

**The Internationalisation of Chinese Transnational Entrepreneurial Firms:
A Comparative Study with Indigenous Counterparts in Canada and UK**

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Declaration of Originality

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

I declare that the thesis embodies the results of my own work. Following normal academic conventions, I have made due acknowledgement of the work of others.

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Abstract

This thesis investigates the internationalisation characteristics of transnational entrepreneurial firms (TEFs) that are owned by the first-generation, immigrant entrepreneurs maintaining business arrangements at least in their home and host countries. Although there has been a growing recognition in the literature calling for an emergent research agenda on this emerging type of internationalised small- and medium-sized enterprises, there have been few empirical efforts on TEF internationalisation. It is thus still unknown whether TEFs internationalise differently compared to indigenous entrepreneurial firms (IEFs) that are natively-grown international entrepreneurial firms in the TEF's host country. Using the resource-based view (RBV), this study seeks to fill this gap in the international entrepreneurship and transnational entrepreneurship literatures by gaining insights into the internationalisation of TEFs, its antecedents and effects on international performance through a comparison of TEF/IEF activities. Based on an RBV-oriented conceptual framework encompassing internationalisation antecedents, dimensions and outcomes of the firm, the research explores and answers the research questions: *What drives TEFs to internationalise, how do they internationalise, and what is their international performance (compared with IEFs)?*

To accomplish the aim of exploring TEF internationalisation with comparison to IEF internationalisation, this work uses a qualitative approach based on eight case studies. Case data are collected from sixteen semi-structured interviews with CEOs and senior directors of Chinese TEFs and IEFs from Canada and the UK, and archival data including company history, websites, media reports, and financial information. Additional interviews with three business consultant experts are supplemented.

Findings largely confirm that TEFs internationalise differently than IEFs. Compared with IEFs, TEFs possess a higher level of entrepreneurial orientation (manifested by a combination of high levels of proactiveness, innovativeness, and risk taking), network proclivity (evident in the shared cultural dimension of social capital) and international motivation. High levels of mixed embeddedness also facilitate TEF internationalisation. In general, while TEFs are more probable to be fast rather than incremental internationalisers to enter their home country market, geographic distance plays an important role in their international market selection, i.e. geographic distance positively affects TEFs' proclivity

to get into the key market of their industry. For TEFs, psychic distance plays a less prominent role in shaping their internationalisation traits. TEFs' international performance also has a positive reverse causative effect on their internationalisation dimensions and antecedents, e.g. superior performance strongly promotes a higher level of international motivation. However, the effect of lower international performance is inconclusive.

This thesis concludes with a discussion of the implications for management and policy makers. For example, TEF managers should overcome geographic distance to enter the main national market of their industry, if not their home country, for better international performance. As for host country policy makers, they should appreciate TEFs' potential contribution to the host economy, understand how they internationalise and consider the provision of cost-effective and niche assistance to TEFs.

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Abbreviations

BG	born-global
CEO	chief executive officer
CfE/DueDil	Center for Entrepreneurship and DueDil
CUSFTA	Canadian-United States Free Trade Agreement
EE	ethnic entrepreneur
EEA	European Economic Area
EO	entrepreneurial orientation
FDI	foreign direct investment
GEM	global entrepreneurship monitor
IB	international business
IE	international entrepreneurship
IEC	international entrepreneurship culture
IEF	indigenous entrepreneurial firm
INV	international new venture
IT	information technology
M/C&S	Miller / Covin & Slevin
mMNE	micromultinational enterprise
MNE	multinational enterprise
OECD	Organisation for Economic Co-operation and Development
RBV	resource-based view
R&D	research and development
SCA	sustained competitive advantage
SME	small- and medium-sized enterprise
TE	transnational entrepreneur
TEF	transnational entrepreneurial firm
UK	United Kingdom
US	United States
VRIN	valuable, rare, inimitable, and non-substitutable

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CHAPTER 1 INTRODUCTION

1.1 Research background

The purpose of this thesis is to investigate the factors that affect the internationalisation of an emerging type of internationally oriented small- and medium-sized enterprise (SME), namely transnational entrepreneurial firms (TEF). This thesis considers them to be entrepreneurial SMEs owned by first-generation, immigrant entrepreneurs who maintain business arrangements in their home and host countries. Transnational entrepreneurship has recently attracted keen interest from a number of scholars (Bagwell, 2014; Baltar and Icart, 2013; Drori et al., 2009; Portes et al., 2002; Yeung, 2002; 2009). Despite the substantial work undertaken on international entrepreneurship (IE) and international business (IB), the literature to date has paid scant attention to the subject of TEFs (Coviello et al., 2011; Ram et al., 2013).

This exploratory study focuses on the new field of transnational entrepreneurship by proposing a theoretical framework that depicts TEF/IEF internationalisation and, by using the case study method, confronting the theory with context-rich evidence drawn from TEFs and IEFs. From a conceptual standpoint, this thesis builds on the resource-based view (RBV), generating several testable hypotheses in relation to how TEFs are different from IEFs in terms of their internationalisation antecedents, dimensions and outcomes. TEFs are those firms who choose to undertake the tasks of international entrepreneurship – identifying and exploiting international opportunities, accumulating resources, and delivering innovative products and services – and must strive for success even while balancing between two countries. These accomplishments *per se* suggest that such a type of venture is worthy of study.

Being able to identify the international opportunities that may otherwise be undetectable by traditional international SMEs (Terjesen and Elam, 2009), TEFs may be different from their host country counterparts, namely IEFs, especially when they internationalise. First, Hernandez (2014) recently argued that the idiosyncratic benefit of transnational entrepreneurs' (TEs') countries of origin is that they have unique channels of knowledge. Second, TEFs may be more likely to resort to a higher resource commitment when entering into the target market (typically their home country market) (Tung and Chung, 2010).

Third, such firms possessing social capital by the virtue of their ethnic links in the country of origin may facilitate their entry by “leapfrogging traditional barriers to internationalisation” (Coviello and Martin, 1999, p.63). Last but not least, as cultural background and opportunity discovery and exploitation are defining factors in (international) entrepreneurship (Dimitratos et al., 2012; Light and Dana, 2013), the internationalisation trajectories of TEFs and IEFs are likely to be different.

Being closely related to IE, transnational entrepreneurship is identified as an extensive and emergent research agenda (Drori et al., 2009). However, we know surprisingly little about TEFs vis-à-vis their host country counterparts in terms of internationalisation and the implications for the strategy pursued (Cumming et al., 2009). This research seeks to fill this gap by gaining insights into the international venturing of TEFs.

Three recent developments in IE suggest theoretical grounds for investigating the TEF phenomenon. In the first development, IE, as a relatively young field, is vigorous and intriguing for theoretical advancement. However, the field is fragmented and in need of theoretical integration such that few definitive conclusions can be drawn (Keupp and Gassmann, 2009; Terjesen et al., 2013). One strategy for advancing IE is to conduct comparative entrepreneurial internationalisation analyses as suggested by Jones et al. (2011). They contend that a comparative approach (e.g. cross-country and cross-culture) may effectively act as a bridge between IE and transnational entrepreneurship.

This thesis responds to these suggestions by making two kinds of comparison. TEFs are compared with IEFs, in their host country, in order to uncover their distinctiveness in internationalisation. In addition, TEFs are investigated in two institutionally different host countries: Canada and the UK are compared in order to investigate TEF behaviour in a cross-country setting and to enhance the generalisability of the findings. In order to eliminate cross-culture and cross-industry variance, Chinese TEFs in each country and in the information technology (IT) industry are sampled.

The second development is that as internationalisation is a complex and dynamic phenomenon (Coviello and McAuley, 1999), there is a tendency towards adopting a “holistic” approach to study internationalisation (Fletcher, 2001; Onetti et al., 2012; Rialp-Criado et al., 2011). In this thesis, developing a resource-based view (RBV) (Barney, 1991), three different types of entrepreneurial resources (i.e. entrepreneurial orientation (EO), network proclivity, and international motivation) are deployed in order to explain the

temporal and behavioural aspects of internationalisation. The RBV, which advocates that a firm's unique resource is its competitive advantage, has supported the theoretical development of IE and may be a suitable framework for developing a theory of TEFs, because, as Al-Aali and Teece (2014, p.96) maintain, “[t]o be of value to business scholars and managers, an acceptable theory of the firm must also provide insight into the creation and maintenance of competitive advantage.”

As the third development, there have been many efforts to highlight the importance of “opportunity” in the recent advancement of IE (Dimitratos et al., 2012; Jones and Casulli, 2014; Oviatt and McDougall, 2005; Short et al., 2010). TEFs are likely to pursue a unique pathway for opportunity discovery and exploitation (Terjesen and Elam, 2009). This study proposes a theoretical basis for future opportunity-based research on TEFs, whether researchers approach them using entrepreneurship or internationalisation as the theoretical lens.

In short, although the extant literature has affirmed the fruitfulness of transnational entrepreneurship research, the current barrier to advance the field is the lack of a theoretical framework, and substantial empirical work as well. This thesis aims to extend transnational entrepreneurship theory and IE by proposing the first theoretical framework that captures the internationalisation of TEFs.

Employing a qualitative inquiry into IT-based, Chinese TEFs in Canada and the UK and comparing them with IEFs, the study attempts to offer a deeper understanding of TEF internationalisation through examining its possible antecedents, internationalisation dimensions, and international performance. By synthesising the RBV with existing theories in IE and IB, this thesis strives to develop a more robust theory of the TEF.

1.2 Research questions

The initial questions triggering this study are how do TEFs internationalise, with a set of inherent competitive advantages, and how can they survive and then perform well internationally with those advantages? Little is known about what influences migrant entrepreneurs to become transnational, what determines the timing and speed of TEF internationalisation, and how post-internationalisation performance feeds back to the dynamic internationalisation process. To address this theoretical and empirical gap, the aim

accounting for three per cent of the world's population (GEM, 2014). If they were a nation, it would be larger than Brazil. *The Economist* (2011, p.13) highlights the “magic” of TEF networks as “...a rare bright spark in the world economy.” Immigration is reconceptualised as a transnational process in which migrants maintain ties across the sending and the receiving locations (Ndofor and Priem, 2011).

It is interesting to investigate whether such TEFs founded in different host countries display the same behavioural patterns. Canada and the UK, which share similar cultural traits (Hofstede et al., 2010), are the two host countries in this thesis that are abundant in the TEF phenomenon. According to Statistics Canada (2013), twenty-one per cent of its thirty-five million population were born outside the country. Although culturally similar, Canada and the UK have widely different institutions in the form of immigration policies. Canada is a long-standing immigrant country that has received a fixed number of 40,000 entrepreneur-class immigrants per annum in the past decade (Statistics Canada, 2013). Canada's Business Immigration Programme has attracted considerable attention as perhaps the most successful of over thirty national programmes whose intent is to attract wealthy entrepreneurs with considerable financial and human capital as immigrants and new citizens (Ley, 2013). Those are the reasons why Canada is chosen to be the comparative to the UK context in this particular research.

According to the Office for National Statistics, the UK received a net influx of 630,000 migrants in 2012, including 110,000 of those who immigrated under the entrepreneur/investor scheme. Migrant entrepreneurs have been claimed to be hyper-productive and net contributors to the UK economy (CfE/DueDil, 2014; Ram et al., 2011). A recent industry report has documented that fourteen per cent of companies have been set up by immigrant entrepreneurs in the UK, of whom about 25,000 have a Chinese background. Moreover, seventeen per cent of new businesses in the UK are founded by immigrants (CfE/DueDil, 2014).

At present, immigration still generates one of the most sensitive public debates in the UK and there has been little empirical evidence on the economic contribution of migrants. Despite the economic gains that migrant businesses may bring, the UK government seems reluctant to counter the public's negative view of immigrant businesses. For example, a recent news item reports that the Government blocked an unpublished research report identifying a positive impact of immigration on jobs (*The Guardian*, 2014). There have

been recent calls from UK-based practitioners (e.g. CFE/DueDil, 2014; *The Economist*, 2011) and scholars (e.g. Bagwell, 2014; Crick and Chaudhry, 2013; Ram et al., 2013; Wang and Altinay, 2012; Wei and Balasubramanyam, 2006) for special government assistance for immigrant entrepreneurs.

Although policy makers often look to assist businesses with high growth potential (Arshed et al., 2014; Mason and Brown, 2013), Shane (2009) recommends that they should take a niche approach by supporting a small subset of new businesses, Shane (2009, p.148) argues that “...there is a lot of evidence that these policies lead people to start marginal businesses that are likely to fail, have little economic impact, and generate little employment.” TEFs might be a desirable target group of high growth firms, with their existing experience of IB.

Since the two governments currently have contrasting immigration policies towards foreign entrepreneurs (detailed in Section 4.4.4), there may be significant implications for checking the consistency of findings across the two states. Following Buck (2011), using matched pairs may offer fruitful theoretical development in the flexible context of case studies, by holding certain variables constant, so Chinese transnational entrepreneurs (TEs) are chosen here, in one industry across two countries.

China is a popular research topic in IB (Kiss et al., 2012), with its distinct national culture of Confucian dynamism. Confucius lived approximately 2,600 years ago, and his teaching of the importance of society, the group, and hierarchical relationships within a society (e.g. in conformity with the Chinese business protocol, people are expected to enter the meeting room in a hierarchical order) has endured through time. To make studying Chinese entrepreneurs more fascinating, they often live with some apparent contradictions between espoused values (e.g. Chinese traditional values, capitalist values, socialist ideology, and Deng Xiaoping’s Philosophy) and the realities of economic life (Yang and Stening, 2013). Following Ralston et al. (1997), this study achieves contrast by studying Chinese TEs in Canada and the UK, in which national culture and economic ideology (e.g. workplace philosophy; socialism vs. capitalism) are so different to China’s.

1.4 Importance of the study

1.4.1 Academic importance

The importance of TEFs has come to the fore recently, not only for IB scholars, but also researchers in sociology, economic geography, and ethnic studies (Saxenian, 2006). “In a fascinating study...” (Ireland and Webb, 2007, p.913) conducted by Portes et al. (2002), TEFs comprised more than half of the identified enterprises started by immigrant entrepreneurs in their US sample.

Given the significance of TEFs, it is important to compare TEFs with IEFs in four ways. First, IEFs are considered to be the main type of internationalised firms in the literature, while TEFs are relatively new. Comparing them may offer insights into both types of firms. Second, there has been little empirical evidence lending support to a theoretical account of TEF phenomena. The examination of TEFs has to initially employ established IEF-context theories. Third, given the RBV assumption of resource heterogeneity, TEFs and IEFs have a distinctive resource base. It is interesting to investigate whether they are able to take different paths to competitive advantage. Fourth, such a comparison may enrich our understanding of IB, IE and transnational entrepreneurship, and potentially bridge internationalisation studies and entrepreneurship. As a result, this thesis analyses entrepreneurial firms with international activities in the form of either IEFs or TEFs.

However, efforts to synthesise the extant literature for a richer understanding of the TEF phenomenon are rare. Since scholarly analysis of TEs has been limited, practitioners have been generally without academic guidance (Ram et al., 2013). Colquitt and Zapata-Phelan (2007, p.1284) argue “...articles that examine a previously unexplored relationship or process can serve as the foundation for brand new theory.... The more a manuscript represents a radical departure from the extant literature, the more the field is impacted by the ideas presented within it.” Thus, the first proposed contribution of the study is theory building, namely advancing IB by: (1) using the RBV of the firm to examine the previously unexplored relationships in the context of TEFs as an effort to build transnational entrepreneurship theory, and (2) promoting IE by using constructs developed from the IE and IB paradigms to conceptualise transnational entrepreneurship.

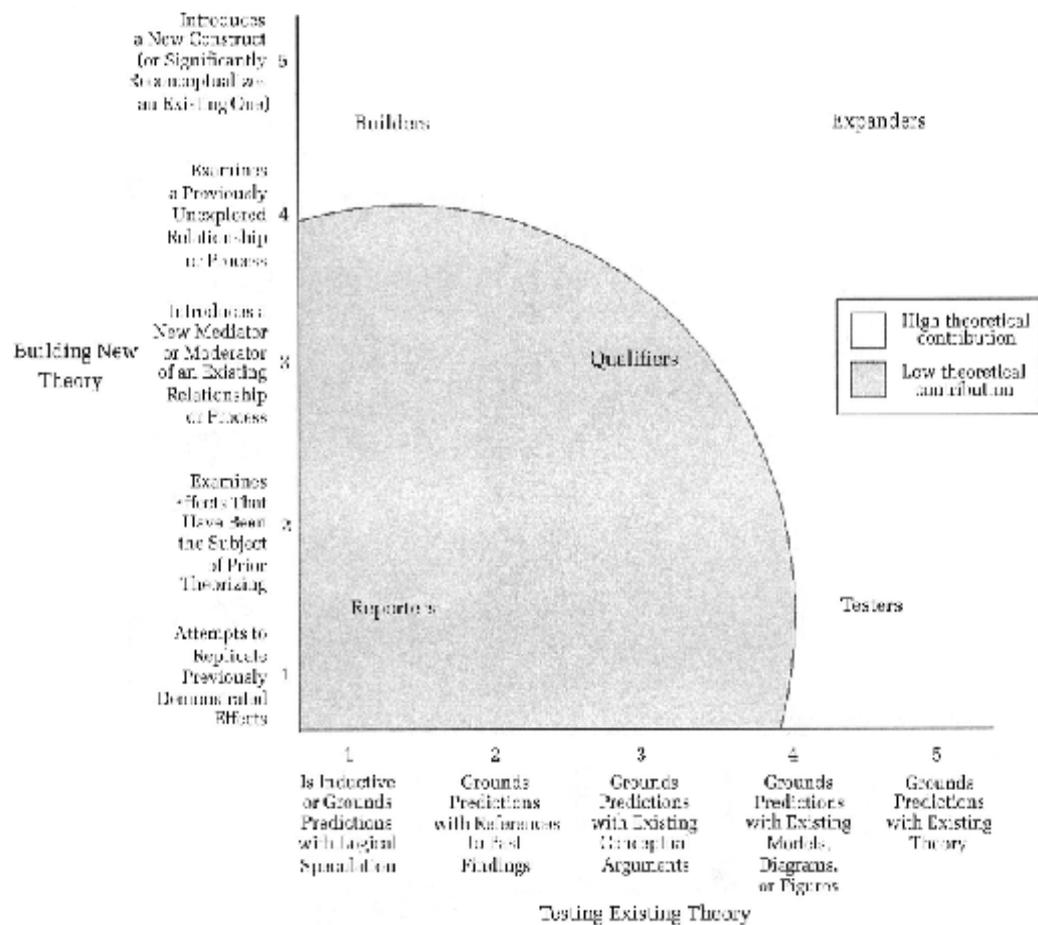
For example, migration-related studies normally take place at a national level, discussing the phenomena of the “brain drain” or “skills drain” (Miyagiwa, 1991). However, few

studies have examined firm-level and individual-level transnational business activities (Cerdin et al., 2014). In a recent special issue on TEFs in *Entrepreneurship Theory & Practice*, Drori et al. (2009) called for a theoretical framework to address the gap in this emergent field of research.

Moreover, Coviello et al. (2011) identify a need to integrate transnational entrepreneurship into the relatively established field of IE. The TEF research cluster may offer a focus to consolidate and advance existing entrepreneurship research at the intersection of the ethnic/immigrant entrepreneurship and IE literatures (Jones et al., 2011; Ma et al., 2013a). Using the emerging phenomenon of TEFs, one can fill a significant void in entrepreneurship theory (Ram et al., 2013). Further, given the importance of context (Mason and Harvey, 2013; Poulis et al., 2013), there have been several recent calls for contextualisation in IB and entrepreneurship (e.g. Stam et al., 2014; Welch et al., 2011; Zahra et al., 2014).

As a result, according to Colquitt and Zapata-Phelan's (2007) taxonomy of theoretical contributions (Figure 1.4.1), this study claims itself as a *builder* that is relatively high in theory building but relatively low in theory testing. Theory building means the development of theories that link rich qualitative evidence with mainstream deductive research (Eisenhardt and Graebner, 2007). Builders may include deductive studies that focus on new relationships, as this study in the TEF context. Typically, an exploratory study is unlikely to have a rich theoretical foundation to draw on for theory testing (Coviello, 2014). Therefore, as Figure 1.4.1 indicates, this study should make a theoretical contribution.

Figure 1.4.1 A taxonomy of theoretical contributions for empirical articles
(Source: Colquitt and Zapata-Phelan, 2007)



Methodologically speaking, although recent management research has advanced in clarifying what constitutes a theoretical contribution when the case study approach is used, demonstrating a theoretical contribution is still regarded as a central challenge to case study researchers (Eisenhardt and Graebner, 2007; Ridder et al., 2014). Ridder et al. (2014) have recently suggested several ways of achieving creative yet systematic theory building. This thesis sides with their conceptual advancement in case study research by embracing three different theoretical elements (EO, network proclivity, and international motivation) under the umbrella of the RBV to explore TEF internationalisation.

In short, this thesis advances the transnational entrepreneurship and IE literatures by developing the first theoretical framework in the context of TEFs. Evidence of TEF activities can fill a void in the literature (Coviello et al., 2011) and can provide new insights into emerging issues relating to the increasing global mobility of entrepreneurs.

1.4.2 Practical importance

In relation to practitioners, the study lays a conceptual foundation for developing a diagnostic tool for TEFs on what combinations of EO, networking proclivity, and international motivation can lead to proactive international presence and enhanced international performance. TEFs may need to learn about how to internationalise effectively from their host country and enhance their international performance. The linkage between TEFs and their international performance has not been systematically investigated before, which can identify the impact of this special group of entrepreneurs in their host country. Conversely, the outcome of this investigation may help managers of IEFs to gain a better understanding of their transnational counterparts and learn from them to achieve competitive advantage abroad.

Furthermore, how TEFs internationalise and sustain their international competitiveness may have significant policy making implications. *The Economist* (2011) stresses the importance of these TEFs for the economic growth of a (host) country and makes a plea for policy makers in these countries to embrace them and facilitate their activities. Societal renewal and economic revitalisation may be especially necessary in those industrialised economies that are experiencing an aging population and growth slowdown (Ndofor and Priem, 2011). The latest Global Entrepreneurship Monitor (GEM) report (2014) highlights the potential impact of TEFs. The proportion of migrant entrepreneurs who are expected to create ten or more jobs is twenty-five per cent (vs. fourteen per cent for indigenous entrepreneurs) in industrialised host economies. Also, while more than half of the immigrant entrepreneurs sell products and services outside their host economy, this is the case for just a third of indigenous entrepreneurs. Hence, a theory developed from this stream of research is vital for enhancing our understanding of how national economies can maximise the potential contributions of highly entrepreneurial migrants.

There may be a need, therefore, for policies towards the internationalisation of entrepreneurial ventures to be extended to support TEFs. Given that the current policies and interventions to foster high-growth entrepreneurship may be flawed in the UK (Arshed et al., 2014; Mason and Brown, 2013), this study may support policy changes in relation to TEFs.

Playing in an international theatre, TEFs may generate a multiplier effect on the host country's economy, as TEFs bring in fresh human and financial capital, global networks,

high levels of IE, and home market penetration, with much lower transaction costs and fewer resource and capability requirements than IEFs. If TEFs are indeed different from IEFs in their internationalisation and performance, then policy makers may consider incentives and measures to encourage their activities (or at least remove obstacles) that may generate positive spill-over effects for the rest of the host country's economy (Dimitratos et al., 2009). Thus, this thesis may stimulate policy thinking around this emerging theme in IB and entrepreneurship, becoming a priority in many OECD (Organisation for Economic Co-operation and Development) countries (Mason and Brown, 2014).

1.5 Research overview

1.5.1 Definitions

International Entrepreneurship

IE is the term typically used to describe firms that pursue innovative activities across borders at a young age (Oviatt and McDougall, 2005). It is often provoked by a need for the firm's products that spans international boundaries (Oviatt and McDougall, 1995). At other times, it is motivated by a need to recover costs invested in novel technologies (Qian and Li, 2003). However, since Oviatt and McDougall's (1994) first widely acknowledged definition, IE has been defined in various ways (e.g. Shane and Venkataraman, 2000; Styles and Seymour, 2006).

This study adopts the most recently refined version of Oviatt and McDougall (2005, p.540): "The discovery, enactment, evaluation, and exploitation of opportunities - across national borders - to create future goods and services." While their 1994 definition evidently sets the domain of IE research as the study of young and fast internationalising firms, the 2005 version additionally recognises that the most critical distinction is the intentional pursuit of international opportunity.

Internationalisation

Internationalisation may be understood as a firm's profit-seeking activities across national borders. From a network perspective, Welch and Luostarinen (1988, p.36) consider internationalisation to be "...the process of increasing involvement in international

operations....” This definition implies that internationalisation is a linear sequential process of “increasing” involvement. This study agrees with Calof and Beamish (1995, p.116) that internationalisation is “...the process of adapting firms’ operations (strategy, structure, resources, etc.) to international environments.”

Both TEF and IEF activities abroad embrace internationalisation dimensions, namely international market presence, speed of internationalisation, and mode of entry (Jones and Coviello, 2005). Mode of entry represents a spectrum from low-commitment exporting, through intermediate collaborative entry modes such as licensing and non-equity alliances, to high-commitment foreign direct investment (FDI) via equity joint ventures or wholly owned subsidiaries (Brouthers et al., 2008). Although internationalisation research is oftentimes concerned with mode of entry, mode is beyond the scope of this thesis. An investigation of mode of entry is not appropriate for filling the research gaps identified in this study.

Transnational entrepreneurial firms

The literature has not introduced a precise definition of a TEF. Equivalently, Drori et al. (2009, p.1001) have defined TEs as “...social actors who enact networks, ideas, information, and practices for the purpose of seeking business opportunities or maintaining businesses within dual social fields, which in turn force them to engage in varied strategies of action to promote their entrepreneurial activities.” Their definition captures the transnational entrepreneurial actions embedded in TEFs but does not identify these social actors. Potential ambiguity exists in Drori et al.’s definition and thus obstructs advances in the debate (Crick and Chaudhry, 2013).

Similarly, Wong and Ng (2002, p.514) define a transnational enterprise as “...a business in the ethnic economy which entails separate operational components of the enterprise being located in different countries and the transmigration of the owners in order to operate it.” This definition highlights its difference from an international enterprise since it tends to be reliant on the ethnic community. However, this definition fails to consider what type of activities should be included. In other words, TE-operated firms should be entrepreneurial ones.

An entrepreneurial firm is the conceptual opposite of a conservative firm that is reluctant to innovate (Mintzberg, 1973). In agreement with Drori et al. (2009) and for the purpose of

the thesis' research focus, TEFs are seen as entrepreneurial SMEs owned by the first-generation, immigrant entrepreneurs who maintain business arrangements in their home and host countries. To clarify, SMEs are companies that have 10-250 employees (European Commission Small Business, 2009). The definition aims to offer a refined boundary suitable for future transnational entrepreneurship research.

TEFs and IEFs in a host country may be significantly different. TEFs may pursue IB more actively, for instance, due to their instinctive pursuit of international prospects, or the depreciation of their human capital and their relative incompetence in their host country's language skills, specific professional skills or certification, all of which are not the traits of IEFs (Sequeira et al., 2009; Zhou, 2004). The organisational culture of TEFs is inevitably more diverse and complex, compared with IEFs, due to their ethnic background since inception. Dissimilar organisational cultural characteristics may be associated with different levels of pursuit of opportunities, as well as internationalisation dimensions (Oviatt and McDougall, 2005).

1.5.2 Research approach

This research adopts a qualitative approach to investigate the internationalisation of Chinese TEFs in two host countries, compared with IEFs. The study is positivist, where the philosophical assumption is that observation and reasoning are the best ways of understanding human behaviour, and knowledge is based on experience and can be acquired by observation or experiment (Saunders and Lewis, 2012). The research also adopts a case study method, which allows for an exploratory, descriptive and explanatory approach. Through the process of deduction and the revision of hypotheses, the research aims to engage in theory building.

To maximise the usefulness of information collected from a small sample of firms, an information-oriented sampling selection is employed (Flyvbjerg, 2006). Eight TEF/IEF cases are selected based on a set of pre-determined selection criteria. The industry setting is the IT industry. While IEFs are international SMEs operated by indigenous entrepreneurs in the TEFs' host country, TEFs that fit our selection criteria should employ between 10-250 people, be established in Canada or the UK, be owned and controlled by a first-generation Chinese immigrant, and be engaged in some IB activity, in China at least.

The data collection for the case studies includes company visits, semi-structured interviews (based on our research questions) with owners/managers and experienced business consultants and examinations of company histories, documents and financial data (Yin, 2013). The case studies are analysed using both within-case and cross-case methods as recommended by Miles and Huberman (1994) and Patton (1990). Text and matrix tables as well as figures are used to undertake and illustrate the analysis of the case firms.

1.6 Thesis structure

The content structure of this thesis is as follows:

- Chapter 1 Introduction

Chapter 1 (the current chapter) provides an overview of the research.

- Chapter 2 International Business with a Resource-Based View Approach

This first part of the literature review specifies the theoretical base for the TEF paradigm as well as the theoretical lens of this thesis, namely the RBV perspective. IB theories are first reviewed, followed by an introduction of the RBV approach. Next, as the subsets of the IB research domain, IE and transnational entrepreneurship are discussed.

- Chapter 3 Internationalisation Antecedents, Dimensions and Consequences

This second part of the literature review presents the components of the TEF/IEF internationalisation, and develops a set of hypotheses by linking several key internationalisation concepts with TEFs. The chapter initially reviews the literature on the internationalisation antecedents of the proposed framework (EO, network proclivity, and international motivation). Then, the rest of the chapter focuses on the remaining components, namely internationalisation dimensions (market presence and speed of internationalisation) and consequences (international performance). It concludes by offering an initial conceptual framework.

- Chapter 4 Methodology

Chapter 4 starts with introducing the aims and objectives of the research, followed by a general discussion of research philosophy and qualitative research method. In addition, research design is introduced, including the justification for choosing the case study approach, case selection, research contexts encompassing host and home

country settings, and industry selection. Finally, the remainder of the chapter details the data collection.

- Chapter 5 Findings and Discussion

This chapter presents the case descriptions, and discusses the case findings in relation to the research questions. The findings of the cross-case analysis are presented in the main body of chapter 5. The within-case analysis of each individual case is however presented as an appendix at the end of this thesis.

- Chapter 6 Conclusions

Chapter 6 summarises this study. Revised hypotheses are offered to conclude the findings of the study. Implications are derived from theoretical, methodological, management and policy making standpoints. It also identifies the limitations of the thesis and suggests directions for future research.

CHAPTER 2 INTERNATIONALISATION THEORIES, RESOURCE- BASED VIEW, INTERNATIONAL ENTREPRENEURSHIP AND TRANSNATIONAL ENTREPRENEURSHIP

2.1 Overview

The literature review part of this thesis is broken into two parts, Chapter 2 (the current chapter) and Chapter 3. Chapter 2 reviews internationalisation theories relevant to the development of TEFs, the RBV, IE and transnational entrepreneurship perspectives.

Sections 2.2-2.4 review certain research streams that have influenced the emergence of transnational entrepreneurship. Starting with the IB field, traditional internationalisation theories are reviewed. Since this thesis adopts an RBV perspective, a discussion of the RBV with its impact on the development of IE is needed. This is followed by IE, which is closely tied to the study of TEFs and is necessary to bridge these two related fields (Coviello et al., 2011). The development of one area may have significant implications for the other. Finally, the development of transnational entrepreneurship is reviewed, which is the focus of this research. It is argued that transnational entrepreneurship is developed from the concept of diaspora entrepreneurship, but should be distinguished from ethnic entrepreneurship.

The chapter is therefore structured as follows:

- 2.2 Internationalisation theories
- 2.3 Resource-based view
- 2.4 International entrepreneurship
- 2.5 Transnational entrepreneurship
- 2.6 Summary

2.2 Internationalisation theories

2.2.1 Overview

Before embarking on a discussion of the RBV, as this thesis is aimed at contributing to the knowledge of IB, key internationalisation theories relevant to TEFs, are explained in this section. IB theory is replete with biological analogies such as evolution, life-cycles, and stages of growth, including the Uppsala school's stages theory of incremental foreign entry modes, and the international development path theory of FDI. Nonetheless, IB studies have helped to explain entrepreneurial firms' motives for internationalising irrespective of their ethnic origin (Leonidou et al., 2007).

In general, there are two streams of traditional internationalisation theories, namely the transaction cost theories, from economics (Buckley and Casson, 1976; Dunning 1980; Williamson, 1985), and, "incremental" frameworks, which are behaviourally oriented (Cyert and March, 1963). Early studies found the internationalisation path to be a gradual, staged, patterned and largely export-oriented process (Bilkey and Tesar, 1977). Recent studies have, however, found that while some firms are motivated to take a gradual, staged and export-oriented approach, others undertake a rapid internationalisation path utilising various modes of market entry such as joint ventures, subsidiaries, etc. in addition to the more common export-oriented approach (Bell et al., 2004; Knight and Cavusgil, 2005; Oviatt and McDougall, 1994).

Theoretical frameworks from IB make different assumptions and give emphasis to different aspects of the international activities of the firm (Andersen, 1997). Before discussing TEF internationalisation, it is necessary to review incremental internationalisation theories, because transnational entrepreneurship is deeply rooted in the traditional IB school of thought (Yeung, 2009). IB theory that focuses on mode of entry (e.g. Dunning's (1980) eclectic paradigm) is not considered for review, since this thesis focuses on the speed and market selections of TEFs.

Hence, only behaviourally-oriented approaches of IB are considered. Bounded rationality is implicitly assumed in these approaches, related to the scarcity of mind (Williamson, 1985). Rational decisions are contrasted with intuitive ones, where intuition is "...a mental process based on a 'gut feeling' as opposed to explicit systematic analysis..."(Elbanna et al., 2013, p.150). Behavioural approaches are relevant to the explanation of TEFs in two ways.

First, TEF managers are assumed to be rational (even if that rationality is bounded) in the opportunity discovery and exploitation processes. The behavioural approaches are able to explain that internationalised firms such as TEFs are able to successfully align their resources and critical opportunities when they plan rationally and analytically (cf. Shoham, 1999). On the other hand, the behavioural theory of the firm has been adequate in explaining the "time" and "location" dimensions of firm behaviour (e.g. the Uppsala model below) and able to take an account of recent developments in firms involving IE.

In addition, as TEs travel long distances to settle in a new country, and back again to their home country for IB, the metaphorical concepts of distance, namely psychic distance and geographic distance, are briefly reviewed.

2.2.2 Behavioural approaches

The following three incremental internationalisation approaches are seen as being behaviourally oriented due to their theoretical roots lying in the behavioural theory of the firm (Cyert and March, 1963). As Zahra et al. (2005) indicate, managerial cognition is rationally bounded and influenced by the business environment. Bounded rationality is able to justify the impact of location choices to firms' decision-making (Rugman and Verbeke, 2004). Nooteboom's (1993) analysis of the informational and resource limitations faced by SMEs implies that they may be more likely to adopt a bounded rationality mode compared with larger firms.

To begin with, the Uppsala model is based on studies of Swedish MNEs that started their internationalisation in the market closest to the home market in terms of psychic distance, gradually entering markets further away. Firms would commit resources in the foreign market incrementally as experiential knowledge is acquired. SMEs that often possess limited international knowledge, human and financial resources are suitably explained in this framework.

This model sees the internationalisation process as comprising two intertwined sub-processes, learning (mainly experiential learning) and commitment building. These sub-processes occur at both ends of dyadic relationships. Thus, in the Uppsala model, the interplay between state and change variables implies that learning and commitment building affect the stock of knowledge. In short, the model is general in nature so that it is able to accommodate different theories within IB for issues such as the location of

operation (Johanson and Vahlne, 1977, 2009; Vahlne et al., 2012; Vahlne and Johanson, 2013).

