific contextual factors around the decision to be taken and the characteristics of the entrepreneur (Ivanova & Gibcus, 2003). Decision-making is

often characterized by a two-step process involving (1) perception and appraisal and (2) generalization, evaluation and selection of choice (Sanbonmatsu, 2005). Reid (1981) further categorizes the factors that influence a decision-maker's perception, attitudes and appraisal as: market knowledge, market orientation and market commitment. Risk preferences, network relationships and experiences play a key role in developing the relevant market knowledge. Risk preference and attitudes also have a significant impact on market motivation (Collinson & Houlden, 2005). Attitudes, which further influence the decision-making process by guiding appraisal of goals, in essence, are providing the motivation for the decision (Sanbonmatsu, et al., 2005). Most theories of decision-making are also silent about the role of emotions, emotional commitment or affect infusion. Forgas (1995) speculates that the likelihood of affect infusion is higher when individuals engage in effortful thought (as SME entrepreneurs often are forced to do) and emotional factors have a significant impact on entrepreneurial decisions (Baron, 1998). It is in these recent entrepreneurial models and theories that the connections between the decision-makers' attitudes and perceptions are highlighted as a significant influencer on the decisions being made. These models also highlight that the focus should be on the factors that influence the decision as a way of understanding the complex cognitive approaches rather than on rational decision-making.

Research on the interaction between decision theory and theories of attitudes has been limited. Decision theorists infrequently make references to predictive models of attitudes and behaviors such as the Theory of Reasoned Action (Fishbein & Ajzen, 1975) or Theory of Planned Behavior (Ajzen 1980), nor do they consider the basic processes of how attitudes guide behavior and decisions in theories of choice (Sanbonmatsu et al., 2005) yet it is these attitudes

that may help us understand the decision-making process. The overlap between decision and attitude theory is apparent, however, in the structural models that have been developed, e.g. Prospect Theory (Kahneman & Tversky, 1979) and Theory of Planned Behavior (Ajzen, 1991). Models in both fields posit that the evaluation of choice is a function of perceived attributes, of which attitude is but one (Sanbonmatsu, et al., 2005).

2.6.3 Behavioral Models of Decision-Making

2.6.3.1 Theories of Attitudes and Behavioural Intention

In contrast to the economic rationality perspective of decision theories, psychologists have developed a series of predictive models of attitudes and behavioral intention. As demonstrated in the preceding section, there is strong influence of beliefs, perceptions and attitudes on the decision-making of SME entrepreneurs. Relevant theories of attitudes that can be included in this category include Functionalist theory, (Katz, 1955) , Learning theories (Wertheimer Gestalt school), Cognitive Dissonance theory (Festinger, 1956), Upper Echelon Theory (Hambrick & Mason, 1984), Model of Reasoned Action (Ajzen & Fishbein, 1980), Behavioral Reasoning theory (Westaby, 2005) and the Theory of Planned Behavior (Ajzen, 1991).

These theories of attitudes can be broken down into theories of attitudes and cognition and of behavioral intention. It is the behavioral intention models that make the specific link between the influence of beliefs and attitudes on the intention to commit a behavior (decision). In general, these behavioral intention models propose that intentions are the best predictors of human behavior and that people's attitudes, feelings of social pressure and perceived control

predict these intentions. Research into intention is also perhaps the fastest area of research within entrepreneurial cognition, i.e. Krueger (2005) which reflects the academic interest in this area. These models, and in particular the Theory of Planned Behavior (TPB) have received tremendous support in many behavioral domains (Ajzen & Fishbein, 2004; Ajzen, 2001; Eagly & Chaiken, 1993; Sheppard, Hartwick, & Warshaw, 1988). TPB is one of the most widely applied theories in social psychology (Greve, 2001; Ajzen & Cote, 2008) and will be explored further for relevance to this research.

2.6.3.2 Attitude

Prior to reviewing organizational and psychological decision-making and behavioral theories, some basic definitions and characteristics of attitude as an OB construct are explored. Attitudes are positive or negative views regarding an object based on stored evaluations of beliefs, feelings, past experiences and behavior (Fazio, 1990). The object can be an idea, person or thing. In the case of this research, the object is the committed foreign market entry mode as part of the internationalization process. Attitudes are an important construct in social psychology because they influence very powerful tendencies to act in either a positive or negative direction (Augoustinos & Walker, 1995). There is general agreement that attitudes are acquired through beliefs and other background factors (Ajzen & Cote, 2008). Although beliefs may reflect reality, they may also be biased or appear irrational due to a variety of cognitive and motivational influences (Fazio, 1990).

Attitude is a dynamic element in human behavior; it is the motive for activity or influencer for the decision point (Lumley, 1928). Attitudes are judgments and can be described

using a three component ABC model; affect, behavior, and cognition (Eagly & Chaiken, 1998). The affective component refers to our emotional feeling with respect to the object such as concern, liking, or disliking. Behavioral intentions are our goals, aspirations, and expected responses to the attitude object. Cognitions are our beliefs, theories, expectancies, cause and effect beliefs, and perceptions relative to the focal object. Most attitudes are the result of either direct experience or observational learning from the environment (Jung, 1966).

As hypothetical constructs, attitudes cannot be measured directly and hence must be measured indirectly and are subject to interpretation (Augoustinos & Walker, 1995). A variety of subjective methods can be used to measure attitudes such as direct (explicit) surveys or interviews; or indirect (implicit) methods involving behavioral associations. The most common method involves self-reported questionnaires which measure impressions or levels of feelings towards an object using some type of semantic differential scale (e.g. very positive vs. very negative).

A review of the relevant psychological and sociological theories will be conducted as a first step to develop a framework that will explain how various factors influence the decision-makers' attitudes and how they influence the SME decision-making process to commit to more advanced modes of internationalization.

2.6.3.3 Theory of Planned Behavior

2.6.3.3.1 Overview of Theory of Planned Behavior

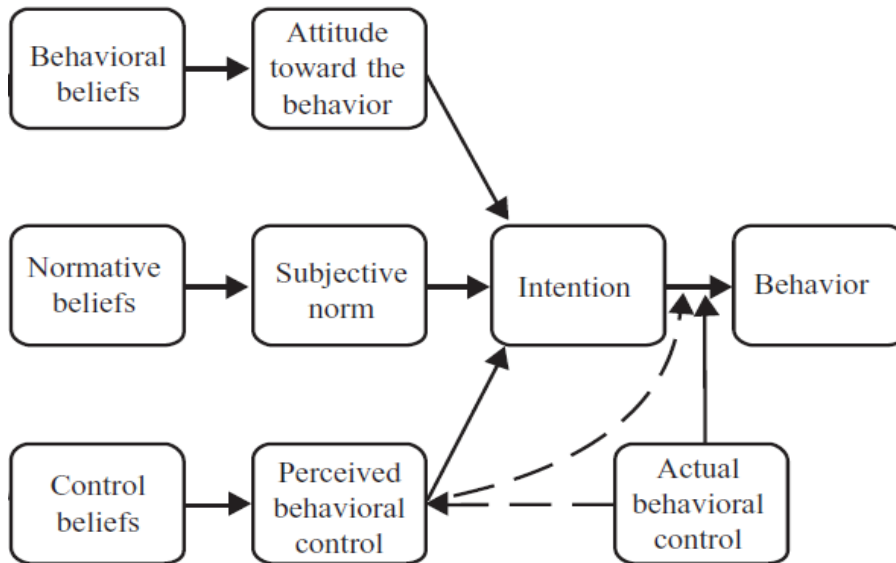
Ajzen and Fishbein formulated the Theory of Reasoned Action (TRA) in 1980 which was the precursor to the Theory of Planned Behavior (TPB). TRA was derived from research trying to

explain the discrepancy between attitude and behavior. The theory was "born largely out of frustration with traditional attitude–behavior research, much of which found weak correlations between attitude measures and performance of volitional behaviors" (Hale, Householder & Greene, 2003, p. 259). The original TRA theory was revised and extended by Ajzen into the theory of planned behavior. This extension involved the addition of one major predictor, perceived behavioral control, to the TRA model.

This addition was made to account for times when people have the intention of carrying out a behavior, but the actual behavior is thwarted because they lack confidence or control over behavior (Miller, 2005, p. 127).

Entrepreneurial behaviors are influenced by the entrepreneur's intentions and the entrepreneur's intentions are in turn, influenced by attitudes and beliefs (Krueger, 1993). The Theory of Planned Behavior (Ajzen, 1991) shown in Figure 2.8 proposes that intentions are the best predictor of human behavior and that people's attitudes, feelings of social pressure and perceived control predict intentions. Especially in high commitment scenarios such as the more advanced modes of internationalization, beliefs are thought to influence actions which impact behavior or the decision (Ajzen & Cote, 2008). While attitudes do not play a role in all decisions and behavior, especially where there is not an emotional (affective) appraisal of the situation, they do play a central role in decisions that involve evaluative processes (Sanbonmatsu et al., 2005), which again is relevant to the internationalization commitment decision.

Figure 2.8: Theory of Planned Behavior Framework
Modified from Ajzen (1991)



The core foundational elements of the theory of planned behavior involve the effects of attitude toward behavior, subjective norms and perceived behavioral control and their effect on intentions. From the perspective of an internationalization decision, attitude toward behavior represents the likelihood that the internationalization decision will be successful; the subjective norm represents the perceived pressure to make the decision and perceived behavioral control represents the capability to execute on the internationalization decision by overcoming factors that may impede performance. As a general rule the more positive the attitude and subjective norm, the greater the intention to make a decision. Coupled with greater perceived behavior control, this leads to a decision-maker's stronger intention to make the decision to internationalize. However, it should be noted that all factors are not equally weighted and are context and situational specific in their weights and influence (Ajzen, 1991).

From the perspective of looking at the source factors that influence the core foundation elements of TPB, an investigation of the left half of the TPB framework is required. Behavioral beliefs, normative beliefs and control beliefs and the background factors that influence these represent the interest of this research. A behavioral belief is the decision-maker's subjective probability that committing to internationalization will lead to a successful outcome. What affects these beliefs? Elements such as risk perception, risk tolerance, experience, market knowledge and cultural familiarity are thought to be the key influencers (Ajzen, 1991) and are labelled as background factors in the TPB framework. These key influencers or independent variables will be explored in this research.

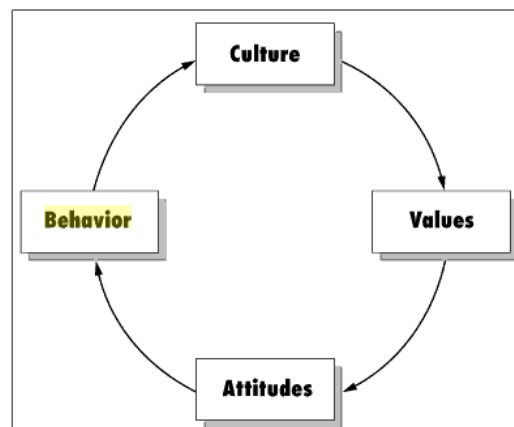
According to Ajzen's (1991) model, normative beliefs influence subjective norms and create the expectation that certain groups will approve or disapprove of behaviors. Each normative belief is assumed to contribute to the subjective norm in direct proportion to the decision-maker's motivation to comply with the group. Who are these group members? Within the internationalization SME context, these could be peers, employees, bankers or even competitors and will vary with the context.

Finally, control beliefs influence perceived behavioral control and are concerned with factors that can facilitate or impede performance of the SME's chosen strategy. These beliefs are based on the decision-maker's subjective probability that the various control factors are available. These factors can include things such as available skills, access to key resources, time and finances. It is very much a resource based perspective which connects with the resource based view (RB) paradigm within international business theory. Each control belief contributes to the overall perceived behavioral control or to the sense of self-efficacy (a belief in their own

competence) of the decision-maker which also connects this to one element of neoclassical (prospect) decision theory which focuses on the effect of risk on the decision-making process.

The origin of attitudes and how they affect decision-making represents the focus of this research and TPB can be of use in identifying relevant background factors, thereby deepening our understanding of behavior's determinants (Petraitis, Flay, & Miller 1995). The factors that influence the belief elements are influenced by a wide variety of cultural, personal, and situational factors (Ajzen & Fishbein, 2004). Clearly, a multitude of variables could potentially influence the beliefs people hold: education, age, gender, ethnicity, socioeconomic status, nationality, religious affiliation, personality, mood, emotion, general attitudes and values, intelligence, group membership, past experiences, exposure to information, social support, coping skills, and so forth (Ajzen & Fishbein, 2004). Adler and Gunderse (2008) in Figure 2.9 below specifically highlighted the circular influence of culture on values and on attitudes and the subsequent effect on behavior which will be explored further in this research.

Figure 2.9: Influence of Culture on Values and Attitudes
Modified from Adler and Gunderse (2008)



Yet, according to Papadakis, Lioukas & Chambers (1998), decision specific characteristics, such as attitudes, influence SME attitudes more than any other environmental, organizational, or personal managerial factors (Ivanova & Gibcus, 2003). This lack of consensus among scholars highlights both the complexity of the decision-making process in SMEs and the lack of a holistic view in examining all attitudinal factors that affect the decision-making process.

2.6.3.3.2 Empirical Support for Theory of Planned Behavior

The Theory of Planned Behavior (TPB) has received support in many behavioral domains and is one of the most widely applied theories in social psychology (Greve, 2001). Meta-analyses of past empirical studies have provided evidence to show that intentions can be predicted with considerable accuracy from measures of attitudes towards behavior, subjective norms and perceived behavioral control (Taylor, 1999; Armitage & Connor, 2001; Sheeran, 2002). The TPB has explained, on average, across various contexts including international management, 39% of the variance in intention and 27% of the variance in behavior of the intention to internationalize (Ajzen & Fishbein, 2004). Sheeran (2002) in his meta-analysis reported a mean correlation of $R = .53$ between intention and behavior with a range of 0.45-0.60, which puts the findings in the moderate to strong classification of prediction (Cooper & Schindler, 2011).

Armitage & Connor (2001), in their meta-analysis, also provided evidence that attitudes, subjective norms and perception of control can be predicted from a corresponding set of

beliefs. The mean correlation between the expectancy value index of beliefs and direct measure of attitude and normative belief index and subjective norm was $R=0.50$ accounting for 25% of the variance. The correlation between control belief index and perceived behavioral control was 0.52. This higher degree of correlation provides support that beliefs influence attitudes and that the factors that influence beliefs, which are the target of this research, can reasonably be assumed to have a strong influence on the decision-making process to commit to a higher degree of internationalization.

2.6.3.3.3 Risk and Uncertainty and the Theory of Planned Behavior

The use of TPB allows the incorporation of the decision-maker's risk perception and risk preferences as influencers of beliefs (Matthews et al 1994). There are two components to risk: (1) risk attitude or propensity, which is the decision-maker's willingness to accept risk and (2) risk perception, which is the decision-maker's perception of the likelihood of risk occurring. In combination, both of these factors provide a complete and more robust prediction of decision-making behaviour under conditions of risk and uncertainty (Pennings, Wansink & Meulenberg, 2002).

The perception of risk plays a large role in the manager's foreign market entry mode selection process and the influence of risk on beliefs and attitudes is well documented (Brouthers, 1995; Kalogeras, Pennings & Garcia, 2006; Pennings, , 2002; Williams, Zainuba & Jackson, 2008; Williams & Narendran, 1999). It has been postulated that SME entrepreneurs start new ventures not because they are prone to risky behaviour, but because they perceive less risk (Krueger & Dickson, 1994). Palich and Bagby (1995) in supporting this theory also found

that while not differing in their general risk-taking propensity from non-entrepreneurs, the SME entrepreneurs tended to view business situations as having more opportunities. It is not that entrepreneurs do not recognize risk; they just do not estimate it to be as high as other people would, and neither would they be as scared of it (Ivanova & Gibcus, 2003). Hence, an evaluation of both the risk attitude of the SME decision-maker and the specific risk perception related to the decision to commit to a higher mode of internationalization is required as part of the research design.

2.7 Chapter Summary

A review of the international business, international entrepreneurship and organizational behavior decision-making literatures has demonstrated that the attitudes of the SME decision-maker have a significant impact on the decision-making process to commit to internationalization. Yet, the factors that influence and contribute to attitudes are not clear and studies within international business have limited their scope within this area; or generally ignored the management influence all together (Zahra et al, 2005; Brouthers & Nakos, 2004; McNaughton, 2001). Existing research is fragmented with no single study taking a holistic approach in identifying and measuring all critical attitudinal factors and their effect on the internationalization decision-making process (Canabal & White, 2008; Aaby & Slater, 1988). This research's objective is to provide clarity on these attitudinal factors and advance international business theory.

Only eight percent of Canadian SMEs export and two-thirds of them have not progressed past the first indirect export entry mode (Orser et al., 2008). Government programs

have not increased this number and researchers are stymied on how to significantly increase the level of commitment by SMEs to the export market. Firm size does appear to have a relationship with a SME's propensity to export. However, the resource constraints inherent in SMEs seem to decrease once a firm has passed a minimum size threshold of more than 50 employees (Julien, Joyal & Deshaies, 1997). Hence, this research will correct for a potential resource constraint bias for smaller SMEs by eliminating the smallest (<50 employees) of the SME from the research population to be sampled.

Research into foreign market entry modes has indicated the importance of mode selection in the success of the firm (Root, 1987). The chosen entry mode selection will affect level of export performance (Brouthers, 2002; Rasheed, 2005; Mardanov, 2003; Beamish et al., 1999; Tang & Yu, 1990) and has implications with respect to risk and control. A firm must commit more resources to increase control which in turn increases its risk and commitment (Root, 1987). Factors which are believed to affect mode change have generally followed a model of looking at internal, external or financial performance. Results have been inconclusive and as noted earlier, no study has look at all factors holistically (Canabal & White, 2008; Aaby & Slater, 1988) and ranked their importance on the decision-making process. However, while it appears that foreign market entry mode choice is a complex process and that there are several factors or stimuli in play, the key decision to select or change an entry mode was based on firm specific situations and an intuition or attitude on behalf of management that the time was right to change (Calof and Beamish, 1995).

Review of international business (IB) theories has also highlighted both a gap in theory with respect to a focus on the decision-making process, but also the importance of

management attitudes in their overall process. In fact, McNaughton (2001) concluded internationalization theories explain the motives and in some case the selection of entry modes, but they provide little or no understanding on how the decision-making process works. Other researchers, such as Brouthers and Hennart (2007), have identified that entry mode selection is usually examined retrospectively and no research has evaluated entry mode choice as it occurs. Three IB theories have interesting contributions towards support of the research area of interest. The Uppsala Internationalization Stages model has significant relevance in explaining the behaviour of SMEs as they internationalize and its recognition of the importance of management decisions, beliefs in the successive commitment approach make it useful and relevant for this research. The Resource Based and Eclectic views have shown empirical support for recognizing firm specific attributes as a key to competitive advantage in foreign markets. In addition, International Entrepreneurship research and the born global models support the research argument that the attitudes of SME owners and management can and will have a significant effect on their foreign market entry mode decisions. The Zahra and George (2002) schematic (model) for “Integrated Model of International Entrepreneurship” (IMIE) indicated that the core aspects (independent variables) of the IMIE are organizational, strategic, and external environmental factors and a key element to this model is the acknowledgement of the mindset (attitude) and behaviour of the entrepreneurs as a source of the firm’s competitive analysis.

Classical organizational behavioral theories including rational choice and bounded approaches to decision theories indicates that the lack of a human element make the ‘irrational’ decision-making of entrepreneurs a problematic fit (Ivanova & Gibcus, 2003) which

makes the use of an alternative framework a requirement. A review of alternative theories of organizational behavior has demonstrated that behavioral intention models such as the Theory of Planned Behavior (TPB) provide a good fit in explaining the specific link between the influence of beliefs and attitudes on the intention to commit to internationalization. The behavioral intention models make the specific link between the influence of beliefs and attitudes on the intention to commit to a behavior or decision. In general, these behavioral intention models propose that intentions are the best predictors of human behavior and that people's attitudes, feelings of social pressure, and perceived control predict these intentions. These models, and in particular the Theory of Planned Behavior (Ajzen, 1991) have received tremendous support in many behavioral domains. In addition, recent IE research efforts by Sommer & Haug (2011) on the use of Theory of Planned Behavior (TPB) found that knowledge, perceived control and experience were strongly correlated with intention to internationalize; and that intention and attitude were also strongly correlated.

The use of TPB can enable the development of a framework to assess the important factors that affect a SME decision-maker's attitude as to whether or not to internationalize, and to how their decision to commit to an invested foreign market entry mode of internationalization is influenced.

Based on this literature review, a conceptual framework and associated hypotheses are developed and discussed in Chapter 3. The model and hypotheses form the basis for this dissertation's research design and methodology.

3. Research Framework and Hypotheses

3.1. Introduction

Chapter 3 describes a conceptual research framework based on the Theory of Planned Behavior model (Ajzen, 1991). In addition, elements from the empirical framework for 'stimuli supporting entry mode change' developed by Calof and Beamish (1995) are used to provide more granularity to the background factors that affect attitude and beliefs. This conceptual model leads to a research framework which is used to support the development of a number of research hypotheses.

As stated earlier, the research question driving this dissertation is to determine the important factors that affect a SME decision-maker's attitude and how they influence their decision to commit to an advanced foreign market entry mode of internationalization. The framework and hypothesis which explore this question are described in more detail in the next two sections. However, it is also important to note and as discussed previously, the decision-making process for SME managers in an international environment is both complex and relatively understudied and it is expected that the effect of attitude is just one element influencing the decision-making process. Hence, while specific hypotheses will be tested, the research will also be designed in as such a way to potentially capture other elements that may significantly contribute to the decision-making process. For example, Calof (1991), Myers (2010), Dane and Pratt (2007) and Apfelthaler et al. (2012) have all explored intuition and the role that it and other factors plays in the internationalization decision-making process.

3.2. Identified Factors Affecting Attitudes

Review of the various factors that influence a SME decision maker's attitude are fragmented with no holistic study that consolidated all factors and measured their importance or influence on the decision-making process. In fact, most research that measured the effect of variables on entry mode decisions did not make any association of these factors on their effect on attitudes nor was there any use of behavioral models such as TPB as a research framework. No IB or IE theory specifically addresses attitudes or the importance of the decision-making process as part of internationalization. The Uppsala Internationalization Stages model has the closest relevance in explaining the behaviour of SMEs by its recognition of the importance of management decisions, and the influence of experiential knowledge on the learning approach.

Common themes that were outlined throughout the literature review are that certain management characteristics such as international experience, international commitment, education, knowledge of business cultures (to overcome the liability of foreignness) and the risk profile of the manager are most relevant when reviewing factors that affect attitude. In addition, situation specific factors such as perception of risk, perceived benefits, likelihood of success and market knowledge were also dominant themes identified and will be discussed further.

The selection of these factors can be supported by a number of reviews of existing research. In Canabal & White's (2008) meta-analysis of 126 studies over 27 years looking at the factors affecting mode choice, three factors that affected internationalization decisions were highlighted in recurring studies; these were experience, cultural factors and risk. Aaby & Slater's (1998) review of research between 1978 and 1988 identified 55 studies that reviewed

management characteristics and their effect on the export performance of SMEs. The dominant factors that affected attitudes were management commitment, market knowledge, perception of market potential, perception of risk and perception of likelihood of profit. Common to both of these meta-studies was lack of any filter or lens that connects these factors to management attitudes.

In addition, Morchett, et al. (2010) in their decade review of research on the external antecedents of entry mode choice, specifically noted complex entry mode decisions cannot be explained by single variables and noted that risk and culture were specifically highlighted. Calof and Beamish (1995) also specifically highlighted the importance of management commitment and belief in international ventures and cultural awareness as critical to the success of a venture. Jaw and Lin (2009) found the following management characteristics positively influenced the internationalization decision process: Foreign travel and experience abroad, the decision-maker educational and cultural background and personal risk characteristics. Finally, McNaughton (2001) noted that in the past 25 years, IB researchers seem to agree that only three personality characteristics account for international decision-making; international experience, international orientation and international commitment.

Based on the Calof and Beamish (1995) framework (Figure 6), background factors can be segregated into two general background categories. These categories are those that are internal to the firm and are focused on management characteristics and those that are external to the firm and are contextually specific to the decision or opportunity on hand. This separation for analysis purposes is consistent with research models developed by Leonidou, Katsikeas, and Piercy (1998), Priem, (1999) and Hambrick and Mason (1984). It is also roughly

aligned with the Ajzen (1991) model which segments background factors into individual, information and social.

Within the management characteristics category the factors that were selected as most relevant are show in table 3.1. These were selected based on being the most widely supported by research and their likely significant effect on attitudes and beliefs based on the review of decision theory. The factors are (1) education, (2) international experience, (3) international commitment, (4) knowledge of business cultures and (5) risk profile of the decision-maker. Similarly, the factors selected that appear to be most relevant for context or situation specific to the decision are (6) perception of risk, (7) perceived benefits, (8) likelihood of success and (9) market specific knowledge.