The stage theorists (Bilkey and Tesar, 1977; Johanson and Wiedersheim-Paul, 1975) suggest that the needs of an enterprise related to exporting at one stage should be different from the corresponding needs of firms at other stages. The stage theory is mostly applicable in the case of SMEs' exporting behaviour. For example, a firm may initially internationalise via indirect exporting, and eventually establish its subsidiary in the foreign country. Cavusgil's (1980) renowned I-model effectively summarised a traditional firm's pathway to grow internationally. It typically has five stages: domestic marketing, pre-export, experimental involvement, active involvement, and committed involvement. However, the stages approach is limited when used to explain SME internationalisation because it attempts to explain dynamic and interactive non-linear behaviour with linear models (Andersen, 1997; Jones, 2001).

Equally important, based on theories of resource dependency and social exchange, the network perspective (Coviello and Munro, 1997; Johanson and Vahlne, 1992; 2003; Welch and Welch, 1996) proposes that firms are involved in national and international markets where organisations from various industries participate. These organisations can be suppliers, competitors, consultants, customers and government agencies. Network relationships facilitate IB and gradually lead to increased resource commitment (Johanson and Vahlne, 2003). This perspective has been used mainly to explain collaborations and their progression in foreign markets. The literature on internationalisation illustrates that SMEs often adopt networks to overcome resource constraints (Coviello, 2006). Nonetheless, networks may also place limitations on internationalised firms (Chetty and Campbell-Hunt, 2004). Overly stable relationships may prevent firms from going beyond their current networks and developing other prospective relationships (Adler and Kwon, 2002).

2.2.3 Distance

Overview

“Essentially, international management *is* management of distance” (Zaheer et al., 2012, p.19). Different types of distance may have a profound impact on TEF internationalisation.

Distance metaphors have been central to IB research, often involving possible direct impacts on firm activities as control variables. Constructs, such as “cultural distance” (Kogut and Singh, 1988), “institutional distance” (Kostova, 1999), “language distance” (Konara and Wei, 2014), and “psychic distance” (Johanson and Vahlne, 1977; 2009), have guided much of the IB literature, besides geographic distance itself (Buckley and Casson, 1976).

Cultural distance summarises country differences in the cultural dimensions identified by Hofstede et al. (2010), and is briefly discussed in Section 5.4.3 below, where the national culture of China is compared with that of Canada and of the UK. While institutional distance addresses the similarities and differences between the regulatory, cognitive, and normative institutions of two countries (Scott, 2007), language distance refers to the differences in languages between home and host countries (Konara and Wei, 2014). Compared to IEFs in their host country, TEFs can readily minimise institutional distance and eliminate language distance when they internationalise to their country of origin.

Psychic distance and geographic distance are discussed further below, as they are likely to be the two notions that have a more significant impact on the internationalisation dimensions of TEFs. Distance is of utmost importance in this study as TEFs are likely to take it into account when internationalizing between their home and host countries; as well as among other country destinations. According to Johanson and Wiedersheim-Paul (1975), geographic distance is significantly correlated with psychic distance. However, they also use the British Commonwealth as an example of where geographic distance and psychic distance diverge (p.308).

Psychic distance

The concept of psychic distance has gained prominence in the IB literature since the introduction of the Uppsala model. It has important applications for predicting export and FDI market selection (Dow and Karunaratna, 2006). The Uppsala model predicts that firms initially target psychologically close national markets and successively enter those that are more psychically distant. Thus, psychic distance is defined as “...the sum of factors preventing the flow of information to and from the market” (Johanson and Vahlne, 1977, p.24). This sum of factors should include “...differences in language, culture, political systems, level of education, level of industrial development, etc.” (Johanson and

Wiedersheim-Paul, 1975, p.308). However, psychic and cultural distances are in many respects similar.

Psychic distance has been instrumental for scholars who side with the Uppsala school. They often make use of this construct for evaluating foreign market commitment in terms of geographic scope, which is regarded as the number, spread and diversity of foreign markets, where firms are seen to penetrate according to their psychic distance from the home country (Zahra et al., 2014).

Like performance itself, psychic distance can be measured either subjectively or objectively. An objective measure is typically implemented by calculating a set of pre-determined formulae for psychic distance stimuli (for example, see Appendix C in Dow and Karunaratna, 2006, pp.601-602) or by operationalising a psychic distance index containing multiple variables (for example, Brewer, 2007, pp.50-51). Meanwhile, the perceived psychic distance between national markets may not be stable over time, nor homogeneous across firms and countries (Shenkar, 2001). To legitimately measure perceived psychic distance, Dow and Karunaratna (2006) recommend that it should be measured by the perceptions of the decision maker at the time the decision is made.

Geographic distance

Geographic location has been one of the most under-studied areas in the IB literature (Buckley and Ghauri, 2004). Unlike other forms of distance that are not well delineated, geographic (and temporal) distance is absolute and indisputable (Zaheer et al., 2012). Internalisation theory predicts that market-seeking firms are more likely to serve proximal countries via exports and more distant markets through FDI (Buckley and Casson, 1976). This means that when distance increases, FDI modes are more likely to be adopted.

Geographic distance can be both beneficial and deleterious, so MNEs' profitability may suffer when its technology alliances are geographically distant from its global subsidiaries, but may be enhanced when the alliances are distant from headquarters (Zaheer et al., 2012). In the IB and international trade literatures, geographic distance is still the most influential trade inhibitor. The greater the geographic distance between the trading parties, the higher will be the transaction cost of doing the business (Wang et al., 2010).

Geographic distance is relatively straightforward in terms of measurement. For instance, Chen (2004) calculates geographic distance by the latitude and longitude of the main city in each region or country, and finds that longer geographic distance decreases international trade between pairs of countries. Krishna (2003) uses the direct line distance to measure geographic distance. Wang et al. (2010) calculate geographic distance using the gravity models in the international economics literature in order to evaluate how the geographical distance between two countries affects bilateral trade flows.

To summarise, both psychic and geographic distance are important IB concepts for the prediction and selection of international markets. There is little unanimity on how these two constructs affect TEF internationalisation.

2.3 Resource-based view

The RBV of the firm, which stresses firms' specialised or unique resources, is rooted in the strategic management literature (Penrose, 1959; Wernerfelt, 1984) and sheds light on the knowledge-based view of the firm (Grant, 1996). In essence, resources drive a firm's competitive advantage and shape the basis for developing firm capabilities (Barney, 1991; Teece, 2014). The RBV is a novel perspective to explain traditional internationalization theories; and importantly, "diffuse" them (Peng, 2001, p.803).

The RBV paradigm advocates that a firm has the potential to generate sustained competitive advantage (SCA) from its valuable, rare, inimitable, and non-substitutable (VRIN) resources. SCA is achieved only if the competitive advantage still exists after efforts to duplicate that advantage have ceased (Barney, 1991; Lippman and Rumelt, 1982). The resource of the firm rests on two further assumptions: resource heterogeneity (i.e. the different levels of resources and capabilities possessed by different firms) and resource immobility (i.e. resource heterogeneity cannot be transferred without incurring substantial costs) (Barney et al., 2001). Thus, some resources are not tradeable, and there are multiple routes to achieve SCA. An overview of the RBV is summarised in Table 2.3.

Table 2.3 An overview of the RBV (Source: Madhok, 2002)

Broad theoretical arena	Theory of <i>a</i> firm
Primary theoretical question	Why do firms differ?
Primary driver	Search for SCA
Primary domain of interest	Production and firm resources and capabilities

Primary focus of analysis	Resource attributes (e.g. value, stickiness)
Primary emphasis	Firm resources, skills, knowledge and routines.

Resources are defined as “...all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm” (Barney, 1991, p.101). It is vital for SMEs to acquire new resources and secure control over them. In contrast with a market-based view, however, they may reside with the firm. At the same time, the RBV still gives a useful perspective for exploring how SME businesses can develop competitive advantage and enhance firm performance through leveraging external relationships (Street and Cameron, 2007). Moreover, resources are typically categorised into financial, physical, human, technological, organisational, and reputational resources (Grant, 1996). Al-Aali and Teece (2014, p.95) further stress that intangible resources (e.g. knowledge) are more valuable than tangible ones, and the practical importance of having an RBV of the firm:

In today’s global economy, the competitive advantage of the business firm appears to rest on the timely development and deployment of intangible assets, inter-firm relationships, and human capital, placing a premium on the ability of companies to become and remain entrepreneurial and agile at home and abroad.

Compared with IEFs, TEFs may be better at intangible resourcefulness, which is the ability to do more with less (Peng, 2001). Another similar argument has been used in relation to the intangible capabilities of the firm. Knight and Kim (2009) identify a collection of intangible capabilities especially salient to internationalising firms. The dimensions of international business competence include international orientation, international marketing skills, international innovativeness, and international market orientation, all of which are instrumental in SME international performance.

The unique resources of the firm are thus the key to SCA attainment. An instance may be entrepreneurial talent, which is the ability to identify untapped business opportunities (Kirzner, 1973). One crucial theoretical extension to the RBV is dynamic capabilities (Teece, 2007; 2014), which fills the gap whereby the RBV is considered to be static in nature (Priem and Butler, 2001). The notion of dynamic capabilities is that resources and capabilities are continually adapted, integrated, and/or reconfigured into other resources and capabilities within the firm (Teece, 2014).

In addition, the RBV is also related to the ownership advantage of Dunning's (1980) OLI model (Peng, 2006). The RBV assumes that resources and capabilities are heterogeneously distributed across firms and that such heterogeneity may persist over time. The RBV serves as a key theoretical anchor for making empirical contributions (Newbert, 2007). Nonetheless, these empirical efforts do not seem to have been adequate so far, as Armstrong and Shimizu (2007, p.960) comment,

“...compared with the wealth of articles addressing the theoretical aspects of the RBV (see special issues of *Journal of Management* 2001 and *Strategic Management Journal* 2003 for examples), there has not been a similar “taking of stock” of the RBV from an empirical perspective.”

Indeed, the RBV has been severely criticised (e.g. Priem and Butler, 2001). Kraaijenbrink et al. (2010) classify the critiques into eight categories: (1) the RBV has no managerial implications, (2) the RBV implies infinite regress, (3) the RBV's applicability is too limited, (4) SCA is not achievable, (5) the RBV is not a theory of the firm, (6) VRIN is neither necessary nor sufficient for SCA, (7) the value of a resource is too indeterminate to provide for useful theory, and (8) the definition of resource is unworkable. They maintain that only critiques (6)-(8) could impose a real threat to the RBV's status.

It seems that the refinement of the RBV is highly necessary in order to clear up misconceptions and advance its theoretical development. Future IE research is likely to continue to utilise the RBV espousing entrepreneurial processes. In other words, theoretically, the RBV can make a substantial contribution to TEF research through the identification of its VRIN resources that enable TEFs to differentiate themselves from IEFs and perform well in the international market. Coincidentally, the qualitative study in this thesis addresses the call from Armstrong and Shimizu (2007, p.967):

“Given that external environments can change rapidly, we believe that researchers should consider using the qualitative approach more in applying the RBV to new areas or businesses.”

The main reasons, therefore, for choosing the RBV logic as the theoretical foundation for studying TEFs are the following. First, this study has assumed that TEFs and IEFs have different resource bases in terms of internationalisation antecedents (i.e. EO, network proclivity and international motivation). The RBV allows us to compare these resource

bases. Second, Peng (2001, p.806) considers this perspective to be a theoretical “innovation” and the RBV has gained its wide acknowledgement in offering robust and reliable theoretical explanations (Alvarez and Busenitz, 2001). It may indeed offer a powerful explanation to TEF internationalisation and uncover the unique or accessible resources uniquely embedded in TEFs for SCA. Third, the development of IE has been particularly influenced by an RBV perspective (see 2.4.3 for a more detailed discussion) (Peng, 2001; Terjesen et al., 2013). The analysis of TEFs that contradicts the Uppsala model should benefit from an RBV focus.

2.4 International entrepreneurship

2.4.1 Definition

The development of IE pre-dates the emergence of transnational entrepreneurship as a sub-discipline of IB. IE is relatively new, with important implications for international management, entrepreneurship, strategic management, sociology, economics, etc. (Coviello et al. 2011; Keupp and Gassmann, 2009; Zahra, 2005). IE has in turn benefited greatly from advances in its two parental areas, i.e. entrepreneurship and IB.

Oviatt and McDougall’s (1994) seminal article gives the first widely acknowledged definition of an INV, recognising IE as a formal field of study where entrepreneurship and IB theory overlap. Al-Aali and Teece (2014) firstly use the term “the Oviatt-McDougall framework” to highlight the numerous contributions of the two scholars that promote IE scholarship.

Firms being studied in the IE paradigm should be new and young, but firm size is less of a concern. They possess limited foreign business and institutional knowledge and suffer from the liability of newness (Hannan and Freeman, 1983). In addition, these firms often lack domestic operations and networks (Sharma and Blomstermo, 2003). That being said, the study of larger firms is still under-developed in IE research (Coviello et al., 2011), albeit Birkinshaw (2000) has made a key contribution by studying how subsidiaries contribute to entrepreneurship in MNEs.

Various IE definitions presented in scholarly articles in the last two decades indicate that defining IE is challenging, because what IE actually is can be evaluated from different positions. Table 2.4.1 provides a list of IE definitions developed in a chronological order.

Table 2.4.1 Selected definitions of IE

Author (s)	Definition
Styles and Seymour (2006, p.134)	The behavioural processes associated with the creation and exchange of value through the identification and exploitation of opportunities that cross national borders.
Oviatt and McDougall (2005, p.540)	The discovery, enactment, evaluation, and exploitation of opportunities - across national borders - to create future goods and services.
Shane and Venkataraman (2000, p.218)	Examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited.
McDougall and Oviatt (2000, p.903)	A combination of innovative, proactive and risk-seeking behaviour that crosses or is compared across national borders and is intended to create value in business organisations.
McDougall and Oviatt (1997, p.293)	New and innovative activities that have the goal of value creation and the growth of business organisation across national borders.
Wright and Ricks (1994, p.700)	A firm-level activity that crosses national borders and focuses on the relationship between business and the international environments in which they operate.
Zahra (1993, p.21)	The study of the nature and consequences of a firm's risk-taking behaviour as it ventures into international markets.
McDougall (1989, p.389)	The development of international new ventures or start-ups that, from their inception, engages international business, thus viewing their operating domain as international from the initial stages of the firm's operation.

Generally, firms are considered synonymous with entrepreneurs in the context of owner-managed SMEs. However, in these definitions, while there is a consensus on the “international” part of IE, different arguments are put forward for “entrepreneurship.” McDougall (1989) stresses the need for firms to be international new ventures (INVs) or born global firms (BGs), and this distinction is elaborated in Section 2.4.2. Similarly, Zahra (1993) highlights the risk element of entrepreneurial internationalisation. Moreover, IB scholars Wright and Ricks (1994) bring in a fresh perspective by connecting a firm's internal activities with its external environment.

Furthermore, while Shane and Venkataraman (2000) emphasise the entrepreneurial process in international venturing, McDougall and Oviatt (1997; 2000) recognise that international EO (i.e. innovativeness, proactiveness, and risk attitude) has become an important

antecedent of internationalisation. Finally, in the latest refinement from Oviatt and McDougall (2005), they regard the most critical distinction between international entrepreneurs and non-entrepreneurs as being the intentional pursuit of international opportunity. Al-Aali and Teece (2014, p.102) comment, “The inclusion of ‘future’ in this definition reflects the fact that entrepreneurs often imagine and create that which does not yet exist.” Finally, the additional element in Styles and Seymour’s (2006) definition is the notion of exchange, a critical contribution from the marketing perspective.

In general, IE research is gradually shifting itself toward an opportunity-based approach. Opportunity identification and exploitation are seen to differentiate entrepreneurs from non-entrepreneurs, and may be an increasingly important thematic topic in the domain of IE (Jones et al., 2011).

Jones et al. (2011) review 323 relevant IE studies covering the period 1989-2009 and concluded that IE research consists of three themes:

- (1) Entrepreneurial internationalisation, which is concerned with entrepreneurship crossing national borders. Studies under this theme focus on venture type, internationalisation, network-level social capital, and organisation issues.
- (2) International comparisons of entrepreneurship across borders. Comparisons can be made by comparing data collected across countries for nation-specific patterns, assessing differences at a cultural level, or combining the two.
- (3) Comparative entrepreneurial internationalisation examines entrepreneurial internationalisation with a comparative or cross-national approach.

The concept of entrepreneurship in IE is mostly represented via the construct of international EO (to be discussed in Section 3.2). In addition, another compelling instrument is international entrepreneurial culture (IEC) (Dimitratos and Plakoyiannaki, 2003; Dimitratos et al., 2012), which captures international entrepreneurial activities of the firm seeking to identify and pursue opportunities abroad. Dimitratos et al. (2012) propose a six-dimensional IEC construct, with their definitions and relevant studies summarised in Table 2.4.2. Entrepreneurial culture facilitates and accommodates the entrepreneurial activities of internationalised firms (Zahra, 2005). A higher degree of IEC generally leads to a higher propensity to engage in international venturing.

Table 2.4.2 Six IEC dimensions and definition (Source: Dimitratos et al., 2012)

Dimension	Definition
International market orientation	The posture and behaviour that the firm can adopt to create superior value for its foreign customers.
International learning orientation	The propensity of the firm to actively obtain and use to its advantage intelligence on foreign markets.
International innovation propensity	The inclination of the firm to support new and creative ideas, products or processes designed to service markets abroad.
International risk attitude	The degree to which the firm is prepared to undertake substantial and risky resource commitments in international markets.
International networking orientation	The extent to which the firm obtains resources from the external environment through alliance creation and social embeddedness in order to use in its activities in markets abroad.
International motivation	The process of initiation, direction and energisation of human behaviour of organisational members regarding ventures internationally.

2.4.2 Forms of rapid internationalisation

IE rejects the aforementioned incremental internationalisation theories, but advocates INVs and BGs. IE scholars claim that not all SME internationalisation is of the traditional incremental type, and there have been numerous cases of enterprising firms that have skipped incremental stages and/or have been international virtually since inception (Jones, 2001). It is further argued that traditional IB theories focus too much on the firm level and mostly neglect the individual and small group level of analysis, namely entrepreneurs and their networks (McDougall et al., 1994). In addition, conventional theorists presume SMEs are resource-poor and not prepared to cope with the adversities of foreignness (Hymer, 1976), outsidership (Johanson and Vahlne, 2009), newness (Hannan and Freeman, 1983) and foreign environment (Zahra and Neubaum, 1998).

In contrast to companies that evolve gradually from domestic firms to MNEs, small and young ventures may begin with a proactive international strategy (Oviatt and McDougall, 2005). For example, BGs are exemplar entrepreneurial firms that challenge conventional theories of incremental internationalisation. Those firms additionally contest the belief that the strategic options of small firms are constrained by resource deficiency through using network relationships (Mort et al., 2012).

The IE literature has revised the way researchers think about the internationalisation process of firms (Jones and Casulli, 2014; Oviatt and McDougall, 2005). Fast internationalisation enables a new venture to take advantage of narrow windows of opportunity (McNaughton, 2001) to explore international markets before competitors are able to attain a foothold (Oviatt and McDougall, 1994). In essence, international activities are argued to positively influence new venture survival and growth (Hulbert et al., 2013). Zahra et al. (2000) find firm internationalisation affects favourably new ventures' breadth, depth and speed of technological learning.

More than forty-five per cent of the literature on IE focuses on either internationalisation or venture type issues (Jones et al., 2011). IE fundamentally probes venture types associated with early internationalisation, such as INVs and BGs. An INV is defined as "...a business organisation that, from its inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries" (Oviatt and McDougall, 1994, p.49). On the other hand, sometimes referred to as global start-ups, BGs are defined as "...companies that from or near foundation, obtain a significant portion of total revenue from sales in international markets" (Knight and Cavusgil, 2005, p.15).

The fundamental difference between the two definitions is that BGs internationalise from inception while INVs *intend* to internationalise from inception. Notionally, it is important to recognise that an INV is not necessarily a BG (Jones et al., 2011). A study could inadvertently include firms that, for example, do not necessarily intend to internationalise from inception (as do BGs), but happen to export quite early. This makes cross-study comparisons challenging. Coviello et al. (2011) argue that, however, the most distinctive difference between INVs and BGs is the commonality between "new" and "born".

Using the two terms interchangeably may be acceptable as it provides similar outcomes in terms of overall internationalisation patterns (Madsen, 2013), but researchers may potentially classify firms quite differently during sampling. Perhaps, the phrase "early internationalising firm" (Rialp et al., 2005, p.149) might address the aspect of timing and be used to cover INVs and BGs collectively. In relation to INVs, Zahra (2004, p.23) suggests:

"INVs usually experience three types of liability. The first relates to their newness and inexperience, which limits their access to resources and existing networks.

Newness raises questions in the minds of other stakeholders about INVs' credibility and potential viability. The second liability stems from their size, as many INVs are small. This limits the slack resources of INVs and, as a result, their ability to withstand the challenges of internationalisation. The third and final liability arises from the foreign-ness of INVs, which means that they have to work hard to overcome barriers to entry, build links to their customers and suppliers, and gain the acceptance of potential customers.”

BGs combine the global market potential with the entrepreneurial capability to seek methods of accelerated internationalisation. In addition, they must have a global vision at inception, and they carry the risks as small start-ups, and cannot be spin-offs from a larger firm that is prepared to help it float (Gabrielsson et al., 2008).

Four other significant types of IE ventures, which may offer implications for TEF activities, are introduced as follows. A born-local firm describes how new ventures are created from knowledge spill-overs and other resources in a geographically bound environment (Acs and Terjesen, 2013). These types of firms suggests that the greater number of value chain activities and the greater the number of countries involved, the more likely that the new venture will pursue the intermediate mode of internationalisation. According to Terjesen et al. (2007), SMEs face two modes of internationalisation: a direct means and an intermediate mode, using MNEs as intermediaries. When considering direct internationalisation, SMEs face high entry barriers, including lack of firm resources and access to key infrastructure. However, those pursuing the intermediate mode often encounter high transaction costs and the threat of rent extraction from MNEs.

In addition, being recently developed, born-regionals are firms that only internationalise to regional neighbouring countries, even if their most strategic market is rather distant (Freeman et al., 2013; Lopez et al., 2009). The concept is introduced because the BG literature misrepresents IB reality (Lopez et al., 2009). Born regional may be a more accurate description of certain international expansion paths, as some BGs might operate only in a limited geographic area so that it might be more appropriate to call them born-regionals. Evidence drawn from a sample of Canadian SMEs indicates that proportions of both BGs and born-regionals are moderately increasing (Sui et al., 2012).

Further, born-again global firms are those firms that only operate in the domestic market during the early years, but suddenly embrace internationalisation when they become more

established firms (Bell et al., 2001; Bell et al., 2003). Bell et al. (2001) argue for the case that the BG phenomenon does not only apply to start-ups, but it should also be seen as a strategy to improve firm value through internationalisation. Born-again globals appear to be influenced by critical events that provide them with additional resources, such as changes in ownership and management, being taken over by another firm with established international networks, or themselves acquiring such a firm (Bell et al., 2003). Hence, this concept extends the concept of BGs, as fast internationalisers do not have to be young firms.

Micro-multinational enterprises (mMNEs) are internationalising SMEs that adopt higher-commitment entry modes beyond just exporting (Dimitratos et al., 2003; 2014a; Prashantham, 2011). These higher-commitment modes include cooperative alliances, joint ventures and wholly owned subsidiaries. The primary distinction is between SMEs that are merely exporters and those that are mMNEs, which may not always own foreign assets. For instance, they may use non-equity alliances through which they control important foreign assets rather than own them outright (Jones and Coviello, 2005). Examining organisational attributes using a Chilean sample, Dimitratos et al. (2014a) argue that the risk-related element of EO and networking with domestic and international partners increases the likelihood that the firm will go beyond exporting and become an mMNE.

In addition, this view of firms differentiates many mMNEs from large established MNEs and reflects the liability of smallness they suffer from, besides the liability of foreignness. The liability of smallness refers to the limited resources and capabilities in which SMEs become able to commit to internationalisation (Lu and Beamish, 2001). mMNEs are worthy of attention because internationalising SMEs' entry mode choice is extremely important (Prashantham, 2011). Higher-commitment entry modes provide the basis for engaging with international customers and suppliers in greater proximity (Lu and Beamish, 2001). SMEs may under-achieve if they are overly conservative in confining themselves solely to the exporting mode (Dimitratos et al., 2011). It thus seems valuable to dig deeper into what distinguishes mMNEs from those exporters (Dimitratos et al., 2003; 2014a).

2.4.3 The resource-based view and international entrepreneurship

The RBV has been widely employed in internationalisation research (e.g. Hitt et al., 2006; Wei et al., 2014), and there has long been an interest in the resource seeking of MNEs

(Dunning and Lundan, 2008). Westhead et al. (2001) argue that MNEs often have partners, non-executive directors, and middle managers with management experience abroad. The managers of these large firms can often draw upon this international experience to exploit new international opportunities outside the domestic market and/or to withstand competitive pressure.

However, resource-seeking internationalisation has received limited attention in the SME internationalisation and IE literatures. McDougall et al. (1994) have noted that international entrepreneurs try to establish ventures that have routines for managing staff, for coordinating overseas resources, and for targeting customers in multiple geographic locations simultaneously. A firm's resources are likely to determine its choice and speed of foreign market entry (Prange and Verdier, 2011). Moreover, having scarce resources characterises many INVs and BGs (Kuivalainen et al., 2007). These findings support the analysis of IE through the lens of a firm's resources and capabilities.

While the importance of capabilities and resources is recognised, we still know little about how international entrepreneurs acquire or develop them, where they are originate, and how they change as the firm changes (Jones et al., 2011). According to a recent study, SME internationalisation can take the form of searching, prospecting or “scavenging” for resources (Hewerdine et al., 2014, p.327). Even though INVs and BGs are able to possess required resources such as capital and skills to start or expand their business activities internationally, they often lack those critical resources (e.g. market knowledge) that necessitate external relationships for internationalisation (Sigfusson and Chetty, 2013). Their findings highlight the usefulness of the RBV literature to observe the dynamic network structures of IE.

Indeed, the RBV paradigm has aided research in IE (e.g. Al-Aali and Teece, 2014; Autio et al., 2000; Peng, 2001). Terjesen et al. (2013) claim that the RBV is the one of five most employed theories in comparative IE. Similarly, a number of IE scholars reckon that the RBV provides a better and more comprehensive explanation of firm internationalisation (e.g. Bell et al., 2004; Jones and Coviello, 2005; Rialp et al., 2005).

Evidence that addresses Peng's (2001) question of whether the RBV has empirically advanced IE is now abundant. For example, the RBV facilitates the assessment of INV or BG performance, and Knight and Kim (2009) have recently claimed that in order to maximise international performance, internationalised SMEs need to develop a unique and

inimitable IB competence. Elsewhere, Sigfusson and Chetty (2013) use RBV, IE and network theories as a framework and assess how international entrepreneurs use *LinkedIn* to develop and harness the relationships in their internationalisation activities.

The RBV also draws attention to the value of intangible resources in IE (Keupp and Gassmann, 2009). Intangible resources are largely related to the role of soft strategic resources such as information and know-how (Grant, 1996). For instance, Filatotchev et al. (2009) contend that international knowledge transfer is significantly associated with export orientation and export performance. The impact of mobile international entrepreneurs (e.g. TEFs) on internationalisation knowledge transfer *de facto* adds "...a new dimension to IB theory" (Filatotchev et al., 2009, p.1017). In addition, a recent study illustrates that online social capital is an important resource for internationalisation (Sigfusson and Chetty, 2013). The RBV also emphasises that financial and managerial resources enable high-tech SMEs to prepare for internationalisation when targeting market growth (Crick and Spence, 2005).

Further, the RBV is able to inform EO by adding a strategic dimension because EO dimensions have not yet embraced the resource-seeking trigger of firm internationalisation, which may affect the firm's competitive positioning. EO is also a key capability for SMEs in developing their SCA (Covin and Miller, 2014). The RBV has suggested that an existing resource advantage may not be sufficient to conduct successful internationalisation, so that firms additionally need distinctive capabilities to make better use of resources (Prange and Verdier, 2011). Brouthers et al.'s (2014) recent contribution suggests that firms with higher levels of EO benefit most from foreign market alliance since they possess a more appropriate bundle of capabilities.

The RBV may also advance IE methodologically by facilitating empirical models (e.g. Crick and Spence, 2005). Bell et al. (2004) take an exploratory case study approach and develop a conceptual model of business-level strategies and internationalisation relationships through the incorporation of environmental influences and functional strategies.

In summary, the RBV is an inward-looking, firm-based perspective. Having explained how the RBV has been applied in the past, it is argued that there is novelty in the employment of RBV to advance IE, since the RBV literature on IE is still in its infancy (Peng, 2001).

The proposed application of the RBV to TEFs is therefore claimed to be a theoretical contribution of the present study.

2.5 Transnational entrepreneurship

2.5.1 Overview

Transnational entrepreneurship is, in essence, the study of TEs who operate TEFs and are thus "...social actors who enact networks, ideas, information, and practices for the purpose of seeking business opportunities or maintaining businesses within dual social fields, which in turn force them to engage in varied strategies of action to promote their entrepreneurial activities" (Drori et al., 2009, p.1001). TEs' business presence may be multi-polar rather than bi-polar (Bagwell, 2014).

In addition, TEs should travel to their home country at least twice a year for business purposes (Portes et al., 2002). TEs can function as catalysts of international knowledge that can assist to overcome the barriers to learning and knowledge transfer inherent in the internationalisation process (Saxenian, 2002). As a result, TEFs gain their competitive advantage by relying on the opportunities stemming from the exploitation of resources, both social and economic, in both home and host countries. The field has emerged in scholarly discussions following the unprecedented immigration waves of the past decade (Portes et al., 2002).

High-quality immigrants can be a vital source of competitive advantage for internationalised firms (Cerdin et al., 2014). In a US-sample study, TEFs accounts for a substantial proportion (i.e. five per cent of all businesses and fifty-eight per cent of the self-employed) of businesses started by immigrants (Portes et al., 2002). In the UK, ethnic minority businesses have grown at a rate three times faster than other business (Ram et al., 2011). They also suffer much less liability of foreignness when they internationalise back to their country of origin. Recent UK-context research has found that business start-ups from the ethnic minority communities are three times more likely to be profitable compared to non-minority-owned businesses (Ram et al., 2011).

With the rise of migration between countries, there has been a growing influence on international entrepreneurial activities of certain ethnic communities (Zhou, 2004), such as those of Indian, Chinese and Turkish origin in the UK (Crick and Chaudhry, 2013; Wang and Altinay, 2012). These TEFs may actively engage in two socially embedded

environments and leverage resources for maximising their resource base (Crick and Chaudhry, 2013; Wakkee et al., 2010). Levie (2007, pp.146-147) claims that those immigrant entrepreneurs face “...higher labour market disadvantage, higher opportunity perception advantage, higher resource disadvantage, and greater attitude advantage.” Moreover, unlike internal migrants such as those moving from Scotland to England, they lack the mobility within the new country that allows them to relocate to a place with better employment prospects (Findlay et al., 2009). Therefore, they are expected to have a greater degree of internationalisation than IEFs based in the same country.

Following the earlier discussion in Section 1.5.1, immigrant entrepreneurship and ethnic entrepreneurship are significantly different from transnational entrepreneurship, yet, in a recent systematic review on immigrant entrepreneurship conducted by Aliga-Isla and Rialp (2014), there is no inclusion of any transnational entrepreneurship articles, nor do they attempt to connect the two streams of literature. Another related concept is returnee entrepreneurs (Liu et al., 2013), who have returned to their home country after a period of studying or working in the host country. Drori et al. (2009) compare and contrast the differences between international entrepreneurs, TEs, EEs, and returnee entrepreneurs by their definition and type, as shown in Table 2.5.1.

Table 2.5.1 Characteristics of international entrepreneurs, EEs, returnee entrepreneurs, and TEs (Source: Drori et al., 2009)

	International entrepreneurs	EEs	Returnee entrepreneurs	TEs
Definition	The study of entrepreneurial activities that cross national borders.	Entrepreneurs whose group membership is tied to a common cultural heritage or origin, and are known to out-group members as having such traits.	Scientists and engineers returning to their home countries to start up a new venture after several years of business experience and/or education in another (developed) country.	Entrepreneurs that migrate from one country to another, concurrently maintaining business-related linkages with their former country of origin and currently adopted countries and communities.
Type of entrepreneur	Team or individual; export/internationally oriented; frequently native-born.	Immigrant; often with distinctive language and customs; engaged in formal, informal, or illegal self-employment and/or businesses in adopted country.	Individual, or possibly team; export/internationally oriented and often high-tech; engaged in business creation in home country.	Immigrant engaged in two or more socially embedded environments; maintaining global relations enhancing creatively and maximising their resource base.

Comparatively, little is known about the characteristics of TEs, what motivates them and what barriers they face. This is understandable since entrepreneurs from ethnic minorities may be considered different to “mainstream” entrepreneurs, and entrepreneurship is rarely universal by nature (Light and Dana, 2013). Societal renewal and economic revitalisation through immigrant entrepreneurs may be especially necessary in those developed economies such as the UK and Canada that are experiencing an ageing population and growth slowdown (Ndofor and Priem, 2011). Long-range planners have predicted that migrants will continue to play a key role in economic growth in the future (Desiderio and Salt, 2010).

The theory behind transnational entrepreneurship stems almost simultaneously from sociological, ethnographic, and management studies (Portes et al., 2002; Yeung, 2002). The phenomenon of transnationalism was initially identified by a team of ethnographers (Basch et al., 1994, p.6):

“We define transnationalism as the processes by which immigrants forge and sustain multi-stranded social relations that link together their societies of origins and settlement.... An essential element is the multiplicity of involvements that transmigrants sustain in both home and host societies. We are still groping for a language to describe these social locations.”

As a result, TEFs are shaped by a combination of individual characteristics from TEs and social settings from both the home and host countries (Bagwell, 2014; Portes et al., 2002; Sequeira et al., 2009; Terjesen and Elam, 2009). Recently, Chung et al. (2012) introduce the term “immigrant effect”, which characterises the impact on decision-making in the TEFs’ home countries. Chung and Tung (2013) maintain that TEFs’ networks in both their host and home countries enable them to form a “transnational community” to facilitate their IB and compete against MNEs. The success of ethnic Chinese entrepreneurs inside and outside China has been noted by Ahlstrom and colleagues (2010).

TEFs from different home countries may display different levels of entrepreneurship. For example, Wang and Altinay (2012) conclude that UK-hosted Chinese TEFs are more entrepreneurial (i.e. innovative, risk-taking, and proactive) than their counterparts from Turkey. Although this may be linked to socio-economic factors (e.g. structural, political, cognitive and cultural factors) entrepreneurs from different ethnic groups are likely to have different entrepreneurial mind-sets. For another example, US-hosted Indian and Chinese TEFs are dissimilar in their staffing practices, the life span and the financial performance of their ventures (Chand and Ghorbani, 2011).

With an opportunity-based perspective, why, when, and how different means of actions are employed to seize opportunities is a key question in probing entrepreneurial activities (Shane and Venkataraman, 2000). Certain additional IB opportunities may only be visible to certain group of firms. That being said, TEs’ lack of full competence in their newly-settled country’s language, education, and specific professional skills or certification, and the depreciation of their human capital, all of which are not traits of native entrepreneurs, may drive them towards continuously seeking additional opportunities internationally (Sequeira et al., 2009; Zhou, 2004). Hence, with their presence in two geographical locations, TEFs are in a unique position to identify and exploit business opportunities that are otherwise not discoverable.

The following sections discuss two closely related concepts: the diaspora and EEs. While TEs tend to be more attached to their host country, diaspora entrepreneurs are aligned more with the home country (Drori et al., 2009). Ethnic entrepreneurs (EEs), who often adopt ethnic enclave strategies, are likely to be marginalised in both country settings.