Table 3.1: Past Research on Attitude Related Factors Affecting Mode Change

Author	Year	Primary Factor	Author	Year	Primary Factor
Lau	2011	Education	Sommer & Haug	2011	Risk propensity
Sousa, Ruzo & Losada	2010	Education	Sousa, Ruzo & Losada	2010	Risk propensity
Beamish, Karavis, Goerzen & Lane	1999	Education	Kalogeras, Pennings & Garcia	2006	Risk propensity
Zou & Stan	1998	Education	Zahra, Korri & Yu	2005	Risk propensity
Leonidou, Katsikeas & Pierce	1998	Education	Hanning	2005	Risk propensity
Dichtl, Koeglmayr, & Mueller	1990	Education	Keil, Wallace, Turk, Dixon & Nulden	2000	Risk propensity
Leonidou, Katsikeas & Pierce	1998	Education	Leonidou, Katsikeas & Pierce	1998	Risk propensity
Gray	1997	Education	Sitkin and Weingart	1995	Risk propensity
Katsikeas	1996	Education	Farmer	1993	Risk propensity
Cavusgil	1984	Education	Fu	1993	Risk propensity
Hambrick & Mason	1984	Education	Dichtl, Koeglmayr, & Mueller	1990	Risk propensity
Rocha et al	2012	Experience	MacCrimmon & Wehrung	1990	Risk propensity
Oortwijn	2011	Experience	Fishburn	1977	Risk propensity
Gray and McNaughton	2010	Experience	Ruiz-Fuensanata	2010	Risk perception
Sousa, Ruzo & Losada	2010	Experience	Williams, Zainuba& Jackson	2008	Risk perception
Nielsen & Nielsen	2010	Experience	Maignan & Lukas	2008	Risk perception
Ruiz-Fuensanata	2010	Experience	Forlani, Parthasarathy, Madhavan	2008	Risk perception
Perk	2009	Experience	Kalogeras, Penning & Garcia	2006	Risk perception
Carpenter, Sanders & Gregersen	2001	Experience	Ivanova & Gibcus	2003	Risk perception
Cadogan	2001	Experience	Pennings, Wansink & Meulenberg	2002	Risk perception
Reuber and Fischer	1997	Experience	Williams & Narendran	1999	Risk perception
Katsikeas	1996	Experience	Katsikeas	1996	Risk perception
Cavusgil and Zou	1994	Experience	Palich and Bagby	1996	Risk perception
Ali and Swiercz	1991	Experience	Calof & Beamish	1995	Risk perception
Madsen	1988	Experience	Brouthers	1995	Risk perception
Miesenböck	1985	Experience	Krueger and Dickson	1994	Risk perception
Hambrick & Mason	1985	Experience	Bromily and Curley	1992	Risk perception
Sitkin & Weingart	1995	Likelihood Gain	Buckley	1989	Risk perception
Calof and Beamish	1995	Likelihood Gain	Aaby & Slater	1988	Risk perception
Kahneman and Tversky	1979	Likelihood Gain	March and Shapira	1987	Risk perception
Apfelthaler, Shane & Hruby	2012	Commitment	MacCrimmon & Wehrung	1986	Risk perception
Ruiz-Fuensanata	2010	Commitment	Keyes	1985	Risk perception
Gray & McNaughton	2010	Commitment	Kahneman & Tversky	1979	Risk perception
Wheeler, Ibeh & Dimitratos	2008	Commitment	Barcellos, Cyrino, Junior & Fleury	2010	Percv'd benefits
Martinez-Lopez and Coelho	2008	Commitment	Suarez & Alamo	2005	Percv'd benefits
Navarro, Acedo, Robson, Ruzo, Losada	2002	Commitment	Patterson	2004	Percv'd benefits
Lloyd-Reason & Mughan	2002	Commitment	Halikias & Panayiotopoulos	2003	Percv'd benefits
Beamish, Karavis, Goerzen & Lane,	1999	Commitment	Ellis & Pecotich's	2001	Percv'd benefits
Pauwels & Matthyssens	1999	Commitment	Gray	1997	Percv'd benefits
Axinn	1988	Commitment	Joynt and Welch	1995	Percv'd benefits
Zou and Stan	1998	Commitment	Moon & Lee	1990	Percv'd benefits
Gray	1997	Commitment	Axinn	1988	Percv'd benefits
Katsikeas	1996	Commitment	Jaffe, Pasternak & Nebenzahl	1988	Percv'd benefits
Dichtl, Koeglmayr, & Mueller	1990	Commitment	Weick	1969	Percv'd benefits
Cavusgil	1984	Commitment			

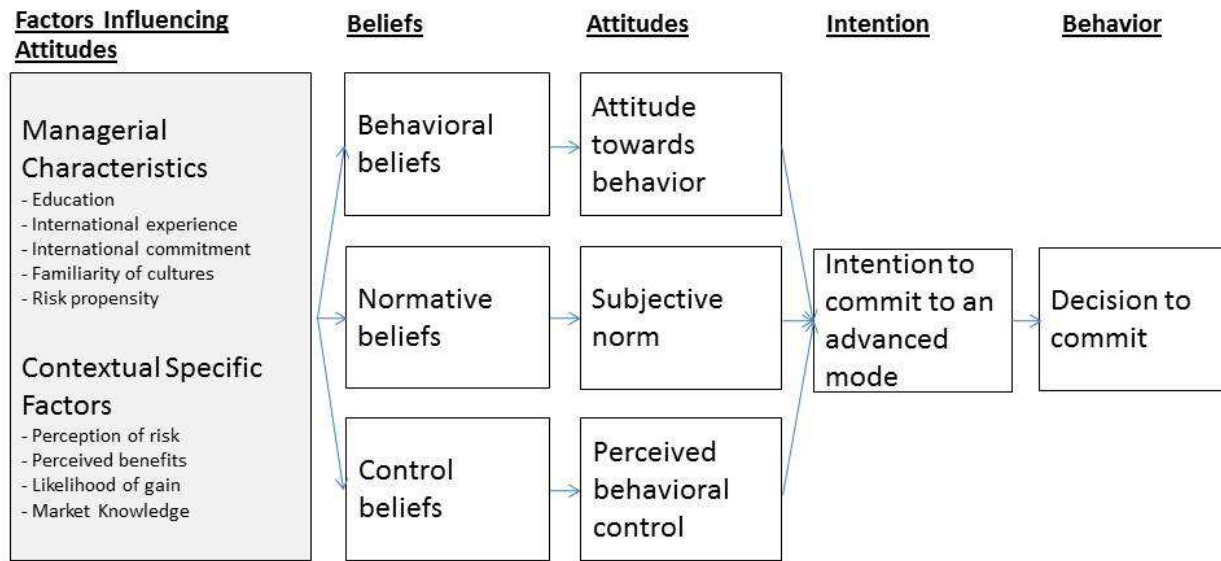
Continued next page

Author	Year	Primary Factor	Author	Year	Primary Factor
Perks	2009	Culture	Dutta & Beamish	2009	Mkt Knowledge
Brouthers and Brouthers	2003	Culture	Canabal & White	2008	Mkt Knowledge
Sharma & Blomstermo	2003	Culture	Golder	2000	Mkt Knowledge
Marcella, Davies and Williams	2002	Culture	Barkema & Vermeulen	1998	Mkt Knowledge
Busenitz, Gomez & Spenser	2000	Culture	Andersen	1997	Mkt Knowledge
Brouthers and Brouthers	2000	Culture	Barkema, Bell & Pennings	1996	Mkt Knowledge
Newman and Nollen	1996	Culture	Zaheer	1995	Mkt Knowledge
Denison and Mishra	1995	Culture	Calof & Beamish	1995	Mkt Knowledge
Agarwal	1994	Culture	Prahalad & Hamel	1994	Mkt Knowledge
Shane	1994	Culture	Agarwal & Ramaswami	1992	Mkt Knowledge
Morosini and Singh	1994	Culture	Huber	1991	Mkt Knowledge
Dunning	1993	Culture	Kohli & Jaworski	1990	Mkt Knowledge
Erramilli & Rao	1993	Culture	Erramilli and Rao	1990	Mkt Knowledge
Agarwal and Ramaswami	1992	Culture	Diamantopoulos & Inglis	1988	Mkt Knowledge
Erramilli	1991	Culture	Levitt & March	1988	Mkt Knowledge
Hennart	1991	Culture	Burton & Schegelmilch	1987	Mkt Knowledge
Kogut and Singh	1988	Culture	Denis & Depelteau	1985	Mkt Knowledge
Wilkins and Ouchi	1983	Culture	Cavusgil	1984	Mkt Knowledge
Hofstede	1980	Culture	Cavusgil & Nevin	1981	Mkt Knowledge

3.3. Conceptual Framework

This dissertation is based on the Conceptual Research Framework depicted in figure 3.1. The model extends the left side of the TPB framework (Figure 2.8) to describe the background factors which influence beliefs, which in turn shape the attitudes of the SME managers and drives their intention to commit to advanced forms of internationalization. Critical to this research is an understanding of which background factors are important in the decision-making process. Each background factor identified in Figure 3.1 was extracted from past research findings and specifically highlighted in this paper's section 3.2 and in table 3.1. It is these factors which will be tested.

Figure 3.1: Comprehensive Research Framework



3.4. Hypothesis Development and Exploratory Elements

The research framework posits that managerial characteristics and contextual specific factors directly influence the beliefs and subsequently attitudes of SME managers and hence influence the intention to commit to more advanced modes of internationalization. Managerial and demographic characteristics have been well studied (Leonidou, 1998). The following hypotheses are proposed to test the managerial characteristics proposition.

Education.

Many studies in export marketing recognize the importance of managerial characteristics such as education (Katsikeas, 1996) and have been well documented. Support for this construct is imbedded within numerous empirical studies (Leonidou, et al., 1998; Beamish, Karavis, Goerzen & Lane, 1999; Zou & Stan, 1998) and is also supported by Upper Echelons Theory (Hambrick & Mason, 1984) which posits, among various factors, that the

decision-makers' educational backgrounds are likely to have an important influence on their belief structure which influence their attitudes and ultimately their decisions. It has been suggested that education influences the belief structure of decision-makers (Perk, 2009) by specifically increasing management knowledge, competence and confidence (Lau, 2011). Dichtl, Koeglmayr and Mueller (1990) also found that education, among a few key factors, had the highest correlation towards developing an international orientation (an attitude) for business managers, which was directly linked to internationalization success. However, past research on the impact of managerial factors of an objective nature in general, and specifically education, has received inconsistent empirical support (Sousa, et al., 2010; Cavusgil, 1984; Gray, 1997; Leonidou et al, 1998) and that this association will be explored further using the TPB lens. Thus, it is hypothesized that:

H1A: Higher education of SME decision makers is associated with more advanced modes of internationalization

International Experience

There is extensive support in the literature and specifically with Uppsala Internationalization Stages model (Johanson & Vahlne, 1997) theory on the effect of experience of the decision-makers for success in international markets (Ali and Swiercz, 1991; Cadogan, 2001; Carpenter, Sanders & Gregersen, 2001; Cavusgil & Zou, 1994; Madsen, 1988; Miesenböck, 1985; Nielsen & Nielsen, 2010; Rocha, de Mello, Pacheco, de Abreu Farias, 2012). Gray and McNaughton (2010) commented that in the past 25 years, IB researchers agree that international experience directly effects international decision-making. This is also

supported by Upper Echelons Theory (Hambrick & Mason, 1984) which supports the notion that management experience is a key characteristic that influences the decision-making process. Perk (2009) found that UK managers have stronger international capabilities due to their prior international experience. Reuber and Fischer (1997) found in their study of the Canadian software industry that internationally experienced management lead to a greater degree of internationalization. Oortwijn (2011) also confirmed that the greater the international experience, the higher commitment in entrance and entry mode. Interestingly, Ruiz-Fuensanata (2010) and Katsikeas (1996) found that there that a direct association with international experience and perception of risk. However, there have been conflicting studies that reported weak or inconsistent support for experience as an important factor in the internationalization decision-making process (Sousa, Ruzo & Losada, 2010; Katsikeas, 1996). Consequently, this association will be explored further using the TPB lens. Thus, it is hypothesized that:

H1B: Greater international experience of SME decision makers is associated with more advanced modes of internationalization

International Commitment

This factor and its importance in internationalization is very strongly supported in international business literature and theory (Apfelthaler et al, 2012; Wheeler et al, 2008, Beamish et al, 1999; Johanson & Vahlne, 1997; Gray, 1997; Katsikeas, 1996; Dichtl et al, 1990; Cavusgil, 1984; Axinn, 1988). Gray and McNaughton (2010) noted that international commitment of the decision-maker was one of three key characteristics that directly influence

the decision-making process. Sousa et al, (2008) in their 1998 - 2005 meta-reviews of the determinants of export performance found that management characteristics were important. Specifically, they identified commitment as a key attribute that had positive correlation with increased export performance. Their results were consistent with a similar review done a decade earlier by Zou and Stan (1998) that confirmed management commitment was critical to increased performance. Further supporting studies by Beamish et al (1999) demonstrated the importance of management commitment and a pro-attitude towards internationalization as evidenced by the establishment of a separate export organizational unit which increased export firm performance as measured by revenue growth by a factor of almost three times. More recently, Ruiz-Fuensanata (2010) concluded that international commitment and managerial attitudes were the main factors influencing the export process

There is some confusion within the literature on the definition of the commitment factor (Navarro, Acedo, Robson, Ruzo & Losada, 2010) and its relationship to similar terms such as global mindset and international orientation which are thought to encompass both attitudinal and behavioral aspects (Apfelthaler, Shane, & Hruby, 2012). Is commitment an attitude, a belief or a factor that influences these constructs? A review of the literature reveals three main approaches to conceptualizing international commitment. First, studies have depicted commitment as an attitude that is influenced by characteristics specific to the decision-maker; foreign language skills, international experience, time spent abroad, international business knowledge and age (Lloyd-Reason & Mughan, 2002). A second stream of studies has conceptualized export commitment as a behavior, focusing on manifestations of the construct (Cavusgil & Zou, 1994). A third track suggests that international commitment is a

multidimensional and dynamic phenomenon that comprises both behavioral and attitudinal dimensions and that it should be considered an independent factor that influences these dimensions (Navarro et al., 2010; Pauwels & Matthyssens, 1999; Stump, Athaide & Axinn 1999). This view point is also supported through organizational commitment research by Pfeffer and Lawler (1980) which was later extended by Meyer and Allen (1991) who found that when individuals are committed to a viewpoint, they will develop more favorable attitudes towards this view. This third association will be adopted and further explored using the TPB lens. Thus, it is hypothesized that:

H1C: Positive international commitment is associated with more advanced modes of internationalization

Knowledge of Culture

Is culture and the psychic distance a factor which influences the decision-making process for entry mode choice or is its impact marginal? The research is mixed with researchers and theory providing strong support for both cases. Researchers have long reported on the dominant role of knowledge of culture in determining entry mode (Brouthers & Brouthers, 2000; Johanson & Vahlne, 1997; Agarwal, 1994; Dunning, 1993, Agarwal & Ramaswami, 1992). Differences in national culture plus the impact of psychic distance influence not only the entry mode (Kogut & Singh, 1988; Shane, 1994) but also the perceived difficulty in successful local operations (Hofstede, 1980; Kogut & Singh, 1988; Erramilli, 1991). Executives who have accumulated knowledge of foreign cultures are better able to cope with uncertainty associated with international operations and thus they typically perceive foreign direct investments as less

risky than executives without such experience (Hennart, 1991). Marcella, Davies and Williams (2002) argue that managers are more likely to select a market entry mode that will overcome 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 & Blomstermo, 2003; Erramilli & Rao, 1993) they will be more likely to deal directly with customers and assume a more aggressive market entry mode. Some researchers claim that managers that are compatible with the national culture of the target will produce better performance outcomes in their internationalization efforts (Hofstede, 1980; Wilkins & Ouchi, 1983; Morosini & Singh, 1994; Denison & Mishra, 1995; Newman & Nollen, 1996).

However, the detractors argue that national culture has a limited influence on the entrepreneur's international market entry mode decision making (Perks, 2009; Brouthers & Brouthers, 2003; Busenitz, Gomez & Spenser, 2000) since SME's are able to acquire this knowledge through recruiting or research. This factor and its potential influence on internationalization process will be explored further using the TPB lens. Thus, it is hypothesized that:

H1D: Greater knowledge by the SME decision maker with the business culture of another country is associated with more advanced modes of internationalization

Risk Propensity

A SME decision-maker's propensity to take or avoid risks may have a significant impact on internationalization decision-making (Kalogeras, et al., 2006 People differ in their willingness

to take risks (Fishburn, 1977; MacCrimmon & Wehrung, 1990; Farmer, 1993; Fu, 1993), but there is disagreement about the nature of this trait and the impact it has on a successful internationalization decision (Keil, Wallace, Turk, Dixon-Randall & Nulden, 2000). Sousa, Ruzo & Losada (2010) found that managers who were risk takers were more likely to succeed in international operations. Leonidou, (1998) also found that risk propensity consistently showed a stronger association with internationalization progression. Overall, Dichtl, Koeglmayr, & Mueller (1990) found that attitude towards risk had the highest correlation towards developing an international orientation for business managers. Researchers such as Sommer & Haug (2011), Zahra et al (2005) and Hanning (2005) have recognized that internationalization decisions are driven not only by economic rationale but also by the decision-makers' risk-taking preferences and the dynamic interplay between risk propensity and risk perception.

The exact nature of the relationship between risk perception, risk propensity, and decision-making is not well understood (Keil, Wallace, Turk, Dixon-Randall & Nulden, 2000). Sitkin and Weingart (1995) conducted laboratory experiments in which they manipulated outcome history and problem framing while measuring risk propensity, risk perception, and decision-making. The results of their study suggest that risk propensity is inversely related to risk perception which, in turn, is inversely related to the tendency to make risky decisions. Although risk propensity and risk perception both appear to influence decision-making, there is also evidence indicating that they interact with each other as well. More specifically, it appears that risk propensity may have an impact on risk perception. It is this relationship that will be explored using the TPB lens and the first, risk-related hypothesis is that:

H1E: High risk propensity of the SME decision-maker is associated with more advanced modes of internationalization

Within the proposed contextual or situation specific factors, there is support from Calof and Beamish (1995), Sousa et al (2010), Hambrick and Mason (1984), Priem et al (1999) that the more psychographic variables (i.e. perceptions) relating to the decision on-hand may be better predictors for internationalization success. The following hypotheses are proposed to test the contextual specific factors proposition.

Risk Perception

Risk perception in this context is the subjective judgment that SME decision-makers make about the characteristics and severity of a risk associated with an internationalization activity. The perception of risk plays a large role in the manager's foreign market entry mode selection process and the influence of risk on beliefs and attitudes is well documented (Brouthers, 1995; Kalogeras, et al., 2006; Pennings, et al., 2002; Williams, et al., 2008; Williams & Narendran, 1999; Maignan & Lukas, 2008; Aaby & Slater, 1988; Calof & Beamish, 1995; Buckley, 1989). Evidence that managerial risk perceptions plays a vital role in decision-making is also reported by March and Shapira (1987).

The literature on managerial perceived risk is grounded in a simple observation; managers do not define or react to risk in ways that theoretical decision models would predict (Forlani, Parthasarathy, Madhavan & Keaveney, 2008). Although researchers generally agree that there is a relationship between perception and decision-making (Keyes, 1985; Bromily and Curley, 1992; Krueger and Dickson, 1994), there are inconsistencies concerning the nature of

the relationship. One would expect that as the level of perceived risk increases, a person is less likely to engage in risk-taking behavior (March and Shapira, 1987); but there is evidence indicating that this is not always the case. Kahneman and Tversky (1979) have found that managers are more concerned about negative outcomes (losses) rather than positive outcomes (gains), and often tend to define risk only in terms of negative outcomes and hence will overweigh the importance of potential losses.

Furthermore, managers' ways of dealing with risk are also at odds with classical decision theory as most SME managers believe that risk is controllable (MacCrimmon and Wehrung, 1986; March and Shapira, 1987). It has been postulated that SME entrepreneurs start new ventures not because they are prone to risky behaviour, but because they perceive less risk (Krueger & Dickson, 1994). Palich and Bagby (1995) in supporting this theory also found that while not differing in their general risk-taking propensity from non-entrepreneurs, the SME entrepreneurs tended to view business situations as having more opportunities. It is not that entrepreneurs do not recognize risk; they just do not estimate it to be as high as other people would, and neither would they be as scared of it (Ivanova & Gibcus, 2003). In addition, the perception of risk diminishes as managers acquire greater experience in the international arena (Ruiz-Fuensanata, 2010, Katsikeas, 1996). Hence, an evaluation of both the risk attitude of the SME decision-maker and the specific risk perception related to the decision to commit to a more advanced mode of internationalization is required as part of the research design. It is this relationship that will be explored using the TPB lens and the second, risk-related hypothesis is that:

H2A: Risk (situational specific) perception of the SME decision-maker is associated with the decision to commit to more advanced modes of internationalization

Perceived Benefits

Weick (1969) observed that it is the manager's perception of the situation rather than the objective situation which actually drives the decision-making process. For the SME decision-makers the perceived benefit (gain) of internationalization needs to outweigh the anticipated risk of foreign markets for a positive decision to be made. There is considerable support in IB literature and within Transaction Cost Theory (Anderson & Gatignon, 1986) for support of management perception of the benefits as being one of the more relevant factors concerning the process of internationalization (Barcellos, Cyrino, Junior & Fleury, 2010; Gray, 1997; Joynt and Welch, 1985). It is the manager's perception of the benefits to internationalizing which represents a key determinant to market entry mode selection (Axinn, 1988). Ellis and Pecotich's (2001) empirical results demonstrated that the reason for initiating export activities was the perceived benefits such as sales growth, profitability, competitive advantage, quicker response times, access to new markets and lower-acquisition and manufacturing costs. The perception of the benefits of exporting was found to be a significantly differentiator between exporters and non-exporters (Patterson, 2004). Other studies acknowledging the existence of a positive relationship between growth/profit perceptions and export behavior are Halikias & Panayiotopoulos (2003), Jaffe, Pasternak & Nebenzahl (1988), Moon & Lee, (1990) and Suarez & Alamo, (2005). This factor and its potential influence on internationalization process will be explored further using the TPB lens. Thus, it is hypothesized that:

H2B The perceived benefits of the opportunity by the SME decision-maker is associated with the decision to commit to more advanced modes of internationalization

Likelihood of Success

The likelihood of gain (success) of an entry mode decision is another psychographic variable that influences beliefs and attitudes based on the perception of decision-maker, and has its roots in risk and decision-theory reviewed in section 2.6. Perception of risk is inversely proportional to likelihood of gain (Sitkin & Weingart, 1995). The perception of risk to internationalize must be lowered to increase the likelihood of gain. Perception is driven by the SME decision-maker's knowledge, experience, attitude and comfort. Risk is context dependent and SME decision-makers prefer to take risks where they consider themselves knowledgeable or competent and have the ability to control the outcome (Kahneman and Tversky, 1979). In evaluating the choice of foreign market entry mode, SME decision-maker's perceived competence increases the perception of the likelihood of gain and the probability that they will assume higher risks. One of the cornerstones of the Calof and Beamish (1995) framework for stimuli supporting mode change was the management's perception of the performance or gain of the opportunity. This factor and its potential influence on the internationalization process will be explored further using the TPB lens. Thus, it is hypothesized that:

H2C: The likelihood of gain by the SME decision-maker is associated with the decision to commit to more advanced modes of internationalization

Market Knowledge

The basic tenet is that a firm's knowledge of the economic and cultural environment of a foreign market will affect its probability of entering and investing in that market (Golder, 2000). Market specific knowledge is another factor that is well supported in literature as influencing the internationalization decision-making process (Canabal & White, 2008; Agarwal & Ramaswami, 1992; Andersen, 1997; Calof & Beamish, 1995) and is one of the main elements of the Uppsala Internationalization Stages model (Johanson & Vahlne, 1997). Erramilli and Rao (1990) found that market knowledge was a primary explanatory variable in mode choice selection. Dutta and Beamish, (2009) found that entry mode choice was enhanced when the corporation's managers had prior host country experience and knowledge. Several studies (Cavusgil & Nevin, 1981; Cavusgil, 1984; Denis & Depelteau, 1985; Malekzadeh & Nahavandi, 1985; Burton & Schegelmilch, 1987; and Diamantopoulos & Inglis, 1988) found a much higher propensity to export where managements aggressively sought and developed export market information.

Theories of organizational learning (Fiol & Lyles, 1985; Huber 1991; Kohli & Jaworski, 1990; Levitt & March, 1988; Prahalad & Hamel, 1994) argue that managers develop knowledge based on their experiences. When SMEs internationalize, the managers use the knowledge generated in foreign markets to select other foreign markets in which the firm is more likely to succeed (Barkema, Bell & Pennings, 1996; Barkema & Vermeulen, 1998; Zaheer, 1995). Therefore, this market knowledge can be an important determinant of foreign market entry. This factor and its potential influence on internationalization process will be explored further using the TPB lens. Thus, it is hypothesized that:

H2D: Market (situational specific) knowledge by the SME decision-maker is associated with more advanced modes of internationalization

3.5. Chapter Summary

This chapter discussed a conceptual research model and research hypotheses that guide the research design of this dissertation. The models, propositions, and hypotheses are based on literature reviewed in Chapter 2. The conceptual model links managerial characteristics and contextual specific factors and their influence on beliefs which in turn shape the attitudes of the SME managers and drives their intention to commit to advanced forms of internationalization. The next chapter describes the research design and methodology to test those hypotheses and to potentially explore and capture other elements that may significantly contribute the decision-making process.

4. Research Design and Methods

4.1. Introduction

The primary methodological approach to address the research objective is to utilize a quantitative survey focused on manufacturing SME decision-makers.

This chapter is broken into two main sections. Section 4.2 will describe the primary design approach for the quantitative method. Specifically, this section describes research design, operationalization of the construct/scales, sampling plan, questionnaire development and the pre-test process to correct for content validity. Section 4.3 will describe the data analysis approach. Specifically, this section will discuss the data collection results, define the dependent variables, discuss the data analysis methods that will be utilized and will address concerns of reliability and validity.

This methodology will be used for both theory testing and more importantly, to extend current theory that only marginally acknowledges the effect of attitude on the decision-making process to commit to internationalization.

4.2. Research Design

4.2.1. Research Design Overview

This research utilized an on-line survey to collect primary data from a sample of manufacturing SME decision-makers in Canada who reported that they engaged in export related activities. The sampling frame was constructed from the Industry Canada's, Canadian Companies Capabilities Database (CCCD) plus supplemental data from Dun and Bradstreet and Canadian Manufacturers Exporter (CME) Association. Data collected were analyzed using a

variety of univariate, and multivariate analysis methods. The summated scales were validated for reliability using Cronbach's alpha. Following this, the t-test and discriminant analysis are the primary analysis tools to determine which attitudinal variables discriminate between two main international mode groups, those less advanced and those in advanced modes. Finally, alternate univariate and multivariate analyses were used for cross validation.

4.2.2 Target Population

The target population for this research is Canadian manufacturing SMEs with between 50 and 500 employees. Companies with less than 50 employees were filtered out based on the resource based discussion in the literature review. Given the focus of the research questions, the companies must be in at least the exporting stage of internationalization (exporting directly, exporting through third party, sales subsidiary, FDI). The survey specifically excluded those who are not currently exporting. Based on data from Statistics Canada Business Register (2007), there are 49,805 manufacturing companies that meet these basic criteria.

Since the research objective is to measure the attitudinal variables of the key international decision-makers at the SMEs, the survey was directed specifically toward the owner, president, and international/export manager only. This filtering was done both in the introductory letter (Appendix 1) and through specific filter questions at the beginning of the survey instrument.

4.2.3 Sample Size

Sample size calculation is driven by the overall population size, data analysis methods used, degree of accuracy and the confidence levels required. The required sample size is based on the requirement of the most demanding test method (Cooper, 2011; Stewart, 2011). As part of the proposed data analysis plan reviewed in section 4.3, univariate and multivariate analysis methods will be employed. Each of these methods has optimal sample sizes that can be calculated using manual and computer methods. The sample size calculation based on potential usage of five testing methodologies is listed below.

- One-way ANOVA Used to compare means between FEM modes n = 180
- Comparing Means Based on 5-point Likert scale n = 100
- Population proportion Of categorical questions n = 100
- Multiple Regression Based on 5 predictors n = 92

The largest required sample size is 180 based on the test methods analyzed and hence was the optimal targeted sample size. A sensitivity analysis was also conducted to measure the effect on confidence interval if the sample size objectives were not reached. The detailed sample size calculations, sensitivity analyses, assumptions and step by step process are in Appendix 3.

4.2.4 Sampling Plan / Frame

The primary choice of data used to develop the sampling frame was the Canadian Government maintained Canadian Companies Capabilities Database which is a centrally maintained current searchable database of 60,000 Canadian businesses that allows you to select firms according to their export status, their industrial sector, manufacturer versus service, and employee size. The secondary choice of data which was used to obtain additional data sets was the D&B Guide to Canadian Manufacturers Directory along with contact names provided through the Canadian Manufacturers Exporters Association (CME). A total of 3117 contact names that met the selected criteria were obtained through this method.