2.5.2 Diaspora entrepreneurs: where it all began

The study of diaspora entrepreneurs has lent support to the conceptual development of transnational entrepreneurship. Diasporans are migrants and their descendants who maintain a relationship to their country of origin (Safran, 1991). They must undergo a process called “institutional acculturation” as they adopt institutional roles and relationships associated with a new cultural setting (Riddle and Brinkerhoff, 2011, p.670). In addition, Lin (2010) explains that while immigrants focus on locality, the diaspora emphasizes a person’s dual identity and a longing to return home.

According to Wei and Balasubramanyam (2006), scholarly attention to the diaspora phenomenon originated in Bhagwati’s works in the 1970s, where he analysed appropriate taxation in the presence of the high international mobility of skilled labour. The diaspora’s homeland business venture is often explained by the middleman minority theory, describing immigrant entrepreneurs as traders and negotiators (Lin, 2010). The term has been applied subsequently to large immigrant stocks of ethnic groups from their homeland. For instance, Cohen (1996, p.124) labels immigrant Chinese as a “trade diaspora” who are committed to “...trading activities at a greater rate than other ethnic entrepreneurs in Australia.”

Using the economics lens, the social rate of return to a unit of investment by diaspora firms is likely to be higher than that in the case of non-diaspora FDI (Wei and Balasubramanyam, 2006). For example, the significance of diaspora firms has prompted the “opening up” of China in the past decades (Wei and Wang, 2009). Those diasporas share “...a fairly similar set of cultural traits and its businesses...characterised by intra-ethnic, national and transnational networks” (Buck et al., 2007, p.691). However, the diaspora literature ignores the long-term phenomenon of international labour migration.

A diasporic mechanism may help to close multi-dimensional international gaps, and scholars have defined diasporas in relation to their original home countries. Gillespie et al. (1999) maintain that while other immigrants assimilate and may even distance themselves

from their homelands, diasporas maintain a psychic link with their homelands. Safran (1991) suggests that diasporas hold memories of their homelands, sometimes mythical, and would like to help to maintain or improve their place of origin.

Acknowledging diasporas' close linkage with their home country, Buck et al. (2007) suggest that they convey superior knowledge of the international market and bring global distribution channels to affiliated locally domestic firms. Saxenian (2006) studies bi-directional knowledge flows and entrepreneurship, through the global labour mobility of scientists and engineers from Silicon Valley back to their homes in India and China, coupled with mobile venture capital as well.

However, Saxenian (2006) does not explicitly develop theory or recognise a diasporic mechanism (De Lange, 2013). There have been similar developments following this stream of research, especially for those highly skilled migrants, such as transnational technical communities (Madhavan and Iriyama, 2009), ethnic minority businesses (Smallbone et al., 2010), and transnational bioscience entrepreneurs (Ying, 2012).

The aims of diasporas differ based on their different cultural backgrounds. Some diasporic entrepreneurs feel a need to establish and return to a homeland such as the Croatian-American diaspora (Blunt, 2007; Carter, 2005). Carter (2005, p.62) argues that there is a "double re-territorialisation" between Croatia and the United States. Without a collective effort, they cannot achieve the goal (Carter, 2005), and this should be a notable difference between diasporas and TEs since TEs tend to rely on their individual effort rather than their community to conduct their business.

On the contrary, some other diasporas may be committed to contributing and improving their host country for protecting their own group members (Portes and Sensenbrenner, 1993). Some examples are Brazilians, Chinese, Indians, and Nigerians who often help each other through various business relationships, information sharing, and funding sources in order to support each other's survival (De Lange, 2013; Gillespie et al., 1999; *The Economist*, 2011).

On the other hand, diasporas may not completely exclude themselves from interacting with indigenous entrepreneurs who are interested in the diasporas' home country market. Nanda and Khanna (2010) find that diaspora firms are more likely to help IEFs who have had

previous connections with a diaspora. Therefore, it is probable that diasporic activities encourage the formation of TEFs and contribute positively to the host country's economy.

Following Findlay's (1978) diaspora model, Wei and Balasubramanyam (2006) suggest four means for diaspora involvement in their home country. First, diaspora entrepreneurs may transfer knowledge to home country businesses in the form of licensing, without the commitment of capital. Second, they may directly invest in locally owned firms by setting up joint ventures, acquisitions, or greenfield ventures. Third, the diaspora may also take on top managerial positions in foreign-owned subsidiaries in their home country. Lastly, as non-diaspora foreign firms may deter technological development of local domestic firms, diaspora investment may offset such an adverse effect, with its cultural affinity.

To sum up, diaspora research has provided a theoretical foundation for transnational entrepreneurship (Drori et al., 2009). Researchers of the diaspora have largely adopted an economics perspective, but entrepreneurship and firm-level internationalisation analysis must be addressed in order to promote theory-building in transnational entrepreneurship.

2.5.3 Ethnic entrepreneurship

A concept closely related diaspora entrepreneurs and TEs is EEs. EEs start their own business, often through an individual connection with former immigrants, through a set of regular patterns of interaction with them (Waldinger et al., 1990). Chaganti and Greene (2002) argue that EEs should be defined by the levels of personal involvement of the entrepreneur in the ethnic community instead of reported ethnic grouping. These arguments emphasise the ethnic component rather than entrepreneurship of EEs.

EEs also need to strive for success while balancing two cultures. EEs often need to make decisions on whether they should focus on their ethnic enclave or the dominant market of their host country (Ndofor and Priem, 2011). Portes (1981, p.291) defines the ethnic enclave as "...immigrant groups which concentrate in a distinct spatial location and organise a variety of enterprises serving their own ethnic market and/or the general population." However, ethnic enclave strategies may not be beneficial to entrepreneurs in terms of net profit (Ndofor and Priem, 2011).

Ethnic entrepreneurship research usually focuses on the traits of individual entrepreneurs and identifies entrepreneurship with self-employment or business start-ups and ownership

(Wang and Altinay, 2012). Early ethnic studies emphasised labour migration but increasing attention has been paid to entrepreneurial migration. The nature of ethnic entrepreneurship is at the centre of a long-standing debate, as Ram (1997, p.149) argued:

“... one of the most persistent themes within the ethnic business literature: Is ethnic minority enterprise a routinely rational economic activity no different from other small-scale business endeavours?; or is it a distinctive small business phenomenon, demonstrating the importance of "cultural" resources in fuelling entrepreneurial activities?”

According to Ilhan-Nas et al.'s (2011) systematic literature review during 1936-2009, the antecedents of ethnic entrepreneurship are self-employment, social networks, policy, gender, human capital characteristics, solidarity and trust in the ethnic group, demographic factors and history. Additionally, EEs are usually researched at individual, societal or country levels, but organization-level research is limited . Table 2.5.3 depicts the common outcomes of ethnic entrepreneurship studies at different levels.

Table 2.5.3 Outcomes of ethnic entrepreneurship studies (Source: Ilhan-Nas et al., 2011)

Individual Outcomes
<ul style="list-style-type: none"> • The effects of social networks, entrepreneurship, kinship, friendship and community ties • Language differences and demographic variables • The effects of gender on ethnic entrepreneur's attitude
Organisational level outcomes
<ul style="list-style-type: none"> • The effect of ethnic entrepreneurship on small business • Chaos and complexity affect ethnic entrepreneurship
Country level and others outcomes
<ul style="list-style-type: none"> • Social, human and financial capital • Positive and negative politics about ethnic entrepreneurship • Multiculturalism and its effects on ethnic entrepreneurship • Ecologic factors • Ethnic enclave and labour markets

Although transnational entrepreneurship is inherently different from ethnic entrepreneurship (Baycan-Levent and Nijkamp, 2009) and IE, these research domains overlap and conflate in research. Levie (2007) remarks that it is difficult to single out the relative importance between being an immigrant and being a member of an ethnic minority group. This may be a barrier to the development of ethnic entrepreneurship as an independent research field. Ma et al. (2013b) argue that the subject has a high level of interaction with other disciplines, resulting in its high interdisciplinarity: “This overlapping blurs the boundaries of ethnic entrepreneurship and as a result its distinct theoretical model and analytical tools are unjustly attributed to other competing fields” (p.32). This appears to parallel the slow pace of development noted above for transnational entrepreneurship.

Transnational entrepreneurship is a distinct concept that lies between EE and IE. As Chen and Tan (2009) point out, both transnational and ethnic entrepreneurship are concerned with the involvement of immigrants in entrepreneurial activities. However, EE emphasises self-employed or one-man businesses (i.e. micro-firms with fewer than ten employees), as well as middleman minorities, especially in those local ethnic enclaves of the host country (Baycan-Levent and Nijkamp, 2009). Even when EEs have commercial activities outside their host country, they may only take a reactive approach and trade within the cultural/ethnic community they belong to (Drori et al., 2009). The narrow range of business dealings for EEs prevents them from becoming TEs because they do not actually “...engage in varied strategies of action to promote their entrepreneurial activities” (Drori et al., 2009, p.1001).

On the other hand, transnational entrepreneurship is mostly concerned with those SMEs exploiting opportunities outside the host country market (Portes et al., 2002). Additionally, for TEs, these activities take place in their home and host country and possibly a third country too (Chen and Tan, 2009). TEFs’ broad business vision and activities lead to assimilation, but firms operated by EEs do not necessarily make an effort to integrate into the host country, but rather isolate themselves in ethnic enclaves (Morawska, 2004).

Furthermore, ethnic minority firms may be exceptionally inclined to informality (Ojo et al., 2013). In contrast, Drori et al. (2010) reveal that in order to integrate themselves into the host society, many TEFs intentionally choose their office location distant from their ethnic enclave and try to avoid close business relations with co-ethnics. They may inhibit market opportunities arisen outside of their ethnic community in the host country. Therefore,

although they do share similarities, both transnational and ethnic entrepreneurship attract two distinct streams of research.

2.6 Summary

The chapter has reviewed the literatures that influence the evolvement of transnational entrepreneurship. It has shown the competing theories to the RBV that have been employed to explain SME internationalisation, the RBV *per se*, and subsequently IE and transnational entrepreneurship. It is highlighted that the TEF phenomenon is worth studying under the IB paradigm, but there is lack of research in the area (Drori et al., 2009). Thus, in order to investigate TEFs compared with IEFs, it is necessary to propose a theoretical framework that captures the internationalisation antecedents, dimensions and consequences. The components of the framework are discussed in the next chapter.

CHAPTER 3 INTERNATIONALISATION ANTECEDENTS, DIMENSIONS AND CONSEQUENCES

3.1 Overview

The previous chapter has presented the multi-disciplinary perspectives this study employs. Providing the basis for the conceptual model that analyses the internationalisation of TEFs and IEFs, this chapter will continue to review the pertinent literatures.

This chapter first reviews the literatures of the three proposed internationalisation antecedents (Sections 3.2-3.4, i.e. EO, network proclivity, and international motivation) that are employed for explaining firm internationalisation. These are RBV-oriented constructs because they are considered the firm's strategic resources that are the internal characteristics of the firm (Wiklund and Shepherd, 2003). From different perspectives, these three constructs are able to depict how the firm internationalizes, as they are frequently featured in behaviourally-oriented internationalisation research (Jones et al., 2011). Thus, it is argued that they are able to capture the TEF/IEF internationalisation comprehensively and be the means to distinguish TEF and IEF internationalisation. The configuration of the three antecedents is crucial for understanding a TEFs' behaviour.

In discussing each of them, the conceptualisation, dimensions, and their relations to TEFs, internationalisation, and firm performance are all considered. The review continues with the two dimensions of internationalisation, i.e. speed and market presence. Lastly, considering the consequences of TEF internationalisation, the literature on the international performance of SMEs is reviewed.

The rest of this chapter is structured as follows:

3.2 Entrepreneurial orientation

3.3 Network proclivity

3.4 International motivation

3.5 Internationalisation dimensions

3.6 International performance

3.7 Summary

3.2 Entrepreneurial orientation

3.2.1 Introduction

The trajectory of entrepreneurial firms should be understood in order to assess entrepreneurship embedded in them. EO is probably the most intensively used tool in assessing the entrepreneurship embedded in a firm. An alternative to EO is the measure of total entrepreneurship activity through GEM, which annually conducts and reports large-scale surveys to seek attitudes, activities, and growth expectations at the country level (e.g. GEM, 2014). Another competing concept is that of IEC (Dimitratos and Plakoyiannaki, 2003), as mentioned earlier.

In micro-business contexts, Brown et al. (2001) consider EO to be the best established empirical instrument for assessing a firm's degree of entrepreneurship. It has received a substantial amount of theoretical and empirical attention (Covin et al., 2006; George, 2011), prompting a recent meta-analytic study (Rauch et al., 2009), literature reviews (e.g. Wales et al., 2013), and a recent *Entrepreneurship Theory and Practice* special issue (Covin and Lumpkin, 2011).

The EO construct has its root in the seminal work of Mintzberg (1973), who suggests that entrepreneurial firms tend to take more risks than other types of firms and are more proactive in searching for new opportunities. It is sometimes called international EO when the international dimension is stressed (e.g. Covin and Miller, 2014). Miller (1983) identifies entrepreneurship as a multi-dimensional concept encompassing the firm's actions relating to innovativeness, risk taking, and proactiveness. Subsequently, Covin and Slevin (1989) develop a scale consisting of three items for each of the dimensions identified by Miller (1983), which is often termed the M/C&S scale.

EO can be seen as firms' strategic orientation and internal capabilities that can boost the success of entrepreneurial venturing in a competitive environment (Webb et al., 2009). However, researchers have still not fully understood the circumstances under which EO

has become an important characteristic for managers (Cadogan, 2012; Sundqvist et al., 2012).

EO can be viewed as the firm's proclivity to explore new market opportunities (Lumpkin and Dess, 1996). Covin et al. (2006, p.80) note, "...intellectual advancement pertaining to EO will likely occur as a function of how clearly and completely scholars can delineate the pros and cons of alternative conceptualisations of the EO construct and the conditions under which the alternative conceptualisations may be appropriate." Accordingly, EO may occur in different combinations (George, 2011). Empirical research examining the relationships between the EO dimensions finds that EO dimensions can vary independently of each other (Kreiser et al., 2013).

Two additional EO dimensions proposed by Lumpkin and Dess (1996) are widely adopted in EO research. While competitive aggressiveness is the intensity of firms' effort to outperform rivals characterised by aggressive responses to competitive threats, autonomy refers to independent actions undertaken by entrepreneurial leaders directed at nurturing a new venture and seeing it to fruition. These two dimensions, however, are not pertinent to this thesis because they emphasise the strategic orientation of firms, but this thesis focuses on IB and entrepreneurship. So, they will not be further discussed.

The rest of this section discusses the concept of EO and the three original EO dimensions, i.e. the M/C&S scale as adopted for this study, and reviews the literature on the relationship between EO and SME international performance.

3.2.2 The concept of EO

EO is defined as "...a process aspect of entrepreneurship" (Lumpkin and Dess, 1996, p.162). Mintzberg (1973) proposes an entrepreneurial strategy-making mode as a managerial disposition characterised by actively searching for new opportunities in uncertain environments through which high growth might be achieved.

Covin and Wales (2012) summarise a list of EO definitions from the literature that shows the development of the EO concept (see Table 3.2.1). In general, EO refers to an entrepreneurial firm's proclivity towards new ideas (i.e. proactiveness), innovative thinking (i.e. innovativeness), and the proclivity of risk-taking (i.e. risk attitude). In a recent study based on a unique dataset of 500 SMEs spanning ten industries, Dai et al. (2013) find that

firms with moderate levels of innovativeness and proactiveness lead to lower international scope (i.e., seeking opportunities across a fewer number of countries) than those with extreme positions. Additionally, moderate levels of risk-taking are associated with greater international scope than either low or high levels of this dimension. Hence, EO exerts a multi-faceted impact on firm internationalisation through its dimensions.

Table 3.2.1 Selected definitions of EO

(Source: Covin and Wales, 2012)

Pearce et al. (2010, p.29)	“An EO is conceptualised as a set of distinct but related behaviours that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy.”
Cools and Van den Broeck (2009, p.27)	“EO refers to the top management’s strategy in relation to innovativeness, proactiveness, and risk taking.”
Avlonitis and Salavou (2007, p.567)	“EO constitutes an organisational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage.”
Voss et al. (2005, p.1134)	“...we define EO as a firm-level disposition to engage in behaviours [reflecting risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness] that lead to change in the organisation or marketplace” (annotation added).
Zahra and Neubaum (1998, p.124)	“...the sum total of a firm’s radical innovation, proactive strategic action, and risk taking activities that are manifested in support of projects with uncertain outcomes.”
Lumpkin and Dess (1996, pp.136-137)	“EO refers to the processes, practices, and decision-making activities that lead to new entry” as characterised by one, or more of the following dimensions: “a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities.”

Dai et al. (2013) further argue that resource-limited firms do not need to achieve high levels on each dimension in order to internationalise successfully. A firm that exhibits all three EO dimensions to the highest level may threaten its international venturing because

of increasing strains on its resources (Wales et al., 2013). However, EO dimensions have the potential to differentially influence how firms internationalise (Kreiser and Davis, 2010), and their distinct influences should be considered (Hughes and Morgan, 2007). Aggregating the EO dimensions into one combined measure can result in their independent influences being distorted or cancelled out altogether (Jantunen et al., 2005).

3.2.3 Innovativeness

Innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products and services as well as technological advancement via research and development (R&D). Measuring the degree to which novel ideas are supported and promoted, it represents a willingness to depart from familiar capabilities and venture beyond the current state of the art. These novel ideas lead to new product introductions, service improvements, and managerial practices that advance and sustain the firm (Lumpkin and Dess, 1996).

The innovativeness of a firm is not only dependent on the entrepreneur, but it is also concerned with its suppliers, customers, partners, and institutional mechanisms (Pittaway et al., 2004). Innovation comes from two main sources: (1) internal R&D that draws on the firm's accumulated knowledge, and (2) market intelligence, including the innovations of other firms (Nelson and Winter, 1982). Innovation should be distinguished from invention, where the former means opportunity exploitation (i.e. commercialisation of invention) and the latter is the recognition of opportunity (Schumpeter, 1934).

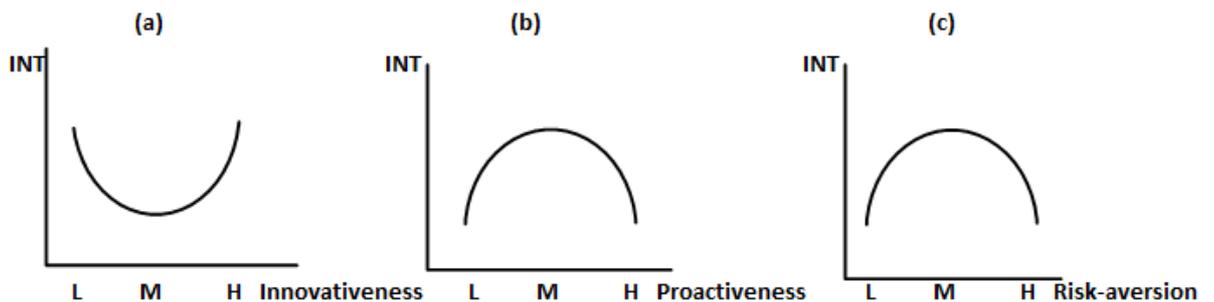
Innovativeness plays an important role in IE research (Zahra, 2004), as it positively influences the performance of international SMEs (Knight and Cavusgil, 2004). Zahra and George (2002, p.262) suggest "...firms that internationalise their operations in innovative and creative ways stand to achieve significant gains that go beyond superior financial performance." Since internationalisation is an innovative act (Knight and Cavusgil, 2004), international firms are significantly more innovative than domestic ones (Keeble et al., 1998). Knight and Kim (2009) further argue that firm success requires innovativeness in the pursuit of international markets.

In effect, an innovative orientation can be conducive to the survival of entrepreneurial firms when competing against large, established multinational enterprises (MNEs) (Deshpandé et al., 2013). Since entrepreneurial firms are often precluded from gaining

scale economies, they can achieve competitive advantages through the development of innovative products that embody novel technologies (Pelham, 1999), significantly contributing to firms' profitability (Steensma et al., 2000). However, there are also substantial costs associated with being innovative, such as the extent of trial and error that underlies innovation, so innovating intensively may have the potential to limit firms' ability to meet short-term financial obligations (Kreiser et al., 2013).

Li et al. (2013) maintain that the relationship between innovativeness and the firm's degree of internationalisation is U-shaped (see Figure 3.2.3(a)). At high levels of innovativeness, firms have a greater capacity to spread these upfront costs across foreign markets and in turn realise benefits for pursuing internationalisation (Zahra and Garvis, 2000). Conversely, at low levels of innovativeness, products are less resource-intensive, which may facilitate firms' internationalisation efforts by allocating their resources towards the exploitation of standardised and competitively priced products that require little customisation abroad (Rosenbusch et al., 2013).

Figure 3.2.3 The relationship between internationalisation and three EO dimensions
(Sources: Compiled from De Clercq et al., 2005; Rosenbusch et al., 2013; Zahra and Garvis, 2000)



Note: INT stands for “internationalisation”, referring to the degree to which the EO dimension facilitates firm internationalisation. L, M, and H stand for the low, moderate, and high levels of the EO dimension respectively.

As firms benefit from innovating by commercialising their market-leading products and services (Hughes and Morgan, 2007), exercising only moderate levels of innovativeness may be insufficient to attract foreign customers. Hence, moderate levels of innovativeness seem to be least useful to firms' competition efforts.

That said, TEFs might assimilate themselves to their host country in order to maximise the likelihood of excelling in innovativeness. On the other hand, their presence in the home country may facilitate knowledge transfer (Filatotchev et al., 2009) and is positively associated with innovation promotion in emerging economies (Liu et al., 2010). Nevertheless, researchers are still in search of the optimal level of innovativeness that facilitates TEF internationalisation.

3.2.4 Proactiveness

In order to establish and maintain their presence in foreign markets, firms must proactively engage in meeting market demands by introducing their products and services, even in the presence of barriers (De Clercq et al., 2005). Proactiveness is the opposite of reactivity and is related to aggressive posturing relative to competitors, with an emphasis on the execution and follow-up of tasks in pursuit of the firm's objectives (Knight, 2001). It reflects entrepreneurs' vision and future orientation, which enable them to take quick actions with minimal planning when business opportunities surface.

Venkataraman (1989, p.949) defines proactiveness as "...seeking new opportunities that may or may not be related to the present line of business." It is also a conducive factor to successful international performance (Zahra and Garvis, 2000). Thus, proactiveness is an opportunity-seeking and forward-looking perspective characterised by the introduction of new products and services ahead of competitors, and acting in anticipation of future demand. Despite the costs associated with the time and resources needed to be proactive, proactive entrepreneurs are more likely to recognise opportunities hidden from non-proactive ones (Knight, 2001; Lumpkin and Dess, 2001) and then swiftly capitalise on those opportunities.

A proactive orientation is an important internal determinant of a firm's performance, through which it gains an initial advantage over competitors, especially in the international context. For example, INVs should always have a proactive international strategy to some extent (Oviatt and McDougall, 1994). The literature indicates that there is an inverted U-shaped relationship between proactiveness and internationalisation (see Figure 3.2.3(b)). Firms with low degrees of proactiveness are capable of efficiently entering foreign markets (Zahra and Garvis, 2000), since these firms benefit from minimal search costs when expanding into new countries (Johanson and Vahlne, 2009). They may then achieve high levels of international presence.

While low levels of proactiveness may indicate that firms lack the intention and market knowledge required for identifying foreign market opportunities, highly proactive firms may over-invest in searching for international opportunities that may not always lead to desirable outcomes (De Clercq et al., 2005). Hence, moderate levels of proactiveness should be sufficient for the firm to exploit any short window of opportunity and lead to greater internationalisation prospects (Casson and Wadeson, 2007; Venkatraman, 1989).

Tsang (2002) studies a sample of Chinese family businesses and reports that these firms are proactive in international markets led by entrepreneurs who have sharp vision and pragmatic measures to tap into resource-seeking or market-seeking opportunities in foreign markets. Although a firm's proactiveness is likely to be positively associated with its ability to perceive and identify opportunities, it is still unclear whether TEFs develop their level of proactiveness uniquely, or they learn to match the proactive strategy of their competitors i.e. IEFs in the host country.

3.2.5 Risk attitude

Along with the other two EO dimensions, the attitude towards risk has been a central theme in the entrepreneurship literature (Busenitz, 1999). The risk-taking propensity involves the attitude towards taking bold actions by venturing into the unknown, financing heavily, and committing significant resources to ventures in uncertain environments. In other words, it refers to the stance towards venture undertaking that entails a possibility of failure along with a chance of higher returns (Knight, 2000). Risk-taking is considered to be a defining feature of entrepreneurial behaviour, even if it has been suggested that some entrepreneurs do not either perceive their actions as risky (Simon et al., 2000) or take actions only after considerably reducing uncertainty through careful planning (Bhide, 2000).

Firms inevitably take on risks when they initiate and develop foreign operations because there are risks associated with the institutional environment of each country entered (Busenitz et al., 2000). Although innovative technological activity is risky, entrepreneurial founders are often only willing to take moderate risks (Collins et al., 2004) and starting entrepreneurial ventures based on innovations may entail a great deal of risk. Individually speaking, entrepreneurs also risk career opportunities, family relationships, personal wealth, and psychic well-being (Bird, 1989).

Nevertheless, entrepreneurs seem to be fairly indifferent to the level of risks they take during the venturing process (Busenitz, 1999), so asking entrepreneurs to engage in risk reduction or risk-averse behaviour may be inappropriate, as they often do not view their ventures as risky (Cooper et al., 1988). Contrary to the assumption in economics that people are rational in decision-making, management research often stresses the non-rational aspect of entrepreneurial firms' decision-making such as bias and heuristics (e.g. Jones and Casulli, 2014).

Risk attitude appears to present an inverted U-shaped relationship with respect to internationalisation (see Figure 3.2.3(c)). Lower levels of risk aversion have the potential to weaken a firm's competitive stance abroad (Zahra et al., 2001). Nevertheless, a risk-averse firm may only prefer to internationalise in countries with low psychic distance (Johanson and Vahlne, 1977), which would nevertheless limit its exposure to wider opportunity in a larger number of foreign markets. So, low risk-takers are expected to forgo potentially valuable opportunities abroad (Hughes and Morgan, 2007). Neither high nor low levels of risk-taking propensity facilitate expansion across international markets, but a moderate level seems to be of international firms' best interest (De Clercq et al., 2005).

Relating risk to the EO concept, Casson and Wadeson (2007) identifies two categories of risks for IEFs and TEFs: missing a profitable opportunity (error of omission) and exploiting an unprofitable opportunity (error of commission). The ability to prevent these two types of risk may differentiate TEF from IEF internationalisation because they identify and exploit international opportunity differently (Terjesen and Elam, 2009).

TEFs might be less risk-averse when entering their home country market, because they are familiar with their home institutional environment, or because they are confident in seizing profitable opportunities and avoiding unprofitable opportunities abroad. Another similar argument is that since TEFs have taken a bold decision to travel a long distance to re-settle, they may be less risk-averse than their stay-at-home peers (Levie, 2007). In this sense, correct risk assessment of an upcoming opportunity may have a considerable impact on firms' survival. As arguably natural risk-takers, immigrants may be attracted to self-employment or business start-ups compared with other groups (Constant and Zimmermann, 2006). TEFs may thus be more willing to perceive a risky situation in foreign business situations as an opportunity (Yeung, 2009).

To sum up, because the aggregate effect of EO dimensions is still unknown (Covin and Miller, 2014), we cannot simply aggregate EO dimensions. To illustrate, a firm with a combination of high in innovativeness, low proactiveness, and moderate risk-taking does not necessarily lead to a high degree of overall EO and thus of internationalisation. The effect on any two or all of the three dimensions on internationalisation is so far unknown in the literature. This study attempts to fill this gap in transnational entrepreneurship by linking findings between EO dimensions and internationalisation.

3.2.6 EO and international performance

Investigating the EO-performance relationship is a recurring theme in EO studies (Covin and Miller, 2014). Research has suggested that higher EO should lead to higher performance (Miller, 2011) but the relationship is non-uniform (Li et al., 2013; Tang et al., 2008). In an environment of rapid change and shortened product and business model life-cycles, the future profit streams from existing operations become uncertain and businesses need to constantly seek new opportunities. Therefore, firms may benefit from adopting an EO perspective.

Empirically, it is well established that EO can enhance the performance of IEFs (Rauch et al., 2009). Notably, a large body of research that links EO with international performance is conducted on samples, comprising Chinese firms (Covin and Miller, 2014). However, whether or not EO is suitable to assess the EO-performance relationship is unknown in the context of TEFs. In general, the empirical studies below reveal that there is an overall tendency for EO (or at least its components, most commonly proactiveness) to have a positive impact on international performance. However, such an impact is largely influenced by the firm's external environment (Rosenbusch et al., 2013). Thus, the business environment of the host country may affect the EO of TEFs and subsequently their international performance.

To disaggregate EO, Kreiser et al. (2013) assess the relationships between the three EO dimensions and performance in a large-scale, cross-country, and cross-industry setting. Similar to the (inverted) U-shaped relationships detected between the EO dimensions and internationalisation, the levels of innovativeness and proactiveness predominantly display positive U-shaped relationships with SME performance. Risk-taking, however, shows a predominantly negative U-shaped relationship with SME performance. Taken together,

these findings suggest that differential relationships exist between three EO dimensions and SME performance.

To review some of the comparative studies below, EO levels are found to be significantly higher among internationalised firms than their domestic counterparts, and EO is positively related to firm internationalisation, measured as the number of countries in which the firm operates, and the international sales percentage.

EO is also found to positively affect the speed with which firms internationalise subsequent to their founding (Ripollés-Meliá et al., 2007). Ripollés et al. (2012) further report that international EO is positively associated with having an international market orientation. Similarly, using a sample of Ghanaian firms, Boso et al. (2013) find that aligning high levels of EO and market orientation improves firm performance.

The study by Kuivalainen et al. (2007) indicates that risk-taking is negatively associated with the degree of born-globalness, but proactiveness is unrelated to that. Similarly, Hagen et al. (2012) demonstrate that firms with “entrepreneurial, growth-oriented” strategies exhibit the highest level of international performance, as indicated by both subjective and objective performance measures.

Sundqvist et al. (2012) categorise the dimensions of EO into two groups: (1) the Kirznerian manifestations of entrepreneurially oriented behaviours, namely proactiveness; and (2) the Schumpeterian manifestations of entrepreneurially oriented behaviours, including the innovativeness and risk-taking dimensions. They argue that the Kirznerian manifestation (Kirzner, 1973) of entrepreneurially oriented behaviours has stronger positive relationships with the profitability of the firms’ exporting operations when markets are relatively stable. Meanwhile, Schumpeterian manifestations (Schumpeter, 1934) of entrepreneurially oriented behaviours have stronger positive relationships with the profitability of firms’ exporting operations when markets are more volatile.

3.2.7 Summary

This section has reviewed the conceptualisation of EO as well as the three M/C&S dimensions. EO is a vital tool in evaluating entrepreneurial firms in IB and IE research. According to Covin and Miller (2014), future researchers can advance (international) EO research by building on prominent strategy theories, such as the RBV. It seems that TEFs

may require a different set of EO dimensions than IEFs in order to allocate their resources strategically. In other words, a different combination of EO dimensions is likely to be needed for TEFs achieving a high degree of EO.

However, its application in the transnational entrepreneurship context has been strikingly limited. Empirical confirmation is needed on what levels of the three EO dimensions of TEFs, if different from IEFs at all, result in a positive aggregate effect on TEF internationalisation and performance.

The EO level of TEFs has not been empirically studied (Ireland et al., 2007). The degree of EO dimensions embedded in TEFs may vary compared to IEFs, and they are generally expected to be higher. However, this observation is drawn from studies that include IEFs. Since TEFs are more likely to access international opportunities due to their exposure to different stimuli drawing resources from dual locations (Lin and Tao, 2012), their EO level is likely to be higher than that of IEFs. Therefore, it is hypothesised that:

Hypothesis 1a (H1a) TEFs possess a higher level of EO than IEFs.

3.3 Network proclivity

3.3.1 Overview

The network perspective of IB is instrumental in forging a link between SME internationalisation and the network-augmented RBV. Network proclivity provides firms with access to knowledge, resources, markets, and technologies (Inkpen and Tsang, 2005). Firms may thus internationalise via their resource-intensive, path-dependent networks shaped by networking history and existing network relationships (Chetty and Campbell-Hunt, 2004; Sharma and Blomstermo, 2003). As such, the proclivity of a firm to enter and sustain a networking relationship with another party is mainly dependent on its network resources.

In addition, as firm growth is determined by the firm's specific internal resource endowments (Penrose, 1959), a firm's networking resource has been argued to be a unique and valuable bundle of internal resources, encompassing the interplay between experiential knowledge development and resource commitment (Johanson and Vahlne, 2003). Although the RBV only focuses on the *status quo* of the firm but ignores the potential

additional resources and the building and reconfiguring of existing ones (Teece, 2007; 2014), the development of network-based theoretical underpinnings has been proposed in three fields, namely IB, IE, and entrepreneurship theory.

With respect to IB, the network approach has facilitated the development of an internationalisation model (Johanson and Vahlne, 1990; 2006; 2009) and the examination of the internationalisation process (Coviello, 2006). Gradual internationalisation advocates see markets as entangling networks (Johanson and Mattsson, 1988). For instance, Johanson and Vahlne (2009, p.1411) maintain that, "...markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns."

The analysis of network proclivity has also facilitated IE research (Oviatt and McDougall, 1994). Network-level social capital helps entrepreneurs identify international opportunities, establish credibility, and often lead to strategic alliances and other cooperative strategies (Oviatt and McDougall, 2005). Network relationships can help new ventures to offset the lack of a proven track record and the limited legitimacy associated with being new (Shane, 2003).

At the same time, network relationships can aid new venture internationalisation by providing connections and opportunities in foreign markets (Coviello and Munro, 1997; Ellis, 2011), the access to desirable resources for internationalisation (Zahra et al., 2001), and key information necessary to enter and compete abroad (Shrader, 2001). According to Oviatt and McDougall (2005), networks moderate three key aspects of the internationalisation patterns of INVs, the strength of network ties, the size and the overall density of the network.

Furthermore, the network perspective also advances the field of entrepreneurship. After entrepreneurs discover an opportunity, they may use established networks to explore where and how quickly this opportunity can be exploited. A review of network research by Hoang and Antoncic (2003) demonstrates that the entrepreneurship literature emphasises network content (the nature of relationships and the resource access they provide), network governance (how networks and resource flows are coordinated) and network structure (the patterns of relationships within a network). In their discussion, studies are categorised as either focusing on how networks influence the entrepreneurial process, or in turn on how entrepreneurial processes influence network development.

Ellis (2011) proposes that there are two schools of thought examining the impact of network proclivity on firms, emphasising respectively the social network (family, friends and social ties) and the business network (based on industry and management relations). Simply put, the former is distinguished from the latter by the level of analysis. A social network is the sum of relationships linking one person with another (Burt, 1992), whereas a business network normally describes a set of relationships linking firms (Johanson and Mattsson, 1988; Johanson and Vahlne, 2009).

The social capital perspective of network proclivity this study adopts can be seen as a combination of both approaches. It refers to "...the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (Nahapiet and Ghoshal, 1998, p.243). There have been social capital studies conducted at the individual level (Acquaah, 2007; Manolova et al., 2010), the firm level (Wright et al., 2008), and even the country level (Kwon and Arenius, 2010). In the same vein, as this research features TEFs, mixed embeddedness is highlighted, which refers to TEF embeddedness in terms of transnational social capital and in the socio-economic environment of the host country (Kloosterman et al., 1999). The rest of this section is therefore divided into two parts, a discussion of social capital and then of mixed embeddedness.

3.3.2 Social capital

Introduction

The first systematic analysis of social capital was conducted by Bourdieu (1986), who regards the concept as "...the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition" (p.248). The potential value of social capital has been recognised for it provides an opportunity for firms to access information and resources in their social network (Maurer and Ebers, 2006). The RBV perspective views the firm as a web of relationships (Hite and Hesterly, 2001).

In a recent special issue on social capital in *Entrepreneurship Theory and Practice*, Gedajlovic et al. (2013) consider social capital to be a useful perspective that helps to address outstanding research questions in entrepreneurship. Borgatti and Foster (2003,

p.993) also argue "...probably the biggest growth area in organisational network research is social capital." Hence, the social capital perspective possesses instrumental rigour in generating theoretical advancement in the current development of management research.

Since it is a dynamic, contextual, and multi-faceted perspective (Gedajlovic et al., 2013), social capital has been labelled differently in various studies, including relational capital (Hitt et al., 2002; Rialp et al., 2005), network resources (Gulati, 1999), relational assets (Madhok and Tallman, 1998), relational resources (Dunning and Kim, 2007), social networking (Westhead et al., 2001), and social resources (Florin et al., 2003). Culturally embedded, non-Anglo-Saxon versions of social capital have also been studied, such as *guanxi* (e.g. Dunning and Kim, 2007; Zhou et al., 2007) and *blat* (e.g. Batjargal, 2003). This variation in naming social capital reflects the fact that it is influenced by contextual factors.

This thesis focuses on the social capital embedded in the personal networks of entrepreneurial firms and its effects on firms' international performance. The rest of this section discusses social capital's definition, theoretical strengths and drawbacks, applications in internationalisation research, relationship with performance, and context in the TEF setting.

Definition of social capital

Social capital has been defined variously (Jack and Anderson, 2002), and Tang (2007) documents 16 definitions emphasising different aspects of social capital. In particular, it has been defined by its process (e.g. Jack and Anderson, 2002), its functions (e.g. Burt, 1992), quality and values of the relationships (e.g. Hitt et al., 2002), and the resources available by virtue of membership of social networks (e.g. Adler and Kwon, 2002; Bourdieu, 1986).

In line with the last point, whereby the resources of the individual entity are stressed, this thesis follows the widely acknowledged multi-dimensional version by Nahapiet and Ghoshal (1998, 243), viewing social capital as "...the sum of actual and potential resources embedded within, available through, and derived from the network of relationships possessed by individuals or social units."

A useful way of understanding the social capital concept is to divide it into internal and external social capital. Yli-Renko et al. (2002) view internal social capital as the quality of relationships between individuals and intra-firm departments and external social capital as management contacts and involvement with customers, suppliers, competitors, government agencies, and other organisations.

Generally, although there are other related interpretations (e.g. Bourdieu, 1986; Granovetter, 1973; Lin, 2001), two primary perspectives on social capital dominate existing network literatures (Adler and Kwon, 2002), which are complementary to each other (Lin, 2001). Burt (1982, 1992) suggests a bridging perspective: an actor's external connections lead to social capital and subsequently positive outcomes. In other words, such an actor is "...an entrepreneur in the literal sense of the word – a person who generates profit from being between others" (Burt, 1982, p.34). Burt's idea can be seen as the "structural hole theory" and has evoked many studies in this stream. To Burt, an actor's informational advantage is maximised when network ties are diverse and loosely interconnected. Participation in closed networks increases the reliability of information.

Equally important is Coleman's (1988) bonding perspective, seeing a firm's social capital as emanating from durable and recurring social connections that yield trust and accelerated business dealings. Information diffusion is enhanced when a network is tightly interconnected and closed. Closed networks ensure that those who do not observe reciprocity norms, or who transmit faulty information, will be ostracised (Coleman, 1988).

In summary, social capital has an inherent value because it can generate economic gains. It presumes some kind of antecedent relationship, either a strong tie or a weak tie between actors, and encompasses both internal and external relationships with two possible perspectives. Both views of social capital can be effective, but in different contexts, and this contingency standpoint has been increasingly popular (Gedajlovic et al., 2013).

Dimensions of social capital

As the concept is broad and multi-dimensional, Nahapiet and Ghoshal (1998) present a nuanced interpretation of social capital that encompasses three dimensions: structural, cognitive, and relational, being summarised with their sub-dimensions in Table 3.3.2. Presutti et al. (2007) argue that the structural dimension of social capital has a greater

impact than relational and cognitive dimensions. Intuitively, investments in social relations may generate goodwill that can be utilised to achieve profit-making goals for SMEs (Adler and Kwon, 2002).

Table 3.3.2 Social capital dimensions and their sub-dimensions

(Source: Nahapiet and Ghoshal, 1998)

Dimensions	Sub-dimensions
Structural	Network ties Network Configuration Network stability
Cognitive	Shared goals Shared culture
Relational	Trust Norms Identification

The structural dimension of social capital involves the pattern of relationships between the actors and can be analysed from the perspectives of network ties, network configuration, and network stability.

Network ties deal with the specific ways that actors are related. Ties are a fundamental aspect of social capital, because an actor's network of social ties creates opportunities for social capital transactions. The configuration of a network structure, on the other hand, determines the pattern of linkages among network members. Elements of configuration such as hierarchy, density, and connectivity affect the flexibility and ease of knowledge exchange through their impact on the extent of contact and accessibility among network members. The nature of network configuration and its utility for innovation and competitiveness are dependent on the strategic requirements of individual firms. Finally, network stability is defined in terms of membership change in a network. A highly unstable network may limit opportunities for the creation of social capital, because when an actor leaves the network, ties disappear (Adler and Kwon, 2002; Inkpen and Tsang, 2005; Koch, 2004; Krackhardt, 1987).

In the meantime, the cognitive dimension represents the resources providing shared understanding between network members, including shared goals and culture. Shared goals represent the degree to which network members share a common understanding and

approach to the achievement of network tasks and outcomes. Shared culture refers to the degree to which social norms of behaviour govern relationships (Nahapiet and Ghoshal, 1998). The interactive process of sharing leads over time to knowledge exchange and the development of new knowledge for the purpose of internationalisation (Johanson and Vahlne, 2009). This helps further cognitive social capital to develop, and eventually may enable such social capital to become relational as well (Yli-Renko et al., 2002).

Lastly, the relational dimension focuses on the role of direct ties between actors and the relational outcomes of interactions, encompassing factors such as trust, norm, and identification (Inkpen and Tsang, 2005). For the purpose of this thesis, this social capital dimension is not further investigated. The existing literatures have extensively examined the relational social capital of firms from both developed and emerging economies and Chinese firms are known for their special network of *guanxi* (see Section 5.4.3). Thus, there is little value to add to the current discussion on relational social capital. As a preferred tool, the use of relationships of TEFs in their internationalisation may be captured via the lens of mixed embeddedness (see Section 3.3.3).

Theoretical strengths and drawbacks

The notion of social capital frequently appears in entrepreneurship, strategic management, and IB studies. Acquiring and configuring social capital is seen as a basis for entrepreneurial success in both new and established ventures (Baron and Tang, 2009). It may also be a theoretical perspective (Gedajlovic et al., 2013), which has the potential to drive future research efforts in management research. Moreover, this perspective allows multi-level considerations.

Social capital research has, however, been criticised both conceptually and empirically for failing to establish how social capital is operationalised and modelled. The precise mechanisms between relationships and performance outcomes cannot be identified accurately (Anderson, 2008; Lin, 2001). In other words, "...there is looseness and imprecision in how constructs are conceived and operationalised" (Gedajlovic et al., 2013, p.457).

It is also difficult to separate human capital from social capital (Lester et al., 2008). According to Woolcock (1998), it is even difficult to distinguish the composite elements

within social capital, i.e. the ways in which it is created and the benefits derived. Measuring social capital also raises problems, i.e. it is difficult to understand how the value of social capital changes over time. For example, bonding may progress too far and lead to the closure that obstructs innovation and market differentiation, creating a monopolistic and inefficient environment (Gedajlovic et al., 2013). Methodologically speaking, network research may suffer from endogeneity, sample selection bias, and structural autocorrelation. Currently, there is lack of longitudinal studies to understand how social capital changes temporally (Carpenter et al., 2012).

Social capital in internationalisation research

As for IE research, social capital is a resource for innovation and strategic renewal in new venture internationalisation (Prashantham, 2008). Social capital helps entrepreneurial SMEs to identify and exploit opportunities by combining the resources of their contacts (Burt, 1992). Johanson and Vahlne (1990) describe internationalisation as the process of developing business relationships in other countries through extension, penetration, and integration. Thus, networks facilitate rapid internationalisation and influence market entry (Coviello, 2006).

Social capital can determine the quantity and quality of information regarding international opportunities (Shane and Eckhardt, 2005) and explain the size and scope of firms' operations (For a review, see Hoang and Antoncic, 2003). The key concepts of market knowledge and market commitment in Johanson and Vahlne's (1977) internationalisation process model can be linked to the social capital literature. Johanson and Vahlne (2006) explain that Nahapiet and Ghoshal's (1998) claim that social capital encourages cooperative behaviour implies commitment. Thus, they argue the concepts of social capital and mutual commitment are similar.

The proclivity to form and leverage network relationships is an important success factor in SME internationalisation. For example, Prashantham (2011) explains that a firm's capacity for social capital to generate opportunities and facilitate learning can be used to explain entry mode choice. In contrast, a lack of social capital often represents an aspect of the liability of foreignness that characterises INVs. During early start-up development, firms' social capital is virtually identical to the social capital of their founders (Hite and Hesterly, 2001). INVs rapidly enter the markets where entrepreneurs have connections, or, follow their clients into new international markets (Coviello, 2006). The firm's social capital helps

to reduce barriers to internationalisation by offering more IB opportunities and promoting learning (Johanson and Vahlne, 2009).

Social capital and performance

Social capital may have important performance implications (Hite and Hesterly, 2001). However, because of the aforementioned limitations, the present findings on the relationship between social capital and SME performance are rather equivocal, and so "...studies have rarely come up with significant results" (Witt, 2004, p.391). The consensus that social capital is a pivotal resource for SMEs has not led to agreement about which network properties enhance business performance. Nevertheless, performance benefits may be attained when firms repeatedly adapt the configuration of their social capital to changing resource needs, but the issue of inertia may turn firms' social capital into a liability (Maurer and Ebers, 2006).

To help reconcile the current debate on this topic, Stam et al. (2014) conduct a meta-analysis in order to evaluate existing empirical evidence. After examining 59 primary studies, they find a significant and positive relationship between social capital and SME performance. In particular, weak ties, structural holes and network diversity are more valuable to new firms, whereas network size and strong ties are more positively associated with the performance of older firms. For instance, if there is a structural hole between the home and the host market, there may be more opportunities for new firms to expand abroad. Nonetheless, little is known about social capital effects on TEF performance (Kariv et al., 2009).

Social capital in the TEF context

Transnational social capital is a sub-division of social capital (Zhao and Hsu, 2007). Saxenian (2002; 2006) suggests that TEFs may represent a more flexible and responsive mechanism for skill and know-how transfers, especially between different business cultures or environments. Chung et al. (2012) claim that TEFs with immigrant social capital enjoy the "immigrant effect". These advantages include pre-existing social ties and knowledge of local environmental conditions (e.g. familiarity with customers, home government regulations, culture, languages and customs). They may enable TEFs to engage in a higher commitment mode when entering into their home country market (Zhao

and Hsu, 2007). Hence, embedded in dual settings, TEFs potentially have access to an extended range of social capital (Bagwell, 2014), and transnational social capital might be one of the reasons that differentiates performance between IEFs and TEFs (Kariv et al., 2009).

Social capital may be critical for TEFs (Wakkee et al., 2010). TEFs may own limited social capital in order to facilitate domestic venturing in the host country due to their newness, but with abundant social capital in their home country. Therefore, during venturing, TEFs are more likely to utilise their social capital from the home country, even though they may eventually develop their social capital in the host country, since social capital is often hardly transferrable (unlike financial capital).

The issue for TEFs is whether to generate social capital as an entrant in the host country or attempt to transfer the home country's social capital. TEFs should be cautious when acquiring social capital as the effects can be mixed. For instance, Hitt et al. (2006) maintain that the relational capital based on a relationship with foreign authorities yields a positive effect on internationalisation, but a negative one on firm performance. TEF-specific social capital is commonly discoverable in both developed and emerging economies (Chung and Tung, 2013). TEFs possess preferential knowledge and relationships of their home country through their transnational social networks (Portes et al., 2002). The social capital that TEFs have acquired before TEs' migration may help to identify and exploit business opportunities and mitigate the liability of foreignness when they enter the home country market. Other foreign firms that do not possess equivalent social ties may be unlikely to receive information of the same quality, relevance, and timeliness (Adler and Kwon, 2002).

Finally, in addition to their possible transnational relationships, TEFs may also be superior in the trust and goodwill aspect of social capital, sharing culture and ethnicity with their home country. Trust and goodwill are important in reducing transaction costs and information barriers for doing businesses in a foreign market (Zhou et al., 2007).

In summary, social capital provides a crucial conduit for venture resource acquisition, though the effects of social capital on internationalisation can be mixed (Hitt et al., 2006). However, social capital is strongest when one is embedded within a particular community (Ndofor and Priem, 2011), and TEFs should be able to use their social capital to access ethnic resources that may provide co-ethnic advantage to their firms (Lee, 1999). It is

unknown whether TEFs generate social capital as new entrants in the host country or attempt to access the home country's social capital. With an established network of social capital in the TEF's home country, the TEF may have a higher level of network proclivity for internationalisation than for IEFs. Hence, it is hypothesised that TEFs would have a higher level of network proclivity than IEFs.

Hypothesis 1b (H1b) TEFs possess a higher level of internationally-oriented social capital than IEFs.

3.3.3 Mixed embeddedness

The notion of embeddedness originated in network research (Granovetter, 1985), and considers that social structure affects economic actions (Granovetter, 1985). The economic interdependence along with socio-economic and institutional embeddedness of TEFs in their host and home countries can reduce psychic distance (De Lange, 2013). While socio-economic embeddedness means the social structure that shapes actors' economic behaviour, institutional embeddedness may refer to the power of the state that affects economic actions (Johannisson et al., 2002). Entrepreneurship may be viewed as an embedded socio-economic process (Jack and Anderson, 2002).

Taken together, the socio-economic and institutional processes embedded in both home and host countries that may determine the failure or success of TEFs are termed as *mixed embeddedness* (Kloosterman, 2010; Kloosterman et al., 1999). Jones and Ram (2010) regard it as a mix of personal resources, the surrounding structural context of markets, competition and the current political and economic environment, all acting together to facilitate or obstruct TEF activities. It is an ethnic network approach suitable for evaluating TEF-specific social capital reservoir. As Ram et al. (2013, p.338) remark,

“This approach suggests that the nature of new migrant business is shaped not only by diversity, but also by migrancy: their dislocation in an alien and often difficult commercial, legal and social environment whose successful enactment requires linguistic and experiential skills which many do not yet possess.”

Thus, compared with the traditional network proclivity analysis based on IEFs, the mixed embeddedness approach provides an enhanced form of social capital and determines the

why, how, and where of TEF phenomena (cf. Shane and Venkataramann, 2000). Bagwell (2014) suggests that TEFs show different degrees of mixed embeddedness, which could be high, moderate, low or none at all.

Transnational entrepreneurship is culture-oriented, and relies on the specific community within which immigrants are embedded (Wong and Ng, 2002). Evaluating TEFs' degree of mixed embeddedness in their home and host country activities is an important aspect in their network activities (Sequeira et al., 2009). The process of TEF social capital formation is complex because transnational social capital needs to connect national business systems and socio-cultural circumstances (Yeung, 2009). The key strength of mixed embeddedness is that it is a comprehensive perspective, targeting the assessment of immigrant businesses in terms of the wider structure in which they are embedded (Jones and Ram, 2010).

Mixed embeddedness also describes the characteristics of the opportunity structure and intervening institutions in order to analyse transnational entrepreneurship in different host countries (Kloosterman et al., 1999). This concept may be more important than the factor of culture alone. Rath (2002, p.5) comments, "...this concept acknowledges the significance of immigrants' concrete embeddedness...and conceives that their relations and transactions are embedded in a more abstract way in wider economic and political-institutional structures." Hence, TEF-context social capital is a promising field at the intersection of academic and policy making domains, and mixed embeddedness is a highly contextualised term.

Although TEs have settled permanently in their host country, they still maintain a psychic link with their homelands (Gillespie et al., 1999). TEFs should be seen as grounded in an external structural context as well as in their own community (Kloosterman et al., 1999). Edelman et al. (2010) surmise that the mixed embeddedness standpoint can be extended to discuss the EO and international motivation of TEs. Complex configurations of mixed embeddedness enable migrant businesses to survive in segments where IEFs cannot (Jones and Ram, 2010).

Hence, De Lange (2013, p.18) commends the constructive effect of TEFs in building links and reducing gaps between their two countries of interest, "...relationship tie building enters a positive feedback loop where more ties and familiarity are built until the level of embeddedness between the two nations reduces the perceived hierarchical differences and they feel a greater sense of homophily."

Empirical evidence, which is largely qualitative, demonstrates the development of this body of research. Using mixed embeddedness, Cain and Spoonley (2013) examine the strategies and outcomes for TEFs from five countries (China, South Korea, India, South Africa and the UK) newly settled in New Zealand. In another enquiry, Katila and Wahlbeck (2012) investigate the transnational social capital of Chinese and Turkish migrant entrepreneurs in Finland, confirming the need to specifically study TEFs' mixed embeddedness.

Similarly, Bagwell (2014) explores how Vietnamese entrepreneurs in London draw on various forms of mixed embeddedness to further the development of their business. Finally, Ohlsson et al. (2012) find in Sweden that ethnic contexts (i.e. country of birth) and economic environment of immigrants' home country play a minor role in understanding individual differences in entrepreneurial venturing levels. Nevertheless, the mixed embeddedness perspective has not been explicitly applied to immigrant businesses in an international context (i.e. TEFs).

In a nutshell, mixed embeddedness is a construct set up specifically for immigrant/ethnic entrepreneurs (Kloosterman et al., 1999) with limited empirical evidence (Ojo et al., 2013; Ram et al., 2013). It forms the *why*, *how*, and *where* of TEF phenomena. However, the current literature, as it stands, does not adequately account for the mixed embeddedness of internationalised SMEs that are TEFs. From IEF-based studies, a high level of social capital may either promote or hinder firms' internationalisation activities (Gedajlovic et al., 2013). The mixed embeddedness of TEFs is connected with how well they become accustomed to the host country's social, economic and political settings, and it is proposed here that TEFs should have a high level of mixed embeddedness that facilitates their internationalisation to their home country's market.

Hypothesis 1c (H1c): High levels of mixed embeddedness facilitate TEF internationalisation.

3.3.4 Summary

Social capital and mixed embeddedness are relevant to the network proclivity of TEFs. Due to a lack of existing research on TEFs, we know little about TEF-context social capital. This study may fill this gap by providing evidence on the effect of TEFs' social capital on

their internationalisation and performance outcomes, and on which dimensions and roles of social capital seem to be beneficial to TEFs.

The mixed embeddedness concept is designed for analysing minority entrepreneurs who are either ethnic or immigrant. It highlights the need of contextualisation for studying complex phenomena in IB. However, this concept has been largely applied in a domestic setting, but not yet extended to internationalisation of minority businesses. As a result, this study will shed light on evaluating the mixed embeddedness of TEFs.

3.4 International motivation

3.4.1 Overview

Wright and Stigliani (2013, p.15) recently asked, “Why are some entrepreneurs more motivated than others to grow their firms? Do entrepreneurs’ backgrounds influence their attitude towards growth? How?” Their questioning expands Shane and Venkataraman’s (2000) query and proposes to unearth the underlying reasons why some entrepreneurs are highly motivated and committed to exploit the opportunity they have identified while others are not. The investigation of TEFs’ international motivation may offer some insights in response to Wright and Stigliani (2013)’s questions. International motivation is also an integral dimension of IEC (Dimitratos et al., 2012).

In this section, the germane literature on (international) motivation is reviewed. First, the concept of motivation in the overall scope of management studies is introduced, followed by a specific discussion of international motivation. Next, attention is paid to the issue that entrepreneurs have different motivations, which may be evident in different ventures such as TEFs and IEFs. Finally, the measurement of motivation as well as the motivation-performance relationship is probed.

3.4.2 Motivation of entrepreneurs

Individuals are the energisers of the entrepreneurial process in the SME (Johnson, 1990). Why TEFs internationalise may be understood from the aspect of individual motivation. Emphasising the cognitive perspective of entrepreneurs in general, motivation analysis may separate those individuals who positively evaluate opportunities from those who do not (Shane et al., 2003). Motivation may also be practically labelled as goals, reasons, purposes, needs, objectives and intentions (Dunkelberg et al., 2013).

In the business context, motivation is firstly and analogously explained by Vroom's (1964) expectancy framework such that individuals choose among alternatives by considering which behaviour will lead to the most desirable outcome. Subsequent studies based on the expectancy framework have shown that an individual would remain unmotivated if the benefit or satisfaction associated with the outcome is not high enough, and motivation is positively related to the continuation of firm operations (Gatewood et al., 2002; Renko et al., 2012).

To stress the importance of studying motivation, Herron and Sapienza (1992, p.49) comment that "...because motivation plays an important part in the creation of new organisations, theories of organisation creation that fail to address this notion are incomplete." The literature has discussed the important role of different types of motivation in creating new firms such as achievement motivation (e.g. Collins et al., 2004).

In particular, entrepreneurial motivation has been variously classified as positive or negative (Deakins and Whittam, 2000), with push or pull factors (Wilson et al., 2007), dissatisfiers and motivators (Greenbank, 2006), intrinsic or extrinsic factors (Benzing et al., 2009) and necessity- or opportunity-driven factors (Williams and Round, 2009). Most research has focused on start-ups (Mills and Pawson, 2012), implicitly assuming that start-up motivation influences subsequent firm behaviour and performance, and it should thus be studied intensively (Cassar, 2007; Hessels et al., 2008; Jayawarna et al., 2011).

Entrepreneurial motivation herein describes the process by which entrepreneurs decide whether to engage in entrepreneurial behaviour (Dunkelberg et al., 2013). As motivation highlights an individual effort to operationalise the firm, for instance, the role of the entrepreneur is often emphasised in IT firms that are often small in size (Burger-Helmchen, 2009).

3.4.3 International motivation

Although motivation is a pivotal topic in entrepreneurship, it has rarely been discussed in the internationalisation context (Dimitratos and Plakoyiannaki, 2003). Understanding the motivation to internationalise can reveal how entrepreneurs delineate their international exposure and help to explain how resources are allocated and strategic priorities are set (Zahra et al., 2005).

International motivation thus refers to the process of initiation, direction and energisation of the human behaviour of organisational members regarding ventures internationally (cf. Geen and Shea, 1997). The study of entrepreneurs has been extended to IB to include research combining the venturing beyond the boundaries of a single country with the comparison of psychological, societal, and economic factors that motivate or impede internationalisation.

In the research domain of IE, the need for synthesising motivational factors is even more critical (Dimitratos and Plakoyiannaki, 2003; Thomas and Mueller, 2000). Zahra et al. (2005) argue that IE research would benefit from paying heed to the motivation for internationalisation. The cognitive perspective also provides important clues about how entrepreneurs explore and exploit opportunities in home and host countries.

In addition, learning theory advocates have also attempted to explain firms' motivations underlying their international activities (Autio et al., 2000; Johanson and Mattsson, 1988). By combining learning theory and INV research to study the extent to which internationalised SMEs operate, De Clercq et al. (2005) argue that intensive knowledge renewal and exploitation regarding foreign markets might increase their motivation of internationalisation in order to capitalise on the opportunities arising from further international expansion.

3.4.4 Motivational differences between different types of SMEs

The discussion above mainly draws from the empirical literature based on IEFs. Chinese TEs' international motivation may be different due to their different working culture. Motivational differences influence the entrepreneurial process. Variance in motivation levels across individuals may determine who pursues entrepreneurial opportunities, who assembles resources, and how people undertake the entrepreneurial process (Shane et al., 2003).

Internationalised SMEs are clearly distinct in terms of international motivation (Aspelund and Moen, 2005). Taking a sample of IEFs in the UK and the US, Dimitratos et al. (2012) report that employees at both senior and junior levels have a significant impact on international venturing. At the same time, Zeng et al. (2012) examine the international motivation of Chinese manufacturing firms and conclude that larger-scale Chinese companies tend to have clearer motivations in their internationalisation strategies.

Further, motivational differences across national cultures can be striking. McGrath et al. (1992, p.454) comment "...people who are from 'live to work' cultures respond to the excitement and self-fulfilling aspects of entrepreneurship. People from 'work to live' cultures respond better to arguments that stress upward mobility." However, at present, it remains unclear how entrepreneurs with different cultural backgrounds perceive international motivation.

Most studies on international motivation have focused on firms in advanced economies. The motivation for internationalisation of firms in emerging economies may be quite different (Zhou et al., 2007), and TEFs may be "in-betweeners", given their special profile. Chinese firms tend to adhere to a Confucian dynamism work philosophy, which fundamentally influences Chinese business activities and management practice (Lim and Lay, 2003).

One caveat is whether Western-generated theory would be fit for explaining non-Anglo-Saxon phenomena or not. For example, Ji and Dimitratos (2013) have successfully applied the OLI framework (Dunning, 1980) to analysing the internationalisation strategy of small Chinese firms. Nonetheless, the association between EO and national culture is significant from the evidence from both the West and the East (Engelen, 2010).

3.4.5 Measuring motivation

Several measures on motivation have been developed in the literature. Thomas and Mueller (2000) employ a 34-items measure to construct four scales, which measure disparate motivational factors to distinguish an entrepreneur from a non-entrepreneur. These four scales are (1) innovativeness, (2) locus of control, (3) risk-taking, and (4) energy level. Taormina and Lao's (2007) study alternatively introduces an interval-scale measure (as opposed to the usual, but statistically limited "yes-no" measure) in order to assess entrepreneurial motivation as a dependent variable, which enables future researchers to employ more varied types of statistical analyses.

Similarly, Aspelund and Moen (2005) use ten different items to measure the firm's initial motivation for international expansion and they detect no significant differences between late and early international firms in terms of international motivation. Nevertheless, they

argue that fast internationalisers such as BGs are more likely to be motivated by foreign demand and initiative from external actors than domestic market stagnation.

There are also qualitative studies that probe the motivation issue. For instance, Mills and Pawson (2012) conduct interviews with eight entrepreneurs in the IT industry of New Zealand using a grounded theory approach in order to uncover the role of motivation via the exploration of narrative data. In short, measuring motivation in the management literature has taken a cognitive perspective so that the constructs are typically from psychology. Empirical challenges in future research on entrepreneurial motivation are likely to remain (Renko et al., 2012).

Of course, it is important for firms to secure entrepreneurial behaviour from employees other than their founder. The literature therefore suggests that possession of a global vision for enterprise employees is an imperative element of the firm to compete successfully abroad; and, employee proactivity with receptive leadership can result in superior performance (Fernhaber and McDougall-Covin, 2009; Grant et al., 2011).

In line with several recent studies (e.g. De Clercq et al., 2011; Dimitratos et al., 2012; Zampetakis et al., 2009), this thesis also adopts the measure proposed by Hornsby et al. (2002) for international motivation. It consists of two parts, that is, (1) whether or not employees in the firm are encouraged to have a role in helping management to improve foreign activities and whether the manager is receptive to employee ideas and suggestions; and (2) whether the senior manager of the firm has a clear vision and/or plan to commit to internationalisation.

3.4.6 Motivation and performance

Motivation studies have accounted for only a small proportion of the variance in entrepreneurial performance (Baum et al., 2001; Shane et al., 2003). Only two studies are found to link motivation with performance. Birley and Westhead (1990) are unable to demonstrate a significant relationship between the two constructs, although this may be due to theoretical and methodological issues rather than the fact that no such a relationship exists (Cassar, 2007). Alternatively, Mehta et al. (2003) claim that a higher level of partner motivation is associated with higher levels of performance in the US and Finland, but not in Poland. Thus, further investigation is required to specify the relationship between motivation and firm performance (Shane et al., 2003; Zahra et al., 2005).

Shane et al. (2003) suggest that it may not be possible to examine the direct effects of entrepreneurial motivation on the financial performance of firms. To solve this issue, they further contend that such effects may be captured by intervening variables in any causal model. As for this study, such a relationship is to be explored through the firm's internationalisation dimensions.

Equivalently, since motivational factors are positively related to EO (Lumpkin et al., 2013), it is expected that international EO should bring benefits to the international performance of TEFs. While an entrepreneur's motivation may significantly influence firm performance, it may be only part of the picture since performance may feed back on the international motivation of the firm, e.g. change the firm's vision in accordance with financial reality.

3.4.7 Summary

International motivation investigates the individual effects of TEs on the trajectory of TEF internationalisation as well as the level of performance. Currently, little attention has been paid in IE research to studies of the motivation-internationalisation nexus, making it difficult to decipher the intent and motivation of the various actors involved in internationalisation processes.

The role of international motivation for entrepreneurial internationalisation has been under-researched, even for IEFs (Dimitratos et al., 2012). However, it is important to research this dimension because, emphasising the cognitive perspective of entrepreneurs could separate those individuals who positively evaluate opportunities from those who do not (Shane et al., 2003). Currently, little attention has been given to the motivation-internationalisation nexus, making it difficult to discern the motivation for TEF internationalisation. In the context of internationalisation, international motivation is likely to be higher in TEFs due to their keenness to utilise their established home country networks and resources. The very fact that TEFs have entered the home country market (Sequeira et al., 2009) suggests that they may possess a higher level of international motivation than IEFs.

Hypothesis 1d (H1d): TEFs possess a higher level of international motivation than IEFs.

3.5 Internationalisation dimensions

3.5.1 Overview

Internationalisation entails entry into new country markets. The internationalisation literature mainly focuses on researching the firm's internationalisation processes and patterns (Coviello and McAuley, 1999). Jones and Coviello (2005) argue that behaviour and time are two important elements in entrepreneurial internationalisation. Behaviour, in contrast, is seen as a firm's strategic action in response to internationalisation (Taylor and Jack, 2013). Time is also a key element that distinguishes rapid internationalisation, in terms of (1) the time taken to commence international activities (Reuber and Fischer, 1997) and (2) the speed at which internationalisation develops (Coviello and Munro, 1997).

While TEFs' preferred internationalisation patterns and processes are still unknown, it is essential to understand them from an academic standpoint. Besides, host country policy makers tend to only encourage outward activities (i.e. exports) as exports influence the balance of payments positively, but many inward internationalisation opportunities (e.g. inbound investment from overseas) from TEFs may be overlooked, which can stimulate the domestic economy and ultimately promote exports.

Understanding how TEFs exploit opportunities is vital for developing international entrepreneurial activities (Shane and Venkataraman, 2000). TEFs can undergo three distinctive internationalisation dimensions in terms of market presence, speed and mode of entry (Jones and Coviello, 2005). While mode of entry is the third key dimension, it will not be discussed as mentioned earlier, as being beyond the scope of this thesis.

3.5.2 International market presence

One central topic in IB research is the choice of foreign countries or regions that form a firm's geographic target market (O'Farrell et al., 1998; Papadopoulos and Denis, 1988). It is a critical step in firms' internationalisation (He and Wei, 2013). International markets may provide higher degrees of heterogeneity than the domestic market (Kim, 2013). Countries differ from each other in terms of socio-political and cultural aspects (Brouthers et al., 2008), technology and organisation (Kogut, 1991), patterns of demand (Fabrizio and Thomas, 2012), and systems of innovation (Nelson and Nelson, 2002). Heterogeneous attributes of each country create and encourage unique entrepreneurial opportunity (Kim,

2013; Shane, 2000) and have different effects on new venture internationalisation (Fernhaber et al., 2007).

The country of market presence is the evidence of firms' internationalisation behaviour. Following aforementioned discussion, the choice of national market of the internationalising firm has generally been analysed, by Nordic scholars, in terms of psychic and economic distance (Johanson and Wiedersheim-Paul, 1975), geographic distance (Johanson and Vahlne, 1977) and cultural distance (Kogut and Singh, 1988). Taken together, these measures reflect the notion of "country distance" (Jones and Coviello, 2005). Country distance is indicative of the extent of firms' internationalisation activities, and can be used to indicate country diversity and the intensity of firms' internationalisation activities (Kuivalainen et al., 2007).

In the eclectic paradigm, market selection and choice of entry mode are treated as one decision (Dunning, 1998). The match between the firm's objectives and the cost of entry shapes the firm's market presence decision. O'Farrell and Wood (1998) summarise a list of determinants that affect firms' international market selection: (1) the market size of the host country, (2) geographical proximity and cultural distance of the home country and the host country, (3) country risk, (4) intensity of competition, (5) market similarity, (6) size, (7) the firm's international operating experience, (8) servicing home country clients, and ultimately, (9) oligopolistic reaction. Brewer (2001) concludes very similarly with a four-step process. However, Sakarya et al. (2007) argue that these market selection determinants must be different when assessing opportunities in emerging markets. Additional criteria should be applied, such as the measurement of customer receptiveness for the industry.

According to Andersen and Buvik (2002), the traditional approach (e.g. Brouthers and Nakos, 2004) to international market selection uses objective criteria. It has the following steps: problem definition, choice criteria identification, criteria assessment, alternatives generation, alternatives rating on each criterion, and optimal decision computing. Systematic international market selection is a significant determinant of export performance (Brouthers and Nakos, 2004). The literature suggests two general types of research methods in the international market selection: (1) a qualitative one involving the rigorous analysis of qualitative information about a few potential country markets, which

must include China in this study; (2) a quantitative methodology based on analysing secondary statistical data about many foreign markets (Papadopoulos and Denis, 1988).

Nonetheless, the traditional market selection analysis relies on macroeconomic and political factors at the outset of the analysis and fails to account for emerging market dynamism and future potential, resulting from rapid change and national attributes that affect specific sectors and market receptiveness (Sakarya et al., 2007). In contrast, the non-systematic approach (e.g. Cavusgil, 1980) tends to describe how firms actually behave when selecting a foreign market. The argument follows that sometimes in reality, firms are not entirely rational in choosing international market presence (Andersen and Buvik, 2002).

The presence of market destinations differentiates between *global small* (i.e. not BG) firms that seek and achieve market presence in their leading international markets (Berry et al., 2002) and *intercontinental small* firms that is "...absent from the lead international countries of its industry; or, if it has presence in those countries, this is not the end-result of an active stance" (Dimitratos et al., 2010b, p.602). SMEs often do not have the resources to develop operations on a national scale in the larger countries (Young et al., 1989). There is some evidence to suggest that smaller firms' active pursuit of market presence in Triad countries can entail novel ways to grasp opportunities (Porter, 1985). This thesis accepts each case study firm's subjective judgment about which national markets are considered to be leading or peripheral.

Developed countries are often the host countries that constitute the leading markets in an industry. While IEFs of internationalised countries might prefer the lead market of the industry abroad due to low psychic distance, TEFs may emphasise activities in their host countries (normally non-leading markets) that, nonetheless, offer significant growth opportunities. Although TEFs' preference of international market choice is obscure, their EO, network proclivity, and international motivation may assist TEFs to be more competitive in the leading markets of their industry.

To sum up, international market presence distinguishes *global small* (not "born global") firms, that seek and achieve market presence in key national markets for their chosen industry, from *international* firms that mainly focus on market presence in other countries, e.g. a firm that exports sophisticated electronics to less developed countries (Berry et al., 2002; Dimitratos et al., 2010b). As an important dimension of internationalisation, it is striking that no study that addresses TEF market presence can be found. However, TEFs

may be at an advantage when they become global smaller firms due to their inborn international experiential knowledge (Giarratana and Torrìsi, 2010; Reuber and Fischer, 1997). It is therefore hypothesised that TEFs are more likely than IEFs to seek and achieve market presence in the key national markets of the industry, and not peripheral national markets.

Hypothesis 2a (H2a): TEFs are more likely than IEFs to seek and achieve market presence in the key national markets of the industry, and not peripheral national markets.