4.2.5 Questionnaire Development

The methodological approach was a quantitative survey using a third party called 'Fluid Survey', whom is based in Ottawa, Canada. The chosen communication method for the main survey was a self-administered on-line custom questionnaire. While three communication methods (online, mail, personal interviews) were evaluated, it was felt that the online method fit well with the chosen research project, mainly due to:

- Low cost
- High coverage
- Immediate data availability
- Faster data collection
- Instant count of responses

- Dynamic and allows creative questionnaire design
- Has skip logic
- Opt out technology to address intrusion and spam concerns
- Anonymous survey; unless person requests for a follow-up
- Acceptable response rate (30% average: SurveyMonkey.com/SmartSurveyDesign)

The survey instrument (Appendix 1) consisted of a cover letter and 44 questions designed to measure primarily demographic and attitudinal variables which address the hypotheses and some potential future areas of research. The demographic variables were measured categorically. The attitudinal variables were measured primarily with a five point, balanced Likert scale which is a widely used and accepted scale for the self-reported measurement of attitudes and beliefs (Hammersley, 1996; Cooper & Schindler, 2011) and were treated as interval data unless post survey analysis of the data indicated otherwise. This survey instrument obtained ethics approval (Appendix 2) on Oct. 13, 2012 by the Athabasca University Research Ethics Board (REB).

An email with a cover letter along with the link to FluidSurvey.com was sent out introducing the research, why the participants were selected, the research benefits, how long the survey will take and how anonymity and confidentiality will be maintained. To establish trust with respondents and legitimacy of the research activity, logos and names of Athabasca University were presented on the questionnaire's cover page. All participants were asked to electronically sign the informed consent. A series of follow-up emails using the FluidSurvey tracking tool were sent as a reminder to participate.

4.2.6 Pre-Test Process / Content Validity

Prior to initiating the main survey, a two-step process was used to validate and optimize the survey instrument. The first step involved a review by four professors and four doctoral students of the pre-draft survey instrument to provide feedback for content/face validity. They were specifically asked to provide feedback on whether the questions were asking what they were intending to ask, to validate the time it took to complete the survey and to review the clarity and inclusiveness of the questions and answer options. Upon edification, the dissertation supervisory committee gave permission to conduct a small field trial to provide addition validation. Cooper and Shindler (2001) suggest that a pilot test should be conducted to detect weaknesses in questionnaire design and instrumentation and to provide proxy data for selection of a probability sample. They also recommended that subjects of the pilot test be drawn from the target population and be conducted in the same way that is planned for the final official survey.

A small field pre-test was done in early December 2012. Two hundred (200) contact names were taken from an industry database (Open Source) of exporters. It is acknowledged that this database was unverified and considered to be relatively low quality (ie. not validated email addresses). A series of surveys were sent out to test cover letter approaches (3), completion rates, maximum number of effective reminders and any obvious areas where respondents were having difficulty with questions. Respondents were asked to provide feedback on any difficulty they may have had with the survey. Of the 200 surveys sent, approximately 130 reached the respondents as there was a 35% email bounce rate. A total of 11 responses were returned (8%) and reviewed. As a result of this feedback, minor changes

were made to the survey wording, a clarification question/statement was added and a couple of questions eliminated. This data was not used in the final analysis.

4.2.7 Operationalization of the Scales

This study's main goal primarily is not to test TPB or the TPB conceptual research framework but rather to identify those influences that contribute to attitudes which ultimately predict intention to commit to advanced international market entry modes. Hence, while elements from TPB (such as intention) by Ajzen and Madden (1986) were used in the overall development of the structure of the questionnaire, it was necessary to explore elsewhere for appropriate scale development.

Because there were no comprehensive measures of all relevant constructs for the measure of international business attitudes (Aaby and Slater 1989), an approach to identify and consolidate various scales was undertaken which is consistent with the recommended approach to test complex conceptual frameworks (Cavusgil & Zou, 1994). As also noted by Churchill (1979), to increase reliability and decrease measurement error, it is advisable to use multi-item scales instead of single-item scales to measure attitudes where possible so effort was made to identify scales that were multi-dimensional in nature. It is recognized that multi-dimensional scales will require the use of techniques such as Summation (selected method), Confirmatory Factor Analysis (CFA) or Cluster Analysis (CA) to consolidate the results as a recommended practice (Gerbing & Anderson, 1988). Since all scales required some (limited) modification to fit the specific nature of the research problem, it is expected that an examination of their construct and scale validity is a recommended practice (Ruzzier et al, 2007)

to validate these modifications. This was done by surveying for validity using combination of doctoral professors and doctoral candidates. In addition, the summed scales were tested using Cronbach's Alpha to confirm their internal consistency and reliability.

The various constructs hypothesized to influence attitudes were operationalized based on adapting scales primarily from Sommer (2010), Williams et al. (2008), Ruzzier et al. (2007), Morgan and Hunt (1994) and Calof (1994). Details of the source of these scales (primary and secondary) and how they were used are shown in figure 4.1.

Figure 4.1: Operationalization of the Constructs

Independent Variable	Code	Primary Influencing Scales	Secondary Influencing Scale(s)	Scale Description	Comments on primary scale
Education	H1A	Calof (1994)	Sommer (2010)	Categorical scale	Single catagorical question + 5 point likert on perceived importance
International experience	H1B	Calof (1994)	Sommer (2010), Ruzzier et (2007)	5 point Likert scale	10 questions, 3 grouped
International commitment	H1C	Morgan & Hunt 1994	Calof (1994)	5 point Likert scale	Three grouped questions
Business culture	H1D	Sommer (2010)	Calof (1994)	5 point Likert scale	Three grouped questions based on modification of Kyvik (2005)
Risk propensity	H1E	Williams et al (2008)	Rohrmann (2005), Sommer (2010)	5 point Likert scale	Two grouped questions assessing overall risk based on a 2x2x2x2 scale
Risk perception	H2A	Ruzzier et (2007)	Calof (1994), Williams et al (2008)	5 point Likert scale	Two grouped question
Perceived benefits	H2B	Calof (1994)	Cavusgil et al (1994)	5 point Likert scale	Single catagorical + 5 point likert
Likelihood of gain (success)	H2C	Williams et al (2001)	Sommer (2010)	5 point Likert scale	Two grouped questions assessing overall risk based on a 2x2x2x2 scale
Market knowledge	H2D	Sommer (2010)	Zou and Stan (1998)	5 point Likert scale	Single question

4.3 Data Analysis Approach

The choice of methodology was driven by the analysis required, type of data and the size of the data set. A diverse set of inferential and descriptive statistical analysis methods will be undertaken in a systematic approach outlined below to analyze the survey data.

4.3.1 Post Survey Data Collection and Classification

The main survey invite was sent out electronically on January 8, 2013 with three follow-up reminders / supplemental surveys sent to non-respondents during the month of January and early February 2013. The data was downloaded from the FluidSurvey tool into Excel, cleaned up

and labeled and then imported into IBM SPSS Statistics package (v21) for analysis. The results of the survey were as follows:

- Total invitees 3117
- Number terminated (failed screening criteria) 24
- Number uncompleted 42
- Number completed 224 (~7% response rate).

Participants were classified into advanced or non-advanced internationalization mode categories using a “double validated” approach to the responses to two questions (Section C27- primary, Question A6 – secondary / validation) on which they were asked to identify their most advanced international modes. It was believed that this double validation would minimize potential issues with spurious association.

4.3.2 Data Variables

The dependent variable is the internationalization mode with the independent variables being the various attitudinal and demographic scales which were developed based on the hypotheses. The objective of the analysis will be to determine which attitudinal factors have a significant difference between the two levels of internationalization modes. The statistical software package SPSS (v21) for MS Windows was used and for all analyses the significance (alpha level) was set at 0.05.

4.3.3 Data Analysis Methods

Univariate and multivariate analysis methods were employed in a sequential manner to analyze the data. The univariate t-tests as a method to compare means was used as an initial form of exploratory research in order to analyze the factors independently prior to evaluating the more sophisticated nature of the internationalization decision-making process. Because of the potential concerns with normality of data, cross validation of the t-test results was done using its non-parametric equivalent, the Mann Whitney test. This sequential approach is consistent with a progressive exploratory research approach where simple t-tests will lead to more complex multivariate testing which take into account the more complex intercorrelation among variables (Ho, 2006; Field, 2005; Babbie, 2001).

A series of multivariate tests were conducted to evaluate the sophisticated nature of the decision-making process of the SMEs. Hotelling's T-squared was conducted to further explore the difference between advanced and non-advanced internationalization modes for each scale (with more than one item) using individual items that make up the composite score. Discriminant Analysis (DA) was the main analysis tool to determine which attitudinal variables discriminate between the two international mode groups. Discriminant analysis (DA) was conducted using all nine scales simultaneously to determine the importance of each factor in differentiating between firms in advanced and non-advanced internationalization modes. Stepwise method in discriminant analysis was utilized to allow the computer (SPSS) to decide the optimal combination of discriminating factors, the one that maximizes model quality and explanatory power. Validation of the DA model was done using a statistical technique called Jackknifing where subsamples are used to estimate the model parameters. Such a method is helpful in Discriminant Analysis to assist in interpreting DA coefficients and their importance

(Dates and King, 2008; Kier, 1997). Finally, binary logistic regression (BLR) was performed as a means of cross validating the findings of the DA models and to quantify the predictors using another technique (odds ratios in case of logistic regression). It was specifically used to determine factors explaining the internationalization mode.

4.3.4 Reliability and Validity

The research design addresses both reliability and validity concerns which have been discussed in the proceeding sections. Reliability is concerned with how the questionnaire and the data analysis methods will produce similar results in different circumstances. The structure of the questionnaire and the pre-test process ensured clarity of the questions, as well as the statistical methods employed which address reliability.

Validity is concerned with measuring what we are intending to measure. There are two broad measures of validity - external and internal. The scale validity (internal consistency) was measured using statistical procedure called Cronbach's alpha coefficient (Cronbach 1951). Other methods such as randomness and representativeness of sample (external validity) and using a pre-test or pilot study (content validity) all addressed these concerns.

4.4 Limitations and Delimitations

It is important to understand that this study focuses on and is bounded by one aspect of the internationalization mode commitment decision and a very narrow population target; which is specifically the effect of attitudes on the commitment decision, and that the survey population was manufacturing SMEs that are already in an internationalization or export mode. This focus is both a strength and a potential weakness as other factors and variables may

ultimately affect the decision to commit to an advanced internationalization mode and may potentially cause some validity concerns. Since the focus of the survey instrument is to capture attitudes and perceptions at the time of internationalization mode changes, the fact that this survey is a snap shot in time provides potential validity issues with respect to history effects. In addition, since all data are self-reported, there could be bias in that respondents answer in how they feel the researcher would like to see it (better than it is in reality). Finally, while there are always validity and reliability concerns with measuring attitudes and perceptions using quantitative surveys, an attempt to follow best practice techniques has been made; results have been reviewed carefully and cautiously to ensure that research claims do not overstretch the data.

4.5 Chapter Summary

This chapter describes research design and research methodology through which this study was carried out in the context of manufacturing SMEs in Canada. The process started in early December 2012 and was completed in February, 2013. The primary research method using an online survey involved the development of the survey questionnaire and this chapter summarizes the data collection process and data analysis approach. The survey exceeded its objective by reaching 224 respondents within the target population which is considered a viable number for statistical purposes. The data have been cleaned and exported into SPSS for data analysis which will be described in Chapter 5.

5 Data Analysis and Results

5.1. Introduction

Chapter 5 begins with a demographic analysis of the respondents to ensure that the target population is well represented. An analysis of the results of additional questions that provide further insight into the character, decision-making process and attitudes of the SME decision-makers were also undertaken. It continues with the validation of the scales for the nine hypothesis/constructs. Cronbach's alpha was used as a tool for assessing the reliability of the summated scales. A number of univariate and multivariate test methods were deployed to analyse the data with the overall objective of differentiating attitude factors between the two groups of internationalization modes; advanced and not advanced. Methods were employed to validate the models and provide alternative views. Finally, throughout the analysis, discussions of data assessment were undertaken as they became relevant. Data assessment refers to the process of inspecting data for problems that might affect legitimacy. Such factors include ensuring that the target population is well represented, that the normality of the data is considered in the analysis and that the coding of the two internationalization mode groups is done in such a way as to ensure that there are minimum potential issues with spurious association.

5.2. Demographic Analysis of Respondents

Table 5.1 below describes the demographic characteristics of the participants and how they responded to various exploratory questions. The main purpose of this analysis was to ensure that the target population was being surveyed. The results of the demographic analysis

below indicate that (1) the survey was successful in reaching the targeted participants (2) there is a good mix of types of companies and respondents and (3) their overall internationalization characteristics are very consistent with what was expected and adds external validity to the survey (i.e. we surveyed who we wanted to survey).

Table 5.1. Demographic Characteristics of Participants, n = 224

Characteristic	N (%)
Mode of internationalization	
Not advanced (direct exporting, 3 rd party distribution)	172 (76.8%)
Advanced (sales subsidiary, local production)	52 (23.2%)
Type of Company	
Primarily manufacturing	176 (78.6%)
Both manufacturing and service are significant (note: those that answered 'primarily service' were exited from survey)	48 (21.4%)
Number of employees	
51 – 100 employees	76 (33.9%)
101 – 250 employees	84 (37.5%)
251 – 500 employees	64 (28.6%)
Role in firm	
CEO / President (an owner or major shareholder)	100 (44.6%)
CEO / President (not an owner or major shareholder)	40 (17.9%)
International Management (VP or Director Level)	74 (33.0%)
Currently exporting	224 (100%)
Duration of exporting	
1-5 years	16 (7.2%)
6 or more years	206 (92.8%)
Education level	
High School or less	14 (6.3%)
Trade School or College (diploma)	28 (12.6%)
Undergraduate University	96 (43.2%)
Post Graduate University	84 (37.8%)
Home Region	
Asia/Pacific	4 (1.8%)
Canada	186 (83.0%)
Europe / Russia	28 (12.5%)
Middle East / Africa	4 (1.8%)
USA	2 (0.9%)
Lived Outside Canada	76 (34.5%)
Speak more than one language	104 (47.7%)

The overall summary that can be made from these data is as follows:

- The majority (76.8%) of SME participants are not in advanced internationalization mode while 23.3% were in the advanced mode. This is consistent with the literature review indicating most SMEs are not making the move to more advanced modes of internationalization.
- There is also an about equal spread between company sizes: 33.9% have 51-100 employees, 37.5% have 101-250 employees and the remaining 28.6% have 251-500 employees. Orser et al (2008) study for Industry Canada determined that of the SME population from 51 – 500, 46% had 51-99 employees, 30% had 100 – 199 employees and 24% had 200-499 employees. The research sample is reasonably consistent with the overall SME population in whole, with a slight bias towards the larger SMEs. Given the important implications of company size on other potential variables involved in the decision-making process that were highlighted in the literature review (i.e. resources, ...), size will be tested to determine if there is constancy of attitudinal variables across these 3 groups.
- Most respondents are CEO level (67.0%) and the rest (33.0%) are International Managers with decision-making authority indicating that the target decision-maker was reached.
- While all companies are currently exporting (required criteria), most (92.8%) have been exporting for 6 years or more which skews these data and does potentially indicate that there are not a lot of young exporters in the target population or that were reached by the survey.

- When it comes to respondents' education, the SME decision-makers are well educated relative to the general population. The majority have undergraduate (43.2%) or post-graduate (37.8%) university degree and only 6.3% have high school education or less.
- This research recognizes that it provides a very Canadian centric perspective/bias on the SME decision-makers. Most respondents (83.0%) have Canada as their home region, with Europe/Russia being the second most frequent option (12.5%).
- About a third (34.5%) of managers had lived outside Canada at one point which indicates that cultural awareness / knowledge and experience are certainly factors in the internationalization decision-making process.
- With half (47.7%) of the SME respondents speaking more than one language, which is well above the Canadian average (17.5%: Statistics Canada, 2013), this indicates a more internationally sophisticated participant.

Table 5.2 below provides a profile of the typical SME internationalization pattern among those that were surveyed. The results are consistent with the literature review on where Canadian SME exporting success and mode are occurring. The data below indicate that the SME respondents are very consistent with the current internationalization profile of the typical Canadian SME and indicate that the survey was successful in reaching a representative and well balanced population.

Table 5.2. Internationalization Characteristics of the SMEs

Region of export Top countries	N (%)	% of their exports M (SD)	Success score (1-5) M (SD)	Market method	N (%)
United States	218 (97.3%)	57.66 (29.06)	3.48 (1.00)	Exporting directly	162 (76.4%)
				Export via 3rd party	18 (8.5%)
				Overseas sales sub	16 (7.5%)
				Overseas prod'n	12 (5.7%)
				Other	4 (1.9%)
Latin America (Mexico, Brazil, Chile)	118 (52.7%)	17.93 (19.70)	2.95 (1.25)	Exporting directly	74 (62.7%)
				Export via 3rd party	36 (30.5%)
				Overseas sales sub	6 (5.1%)
				Overseas prod'n	2 (1.7%)
Europe/Russia (Germany, France, Netherland)	138 (61.6%)	20.13 (18.07)	3.11 (0.98)	Exporting directly	72 (54.5%)
				Export via 3rd party	20 (15.2%)
				Overseas sales sub	26 (19.7%)
				Overseas prod'n	14 (10.6%)
Middle East/Africa (UAE, Saudi Arabia, Turkey)	96 (42.9%)	11.63 (10.19)	2.77 (1.00)	Exporting directly	52 (57.8%)
				Export via 3rd party	28 (31.1%)
				Overseas sales sub	8 (8.9%)
		Other	2 (2.2%)		
Asia/Pacific (Australia, China, Japan)	128 (57.1%)	15.37 (12.14)	3.02 (1.10)	Exporting directly	60 (49.2%)
				Export via 3rd party	34 (27.9%)
				Overseas sales sub	12 (9.8%)
				Overseas prod'n	16 (13.1%)

The overall summary that can be made from this data is as follows.

- The most frequent exporting region is United States; it was mentioned by 97.3% of respondents. This is very consistent with current research as highlighted in the literature review and confirmed with government of Canada statistics (Orser, 2008) which shows that 81% of all Canadian SMEs export to the U.S.
- The second most frequent response was Europe/Russia (61.6%) with Germany, France and Netherland as top destination countries. This may likely reflect the cultural makeup of Canadian SMEs as Europe represents the largest source of original immigrants to Canada.

- The third most popular region (57.1%) is Asia/Pacific with Australia, China and Japan being the main countries. This again may likely reflect the cultural makeup of Canadian SMEs as Asia represents the largest source of new immigrants in Canada (Statistics Canada, 2013).
- The perceived success in each region score follows the same ranking as the exporting regions (3.48 for US, 3.11 for Europe/Russia, and 3.02 for Asia/Pacific).
- Highest percent of export goes into US (57.66%), followed by Europe/Russia (20.13%) and then Latin America (17.93%).
- Direct exporting is the dominating market method in every region (49.2% - 76.4% of respondents have chosen it) which is consistent with the Literature Review profile of a typical low risk Canadian SME exporter.
- It is interesting to see that higher commitment modes are slightly more represented in more geographically distant markets. This is fact is slightly at odds with the Uppsala Internationalization model and the concept of psychic distance, discussed earlier. Very likely there are other non-attitudinal factors involved in accessing remote markets, such as significant logistic and tariff/non-tariff barriers that may necessitate higher modes of commitment.

The following table (Table 5.3) is in response to question 25 and 26 which ask respondents to rate their perception of the effectiveness of the major government programs which are in place to encourage export behavior. The purpose of the question was to explore the perceived effectiveness of Canadian government public policy programs designed to help

businesses in the internationalization process and to tie these results into the overall analysis to allow recommendations be made that match programs with what is important in the SME's decision-making process. This table will be used specifically used as part of the public policy contribution section on how to increase the number of SMEs advancing to more advanced modes of internationalization.

Table 5.3. Effectiveness of assistance programs run by Canadian Government related to internationalization process

Program area/type	M (SD) on a scale 1-5	N (%) who find program helpful or very helpful
Export related training	2.55 (1.13)	34 (23.3%)
Sharing experience of other successful exporters	2.88 (1.02)	40 (26.7%)
In country introductions and arranging meetings	2.84 (1.37)	54 (33.3%)
Trade missions	2.62 (1.19)	36 (23.7%)
Country research / market research	2.91 (1.17)	56 (32.6%)
Financial assistance programs	3.19 (1.41)	96 (50.0%)
Overall experience with Canadian Govt. assistance	2.81 (1.09)	50 (26.6%)

The overall summary that can be made from this data is as follows:

- None of the main government programs is perceived to be that effective with an overall mean score of 2.81 (of 5.00).
- Financial assistance programs are the most effective (M = 3.19, 50% of companies rated it as helpful or very helpful) but only marginally so
- Export related training and trade missions are rated as least effective.
- Some services are delivered within Canada and others at the target market level. For example, the foreign introductions are handled through embassies while financial

assistance handled in Canada. Location of service does not appear to affect correlation with greater satisfaction.

- There is an overlap between some programs such as trade missions and In-country introductions
- Programs that are closer to the finish line appear to be slightly more highly valued, indicating a very tactical sales mentality. This behavior is consistent with the typical profile of an SME entrepreneur.
- None of these programs, except sharing experience of other exporters, particularly address attitudes or the factors that may influence attitudes indicating that there is a potential mismatch between programs and requirements.

Table 5.4 below is an analysis based on question 28 which is a supplemental question supporting the market knowledge construct (Hypothesis H2D) which is a single question scale. The intent of the question is to explore the primary methods in which SME decision-makers research their market knowledge prior to entry.

Table 5.4. Type of market research used to build market knowledge prior to entry into new market

Type of market research	N (%)
Formal third party market research	12 (5.5%)
Formal in-house market research	42 (19.1%)
Combination in-house and a third party research	2 (0.9%)
Informal research through discussions with your network	100 (45.5%)
None	60 (27.3%)
Other	4 (1.8%)

The overall summary that can be made from this data is as follows:

- In most cases (almost 75%), only informal research through discussions within personal network has been performed or no marketing research at all. This behavior is consistent with the strong central ownership function and general “seat of the pants” operating behavior of an SME.
- Only about 25% of the companies explored new opportunity using formal (in-house or third party) research.
- The data clearly indicate and support that other sources of information or influence are affecting the decision-making process. SME decision-makers are not going through a systematic approach to internationalization. Other influencers (attitudes being potentially one) are clearly contributing to the process of internationalization mode decisions-making; or market knowledge is not an important influencer in the decision-making process.

Table 5.5 is a supplemental question (No. 30) which is supporting the Perceived Benefits construct (Hypothesis H2B) which is a 2 question summated scale. The purpose of this question is to understand the primary motivation for market entry and what benefits are the most valued by SME decision-makers.

Table 5.5. Ranking of benefits when entering foreign market

Benefits	M ¹ (SD)	N (%) ranked as #1
Increased sales	1.57 (.98)	136 (64.8%)
Profitability	2.35 (.98)	38 (18.8%)
Access to new markets	2.88 (1.04)	20 (10.0%)
Lower manufacturing costs	3.89 (1.12)	6 (3.9%)
Quicker customer response times	4.02 (1.00)	4 (2.5%)

¹ Lower mean value indicate higher importance/rank of the benefit

The overall summary that can be made from this data is as follows:

- Increased sales are by far the highest ranked perceived benefit of entering another market. This result indicates that the construct 'Perceived Benefits' is focussed around the increased sales that a higher mode of internationalization will bring.
- This result is consistent with other data showing a tactical sales mentality prevalent in SME decision-makers.

5.3. Scale Validation

The various constructs hypothesized to influence attitudes were initially operationalized based on adapting scales primarily from Sommer (2010), Williams et al. (2008), Ruzzier et al. (2007), Morgan and Hunt (1994) and Calof (1994). Since all scales required some modification to fit the specific nature of the research problem and context, it was expected these scales should be validated in their final use (Ruzzier et al, 2007). Cronbach's alpha was used as the tool for assessing the reliability of summated scales. An approximate value of alpha 0.6 or greater is considered acceptable (Maller, 2003) and was the target level in which all scales were evaluated against.

The various questions in the survey were summed to form single scales around each of the nine hypotheses/constructs and are shown in Table 5.6. Most questions in the survey use a 5-point Likert scale, with one (1) being the smallest value and five (5) being the highest. Several questions that were originally designed with a non-Likert scale were re-coded to follow the Likert scale (so they can be easily combined with other questions) which is an accepted method (Dawes, 2012). The following re-coding has been performed per methods described in SPSS web based manual (SPSS, 2013).

- Yes/No questions were re-coded to have 1=No and 5=Yes
- Home Region was re-coded to have 1=Canada and 5=Outside Canada
- Knowledge of Culture was re-coded to have 1=Low, 3=Medium, 5=High
- Years of International Experience was re-coded to have 1=less than 2 years, 2=2 to 5 years, 4=6 to 10 years, 5=more than 10 years

Table 5.6. Cronbach Alpha of Summated Scales (Initial)

Hypothesis/Scale	Number Of Questions	Question Number(s)	Cronbach's Alpha
H1A: Education	1	7	-
H1B: International experience	4	12, 18, 19, 31	.54
H1C: International commitment	4	13, 14, 15, 16	.88
H1D: Culture	4	8, 9, 10, 11	.57
H1E: Risk propensity	3	22, 23, 24	.65
H2A: Risk perception	4	21, 37, 38, 39	.62
H2B: Level of perceived benefits	2+1	17, 29	.58
H2C: Likelihood of success	3	35, 36, 41	.78
H2D: Market knowledge	1+1	40	-

Overall summary that can be made from this data is as follows:

- Education scale

There is only one item (question #7) related to education level. It has four levels: 1=high school or less, 2=trade school or college, 4=undergraduate university, 5=post graduate university. The education scale was created using this one question.

- International experience

Includes 4 questions into this scale, #12 (years of international experience), #31 (country experience), #18 (experience competing), #19 (experience partners). The Cronbach's Alpha for the scale with 3 items was .54 and is marginally acceptable. There was no further improvement in internal consistency possible in this scale by eliminating questions. A sensitivity analysis will be performed on this scale to explore opportunities for improvement. Individual components will be explored further in Hotelling T-square.

- International commitment

There are four items originally suggested for this scale: #13 (% Time international focus), #14 (Importance current), #15 (Importance future), #16 (Personal commitment). The Cronbach's Alpha for this scale is .88 and removing any of the items does not improve internal consistency.

- Knowledge of culture

Includes 4 questions into this scale: #8 (home region), #9 (lived outside Canada), #10 (speak languages), #11 (knowledge of culture). The scale has Alpha of .57 and is marginally acceptable. There is no further improvement in internal consistency possible in this scale by eliminating questions. A sensitivity analysis will be performed on this

scale to explore opportunities for improvement. Individual components will be explored further in Hotelling T-square.

- Risk propensity

There are three items for this scale: #22 (Risk willingness), #23 (Financial risk), #24 (Personal risk). The Cronbach's Alpha for this scale is .65 and removing any of the items does not improve internal consistency.

- Risk perception

There are four items for this scale: #21 (Risk perception), #37 (Current risk), #38 (Risk of increase commitment), #39 (Network confidence). The Cronbach's Alpha for this scale is .62 and removing any of the items does not improve internal consistency.

- Level of perceived benefits

There are two items suggested for this scale: #17 (Perception opportunity), #29 (Perception Market Attractiveness), plus a supplemental categorical question (30 – identification of benefits to internationalization). The Cronbach's Alpha for this scale is .59. It's considered minimally acceptable. There is no further improvement in internal consistency possible in this scale by eliminating a question. A sensitivity analysis will be performed on this scale to explore opportunities for improvement. Individual components will be explored further in Hotelling T-square.

- Likelihood of success

There are three items suggested for this scale: #35 (Likelihood of success), #36 (Confident capabilities), #41 (Capability to compete). The Cronbach's Alpha for this scale is .78 and removing any of the items does not improve internal consistency.

- Market knowledge

The market knowledge scale was developed to include only one item - question #40 plus a supplemental categorical question (28 – research methods to gain market knowledge)

Overall, while the scales appear valid and are an acceptable tool to measure the constructs, a sensitivity analysis was conducted to explore methods to improve the Cronbach's alpha scores among the three lowest scales (International experience, Knowledge of culture, and Perceived benefits).

Three scales (International experience, Knowledge of culture, Level of perceived benefits) have reliability below .60 and sensitivity analysis / recoding exercise was conducted to explore ways to increase scale consistency.

International Experience Scale

Four items are included in this scale which will be recoded as shown in Table 5.7: #12 (years of international experience), #31 (country experience), #18 (experience competing) and #19 (experience partners). Original alpha = 0.54

Table 5.7. Sensitivity Analysis – International Experience

Sensitivity analysis options	Cronbach's alpha
Years of international experience (item #12) was re-coded to use the following approach: 2=less than 2 years, 3=2 to 5 years, 4=6 to 10 years, 5=more than 10 years.	.54
Items #18, #19 and #31 use 5-point Likert scale. Items were re-coded to use 3-point Likert scale (1 = very low or low, 2 = neutral, 3 = very high or high).	.50
All four items are re-coded as per above	.50

It can be concluded based on table 5.7 that re-coding individual items does not improve scale reliability and internal consistency.

Knowledge of Culture Scale

Four questions are part of this scale which will be recoded as shown in Table 5.7: #8 (Home region), #9 (Lived outside Canada), #10 (Speak languages), #11 (Knowledge of culture).

Original alpha = 0.57

Table 5.8. Sensitivity Analysis – Knowledge of Culture

Sensitivity analysis options	Cronbach's alpha
Item #8 (home region) was re-coded to use 1 = Canada, 4 = Outside Canada Item #9 (lived outside Canada) was re-coded to use 1 = No, 4 = Yes Item #10 (speak more than one language) was re-coded to use 1 = No, 4 = Yes	.58
Item #8 (home region) was re-coded to use 2 = Canada, 5 = Outside Canada Item #9 (lived outside Canada) was re-coded to use 2 = No, 5 = Yes Item #10 (speak more than one language) was re-coded to use 2 = No, 5 = Yes	.58
Item #8 (home region) was re-coded to use 2 = Canada, 4 = Outside Canada Item #9 (lived outside Canada) was re-coded to use 2 = No, 4 = Yes Item #10 (speak more than one language) was re-coded to use 2 = No, 4 = Yes	.58
Item #11 (knowledge of culture) was re-coded to use 2 = Low, 3 = Med., 5 = High	.52
All four items are re-coded as per above	.54

It can be concluded based on table 5.8 that re-coding individual items does not significantly improve scale reliability and internal consistency.

Level of Perceived Benefits Scale

This scale includes two based scale questions which will be recoded as shown in Table 5.7: #17 (Perception opportunity), #29 (Perception market attractiveness). Original alpha = 0.58

Table 5.9. Sensitivity Analysis – Level of Perceived Benefits

Sensitivity analysis options	Cronbach's alpha
Items #17 and #29 use 5-point Likert scale. Items were re-coded to use 3-point Likert scale (1 = very low or low, 2 = neutral, 3 = very high or high).	.65

It can be concluded based on table 5.9 that re-coding individual items only improves scale reliability marginally and a three point recoded scale does raise some concern about accuracy and reliability (Johns, 2010).

Overall, the scales developed meet the criteria in which to be considered an acceptable tool to measure the constructs. Cross validation of the scales was obtained by using both historical validated scales that had been adapted to the current research problem and context and using a statistical approach, Cronbach alpha, along with a sensitivity analysis to assess the reliability of these scales.

5.4. Data Analysis

5.4.1. Introduction

Chapter 5 will use an exploratory stepwise approach to methodically analyse the respondent's data using various test methods. In each case, the results will be shown via table for each test method, then a discussion on why the test method was used, assumptions, validity of the test and any conclusions that can be drawn from the methodology. Five univariate and multivariate test methods were used as part of this progressive analysis and for cross validation purposes.

- The univariate T-Test was selected to compare the scores (means) for each scale between advanced and non-advanced internationalization modes
- The univariate Mann Whitney is a non-parametric test selected to validate the results of the T-Test since the data will be shown to have normality issues.
- The multivariate Hotelling T-Squared test was selected to explore differences between advanced and non-advanced internationalization modes for each scale
- The multivariate Discriminant Analysis (DA) was selected to determine the importance of each attitudinal factor in differentiating between firms in advanced and non-advanced internationalization modes. This test is particularly sensitive to data where normality and equality of covariance of matrices has been violated.
- The multivariate Binary Logistic Regression was selected to validate the DA results since it has less stringent assumptions for normality issues and also allowed quantification of predictors and variance of model.

In addition, validity in the analysis was addressed by the following:

- Cross correlating test methods (i.e. getting the same or similar results)
- Using stepwise methods to focus the models
- Using jackknifing to address the confidence of the models.

5.4.2. Univariate Modelling

The purpose of the univariate analysis is to compare the scores for each scale between the two groups of SMEs; those in advanced and non-advanced internationalization modes. The univariate tests were used as an initial a form of exploratory research in order analyze the factors independently prior to evaluating the more sophisticated nature of the internationalization decision-making process. This is consistent with a progressive exploratory research approach where simple T-Tests will lead to more complex multivariate testing which take into account the more complex intercorrelation among variables (Ho, 2006; Field, 2005; Babbie, 2001).

The univariate tests used in this study are the independent sample T-Test (two tailed) and the Mann-Whitney test. Table 5.10 includes the number of items in each scale (which have been previously tested for reliability using Cronbach Alpha), the statistical means for each group (advanced and non-advanced internationalization mode), test for normality, independent sample t-test and its non-parametric equivalent (Mann-Whitney test).

The independent sample T-Test is a 'robust' parametric test and has two key assumptions: normality of the scores and equality of variances. Normality assumption was

tested using Kolmogorov-Smirnov test and it shows that none of the scales follow normal distribution (all p-values < .05). The normality histograms are shown in Appendix 4. The Mann-Whitney test is a non-parametric equivalent of independent sample T-Test, but has does not require normality of data. This test was used to validate results of the more commonly used and powerful two tailed T-Test.

Table 5.10. Comparison between advanced and non-advanced modes using parametric and non-parametric tests

Hypothesis/Scale	Mode of Internationalization		Normality test ¹	T-Test	Mann-Whitney test
	Not Advanced <i>n</i> =170, <i>M</i> (<i>SD</i>)	Advanced <i>n</i> =52, <i>M</i> (<i>SD</i>)			
H1A: Education	3.91 (1.21)	4.04 (1.20)	<i>p</i> < .001	<i>t</i> (220) = -.69, <i>p</i> = .49	<i>p</i> = .41
H1B: International experience	3.48 (.67)	3.67 (.49)	<i>p</i> < .001	<i>t</i> (222) = -1.94, <i>p</i> = .05	<i>p</i> = .03
H1C: International commitment	3.86 (.97)	4.41 (.48)	<i>p</i> < .001	<i>t</i> (174) = -5.54, <i>p</i> < .001²	<i>p</i> < .001
H1D: Knowledge of culture	2.44 (1.08)	3.08 (1.19)	<i>p</i> < .001	<i>t</i> (222) = -3.62, <i>p</i> < .001	<i>p</i> < .001
H1E: Risk propensity	3.26 (.64)	3.27 (.81)	<i>p</i> < .01	<i>t</i> (220) = -.10, <i>p</i> = .92	<i>p</i> = 1.00
H2A: Risk perception	3.35 (.59)	3.41 (.67)	<i>p</i> = .02	<i>t</i> (222) = -.64, <i>p</i> = .52	<i>p</i> = .71
H2B: Level of perceived benefits	3.98 (.78)	4.46 (.46)	<i>p</i> < .001	<i>t</i> (144) = -5.48, <i>p</i> < .001³	<i>p</i> < .001
H2C: Likelihood of success	3.70 (.71)	3.85 (.60)	<i>p</i> < .001	<i>t</i> (220) = -1.36, <i>p</i> = .17	<i>p</i> = .22
H2D: Market knowledge	3.35 (.97)	3.27 (.95)	<i>p</i> < .001	<i>t</i> (216) = -.52, <i>p</i> = .60	<i>p</i> = .63

¹ Normality tests are statistically significant, indicating that data does not follow normal distribution. Normality distribution histograms are shown in Appendix 4. This makes the T-Test, although a fairly 'robust' parametric test, less robust than Mann-Whitney, which can be considered also more reliable in this scenario and is being used to validate the t-test results

² Variances of SD were not equal and the requirement for an assumption of equal variances has been violated; therefore SPSS defaults to an adjusted or Welch T-Test

³ Variances of SD were not equal and the requirement for an assumption of equal variances has been violated; therefore SPSS defaults to an adjusted or Welch T-Test

The overall summary that can be made both (parametric and non-parametric) univariate tests show similar results described below:

- Four hypothesis (International experience, International commitment, Knowledge of culture, Perceived benefits) which are highlighted in bold in table 5.10 show statistically significant results in both T-Test and Mann Whitney and support their hypothesis.
- Advanced firms have higher International experience score than non-advanced (based on Mann-Whitney test $p = .03$ and at the border of significance $p = .05$ in t-test).
- Advanced firms have higher International commitment score than non-advanced (based on both tests)
- Advanced firms have higher Knowledge of culture score than non-advanced (based on both tests)
- Advanced firms have higher level of Perceived benefits score than non-advanced (based on both tests)
- Market knowledge, while overall not statistically significant, shows a mean for advanced firms lower than non-advanced firms (3.35 vs. 3.27), which is not what would be intuitively expected and not consistent with all other constructs. Although the results were not statistically significant, possible explanations included confusion over the question (single scale – seems clear), surveyor fatigue (last question) may have resulted in inconsistent answers, confusion over the definition or what constitutes higher market knowledge or less advanced firms are more careful and do more research whereas more advanced firms rely more on other intuitive factors (consistent with Literature Review and Table 5.4).

5.4.3. Multivariate Modelling

5.4.3.1 Hotelling T-Squared

Hotelling T-Squared was conducted to further explore the difference between advanced and non-advanced internationalization modes for each scale (with more than one item) using individual items that make up the composite score. The results are shown in table 5.11. Ideally this test would provide details about which individual question have differences in answers between two groups. This test however has two important assumptions in order for it to be a statistically relevant tool (Field, 2005; NCSS.com, 2013): normality of the data and equality of covariance matrices (which is important for non-balanced design). Normality assumption is violated as shown in Table 5.10 where $p < 0.05$. Equality of covariance matrices (all items in a scale equally correlated) was tested using Box's M test and this assumption is also violated as indicated by significant results (in bold) in table 5.10. If $p < 0.05$ the probability the null hypothesis is true (i.e. less than 0.05 is bad).

However, Field (2005) argues that all MANOVA type tests, of which Hotelling is one, are relatively robust to violations of multivariate normality and that equality of covariate matrices is more important. Multivariate normality was tested by testing the normality of composite score. It was done for T-Test/Mann-Whitney test and reported in table 5.10. Hence, the normality assumption is violated for all MANOVA tests. So while not the strongest statistical test for this data set, Hotelling T-Squared does confirm three of the four constructs identified with the univariate and hence adds value as a validation tool.

Table 5.11. Multivariate comparison between advanced and non-advanced modes

Hypothesis/Scale/Item	Box's M test for equality of covariance matrices	Hotelling T-squared test (overall scale or item)
H1B: International experience	p = .005	<i>F</i> (4,195) = 1.00, <i>p</i> = .41
12. Years of international experience		<i>F</i> (1,198) = 1.14, <i>p</i> = .29
31. Country experience		<i>F</i> (1,198) = 2.32, <i>p</i> = .13
18. Experience competing		<i>F</i> (1,198) = .62, <i>p</i> = .43
19. Experience partners		<i>F</i> (1,198) = 2.02, <i>p</i> = .16
H1C: International commitment	p < .001	<i>F</i> (4,217) = 5.38, <i>p</i> < .001
13. % Time int'l focus		<i>F</i> (1,220) = 16.65, <i>p</i> < .001
14. Importance current		<i>F</i> (1,220) = 8.97, <i>p</i> = .003
15. Importance future		<i>F</i> (1,220) = 13.16, <i>p</i> < .001
16. Personal commitment		<i>F</i> (1,220) = 8.81, <i>p</i> = .003
H1D: Knowledge of culture	<i>p</i> = .209	<i>F</i> (4,209) = 10.56, <i>p</i> < .001
8. Home region		<i>F</i> (1,212) = .03, <i>p</i> = .86
9. Lived outside Canada		<i>F</i> (1,212) = 15.53, <i>p</i> < .001
10. Speak more than 1 language		<i>F</i> (1,212) = 6.32, <i>p</i> = .01
11. Knowledge of culture		<i>F</i> (1,212) = 23.94, <i>p</i> < .001
H1E: Risk propensity	p = .023	<i>F</i> (3,214) = .79, <i>p</i> = .50
22. Risk willingness		<i>F</i> (1,216) = .98, <i>p</i> = .32
23. Financial risk		<i>F</i> (1,216) = .00, <i>p</i> = .96
24. Personal risk		<i>F</i> (1,216) = .60, <i>p</i> = .44
H2A: Risk perception	p = .027	<i>F</i> (4,191) = 3.43, <i>p</i> = .01
21. Overall risk perception		<i>F</i> (1,194) = 5.76, <i>p</i> = .02
37. Current risk		<i>F</i> (1,194) = .11, <i>p</i> = .75
38. Risk of increase commit		<i>F</i> (1,194) = .42, <i>p</i> = .52
39. Network confidence risk		<i>F</i> (1,194) = 2.90, <i>p</i> = .09
H2B: Level of perceived benefits	p < .001	<i>F</i> (2,219) = 8.20, <i>p</i> < .001
17. Perception opportunity		<i>F</i> (1,220) = 14.03, <i>p</i> < .001
29. Perception market attractiveness		<i>F</i> (1,220) = 8.23, <i>p</i> < .01
H2C: Likelihood of success	p < .001	<i>F</i> (3,214) = 1.67, <i>p</i> = .17
35. Likelihood of success		<i>F</i> (1,216) = .56, <i>p</i> = .46
36. Confident capabilities to succeed		<i>F</i> (1,216) = .17, <i>p</i> = .69
41. Capability to compete successfully		<i>F</i> (1,216) = 4.41, <i>p</i> = .04

The overall summary that can be made from this data is as follows:

- Similar results can be extrapolated to the univariate tests with the composite score
- There is statistically significant difference between the groups in International Commitment, Culture, and Level of Perceived Benefits. Hence, these three constructs can support their hypothesis. However, International Experience ($p = .41$), is no longer supported. This can be possibly attributed to (1) scale being non-normal and (2) violation of equal covariance matrices assumption.
- With culture overall (as a composite scale) having significant difference between the two modes, we can observe that home region is not statistically significant. This means that home region is not a significant differentiator between advanced and non-advanced modes of internationalization, although the Cronbach analysis confirmed that the scale score could not be improved by removing it.
- Q21 (risk perception) shows to be statistically significant. It also triggers the overall composite scale (risk perception) to be statistically significant which is likely an anomaly. This can possibly be attributed to (1) scale being non-normal and (2) violation of equal covariance matrices assumption.
- Q41 (capability to compete) is indicated to have a marginally statistically significant difference ($p = .04$), however it's not enough to trigger the whole likelihood of success scale to be statistically significant.

5.4.3.2 Discriminant Analysis

The multivariate Discriminant Analysis (DA) was selected as the main analysis tool to determine the importance of each attitudinal factor using all nine scales simultaneously in differentiating between firms in advanced and non-advanced internationalization modes. Table 5.12 shows the results of this analysis. DA is a true multivariate technique, taking into account inter-correlations amongst independent variables; univariate t-tests will miss this level of complexity (Ho, 2006; Field, 2005; Babbie, 2001). The specific difference between DA and the univariate tests is that all the variables are analyzed at the same time which reflects the sophistication of the internationalization decision-making process; variables will 'compete' with each other and hence you would expect relative differences than analyzing them one at a time.

DA requires normality, equality of covariance matrices and ideally, each group must be well defined, clearly differentiated from any other group although this is not always easy with attitude scales (Field, 2005); and hence these assumptions were tested. Normality test (Table 5.10) and Box's M test ($p < .001$) conducted earlier (Table 5.11) indicated that the assumption of equality of covariance matrices were violated and that results of the DA need to be interpreted with this in mind. However, given the large sample, these violations are mitigated somewhat and there are still useful conclusions that can arise from the analysis of the results.

Discriminant analysis output includes two numbers for each variable: standardized coefficient and structure matrix correlation coefficient. Standardized coefficient provides the predictive power of the variable when controlling for other variables, it's a unique variable contribution into the discriminant function score (similar to regression model coefficient). Larger absolute value is associated with higher importance. Typically discriminant function

coefficient values exceeding ± 0.3 are considered substantive for interpretation purposes (Field, 2005). Structure matrix correlation coefficient shows predictive power of the variable by itself without controlling for other variables; it's essentially a correlation between model variable and the discriminant function. With discriminant analysis we are primarily interested in how all factors combined able to discriminate between advanced and non-advanced groups of internationalization. Therefore, the focus is on the discriminant function coefficients when interpreting the results below.

Table 5.12. Discriminant analysis for all nine hypothesis

Standardized Discriminant Function Coefficients (<i>b</i>), Structure Matrix correlations (<i>r</i>)	
	$\chi^2 (9) = 34.35, p < .001$
	<i>Wilk's Lambda</i> = .85
Discriminating Variables	
Education level	<i>b</i> = .07, <i>r</i> = .09
International experience	<i>b</i> = .07, <i>r</i> = .29
International commitment	<i>b</i> = .26, <i>r</i> = .66
Knowledge of culture	<i>b</i> = .54, <i>r</i> = .60
Risk propensity	<i>b</i> = -.02, <i>r</i> = .001
Risk perception	<i>b</i> = -.20, <i>r</i> = .10
Level of perceived benefits	<i>b</i> = .60, <i>r</i> = .69
Likelihood of success	<i>b</i> = .21, <i>r</i> = .24
Market knowledge	<i>b</i> = -.53, <i>r</i> = -.06

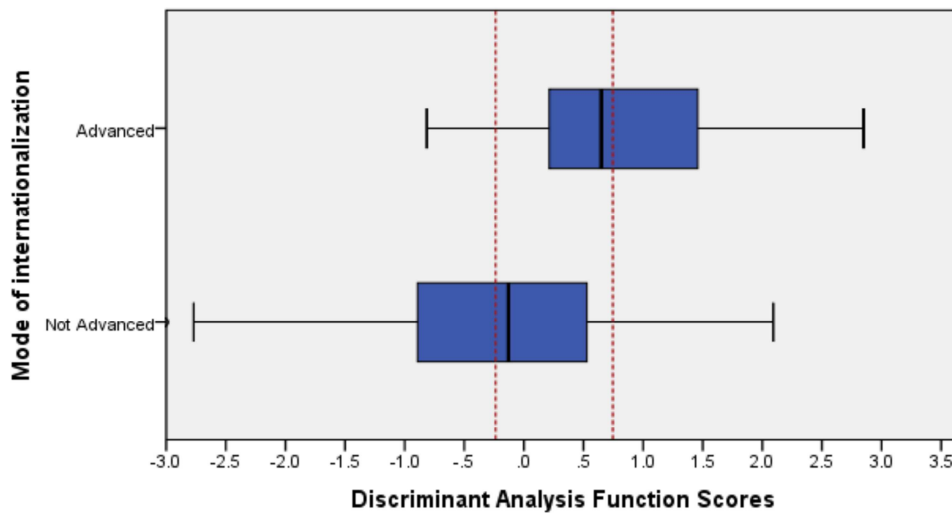
Although the DA is statistically significant ($\chi^2 (9) = 34.35, p < .001$), it has resulted in somewhat low fit (*Wilk's Lambda* = .85) indicating that only 15% of the total variance is being explained by the model. While this indicates that attitude is a factor in the difference between the two groups (advanced, non-advanced), there are clearly other factors as well which is expected based on the Literature Review.

A reasonable conclusion to this data would be that based on high values of standardized coefficients, the three variables (Knowledge of culture, Perceived benefits and Market knowledge) are the strongest differentiating predictors and that international commitment can also be considered a medium predictor. Knowledge of culture, level of perceived benefit and level of commitment have higher positive values which are associated with advanced modes and are consistent with univariate analysis conducted earlier. However, market knowledge has unexpected negative effect which is inconsistent with prior statistical tests that showed market knowledge as statistically insignificant. Such results could be due to violation of important model assumptions (normality and equality of covariance matrices) and hence this predictor is discounted.

In order to further validate the model, a cross validated classification (option contained within SPSS) was conducted which shows that overall, 80.6% of cases were correctly classified. An approach to obtaining robust estimates for the DA model is to use the “leave-one-out” method in SPSS to obtain the robust estimates for DA model accuracy. With this approach each case is deleted in turn from the training sample and is classified using the classification rule established on the remaining observations. With leave-one-out cross-validated classification, 79.6% of the proportion of cases was correctly classified. While the model improves classification by less than 5% and is considered weak, there is some predictive improvement. With the survey sample (n=224) there are 172 (76.8%) companies using the not advanced mode of internationalization. Hence the $79.6\% - 76.8\% = 2.8\%$ provides a slight improvement in predictability. However, with the confidence interval of the data set at $76.8\% \pm 5.5\%$ it is a borderline significant improvement.

Chart 5.1 below illustrates a box plot of the DA model fit by showing how discriminant function scores are distributed across two groups; firms in advanced and non-advanced internationalization modes. It also depicts the group centroids associated with non-advanced (-0.237) and advanced (0.746) modes (shown as vertical lines). This plot shows that the quality of the DA model is tending weak as it indicates some overlap in the groups.

Chart 5.1. Box plots illustrating the distribution of discriminant scores



Alternative DA techniques, such as stepwise discriminate analysis were used to further refine the analysis and to find the best set of predictors. This technique is often used in an exploratory situation to identify those variables from among a larger number (Field, 2005). In stepwise DA, the most correlated independent is entered first by the stepwise program, and then the second until an additional dependent adds no significant amount to the canonical R squared. The results of this technique are shown in table 5.13.

Table 5.13. Discriminant Analysis using stepwise method

Standardized Discriminant Function Coefficients (<i>b</i>), Structure Matrix correlations (<i>r</i>)	
Discriminating Variables	$\chi^2 (3) = 31.85, p < .001$ <i>Wilk's lambda</i> = .86
Knowledge of culture	<i>b</i> = .60, <i>r</i> = .63
Level of perceived benefits	<i>b</i> = .82, <i>r</i> = .73
Market knowledge	<i>b</i> = -.47, <i>r</i> = -.07

The overall summary that can be made from this data is as follows:

- The model obtained using stepwise method is statistically significant ($p < .001$), and explains about 14% of the total variance (*Wilk's Lambda* = .86), which is essentially the same as the original model.
- This analysis also yielded similar results to the original model. Model shows that knowledge of culture, level of perceived benefits and market knowledge are important differentiators of internationalization mode.
- Cross validated classification and "leave-one-out" classification show that 78.9% of cases are correctly classified.
- The assumption of equality of covariate matrices is violated in the model (Box M p-value $< .001$) as in the original model bringing some doubt to the results which will need to be cross validated with other test methods.

An additional technique to validate the DA is the use of Jackknifing as a means of cross validation (Miller, 1974). Jackknifing is a statistical technique when subsamples are used to estimate the model parameters. Such method is helpful in Discriminant Analysis to assist in interpreting DA coefficients and their importance (Dates and King, 2008; Kier, 1997).

Discriminant analysis does not provide standard error or p-values for coefficients; therefore, you can only rely on the coefficient absolute value (and some rules-of-thumb) when interpreting it. Hence, the main purpose of Jackknifing for DA was to get p-values (as DA by itself does not have any significance testing). The most recognized approach of jackknife sampling is called “delete-one observation” which implies that n samples are drawn with size of n-1 (in each subsample one case is being deleted). In this analysis, a “delete-8” technique was used to obtain 28 samples (of size 224-8 = 216) and 28 DA models with coefficient estimates. The following results were obtained in table 5.14.

Table 5.14. Jackknife estimates of standardized discriminant function coefficients for all firms

Discriminating variables	Mean, SD	95% confidence interval	t-test for $H_0: \beta=0$, p-value
Education level	.07, .04	.0508	t (27) = 8.80, p < .001
International experience	.07, .04	.0508	t (27) = 9.79, p < .001
International commitment	.26, .04	.2527	t (27) = 38.19, p < .001
Knowledge of culture	.54, .03	.5355	t (27) = 103.85, p < .001
Risk propensity	-.02, .04	-.03 ... -.01	t (27) = -2.81, p = .01
Risk perception	-.20, .04	-.22 ... -.19	t (27) = -28.46, p < .001
Level of perceived benefits	.60, .03	.5961	t (27) = 106.50, p < .001
Likelihood of gain / success	.21, .05	.1923	t (27) = 20.97, p < .001
Market knowledge	-.53, .05	-.55 ... -.51	t (27) = -55.91, p < .001

The overall summary that can be made from this data is as follows:

- All DA coefficients are statistically significant and are different from zero. This means that all nine discriminating variables can be considered substantive predictors for internationalization mode and that the model is a good predictor.

- The Level of Perceived Benefits and Culture have the highest impact which is consistent with the earlier DA analysis. Similar comments for International commitment and the negative effect of Market knowledge.

Additionally, given the potential importance of company size in the classification of cases, an analysis was conducted on the three types of firms (small, medium and larger as defined by the number of employees) to determine if the size of the company affected the distribution. Discriminant analysis for small and medium size firms revealed no statistically significant models ($p = .06$ and $p = .08$ respectively) and marginally significant for large ($p=.01$). Hence, given the lack of statistical results obtained, no conclusions can be formulated on the differences between firms of these sizes in terms of their discriminant analysis results. This may be an interesting area to explore in the future, however it was not part of the research question or hypothesis and likely, the sample of the various company sizes was not large enough to explore this effectively. More samples and possible restructuring of the questionnaire would be required.

Overall, a reasonable conclusion to the DA would be that based on high positive values of standardized coefficients, the two variables knowledge of culture and perceived benefits are the strongest differentiating predictors and that international commitment can also be considered a medium predictor. Hence, these three variables would support their hypothesis based on both univariate and multivariate results.

5.4.3.3 Binary Logistic Regression

Binary logistic regression (BLR) was also performed to determine the factors explaining the internationalization mode. The purpose of using this method was mainly to validate the findings of the DA model and to quantify the predictors using another technique (odds ratios in case of logistic regression). This statistical technique is similar to discriminant analysis in that it looks at all factors simultaneously, but does not have as stringent assumptions of normality and equal covariance matrices (Field, 2005). Binary logistic regression is considered more robust than DA when these assumptions are violated, which is prevalent in this data, and hence this tool is logical confirmatory method.