3.5.3 Speed of internationalisation

The internationalisation process may be understood as a series of market entry events at disparate points of time. From a managerial point of view, the speed at which to develop internationally is a key aspect of a firm's international strategy (Chetty et al., 2014). Time of entry is particularly relevant for SMEs since they have limited resources and must utilise them efficiently (Morgan-Thomas and Jones, 2009). Speed of internationalisation is further connected with international learning and commitment.

Most IB (and IE) studies do not have a clear definition or discussion about the speed of internationalisation (Chetty et al., 2014). According to Casillas and Acedo (2013), the concept of speed is related to the length of time over (or within) which certain targets are achieved, and is generally measured as a quotient between a specific event and a unit of time. Thus, depending on the type of industry, a firm's decision on when to initiate a foreign entry may be crucial. The longer entrepreneurs wait, the more they learn from others. However, by waiting, they reduce their ability to learn directly and the possibility of locking in competitive advantages (Burt, 1992).

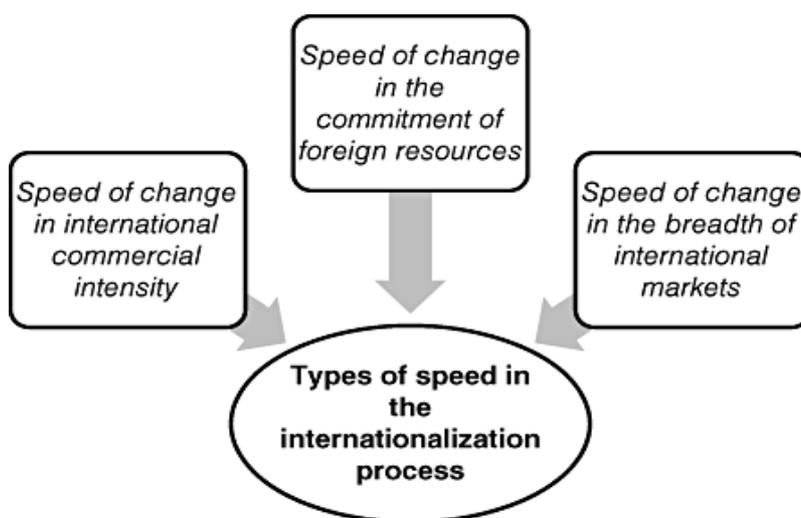
Although traditional approaches (reviewed in Section 2.2) have given little consideration to the issue of timing, only analysing it as an implicit dimension (Jones and Coviello, 2005), speed of internationalisation is an important research concept in IB and receiving considerable attention following the development of IE, which is seen as "...a model of internationalisation speed" (Oviatt and McDougall, 2005). It is also a critical dimension of internationalisation processes (Zahra and George, 2002). Two issues related to speed are of a particular concern: the time lag between the establishment of a firm and its initiation of

international operations, and the speed of a firm's subsequent international growth (Autio et al., 2000).

In their seminal work, Oviatt and McDougall (2005) argue that there are three vital aspects to speed. First, there is the time between the discovery or enactment of an opportunity and its first foreign market entry. The second is the speed with which country scope is increased, that is, how rapidly do entries into foreign markets occur and how quickly are countries entered that are psychologically distant from the entrepreneur's home country? Thirdly, there is the speed of international commitment that refers to how fast the percentage of foreign revenue increase.

In addition, many researchers (e.g. Casillas and Acedo, 2013; Sullivan, 1994; Zahra and George, 2002) hold the view that there are three independent categories of speed of internationalisation (Figure 3.5.3). The first two relate to the intensity of a firm's internationalisation, while the third refers to its degree. These three types of speed are: (1) the speed of the growth in a firm's internationalisation intensity (e.g. proportion of revenues derived from international sources) (Ganotakis and Love, 2012), (2) the speed of its increase in commitment of resources abroad (Johanson and Vahlne, 2009), and (3) the speed of the change in the breadth of its international market (Chetty et al., 2014).

Figure 3.5.3 Dimensions of speed of internationalisation process (Source: Casillas and Acedo, 2013)



The evidence shows that firm age at foreign entry is negatively associated with its subsequent international growth (Autio et al., 2000). Nevertheless, Prashantham and Young (2011) argue that the distinction between the initial speed of internationalisation

(related to the time between a firm's founding and its first international activity) and post-entry speed (the time between the initial and subsequent international activities) is particularly critical for the success or failure, and long-term growth of new knowledge- and technology-intensive international ventures.

The speed of internationalisation differentiates between BGs that operate internationally at or immediately after founding, and, gradually internationalising firms that enter foreign countries long after their establishment (e.g. Hashai and Almor, 2004). Rapid internationalisation has repeatedly been found to occur among high-technology firms, who seek to augment their resource base through collaborative activity (Coviello and Munro, 1997). IE studies have attempted to explain the determinants of rapid internationalisation (Oviatt and McDougall, 2000). Those determinants point to individual, company and organisational-level factors: the inherent characteristics of the firm's establishing founder and management (Autio et al., 2000), the firm's absorptive capability and technological intensity (Zhou et al., 2007), and its membership of networks with other companies (Slotte-Kock and Coviello, 2010).

On the other hand, for gradually internationalising firms, internationalisation may only be a reactive strategy in response to domestic downturns (Aspelund and Moen, 2005). Therefore, their internationalisation follows an incremental pattern. Additionally, the international experience of TEF owners may often lead to a greater degree of internationalisation (Reuber and Fischer, 1997). Meanwhile, the timing of internationalisation encompasses the essential stage of opportunity discovery. Hence, speed of internationalisation has attracted the major share of attention in the IE literature (Jones and Coviello, 2005).

With regard to the relationship between speed and international performance, few studies have examined BGs or INVs. Kuivalainen et al. (2007; 2012) remark that there has been little empirical work to indicate whether rapid internationalisation is synonymous with better performance. Most work has only included the age of the firm upon initial foreign entry to assess the possible effect of speed on performance (e.g. Rialp et al., 2010).

In short, speed of internationalisation is so far under-researched (Casillas and Acedo, 2013; Chetty et al., 2014; Zhou and Wu, 2014). Linking market presence and speed of internationalisation in the context of TEFs is another feature of the present study. How fast

the firm internationalises since inception determines whether the firm is an INV or not (Oviatt and McDougall, 2005). Speed of internationalisation differentiates between *fast internationalisers* (e.g. INVs) that are involved in cross-border activities at, or immediately after, founding, and, *gradually internationalising firms* that enter foreign countries long after their establishment (Hashai and Almor, 2004).

TEFs may be more likely to be fast internationalisers due to the transnational backgrounds of their founders. However, for gradually internationalising firms, internationalisation may be a reactive strategy in response to domestic downturns (Aspelund and Moen, 2005), so their internationalisation is likely to follow an incremental pattern. Another research gap exists, in that the literature has not fully effectively established the linkage between IE and transnational entrepreneurship. However, speed of internationalisation may provide this linkage. As these firms are technology-intensive, following the IE framework (Oviatt and McDougall, 2005), TEFs are likely to become fast internationalisers. Therefore,

Hypothesis 2b (H2b): TEFs are more likely to be fast rather than incremental internationalisers to their country of origin.

3.6 International performance

3.6.1 Performance in internationalisation studies

International performance is the performance an SME achieves in specific foreign markets (Brouthers et al., 2014). SME's international performance remains a complicated area in the IB literature (Lu and Beamish, 2006). "Although it is now agreed upon that the internationalisation – firm performance link is not uniformly linear, the precise curve types (whether U, J, inverted-U, inverted-J, or horizontal-S) and the particular contextual settings in which they hold true have yet to be conclusively determined" (Wagner, 2004, pp.447-448). When it comes to the critical determinants that contribute to successful internationalisation for SMEs, despite some works that attempt to explain aspects of successful internationalisation (e.g. Crick and Spence, 2005; Manolova and Manev, 2004), the international performance literature is quite fragmented.

Internationalisation can be rewarding for firms by improving profitability from foreign sales (Zahra et al., 2000), diversifying risk when there is an economic depression in the home country (Knight, 2000), and lowering overhead costs via economies of scale (Tallman et al. 2004). Hagen et al. (2012) report that firms with entrepreneurial growth-

oriented strategies exhibit some of the highest levels of international performance among the sampled firms, through both subjective and objective performance measures. Nevertheless, there are also costs from expanding internationally, namely facing the risks of volatile exchange rates, political uncertainty and cultural uncertainty (Garbe and Richter, 2009).

Researchers often study international performance in association with a specific mode of entry, such as export performance (He and Wei, 2013; Sousa et al., 2008) or international joint venture performance (Roy and Oliver, 2009). In addition, the relationship between internationalisation and firm performance may often be explained by introducing a moderating variable such as organisational learning (Hernandez, 2014). Lumpkin and Dess (1996) argue that this relationship is context-specific. Nevertheless, the relationship between internationalisation and performance is significant, yet, inconclusive. In other words, internationalisation may influence SME performance both positively and negatively.

There is increasing evidence on the performance implications of INVs and BGs (Zhou and Wu, 2014), but the findings are somewhat inconsistent. Autio et al. (2000) show that the earlier a new venture enters into foreign markets, the faster it can grow internationally. Lu and Beamish (2006) provide further support by showing that FDI has a greater impact on a firm's growth performance for those initiating FDI at a younger age.

In contrast, Brush and Vanderwerf (1992) demonstrate that venture age at first foreign entry is not significantly related to either sales growth or employee growth. Similarly, Khavul et al. (2010) find no significant linear association between first foreign entry and the new venture's performance outcomes, including sales growth. Finally, Zhou and Wu (2014) study a sample of Chinese INVs and conclude that early internationalisation positively contributes to a firm's performance in terms of sales growth, but not innovation and profitability. They further maintain that the performance advantage of early internationalisation decays as young ventures mature, especially among those with low levels of international commitment.

3.6.2 Performance measurement

Measurement is one of the most discussed elements to improve business performance (Marr and Schiuma, 2003) but scholars have not reached a consensus on the best way to

measure international performance (Manolova and Manev, 2004). Consequently, both subjective and objective means are commonly used for measuring international performance (Zou and Stan, 1998). Sales growth and profitability are the two key dimensions of a new venture's financial performance (Autio et al., 2000). Firm innovation is also considered a non-financial performance measure (Li and Atuahene-Gima, 2001).

However, Spanos and Lioukas (2001) have suggested that subjective measures of international performance should be used for studying SMEs. Objective financial data are often unreliable due to differences in accounting procedures, managerial manipulation, and heterogeneity of firms/industries (Pearce et al., 1987). Often, both subjective and objective measures are adopted. For example, Nakos et al. (2013) employs sales growth, market share, return on investment, profitability, and overall satisfaction with performance relative to the firm's objectives, in order to evaluate the performance effect of international alliances with competitors and non-competitors.

As a result, although the possibility of biased perceptual measures cannot be excluded, in practice, subjective measures of international performance may be more meaningful comparators than "objective" data (Spanos and Lioukas, 2001). As a trend, the focus of performance seems to be switching from a financial perspective to a non-financial perspective (Stam et al., 2014).

3.6.3 Performance of immigrant ventures

Studies on ethnic or immigrant firm performance are mostly set up in a home country setting. What is more, even if some studies include a sub-sample of international firms, they do not stress the international dimension (e.g. Ndofor and Priem, 2011). Research appears to confirm that immigrants are disproportionately represented among the founders of successful businesses (Ram et al., 2011; 2013). For instance, Neville et al. (2014) support the view that immigrant-owned firms are relatively more likely to export and that internationalisation is associated with enterprise growth, productivity and other performance results.

TEs may behave more entrepreneurially, as they present human and social capital resources of greater value and rarity than non-immigrant owners (Drori et al., 2009). This may improve a firm's ability to acquire and sustain competitive advantages and therefore lead to increased growth performance (Barney, 1991). Other positive attributes that may

lead to superior performance of TEFs are that TEs are much more likely to start a business than non-TEs, being in a position to identify market opportunities not available to non-TEs (Constant and Zimmermann, 2006).

Drawing from evidence from Polish TEFs in Germany, Miera (2008) argues that internationalisation is likely to be a key determinant of superior performance for immigrant-owned enterprises. Empirical evidence in the IB and entrepreneurship literatures generally posits a positive association between SME internationalisation and international performance (Lu and Beamish, 2001; Shrader and Siegel, 2007).

Therefore, it seems reasonable to expect that, in general, immigrant-owned exporting firms should be more likely to demonstrate strong performance levels. Some differential firm performance has been observed, such that young, immigrant-owned exporting firms outperform young, domestically founded firms, whether they export or not (Neville et al., 2014). However, immigrant-owned young enterprises that do not export are likely to underperform other young firms. Hernandez (2014) examines 197 enterprises established in the US by immigrants from 27 countries between 1998 and 2003, and concludes that connections with their home country have a positive impact on their international performance. In Ndofor and Priem's (2011) study based on a sample of 103 immigrant ventures in the US, they found that social capital has no effect on firm performance and (domestic) ethnic enclave strategies are negatively related to entrepreneurial returns. Hence, internationalisation seems to be a pivotal factor for TEF success.

3.6.4 Summary

Logically, international performance represents an outcome, and hence is the last component of the conceptual model. The performance of international SMEs remains a perplexing area of the IB literature (Lu and Beamish, 2006; Wagner, 2004). Studies of ethnic and immigrant firm performance have mainly been considered in a domestic setting, and TEF performance has not been investigated.

It is proposed here therefore that H3a follows logically from the first six hypotheses above. International performance may be superior for TEFs due to their hypothesised higher levels of internationalisation antecedents and dimensions. Given the prediction of faster internationalisation and TEFs competing in the main markets of the industry, it is

hypothesised that TEFs may be more likely to achieve superior international performance than IEFs. Hence,

Hypothesis 3a (H3a) TEFs are more likely to achieve superior international performance compared with their host country's IEFs.

In addition, this thesis embraces reverse causation, with international performance likely to feed back continuously on internationalisation dimensions (e.g. strong performance may facilitate faster internationalisation, entry into leading markets) and even on the antecedents themselves, so that TEFs re-adjust these factors as a complete cycle of causation.

Hypothesis 3b (H3b) International performance has a reverse causative effect on TEFs' internationalisation dimensions (i.e. international market presence and speed of internationalisation) and on internationalisation antecedents (i.e. EO, network proclivity and international motivation).

3.7 Summary: An internationalisation model for TEFs/IEFs and initial hypotheses

It is necessary to construct a conceptual model of TEF/IEF internationalisation as an organising framework. Shane and Venkataraman (2000, p.217) state that "...for a field of social science to have usefulness it must have a conceptual framework that explains and predicts a set of empirical phenomena not explained or predicted by conceptual frameworks already in existence in other fields."

However, in Keupp and Gassmann's (2009) review, approximately fifty per cent of articles in the IE field do not specify any theoretical framework. This may be attributed to the fragmentation of the IE research stream. In a similar vein, Coviello (2014) argues that even for an exploratory study with a weak theoretical foundation, there is still a need to create a theoretical framework.

The proposed framework is motivated by Yin's (2013) suggestion that theoretically-derived hypotheses should precede major data collections and analyses. Using an RBV lens, the framework is a synthesis of the literature from the preceding chapters, i.e. it is based on a multi-disciplinary perspective of EO, network proclivity and international motivation, and internationalisation theories. Within this conceptual framework, TEFs and

IEFs are expected to behave differently during the internationalisation process, which may lead to different performance outcomes.

In addition, the empirical observations of this study are intended to lead to the generation of revised hypotheses. As such, it relies heavily on prior research, reasoned assumptions, and existing corroborative evidence. Hypotheses are construct-embedded and describe causal relations, being always testable, measurable, and falsifiable (Yin, 2013). Of course, case studies cannot test hypotheses, but this thesis aims to firstly develop initial hypotheses informed by the conceptual model, and subsequently present revised hypotheses reflecting case study findings.

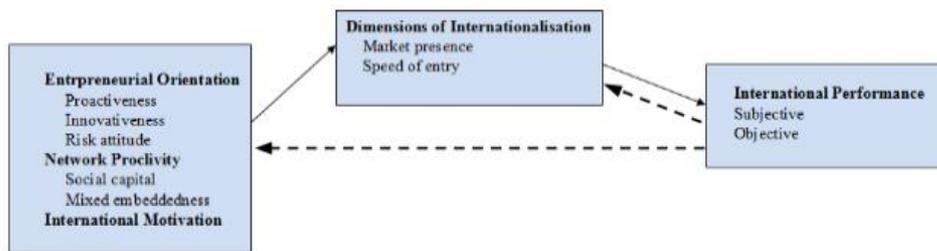
Drawing from the extant IB literature and the RBV of the firm, a theoretical framework is proposed in order to guide the empirical stage of the study. The model views internationalisation by TEFs and IEFs as an entrepreneurial process comprising antecedents, manifestations, and outcomes.

It firstly acknowledges that successful firm internationalisation is dependent on three key antecedents: EO (Covin and Miller, 2014), network proclivity (Coviello, 2006), and international motivation (Dimitratos et al., 2012). Subsequently, both TEF and IEF activities abroad may exhibit internationalisation dimensions, namely international market presence and speed of internationalisation. The relation between firm internationalisation and its antecedents may affect a firm's internationalisation dimensions and thus subjective and objective international performance.

At the same time, a loop of reverse causation is considered, as international performance may affect market presence and speed of entry and possibly entrepreneurial attributes, too. Consequently, Figure 3.7 presents a conceptual model anchored within the RBV perspective. This model suggests a number of aforementioned hypotheses necessary to answer the research question raised by this thesis, i.e. what drives TEFs to internationalise, how do they internationalise, and finally, what is their international performance (compared with IEFs)?

Figure 3.7 A proposed internationalisation framework for TEFs and IEFs

(Source: the author)



CHAPTER 4 METHODOLOGY

4.1 Overview

To achieve the aim of exploring TEF vs. IEF internationalisation, this chapter presents the research methodology. The discussion begins with its research philosophy and qualitative approach. Qualitative research often advances the management field by giving unique, socially important and theoretically meaningful contributions to scholarly discourse and organisational activities (Gephart, 2004). Following Fletcher and Plakoyiannaki's (2011) recommendations on sampling strategies and case selection, the research design is firstly presented, including the selection and justification of the case study method.

Supplementing the brief introduction in Chapter 1, the context of three country settings is then presented, i.e. the TEFs' home country, China, and on the two host countries, Canada and the UK. After having explained industry choice and case study selection, data collection and analysis techniques are introduced. The chapter concludes with a profile of the case firms chosen.

This chapter is therefore structured as follows:

- 4.1 Overview
- 4.2 Research philosophy
- 4.3 Research method
- 4.4 Research design
- 4.5 Data collection
- 4.6 Summary

4.2 Research philosophy

Research should be based on some underlying philosophical assumption in order to guide investigators on what constitutes an appropriate research method. After reviewing alternative philosophical perspectives, the positivist paradigm has been chosen for this study.

The term paradigm, originating from the Greek word *parádeigma*, was first used in social sciences by Kuhn (1962). A research paradigm, according to Olsen et al. (1992), refers to a pattern, structure and framework of academic ideas, values and assumptions. Gephart (1999) argues that the classification of research paradigms is threefold: interpretivism, positivism and critical post-modernism, all of which are commonly employed in management research.

Taking an interpretivist position means that the social world is only understood by examining how it is interpreted by humans, for which experience is central. As an interpretivist, one may combine a subjective epistemology with an ontological view that the world is socially constructed (Bryman, 2012). As this approach is largely concerned with context-rich, subjective, and qualitative phenomena, researchers should take an empathetic stance.

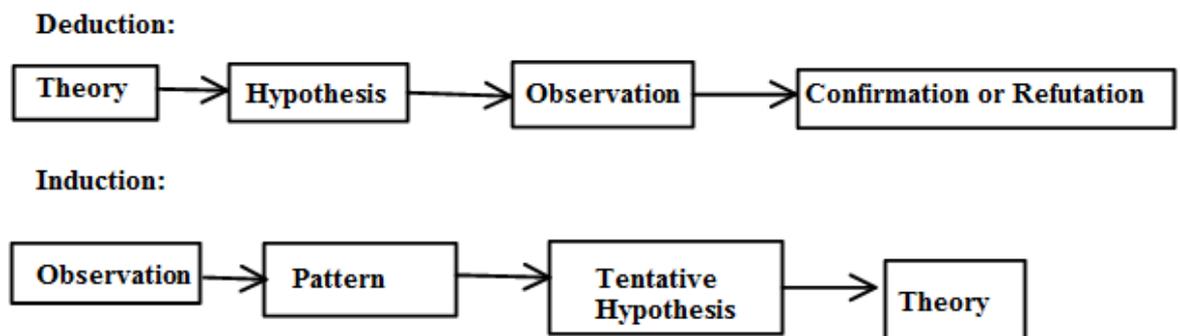
In contrast, the positivist paradigm, advocated by the French philosopher Auguste Comte (Pickering, 2009), underpins the perspective that observation and reasoning are the best ways of understanding human behaviour. True knowledge is based on experience and can be acquired by observation or experiment. Ontologically speaking, positivists propose that reality is objective and independently quantifiable. As one of its most authoritative advocates, Eisenhardt (1989, p.546) claims that the positivist view is aimed at "...the development of testable hypotheses and theory which are generalisable across settings."

Finally, critical post-modernism, as its name implies, combines critical theory and post-modern thought. Critical research adopts "...a historical realist assumption that the construction of reality is shaped by social, political and economic values that crystallise and become reified over time. This constructed reality is experienced as firmly as if it were the unconstructed reality assumed by positivists" (Gephart, 2004, p.457). Likewise, the post-modern school of thought emphasises signs and symbols and the idea that these are uncoupled from the realities they represent (Gephart, 2004). Hence, the aim of critical

post-modernism is social transformation to displace the existing structures of power by opening opportunities for participation among people previously dominated and excluded (Gephart, 1999).

This research adopts a positivist paradigm, as in most of case studies in IB (Welch et al., 2011). Adopting a positivist approach means that researchers conduct a so-called objective search for generalities, through either inductive or deductive theory building. While inductive reasoning is concerned with the process of inference from the known to the unknown, generalising on observable phenomena via the use of logical reasoning, deductive reasoning works differently, moving from broad theory to specific observations (Patton, 1990). The two logical reasoning processes are illustrated in Figure 4.2. As a result, the case study outcomes should be seen as exploratory findings in the form of testable propositions or hypotheses (Eisenhardt and Graebner, 2007; Welch et al., 2011). Of course, case studies cannot themselves constitute tests.

Figure 4.2 Deduction vs. induction (Source: Denzin and Lincoln, 1994)



Nevertheless, the weakness of positivism should not be neglected. For instance, positivists often fail to acknowledge that the world is fragmented with non-systematic elements and may be understood only through social interactions (Pickering, 2009). In addition, the positivist view may not reveal causality (Eisenhardt and Graebner, 2007). Further, being too theoretically pre-determined may prematurely lock researchers' analytical focus (Glaser and Strauss, 1970). Following Yin (2013), this thesis is designed to build a conceptual framework, generate testable hypotheses and expose them to the reality of case studies. Findings will be either be consistent with hypotheses or may suggest revisions to them.

The approach employed here is deductive rather than inductive in nature. For some studies with strong groundings in the literature, researchers normally begin with identifying a research gap, and then propose research questions that address that gap. However, researchers must take the added step of justifying why the research questions are better addressed by theory-building rather than theory-testing research (Eisenhardt and Graebner, 2007).

This study, which investigates an emerging and under-developed topic, is *de facto* theory-building rather than theory-testing. With deduction, theory building takes place *before* the data has been collected, and the study is more structured and concerned with the context in which events take place (Saunders and Lewis, 2012). The approach here is “theory-first”, whereby theory is developed via a deductive strategy with constructs and hypotheses to expose to case study fieldwork (Miles and Huberman, 1994).

To reiterate, this thesis adopts a positivist epistemology using a deductive approach (Denzin and Lincoln, 1994) in order to consider empirically our understanding of TEF internationalisation from the literature. Deduction in case studies has been commonly employed in IB (e.g. Fletcher et al., 2013; Lindstrand et al., 2011; Perks and Hughes, 2008; Weick, 1989).

However, it is acknowledged that the boundary between deduction and induction may not be clear. For instance, Brock and Barry (2003, p.522) reckon that the scholarly contribution in their study is that “...a deductively derived model is inductively elaborated through case-based observations.”

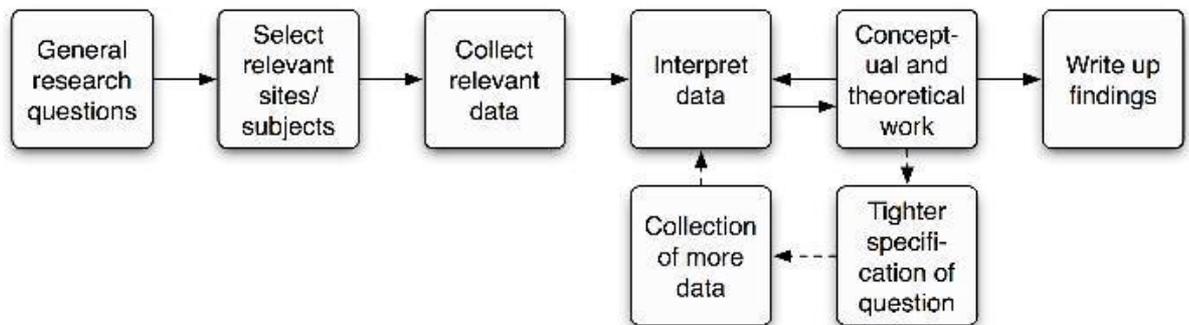
The proposed approach is adequate for this study as it facilitates the investigation on how TEFs are different from IEFs in terms of the antecedents, dimensions, and performance outcomes of internationalisation. It facilitates revisions to existing theory and the generation of new theory, i.e. it exposes its research questions and hypotheses to case evidence, and subsequently proposes revised hypotheses.

4.3 Qualitative research method

Reflecting the exploratory and deductive natures of the present study, as well as the absence of previous work on TEF internationalisation, a qualitative approach is employed as a research strategy, focusing on words rather than quantification in the collection and

analysis of data. Qualitative research collects and analyses words, speech and texts (Gephart, 1999). Figure 4.3 outlines the main steps in qualitative research.

Figure 4.3 Main steps of qualitative research (Source: Bryman, 2012)



Miles and Huberman (1994) point out the several strengths of qualitative data. First, qualitative data captures naturally-occurring, ordinary events in non-artificial settings. The possibility for understanding latent and underlying issues is stronger than with quantitative data collected through the post or the Internet. Second, richness and holism is another feature of qualitative data, because they provide detailed descriptions with the potential for revealing complexity. Finally, qualitative data are powerful enough for revising hypotheses, locating the meanings that people place on the events, processes, and structures of their lives, and being able to supplement, validate, and explain quantitative data collected from the same situation.

One may question the generalisability of context-rich qualitative research as opposed to scientific experiment that is more powerful in explanation. As the objective of this phenomenon-driven research is to capture the rich complexities of TEF behaviour, generalisability to theory is not of crucial importance under this circumstance (Saunders and Lewis, 2012). Welch et al. (2011) also second that contextualisation and rigorous explanation can give complementary rather than contradictory outcomes.

Nonetheless, the possibility of conducting a quantitative study was considered, but was deemed unsuitable for the current research. On the one hand, there is a lack of a strong theoretical development pertinent to TEFs, necessary for a quantitative inquiry. On the other hand, after reviewing existing datasets, it is difficult to clearly define a sampling frame for the survey method. For example, the latest version of the GEM (2014) dataset has several inherent issues that prevent TEFs from being extracted and analysed:

- The GEM database only identifies respondents by their broad ethnic background (i.e. Caucasian, Black, or Asian), but it does not provide the country-specific source of origin.
- GEM evaluates entrepreneurship by Total Entrepreneurial Activity rather than EO. There are some good items for motivation (i.e. not international motivation) but the dataset contains no constructs for social capital and mixed embeddedness. Thus, the constructs could hardly suit the proposed conceptual model.
- The dataset puts an emphasis on entrepreneurship but not so much on the aspect of internationalisation. It contains only a few broad, relevant questions, e.g. what percentage of your customers are based abroad? This would be insufficient evidence to IB inquiries.
- The data are collected on individuals. These respondents include company employees as well as managers. This could be problematic for firm-level analyses since the unit of analysis for this study is the overall internationalisation map of the firm (see Section 5.4.6).

Consequently, this study follows the criteria suggested by Tracy (2010). She recommends eight quality criteria in qualitative studies comprising (a) worthy topic, (b) rich rigour, (c) sincerity, (d) credibility, (e) resonance, (f) significant contribution, (g) ethics, and (h) meaningful coherence. Figure 4.3.1 details the criteria for quality.

Figure 4.3.1 Eight guiding criteria for excellent qualitative research (Source: Tracy, 2010)

Criteria for quality (end goal)	Various means, practices, and methods through which to achieve
Worthy topic	The topic of the research is <ul style="list-style-type: none"> • Relevant • Timely • Significant • Interesting
Rich rigor	The study uses sufficient, abundant, appropriate, and complex <ul style="list-style-type: none"> • Theoretical constructs • Data and time in the field • Sample(s) • Context(s) • Data collection and analysis processes
Sincerity	The study is characterized by <ul style="list-style-type: none"> • Self-reflexivity about subjective values, biases, and inclinations of the researcher(s) • Transparency about the methods and challenges
Credibility	The research is marked by <ul style="list-style-type: none"> • Thick description, concrete detail, explication of tacit (nontextual) knowledge, and showing rather than telling • Triangulation or crystallization • Multivocality • Member reflections
Resonance	The research influences, affects, or moves particular readers or a variety of audiences through <ul style="list-style-type: none"> • Aesthetic, evocative representation • Naturalistic generalizations • Transferable findings
Significant contribution	The research provides a significant contribution <ul style="list-style-type: none"> • Conceptually/theoretically • Practically • Morally • Methodologically • Heuristically
Ethical	The research considers <ul style="list-style-type: none"> • Procedural ethics (such as human subjects) • Situational and culturally specific ethics • Relational ethics • Exiting ethics (leaving the scene and sharing the research)
Meaningful coherence	The study <ul style="list-style-type: none"> • Achieves what it purports to be about • Uses methods and procedures that fit its stated goals • Meaningfully interconnects literature, research questions/foci, findings, and interpretations with each other

4.4 Research design

4.4.1 Introduction

Research design refers to a framework for the collection and analysis of data (Bryman, 2012). The choice of research design reflects decisions about the priority being given to a range of dimensions of the research process. The main purpose of the design is to help avoid the situation where the evidence does not address the research questions (Yin, 2013). The case study method is adopted for this thesis and is discussed below.

The case study method is "...a strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of 'confronting' theory with the empirical world" (Piekkari et al., 2009, p.569). Yin's (2013) case study approach begins with "theory" development prior to data collection. Theory in relation to case studies serves two purposes.

On the one hand, it is an immense aid in defining the appropriate research design and data collection, no matter whether the study is explanatory, descriptive, or exploratory (Yin, 2013). At the same time, theory becomes the main vehicle for generalising the findings of the case study, where a previously developed theory is used as a template with which to compare the empirical findings of case studies.

Yin (2013) further suggests four types of case study design: holistic single case, embedded single case with multiple units of analysis, multiple cases with multiple units of analysis, and multiple cases with one unit of analysis. As a result, this study uses a multiple-case method, with one unit of analysis being the overall internationalisation map of the firm.

There is no ideal number of cases in the case study method. Although it is recognised that single-case studies can be powerful, and are even published in top management journals (e.g. Szulanski and Jensen, 2006), Eisenhardt and Graebner (2007, p.27) contend that theory building from multiple cases "...typically yields more robust, generalisable, and testable theory than single-case research." Additionally, it may not be possible to identify single cases that are extreme or crucial to theory. They further ascertain that "...adding three cases to a single-case study is modest in terms of numbers, but offers four times the analytic power" (p.27).

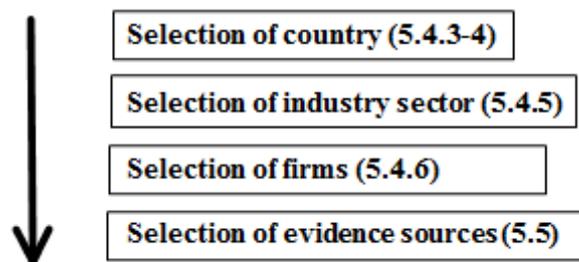
Although there are no precise rules existing as to the number of cases that should be selected in multiple case study research, Eisenhardt (1989) suggests that four to ten cases should work well with considerable generalisability. Thus, eight cases from the IT industry are proposed in this study: one IEF and three TEFs from the UK and a matched number of cases from Canada. These cases have generated sufficient raw data (580 pages of documented materials) for data analysis.

The company directory of relevant business associations was utilised for screening and making contacts, e.g. *the China-Scotland Association*, *Scottish Development International*, *Business Club Scotland*, *Canada China Business Council*, *Chartered Institute for IT*, etc.

Potential candidates were first contacted via telephone and email, so as to confirm their information and verify whether their company suited the selection criteria. Next, once the company was confirmed to meet all the selection criteria, it was invited to participate in the study by offering a plain language statement of the study (see Appendix 2). The same practice was conducted until enough firms were recruited in each of the two host countries. As a result, 152 companies (40 IEFs and 112 TEFs) were screened and contacted until a total of eight firms were willing to participate in the study and thus met the study design. Later, during the data analysis stage, a replication logic was adopted to check if the data saturation on TEFs is reached, that is, whether having additional data from additional sources would generate new findings. It has appeared that a sample of eight case firms is sufficient to provide robust evidence.

After further justification of choosing the case study method in the next section, the subsequent sections follow the multi-level approach to case study sampling recommended by Fletcher and Plakoyiannaki (2011). As Figure 4.4.1 shows, this approach allows case researchers to consider research design as an incremental and systematic procedure based on informed decisions.

Figure 4.4.1 Case study sampling strategy with reference to respective sections of this study (Source: Fletcher and Plakoyiannaki, 2011)



The first level of the sampling strategy is the selection of the country so that the research context in relation to home and host countries of this study is introduced. The second level involves the selection of the industry sector, and the selection of IT industry for this study is elaborated in 4.4.5. Further, the selection of firms should be considered, as in 4.4.6. Once this level is reached, Fletcher and Plakoyiannaki (2011) argue that identification of the unit of analysis should be achieved, which is described in the same section. The final level is on the selection of the sources of the evidence, detailed in 4.5.

4.4.2 Justification for the adoption of the case study method

While Doz (2011) has called for the substantial contribution of qualitative studies to IB research, the case study method has been one of the most popular qualitative research strategies for IB in the last decade (Piekkari et al., 2009). Fletcher and Plakoyiannaki (2011) also conclude that case study research allows IB scholars to gain a deeper cross-cultural understanding of investigating phenomena.

IB research has been criticised for assuming away too much of context (Poulis et al., 2013), and there have been recent calls for contextualisation in IB (Michailova, 2011; Welch et al., 2011) and in entrepreneurship (Mason and Harvey, 2013; Zahra et al., 2014). However, the use of the case study is common in IB studies (e.g. Buck and Shahrim, 2005; Cerdin et al., 2014; Dimitratos et al., 2014b; Fletcher et al., 2013; Liu and Buck, 2009). Piekkari et al. (2009) conclude that a combination of an exploratory and a positivistic approach to case studies dominates the research published in dedicated IB journals.

Yin (2013) suggests that the choice of research design should rely on three conditions: (1) the type of research questions being posed, (2) the extent of control and access that the researcher has over actual behaviour and events, and (3) the degree of focus on contemporary versus historical events.

Accordingly, the case study is determined to be the most appropriate research strategy in this thesis for three main reasons:

(1) The general nature of the research questions being posed is *how* and *why* TEFs internationalise differently from IEFs. The case study may address such forms of question particularly well (Edmondson and McManus, 2007). The case study approach also allows the meaningful investigation of the characteristics of firms' activities (Yin, 2013).

(2) The researcher does not require any control over actual behaviour or events.