Table 5.15. Binary Logistic Regression (Dependent variable = mode of internationalization)

Predictors	Odds ratio, p-value
Education level	1.07, $p = .66$
International experience	1.13, $p = .72$
International commitment	1.75, $p = .09$
Knowledge of culture	1.51, $p = .02$
Risk propensity	1.03, $p = .91$
Risk perception	0.65, $p = .22$
Perceived benefits	2.98, $p = .005$
Likelihood of success	1.51, $p = .30$
Market knowledge	0.55, $p = .01$

Model $\chi^2 (9) = 39.84, p < .001, R\text{-square} = 25.2\%$

The overall summary that can be made from this data is as follows:

- The BLR model is statistically significant with medium fit as measured by R^2 up to 25.2%. This is a better fit (level of explanation) than found in DA by a 9% and raises confidence that a higher variance is being explained by the model and that attitudes are an influencer in the internationalization decision-making process.

- Results are consistent with discriminant analysis results which found culture, level of perceived benefits and market knowledge being strong predictors. International commitment was shown to be a medium predictor in DA and borderline not statistically significant in the BLR model. This would indicate that DA results can be considered valid even though the test assumptions have been violated.
- Out of nine predictors, three were found to be statistically significant in the overall model:
 - Knowledge of culture - one unit increase in culture score is associated with 51% more likely to use advanced mode of internationalization.
 - Level of perceived benefits - one unit increase in level of perceived benefits score is associated with 198% being more likely to employ advanced mode of internationalization.
 - Market knowledge - one unit increase in market knowledge score is associated with 55% less likely to employ advanced mode of internationalization. This is somewhat surprising to find market knowledge having inverse relationship with internationalization mode and has been discussed previously.

As with the DA, a stepwise analysis was used to further refine the analysis and to find the best set of predictors. The stepwise method for BLR is called forward conditional. This method results in a model with only the significant factors and those with the highest predictive power. The results are show in table 5.16.

Table 5.16. Binary Logistic Regression Stepwise forward (conditional) Method

Predictors	Odds ratio, p-value
Knowledge of Culture	1.61, $p = .003$
Perceived benefits	3.68, $p < .001$
Market knowledge	0.64, $p = .02$

Model $\chi^2 (3) = 33.78, p < .001, R\text{-square} = 24.5\%$

The overall summary that can be made from this data is as follows:

- BLR stepwise model produced similar results to original model.
- Test is statistically significant ($p < .001$) and has R-square 24.5% indicating a small to medium fit. Knowledge of culture, level of perceived benefits and market knowledge are significant predictors of internationalization mode which is consistent with DA and the univariate analysis.

Overall, a reasonable conclusion to the BLR would be that based on the highest predictive values, the two variables Knowledge of culture and Perceived benefits are the strongest differentiating predictors and support the DA analysis.

5.5. Chapter Summary

This chapter evaluated the results of the survey conducted from early December 2012 to February, 2013. There were 224 respondents within the target population of senior decision-makers at manufacturing SMEs in Canada. An analysis of the demographics of the respondents indicated that the SME respondents are very consistent with the current internationalization profile of the typical Canadian SME and indicates that the survey was successful in reaching a representative and well balanced population.

The scales utilized were validated using Cronbach alpha scores and were deemed acceptable therefore allowing the analysis of the constructs. The data was analyzed using an exploratory stepwise approach using various test methods. Two univariate (T-Test, Mann Whitney) and three multivariate test (Hotelling T-Squared, Discriminant Analysis, Binary Logistic Regression) methods were used as part of this progressive analysis, Validity in the analysis was addressed by cross correlating test methods, using stepwise methods to focus the models and using jackknifing to address the confidence of the models.

This research has demonstrated support for attitudinal factors being a differentiator with a 15% to 25% level of explanation between advanced and non-advanced internationalization modes; and hence these factors are supported as influencers in the complex SME decision-making process. In addition, there is full statistical support for two construct (Knowledge of culture, Perceived benefits) and partial support for an additional two construct (International experience, International commitment). The lack of normality in the data with the assumption of equality of covariance matrices violated is a cause of some concern and a limitation with the main discriminant model and other methodologies selected. However, cross validation was obtained using other univariate and multivariate methods and good results from jackknifing and the classification procedures further validated the results and provided confidence for the conclusions that have been generated. Overall, there is statistical support across a wide variety of models allowing several conclusions to be made from the data which will be discussed in detail in Chapter 6.

6 Discussion of Results, Limitations and Implications

6.1 Introduction

Chapter 6 summarizes the study by discussing the research results at the hypothesis level and connecting this analysis with the theory reviewed in the literature review. This section is followed by a discussion of the theoretical contributions, managerial and public policy implications, the limitations of the research and suggestions for future research. The conclusion provides a brief review of the overall outcomes of the dissertation research.

6.2. Discussion of Results

6.2.1 Attitude is a Factor

This research provides statistical support that attitude and selected factors influencing attitude are significant in explaining the difference between non-advanced and advanced modes of internationalization. The Discriminant Analysis model, which was the primary multivariate tool utilized, was statistically significant and could explain up to 15% (Wilk's Lambda) of the variance of the model. Despite problems with this model due to normality and equality of covariance of matrices being violated, this indicates that attitude does have a noticeable effect on the decision to move to a more advanced mode of internationalization.

The Binary Logistical Regression model, which was used for cross validation, was also statistically significant and could explain up to 25% (R^2) of the variance of the model, raising the confidence by an additional 9%. The analysis confirms that attitude does have a noticeable effect on the SMEs decision to move to a more advanced mode of internationalization. This is important because the research has validated both the importance of attitude in the decision-

making process, but has also provided support for theories where there are attitudinal elements. In fact, the research suggests that existing theories need to seriously consider an attitudinal element in their models in order to improve the explanation of why mode change occurs between non-advanced and advanced entry modes.

Nine factors influencing attitude were selected for testing that have been shown through review of research to be significant in influencing the overall internationalization process. Of these nine factors, four hypotheses (Knowledge of culture, Perceived benefits, (International experience, International commitment) were statistically supported and five were not supported significant in explaining the difference between non-advanced and advanced modes of internationalization.

The research needs to be taken in the context that while all the factors selected are significant influencers in the internationalization process based on an analysis of the means of the scales (Table 5.10), it is only four factors that were most significant in influencing the SME decision-maker actual move to a more advanced mode of internationalization. It is these four factors in particular that do need to be explored more closely in context with existing international theories. It should be noted that while support for all hypothesis is not equal, the 'non-supported' hypothesis also provide insight into the decision-making process of SME internationalization. Table 6.1 graphically summarizes the results of the hypothesis testing that has been conducted in chapter 5 with the four supported hypothesis shown in bold.

Table 6.1. Summary of Hypothesis Testing

Factors	T-Test	Mann Whitney	Hotelling	Discriminant	Regression
Education level	X	X	X	X	X
International experience	√√	√√	X	X	X
International commitment	√√	√√	√	√	X*
Knowledge of culture	√√	√√	√√	√√	√√
Risk propensity	X	X	X	X	X
Risk perception	X	X	X	X	X
Level of perceived benefits	√√	√√	√√	√√	√√
Likelihood of success	X	X	X	X	X
Market knowledge	X	X	X	**	**

* *weak support*

** *unusual strong negative correlation*

X = *no statistical support for hypothesis*

√ = *Statistical support for hypothesis (univariate only)*

√√ = *Strong statistical support for hypothesis (univariate and multivariate)*

A discussion of the individual independent variables follows in the subsequent sections, with particular emphasis on how the results connect or do not connect with current theory and in the formulation of explanations for why the hypothesis were or were not confirmed.


6.2.2 Education

The hypothesis tested was; higher education of SME decision makers is associated with more advanced modes of internationalization.

Many studies in export marketing have recognized the importance of managerial characteristics such as education (Katsikeas, 1996) and this area has been well documented. It has been suggested that education influences the belief structure of decision-makers (Perk, 2009) by specifically increasing management knowledge, competence and confidence (Lau, 2011) which are significant influencers of attitude. However, past research on the effect of education on mode change has received inconsistent empirical support with as many pro as con

supporters (Sousa, Ruzo & Losada, 2010; Cavusgil, 1984; Gray, 1997; Leonidou et al, 1998) and no real support within mainstream IB/IE theory.

Within this research's context, the results of the data analysis were quite conclusive and not particularly surprising to this researcher. None of the five univariate or multivariate tests supported this hypothesis. Education levels tend to be high skewed at the senior SME decision-maker level, with at least 81% having at least an undergraduate degree; hence there is not a lot of statistical room to separate the two mode groups. Therefore, while the overall level of the education of the respondent was generally high, the level of education had no statistical significance on whether a SME was in a non-advanced or advanced mode of internationalization. While it could be speculated, and there appears to be support in the research, that education level and greater overall knowledge may build confidence in making internationalization decisions (Lau, 2011), there is no apparent support for it influencing the decision to move to a more advanced mode.

This hypothesis is not supported 

6.2.2 International Experience

The hypothesis tested was; greater international experience of SME decision makers is associated with more advanced modes of internationalization.

There is extensive support in the literature on the effect of experience of the decision-makers for success in international markets (Rocha, de Mello, Pacheco, de Abreu Farias, 2012; Nielsen & Nielsen, 2010; Cadogan, 2001; Carpenter, Sanders & Gregersen, 2001; Cavusgil & Zou, 1994; Ali and Swiercz, 1991; Madsen, 1988; Miesenböck, 1985). Gray and McNaughton


(2010) commented that in the past 25 years, many IB researchers seem to agree that international experience directly influences international decision-making. In fact, one of the main tenants of the Uppsala Internationalization Stages model theory (Johanson & Vahlne, 1977) is that as a firm acquires market and experiential knowledge, management through this learning and experience process becomes more comfortable with the perceived risk associated with foreign country operations and gradually increases its resource commitment and control in determined stages in order to enhance performance.

However, there have also been conflicting studies that reported weak or inconsistent support for experience as an important factor in the internationalization decision-making process (Sousa, Ruzo & Losada, 2010; Katsikeas, 1996) and limited work on the effect of experience on the mode change decision-making process.

Within this research's context, the results of the data analysis were mixed which is consistent with conflicting results identified in the literature review. The univariate T-Test and Mann Whitney showed strong statistical for this hypothesis. This suggests that as a stand-alone factor, experience is correlated with more advanced models of internationalization. This result is not surprising and very consistent with Uppsala Internationalization Stages model and its importance on experiential learning as a key element in a mode change decision.

However, the multivariate analysis, and specifically the Hotelling T-Squared (HTS), Discriminant Analysis (DA) and Binary Linear Regression (BLR), which provide a more sophisticated approach and allow all factors to be analyzed simultaneously, provided limited support for this hypothesis. While the factor is clearly supported and there are suggestions some individual elements of the scale have stronger support, its ability to reach above the

'noise" and be noticed within these models was limited suggesting that while the factor is important, it is not a dominant or significant influencer on the decision-making process. This result is somewhat surprising despite inconsistent past research, however it was also noted that HTS, DA and BLR have some issues around violation of model assumptions, specifically normality and equality of covariance matrices that may provide some explanation as to why the experience is not as strongly statistically supported. However, based on the strong support within the univariate tests, this author is suggesting that this hypothesis can be confirmed as a stand-alone factor, albeit as a less than significant attitudinal element in the decision-making process. Confirmation of this hypothesis is also consistent with one of the main tenants of the Uppsala International Stages model but surprisingly, it is not as strongly an influencer in the decision-making process as the theory suggests, and this perhaps suggest more research is required to confirm the importance of experience on the decision-making process; is it a significant or a minor factor and does the Uppsala Internationalization Stages model need to be adjusted.

This hypothesis is supported 

6.2.3 International Commitment

The hypothesis tested was; positive international commitment is associated with more advanced modes of internationalization.

This factor and its importance in internationalization success is one of the more strongly supported in international business literature (Apfelthaler et al, 2012; Wheeler et al, 2008; Beamish, et al, 1999; Katsikeas, 1996; Dichtl, et al, 1990; Gray, 1997; Axinn, 1988; Cavusgil,

1984). Gray and McNaughton (2010) noted that international commitment of the decision-maker was one of three key characteristics that directly influence the decision-making process. This view point is also supported through organizational commitment research by Pfeffer and Lawler (1980) which was later extended by Meyer and Allen (1991) who found that when individuals are committed to a viewpoint, they will develop more favorable attitudes towards this view. Commitment is also a complex construct and there has been some question in research on whether it is a factor that influences attitude or whether it is an attitude or belief influenced by factors (Navarro et al, 2010). Another important aspect within research was that while commitment was found to have had an effect on internationalization performance and market entry, its specific role in the decision-making process for mode change was not well researched (Gray & McNaughton, 2010).

There are elements within Uppsala Internationalization Stages model (Johanson & Vahlne, 1977) that also support this hypothesis. The main premise of the model is that firms follow a gradual and sequential time dependent four step path to internationalization that involves an increasing management commitment of time and resources. In particular, the concept of successive commitment by management is one of the main tenants of this theory; it clearly outlines a staged, commitment based approach, and most importantly recognizes management's commitment to the entry mode change choice.


Within this research's context, the results of the data analysis were mixed. The univariate T-Test and Mann Whitney showed strong statistical for this hypothesis. This suggests that as a stand-alone factor, commitment is correlated with more advanced models of

internationalization and hence is consistent with elements of the Uppsala Internationalization Stages model.

However, the multivariate analysis, and specifically the Hotelling T-Squared (HTS), Discriminant Analysis (DA) and Binary Linear Regression (BLR) which provide a more sophisticated approach and allow all factors to be analyzed simultaneously, provided lower, albeit still significant support for this hypothesis. While the factor clearly is supported and specifically “mid-strength” within HTS and DA, and there are suggestions some individual elements of the scale have strong support through HTS, its ability to reach above the ‘noise’ suffered, particularly with DA and BLR suggesting that while the factor is important, it is not a dominant or significant influencer on the decision-making process. The result is somewhat surprising given the support that international commitment has received in research, however, it was also noted that HTS, DA and BLR have some issues around violation of model assumptions, specifically normality and equality of covariance matrices that may provide some explanation as to why the international commitment is not as strongly statistically supported.

However, while this research is suggesting that international commitment is a factor, it is not a significant factor in the specific decision to move for a non-advanced to a more advanced mode of internationalization. Perhaps, once an SME decision-maker has started the internationalization process, this hurdle has been achieved; or perhaps, as highlighted in the review, commitment is a complex construct and questions measuring commitment may need to be more sophisticated in order to appreciate its full complexity. Overall, based on the strong support within the univariate tests, mid-level support within the HTS and DA tests, this author is suggesting that this hypothesis can be confirmed as a stand-alone factor, albeit as a less than

significant attitudinal element in the decision-making process. Confirmation of this hypothesis is also consistent with one of the main tenants of the Uppsala Internationalization Stages theory but surprisingly, again as with experience, it is not as strongly an influencer in the decision-making process as the theory suggests and clearly more research is needed on what influences the commitment construct and how important is it in the commitment to more advanced modes of internationalization.

This hypothesis is supported 

6.2.4 Knowledge of Business Culture

The hypothesis tested was; greater knowledge of the business culture by the SME decision maker is associated with more advanced modes of internationalization.

Is culture a factor which influences the decision-making process for entry mode choice or is its impact marginal? The research is mixed with researchers providing strong support for both cases. Researchers have long reported on the dominant role of comfort with culture in determining entry mode (Brouthers & Brouthers, 2000; Agarwal, 1994; Dunning, 1993, Agarwal & Ramaswami, 1992). However, the detractors argue that knowledge or familiarity with culture has a limited influence on the entrepreneur's international market entry mode decision making (Perks, 2009, Brouthers & Brouthers, 2003, Busenitz, Gomez & Spenser, 2000). Executives who have accumulated knowledge of foreign cultures are better able to cope with uncertainty associated with international operations and thus they typically perceive foreign direct investments as less risky than executives without such experience (Hennart, 1991). Marcella, Davies and Williams (2002) argue that managers are more likely to select a

market entry mode that will overcome cultural barriers, such as local agents, if they lack confidence or are uncertain about a particular country which suggests a connection to Uppsala Internationalization Stages model, in particular the concept of overcoming the 'Psychic Distance', which is a proxy for both physical distance and more importantly, cultural differences.

Within this research's context, the results of the data analysis show, somewhat surprisingly, strong statistical support across all univariate and multivariate test including T-Test, Mann Whitney, HTS, DA and BLR. With the univariate T-Test and Mann Whitney showing strong statistical for this hypothesis, this suggests that as a stand-alone factor, knowledge of business culture is strongly correlated with more advanced modes of internationalization. This result is consistent with elements Uppsala Internationalization Stages model.

The multivariate analysis, and specifically the Hotelling T-Squared (HTS), Discriminant Analysis (DA) and Binary Linear Regression (BLR) which provide a more sophisticated approach and allow all factors to be analyzed simultaneously, also provided strong statistical support. Its ability to reach above the model 'noise', particularly with DA and BLR demonstrated that this factor was one of the more significant attitudinal elements in influencing the decision-making process.

It is somewhat surprising that a factor that has received such mixed reviews in prior research was so statistically strong. However, pragmatically a decision to enter a more advanced mode of internationalization is dependent on the comfort of the SME decision-maker (a main tenant of the Uppsala Internationalization Stages model). Comfort with the cultural

knowledge clearly addresses this element, so perhaps the only real surprise is how the traditional IB theories underweight this factor within their theory.

Based on the strong support within the univariate and multivariate tests this author is suggesting that this hypothesis can be confirmed as significant attitudinal element in the decision-making process. Confirmation of this hypothesis is also consistent with one of the main tenants of the Uppsala Internationalization Stages model, in fact it suggests that knowledge and comfort with the business culture is more important (over weighed relative to other elements) than the theory suggests and this warrants more research to determine if it should be classified as a more dominant element within IB theories such as the Uppsala Internationalization Stages model. In addition, the research suggests that regions that were further away geographically and more distinct culturally, had slightly higher modes than those geographically and culturally close (i.e. U.S.).

This hypothesis is strongly supported




6.2.5 Risk Propensity

The hypothesis tested was; high risk propensity of the SME decision-maker is associated with more advanced modes of internationalization.

Risk propensity is one of the three attitudinal factors, along with risk perception and likelihood of success, that are believed to interact (Sitkin & Weingart, 1995) with each other and have their roots in risk and decision-theory. A SME decision-maker's propensity to take or avoid risks is thought to have a significant impact on internationalization decision-making (Kalogeras, et al, 2006). People differ in their willingness to take risks (Fishburn, 1977;

MacCrimmon & Wehrung, 1990; Farmer, 1993; Fu, 1993), but there is disagreement about the nature of this trait and the impact it has on a successful internationalization decision (Keil, Wallace, Turk, Dixon-Randall & Nulden, 2000). Sousa, Ruzo & Losada (2010) found that managers who were risk takers were more likely to succeed in international operations. Leonidou, (1998) also found that risk propensity consistently showed a stronger association with internationalization progression; however there was also a greater likelihood of failure. Risk propensity of the decision-maker also has its roots in IE theory and there is evidence that risk propensity has an impact on risk perception (Sitkin & Weingart, 1995) of decisions.

Within this research's context, the results of the data analysis were quite conclusive. None of the five univariate or multivariate tests supported this hypothesis. Risk propensity had no statistical significant on whether a SME was in a less or more advanced mode of internationalization. While this result is surprising given the prevalence of research on risk in internationalization and in particularly the risk profiles of SME decision-makers, there is no apparent support for it influencing the decision to select a more advanced mode. Given the relationship between risk propensity and risk perception, it is very likely this managerial characteristic provides a counter balance to risk perception and hence does not have an impact on the SME decision-making process. This factor along with risk perception will be discussed in more detail in the next section.

This hypothesis is not supported 

6.2.6 Risk Perception


The hypothesis tested was; risk perception of the SME decision-maker is associated with the decision to commit to more advanced modes of internationalization.

This factor also has its roots in risk and decision-theory and is consistent with elements of Uppsala Internationalization Stages model, transaction cost and International Entrepreneurship theories. Uppsala Internationalization Stages model (Johanson & Vahlne, 1977) posits that as a firm acquires market & experiential knowledge, management becomes more comfortable with the perceived risks and will gradually increase the resource commitment. Transaction cost theory states that entry mode decisions are a function of transaction costs and risk mitigation (Anderson & Gatignon, 1986).

The perception of risk does play a large role in the manager's foreign market entry mode selection process and the influence of risk on beliefs and attitudes is well documented (Brouthers, 1995; Kalogeras et al, 2006; Pennings et al, 2002; Williams, et al, 2008; Williams & Narendran, 1999; Maignan & Lukas, 2008; Aaby & Slater, 1988; Calof & Beamish, 1995; Buckley, 1989). The literature on managerial perceived risk is grounded in a simple observation; managers do not define or react to risk in ways that theoretical decision models would predict (Forlani, Parthasarathy, Madhavan & Keaveney, 2008). Although researchers generally agree that there is a relationship between perception and decision-making, there are inconsistencies (Keyes, 1985; Bromily and Curley, 1992; Krueger and Dickson, 1994) concerning the nature of the relationship and the importance of this element as a key influencer and at what point in the decision-making process it acts as an influencer.

Within this research's context, the results of the data analysis were quite conclusive. None of the five univariate or multivariate tests supported this hypothesis. Risk perception of international markets in general or in a situational specific opportunity has no statistical significance on whether a SME was in non-advanced or advanced modes of internationalization. While this result is surprising given the prevalence of research on risk in internationalization and in particular the how risk is perceived by SME decision-makers, there is no apparent support for it influencing the decision to select a more advanced mode. This result is consistent with the other risk theory element, risk propensity, and provides some consistency and cross validation for the lack of support for both hypothesis.

On the basis of these findings, there can be some questions raised on the role of risk and mitigating risk in the mainstream IB theories relative to SMEs, in particular it places doubt on the role of comfort with perceived risks, a main tenant of the Uppsala Internationalization Stages model, as an impetus for mode change. In this context, International Entrepreneurship may be a better fit in explaining the perception of risk in SMEs but its role in explaining a decision to move to a more advanced mode of internationalization is in question; hence more research is needed in this area to validate these results.

This hypothesis is not supported 

6.2.7 Perceived Benefits

The hypothesis tested was; the perceived benefits of the opportunity by the SME decision-maker are associated with the decision to commit to more advanced modes of internationalization.

Weick (1969) observed that it is the manager's perception of the situation rather than the objective situation which actually drives the decision-making process. For the SME decision-makers the perceived benefit of internationalization needs to outweigh the anticipated risk of foreign markets for a positive decision to be made. There is considerable support in IB literature for support of management perception of the benefits as being one of the more relevant factors concerning the process of internationalization (Barcellos, Cyrino, Junior & Fleury, 2010; Gray, 1997; Joynt and Welch, 1985). It was also a significant element of the Calof and Beamish (1995) mode change framework. It is the manager's perception of the benefits to internationalizing which represents a key determinant to market entry mode selection (Axinn, 1988). Ellis and Pecotich's (2001) empirical results demonstrated that the reason for initiating export activities was the perceived benefits such as sales growth, profitability, competitive advantage, quicker response times, access to new markets and lower-acquisition and manufacturing costs. This finding is also supported in this research (and provides some validation) with 65% of SME decision-makers ranking 'increased sales' as their primary goal, followed by 19% ranking 'increased profitability' as the primary reason for pursuing internationalization. These findings are consistent with a very tactile mentality in the SME decision-maker, further validated by the Government program rating summary (Table 5.3). These perception of the benefits of exporting was also found to be a significantly differentiator between exporters and non-exporters (Patterson, 2004).

Within this research's context, the results of the data analysis show strong support across all univariate and multivariate test including T-Test, Mann Whitney, HTS, DA and BLR. The univariate T-Test and Mann Whitney showed strong statistical for this hypothesis. This


suggests that as a stand-alone factor, an increase in the perception of benefits is strongly correlated with more advanced modes of internationalization.

The multivariate analysis, and specifically the Hotelling T-Squared (HTS), Discriminant Analysis (DA) and Binary Linear Regression (BLR) which provide a more sophisticated approach and allow all factors to be analyzed simultaneously, also provided strong statistical support for this hypothesis. Its ability to reach above the model 'noise' particularly with DA and BLR demonstrated that this factor was one of the two most significant elements in influencing the decision-making process.

Interesting, this factor is not well recognized in any of the mainstream IB theories since management perception is generally not an element. The Uppsala Internationalization Stages model has the manager making a commitment to change once they are comfortable with the current risks in order to increase performance; hence an implied perception of increased benefits, although this is a somewhat tenuous extension of the theory. A notable exception is the Calof and Beamish (1995) mode change framework (Figure 2.7) that is based on management perceptions of various factors, one of which is perception of market potential which is a similar construct to the perception of the benefits to market entry. While this research provide support for the Calof and Beamish (1995) work, it has also highlighted some of the deficiencies in mainstream IB/IE theory which really don't try and answer the question, "why does the SME decision-maker make the decision to change to a more advanced mode".

This lack of inclusion represents an opportunity for future research considering the strength of the statistical support for this attitudinal factor. Based on the strong support within

the univariate and multivariate tests this author is suggesting that this hypothesis can be confirmed as significant attitudinal element in the internationalization decision-making process.

This hypothesis is strongly supported 


6.2.8 Likelihood of Success

The hypothesis tested was; the likelihood of success by the SME decision-maker is associated with the decision to commit to more advanced modes of internationalization

The likelihood of success of an entry mode decision is another psychographic variable, along with risk propensity and risk perception that influences beliefs and attitudes based on the perception of decision-maker, and has its roots in risk and decision-theory. Likelihood of success is inversely proportional to perception of risk (Sitkin & Weingart, 1995). One of the cornerstones of the Calof and Beamish (1995) framework for supporting mode change was the management's perception of success of the opportunity.

Within this research's context, the results of the data analysis were quite conclusive and consistent with the other risk and decision theory factors which provide further validation to this result. None of the five univariate or multivariate tests supported this hypothesis. Likelihood of success had no statistical significant on whether a SME was in a less or more advanced mode of internationalization. While this result is surprising given the prevalence of research on risk in internationalization and in particularly the how risk is perceived by SME decision-makers, there is no apparent support for it influencing the decision to select a more advanced mode. It could be argued that expectation of success is an important factor in any decision and almost a default factor, however since there was no statistical support for it being

a differentiator between the non-advanced and advanced internationalization modes, it does not appear to be a critical differentiating factor.

This hypothesis is not supported 


6.2.9 Market Knowledge

The hypothesis tested was; Market knowledge by the SME decision-maker is associated with more advanced modes of internationalization.

Market specific knowledge is another factor that is well supported in literature as influencing the internationalization decision-making process (Canabal & White, 2008; Agarwal & Ramaswami, 1992; Andersen, 1997; Calof & Beamish, 1995). Theories of organizational learning (Fiol & Lyles, 1985; Huber 1991; Kohli & Jaworski, 1990; Levitt & March, 1988; Prahalad & Hamel, 1994) argue that managers develop knowledge based on their experiences. This hypothesis is consistent with a major element of the Uppsala Internationalization Stages model (Johanson & Vahlne, 1977) which states that as a firm acquires market knowledge, management becomes more comfortable with the perceived risks and will gradually increase the resource commitment.