(3) The focus of the study is on contemporary events, since the TEF phenomenon is very recent and is still growing. The case study approach may therefore be more suitable in the absence of well-developed theory in IB research (Birkinshaw et al., 2011).

After examining articles using the case study method in leading IB journals, Welch et al. (2011) present a typology of case study theorising (Table 4.4.2), identifying four alternatives presenting a trade-off between causal explanation and contextualisation. This study should be positioned in the fourth quadrant that adopts a contextualised explanation tradition, emphasising both the context and the causal relationships of the theoretical model. The case study as contextualised explanation is suitable for both the discovery and reconsideration of new theory (Flyvbjerg, 2006; Yin, 2013)

Table 4.4.2: Four methods of theorising from case studies (source: Welch et al., 2011)

Emphasis on contextualisation	Strong	3. Interpretive sensemaking	4. Contextualised explanation
	Weak	1. Inductive theory-building	2. Natural experiment
		Weak	Strong
		Emphasis on causal explanation	

Although case studies cannot provide law-like generalisations, Welch et al. (2011, p.746) claim "...they can generate the theoretical propositions upon which large-scale quantitative testing is based", calling for a more pluralist stance (i.e. a commitment to avoid reliance on monist assumptions in interpretation or evaluation) for qualitative research in IB. In line with Eisenhardt (1989) and Welch et al. (2011), this study is a modest attempt to follow their advice and to reconcile the trade-off between internal validity and thick description found in positivist and interpretive paradigms.

4.4.3 Home country setting: China

Overview

The home country's cultural factors influence a firm's capability for acquiring and deploying resources (Li et al., 2001). China has been liberally featured in IB studies (Jormanainen and Koveshnikov, 2012; Kiss et al., 2012). In their review, Kiss et al. (2012) find that 23 of 51 IE studies in emerging economies are related to China. The China topic has also been popularised in comparative entrepreneurship, one of the three IE streams

identified by Jones et al. (2011). Similarly, Covin and Miller (2014) have identified a number of recent studies on international EO with a sample of Chinese firms. However, Western scholars often neglect the fact that China has heterogeneous sub-national institutions and regional differences (Wei et al., 2013).

What has motivated IB scholars is China's unique environmental context, i.e. the strong presence of a capitalist economy in a communist regime with embedded *guanxi*, which shapes a subtly different business culture. Puffer et al. (2010, p.451) comment, "...a Confucian tradition created its own version of Adam Smith's moral sentiments, and although at the beginning, it was more observed in the breach than in the observance, there was a semblance of market morality to build on."

In relation to the innovativeness dimension of EO, for instance, the Confucian ethic eschews over-aggressiveness and independence, and Chinese SMEs may prefer the form of proactive alliance formation, collective risk sharing, and borrowing novelty to initiate innovation (Chen and Miller, 2011). On the one hand, China-centric research may not be generalisable to other emerging economies, even though some similarities are observed. On the other hand, traditional Western constructs (e.g. the M/C&S scale) may not perfectly suit the emerging economy context (Runyan et al., 2011).

The literature relevant to Chinese TEFs is briefly summarised. At a country level, the institutional features of China are discussed. Next, the distinctive informal network characteristics of Chinese businesses are identified. Finally, at the firm level, the discussion proceeds to the phenomenon of entrepreneurial firms moving to and from China.

Institutions in China

Drori et al. (2009, p.1001) state that transnational entrepreneurship "...is highly linked to the translation of institutional-culture realms." Institutional theory is concerned with regulatory, social, and normative influences that promote survival and legitimacy of an organisation rather than focus solely on efficiency-seeking behaviour (Scott, 2007). China's institutional setting is quite different from the West and thus creates differences in entrepreneurial efforts (Peng, 2006).

Institutional effects on firms are highly complex in China since its regulatory environment is constantly being reformed and fine-tuned, and institutions may affect firms competing in

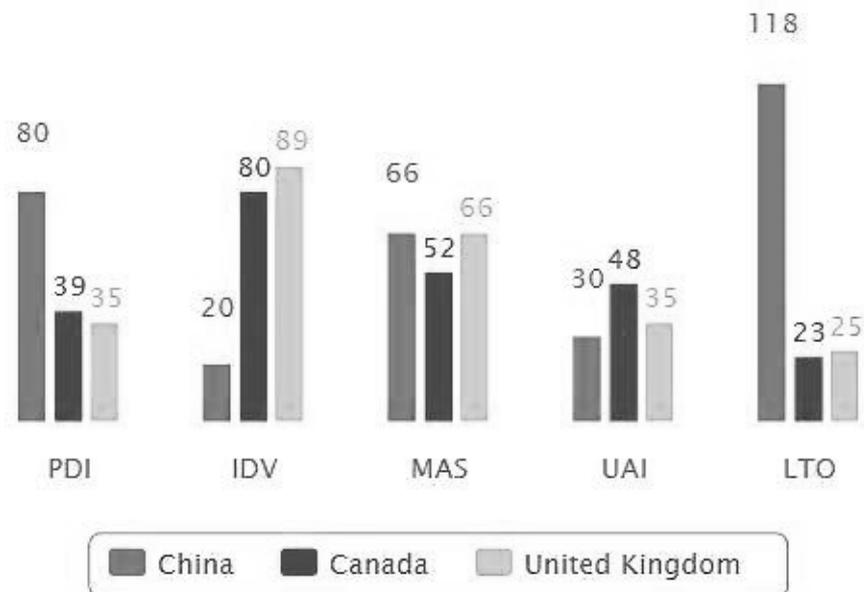
China and possibly Chinese TEFs when they return to China. For example, Buck and colleagues (2010) investigate how local Chinese institutions influence different nationalities of international joint ventures in China, and they find that those ventures do have a higher strategic commitment.

Chinese national culture

National culture has been described as an elusive concept, which represents the "...a system of values and norms that are shared among a group of people and that when taken together constitute a design for living" (Hill, 1997, p.67).

Although national culture is a collective-level construct and entrepreneurship is fundamentally individual-level behaviour (Autio et al., 2013), China's national culture can be measured and compared with Canada and the UK using Hofstede et al.'s (2010) cultural dimensions (see Figure 4.4.2).

Figure 4.4.2 Cultural dimension scores of China, Canada, and the UK ^{a, b, c}



Notes:

- PDI = power distance tolerance; IDV = individualism; MAS = masculinity; UAI = uncertainty avoidance; LTO = long-term orientation;
- There is a sixth dimension called Indulgence versus Restraint (IVR) to be included in the 2013 version of the Values Survey Module (Hofstede et al., 2010); the score of this dimension is not available yet;
- The data extracted from The Hofstede Center: <http://geert-hofstede.com/countries.html> (accessed on 10 April 2014).

In essence, China is a society that tolerates power inequalities among its people (PDI=80), with a highly collectivist culture where people act in the interests of the group (IDV = 20), in a highly “masculine” society which is success oriented and driven (MAS = 66), and a nation whose people are adaptable and entrepreneurial, with low uncertainty avoidance, i.e. accepting ambiguity and being pragmatic (UAI=30); and lastly, China is a significantly long-term oriented society in which persistence and perseverance are normal (LTO=118).

The Western interpretation of Chinese culture largely coincides with the philosophy of Confucian dynamism. According to Confucius’s teachings, a hierarchical relationship is fundamental to maintaining order in the organisation of society (i.e. a high level of power distance). Citizens may sacrifice their individual gain if mutual benefits can be achieved (i.e. a low level of individualism). Confucian managers advocate that persistence is the key to success (partially supporting masculinity, i.e. a preference in society for achievement and material reward for success (Hofstede et al., 2010). Eventually, Confucian dynamism emphasises a future market position rather than immediate returns, i.e. a very high level of long-term orientation (Ji and Dimitratos, 2013).

Informal networking (guanxi) in China

While the home country’s institutions and culture may partially shape the internationalisation of TEFs, informal networking (uniquely known as *guanxi* in China) is also a significant factor for firms of many emerging economies. Emerging economies are often characterised by under-developed or corrupted formal institutions, creating an institutional void usually filled with informal ones (Puffer et al., 2010). Due to its unsystematic nature, informal networking in the emerging economy should be discussed separately from traditional network theory. Informal networking (i.e. *guanxi* in China) is a subtle cultural characteristic, and its influence in business dealings is arguably a strategic response to the unpredictability of government action and control. Frustrated by the ineffective legal enforcement of contracts and property rights, entrepreneurs in emerging economies may depend more on informal norms for security (Bruton et al., 2010) and actively seek to design alternative governance structures and contractual arrangements (Peng, 2006). Informal ties and relational governance (e.g. corruption) may fill the institutional voids resulting from an inadequate formal institutional infrastructure. Although these informal institutions such as building connections with key government officials and other managerial ties can be very helpful, they can also be costly to firms and may hinder new venture development (Peng, 2006).

Guanxi, as the Chinese version of social capital, can be considered to be a form of relationship exchange that reflects the basic idea of network capitalism, a system of reciprocity, trust, and inter-dependency that creates value through the effective use of social capital (Luo, 2003). It is often implicitly characterised by highly informal and interpersonal connections influenced by hierarchical cultural values and bonded with reciprocal expectations.

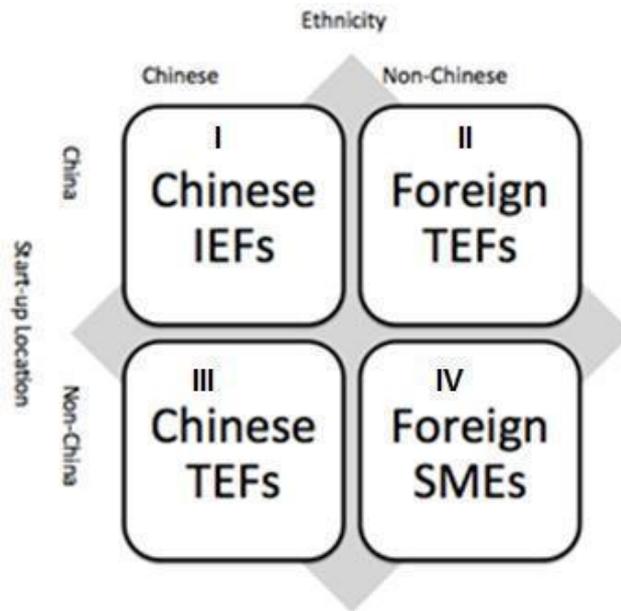
As a result, these relationships embrace both traditional Confucian-infused culture and a discretionary choice for individuals opting for personalised relationships. They can provide unique information benefits to those connected by exclusive personal ties, irrespective of whether the nature of the social relations is strong or weak (Burt, 1992). It is now widely recognised that *guanxi*-related social capital is able to reduce transaction costs or increase transaction values through facilitated exchange of resources and knowledge (Luo, 2003).

However, *guanxi* is likely to be local and thus inaccessible to outsiders (Puffer et al., 2010). The decision shortcuts based on such relationships may be rational or purely affective (Puffer et al., 2010). It is unclear from existing research whether TEFs are able to retain their *guanxi* or not when they have relocated to a host country. It is vital to investigate if such informal relationships can be sustained with dual loci and lapse of time.

Firms with international presence in China

Walder (2011) argues that, depending on the types of resources that firms can bring, there are four sectors of firms in China: (1) state-owned sector, (2) privatised state sector, (3) transactional sector, and (4) entrepreneurial sector. TEFs compete in the last sector. To further illustrate the home country setting of Chinese TEFs, this section briefly discusses other types of international entrepreneurial firms in the entrepreneurial sector, presented as a matrix in Figure 4.4.3. The Chinese TEFs on which this thesis focuses are located at Quadrant III and have been discussed in Section 2.5. Those other firms were established as private entities either by domestic entrepreneurs or by returnee entrepreneurs (Liu et al., 2010). The categorisation within this sector highlights the distinctiveness of Chinese TEFs even in their home country context.

Figure 4.4.3 A classification of internationalised SMEs in China: by ethnicity and founding location (Source: the author)



Among the three other types of firms, only the first two types have been well studied in the literature. The first category is foreign SMEs operating in China (Quadrant IV of Figure 4.4.3). They are not called “foreign IEFs” because the home location is not specified in this case. Research often assesses how well they overcome the liability of foreignness in China. For instance, Chung and Tung (2013) investigate how New Zealand and Australian firms operate in Greater China and suggested that immigrant decision-makers can play a significant role in affecting the choice of foreign entry. For another example, Ellis (2011) probes firms in this category on opportunity recognition by examining 665 international exchange ventures in China. He concludes that entrepreneurial networks have distinct opportunity horizons that limit the reach of tie-based exchanges and potentially lead to sub-optimal internationalisation trajectories.

The second kind is the indigenous Chinese SMEs (i.e. Chinese IEFs) having international activities (Quadrant I of Figure 4.4.3). Those with outward FDI activities are largely motivated by seeking strategic assets (Wei et al., 2013). They can be further divided into two sub-groups, depending on the entrepreneur’s background, i.e. whether the firm is operated by an indigenous Chinese entrepreneur, or, by a returnee entrepreneur who starts an internationally oriented business venture in their home country after studying or working abroad (Wright et al., 2008). An example of Chinese IEF research is Liu et al.’s (2011) study of ownership structure, strategic orientations, and internationalisation outcomes among 607 Chinese firms. They find that EO is positively associated with internationalisation. In another study, Yang and Stening (2013) conclude that Chinese businesspersons live with some apparent contradictions between espoused values (e.g.

Chinese traditional values, capitalist values, socialist ideology, and Deng Xiaoping's Philosophy) and the economic life. Wei and Liu (2006) observe that there is strong evidence of intra- and inter-industry productivity spill-overs from the foreign presence in China to Chinese IEFs. Lastly, Wang et al.'s (2014) study reports that Chinese IEFs are likely to have weaker domestic sales, but improved export sales through the presence of foreign MNEs.

On the other hand, previous research on Chinese returnee entrepreneurs generally focuses on their role in generating inward FDI to China (e.g. Jean et al., 2011; Tung and Chung, 2010). In Gao et al.'s (2013) study, however, they examine the impact of two-way human mobility on Chinese OFDI, and such human mobility represents a network advantage in the course of internationalisation.

The last category consists of "hybrid" SMEs operated by non-Chinese entrepreneurs in China (Quadrant II of Figure 4.4.3). A real-life example can be the Chinese version of *YouTube*, *Tudou* (literal translation of "potato"), founded by the Dutchman Marc van der Chijs in Shanghai in 2005. These firms can be considered non-Chinese TEFs when they internationalise to their country of origin. However, these "reverse" types of firms, whose host country is an emerging economy rather than an industrialised one, are still small in its quantity. Therefore, this type of firms has received very little academic attention. This thesis will not further explore these firms operating in China but rather Chinese TEFs in Canada and the UK.

Variations between the home and host country national cultures (especially the network orientation of firms competing in China) may have an influence on firm performance, and possessing the knowledge of a particular national culture may be a valuable (cultural) resource, for example affecting the internationalisation and performance of Chinese firms everywhere (Li et al., 2001). Therefore, this thesis holds home country constant by focusing on Chinese TEFs. The next section explains why Canada and the UK are chosen as host countries.

4.4.4 Host country setting: Canada and the UK

Cross-country and internationally comparative case studies may promote the thorough analysis of dynamic social phenomena, such as the international behaviour of firms and

entrepreneurs (Fletcher and Plakoyiannaki, 2011; Lijphart, 1975). This study focuses on TEFs and IEFs in the UK compared with matched pairs of counterpart firms in Canada. According to World Bank (2013), Canada and the UK each had over six million citizens born outside the country. Some corresponding figures to World Bank references in this section are shown in Appendix 8. Extending the brief introduction in Chapter 1, this section provides further context of the two host countries.

Canada is chosen for comparisons for several reasons. As mentioned earlier, the biggest institutional difference between Canada and the UK is arguably its immigration policy. Canada supports and promotes migrant entrepreneurs via the federal Business Class programme. As Table 4.4.4 shows, the Start-up Visa Programme introduced in 2013 is the first of its kind in the world, ensuring that only active and promising entrepreneurs are recruited and linking immigrant entrepreneurs with experienced capitalists (e.g. business angels). In this case, the quality of immigrant entrepreneurs is assured by business angels who have sufficient funds to provide capital for start-ups in exchange for ownership equity (Mason and Harrison, 2004). Meanwhile, the UK's programme sets a potential barrier to TEs, as its only immigration requirement is financial capital (see Table 4.4.4) so that proactive and innovative entrepreneurs with insufficient start-up funding are refused. This arguably secures Canada more immigrant entrepreneurs: approximately 40,000 annually (Statistics Canada, 2013), with arguably the most successful business immigration programme in the world (Ley, 2013). It follows that the UK may attract fewer entrepreneurs due to its higher entry barriers. Therefore, this thesis investigates the quality of TEFs based in two countries broadly similar in terms of institutions, culture, EO, network proclivity, international motivation, internationalisation dimensions and international performance, but very different in terms of the institution of immigration policy.

Table 4.4.4: Business immigration programmes in the UK and Canada

Country	Programme	Requirement Highlights
UK	<u>Tier 1 Entrepreneur Scheme</u>	Minimal capital investment of GBP 200,000, deposited in the UK.
Canada	<u>The Business Class Programme</u>	At least 2 years relevant experience in the last 5 years; managing and controlling a percentage of equity in a qualifying business.
	<u>Start-up Visa</u>	Must hold a letter of support from a designated business angel investor group or venture capital fund; specific language, education, and settle fund requirements.

Note: Information was extracted from UKBA (<http://www.ukba.homeoffice.gov.uk>) and CIC (<http://www.cic.gc.ca>), accessed on 15 April 2014.

Canada, in addition to being affluent (World Bank, 2013) and sharing a similar national culture to the UK (Hofstede et al., 2010), may need to maintain a high level of immigration to reinforce its long-standing negative natural rate of growth, ageing population and low birth rate. Although it may not be the main reason why the Canadian economy has outperformed its British counterpart in recent years in terms of GDP growth (World Bank, 2013), entrepreneurial immigrants in Canada must have contributed to its lead. On the other hand, the UK has been unsuccessful in securing a higher proportion of entrepreneurial immigrants, receiving much more asylum-related immigrants than Canada (World Bank, 2013). Matched pairs may offer fruitful theoretical development in the flexible context of case studies, by holding certain variables constant (Buck, 2011). In doing so, the differences and similarities in the findings between the two countries can be probed.

Further, the percentage of entrepreneur migrants is above fifteen per cent of the total immigrant population in Canada (Desiderio and Salt, 2010). However, this percentage is roughly only five per cent for the UK (CfE/DueDil, 2014). Perhaps, the UK could learn from Canada's successful experience and attract more high-value migrants. Some evidence has been found that Canada is taking the lead in having lower start-up costs than the UK, but regulations in the UK are twice as friendly as those in Canada (World Bank, 2013).

Therefore, it is interesting to investigate whether TEFs residing in different host countries display the same behavioural patterns. As Canada and the UK are the host countries of this study, the differences in immigration policy and the stance towards immigrant entrepreneurs between these two countries have been delineated. Such a discussion also helps contribute to the policy making implications of the study.

4.4.5 Industry selection: the IT industry

The IT industry is chosen as the industry sector to be investigated in this thesis in order to avoid cross-industry variance. The *Standard Industry Classification* codes for IT are 62020 and 7721 in the UK and Canada respectively. The industry is selected for theoretical reasons rather than on the basis of random sampling: IT has been the most popular high-tech industry featured in existing IB research (Hewerdine et al., 2014), allowing confident comparisons between the findings of this thesis with those of previous research.

The Oxford Dictionary defines IT as "...the study or use of systems (especially computers and telecommunications) for storing, retrieving, and sending information." In a broad business context sense, the Information Technology Association of America has defined IT as "...the study, design, development, application, implementation, support or management of computer-based information systems." This definition includes the use of Internet technologies to exchange information either within the firm itself or with external stakeholders. IT Firms are often embedded in a business-to-business and industrial environment context (Kuivalainen et al., 2012). Examples of IT products and services are computer hardware, telecom equipment, game production, software engineering, computer service consulting, management consulting, etc.

The IT industry is also chosen because of its strong presence in both countries. In addition, it is representative of high-tech, fast-growing industries in general. While comparable figures on cross-border trade specifically from IT companies are not available, the IT industry has been a substantial contributor to the GDP of both countries. For example, it generated CAD \$47 (approximately £30) billion in revenue in Canada in 2011 (Statistics Canada, 2013), while in the UK, nearly 28,500 migrant-founded companies compete in the IT sector (CfE/DueDil, 2014).

Canada is adjacent to the massive US market and the UK is relatively distant from it. However, the IT industry may arguably be seen as a "footloose" industry, i.e. an industry

that can be located anywhere without being affected by factors such as resources or transportation (Buckley and Ghauri, 2004). As firms competing in such an industry do not depend heavily on their location, not needing to be near some input or market, distance costs should be negligible. Hence, the selection of the IT industry holds constant two more variables, industry and the effect of distance on internationalisation, because, for IT firms, it is virtually as convenient to access the US market and partners from the UK as it is from Canada.

The high-tech business context has offered a fertile ground for IE research as firms in high-tech industries tend to internationalise faster than those in traditional industries (e.g. Bell, 1995; Jones, 2001; Mainela et al., 2011). Additionally, a large share of the literature on technology-based SME internationalisation draws from the RBV (Grant, 1996). Under the RBV, IT competences are considered one of the important capabilities for firms to learn and possess in order to gain a competitive advantage (Powell and Dent-Micallef, 1997). IT firms have been extensively studied in IB and IE research (e.g. Coviello and Munro, 1997; Hewerdine et al., 2014; Jean et al., 2011; Reuber and Fischer, 2011).

Further, many small software producers internationalise both early and quickly through inter-firm cooperation that exists between hardware and software firms, which facilitates an accelerated internationalisation process (Bell, 1995). A common internationalisation strategy is to follow their domestic customers in international markets (Bell, 1995). Many IT offerings can be distributed electronically, leading to zero transportation costs (Cannone and Ughetto, 2014). Therefore, in line with these scholars, internationalised SMEs in the IT industry in Canada and the UK are regarded as an appropriate focus for this study.

4.4.6 Selection of cases

Case selection involves deciding whether to conduct single or multiple case study research (Fletcher and Plakoyiannaki, 2011), as discussed in 5.4.1. In addition, the sampling strategy, the unit of analysis, and case study sampling should be also considered.

The principles of purposive sampling permeate this study's sampling decision, stressing the need for a theory-driven selection of cases along with a consideration of contextual idiosyncrasies (Poulis et al., 2013). Purposive sampling, which is often mistakenly considered identical to theoretical sampling (Fletcher and Plakoyiannaki, 2011), refers to

the case selection, where phenomena are most likely to serve the theoretical purpose of the research and research questions (Saunders and Lewis, 2012). It allows the content analyst to select the units of investigation relevant to the study and maximise the utility of information collected from a small sample (Flyvbjerg, 2006). In the review of Coviello and Jones (2004), thirty-nine of the fifty-five IE articles used purposive sampling, and these studies all had high response rates and participation levels so that they should be expected to have good quality.

To be more specific, a matching number of TEF/IEF cases were selected and contacted, based on whether their characteristics fit our selection criteria or not. While IEFs are internationalised SMEs operated by indigenous entrepreneurs, TEFs that fit our selection criteria should: employ between 10-250 people, be established in the UK or Canada, be owned and controlled by a Chinese TE who has engaged in some (outward) IB activity.

Four matched pairs of (eight) case studies were simultaneously proposed from the IT industry in Scotland and in Western Canada. In each country, three TEFs of Chinese origin plus one IEF were chosen. In other words, one IEF and three Chinese TEFs in the IT industry in Scotland were selected with a matching number of cases from Canada. It should be sufficient to have just one IEF case from the IT industry in each country, because the literature on such firms is extensive (e.g. Kuivalainen et al., 2012; Mainela et al., 2011).

All UK firms are based in Scotland, which seems to be an appropriate representative of the UK. Scotland has a high concentration of IT companies, accounting for fourteen per cent of technology-based industry clusters (Mason and Brown, 2010). Many studies have adopted a sub-sample of Scottish high-technology firms to represent their UK-context research (e.g. Bell et al., 2001; Hamill and Gregory, 1997; Johnson, 2004). Situated in the Central Belt having the highest population density within Scotland, Edinburgh and Glasgow are the two largest Scottish cities with a high level of geographic proximity. All four firms from Scotland were headquartered within these two cities.

All four Canadian firms (three Chinese TEFs and one IEF) are located in the Greater Vancouver Regional District, British Columbia. As the third largest city in Canada, foreign-born citizens accounted for forty per cent of Vancouver's total population in 2012 (Statistics Canada, 2013). Additionally, Vancouver also has one of the highest

concentrations of IT companies in the country, which comprises more than 6,000 companies and more than 46,000 employees. (Statistics Canada, 2013).

In addition, in order to supplement findings from the main respondents, three experienced Canadian business consultants with intensive experience in the IT industry were further contacted for an interview with a different set of semi-structured questions. Their answers serve to triangulate the data collected from the main sources.

Unit of analysis

The unit of analysis is considered to be fundamental in defining what the case to be studied is (Yin, 2013). A clear description of the unit of analysis is essential for case studies. Otherwise, poorly defined units of analysis can lead to findings that lack explanatory rigour (Yin, 2013). The caveat is that the unit of analysis need not be an empirical unit (Fletcher and Plakoyiannaki, 2011). As for this study, the unit of analysis is the overall internationalisation map (outward activities) of the firm.

As emphasised by Drori et al. (2009), transnational entrepreneurship is not exclusively concerned with the firm as its empirical unit of analysis, and some studies focus on individuals (Patel and Conklin, 2009; Sequeira et al. 2009). With its focus of this research on SMEs, the empirical unit of analysis is the firm level.

However, since entrepreneurial firms are innovative (Mintzberg, 1973), entrepreneurs are those who promote innovativeness. Thus, the individual level analysis is incorporated throughout the discussion of this thesis. This means that only firm-level (i.e. IEF vs. TEF) data is considered during data collection and analysis, but arguments include entrepreneurs that operate those firms due to the owner/manager having a profound impact on the decision-making process in SMEs (Lloyd-Reason and Mughan, 2002). Taking a dual-level stance may be a methodological contribution of this study.

4.5 Data collection

Triangulation

The data collection instrument comprises semi-structured interviews with owners and senior managers, and examinations of company histories, media reports, websites, financial

data and so on (Yin 2013). The validity of the findings was sought through a rigorous data collection that embraced multiple sources (Table 4.5.1). Recommended practice from the literature is used in order to enhance the validity and reliability of the case study evidence, such as data and between-method triangulation (Yin, 2013).

Table 4.5.1: A review of data sources (Source: the author)

	Semi-structured interview	Open-ended interview	Short survey	Archival and report data	Financial review form
Eight case firms	Yes (2 in each firm)	No	Yes (2 in each firm)	Yes	Yes
Three business consultants	Yes	No	No	No	No

Data triangulation is defined as the use of more than one method or source of data in the study of a social phenomenon so that the findings may be cross-checked (Bryman, 2012). It may be based on the collection and comparison of data from two respondents within each firm (Denzin, 1989).

Between-method triangulation was based on the use of multiple methods. This consisted of:

(1) two groups of interviews: semi-structured interviews at each firm were initially conducted with either the chief executive officer (CEO) or the (co-)founder of the firm and then subsequently with a managing director or a senior staff member of the firm. Similarly, another set of semi-structured interviews was conducted with experienced business consultants from Canada.

(2) a short structured questionnaire to be filled by each interviewee immediately following the interview.

(3) archival data (e.g. company's websites, social media, histories, financial data, media reports, internal documents (when applicable), etc.) and other related documents, such as industry reports, government publications, and press articles.

In particular, during the data collection stage, each interview was treated as a "construction site for knowledge" (Kvale, 1996, pp.14) based on mutual dialogues between the

researcher and respondents. The use of theory was sought to prepare the interview guide (see Appendix 4) (Eisenhardt, 1989). Semi-structured interviews have been widely used in many qualitative IB studies (e.g. Buck and Liu, 2009; Dimitratos et al., 2014b; Fletcher et al., 2013; Tsang, 2002). The semi-structured format ensures that key questions are asked of every interviewee and encourage the researcher to interject with additional questions as appropriate. According to Leech (2002), semi-structured interviews may give respondents the opportunity to be the experts and to inform the research. Data were collected following the interview techniques suggested by Leech (2002). As a result, each of the nineteen interviews was individually conducted, voice-recorded and transcribed, varying in length from 75 to 90 minutes.

Overall, the data collection process lasted nine months and generated 580 pages of raw case data (including interview transcripts, structured field notes, financial reports, and other related documents such as trade press and archival data) in the Word document format.

Research validity and reliability

Guba and Lincoln (1981) reckon that all research must have “truth value”, “applicability”, “consistency”, and “neutrality” in order to be considered worthwhile. To achieve these traits, construct validity, internal validity, external validity and reliability are discussed below, with a description of how each of the four was handled in this study with reference to Yin (2013) (see Table 4.5.2).

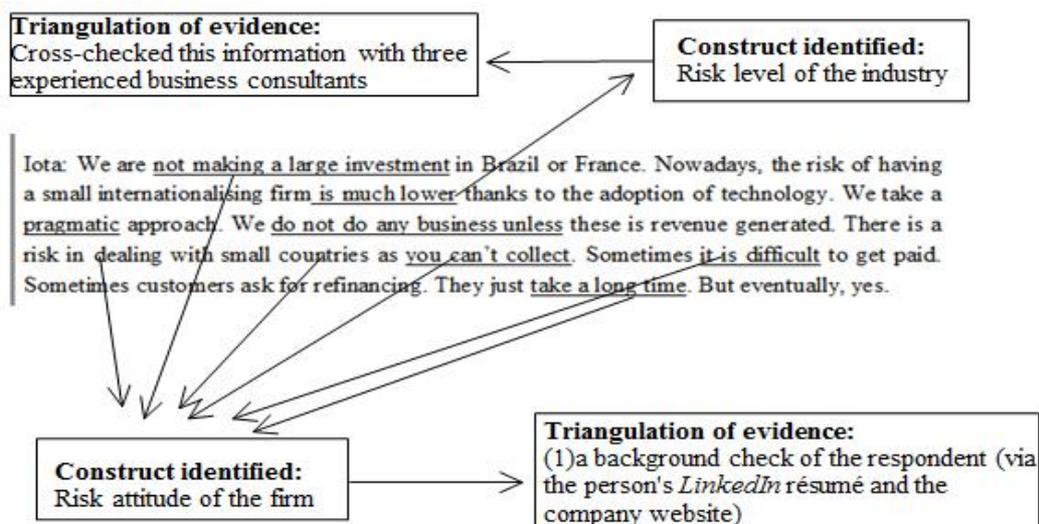
Table 4.5.2 Quality research: Case study tactics (Source: Yin, 2013)

Tests	Tactic	Phase of research in which tactic occurs
(1) Construct validity	Used multiple sources of evidence (i.e. interviews, archival records, documentation, websites, questionnaire, etc.)	Data collection
(2) Internal validity	Conducted pattern matching to evaluate literal and theoretical replications across cases and explanation building	Data analysis
(3) External validity	Used replication logic in multiple-case studies and explanation building, generalising to the “theory” (i.e. analytical	Research design

	generalisation)	
(4) Reliability	Used a case study protocol for consistency; interviewed expert informants on certain important issues on the topic	Data collection

(1) Construct validity is concerned with establishing correct measures for the phenomenon being studied. The definition and operationalisation of relevant constructs grounded in the literature review (Chapter 2-4) enhance construct validity. This thesis follows Yin's (2013) suggestion by using the triangulation of evidence sources as mentioned in the foregoing section. The interview excerpt of IEFCA1's Iota in Figure 4.5 exemplifies the construct validity on the risk attitude of the firm and the perceived risk level of the industry.

Figure 4.5 Example of construct validity (Source: the author)



- (2) Internal validity involves inferring a causal relationship whereby certain conditions are shown to lead to other conditions (Yin, 2013). To achieve this objective, this study relies on pattern matching, which involves comparing empirically derived patterns with predicted ones. If the patterns match, then internal validity is strengthened.
- (3) The thesis pursues external validity through replication logic. This involves assessing the initial hypotheses with cases where the same findings should occur (literal replication) or where different findings should occur for predictable reasons (theoretical replication). This is achieved by purposively sampling three TEFs in each of the two host countries.

- (4) Reliability means demonstrating that the operations of this research can be repeated with the same findings (Yin, 2013). This is achieved by a well-organised case study protocol. The interviews with the expert informants, as well as cross-checking with published sources such as media archives and Internet sources, also help to increase the reliability of the information obtained on each investigated firm.

Data processing and analysis

A frequent challenge for qualitative researchers is how to manage abundant data (Miles and Huberman, 1994). One way of addressing this issue is by coding or “...sorting data according to concepts and themes” (Ghauri, 2004, p.118). All data are imported and processed using *NVivo 10*. *NVivo 10* is the specialised software that assists researchers to manage, store, and analyse a large quantity of qualitative data (Bazeley and Richards, 2003) so that data can be coded into nodes. Appendix 9 showcases the interface of *NVivo 10* whereby the node structure of this study is displayed.

In order to create appropriate themes for each node, the data were read thoroughly and the research questions were referred to. This process ensured that the phrases/states from transcripts were placed on the right nodes. Additionally, the data analysis stage also involved “phases of silence” (Kvale, 1996, p.86), meaning that data were left to “rest” in order to subsequently acquire fresh insights. Such phases of silence also facilitated the comparison of interview data with other sources of evidence such as archival data.

The coding system was based on the structure of the interview guide used in the process of interviewing, allowing for iterations and interpretations from micro-analysis of the linking between concepts and hypotheses (Strauss and Corbin, 1998). The documents were coded into nodes within *NVivo 10* (e.g. Appendix 9). This enabled the researcher to detect cross-case patterns, replications, and differences. The coding and analysis broke the data down to develop the influences on internationalisation and the hypotheses.

Consequently, the evidentiary database or audit trail exists independently of the eight individual case reports and contains sufficient information to allow other researchers to infer their independent conclusions about each case (Yin, 2013). Detailed profiles of case firms and business consultants are provided in Tables 4.5.3 and 4.5.4. While the eight case

firms form the primary source of data, data collected from business consultants provide excellent confirmatory evidence that triangulates the primary data.

Table 4.5.3 Descriptive summary of case collection (Source: the author)

Firm <i>Subjects</i>	Founding year Internationalisation year	Products/Services	Mode: Countries	Size (number of employees)	Years since immigration
IEFUK1 <i>Alpha</i> <i>Beta</i>	2001 2003	Cloud platform service	Licensing: Azerbaijan, West Africa, Trinidad, US	15	n/a
TEFUK2 <i>Gamma</i> <i>Delta</i>	1996 2000	Software design, IT consulting	Exporting: China, Hong Kong; Sales office: Hong Kong; Joint venture: Middle East	24	39 8
TEFUK3 <i>Epsilon</i> <i>Zeta</i>	2007 2010	IT consulting, Database creation	Sales office & subsidiary: China	34	7 3
TEFUK4 <i>Eta</i> <i>Theta</i>	2003 2006	Application R&D	Licensing & subsidiary: China, Hong Kong	32	13 13
IEFCA1 <i>Iota</i> <i>Kappa</i>	1996 1999	Enterprise App, Enterprise mobile marketplace, App development	Licensing: Brazil and France; Sales office & licensing: the US	62	n/a
TEFCA2 <i>Lambda</i> <i>Mu</i>	2005 2007	Utility-related hardware and software development	Exporting: China, Hong Kong, US; Licensing: Australia, US	30	20 25
TEFCA3 <i>Ni</i> <i>Xi</i>	2001 2010	E-health solution provider	Franchising: US (15 locations), China (1).	50	15

					18
TEFCA4		Wireless sensor network, digital signal processing, health data analysis platform	Licensing: US, China, Hong Kong; Representative office: US (New York)	15	
<i>Omicron</i>	2010				5
<i>Pi</i>	2010				5

Note: (1) Unless otherwise specified, the first subject in each firm is the founder/primary co-founder, the second a senior staff member/secondary co-founder. (2) Pseudonyms in the Greek alphabet are used for the names of respondents.