Within this research's context, the results of the data analysis were quite conclusive yet there was some inconsistency with the data. None of the five univariate or multivariate tests supported the direct hypothesis that an increase in market knowledge was associated with more advanced modes of internationalization. Market knowledge had an unexpected negative effect in the DA and BLR which is inconsistent with prior univariate statistical tests that showed no statistical significance. Such negative correlation of DA & BLR results could be due to

violation of important model assumptions (normality and equality of covariance matrices) and hence this predictor was discounted. These results were surprising as market knowledge is one of the main tenets of the Uppsala Internationalization Stages model. However, pragmatically what it might suggest is that once an SME decision-maker has reached a certain level of market knowledge, this factor is no longer the critical factor as a differentiator in the decision to move to a more advanced mode; rather it appears that knowledge of culture and perceived benefits drive this decision. Therefore, this author has concluded that there is no apparent support for market knowledge influencing the decision to select a more advanced mode.

This hypothesis is not supported 

6.3 Contribution

The study provides important contributions to international business literature as well as useful insights for business practitioners and public policy makers. This research has demonstrated support for attitudinal factors being a differentiator between non-advanced and advanced internationalization modes; and hence these factors are supported as influencers in the complex SME decision-making process. The four most strongly supported factors (in reverse order and summarized in Table 6.2) which influence an SME decision-makers attitude are International Experience, International Commitment, Knowledge of Culture and Perceived Benefits. It is the support for these four constructs that form the basis for the discussion on the contributions to theory, management and public policy.

Table 6.2: Hypothesis Results

Factors	
International experience	Supported
International commitment	Supported
Knowledge of Culture	Strongly Supported
Perceived benefits	Strongly Supported
Experience level	Not Supported
Risk propensity	Not Supported
Likelihood of success	Not Supported
Market knowledge	Not Supported

6.3.1 Theoretical

By developing an understanding of the factors that influence and contribute to the SME internationalization decision and the development of a useful theoretical decision-making framework, this research will help outline the hurdles faced by SME decision-makers in moving to advanced modes of entry in international markets. In so doing, this research will add value to the international business community by providing future researchers a framework based on the Theory of Planned Behavior structure and an alternative perspective in which to further study the decision-making processes in SMEs. The objective of the research, being both theory (hypothesis) testing and extending current theory that only marginally acknowledges the effect of attitude on the decision-making process, this research does provides additional perspectives in the following areas:

Attitudes are a Factor

This research has demonstrated that attitude and the factors that contribute to this attitude do affect the internationalization decision-making process. This is significant in that

none of the traditional models have an overtly attitude based perspective and only one (Uppsala Internationalization Stages) acknowledges the importance of the SME decision-maker and this represents an area for future research/theory extension.

Focus on the Difference between Less and More Advance Modes

The research provides a very specific focus on the differences between less and more advanced modes of internationalization and may help explain the migration process to higher internationalization mode that is not necessarily being explained by other models that use a baseline of non-exporters.

Support and Non Support for Existing Theory

This research has both reinforced some elements of existing IB/IE theories and cast some doubt in the importance of other elements contained within these theories.

The results of the research have demonstrated support at a 15% - 25% level of explanation for attitudinal factors being a differentiator between advanced and non-advanced internationalization modes; and hence these factors are supported as influencers in the complex SME decision-making process. This is important because the research has validated both the importance of attitude in the decision-making process, but has also provided support for theories where there are attitudinal elements. In fact, the research suggests that existing theories need to seriously consider an attitudinal element to models in order to improve the explanation of why mode change occurs between less and more advanced entry modes.

In addition, there is full statistical support for two construct (Knowledge of culture, Perceived benefits) and partial support for an additional two construct (International experience, International commitment). It is these four factors that do need to be explored more closely in context with existing international theories.

The results support some of the traditional theories such as Uppsala Internationalization Stages model, Eclectic, Resource Based view, International Entrepreneurship and the Calof and Beamish (1995) framework which have elements of the supported four factors. In particular, the Uppsala Internationalization Stages model has a strong bias towards cultural comfort and the benefits perspective (somewhat) that is strongly supported by these results. However, this research also “overweighs” the importance of the knowledge of business culture relative to the other elements in the Uppsala Internationalization Stages model. Elements such as market knowledge and psychic distance are less important which is interesting and worth exploring further as the Uppsala Internationalization Stages model doesn’t overtly assign or rank the importance of the various elements which influence the mode change decision; this is perhaps a suggestion for future research.

In addition, the research provides some support for the Resource Based view and Eclectic theories as these highlight the importance of firm specific attributes including ownership. However, neither of these theories overtly consider the attitudes of the SME decision-makers and in this sense, these models are found lacking. In contrast, elements of the International Entrepreneurship focus on the entrepreneurial attitudes and behavior of the SME decision-makers and this research provides strong validation that attitudes are important in the process. This research may provide some granularity and a possible framework for International

Entrepreneurship research in the investigation of entrepreneurial attitudes. Finally, the Calof and Beamish (1995) framework specifically highlighted elements of management perceptions that are reinforced by this research, in particular the market potential and perceived benefits. However, this framework also identified perception of risk as important in the mode change decision and this research contradicts this finding, when the decision is to move from a less to a more advanced entry mode. This framework could be reevaluated in light of this research's finding.

There are also elements of this research that are contrary to some of the main elements of traditional IB theories which were a surprise. The lack of any statistical support for elements of risk and decision theory elements as an influencer in the SME decision-making process does indicate that how SMEs process and manage risk is not necessarily in line with traditional theories and may sit better with International Entrepreneurship perspective. There is likely a significant difference in risk perceptions between non-exporters and those that are involved in international activities, however this was out of the scope of this research. Interestingly, most mode change research uses non-exporters as a starting point and has not specifically focussed on the differences between the less and more advanced modes, and in this respect, the research may provide valuable input to these theories, or in the development of new theory that focusses on the internationalization decision-making process of SMEs.

6.3.2 Management

The upside benefits of accessing more and larger markets can make the outcome of a good export mode decision very significant and enhance the long term survival of the business

(Delios & Beamish, 1999; Root, 1997). Hence, there is a significant potential business benefit in moving to more advanced modes of internationalization. Based on the results of the study, there are clearly some attitudinal elements that influence a positive decision to move to more advanced modes and that these elements are controllable and within the domain of SME management.

The identified four factors which influence the decision-making process (International experience, International commitment, Knowledge of culture and Perceived benefits) in reverse order of importance can be used in the development of internationalization strategies for businesses, in particular in recruitment and planning strategies. As a result, it is suggested that SME managers focus on the following factors as an aid in increasing their internationalization success:

- Recruit for a culturally diverse outlook
- Focus country evaluations on clearly defined and quantified targets and benefits
- Network (or review cases studies) with similar or like-minded SMEs to understand how their internationalization strategy developed, to understand local business practices and for specific success metric references. "If they can increase their sales in x country by advancing my entry mode, so can I".
- Recruit for international experience and commitment/passion

6.3.3 Policy Makers

Exporting is also a significant public policy issue. It is in the interest of the government to assist in the development of a healthy export sector as part of long term sustainability and prosperity objectives, as a way of raising foreign exchange reserves, improving productivity of domestic firms and decreasing unemployment (Czinkota, 1994). There are a significant number of programs geared to supporting export development, however Crick and Czinkota (1995) found significant differences between the programs exporters actually needed and the types of programs available to compete in foreign markets and the overall effectiveness of the programs was lacking. This is very consistent and validates the research results shown in table 5.3. For public policy makers, understanding the fit of export support programs is important for planning future funding, program development and for the overall success of these programs (Karakaya & Yannopoulos, 2010).

The results of this study may provide some direction to the Canadian government and similar export agencies on how to help Canadian SME's move towards more advanced modes of internationalization. The identified four factors which influence the decision-making process (International Experience, International Commitment, Knowledge of Culture and Perceived Benefits) in reverse order of importance can be used in policy and program development. In particular, programs that provide the following benefits would increase the ratings for the following influential factors:

- Focus should reflect a strong tactile sales mentality which is apparent in the SME decision-makers. Programs or support that will help decision-makers quantify or realize the

increased sales opportunities provide best fit. Decision-makers need to see that other SMEs have been successful, how they overcome barriers and what were the specific metrics of their success. Forums and case studies are recommended approaches as well as financing programs that are results orientated.

- Knowledge must be increased and shared. In particular, local business culture and practices seem to resonate the highest. Decision-makers need to feel comfortable that they understand the market they are getting into – not so much market knowledge, but more focused on business culture, relevant business methods and practices, but also on the expected performance gains/benefits from a more committed internationalization approach
- Experience must be gained through both ‘doing’ but also by highlighting success stories and having success SME decision-makers mix and discuss the process with those still aspiring.

6.4 Limitations

Though the results of this study are strong, interesting and provide both support and lack of support for existing IB theory, caution should be exerted when generalizing the findings beyond the scope of this study. Some limitations of this study are as follows:

First, the results were derived from a sample of Canadian manufacturing SMEs which raises the concern that the findings might be country-specific. SMEs in other countries might have different environmental and cultural influences and, therefore, the findings of this present study cannot be generalized beyond Canada. Comparative studies of SMEs from other countries are recommended to test and extend the generalizability of the results of this study.

Second, the focus of this study was specifically manufacturing based SMEs where manufacturing was either the sole source of the revenue or the most significant portion. IB entry mode theory relative to manufacturing firms has generally been a poor fit in its application for services companies (Brouthers & Brouthers, 2003; Ekeledo & Sivakumar, 2004; Patterson, 2004) and hence the models and conclusions developed from this research may not be relevant within the service SME context.

Third, the basic premise of this research was to explore why SME's are not making the commitment to more advanced modes of internationalization and in understanding some of the hurdles, look at possible solutions to help overcome this barrier. The research specifically did not look at non-exporting SMEs to understand their attitudinal barriers to starting the exporting or internationalization process. This area is well researched and most SME IB/IE research has been focussed more toward that area (Zhao & Zou, 2002; Pan & Tse, 2000; Anderson & Gatignon, 1986).

Fourth, the research specifically separate advanced and non-advanced modes using a relative simplistic split based on the Uppsala Internationalization Stages Model (Johanson & Vahlne, 1977). In reality, there are multiple internationalization modes in both the non-advanced and advanced segments as defined earlier by Pan and Tse (2000) model and Root (1987) in section 2.4.3. Generally, the more advanced modes produce the maximum performance benefits (Woodcock, Beamish & Makino, 1994) and hence it is in strategic interest to move SMEs in this direction. However, choice of entry modes is often a complex process and very much situational and resource specific and the logistical complexity of splitting the advanced and non-advanced modes into additional levels would have added a

layer of confusion to the participants as well as providing additional and significant sampling complexities. This is perhaps an area for future research.

Fifth, the study did not specifically attempt to classify company size within the general SME definition which is a company with less than 500 employees (DFAIT, 2006; ITA, 2009). While review of literature did specifically exclude the small SMEs of less than 50 employees based on research (Julien, Joyal & Deshaies, 1997; Dhanaraj & Beamish (2003) that suggested resource constraints became the dominant and significant barrier to exporting, further classification within this segment (ex. 50-100 employees, 100-150 employees, ...) was not tested and would limit the generalizability of the results across the broader SME segment; and would perhaps represent an opportunity for future research.

Finally, there were some technical issues with the survey and the results discussed earlier and the process could be improved that may provide stronger statistical support and allow the results to extend the generalizability of the study. Specifically, the lack of normality in the data with the assumption of equality of covariance matrices violated is a cause of some concern and a limitation with the main discriminant model and other methodologies selected. While strategies were put in place through cross validation to overcome these concerns, restructuring the survey to correct for possible bias, structuring the questions to provide higher correlation and adding more questions in some scales would be a recommended approach. In addition, a more balanced sample size for non-advanced/advanced SMEs (which would be a challenge) would also be an additional recommendation to alleviate some of the concerns about generalizing the results and contributing to possible problems with spurious association.

6.5 Future Research

Here presented are several topics for future research:

Explore other Factors that Contribute to the Commitment Decision

The multivariate attitude based models were able to explain up to 25% of the differences between advanced and non-advanced modes. Theory has indicated that this is a complex decision process and elements such as resources, environment issues, financing ... all contribute. A more comprehensive survey that brought in elements from the major theories (IS, RBV, TC, ...) to develop a more complete model would be of interest.

Explore the Differences between Non-exporters and Exporters

The focus of this research was on differences between advanced and non-advanced modes. A similar study that separated non-exporters from exporters would also be of significant interest in understanding the barriers and hurdles that need to be overcome to increase the percentage of SMEs that export.

Service SMEs

The focus of this research was on manufacturing SMEs. Manufacturing SMEs represent approximately 25% of the overall Canadian SME population (Stats Canada, 2012). Research has indicated that models and decision making processes are significantly different for service based SMEs. In fact, as discussed earlier many of the traditional IB and IE theories do not work well with service firms.

Other Country SMEs - Developing vs. Developed World

A single country study is always a problem. There is strength in that it allows focus and depth; it is weak in that it doesn't explore differences in various markets, cultures and outlooks. Exploring these factors in developing countries would be of strategic interest in helping them develop their markets.

Size of Firm Segmentation

SME is a broad category and the general classification system used by the Canadian Government is that 0-100 employees is small and 100-500 employees is a medium size business. This study did not segment the population other than excluding ultra-small SMEs with less than 50 employees because of a negative resource bias as suggested in the review. There may be significant difference in attitudes and decision-making processes with the 50 – 500 employee range that could be explored.

6.6 Conclusion

Chapter 1 identifies the problem in getting manufacturing focused SME decision-makers to make a significant commitment to their foreign activity, despite empirical evidence that has generally demonstrated that performance improves with the level of internationalization mode. Only eight percent of Canadian SMEs export and two-thirds of them have not progressed past the first indirect export entry mode (Orser et al, 2008). Government programs have not increased this number and researchers are stymied on how to significantly increase the level of

commitment by SMEs to the export market. Hence this research sought to explore this problem; why are more SME decision-makers not committing to higher investment, advanced modes of foreign market activities?

Review of international business theories in Chapter 2 had highlighted both a gap in theory with respect to a focus on the internationalization decision-making process, but also the importance of management attitudes in their overall decision-making process. In fact, McNaughton (2001) concluded; internationalization theories explain the motives and in some case the selection of entry modes, but they provide little or no understanding on how the decision-making process works. Reviews of the various factors that influence a SME decision maker's attitude are fragmented with no holistic study that consolidated all factors and measured their importance or influence on the decision-making process.

Common themes that were outlined throughout the literature review were that certain management characteristics such as experience, international commitment, education, experience with business cultures (to overcome the liability of foreignness) and the risk profile of the manager were the most relevant when reviewing factors that affect attitude. In addition, situation specific factors such as risk, perceived benefits, likelihood of success and market knowledge were also dominant themes identified.

Hence, this research sought to determine the important factors that affect a SME decision-maker's attitude and to what degree do these factors influence the decision to commit to a more advanced mode of internationalization.

A conceptual model was developed that links managerial characteristics and contextual specific factors and their influence on beliefs which in turn shape the attitudes of the SME

managers and drives their intention to commit to advanced forms of internationalization. The research framework posits that managerial characteristics and contextual specific factors directly influence the beliefs and subsequently attitudes of SME managers and hence influence the intention to commit to more advanced modes of internationalization. The use of TPB enabled the development of a framework to assess the important factors that affect a SME decision-maker's attitude as to whether or not to internationalize, and to how their decision to commit to an invested foreign market entry mode of internationalization is influenced.

The results of the research have demonstrated support for attitudinal factors being a differentiator between advanced and non-advanced internationalization modes; and hence these factors are supported as influencers in the complex SME decision-making process. In addition, there is full statistical support for two constructs (Knowledge of culture, Perceived benefits) and partial support for an additional two constructs (International experience, International commitment). The lack of normality in the data with the assumption of equality of covariance matrices violated is a cause of some concern and a limitation with the main discriminant model. However, cross validation was obtained using other univariate and multivariate methods and good results from jackknifing and the classification procedures further validated the results and provided confidence for the conclusions that have been generated.

In conclusion, this study's conceptual framework and empirical results should make valuable additions to literature in international business activities, especially in the context that relates to attitudes and the decision-making process as part of mode choice. The research has reinforced some elements of existing international business theories and cast some doubt on

the influence of all the elements contained within these theories. The empirical results of this study also contribute to business practices and governmental agencies by identifying areas of improvements and programs that can increase the commitment to more advanced modes of internationalization.

References

- Aaby, N-E. and Slater, S. (1988). Management Influences on Export Performance, *International Marketing Review*, 6 (4), 7-26.
- Adler, N.J. & Gundersen, A., (2008). *International Dimensions of Organisational Behavior*, Case Western Reserve University: Thomson.
- Agarwal, S., & Ramaswami, S. N. (1992). Choice of foreign market entry mode: Impact of ownership, location, and factors. *Journal of International Business Studies*, 23 (1), 1-27.
- Ajzen, I. (1991). The theory of planned behavior, *Organizational Behavior and Human Decision Processes*, 50, 179-211.
- Ajzen, I. (2001). Nature and operation of attitudes, *Annual Review of Psychology*, 52, 27-58.
- Ajzen, I. and Cote, G. (2008). Attitudes and the prediction of behavior. In W. D. Crano & R. Prislin (Eds.), *Attitudes and attitude change*, Psychology Press, New York, 289-311.
- Ajzen, I., & Fishbein, M. (1980). *Understanding attitudes and predicting social behavior*. Englewood Cliffs, NJ: Prentice-Hall.
- Ajzen, I., & Fishbein, M. (2004). Questions raised by a reasoned action approach: Comment on Ogden (2003). *Health Psychology*, 23, 431-434.
- Ali, A. and Swiercz, P.M. (1991). Firm size and export behaviour: Lessons from the Midwest, *Journal of Small Business Management*, April, 71-78.
- Allen, L. & Pantzalis, C. 1996. Valuation of the Operating Flexibility of Multinational Corporations, *Journal of International Business Studies*, 27, 633-653.
- Anand, P. (1993). *Foundations of Rational Choice Under Risk*. Oxford: Oxford University Press

- Andersen, O. (1997). Internationalization and market entry mode: A review of theories and conceptual frameworks. *Management International Review*, 37 (2), 7-42.
- Anderson, E., & Gatignon, H. (1986). Modes of foreign entry: A transaction cost analysis and propositions. *Journal of International Business Studies*, 17, 1-26.
- Apfelthaler, G., Shane, M. J. and Hruby, J. (2012). It's a Jungle Out There. On Managerial Cognition, Change, and Learning during Internationalization, *International Journal of Global Management Studies*, 3 (2), 22-54.
- Augoustinos, M. & Walker, I. (1995). *Social cognition: An integrated introduction, (1st Edition)*, London: Sage.
- Armitage, C.J. and Connor, M. (2001) Efficacy of the theory of planned behaviour: a meta-analytic review. *British Journal of Social Psychology*, 40, 471-499.
- Axinn, C.N. (1988). Export Performance: do management perceptions make a difference? *International Marketing Review*, 5, 66-71.
- Babbie, E. (2001). *The practice of social research (9th ed.)*, Belmont, CA: Wadsworth/Thomson Learning.
- Balabanis, G. and Diamantopoulos, A. (2004) Domestic Country Bias, Country-of-Origin Effects, and Consumer Ethnocentrism: A Multidimensional Unfolding Approach, *Journal of the Academy of Marketing Science* 32(1), 80–95.
- Balabanis, G. and Katsikea, E. (2003) Being an Entrepreneurial Exporter: Does it Pay?, *International Business Review* 12(2), 233–252.
- Barcellos, E., Cyrini, A., Junior, M. and Fleury, M. (2010). Does Internationalization Pay Off?, *Georgetown University Revista Journal*, 4 (3), 38-61.

- Barkema, H., Bell, J. and Pennings, J. (1996), Foreign Entry, Cultural Barriers, and Learning, *Strategic Management Journal*, 17 (2), 151-66.
- Barkema, H. and Vermeulen, F. (1998), International Expansion through Start-Up or Acquisition: A Learning Perspective, *Academy of Management Journal*, 41 (1), 7-26
- Barney, J. (1986) Firm Resources and Sustained Competitive Advantage, *Journal of Management* 17 (1), 99–120.
- Beamish, P., Craig, R. and McLellan, K. (1993). The Performance Characteristics of Canadian versus UK Exporters in Small and Medium-sized Firms, *Management of International Review*, 33 (2), 121-137.
- Beamish P., Karavis L., Goerzen A. and Lane, C. (1999). The Relationship Between Organizational Structure and Export Performance, *Management International Review*, 39 (1), 39-54.
- Bell, J. (1995). The Internationalization of Small Computer Software Firms: A Further Challenge to 'Stage' Theory, *European Journal of Marketing*, 29 (8), 60-75.
- Bell J., McNaughton R., Young S (2001) Born-again global firms: An extension to the 'born global' phenomenon, *Journal of International Management*, 7 (3), 173-189.
- Betsh, T. and Habersth, S. (2005). The Routines of Decision-Making, *Psychology Press*, Chp. 6
- Bilkey, W.J. (1978). An Attempted Integration of the Literature on the Export Behaviour of Firms, *Journal of International Business Studies*, 9 (1), 33-46.
- Bonaccorsi, A. (1992). On the Relationship Between Firm Size and Export Intensity, *Journal of International Business Studies*, 23 (4), 605-625.
- Bromiley, P. and Curley, S. (1992). Individual differences in risk taking, J. F. Yates (Ed), *Risk Taking Behavior*, London: John Wiley and Sons.

- Brouthers, K. (1995). The influence of international risk on entry mode strategy in the computer software industry. *Management International Review*, 35 (1), 7-28.
- Brouthers, K. (2002). Institutional, cultural and transaction cost influences on entry mode choice and performance. *Journal of International Business Studies*, 33 (2), 203–221
- Brouthers, K. and Brouthers, L. (2003). Why service and manufacturing entry mode choices differ: the influence of transaction cost factors, risk and trust. *Journal of Management Studies*, 40 (5), 1179–1204
- Brouthers, L., Brouthers, K. & G. Nakos. 2004. How national culture influences international entry-mode choice, in F. McDonald, M. Mayer and T. Buck (eds) *The Process of Internationalization: Strategic, Cultural and Policy Perspectives*. London: Palgrave Publishers.
- Brouthers, K. and Nakos, (2004). SME Entry Mode Choice and Performance: A Transaction Cost Perspective, *Entrepreneurship Theory and Practice*, 28, 229-247.
- Brouthers, K. and Hennart, J-F (2007). Boundaries of the Firm: From International Mode Research, *Journal of Management*, 33, 395-425.
- Brouthers L.E., Brouthers K.D., & Werner S. (1999). Is Dunning's Eclectic Framework Descriptive or Normative? *Journal of International Business Studies*, 30, 831-844.
- Brunning, E.R. (1995). Strategic positioning for export marketing development: The role of managerial attitudes, export development programs and firm characteristics, *Journal of Strategic Marketing*, 3, 127-143.
- Buckley, P. J. (1989) Foreign Direct Investment by Small and Medium-sized Enterprises: the Theoretical Background. *Small Business Economics*, 1, 89-100.

- Buckley, P.J. (1998). The Limits of Explanation: testing the internationalization theory of the multinational enterprise, *Journal of International Business Studies*, 19 (2), 181-193.
- Busenitz, L.W. Gomez, C., and Spencer, J.W. 2000. Country institutional profiles: Unlocking entrepreneurial phenomena. *Academy of Management Journal*, 43, 994-1003.
- Burgel, O. and Murray, G.C. (2000). The International Market Entry Choices of Start-up Companies in High Technology Industries, *Journal of International Marketing*, 8, 33-62.
- Burton F. and Schlegelmilch B. (1987), Profile Analyses of Non-exporters versus Exporters Grouped by Export Involvement, *Management International Review*, 27 (1), 38-49.
- Calof, J. (1991). The Internationalization Process: *An Examination of Mode Change, Mode Choice and Performance*, Unpublished Thesis, University of Western Ontario, ON.
- Calof, J. and Beamish, P. (1995). Adapting to Foreign Markets: Explaining Internationalization, *International Business Review*, 4 (2), 115-131.
- Cadogan, J.W. (2001) Key antecedents to export market-oriented behaviours: a cross-national empirical examination, *International Journal of Research in Marketing*, Vol. 18, pp. 261–282.
- Canabal, A. and White, G.O. (2008). Entry Mode Research; past and future, *International Business Review*, 17, 267-284.
- Carpenter, M., Sanders, W. and Gregersen, H. (2001). Bundling human capital with organizational context: The impact of international assignment experience on multinational firm performance and CEO pay. *Academy of Management Journal*, 44 (3), 493-512.
- Casson, M. (1982). *The Entrepreneur. An Economic Theory*. Oxford: Martin Robertson.
- Cavusgil, S. (1984). Differences among exporting firms based on degree of internationalization, *Journal of Business Science Research*, 12, 195-208

- Cavusgil, S. and Nevin, J. (1981). Internal Determinants of Export Behaviour: An Empirical Investigation, *Journal of Marketing Research*, 18, 114-119.
- Cavusgil, S. T. and Zou, S. (1994) Marketing Strategy-Performance Relationships: An Investigation of the Empirical Link in Export Market Ventures, *Journal of Marketing*, 58 (1), 1-21.
- Collinson, S. and Houlden, J. (2005). Decision-Making and Market Orientation in the Internationalization Process of Small and Medium-Sized Enterprises, *Management International Review*, 45 (4), 413-436.
- Cooper, D.R. & Schindler, P.S. (2011). *Business Research Methods*, 11 Ed., NY, NY: McGraw-Hill Irwin.
- Conference Board of Canada (2006). *The Canada Project: Opportunity Begins at Home. Enhancing Canadian Commercial Services Exports*, Ottawa: The Conference Board of Canada.
- Crick, D. and Czinkota, M.R. (1995) Export assistance: another look at whether we are supporting the best programs, *International Marketing Review*, 32 (3), 61-72.
- Cronbach L.J. (1951) Coefficient alpha and the internal structure of tests. *Psychometrika*, 16 (3), 297-334.
- Czinkota, M. (1994). A National Export Assistance Policy for New and Growing Business, *Journal of International Marketing*, 2, 91-101.
- Dane, E. and Pratt, M.G. (2007) Exploring Intuition and its Role in Managerial Decision Making, *Academy of Management Review*, 32, 33-54.

Daniels, J. D., and J. Bracker (1989). Profit Performance: Do Foreign Operations Make a Difference? *Management International Review* 29 (1), 46–56.

Das T and Teng, B-S (2001). Trust, Control, and Risk in Strategic Alliances: An Integrated Framework, *Organization Studies*, 22, 251-283.

Dates, B., & King, J. E. (2008). SPSS algorithms for bootstrapping and jackknifing generalized measures of agreement. Paper presented at the February annual meeting of the Southwest Educational Research Association, New Orleans, LA.

Department of Foreign Affairs and International Trade (2006). *A Step-by-Step Guide to Exporting*. Ottawa: Team Canada Inc. Publication. See exportsource.gc.ca at: <http://exportsource.ca/gol/exportsource/site.nsf>.

Delios, A. and Beamish, P. (1999) Geographic scope, product diversification and the corporate performance of Japanese firms. *Strategic Management Journal*, 20, 711-727.

Denis, J.E., and Depelteau, D. (1985). Market Knowledge, Diversification and Export Expansion, *Journal of International Business Studies*, 16, 77-89.

Denison, D.R. & Mishra, A.K. 1995. Toward a theory of organizational culture and effectiveness. *Organization Science*, 6 (2), 204-223.

Dhanaraj, C. and Beamish, P. (2003). A Resource Based Approach to the Study of Export Performance, *Journal of Small Business Management*, 41 (3), 242-261.

Diamantopoulos, A. and Inglis, K. (1988). Identifying Differences between High- and Low-Involvement Exporters, *International Marketing Review*, 5, 52-60.

Dichtl, E., Koeglmayr, H-G., & Mueller, S. (1990) International Orientation as a Precondition for Export Success, *Journal of International Business Studies*, 21 (1), 23-40

- Dosoglu-Guner, B. (1999) An exploratory study of the export intention of firms: the relevance of organizational culture, *Journal of Global Marketing*, 12 (4), 45-63.
- Dunning, J.H. (1995). Reappraising the Eclectic Paradigm in an Age of Alliance Capitalism, *Journal of International Business Studies*, 26 (13), 461-491.
- Dunning, J. (1988). The Eclectic Paradigm of International Production: a restatement and some possible extensions, *Journal of International Business Studies*, 19, 1-31.
- Durmusoglu, S., Apfelthaler, G., Nayir, D., Alvarez, R., and Mughan, T. (2011). The effect of government-designed export promotion service use on small and medium sized enterprise goal achievement: A multidimensional view of export performance, *Industrial Marketing Management*, 10, 12.
- Dutta, D. and Beamish, P. (2009). Discretion and Internationalization: Impact of Environmental Determinants of Managerial Discretion and Host Country Experience on Entry Mode Choice, *International Journal of Trade and Global Markets*, 2 (¾), 267-285
- Eagly AH, Chaiken S. (1993) *The Psychology of Attitudes*. Fort Worth, TX: Harcourt Brace
- Eagly AH, Chaiken S. (1998) Attitude structure and function. *The Handbook of Social Psychology*, ed. DT Gilbert, ST Fiske. Boston: McGraw-Hill.
- Ekeledo, I. & Sivakumar, K. (2004). International Market Entry Mode Strategies of Manufacturing and Service Firms: A resource based perspective, *International Marketing Review*, 21 (1), 68-101.
- Eisenhardt, K. (1989). Building theory from case study research, *Academy of Management Review*, 16, 613-620.

- Eisenhardt, K. and Graebner, M. (2007). Theory Building from Cases: Opportunities and Challenges, *Academy of Management Journal*, 50 (1), 25-32.
- Ellis, P. and Pecotich, A. (2001), Social factors influencing export initiation in small and medium-sized enterprises, *Journal of Marketing Research*, Vol. 38, No. 1, pp. 119-131.
- Erramilli, M. (1990). Entry Mode Choice in Service Industries, *International Marketing Review*, 7 (5), 50-62.
- Erramilli, M. and Rao, C. (1990) Choice of foreign market entry modes by service firms: Role of market knowledge. *Management International Review*, 30 (2), 135-150.
- Erramilli, M. and Rao, C. (1993). Service firm's international entry-mode choice: A modified transaction-cost analysis approach, *Journal of Marketing*, 57 (3), 19-38.
- Fahy, J. (2001) A Resource-based Analysis of Sustainable Competitive Advantage in a Global Environment, *International Business Review*, 11 (1), 57–78.
- Farmer, T. (1993). Testing the effect of risk attitude on auditor judgments using multi-attribute utility theory, *Journal of Accounting, Auditing, and Finance*, 8 (1), 91-114.
- Fazio, R. H. (1990). Multiple processes by which attitudes guide behavior: The MODE model as an integrative framework. In M. P. Zanna (Ed.), *Advances in experimental social psychology*, New York: Academic Press.
- Field, A. (2005). *Discovering statistics using SPSS* (2nd ed.). London: Sage.
- Fiol, C. and Lyles, M. (1985), Organizational Learning, *Academy of Management Review*, 10 (4), 803-13.
- Fishbein, M., & Ajzen, I. (1975). *Belief, Attitude, Intention and Behavior: An Introduction to Theory and Research*, Reading, MA: Addison-Wesley.

- Fiske, S. T. and Taylor, S. E. (1991). *Social cognition* (2nd ed.), New York: McGraw Hill.
- Fishburn, P. (1977), Mean-Risk Analysis with Risk Associated with Below-Target Returns, *American Economic Review*, 67, 116-126.
- Forlani, D., Parthasarathy, M. and Keaveney, S. (2008). Managerial risk perceptions of international entry-mode strategies: The interaction effect of control and capability, *International Marketing Review*, 92-311.
- Fu, J. (1993). Increased risk aversion and risky investment. *The Journal of Risk and Insurance*, 60 (3), 494-501.
- Gallup (2008). *Observation of European SMEs*, Flash EB Series #196, Summary, Brussels.
- Gençtürk, E.F. and Kotabe, M. (2001). The effect of export assistance program usage on export performance: a contingency explanation. *Journal of International Marketing*, 9, 51–72.
- Glaister, K. W. and P. J. Buckley (1996), 'Strategic motives for international alliance formation,' *Journal of Management Studies*, 33(3), 301-332.
- Geringer JM, Tallman S, Olsen DM (2000) Product and international diversification among Japanese multinational firms. *Strategic Management Journal*, 21, 51–80.
- Golder, P. (2000), Insights from Senior Executives about Innovation in International Markets, *Journal of Product Innovation Management*, 17, 326-340.
- Gray, B.J. (1997). Profiling managers to improve export promotion targeting, *Journal of International Business Studies*, 2, 387-420.
- Gray, B. J. and McNaughton, R. (2010). Knowledge, values and internationalisation: Introduction to the special edition. *Journal of International Entrepreneurship*, 8 (2), 115-120.
- Greve, W. (2001), Traps and Gaps in Action Explanation, *Psychology Review*, 108 (2), 435-451.

- Hambrick, D. C., & Mason, P.A. 1984. Upper echelons: the organization as a reflection of its top managers. *Academy of Management Review*, 9, 193-206.
- Hammersley, M. (1996). The relationship between qualitative and quantitative research: paradigm loyalty versus methodological eclecticism. In J. T. E. Richardson (Ed.) *Handbook of Qualitative Research Methods for Psychology and the Social Sciences*, Leicester, UK: BPS Books.
- Halabisky, P. and Parsley, C. (2005). *Small Business Exporters: A Canadian Profile*. Industry Canada, Publication. www.strategis.gc.ca/sbexporters_profile.
- Hale, J.L.; Householder, B.J. & Greene, K.L. (2003). The theory of reasoned action. In J.P. Dillard & M. Pfau (Eds.), *The persuasion handbook: Developments in theory and practice*, Thousand Oaks, CA: Sage.
- Halikias, J. and Panayotopoulou, L. (2003). Chief Executive Personality and Export Involvement, *Management Decision*, 41 (4), 340-349.
- Hennart, J. F. 2000. The transaction cost theory of the multinational enterprise. In C. Pitelis & R. Sugden (Eds.), *The nature of the transnational firm* (2nd ed.), London: Rutledge.
- Hofstede, G.H. (1980), *Culture Consequences: International Differences in Work-related Values*, London: Sage Publications.
- Huber, G. (1991), Organizational Learning: The Contributing Processes and the Literatures, *Organization Science*, 2, 88-115.
- Hymer, S. (1976). *The International Operations of National Firms: A study of direct foreign investment*, MA, MIT Press.

Hynes, B (2010). International Small Business Growth: a process perspective, *Irish Journal of Management*, 4, 87-106.

International Trade Administration (2009). See

<http://tse.export.gov/EDB/SelectReports.aspx?DATA=ExporterDB>.

Ivanova, E. and Gibcus, P. (2003). The Decision-Making Entrepreneur: Literature Review, SCALES-paper N200219, EIM Business & Policy Research.

Jaffe, E., Pasternak, H., & Nebenzahl, I. (1988). The export behaviour of small and medium-sized Israeli manufacturers, *Journal of Global Marketing*, 2 (2), 27-51.

Jaw, Y., and Lin, W. (2009). Corporate elite characteristics and firm's internationalization: CEO level and TMT-level roles, *International Journal of Human Resource Management*, 20 (1), 220–233.

Johanson, J., and Vahlne, J. (1977). The internationalization process of the firm: a model of knowledge development and increasing foreign commitments, *Journal of International Business Studies*, 8 (1), 23–32.

Johanson, J., and Vahlne, J. (1990). The Mechanisms of Internationalization, *International Marketing Review*, 7 (4), 11-24.

Johanson, J. and Vahlne, J. (1997). The Internationalization Process of the Firm – a model of knowledge development and increasing foreign market commitments, *Journal of International Business Studies*, 8, 23-32.

Johanson, J., and Vahlne, J. (2003). Business relationship learning and commitment in the internationalization process, *Journal of International Entrepreneurship*, 1 (1), 83–101.

- Joynt, P. and Welch, L. (1985). A strategy for small business internationalization, *International Marketing Review, Autumn*, 64-73.
- Jolly, Vijay K., M. Alahuhta, and J.-P. Jeannet (1992). Challenging the Incumbents: How High Technology Start-Ups Compete Globally, *Journal of Strategic Change*, 1 (April), 71-82.
- Jones, M. (1999). The Internationalization of Small High-Technology Companies, *Journal of International Marketing*, 7, 15-41.
- Julien, P.A., Joyal, A. and Deshaies, L. (1997). A typology of strategic behaviour among small and medium exporting businesses, A case study, *International Small Business Journal*, 15 (2), 33-51.
- Jung, C.G. (1966). *Two Essays on Analytical Psychology*, Collected Works, Volume 7, Princeton, NJ: Princeton University Press.
- Kahneman, D. (2003). Maps of Bounded Rationality: Psychology for Behavioral Economics, *The American Economic Review*, 93 (5), 1449-1475.
- Kahneman and Tversky, (1986). Rational Choice and the Framing of Decisions Part 2: The Behavioral Foundations of Economic Theory, *The Journal of Business*, 59 (4), S251-S278.
- Kalogeras, N., Pennings, J.M.E., Garcia, P. (2006). What Drives Strategic Behavior? A Framework to Explain and Predict SMEs' Transition to Sustainable Production Systems, American Agricultural Economics Association 2006 Annual meeting, July 23-26, Long Beach, CA.
- Karakaya, F. and Yannopoulos, P. (2010). Defensive strategy framework in global markets: a mental models approach, *European Journal of Marketing*, 44 (7/8), 1077-1100.
- Keegan, W.J. and Seringhaus, F.H.R. (1996). *Global Marketing Management*, (Canadian Edition), Prentice-Hall: Scarborough, Ontario.

- Katsikeas, C. (1996). Ongoing export motivation: differences between regular and sporadic exporters, *International Marketing Review*, 13 (2), 4-19.
- Katz, R. L. (1955). Skills of an effective administrator, *Harvard Business Review*, 33 (1), 33-42.
- Keegan, W.J. and F.H.R. Seringhaus (1996), *Global Marketing Management*, (Canadian Edition), Scarborough, Ontario: Prentice-Hall.
- Keil, M., Wallace, L., Turk, D., Dixon-Randall, G. and Nulden, U. (2000). An investigation of risk perception and risk propensity on the decision to continue a software development project, *The Journal of Systems and Software*, 145-157
- Keupp, M. and Gassman, O. (2009). The Past and Future of International Entrepreneurship: A review and suggestions for developing the field, *Journal of Management*, 35, 600-633.
- Keyes, R. (1985). *Changing It*, Boston: Little, Brown.
- Knight, G. A. (2000). International services marketing: review of research 1980–1998, *Journal of Services Marketing*, 13, 347–360.
- Knight, G.A. and Cavusgil, S.T. (1996). The Born Global Firm: A Challenge to Traditional Internationalization Theory, *Advances in International Marketing*, Vol. 8, pp. 11-26.
- Kohli, A. and Jaworski, B. (1990), Market Orientation: The Construct, Research Propositions, and Managerial Implications, *Journal of Marketing*, 54, 1-18.
- Kogut, B. and Singh, H. (1988). The effect of national culture on the choice of entry mode. *Journal of International Business Studies*, 19 (3), 411–432.
- Krueger, N and Dickson, P. (1994). How believing in ourselves increases risk taking: Perceived self-efficacy and opportunity recognition. *Decision Sciences*, 25, 385-400.

- Kyvik, O. (2011). Internationalisation of Small Firms: The Importance of a Global Mindset, *International Journal of Technology Transfer and Commercialisation*, 10, 314-331.
- Lado, N., Martinez-Ros, E. and Valenzuela, A. (2004). Identifying successful marketing strategies by export regional destination, *International Marketing Review*, 21, 573–597.
- Lau, C-M. (2011). Team and organizational resources, strategic orientations, and firm performance in a transitional economy, *Journal of Business Research*, 64, 1344-1351.
- Leonidou, Leonidas C., Constantine S. Katsikeas, and Nigel F. Piercy (1998), Identifying Managerial Influences on Exporting: Past Research and Future Directions, *Journal of International Marketing*, 6 (2), 74–102.
- Levitt, B. and March, J. (1988), Organizational Learning, *Annual Review of Sociology*, 14, 319-340.
- Lu, J. and Beamish, P. (2001). The Internationalization and Performance of SMEs, *Strategic Management Journals*, 22, 565-586.
- Lu, J. and Beamish, P. (2006). SME Internationalization and Performance: Growth vs. Profitability, *Journal of International Entrepreneur*, 4, 27-48.
- Lumley, F. (1928). *Principles of Sociology*, New York: McGraw-Hill.
- Luo, Y. 2001. Determinants of entry in an emerging economy: a multilevel approach. *Journal of Management Studies*, 38 (3), 443-472.
- Macrimmon, K. and Wehrung, D. (1984). The Risk In-Basket, *Journal of Business*, 57(3), 367-387.
- Macrimmon, K. and Wehrung, D. (1990), Characteristics of Risk Taking Executives, *Management Science*, 36, 422-435.

- Madsen, T. (1988), Successful export marketing management: some empirical evidence, *International Marketing Review*, 6 (4), 41-57.
- Maignan, I. and Lukas, B. (1997). Entry Mode Decisions, *Journal of Global Marketing*, 10 (4), 7-22.
- Macharzina, K. and Englehard, J. (1991). Paradigm Shift in International Business Research: from partist and eclectic approaches to the GAINS paradigm, *Management International Review*, 31, 23-43
- Malekzadeh, A. and Nahavandi, A. (1985). Small business exporting: misconceptions are abundant, *American Journal of Small Business*, 4 (2). 7-14.
- Manolova, T. S., Brush, C. G., Edelman, L. F. and Greene, P. G. (2002). Internationalization of Small Firms: Personal Factors Revisited, *International Small Business Journal*, 20(1), pp. 9-31
- March, J and Shapira, Z. (1987). Managerial perspectives on risk and risk taking, *Management Science*, 33, 1404–1418.
- Mardanov, I. (2003). *A Theoretical development and test of Foreign Market Entry Strategy Process Models: An integration using an example in the Eastern European and Former Soviet Countries*, Unpublished Thesis, Mississippi State, MI.
- McNaughton, R. (2001). The Export Mode Decision-Making Process in Small Knowledge Intensive Firms, *Market Intelligence and Planning*, 19 (1), 12-20.
- McGahan, A and Porter, M. (1997). How Much Does Industry Size Really Matter, *Strategic Management Journal*, 18, 15-30.
- Miesenböck, Kurt J. (1988), "Small Businesses and Exporting: A Literature Review," *International Small Business Journal*, 6, 42-61.

- Miller, K. (2005). *Communications theories: perspectives, processes, and contexts*, New York: McGraw-Hill.
- Miller, R. (197). The jackknife – a review, *Biometrika*, 61 (1), 1-15.
- Moen, O. and Servais, P. (2002). Examining Export Behavior of Small and medium-Sized Enterprises, *Journal of International Marketing*, 10 (3), 49-72.
- Molhotra, N., Agarwal, J., Ulgado, F. (2003). Internationalization and Entry Modes: A theoretical framework and research propositions, *Journal of International Marketing*, 11 (4), 1-31.
- Moon, J. and Lee, H. (1990). On the Internal Correlates of Export Stage Development: An Empirical Investigation in the Korean Electronics Industry, *International Marketing Review*, 7 (5), 16–26.
- Morchett, D., Schramm-Klein, H. and Swoboda, B. (2010). Decades of research on market Entry Modes: What do we really know about external antecedents of entry mode choice?, *Journal of International Management*, 16, 60-77.
- Morgan, R., and Hunt, S. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58.
- Morosini, P., & Singh, H. (1994). Post-cross-border acquisitions: Implementing national culture compatible strategies to improve performance, *European Management Journal*, 12, 390-400.
- Mayer, T. and Ottaviano, G. (2007). The Happy View: the internationalization of European Firms, Brussels, Belgium: *Bruegel Blueprint Series, Volume III*.
- Myers, D. G. (2010). *Social Psychology* (10th ed.), New York: McGraw-Hill.

- Meyer, J P and Allen, N J (1991). A three-component conceptualization of organizational commitment: Some methodological considerations, *Human Resource Management Review*, 1, 61-98.
- Nakos, G. and Brouthers, K. (2002). Entry Mode Choice of SMEs in Central and Eastern Europe, *Entrepreneurship Theory and Practice*, Fall 2002, 47-63.
- Nadeau, M., Prefontaine, S. and Mei, L. (2010). Canadian Trade Review, A Profile of Canadian Exporters, *Statistics Canada*, Cat. No. 65-506-M-08.
- Navarro, A., Acedo, F., Robson, M., Ruzo, E. and Losada, F. (2010). Antecedents and Consequences of Firms' Export Commitment: An Empirical Study, *Journal of International Marketing*, 18 (33), 41-61.
- NCSS (2013). Hotelling 2 Sample T2, NCSS Statistical Software, www.ncss.com
- Nielsen, B. and Nielsen, S. (2011). The role of top management team international orientation in international strategic decision-making: The choice of foreign entry mode, *Journal of World Business*, 46, 185–193.
- Nelson, C. (1999). *Exporting: A Managers Guide to the World Market*, London: International Thompson Business.
- Newman, K. and Nollen, S. (1996). Culture and Congruence: The Fit between Management Practices and National Culture, *Journal of International Business Studies*, 27 (4), 753-779.
- O'Cass, A., Julian, C., 2003. Examining firm and environmental influences on export marketing mix strategy and export performance of Australian exporters, *European Journal of Marketing*, 37 (3/4), 366-384.

- O'Farrell, P., Wood, P., and Zheng, J. (1996). Internationalization of business services: an interregional analysis. *Regional Studies* 30 (2), 101-118.
- Onkvisit, S. and Shaw, J. (1983). An Examination of the International Product Life Cycle and its Examination in Marketing, *Columbia Journal of World Business*, Fall, 73-79.
- Oortwijn, M. (2011). Foreign entry commitment as a human choice, Self-published Thesis from University of Warwick, UK.
- Orser, B. Spence, M., Riding, A. and Carrington, C. (2008). *Canadian SME Exporters*, Industry Canada, Publication. See exportsource.gc.ca at: www.ic.gc.ca/epic/site/sme_fdi-prf_pme.nsf/en/h_02115e.html.
- Osborne, K. (1996). The Channel Integration Decision for Small to medium Sized manufacturing Exporters, *International Small Business Journal*, 14, 40-49.
- Oviatt, B. and McDougall, P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies*, 25, 45-64.
- Oviatt, B. and McDougall, P. (1997). Challenges for internationalization process theory: The case of international new ventures. *Management International Review*, 37, 85-99.
- Oviatt, B. and McDougall, P. (2004). Toward a Theory of International New Ventures, *Journal of International Business Studies*, 25 (1), 45-64.
- Oviatt, B. & McDougall, P. (2005). Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice*, 29 (5), 537-553.
- Palich, L. and Bagby, R. (1995). Using Cognitive Theory to Explain Entrepreneurial Risk-Taking: Challenging Conventional Wisdom. *Journal of Business Venturing*, 10 (6), 425-438.

- Pan, Y. and Tse, D. (2000). The Hierarchical Model of Market Entry Modes, *Journal of International Business Studies*, 31 (4), 535-554.
- Pangarkar, N. (2007). Internationalization and Performance of Small and Medium Sized Enterprises, *Journal of World Business*, 43, 475-485.
- Patterson, P. (2004). A Study of Perceptions Regarding Service Firms' Attitudes towards Exporting, *Australasian Marketing Journal*, 12 (2).
- Pauwels, P. and Matthyssens, P. (1998). Toward a Dynamic Perspective on Market Commitment in Export Ventures, Competitive Paper presented at the 27th Conference of the European Marketing Academy (EMAC), Stockholm, Sweden.
- Pennings, J., Wansink, B. and Meulenberg, M. (2002), Consumentengedrag in Crisissituaties, *Economisch Statistische Berichten*, 430-432.
- Perk, K. (2009). Influences on International Market Entry Method Decisions by European Entrepreneurs, *International Journal of Entrepreneurship*, 13, 1-18.
- Pfeffer, J. and Lawler, J. (1980). Effects of Job Alternatives, Extrinsic Rewards, and Behavioral Commitment on Attitude Toward the Organization: A Field Test of the Insufficient Justification Paradigm, *Administrative Science Quarterly*, 25 (1), 38-56.
- Pieter, P. and Matthyssens, P. (1999). A Strategy Process Perspective on Export Withdrawal, *Journal of International Marketing*, 7 (3), 10-37.
- Poulton, E. C. (1994). *Behavioral decision theory: A new approach*, Cambridge, MA: Cambridge University Press.
- Porter, M. (1980). *Competitive Strategy*, New York: Free Press.

- Petratis, J., Flay, B. R., & Miller, T. Q. (1995). Theories of adolescent substance use: Organizing pieces in the puzzle. *Psychological Bulletin*, 117, 67-86.
- Perk, K. and Hughes, M. (2008). Entrepreneurial decision-making in internationalization: Propositions from mid-sized firms, *International Business Review*, 17, 310-330.
- Prahalad, C. and Hamel, G. (1994), Strategy as a Field of Study: Why Search for a New Paradigm?, *Strategic Management Journal*, 15 (5), 5-16.
- Priem, Richard L., Douglas W. Lyon, and Gregory G. Dess (1999). Inherent Limitations of Demographic Proxies in Top Management Team Heterogeneity Research, *Journal of Management*, 25 (6), 935-53.
- Preece, S., Miles G. and Baetz M. (1999). Explaining the international intensity and global diversity of early-stage technology-based firms, *Journal of Business Venturing*, 14 (3), 259-281.
- Rasheed, H. (2005). Foreign Entry Mode Performance: The moderating effects of environment, *Journal of Small Business Management*, 43 (1), 41-54.
- Reid, S. (1981), The decision-maker and export entry and expansion, *Journal of International Business Studies*, 12 (2), 101-111.
- Reuber, R. and Fischer, E. (1997). The Influence of the Management Team's International Experience on the Internationalization Behavior of SMEs, *Journal of International Business Studies*, Vol. 28, No. 4, pp. 807-825.
- Rialp A., Rialp J., Knight G.A. (2005). The phenomenon of early internationalizing firms: What do we know after a decade (1993-2003) of scientific inquiry? *International Business Review*, 14 (2), 147-166.

- Robertson, C. and Chetty, S. (2000). A Contingency-Based Approach to Understanding Export Performance, *International Business Review*, 9, 211-235.
- Rocha, A., Cotta de Mello, R., Pacheco, H. and Farias, I. (2102). The international commitment of late-internationalizing Brazilian entrepreneurial firms, *International Marketing Review*, 29 (3), 228 – 252.
- Root, F.R. (1987). *Entry Strategies for International Markets*, Boston, MA: Lexington Books.
- Ruiz-Fuensanata, M. (2010). A predicative model of the export behaviour of small and medium size firms, *Cuadernos de Gestion*, 11 (2), 89-110.
- Ruzzier, M., Hisrich, R. and Antoncic, B. (2007). SME Internationalization Research: past, present and future, *Journal of Small Business and Enterprise Development*, 13 (6), 476-497.
- Sanbonmatsu, D. M., Posavac, S. S., Vanous, S., & Ho, E. A. (2005). Information search in the testing of quantified hypotheses: How “all”, “most”, “some”, “few”, and “none” hypotheses are tested. *Personality and Social Psychology Bulletin*, 31, 254-266.
- Schmiemann, M. (2008). Enterprises by size class—overview of SMEs in the EU, Statistics in Focus, No. 31 / 2008, Eurostat, Luxembourg.
- Shane, S. (1994). The Effect of National Culture on the Choice Between Licensing and Direct Foreign Investment, *Strategic Management Journal*, 15, 627-642.
- Sharma, V. and Erramilli, K. (2004). Resource based Explanation of Entry Mode Choice, *Journal of Marketing Theory and Practice*, 12 (1), 1-18.
- Sharma, D., & Blomstermo, A. (2003). The internationalization process of born globals: a network view. *International Business Review*, 12 (6), 739-753.

- Sheeran, P. (2002). Intention-behavior relations: A conceptual and empirical review, *European Review of Social Psychology*, 12, 1-36.
- Sheppard, B.H., Hartwick J., & Warshaw. P.R. (1988). The theory of reasoned action: A meta-analysis of past research with recommendations for modifications and future research, *Journal of Consumer Research*, 15, 325-343.
- Simon, H. (1979). Rational Decision Making in Business Organizations, *American Economic Review*, 69 (4), 493-513.
- Sitkin, S. & Weingart, L. (1995). Determinants of risky decision making behavior: A test of the mediating role of risk perceptions and propensity. *Academy of Management Journal*, 38, 1573–1592.
- Sousa C.M.P, Martinez-Lopez, F.J. and Coelho, F. (2008). The Determinants of Export Performance: a review of empirical literature between 1998 and 2005, *International Journal of Marketing Reviews*, 10 (4), 343-374.
- Sousa, C., Ruzo, E. and Losada, F. (2010). The Key Role of Managers' Values in Exporting: Influence on Customer Responsiveness and Export Performance, *Journal of International Marketing*, 18 (2), 1-19.
- Sommer, L. (2010). Internationalization process of small and medium size enterprises – a matter of attitude? *Journal of Entrepreneurial Management*, 8, 288-317.
- Sommer, L. and Haug, M. (2011). Intention as a cognitive antecedent to international entrepreneurship-understanding the moderating roles of knowledge and experience, *Journal of Entrepreneurial Management*, 7, 111-142.

SPSS.com (2013, June). SPSS Manual, from

ftp://public.dhe.ibm.com/software/analytics/spss/documentation/statistics/20.0/en/client/Manuals/IBM_SPSS_Statistics_Core_System_Users_Guide.pdf.

Stewart, D. (2011). Sample Size, Athabasca University DDBA803, Unpublished Syllabus Discussion.

Stray, S., Bridgewater, S. and Murray, G. (2001). The Internationalization Process of Small, technology-Based Firms: Market Selection, Mode Choice and Degree of Internationalization, *Journal of Global Marketing*, 15 (1), 7-29.

Stump, R., Athaide, G. and Axinn, C. (1999). The Conceptualization and Measurement of Export Commitment, *Marketing Theory and Applications*, 10, 82–83

Suárez-Ortega, S. and Alamo-Vera, F. (2005). SMEs' Internationalisation: Firms and Managerial Factors, *International Journal of Entrepreneurship Behaviour and Research*, 11 (4), 258-279.

SurveyMonkey. (2009). *Response Rates & Surveying Techniques: Tips to Enhance Survey Respondent Participation*. Retrieved March 5, 2010 from:

http://s3.amazonaws.com/SurveyMonkeyFiles/Response_Rates.pdf

Tang, M-J. and Yu, C-M. (1990). Foreign market Entry: Production Related Strategies, *Management Science*, 36 (4), 476-499.