Table 4.5.4 Profile of business consultants (Source: the author)

Consultant	Position	Years in industry	Consultancy company highlight
Consultant_ CA1	Consulting advisor	6	Headquartered in Paris, France and present in 40 countries, it is one of the world's foremost providers of consulting, technology and outsourcing services and enables its clients to transform and perform through technologies. It provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working.
Consultant_ CA2	Licensed analyst	8	A capital partnership that opportunistically invests in undervalued Canadian and US businesses. A current portfolio of more than 10 strong Canadian IT companies that are uniquely positioned for rapid growth in Asian markets.
Consultant_ CA3	Online researcher & assistant to CEO	5	This firm has been serving the Vancouver area for 14 years. The company is able to advise on network management, software engineering, IT project management, and IT sales.

4.6 Summary

This chapter has described the chosen research philosophy and paradigm, and elaborated on the rationale for adopting the case study method. The chapter has further explained the design of the study and outlined its data collection. Lastly, issues related to research triangulation, reliability, and validity have been addressed. The cross-case findings are presented and discussed in the next chapter.

CHAPTER 5 FINDINGS AND DISCUSSION - CROSS-CASE ANALYSIS

5.1 Overview

Following the rationale and protocol set out in the previous chapter, this chapter reports and analyses the findings of eight case studies. The purpose of this chapter is thereby to answer the research questions that have been posed and provide empirical evidence on the hypotheses, or note that the evidence is lacking (Zhang and Shaw, 2012). For qualitative researchers, this provides the opportunity to show how the findings extend existing theory and offer a fresh perspective (Coviello, 2014).

There is a growing body of literature devoted to the analysis of qualitative data, and many analytic techniques are available to case study researchers (Eisenhardt, 1989; Patton, 1990). Miles and Huberman (1994) describe the major phases of qualitative data analysis to be data reduction, data display, conclusion drawing, and verification.

Cross-case analysis is used for enhancing generalisability and deepening understanding and explanation (Glaser and Strauss, 1970), involving pattern matching logic and explanation building (Yin, 2013). Analytic manipulations (Miles and Huberman, 1994; Patton, 1990) have been used to assist sense making from case data, including the use of tabulations of information into different arrays and mapping. Moreover, quotes from informants are given where appropriate. According to Pratt (2008), quotes can have two purposes: power and proof. Power quotes are where the informant is concise and insightful, capturing the essence of what data demonstrate. Meanwhile, proof quotes are used to reinforce a point, using a number of short quotes from other respondents to show similar patterns across findings (Pratt, 2008). Of course case studies on their own can prove nothing.

Because of the high volume of data and presentation required, the individual within-case analysis for each firm is presented as Appendix 1. The cross-case analysis contained in the main body of this chapter is structured as follows:

5.2 Antecedent attributes: EO network proclivity and international motivation

5.3 Dimensions of internationalisation: market presence and speed of internationalisation

5.4 International performance

5.5 Summary

5.2 Antecedent attributes: Entrepreneurial orientation, network proclivity, and international motivation

In this section, the cross-case findings of TEF/IEF internationalisation antecedents are identified and discussed. The first proposed antecedent is EO, encompassing proactiveness, innovativeness, and risk attitudes. Second, the network proclivity of TEFs is manifested in social capital and mixed embeddedness. International motivation is the last attribute that may affect TEF internationalisation.

5.2.1 Entrepreneurial orientation of TEFs and IEFs

As all case firms are knowledge-intensive and technology-based in the IT industry, EO encourages openness to new ideas, risk taking, and innovative thinking (Covin and Wales, 2012). Thus, all these firms are expected to demonstrate a high level of proactiveness, risk taking and innovativeness.

Proactiveness

Following Covin and Slevin's (1989) recommendation, this study measures a firm to be *proactive* when it typically initiates actions to which competitors then respond. A proactive firm is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc. Typically, it adopts a competitive and outdo-the-competition posture.

If the firm meets all the three criteria above, it would be considered "highly proactive". For example, Delta of TEFUK2 perceived proactiveness as "...just like a football team, you are looking for the ball, or you are waiting for ball to come to you." Otherwise, it would be classified as "less proactive." The findings are summarised in Table 5.2.1.

Table 5.2.1 Evaluating the proactiveness of case firms (Source: the author)

Firm	Précis	Exemplification
<i>Highly proactive firms</i>		
TEFUK3	Always taking the initiative of searching for market demand	<p>“We always search for the global market where the next huge demand is...the timing of entry is very important, and there is nothing much left for you if you are behind your rivals.” (<i>Epsilon</i>)</p> <p>“Our boss has an ‘all for the market’ philosophy. And we believe in first-mover advantages.” (<i>Zeta</i>)</p>
TEFUK4	High frequency of updating existing product line	<p>“It is critical for us to find out what is trending in the market, and match up that trend. Otherwise, we can’t compete either nationally or internationally.” (<i>Eta</i>)</p> <p>“Usually we update all of our existing products [iPhone/iPad apps] every 2-3 months to keep our users feeling fresh”. (<i>Theta</i>)</p>
TEFCA2	Improving products with customer input	<p>“Whenever we have a great deal with clients, we always ask if they can help us to improve our products. And we are more than happy to develop the next generation with feedback collected.” (<i>Lambda</i>)</p> <p>“Because our customers are 95% corporate customers, getting an additional customer or losing one is always huge for us. We always strive for the former situation so that we invite them to preview and test the forthcoming products.” (<i>Mu</i>)</p>
TEFCA3	High intent to compete abroad	<p>“Getting more internationalisation awareness would definitely help us grow, which will pull investment and resources to support the IPO process.” (<i>Ni</i>)</p> <p>“We are a big fish and the domestic market is a small pond.” (<i>Xi</i>)</p>
TEFCA4	Proactive in expanding globally	<p>“Since the company was born in Vancouver on Day 1, we also had an office opened in New York. I don’t think we will stop there but keep going. Our fourth overseas office will probably be in full service in Bangkok in late 2013. Dipping in these new markets will allow us to clear our inventory faster, have more revenue for R&D, and then roll out our new product line faster.” (<i>Omicron</i>)</p>
<i>Less proactive firms</i>		

IEFUK1	Internationalisation driven by clients and less intensive competition in a niche market	“...when you engage with a local UK company, if you are successful, you tend to end up working for them in their geographic locations.” (<i>Alpha</i>) “You might deliberately decide to go abroad. But it is also likely that your clients are not based in the UK but in Angola. So you could easily end up in Angola. So pretty much, it [internationalisation] wasn’t deliberate.” (<i>Beta</i>)
TEFUK2	Natural growth to foreign markets	“Our company just grows organically.” (<i>Gamma</i>) “...internationalising was not a step-by-step kind of thing. It happened when customers from other countries were looking for us and you think it is also reasonable to work with them at that time.” (<i>Delta</i>)
IEFCA1	Internationalisation driven by clients	“It [Internationalisation] wasn’t a strategic move. We did lots of work for Microsoft Canada. Through them, we started working for Microsoft US and beyond. It just happened.” (<i>Iota</i>).

All TEFs except for TEFUK2 were identified as having high levels of proactiveness. TEFUK3 and TEFCA4 were university spin-offs, and their respective founders, Epsilon and Omicron, came to their host countries initially as international students. Both founders were highly proactive in starting and operating their business. For example, Epsilon of TEFUK3 commented on his perception of cut-throat competition in the market when he started the business. He understood that if the firm did not act swiftly in response to the fierce competition, it would not survive for long:

We weren’t really in the blue ocean; we were in the red ocean. So many competitors there, the water is red – blood all the time. And, what we were looking at was what would be distinctive in the market, what would be different.... If you wait and see what your rivals do first, you won’t catch up with them because there won’t be much of a pie left for you.

Evidence of proactiveness was also apparent for TEFUK4 and TEFCA2. Both firms preferred to become the market leader through intensively engaging in innovation-related activities and identifying new opportunities. Similarly, both TEFCA3 and TEFCA4 had intended to go abroad quickly in order to beat their competitors. TEFCA3 believed that the domestic market was too small, and it was ambitious to become a publicly listed company

eventually. However, while TEFCA4 was a BG, TEFCA3 suffered difficulty in internationalising due to initial unexpected losses.

In addition, three firms were seen to be less proactive. Both IEFs were propelled to become international by their customers who had international presence. It seems that they acquired their international market effortlessly as they were offered the opportunity by customers. As IEFs, both were able to access corporate and MNE customers domestically, so they saw internationalisation as a low priority as they were satisfied with their domestic performance.

Along with TEFUK2, the two IEFs saw internationalisation as a natural process of their firm's development rather than a planned and must-have option. All three firms did not plan for internationalisation until the opportunity came in a serendipitous way. IEFUK1 claimed that it competed with a niche product in a niche market so their products had few substitutes and they did not have to introduce new products constantly.

As a small company mainly serving MNEs such as *Microsoft Canada* and *Blackberry*, the internationalisation of IEFCA1 was driven by its customers rather than the CEO's vision. It nevertheless followed the typical characteristic of INVs that it sells niche products/services sought by internationally dispersed customers (Hennart, 2014).

Finally, the only less proactive TEF, TEFUK2, shared a similar attitude to IEFCA1 towards internationalisation initiation. However, it was mainly because the company, founded in 1996, was at the maturity stage of its product life-cycle and it preferred to take a stable rather than progressive approach during the current "adjustment" period. The CEO admitted that the firm passed its initial proactive stage and that he was still deciding whether to sell this business or rejuvenate the company by introducing new product lines.

Innovativeness

Evidence on the innovativeness of the case firms is reported in Table 5.2.2. In such a knowledge-intensive industry as IT, all firms should present a high degree of innovativeness. According to Consultant CA2, it is vital to stay innovative:

The [IT] industry is so competitive, and all products are kind of similar to some extent. So you don't only innovate the product itself, but you also have to innovate

the experience. You have to innovate to differentiate yourself as a company because the market is so tight.

Table 5.2.2 Evaluating the innovativeness of case firms (Source: the author)

Firm	Précis	Exemplification
<i>Highly innovative firms</i>		
IEFUK1	Keeping products ahead of the market	“Innovation is important because it’s about creating a market that doesn’t exist.... We will continue to innovate to take away the pain of IT. The more we can make of that, the more services we can provide on our platform to give customers peace of mind.” (<i>Alpha</i>)
TEFUK2	Holding design patents	“We have six patterned features embedded in our products that we invented ourselves.” (<i>Gamma</i>) “Innovation is definitely crucial for any company nowadays. Even if you are a clothing company, you need to innovate designs and materials. We used to do quite a lot of software development as per customer order.” (<i>Delta</i>)
TEFUK3	Spending heavily on R&D	“Extremely important to us...we spend about 75% of our profits, re-investing in our R&D.” (<i>Epsilon</i>)
TEFUK4	Constantly monitoring the market and updating products accordingly	“Understanding the pulse of the market is key to our innovation activities. We have hired consultants to help us interpret the market so that we know what to do for our next innovation project.” (<i>Theta</i>)
TEFCA1	Maintaining a high level of innovation and building their products way ahead of the market.	“Our innovation level – super high. We build way ahead of the market. We have three launches, two of which are still ahead of their time. Customers are still digesting. Amazon Marketplace, the third one, super successful.” (<i>Iota</i>)
TEFCA2	Having to keep a high level of innovation to retain corporate customers	“We must stay innovative in order to attract corporate customers. They are meticulous and usually pick the “most innovative” supplier. We’ve got no other choice but keep making sure our products are the best in class.” (<i>Lambda</i>)
TEFCA3	Having inventive business concepts and services and	“Our main service is based on a completely innovative idea and

	keeping on actualising them	platform. Up until now, we are still the most innovative firm in the industry.” (Ni)
TEFCA4	Innovation being part of the company’s mission statement	“Innovation lies in our core value. It helped us win the funds to start our business and gain the first pot of gold. I don’t think any firm in our industry can survive without innovating. We actually had this word in our mission statement” (Pi)
<i>Less innovative firms</i>		
None		

Once again, Covin and Slevin (1989) hold that an *innovative* firm should have a strong emphasis on R&D, technological leadership, and product/service innovations. It typically introduces many new lines of products or services, and changes in them. A firm would be considered highly innovative if it meets at least two of the three criteria, and otherwise, it is considered less innovative.

All firms were identified to be highly innovative as anticipated (Funk, 2014). However, they differed slightly in their focus on the sub-dimensions of innovativeness. To begin with, companies that spent heavily on all of R&D, technological leadership, and product/service innovations were TEFUK3, TEFCA3, and TEFCA4, mainly because they were in the “early adopter” phase of their life-cycles (Rogers, 1962). TEFUK3 boldly re-invested 75% of its profits back into the R&D process, believing that the spending would help the firm to produce the most innovative product in the market and then multiply the current profit level within the next five years. The short-term sacrifice in net profits could help the firm to become the one of the most innovative firms in the market and lead to long-term SCA.

Adopting a very similar approach, the majority of TEFCA3’s financial resources were prioritised for seeking technological leadership. TEFCA3 was in severe difficulty because of this strategic move as it could barely generate enough revenue to cover its R&D and operations costs. The firm had to stop its growth in terms of production capacity and business presence. Its plan to quickly internationalise was also delayed until the company had finally become the technological leader domestically. The CEO Ni remarked, “...at one point of time, I felt as if I were running a biopharmaceutical company that does not earn a penny during the first ten years of operations until the new drug is invented. Nurturing a cash cow is sweet, but the wait is bitter.” Indeed, innovating intensively may

have the potential to limit the firm's ability to meet short-term financial obligations (Kreiser et al., 2013).

Being associated with the health industry that requires continuous innovation, TEFCA4 required a high level of innovativeness to cope with the demands of its health industry clients. Its innovative activities helped to reduce the costs and increased the speed of internationalisation. The low-cost means of communication and delivery (e.g. using The Cloud) is a distinctive feature of fast internationalisers (Hennart, 2014).

IEFUK1, IEFCA1 and TEFUK4 normally introduced brand new products and services three to four times annually. In particular, IEFUK1 and IEFCA1 reported that they had introduced products ahead of the market so that even their customers were unable to yet fully appreciate the innovativeness of their products. While they were proud of their innovativeness, they also experienced frustration as customers questioned whether it is necessary to be so innovative. For example, Iota of TEFCA1 said, "When other firms are trying to duplicate our existing products, we are already rolling out the next generation. But our customers are still satisfied with our last-generation products and too fearful to see if the new version means much better to them." TEFUK's Theta echoed, "Sometimes customers are not really impressed that we introduce the newer product so quickly that it makes what they bought from us half a year ago out-dated." However, TEFUK4 was more attentive to the market, as it closely monitored the market, predicted the trend of the next quarter, and ensured that their innovative features met customers' demand.

Finally, TEFUK2 and TEFCA2 featured drastic changes in their product and service lines. In TEFUK2's seventeen years of history, Gamma had attempted to enter many IT-related businesses in different countries (including China in all cases), such as the e-commerce of British food exports to China, programming of the server security system, software design for timber cutting, IT network construction, IT consulting and so on. He turned out to be successful not only in making profits but also in knowing when to exit the existing product or service and move on to the next opportunity, as he tried to exploit every business opportunity available. Similarly, TEFCA2 aimed to be the most innovative developer of residential power management products. However, it tried to switch from being a software-only manufacturer to including hardware in its product range. The change had required significant reconfiguration of the company's resources and strategic planning. These findings confirm that similar to IEFs, TEFs are highly innovative firms. They further attest

that innovation is likely to be positively related to internationalisation and superior firm performance (Steensma et al., 2000; Zahra, 2004).

Risk attitude

Table 5.2.3 summarises relevant evidence on firms' risk attitudes. Strong risk-taking proclivity (or low risk aversion) refers to the inclination to undertake high-risk projects with chances of high returns. Risk-tolerant entrepreneurs are capable of wide-ranging acts to achieve the firm's objectives, typically adopting a bold and aggressive posture in order to maximise the probability of exploiting potential opportunities (Covin and Slevin, 1989; Miller, 2011).

Table 5.2.3 Evaluating the risk attitudes of case firms (Source: the author)

Firm	Précis	Exemplification
<i>Highly risk-taking firms</i>		
TEFUK2	Having a high risk tolerance	<p>"Risk is always out there. You just have to live with it. I think the risk is always the neighbour of profit." (<i>Gamma</i>)</p> <p>"The risk factors are always the same. No matter whether the company is in the UK, Hong Kong, or China..., there is always a risk factor in business." (<i>Delta</i>)</p>
TEFUK3	Becoming more risk-tolerant in recent years	<p>"The company had to bear considerable risks at the beginning because of our innovative concept and we were lucky to have survived. Now we're more risk tolerant as an established company." (<i>Epsilon</i>)</p> <p>"We do not mind risks because we have been through a lot and learned from them." (<i>Zeta</i>)</p>
TEFUK4	Adventurous both domestically and abroad	"Really...risk is there, home and abroad. It's never safer at home than in China or say...India." (<i>Eta</i>)
TEFCA3	Not regarding risk as an influencing factor on company strategy	"There have been always risk and everything, right? We sort of calculated the costs and benefits, and made our decisions based on the results." (<i>Xi</i>)
<i>Less risk-taking firms</i>		
IEFUK1	Maintaining a risk-averse posture	<p>"We always need to know if there is enough business to reward any risks to be taken." (<i>Alpha</i>)</p> <p>"We actively minimise many of the risks associated with doing businesses." (<i>Beta</i>)</p>

IEFCA1	Maintain a meticulous approach in spite of a decreasing industry risk level	“Nowadays, the risk of having a small internationalising firm is much lower thanks to the adoption of technology. We take a pragmatic approach. We do not do any business unless there is revenue generated. There is a risk, dealing with small countries, as often you can’t collect. Sometimes it is difficult to get paid.” (<i>Iota</i>)
TEFCA2	Low risk in business dealings through working with corporate customers only	“We have less risk exposure because we only have customers who are large corporations. Cash is secured whenever the contract is penned. We hardly have any collection issues.” (<i>Mu</i>) “We are lucky that we are not exposed to too much risk at the moment and I really hope we can keep it this way.” (<i>Lambda</i>)
TEFCA4	Safeguarding itself by competing in a low-risk industry	“It is relatively less risky in the IT industry as long as you don’t take bold actions. If our customers fail to make their instalment on time, we can easily discontinue The Cloud service we offer.” (<i>Pi</i>)

Four of the six TEFs were less risk-averse. In general, they did not perceive domestic and foreign risks differently (e.g. TEFUK2, TEFUK4, and TEFCA3), hardly evaluated risks formally to aid their internationalisation decision-making (e.g. TEFUK2, TEFUK3, TEFUK4), and considered risk to be part of their routine. Following a description of risk-taking firms, they were rather indifferent about different levels of risk (Busenitz, 1999). All four firms preferred high-risk projects. Epsilon of TEFUK3 gave an interesting scenario of how he dealt with the risk of operating in China, where he had to make adjustments in order to stop the losses and manage that risk:

“We first started our operation in China by “delegation”, that is, finding some local sales people to represent us. Later on, we found this didn’t work well, and we were in great danger, as every location was making a loss. Then we changed our ways and took the power back. Generally speaking, Chinese people have a bad trait in that if you empower your delegates too much, they may start doing things against you. So, it was too risky for us to delegate to people. But now because we are in control, we are comfortable with handling risk in China.”

In contrast, four other firms chose a lower risk-taking posture. Overall, they seemed to avoid risk wherever possible or to keep it at a low level, and took a pragmatic approach in doing businesses, i.e. they would not transact until revenue was reliably secured (e.g. IEFUK1, IEFCA1). TEFUK2 was risk-averse for the reason that the CEO is uncertain about the next strategic move of the company. TEFCA4 considers itself to be competing in a safe environment that has a minimal level of risk. It may also be that as entrepreneurial firms, they do not really view their venturing as risky (Cooper et al., 1998).

Moreover, all firms in the low risk-taking group perceived the IT industry as being low-risk. They agreed that compared to the Internet bubble age of the early 2000s, the risk of competing in the IT industry was decreasing for two reasons.

On the one hand, IT firms have become more rational, coming to understand that the probability of becoming the next *Skype* or *Facebook* is low. On the other hand, technological advancement has also played a significant role in reducing business risks. These four low risk-taking firms seemed to be content with the *status quo* and were not prepared to make any bold moves in the near future.

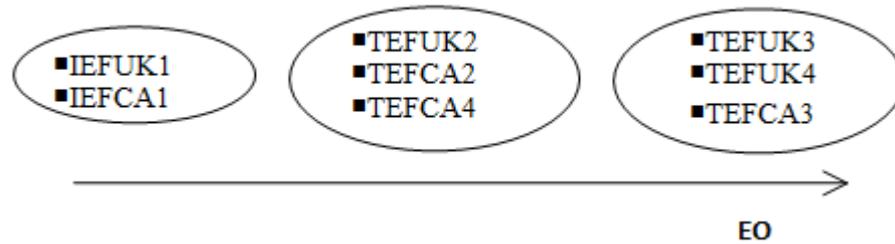
Summary

Table 5.2.4 and Figure 5.2.4 summarise all the three EO dimensions discussed above and give an indication of the degree of EO for each firm. If a firm scored highly on all three dimensions, it would be considered to have a high degree of EO, a moderate degree of EO if it scored highly on any two of the three dimensions, and finally, a low degree of EO if it scored highly on only one dimension.

Table 5.2.4 EO of case firms (Source: the author)

Firm	High proactiveness	High innovativeness	High risk-taking	Degree of EO
IEFUK1		i		Low
TEFUK2		i	i	Moderate
TEFUK3	i	i	i	High
TEFUK4	i	i	i	High
IEFCA1		i		Low
TEFCA2	i	i		Moderate
TEFCA3	i	i	i	High
TEFCA4	i	i		Moderate

Figure 5.2.4 EO of case firms: An illustration (Source: the author)



As a result, three out of the eight firms, who are all TEFs, are classified as firms with high degrees of EO. Other TEFs show moderate degrees of EO. Only the two IEFs have low degrees of EO. For TEFs, similar to their host country indigenous counterparts, innovativeness, risk taking and proactiveness facilitate internationalisation. These findings suggest that TEFs tend to demonstrate a higher level of (international) EO than IEFs. Although it may be argued that resource-limited firms do not need to achieve high levels on each sub-dimension in order to internationalise (Dai et al., 2013), an overall high degree of EO seems likely to further facilitate successful SME internationalisation in the TEF context.

5.2.2 Network proclivity

Social capital of TEFs and IEFs

The internationally-linked structural and cognitive dimensions of the case firms' social capital are evaluated as discussed in Section 3.3.2. In addition, the role of social capital in each firm is assessed following Chetty and Agndal (2007). Findings on the social capital of firms are summarised in Table 5.2.5. For the two dimensions of social capital, a higher magnitude in each of their sub-dimensions indicates a higher level of social capital. For example, strong bridging ties are the best knowledge providers abroad, especially when firms internationalise to an emerging economy (Levin and Barnard, 2013).

Table 5.2.5 Social capital by dimensions and roles: Case firm findings

Firm	Structural dimension			Cognitive dimension		Role of social capital
	<i>Strong network ties</i>	<i>Consistent network configuration</i>	<i>High network stability</i>	<i>High degree of shared goals</i>	<i>High degree of shared culture</i>	
						<i>Efficacy, serendipity, and/or liability</i>
IEFUK1	i	i	i	i		Efficacy; serendipity
TEFUK2	i		i		i	Efficacy
TEFUK3		i	i		i	Liability
TEFUK4	i	i	i		i	Efficacy
IEFCA1	i		i	i		Efficacy
TEFCA2	i		i	i	i	Efficacy; serendipity
TEFCA3	i				i	Efficacy
TEFCA4		i			i	Liability; serendipity

To begin with, all firms, except for TEFCA4, demonstrated that they were proactive and flexible in exploring and exploiting prospective networking opportunities in accordance with their business vision, but at the same time, it was a trade-off with spending time and resources in maintaining those interpersonal ties and relationships. IEFUK1, TEFUK4, IEFCA1, IEFCA1, TEFCA2 and TEFCA3 benefited from network ties described as *introducers* (Johansson and Mattsson, 1988) or *go-betweeners* (Uzzi, 1997), which facilitated them to forge new relationships in networks not previously connected. It often happened through satisfied partners or customers. At the same time, TEFUK2 maintained its strong established networks more through the TE's personal ties with the CEOs of other companies. These firms reckoned that the extent of structural social capital was often limited, however, it was seen as important sources of new international business opportunities.

Indeed, this finding reinforces the study outcome of Ellis (2011) that lack of resource can be substituted by social ties. Most of the firms' foreign activities were supported by a few long-term key clients, conforming to Schutjens and Stam's (2003) argument. Key foreign customers can often provide high value and sustainable businesses (Schutjens and Stam, 2003). The significant roles of key clients and partners in the overseas component of the firm lend support to their need and motivation for deliberate networking (Slotte-Kock and Coviello, 2010).

Many network configurations constantly change and adapt, depending on the requirements of partners and the context within which the network operates (Koch, 2004). Consistent configuration of network ties was achieved by fewer firms, compared with those who had strong network ties. While the three TEFs (TEFUK3, TEFUK4, and TEFCA4) showed a high level of centralisation in their current configuration (i.e. the degree to which ties are concentrated among few people in the firm), IEFs consistently focused on structural holes (i.e. the absence of connections between employees) so that it ensured all management staff were on the same level in terms of network ties.

Consistent configurations should increase network stability and may thus have a positive impact on the flexibility and ease of knowledge exchange among network members (Inkpen and Tsang, 2005). Those firms (TEFUK2, TEFCA2 and TEFCA3) with inconsistent configurations still struggled with fine-tuning their network hierarchy, density, and connectivity. At the same time, a few companies such as TEFUK3, TEFUK4 and TEFCA4 were keen to cultivate strategic relationships and maintain their current social capital configuration, as observed in the following comments:

“Maintaining relationships with partners is tricky. Some of them have high standards, but some are very price-sensitive. We learn about their preferences when we first approach each other. Normally, I would ask my manager in charge to file a report about each partner we work with and pass it around to the management.” (Epsilon of TEFUK3)

“Because our partners are as innovative as we are and mis-communication really costs, we must work closely with them to make sure everything is up-to-date. Like, perhaps, there is no point of making an update to a furniture catalogue app that is going to expire next month. Normally they [the partners] would let us know well in advance when they are about to make changes.” (Theta of TEFUK4)

“I have to say every partner is different and requires different levels of partnership with us. There is no fixed approach to apply for all, but you just have to pay personalised attention.” (Pi of TEFCA4).

Furthermore, there was some evidence that immigration may affect TEFs' network stability. Two Canadian TEFs were unable to secure high network stability. Indeed, emigration may

result in the decay of social capital in the home country (Cerdin et al., 2014). These two firms had to start anew in acquiring and accumulating social capital in China when they returned. TEFCA3's unstable status was mainly because the CEO only recently launched business activities in China and was still in the assessment of his current and potential network partners for further expansion. TEFCA4 was a young firm still searching for appropriate partners in China. Thus, these two firms were relatively equivocal whether they should maintain their current networking relationships or not.

On the cognitive dimension of social capital, while shared goals represent the degree to which network members share a common approach to the achievement of network tasks and outcomes, shared culture refers to the degree to which norms of behaviour govern relationships (Nahapiet and Ghoshal, 1998).

Shared goals may have an impact on the role of social capital, as this facet determines the usefulness of the firm's networking relationships. The evidence shows that a large number of shared goals were more likely to be achieved, when the firm's network members were corporate partners (e.g. IEFUK1 and TEFCA2). For a smaller-scale network partner, it might be more difficult to align network activities with each other due to different levels of marketing orientation. The relatively low degree of shared goals among most of the TEFs might indicate that TEs would prefer individualistic and opportunistic behaviours. They seemed disinterested in developing shared goals, as opposed to IEFs. As Gamma of TEFUK2 commented,

“We would not seek a shared vision [with my partners]. It would be good [to have shared visions] but it is not necessary. We care more about the sharing of knowledge and technology. Our mutual understanding is there as long as we act according to our agreement.”

As for TEFs, shared vision and beliefs, compatible work attitude and styles, and the complementary capabilities of the prospective partners in the corresponding business sectors were their major selection criteria for network partners. Shared culture was inherently embedded when those Chinese TEFs developed their networks in China. It was one of the main reasons that they chose to enter their home country market, as they “think alike” with their strategic partners.

However, it seemed to be more difficult for IEFs to achieve a high degree of shared culture. IEFUK1 faced some ethical challenges when it planned to develop its networking resources in West African countries, where it was expected to send bribes to the management of the local company in order to build up the relationship. Similarly, IEFCA1 struggled with the business culture of France so much that it was reluctant to establish a deeper social network there, as Kappa commented,

“As a Canadian company, the French language isn’t an issue. But I can’t cope with the [business] culture in France, which is really something different. They are not upfront about what they are actually thinking. If you want to get some business done, you have to have a meal with them. It is a waste of time to spend hours on a lunch without talking about the project. I just can’t understand it.”

On the other hand, the efficacy role of social capital refers to the usefulness of a firm’s social capital (Chetty and Agndal, 2007). The evidence from six firms employing social capital for its efficacy in Table 5.2.5 confirmed the importance of the social context, as emphasised in the social capital literature (Yli-Renko et al., 2002). The more these firms interacted with their partners, the more resources they acquired from the partnership. Consistent with Johanson and Vahlne (2006) as well as Buckley and Carter (2004), information sharing and knowledge development were frequently mentioned (e.g. TEFUK4, and TEFCA4) as resources that were acquired from the network. A few firms (e.g. IEFUK1, IEFCA1, and TEFCA2) recognised the value of interacting with their customers, as they received numerous referral opportunities that led to future sales. Lastly, Iota of IEFCA1 emphasised not only the importance of hiring local salespersons, but also of hiring salespersons “with good networks” to help the company succeed in a foreign market.

The serendipitous role of social capital refers to unexpected opportunities to enter a foreign market arising through the firm’s network of relationships (Chetty and Agndal, 2007). Three observations were found to support the role of serendipity that triggered and facilitated foreign market penetration. As Yli-Renko et al. (2002) suggest, acquiring information from networks provides access to new and previously unimaginable opportunities for firms.

The liability role of social capital refers to the foreign entry that a firm undertakes because it experiences some problems with its business partners (Chetty and Agndal, 2007). Two TEFs had this type of social capital role that drove them to find new markets. For example, business partners might not be committed to firms' product or service and thus would not achieve the expected sales target, or, the costs and time associated with maintaining their relationships with a joint venture which might fail, as in the case of TEFUK3. In addition, TEFCA4 was compelled to internationalise when they realised that they had become over-reliant on their business partners in their home country.

Mixed embeddedness of TEFs

Since this construct is specifically tailored to entrepreneurs who are the minority in the host society, the analysis in this section is only pertinent to the six TEFs. In addition, the evidence cannot be compared with previous studies relevant to mixed embeddedness of TEFs since none have been found. The mixed embeddedness construct involves a richer ontology than other approaches regarding immigrant/transnational entrepreneurship by relating grounded actor perspectives and opportunity structures (in which TEFs maintain or expand their business) in a pluralistic and non-deterministic way (Kloosterman, 2010). In particular, the mixed embeddedness approach is concerned with how TEFs exploited their privileged networks in the home country, and perceived their newly established ones in the host country environment.

The three Chinese TEFs in the UK are first discussed. The founder of TEFUK2, Gamma, who has been a UK citizen for over 20 years, acquired his network resources through two sources. He had worked for the Glasgow city council before he started his own company in the 1990s. As the only Chinese-speaking employee, he was often summoned by the council to leave his job in the finance department and serve as an interpreter for some Chinese officials or business delegations because the English translator from China could not understand the Glaswegian accent. Through those translation works, he had the opportunity to meet a number of Chinese officials and businesspersons who became his friends and invited him to do business in their regions of China. If it was serendipitous in his first source of networking, his second source of social capital came from his family's side. The social capital in the home country was still maintained following his immigration. As Gamma reflected:

“Although I moved to the UK at a young age, I always had friends and family back home. There is no problem for me to talk to them or ask them to do me a favour, because I knew them when I was a young boy. Magically, it ends up that they are all powerful people now...it just happened to be this way.”

Hence, local connections to TEFs are useful in reducing the distances (e.g. cultural, psychic, and others) (Zaheer et al., 2012). Embedding in a dual location setting, Gamma further elaborated on his perception of the Hong Kong-Scotland entrepreneurial culture difference:

“Hong Kong is so small that if you don’t try to trade with other people, you won’t survive. Here is a big difference in Scotland; everyone is looking for a job. But people in Hong Kong are different. They try to create a job for themselves and to create something to make a job. Two different things.”

As a young entrepreneur living in the UK for six years, Epsilon of TEFUK3 adopted the opposite approach to Gamma in terms of network linkage with China. Despite having a high degree of EO, the company hardly used any network resources when it internationalised to China. While it was a normal practice for many others, Epsilon did not even set up an establishment in his hometown. Rather than utilising any formal or informal network resources, Epsilon reckoned that two factors are important for doing business in China: choosing the right industry that is on the rise and knowing where the market demand is. TEFUK3 simply monitored the regional markets, estimated the demand, and entered those regional markets with high demands. However, Epsilon did admit the importance of networks and planned to do some network-based business in upcoming projects:

“Although I don’t think much of the necessity of having good networks for opening up business opportunities, I do know that it does not hurt to have them. In fact, now I try to attend local networking events and try to meet people and introduce my firm to them. Some of them even have a better network in China than I do, so why not seek partnership with them?”

Another surprising finding of TEFUK3 is that the company reported to have suffered a significant institutional barrier in China as a UK company. However, as a domestic

company with a Chinese background in the UK, the entrepreneur Epsilon also claimed that conducting business in the UK was “even worse than in China.” He described one frustrating experience he had had in the UK,

“The relationship with local partners is troublesome. It is a feeling hard to describe. Like, I can be very good friends with British people, but when I work with them, we seem to be incompatible. I tried very hard and many times, but it never worked well. We finally have to part our ways as working partners. We never had any big issue there, but it somehow never worked in the end.”

Eta relied upon his personal networks heavily when TEFUK4 entered the Chinese market. However, he only started acquiring his social capital after he had come to the UK. His UK university classmates, who returned to China and started business venturing after graduation, became the major source of TEFUK4’s social capital. These returnee entrepreneurs greatly facilitated Eta’s market penetration in China. This benefit of international human mobility for IB is identified by Filatotchev et al. (2009). Returning the favour, Eta also assisted his alumni when they attempted to enter the UK market from China by imparting them with local knowledge of the UK.

In contrast with TEFUK3’s Epsilon, Eta perceived the UK as an extremely business-friendly environment. The difference in perception might be due to the different uses of social capital between the two entrepreneurs. He did his master’s degree in software engineering in the UK, during which he became familiar and accustomed to the UK environment. Then, he gave up his PhD study at another UK university three months after commencement in order to exploit an identified business opportunity as soon as possible. In retrospect, Eta was not regretful of the drop-out decision because he seized a profitable opportunity.

On the other hand, Lambda’s TEFCA2 adopted a similar approach as TEFUK4. As its product offering ranged from in-home displays and energy engagement products for consumers to advanced data analytics for utilities, its major current and potential customers in China were high-end real estate developers, who had high requirements for energy distribution and management, green building initiatives and practices. All orders received from China came from Lambda’s university friends who returned to work in China after their Canadian post-secondary education. They were in management positions at those (sometimes state-owned) real estate corporations in China and able to make key purchase

decisions for large-scale development projects. Lambda also appreciated the use of *LinkedIn*, which allowed up-to-date company information to be automatically delivered to his connected university friends without needing him to send them emails individually. He regarded *LinkedIn* as an information hub so that when the managers in China needed to make a purchase of a sustainable energy management system for newly developed complexes, they first checked on the TEFCA2 and Lambda's pages on *LinkedIn*. They then directly contacted Lambda rather than TEFCA2's sales department for placing orders if they found something suitable for the project. Thus, the use of the Internet may also provoke international entrepreneurial activities (Reuber and Fischer, 2011). Lambda would typically offer an alumni discount but it did not hurt his company's profitability because of the reduced transaction costs.