Taylor, J. (1999). A Historical Analysis of Monetary Policy Rules," in J.B. Taylor, ed., *Monetary Policy Rules*, , Chicago: University of Chicago Press.

Toyne, B. and Walters, P. (1993). *Global marketing management: A strategic perspective*, Boston, MA: Allyn and Bacon.

- Triandis, H. (1979). Values, Attitudes, and Interpersonal Behavior, *Nebraska Symposium on Motivation*, 27, 195-259.
- Turnbull, P. (1987). *A Challenge to the Stages Theory of the Internationalization Process in Managing Export Entry and Expansion*, Ed. P.J., New York: Rosson and Reed.
- Tversky, A. and Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases, *Science*, 185, 1124–1131.
- Vernon, R. (1983). Organizational and Institutional Responses to International Risk, *The Quarterly Journal of Economics*, 80, 190-207.
- Vernon, R. and Wells, T. (1986). *The manager in the international economy*, Englewood Cliffs, New Jersey: Prentice Hall.
- Von Neumann, J. (1928), "Zur Theorie der Gesellschaftsspiele", *Mathematische Annalen*, 100 (1), 295–320.
- Weick, K. (1969). *The Social Psychology of Organizing Reading*, Boston, MA: Addison-Wesley Publishing Company.
- Werner, S. (2002). Recent Developments in International Management Research; a review of top 20 management journals, *Journal of Management*, 28, 277-305.
- Wernerfelt, B. (1984). A Resource-based View of the Firm, *Strategic Management Journal*, 5 (2), 171-180.
- Westaby, J. (2005). Behavioral Reasoning Theory: Identifying new linkages underlying intentions and behavior, *Organizational Behavior and Human Decision Processes*, 98, 97-120.
- Wheeler, C, Ibeh K, and Dimitratos, P. (2008). UK Export Performance: Review and Implications, *International Small Business Journal*, 26, 207-239.

- Williams, S., Zainuba, M. & Jackson, R. (2008). Determinants of Managerial Risk Perceptions and Intentions, *Journal of Management Research*, 8 (2).
- Williams, S. and Narendran, S. (1999). Determinants of Managerial Risk, *Journal of Social Psychology*, Vol. 139, pp. 268-287.
- Wilkins, A. and Ouchi, W. (1983). Organizational Culture: Exploring the Relationship Between Culture and Organizational Performance, *Administrative Science Quarterly*, 28 (3), 468-481.
- Wolff, J. and Pett, T. (2000). Internationalization of Small Firms: an examination of export competitive patterns, firm size, and export performance, *Journal of Small Business Management*, 38, 34-47.
- Woodcock, C. P., Beamish, P. W., & Makino, S. 1994. Ownership-based entry mode strategies and international performance, *Journal of International Business Studies*, 25 (2), 253-273.
- Yannopoulos, P. (2010). Export Assistance Programs: Insights from Canadian SMEs, *International Review of Business Research Papers*, 6 (5), 36-51.
- Yin, R.K. (1994). *Case Study Research: Design and Methods*, Vol. 2, Beverly Hills, CA: Sage Publishing.
- Yin, R. K. (2004). *Case Study Research: Design and Methods (Vol. 5)*, Beverly Hills, CA: Sage Publications.
- Zacharakis, A.L. (1997). Entrepreneurial Entry into Foreign Markets: a transaction cost perspective, *Entrepreneurship Theory and Practice*, 21 (3), 23-39.
- Zaheer, S. (1995), Overcoming the Liability of Foreignness, *Academy of Management Journal*, 38, 341-63.

- Zahra, S. A., & George, G. (2002). International entrepreneurship: The current status of the field and future research agenda. In M. Hitt, R. Ireland, S. Camp, and D. Sexton (Eds.), *Strategic entrepreneurship: Creating a new mindset*, Malden, MA: Blackwell Publisher Ltd.
- Zahra S.A., Korri J.S., Yu J. (2005). Cognition and international entrepreneurship: Implications for research on international opportunity recognition and exploitation, *International Business Review*, 14 (2), 129-146.
- Zou, S. and Stan, S. (1998). The Determinants of Export Performance: a review of empirical literature between 1987 and 1997, *International Marketing Review*, 15 (5), 333-356.
- Zou, S., Taylor, C. R. and Osland, G. E. (1998). The Experf Scale: A Cross-National Generalized Export Performance Measure, *Journal of International Marketing*, 6 (3), 37–58.
- Zhao, H. and Zou, S. (2002). The impact of industry concentration and firm location on export propensity and intensity: an empirical analysis of Chinese manufacturing firms, *Journal of International Marketing*, 10, 52–71.

Appendix 1: Survey Instrument

This is a message about completing a survey on SME commitment to International activity

Is this email not displaying correctly?
[View it in your browser.](#)

Athabasca University

As a business professional you have been carefully selected to participate in this survey on behalf of Doctoral Candidate Richard Game with the approval and support of Athabasca University.

Dear Robert Gagne:

My name is Richard Game and I am a doctoral candidate at Athabasca University who has 25 years of industry experience and I am working with a team of international researchers to explore Small and Medium Enterprise (SME) commitment to international activity. We are specifically looking for your support in helping us research the hurdles that Canadian SME decision-makers face in committing to more advanced methods of international market entry. This study is specifically targeted at the key **decision-makers of manufacturing SMEs, with 50 - 500 employees, who are currently involved in international activities** in some manner (exporting, strategic alliances, subsidiary operations, etc.). In particular, we are interested in the thoughts and perceptions of these key decision-makers in their international market entry decision-making process.

If you feel that you are not the ideal person to take this survey within your company, I would appreciate if you could forward it onto the right contact.

I would be grateful if you would agree to participate in the study by completing a 15 minute survey. As an added incentive, I will make a summary of the key findings available electronically to participants in the spring of 2013. All data collected will be kept confidential in a secure location. In addition, all data will be reported in aggregate and no individual information will be reported. The informed consent is online and explains the survey further.

[Take the survey now.](#)

Please let me know if you have any questions and thank you for your interest.

Sincerely,

Richard Game
Doctoral Candidate
Richard_Game@dba.athabascau.ca

[unsubscribe from this list](#) | [update subscription preferences](#)

[Friend on Facebook](#)
[Follow on Twitter](#)
[Forward to a Friend](#)



About Athabasca University:

Athabasca University, Canada's Open University, is dedicated to the removal of barriers that restrict access to and success in university-level study and to increasing equality of educational opportunity for adult learners worldwide.

For more information on Athabasca University please [click here](#).

Contact:
Richard Game
Doctoral Candidate
Richard_Game@dba.athabascau.ca

Our mailing address is:
Athabasca University
1 University Drive
Athabasca, AB T9S 3A3
Canada

Legend for hypothesis/questions matching (code will be placed beside each question):

SD: Screening/Demographics

EXP: Exploratory

H1A: Education (General)

H1B: International experience (General)

H1C: International commitment (General)

H1D: Culture (General)

H1E: Risk propensity (General)

H2A: Risk perception (situational specific)

H2B: Level of perceived benefits (situational specific)

H2C: Likelihood of gain / success (situational specific)

H2D: Market knowledge (situational specific)



Note: This informed consent statement will be imbedded electronically inside the survey

I have read and understood the information contained in this letter, and I agree to participate in the study, on the understanding that I may refuse to answer certain questions, and that I can withdraw at any time.

- I acknowledge and accept the informed consent and confidentiality terms
- I do not accept the informed consent terms (survey terminates)

SME Internationalization: The Failure to Commit

Section A: Getting To Know Your Company Better

1) How many employees does your company employ worldwide?

- 0 – 50 employees
- 51 – 100 employees
- 101 – 250 employees
- 251 – 500 employees
- 501 plus employees

SD

2) What is your role in your firm?

- CEO / President (and owner or major shareholder)
- CEO / President (not an owner or major shareholder)
- International Management (senior decision-maker level: VP or Director level)
- Other (please specify) (note: use form fill)

SD

- 3) Are you directly responsible (or involved) with decisions related to international activities at your company?
- Yes
- No

SD

- 4) Is your company currently involved in international activities?
- Yes
- No

<Hidden note: If “Yes”, the following question appears in FluidSurvey.com>

How long has your company been involved in international activities?

- Less than 1 year
- 1 to 5 years
- 6 plus years

SD

- 5) Are you a manufacturer or service provider?
- Primarily Manufacturing
- Primarily Service
- Both are significant portions of our business

SD

<Hidden Note: This is the end of screening and filtering questions. Depending on the results of the questions, the survey may terminate and advise the participant that “thank you for your participation but you are not an ideal candidate for this survey”>

- 6) The following question will ask you to summarize your company’s overall international activity by major region, by the most advanced method of international market entry utilized and by your perception of your success.

For the purposes of this research, we have adopted a simplified model for international market entry methods which are the ways companies enter foreign markets through an increasing level of commitment/risk and include (1) exporting directly (2) exporting via third party such as a dealer (3) overseas sales subsidiary (4) overseas production - whether it be through strategic alliance or wholly owned. (Level 1 = least advanced; Level 4 = most advanced)

SD

USA % of international sales

Most advanced market method used:

Perception of Success (sales penetration)

Not very successful 1 2 3 4 5 Very successful

Mexico/Latin America % of international sales

Country with most advanced market entry method:

Most advanced market method used:

Perception of Success (sales penetration)

Not very successful 1 2 3 4 5 Very successful

Europe / Russia % of international sales

Country with most advanced market entry method:

Most advanced market method used:

Perception of Success (sales penetration)

Not very successful 1 2 3 4 5 Very successful

Middle East /Africa % of international sales

Country with most advanced market entry method:

Most advanced market method used:

Perception of Success (sales penetration)

Not very successful 1 2 3 4 5 Very successful

Asia/Pacific % of international sales

Country with most advanced market entry method:

Most advanced market method used:

Perception of Success (sales penetration)

Not very successful 1 2 3 4 5 Very successful

Note: Drop down filled will include the following options

- *Exporting directly*
- *Exporting via third party*
- *Overseas sales/service subsidiary*
- *Overseas production subsidiary*
- *Other (form fill)*

Note: % boxes will add to 100%. Programed into software.

Section B: Getting To Know You Better

These questions are answered from your personal perspective, as a senior decision-maker at an SME

7) What is the highest education level that you have completed?

- High School or less
- Trade School or College (diploma)
- Undergraduate University
- Post Graduate University

H1A

8) What region are you from originally?

- Canada
- U.S.A
- Mexico/Latin America
- Europe / Russia
- Middle East / Africa
- Asia/Pacific
- Other [free text field]

H1D

9) Have you ever lived outside of Canada for at least one year?

- Yes
- No

H1B

10) Do you speak more than one language?

- Yes
- No

H1D

11) How would you rate your general knowledge of business cultures outside of Canada

- Low
- Medium
- High

H1D

12) How many overall years of international business experience do you have personally?

- Less than 2 years
- 2 – 5 years
- 6 – 10 years
- More than 10 years

H1B

13) What percentage of your total work time is focused on international markets?

- Less than 10%
- 10 – 25%
- 26 – 50%
- 51 – 75%
- 76 – 100%

H1C

14) How important do you believe international business is to your company's current success?

Very unimportant 1 2 3 4 5 Very important

H1C

15) How important do you believe international business will be to your company's future success?

Very unimportant 1 2 3 4 5 Very important

H1C

- 16) How would you describe your personal commitment to international markets?
 Very uncommitted 1 2 3 4 5 Very committed
 H1C
- 17) What is your overall perception of opportunities represented by international markets?
 Very negative 1 2 3 4 5 Very positive
 H2B
- 18) How would you rate your experience in competing against foreign companies in their domestic markets?
 Very negative 1 2 3 4 5 Very positive
 H1B / EXP
- 19) How would you rate your experience in working with foreign partners (ie. dealers)?
 Very negative 1 2 3 4 5 Very positive Not applicable
 H1B / EXP
- 20) How would you describe the importance of your international network of connections to the overall success of your company in international expansion efforts?
 Very unimportant 1 2 3 4 5 Very important Not applicable
 EXP
- 21) What is your overall perception of the risks represented in international markets?
 Very risky 1 2 3 4 5 Little to no risk
 H2A
- 22) How would you rate your own willingness to undertake riskier business approaches as compared to other executives within your personal business network?
 Less likely to takes risks 1 2 3 4 5 Very likely to take risks
 H1E
- 23) How would you rate your own willingness to accept financial risk in your business life?
 Very unlikely to takes risks 1 2 3 4 5 More likely to take risks
 H1E
- 24) How would you rate your own willingness to accept personal risk in your leisure activities?
 Very unlikely to takes risks 1 2 3 4 5 Very likely to take risks
 H1E
- 25) Can you please rate the following government assistance programs where you are familiar with them?
 EXP
- Export related training
 Very unhelpful 1 2 3 4 5 Very helpful Don't know
- Sharing experience (case studies) of other successful exporters

Very unhelpful 1 2 3 4 5 Very helpful Don't know

In country support to make introductions and arrange meetings

Very unhelpful 1 2 3 4 5 Very helpful Don't know

Trade missions

Very unhelpful 1 2 3 4 5 Very helpful Don't know

Country research / market research

Very unhelpful 1 2 3 4 5 Very helpful Don't know

Financial assistance programs

Very unhelpful 1 2 3 4 5 Very helpful Don't know

List others that you may have found particularly helpful

Free Text input

26) What is your overall experience with Canadian government assistance in the internationalization process?

Very negative 1 2 3 4 5 Very positive Don't know

EXP

Section C: Understanding your International Decision-Making Process Better

We are particularly interested in your decision-making process as you consider a change in, or after you have changed, your international market entry method; and specifically your personal thoughts and perceptions during this process.

VERY IMPORTANT. Please answer the following questions based on the country that you ranked earlier in question 5 [insert country] as having the most advanced method of international market entry.
<Fluidsurvey.com software to insert this automatically>

27) Have you recently changed or are you considering a change to your international market entry method?

- I have recently changed (within past year) my market entry method
- There is no recent change (within past year), but I am planning or considering changing my market entry method
- There is no recent change (within past year) and no expectation for change of status in my market entry method

SD

28) Prior to entering or advancing your international market entry method in this country, were there any formal marketing or research studies done as part of the decision-making process?

- Informal research through discussions with your network
- Formal in-house market research
- Formal third party market research
- Other [free text field]

None
H2D

29) Prior to entering or advancing your international market entry method in this country, what was your perception of the market attractiveness?
Very low potential 1 2 3 4 5 Very high potential

H2B

30) What are the primary benefits you see in entering this market (rank in order of importance)?

- Increased sales
- Profitability
- Access to new markets
- Lower manufacturing costs
- Quicker customer response times
- Other (note: use form fill)

EXP

31) Prior to entering or advancing your international market entry method in this country, how would you rate your specific business experience in that market?
Very low 1 2 3 4 5 Very high

H1B

32) Prior to entering or advancing your international market entry method in this country, how would you rate your comfort with the culture in that market?
Very low 1 2 3 4 5 Very high

EXP

33) Do you speak the language of that country?
 Yes
 No

EXP

34) Do you have a family or maternal connections to that country?
 Yes
 No

EXP

35) Prior to entering or advancing your international market entry method in this country, what was your perception of the likelihood of being successful?
Very unsuccessful 1 2 3 4 5 Very successful

H2C

36) Prior to entering or advancing your international market entry method in this country, how confident were you that you had the capabilities to be successful.
Very low confidence 1 2 3 4 5 Very high confidence

H2C

37) How would you rate the overall risk of this international market as it currently stands?

Very high risk 1 2 3 4 5 Little or no risk

H2A

38) Prior to entering or advancing your international market entry method in this country, how would you rate the risk of increasing your commitment?

Very high risk 1 2 3 4 5 Little or no risk

H2A

39) Prior to entering or advancing your international market entry method in this country, how much confidence in your international network do you have?

Very low confidence 1 2 3 4 5 Very high confidence
 Not applicable

H2A

40) Prior to entering or advancing your international market entry method in this country, your overall knowledge of that market could be described as?

Very low knowledge 1 2 3 4 5 Very high knowledge

H2D

41) Prior to entering or advancing your international market entry method in this country, your perception of your capability to compete and be successful against foreign competitors was?

Very low capability 1 2 3 4 5 Very high capability

H2C

Section D: Some Final Discussion Questions

You are now at the last stage of the survey, only 3 questions to go. We are particularly interested in hearing from you in a free form response method, your specific inputs on the reason why or why not you may have advanced your international market entry method

42) What do you consider the most important obstacles (top 3) in committing to a more advanced international market entry method?

EXP

First: This is free text form fill response. The purpose is to explore potential factors and influences that were not considered as part of the survey

Second: This is free text form fill response. The purpose is to explore potential factors and influences that were not considered as part of the survey

Third: This is free text form fill response. The purpose is to explore potential factors and influences that were not considered as part of the survey

43) If you recently committed (within the past year) to a more advanced international market entry method, what were the primary reasons that caused you to make this decision?

I did not change my international market entry method

EXP

First: This is free text form fill response. The purpose is to explore potential factors and influences that were not considered as part of the survey

Second: This is free text form fill response. The purpose is to explore potential factors and influences that were not considered as part of the survey

Third: This is free text form fill response. The purpose is to explore potential factors and influences that were not considered as part of the survey

44) If you decided NOT to commit (or stay at status quo) to a more advanced international market entry method (within the past year), what were the primary reasons that caused you to make this decision?

I did change my international market entry method

EXP

First: This is free text form fill response. The purpose is to explore potential factors and influences that were not considered as part of the survey

Second: This is free text form fill response. The purpose is to explore potential factors and influences that were not considered as part of the survey

Third: This is free text form fill response. The purpose is to explore potential factors and influences that were not considered as part of the survey

FORCED PAGE BREAK (ethics board requirement)

Request for Executive Summary

Would you like to receive an executive summary of the results of this research?

Yes

No

If YES, can you please provide the following contact information?

(It is acknowledged that this email address is confidential, will not be used as part of any data analysis and will be destroyed after the summary is sent)

Email address

Request for Follow-up

In addition, we may like the opportunity to have a short follow-up session with you to explore your internationalization efforts more fully. Would you agree to participate?

Yes

No

If YES, can you please provide the following contact information?

(It is acknowledged that this email address is confidential, will not be used as part of any data analysis and will be only used to make potential contact for a follow-up interview)

Email address

This concludes the survey Thank you sincerely for your participation

Appendix 2: Ethics Approval

MEMORANDUM



DATE: October 12, 2012
TO: Mr. Richard Game
COPY: Dr. Kay Devine (Research Supervisor)
Ms. Janice Green, Secretary, Athabasca University Research Ethics Board
Dr. Simon Nuttgens, Chair, Athabasca University Research Ethics Board
FROM: Dr. Mihail Cocosila, Faculty of Business Research Ethics Review Committee

SUBJECT: Ethics Proposal # FB-12-11G: *SME Internationalization: The Influence of Attitude on the Decision to Commit to Advanced Market Entry Modes*

I am pleased to advise that the above-noted project has been awarded **APPROVAL** on ethical grounds. This approval of your application will be reported to the Athabasca University Research Ethics Board (REB) at their next monthly meeting. There are, however, several minor revisions requested to this application prior to filing and reporting to the Athabasca University REB. Please address these revisions and resubmit the application before starting the research.

The approval for the study “as presented” is valid for a period of one year from the date of this memo. If required, an extension must be sought in writing prior to the expiry of the existing approval. **A Final Report is to be submitted when the research project is completed.** The reporting form can be found online at <http://www.athabascau.ca/research/ethics/>.

As implementation of the proposal progresses, if you need to make any significant changes or modifications, please forward this information immediately to the CIM Research Ethics Review Committee via mihailc@athabascau.ca for further review. We wish you all the best with your research. If you have any questions, please do not hesitate to contact me.

Best wishes for your timely completion of this very interesting research project.

Mihail Cocosila, PhD
Associate Professor
Chair, Research Ethics Review Committee
Faculty of Business
Athabasca University
E-mail: mihailc@athabascau.ca

FB Research Ethics Review Committee
(A Sub-Committee of the Athabasca University Research Ethics Board)

Appendix 3: Sample size calculation

Sample size was driven by the data analysis methods used, degree of accuracy and the confidence levels required. The core calculation is based on a 95% confidence. The required sample size will be based on the requirement of the most demanding test method. Both a manual and a computer generated calculation user GPower (v3.1 for Windows), a power analysis software tool are demonstrated. GPower is used to compute minimum sample sizes for given effect sizes, alpha levels, and power values (a priori power analyses). Power is defined as the probability that a statistical test will reject the null hypothesis or the ability of a statistical test to detect an effect. The sample size calculation based on review of five testing methodologies is listed below.

- 1) Estimating Means
- 2) Estimating Proportions
- 3) Multiple Regression
- 4) One-way ANOVA

1. Estimating mean values (5-point Likert scale)

Manual Calculation

- standard deviation of 1
- accuracy of +/- 0.2
- $0.2 = 2 * \text{SQRT}(1^2/n)$,
- sample size (n) = $[2 * \text{stdev} / \text{margin_of_error}]^2$
- sample size (n) = $[2 * 1 / 0.2]^2 = 10^2 = \mathbf{100}$

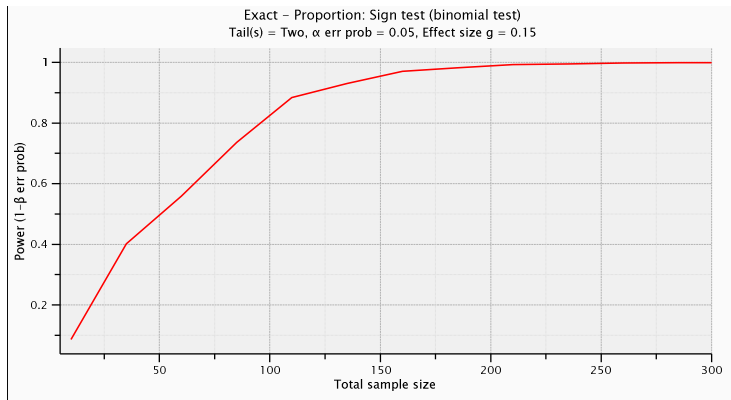
GPower does not have an exact equivalent statistical test (estimating population mean using confidence interval), therefore only manual calculation was used. At this point don't foresee using confidence intervals for estimating population mean as a significant part of this study.

2. Estimating Proportions (categorical questions)

Manual Calculation

- accuracy of +/- 10% (0.10)
- conservative estimate of proportion value 0.5.
- $0.10 = 2 * \text{SQRT}(0.5 \times 0.5/n)$
- sample size (n) = **100**

GPower 'Equivalent' output



Exact - Proportion: Sign test (binomial test)

Options: α balancing: $\alpha/2$ on each side

Analysis: A priori: Compute required sample size

Input: Tail(s) = Two
Effect size g = 0.15
 α err prob = 0.05
Power (1- β err prob) = 0.95

Output: Lower critical N = 60.0000000
Upper critical N = 85.0000000
Total sample size = **145**
Actual power = 0.9538733
Actual α = 0.0458771

3. Multiple Regression

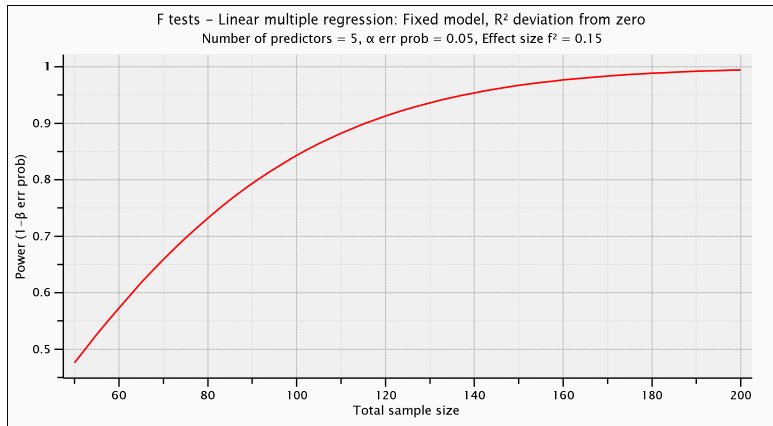
Power analysis (only) for a linear multiple regression test was conducted in GPower (v. 3.1) to determine a sufficient sample size using an alpha of 0.05, a power of 0.80, a medium effect size ($f^2 = 0.15$), and 5 predictors. Based on the aforementioned assumptions, the desired sample size is 92.

F tests - Linear multiple regression: Fixed model, R^2 deviation from zero

Analysis: A priori: Compute required sample size

Input: Effect size f^2 = 0.15
 α err prob = 0.05
Power (1- β err prob) = 0.80
Number of predictors = 5

Output: Noncentrality parameter λ = 13.8000000
Critical F = 2.3205293
Numerator df = 5
Denominator df = 86
Total sample size = **92**
Actual power = 0.8041921



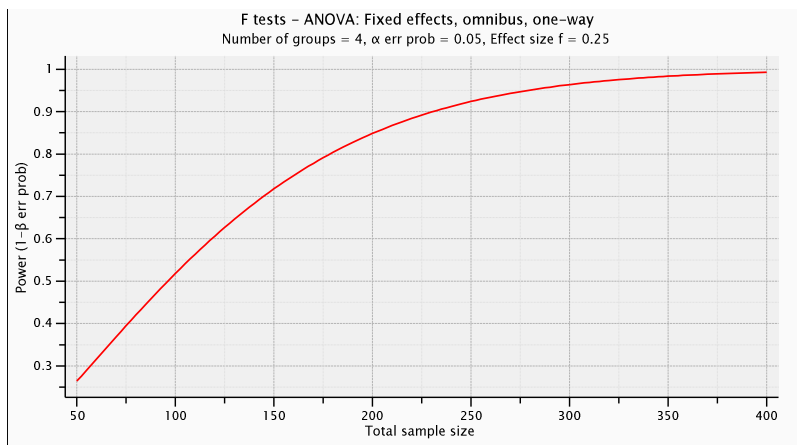
4. One-way ANOVA (comparing means of calculated measures between internationalization modes)

F tests - ANOVA: Fixed effects, omnibus, one-way

Analysis: A priori: Compute required sample size

Input: Effect size f = 0.25
 α err prob = 0.05
 Power (1-β err prob) = 0.80
 Number of groups = 4

Output: Noncentrality parameter λ = 11.2500000
 Critical F = 2.6559389
 Numerator df = 3
 Denominator df = 176
 Total sample size = **180**
 Actual power = 0.8039869



5. What if /Sensitivity Analysis

The above sample size analysis was done on the basis of a 95% (alpha = 0.05) confidence. As a test of the most demanding test method (ANOVA), I have reviewed the implications of changing the confidence to

99%, 90% or even 80% and understand the implications on the sample size. In all cases, analysis is based on using GPower to calculate sample sizes.

99% Confidence	n=225
95% Confidence	n=180
90% Confidence	n=158
80% Confidence	n=125

While current objective is to pursue the highest value sample size (180), the above sensitivity analysis indicates that if there is resultant difficulty (or higher success) in achieving the sampling objectives, the implications on the confidence interval will be noted and addressed during the data analysis phase.

Appendix 4: Normality Histograms

The histograms below show that distributions deviate from normality. The charts depict that most distributions are negatively skewed.