Socio-economic embeddedness was also critical to TEFCA2's international development. Lambda immigrated to Canada with his family when he was a teen, and perceived himself to be more Canadian than Chinese. To him, Chinese is being just a working language, but he found himself well assimilated into the Canadian society with few cultural and linguistic barriers. He deemed that the current Canadian policy appeared to encourage small businesses to go abroad. It was akin to being borderless especially for going to the US. Canadian firms had to go abroad in order to survive because the domestic market was too small and became saturated easily, commented TEFCA2's Mu.

Next, TEFCA3's Ni was in a different situation, as he was unable to utilise any social capital during the company's internationalisation to China. At that point, the company had been in operation for ten years with locations in the US. However, after a long period of migration, Ni lost all his former personal contacts and relationships back in China. Similar to TEFUK3's Epsilon, Ni's Chinese background did not give him an advantage in networking over other foreign SMEs entering China. He emphasised the importance of finding trustworthy local partners without them stealing your ideas. Although Chinese culture and language were much different for Canadians, it was not a problem since the company knew China well. Ni self-translated his company website from English to Chinese. In addition, he offered his advice to foreign firms entering China:

“To move to a market with a completely different culture, you have to get the input of the locals. Understand the cultural differences, like marketing. You don't

alienate them, and you don't tell them what they want. You have to show them that your product is integrated into their lifestyle.”

As part of mixed embeddedness, Ni also reflected on the US impact on the Canadian economy. The US did not show any considerable institutional and cultural differences, but the US market was much larger, “There is no way to have a sustainable business just within Canada” (Ni). Even if there were any issues as a non-indigenous company, the key was to hire local employees to overcome the liability of foreignness for the management.

Therefore, there was almost no difference for TEFCA3 operating in the US from operating in Canada. TEFCA3's branch in Silicon Valley allowed the firm to connect with other similar firms sharing the same interests and to innovate together. Since Silicon Valley has a culture of small firms working together in a shared space (Saxenian, 2006), the firm was able to develop a new product and then bring it back to Canada.

Ultimately, to the TEFCA4 founder Omicron, the Chinese background was an advantage to him for conducting IB between Canada and China. Johanson and Mattsson (1988) highlight the important role of introducers. The firm had a specialty application product that they developed for mobile service providers. One of their Canadian start-up investors was impressed by the creativity and usability of the product, who had a strong relationship with China Telecom. He introduced China Telecom to the company, who commissioned the company for a multi-million project. That opportunity substantially jump-started the company's internationalisation and profitability. It seems essential for TEFs not only to utilise their social capital in their home country, but they should also embed themselves in their host country and seek to acquire new social capital.

Contrary to TEFCA2 and TEFCA3, TEFCA4 did not reckon that the current Canadian policy was conducive to new businesses and that the North American market was too saturated not to expand to other parts of the world. According to Omicron:

“If you only look at the Canadian market, it is too restrictive to start and develop a new business. The North American market is big, but it is highly competitive because the market has been very well developed. With an increasingly globalised economy, there are many more ways of entering a foreign market, and it will give the company more opportunities if it internationalises and tries to enter different

markets. But at the same time, you have to understand the society you plan to go to and check if you are able to adjust to it, before making any bold decisions.”

There may be language and business barriers in Canada. However, those barriers were minimal because technology was the common language, maintained Omicron. The firm was able to re-create software products with lower costs to survive in Canada and enter emerging markets like China. Thus, sustaining innovation-related activities can be an approach for TEFs to get accustomed to the domestic socio-political setting of the host country.

Summary

TEFs differ from IEFs significantly in the cognitive dimension of social capital as TEFs enjoy a high degree of shared culture and mixed embeddedness, which is crucial for them to have access to international opportunities and internationalise successfully. These findings confirm preceding conceptual and empirical works such as Jack and Anderson (2002), Kloosterman (2010), and Ram et al. (2013).

5.2.3 International motivation

International motivation is the entrepreneurial process of initiating international venturing and sustaining it with purposeful engagement at both the individual and firm levels. Prior studies (e.g. De Clercq et al., 2011; Dimitratos et al., 2012) have operationalised the concept into two elements: whether there is a culture in the firm that employees are free to propose ideas and suggestions regarding the firm’s internationalisation, and whether the entrepreneur has an international vision or plan during venturing.

Accordingly, all respondents were asked to evaluate these two elements in their firm and a thematic analysis was subsequently conducted on the transcripts of interviews to understand how the firm’s international motivation propels its internationalisation. The main points of their assessment are summarised and selected quotations from the sixteen interviewees are presented in Table 5.2.6.

Table 5.2.6 Evaluating the international motivation of interviewees (Source: the author)

Firm	Interviewee	Dimension 1: Employees are encouraged to give ideas and suggestions to firm’s	Dimension 2: Entrepreneur has an international vision or plan
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		international activities and entrepreneur is receptive	
IEFUK1	Alpha	<ul style="list-style-type: none"> • Significant two-way communication • Check-up on employee understanding • Ineffective dissemination <p><i>Exemplification:</i></p> <p>“What is more important is the one day strategy workshop so we normally attempt to tell people about what the plans are, but we are also trying to engage them in developing those and work into contribution.”</p> <p>“To check on that, we send out an internal survey to see if everyone got the vision.”</p> <p>“Alarmingly, not everyone has the same understanding out of these meetings. You thought you demonstrate once and that should be enough, or twice whatever, but actually, we always start every meeting with a re-statement of where we were going, and that is what we are trying to do. So it is amazing how people form their interpretation, not very straightforward.”</p>	<ul style="list-style-type: none"> • Strong international vision <p><i>Exemplification:</i></p> <p>“We are always trying to collect information about key oil & gas centres... what we look for is where to get the best penetration in the shortest time with the least amount of cultural barriers so obviously the US is very open for us. Canada is a smaller opportunity. But certainly we will look at what is already there. Australia is very active right now, but it is a bit far away from us.”</p>
	Beta	<ul style="list-style-type: none"> • Regular communication between management and staff <p><i>Exemplification:</i></p> <p>“We have regular monthly meetings with employees to talk about strategic planning, the strategy and the adoption of that strategy.”</p>	<ul style="list-style-type: none"> • Reactive international vision <p><i>Exemplification:</i></p> <p>“We do not have to have a proactive plan in order to go abroad. There are many clients in the UK who own foreign assets. We can be simply internationalised by going abroad with UK companies. We have very niche product in a niche market. For the niche, it is evitable you have to</p>

			operate outside of the UK as well.”
IEFCA1	Iota	<ul style="list-style-type: none"> ● Regular and consistent motivation dissemination ● Employee opinions collected during meetings <p><i>Exemplification:</i></p> <p>“Meeting is the main way, like monthly company-wide meetings; daily meetings with separate teams; sometimes emails.... We ask our staff to anonymously write about what they think of the vision on small a piece of paper after meetings”</p>	<ul style="list-style-type: none"> ● Strong international vision <p><i>Exemplification:</i></p> <p>“We are absolutely continuing to grow. Fifty per cent of leads to our new product line come from outside of North America.”</p>
	Kappa	<ul style="list-style-type: none"> ● Periodical dissemination and active employee engagement <p><i>Exemplification:</i></p> <p>“After each meeting, we [senior management] carefully read the feedback on these pieces of paper and see if we can find something eye-catching.”</p>	<ul style="list-style-type: none"> ● Strong international vision both proactively and reactively <p><i>Exemplification:</i></p> <p>“We have no choice. The market in Canada is too small. We have too many unexplored markets to sell our products.”</p>
TEFKUK2	Gamma	<ul style="list-style-type: none"> ● Tacit communication from entrepreneur to employees <p><i>Exemplification:</i></p> <p>“My employees know perfectly well about what I think, as we are too small not to directly spend time on revenue generation. I do not have to tell them repeatedly about my vision.”</p>	<ul style="list-style-type: none"> ● Reactive vision to internationalisation <p><i>Exemplification:</i></p> <p>“If there is something good enough that comes up, yes I will go along with it and grow the company. If not, I will take it easy and just sit back.”</p>
	Delta	<ul style="list-style-type: none"> ● Little employee education, nor employ input <p><i>Exemplification:</i></p> <p>“The plan ahead is really dependent on my boss. But we are happy with the way it is.”</p>	<ul style="list-style-type: none"> ● Weak international vision <p><i>Exemplification:</i></p> <p>“We do not have a particular plan for the international market. But if opportunities come to us, we will definitely evaluate the possibility of going ahead.”</p>
TEFCA2	Lambda	<ul style="list-style-type: none"> ● Proactive and regular management-employee 	<ul style="list-style-type: none"> ● Strong international vision

		<p>communication</p> <p><i>Exemplification:</i></p> <p>“We have bi-weekly strategy meetings at which we discuss the next step of the company with employees.”</p>	<p><i>Exemplification:</i></p> <p>“We have set a clear vision to go for a few more national markets because of the success in the existing markets. Like when we succeeded in Australia, then we decided to go for New Zealand.”</p>
	Mu	<ul style="list-style-type: none"> • Effective employee engagement in shaping the firm’s vision <p><i>Exemplification:</i></p> <p>“Both co-founders have an MBA degree, so the company follows a textbook style in engaging employees into vision-making.”</p>	<ul style="list-style-type: none"> • Strong international vision <p><i>Exemplification:</i></p> <p>“I sometimes worry if we can scope with the speed of expansion. But looking at the financial figures, I know keeping going abroad is the right option.”</p>
TEFUK3	Epsilon	<ul style="list-style-type: none"> • No formal dissemination to employees • Open firm culture <p><i>Exemplification:</i></p> <p>“I assume my employees always know what I plan to do from our informal talks from time to time. But absolutely, they are always welcome to knock on my door and talk to me.”</p>	<ul style="list-style-type: none"> • Clear and cautious international motivation <p><i>Exemplification:</i></p> <p>“For the next step, we want to go to the neighbouring Ireland as well as the States where the consumer base is huge. But, whether to carry out this plan really depends on the direction of the global economy.”</p>
	Zeta	<ul style="list-style-type: none"> • Little employee education <p><i>Exemplification:</i></p> <p>“There is no dedicated dissemination process in the company. We are okay with the way we are. The company is small and the staff should know the manager’s decisions very well and quickly.”</p>	<ul style="list-style-type: none"> • Strong international motivation <p><i>Exemplification:</i></p> <p>“The company has plans to internationalise further in the next 3-5 years and we are finalising the details at the moment.”</p>
TEFCA3	Ni	<ul style="list-style-type: none"> • Tacit communication between entrepreneur and employees <p><i>Exemplification:</i></p> <p>“We are making our employees part of the planning process. So it may seem ‘invisible’ but they contribute all the time.”</p>	<ul style="list-style-type: none"> • Very strong international vision <p><i>Exemplification:</i></p> <p>“We definitely keep going abroad for sure. We are in talks with a few potential overseas partners at the moment.”</p>

	Xi	<ul style="list-style-type: none"> • Open firm culture <p><i>Exemplification:</i></p> <p>“We have an open-door policy for employees. Whenever we conduct a job review with employees, we always end it by asking them if they have anything to say about the company. And some good ideas are collected that way.”</p>	<ul style="list-style-type: none"> • Strong international vision <p><i>Exemplification:</i></p> <p>“Initially the company had some trouble in internationalising; but it has proven to be the best move we’ve ever had. Now we are definitely continuing on internationalisation.”</p>
TEFUK4	Eta	<ul style="list-style-type: none"> • Tacit communication between entrepreneur and employees • Open firm culture <p><i>Exemplification:</i></p> <p>“There are no specific means to educate employees because I do not feel it is necessary... I think it is important to listen to employees because they may see things you don’t see. Sometimes they really inspire me.”</p>	<ul style="list-style-type: none"> • Strong and clear international vision <p><i>Exemplification:</i></p> <p>“I’ve been always wanting to have an international company since I founded it. So far, we have closely followed our initial plan and I am satisfied with the progress. We will concentrate on Asia in the next few years.”</p>
	Theta	<ul style="list-style-type: none"> • Little employee education <p><i>Exemplification:</i></p> <p>“Although we do have regular meetings, we always talk about day-to-day operations rather than planning or vision.”</p>	<ul style="list-style-type: none"> • Strong international vision <p><i>Exemplification:</i></p> <p>“The company is doing well in the foreign markets; we certainly enjoy it and are ready to make further commitment.”</p>
TEFCA4	Omicron	<ul style="list-style-type: none"> • Tacit communication between entrepreneur and employees <p><i>Exemplification:</i></p> <p>“I think my people should know my plan fairly well, through the company’s media reports and website. It might be a waste of time to repeat what’s already out there.”</p>	<ul style="list-style-type: none"> • Very strong international vision <p><i>Exemplification:</i></p> <p>“Since our goal is to become the market leader, we must internationalise. If we don’t, competitors will copy our products and put us behind.”</p>
	Pi	<ul style="list-style-type: none"> • Implicit communication channel between management and employees <p><i>Exemplification:</i></p>	<ul style="list-style-type: none"> • Strong international vision <p><i>Exemplification:</i></p> <p>“We were already international at ‘Day 1’ of the company, a</p>

		<p>“We do not have a specific programme that allows communication between management and employees. It may be an area we have ignored now that you mentioned it; but we are okay for now.”</p>	<p>Canadian company having an office in New York. There is no way that we retreat. We will have more branches and collaborations globally.”</p>
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The findings generally show that TEFs and IEFs are differentiated by their international motivations. Each IEF emphasises a strong international vision and the importance of international venturing engagement from employees of all levels. This is consistent with the quantitative findings of Dimitratos et al. (2012).

The IEF founders, Alpha and Iota, confirmed that they encouraged two-way communication within their firm and engaged in the dissemination of their international vision through formal employee education. While Alpha paid more attention to checking the understanding of his employees by surveying them after each strategy workshop, Iota preferred to gather feedback from employees after presenting his vision and ideas at every meeting.

In addition, both of them were strongly committed to further internationalisation. Although both reckoned there existed plenty of profitable international opportunities, they had to evaluate carefully for the next foreign entry due to current resource constraints. The secondary interviewees of the two IEFs also showed high international market orientation, and international market orientation is positively associated with international motivation (Dimitratos et al., 2012).

In contrast, the findings of the Chinese TEFs were aligned differently. The most significant distinction was that although Chinese senior managers confirmed that their employees were encouraged to be proactive in the firm’s international venturing and they were receptive to feedback, it was necessary for them to communicate their vision and plans explicitly to their employees. They simply presumed their employees should be able to understand the direction of the firm simply by experiencing the daily operations of the firm.

The presumption of an implicit understanding from employees may be explained by the cultural work values maintained by Chinese TEs, namely the aforementioned Confucian dynamism. According to Confucian dynamism, a hierarchical relationship is essential to maintaining a good order in the organisation (Ji and Dimitratos, 2013). It may be that due

to their hierarchical mind-set, Chinese TEs may see informing their employees explicitly about their vision or plan as “breaking the order”. They may rather perceive the process of setting and adjusting the firm’s international vision as a representation of their higher-level status in the hierarchy. Thus, TEs may be open to employee contributions in international venturing, but they are cognitively resistant to initiate communication with their employees about their vision or planning.

A similar orientation was found in TEFs’ international vision to that of IEFs. The senior managers of the firms agreed that the firm should have content-rich goals for internationalisation, as “the power of goal-setting is incredible” (Zeta, TEFUK3). The consensus was that it was important to train staff on what the management aimed to accomplish in the next few years, encouraging them to persevere when facing temporary adversity.

The only exception was TEFUK2, who identified its current main product at the late maturity of the innovation life-cycle. At the transitional stage where it considered phasing out the product or re-innovating completely, it withheld its next strategic move until it was able to reconfigure its resource capacity.

To sum up, it has been revealed that both differences and similarities exist between IEFs in the UK and Canada and Chinese TEFs hosted by them. The international motivation of IEFs seems to coincide with the existing literature, that they possess a strong international vision or plan. IEF managers tend to be receptive to employee engagement in shaping the international landscape of the firm. In return, they proactively impart their employees with the short- and long-term plan of the company.

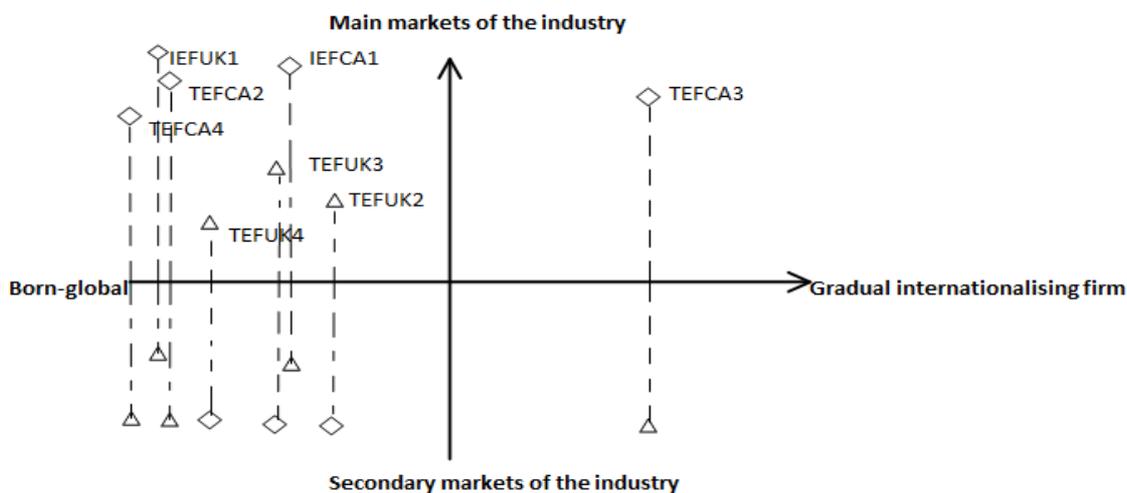
On the other hand, although TEFs appear to share with IEFs a high level of international vision, the “bottom-up”, one-way communication seems to be a unique feature of Chinese TEFs. They tend to be open to employees’ suggestions, but they are not proactive in disseminating their international vision or plan to their staff, possibly because of their Confucian work ethic.

5.3 Dimensions of internationalization: TEFs and IEFs

5.3.1 Introduction

Interviewees were asked about internationalisation dimensions of their firm and their responses were triangulated by interviewing the three IT business consultants. Figure 5.3.1 provides an overview of the internationalisation dimensions of the eight case firms. While the horizontal axis indicates the speed of internationalisation, which differentiates a BG from a gradually internationalising firm, the vertical axis represents international market presence, where companies operate between the key national markets of the industry and peripheral markets. Consequently, the US was seen as the main national market of the IT industry. All Canadian firms further concurred that Canada is a small country in terms of market demand.

Figure 5.3.1 Market presence and internationalisation speed: Eight case firms
(Source: the author)



Note: ◇ represents the market where the firm makes its major foreign sales; △ represents the market where the firm makes its peripheral sales.

All Canadian TEFs, like IEFs, competed in the main markets for each industry. Although Chinese TEFs in the UK did not regard China as a peripheral market, they also did not regard it as their most important market either. They mentioned that China was the second most important market or the one that had the potential to become the next most important market. For example, TEFUK4, who internationalised to China only, was largely seen as operating in a relatively less important market for the industry. In terms of timing, while most firms were still at the stage of product development with minimal sales, they (except

for TEFCA3) were all internationally active close to or even prior to founding. The following sections discuss these two dimensions in detail.

5.3.2 International market presence

The respondents were asked to identify the most important national market for each industry (i.e. “Which is the biggest national market for your industry in terms of sales volume?”) as well as the main sales market of the firm *per se* (i.e. “Which is the best-selling national destination for your product/service?”). Table 5.3.1 summarises the information, in addition to the information on all the overseas markets of each firm.

Table 5.3.1 Overview: International market presence of case firms (Source: the author)

Company	Current overseas market(s)	(A) Key country of industry	(B) Key sales market of company	(A) matches (B)?
IEFUK1	Azerbaijan, West Africa, Trinidad, the US	The US	The US	Yes
TEFUK2	China, Hong Kong, Middle East	The US;	China	No
TEFUK3	China	The US	China	No
TEFUK4	China, Hong Kong	The US	China	No
IEFCA1	Brazil, France, the US	The US	The US	Yes
TEFCA2	Australia, China, Hong Kong, the US	The US	The US	Yes
TEFCA3	China, the US	The US	The US	Yes
TEFCA4	China, Hong Kong, the US	The US	The US	Yes

These firms sold in a limited number of overseas destinations, ranging from one country to four. It seemed that although most firms had been internationalised for a certain period, they did not reckon the number of markets to be positively relevant to venturing success.

As IEFUK1's Beta comments, "We would never expand our business all over the place like crazy. It is rather an irrational and risky approach for a small firm like us, and our focus on core customers would be diverted."

Although entrepreneurs within the same industry may interpret the industry environment differently (Andersson, 2000), all respondents regarded the US as the key country in the IT industry. Some typical responses are:

"The US, no doubt. Second, Europe? But I could be biased. Obviously, I have the North American-Anglo view of the world. The second could be China, too?" (Iota, IEFCA1)

"Ninety per cent plus of our revenue comes from the US.... We work in an industry that is very "US-centric". That doesn't mean everybody works in the US, but most IT companies have works with that country. So most companies adapt themselves to the US standard and nobody else's. Effectively, the US is the most important market, with no cultural and language barriers for us, unlike France and Brazil." (Kappa, IEFCA1)

The three Canadian business consultants also considered the US the largest market for the industry, with China being the second:

"The US definitely, China afterwards." (Consultant CA1)

"The US is still the biggest for now. However, the market has already been saturated over the years. The Asian market such as China and India has the fastest growing pace in the world." (Consultant CA2)

"The US, then China. Currently, these are the two biggest ones." (Consultant CA3)

As a result, in terms of the industry's key market, there was no perceptual disagreement between IEFs and TEFs. Apparently, the Canadian IEF and Canadian-hosted TEFs benefited greatly from geographic proximity and the minimal psychic distance between Canada and the US, as well as the Canadian-United States Free Trade Agreement (CUSFTA). This coincides with Funk's (2014) argument that proximity allows firms to capture knowledge and market information quickly so that they can swiftly meet market demand and prioritise their R&D on promising areas. In the words of one of the TEs:

“There’s a different jurisdiction and different life issues in European countries, but for us, everything is the same in North America. There are few differences for us, operating in the US or Canada, thanks especially to the trade agreement that simplifies the tax issue [CUSFTA].” (Lambda, TEFCA2)

However, TEFs seemed to differ in their market presence patterns depending on their host country. UK-hosted Chinese TEFs had a higher level of difficulty in accessing the key national market of the industry. Indeed, for IT firms from outside of North America, the downsides of establishing a US presence are higher costs and psychic and physical distance (Hewerdine et al., 2014). However, geographic distance was less of an obstacle for IEFUK1 to enter the US market, which may be due to the low psychic distance:

“...what we look for is where to get the best penetration in the shortest time with the fewest cultural barriers, so obviously the US is very open for us. Canada is a smaller opportunity. But certainly, we will look at what is already there.” (Beta, IEFUK1)

As TEFs normally have a high psychic distance from the key national markets of their industry, it appears that the geographic closeness to the key industry market may play a significant role for TEFs. In other words, when TEFs’ host country (e.g. Canada) is adjacent to the key national market of the industry (e.g. the US), TEFs tend to prioritise their resources and capabilities to compete in that market even though they still have presence in their home country market. Geographic proximity to the key market of the IT industry (the US) may grant TEFs more opportunities than their host country (China). Subsequently, Canadian-hosted TEFs might be only interested in maintaining a weaker business link with their home country (i.e. China), compared to their UK counterparts. Hence, UK-hosted TEFs are more likely to become “global smaller” firms, as Dimitratos et al. (2010) describe, actively seeking to achieve market presence away from the key national markets of their chosen industry.

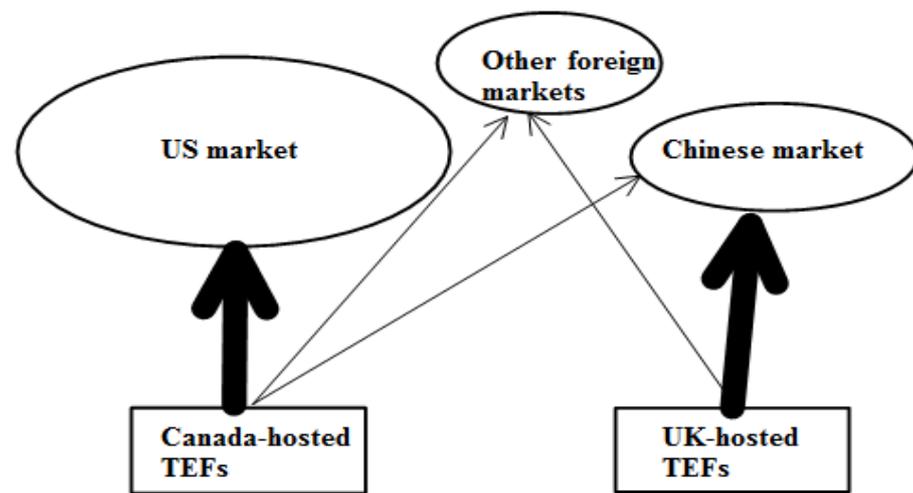
As a result, Canadian-hosted TEFs preferred to seek opportunities in the key market of the industry and then deploy their residual resources and capabilities to the home country market. To them, entering the US market seemed to be an intermediate step to enter the Chinese market. However, it would be difficult for UK-hosted TEFs to access the US market, after they have devoted the majority of their focus to the Chinese market.

Interestingly, none of the UK-hosted TEFs considered the continental European market, which is geographically close and easy to access as part of the European Economic Area (EEA), a regional integration agreement similar to CUSFTA. Seemingly, they failed to recognise the “in-between” market (i.e. the EEA), whereby rich opportunities can exist between the key national market of the industry and the TEFs’ home country market. The effects of EEA and CUSFTA have been researched in Smeets and Wei’s (2010) study of MNEs, and being consistent with their findings, the current study found positive backward linkage effects in CUSFTA. In other words, Canadian firms may continuously benefit from their business presence in the US.

Equivalently, when their host country is geographically distant from the key national market of the industry, UK-hosted TEFs may alternatively prefer their home country market to be the main sales destination, since it is the market they are familiar with. These findings conform to the literature that geographic scope is a source of creating competitive advantage (Hymer, 1976; Cantwell, 2009). However, the greater the geographic distance between trade partners, the higher will be the cost of trading activities (Wang et al., 2010).

The findings depict TEFs’ propensity to enter psychically/culturally close or distant markets in relation to national markets with different industry importance. Figure 5.3.2 summarises these findings, where the thick arrow refers to the emphasis of the firm’s major foreign sales, i.e. the key market of *the firm* (n.b. not *the industry*) and the thin arrow the peripheral market of *the firm*. Canadian- and UK-based TEFs have chosen different types of markets as their focus. Further to the country-level analysis of Wang et al. (2010), the findings of this study show that at the firm level, geographic distance is an important factor for TEF internationalisation. Notably, UK-hosted TEFs contradicts Clark and Pugh’s (2001) finding that the first three target countries selected by UK firms (here, IEFs) are significantly closer than those they entered subsequently in terms of geographic distance. This indirectly confirms that TEFs behave differently to IEFs regarding international market selection.

Figure 5.3.2 International market presence of Canada- and UK-hosted TEFs
(Source: the author)



In a nutshell, echoing prior research (e.g. Funk, 2014; Tallman et al., 2004) reporting that a firm's location affects its ability to reap the benefits of going overseas, the geographic distance between the key market of the industry and the host country significantly has an impact on TEFs' market presence choice, i.e. whether to make the main overseas destination of the firm the key market of the industry or the host country market.

Shorter geographic distance seems to reduce the importance of psychic distance as a market selection criterion. This is possible because of firms' limited resources. Although psychic distance has been conceptually argued to be influential to TEFs (Zahra et al., 2014), this study brings the consideration of geographic distance on the costs, challenges and advantages that arise from locating operations in international markets.

This conclusion echoes Hernandez (2014) that the transnational background positively influences location choice, and advances that geographic distance affects TEFs' foreign expansion. However, it challenges the previous finding (Jolly et al., 1992) that since high-tech, fast internationalisers often depend on a single product, they have to enter the lead

markets first, no matter where such markets are situated geographically. For TEFs, their home country market (i.e. China in this study) provides a strategic alternative when it is too costly or resource-consuming to rapidly enter the key national market of the industry.

5.3.3 Speed of internationalisation

The findings in Section 5.3.2 have revealed the importance of an industry's main market to TEFs. However, how fast these firms started their first overseas business activity should also be factored into the internationalisation map. The speed for the international success of fast internationalisers has been a dominant view among IE scholars (Melén and Nordman, 2009). Linking market presence with speed allows a more sophisticated account of firm internationalisation (Jones and Coviello, 2005).

One distinguishing characteristic of fast internationalisers is that they quickly expand their foreign sales after birth (Hennart, 2014). The speed of internationalisation in this study was evaluated through the question, “*When did you enter the market abroad for the first time?*” Comparing the founding year of the firm with the internationalising year, speed was classified into three categories. The findings, ranging from *less than 1 year*, *1-4 years*, to *more than 4 years*, are shown in Table 5.3.3.

Table 5.3.3 Speed of internationalisation from the founding year (Source: the author)

Company	Less than 1 year	1-4 years	More than 4 years
IEFUK1		X	
TEFUK2		X	
TEFUK3		X	
TEFUK4		X	
IEFCA1		X	
TEFCA2		X	
TEFCA3			X
TEFCA4	X		

TEFCA4 was the only BG among all case firms. While six firms were considered INVs as they internationalised within four years since inception, TEFCA3 was the only gradual internationaliser, taking nine years to make its first overseas effort. Linking with findings

on network proclivity, this result appears to corroborate Lindstrand et al. (2011) that structural and cognitive dimensions of social capital play an important role in speeding up the internationalisation process.

BGs and INVs possess unique firm-specific resources, which allow them to compete in international markets (Jones et al., 2011). In the IE literature, these resources are further defined as technological, organisational, relational, and human resources (Rialp et al., 2005). The BG and INVs in this study were all able to specify and elaborate on their ownership of VRIN resources (Barney, 1991). These findings confirm the suitability of the RBV as the theoretical basis to IE as well as transnational entrepreneurship. For example, Pi of TEFCA4 commented (annotation added),

“We are a leading solution provider of enterprise-grade tele-health data management and wireless sensing technology [rarity].... The company began as an award-winning academic project in September 2010 [value]. Since February 2011, our vision of applying IT technology in the Healthcare domain has been recognised by numerous competitions hosted by North American Academic and Government Institutions [non-substitution]. Most notably, we won the competition that gives six months of free office space in New York City to launch our business. That was how our international business began [being a BG].... Until today, we have not found anyone doing the same thing as us [non-imitability].”

Nevertheless, as for the only gradual internationaliser, the case of TEFCA3 has illustrated the concept of “born-again” global firms (Bell et al., 2001; Bell et al., 2003) that used to only focus on their domestic markets, but suddenly embraced rapid and dedicated internationalisation. It only had five locations in Canada, and internationalised rapidly with eighteen franchising locations within three years after its first international involvement. Although the CEO Ni had had a strong international orientation since the firm’s establishment in 2001, the firm nearly vanished. A bold yet unsuccessful domestic acquisition decision in 2003 put the firm on the verge of going into liquidation. It took the firm almost seven years to recover from the investment loss. From then on, Ni immediately launched internationalisation and started franchising in the US and subsequently in China.

As IT firms typically require high financial resources to develop their innovative capabilities, it is widely accepted that those firms may take many rounds of finance before

it is ready for higher modes of international involvement than exporting (Gabrielsson et al., 2004). Therefore, exemplifying the phenomenon of born-again globals under the transnational entrepreneurship paradigm, and affirming that BG can be perceived a strategic choice, are minor contributions of this thesis. Under this intention-based logic, TEFCA3 should be seen as an exceptional case, still being “fast” in terms of its internationalisation and henceforth should not be seen as an “outlier”.

To sum up, the findings have suggested that in terms of speed of internationalisation, (technology-based) firms competing in the IT industry prefer to be fast rather than gradual internationalisers, as previous studies have indicated (e.g. Mainela et al., 2011; McDougall et al., 1994; Jones, 1999). There is no significant difference between IEFs and TEFs on this dimension. It sounds reasonable because, if technology-based firms do not internationalise their firm-specific technological resources swiftly, they may lose their competitive advantage abroad. On the other hand, these firms may also miss the best time for acquiring and accumulating international knowledge, i.e. generic knowledge about how to engage in international operations (Fletcher et al., 2013), if they were to internationalise gradually.

5.4 International performance: TEFs and IEFs

5.4.1 International performance findings

In order to collect performance information from firms, company respondents were asked to evaluate their perceived performance during the interview (“*How did your company do in terms of overall international performance?*”), fill out a short survey right after the interview (see Appendix 5), and provide their financial statements and tax return documents, for between-method triangulation purposes.

The information concerning international performance of the eight case firms is reported in Table 5.4. “International sales growth over three years” and “Average annual international sales ratios (foreign sales/total sales) over three years” are objective data. Meanwhile, “perceived international performance” (compared with the firm’s initial objective) and “perceived international growth in industry” (compared with its close rivals) are subjective measures.

Table 5.4 International performance of investigated firms (Source: the author)

Company	International sales growth over three years ^a	Average annual international sales ratio over three years ^b	Perceived international performance	Perceived international growth in industry
IEFUK1	12%	40%	**	***
TEFUK2	3% (3%)	47% (40%)	*	*
TEFUK3	15%	55%	***	****
TEFUK4	12%	80%	**	**
IEFCA1	23%	94%	****	****
TEFCA2	27% (5%)	76% (29%)	***	****
TEFCA3	30% (3%)	61% (5%)	***	***
TEFCA4	35% (11%)	90% (10%)	***	****

Notes:

- ^{a, b} For those TEFs that have overseas markets besides China, the percentage from the Chinese market is specified in parentheses.
- **** Satisfaction exceptionally present; *** satisfaction noticeably present; ** satisfaction weakly present; *satisfaction absent.

The finding on TEF performance supports Hernandez (2014) that TEFs have a better rate of survival than IEFs in the international stage. With greater competition and enhanced pressure for innovation in the international marketplace, proactive firms tend to perform better than passive/reactive firms (Parker and Collins, 2010). The objective financial data seemed to suggest an overall tendency for firms to be proactive in this study, and (TEFUK3, TEFUK4, TEFCA2, TEFCA3 and TEFCA4) had a better international performance than their less proactive counterparts.

Following the classification by Dimitratos et al. (2010a), “high-performing” firms yield more than 15% of international sales growth over the past three years) firms. In this study, all such high-performers reported subjectively strong (exceptional or noticeable) satisfaction. All Canadian firms were considered high-performers, largely owing to the geographic proximity to the US. In relation to the findings in Section 6.3.2, it may be

inferred that ease of access to the key national market of the industry tends to lead to superior international performance.

In contrast, during the same three-year period, low-performers (i.e. all UK firms) experienced a change in their international sales ranging from 3-15%, even though some companies had a high average annual international sales ratio. Their overall perceived satisfaction with international performance was low or non-existent. However, IEFUK1, TEFUK3, and TEFUK4 explicitly identified themselves as early adopters in the technology adoption life-cycle (Rogers, 1962) so that they were more optimistic about an increased satisfaction in the future. For instance, some remarked,

“I think what we are...if you think of the traditional curve, we are in the early adopter phase. Definitely right now. So to some extent, a lot of our tasks at the moment are to manage the transition from a traditional project-oriented mean-time services into this innovative and ahead-of-time business. And as I mentioned before, the income from each customer is slashed.” (Zeta of TEFUK3)

“...we honestly are in the early adopter phase...we will establish enough customers and we think we are almost there. I really do believe our adoption will rock it in the next two or three years. It's because once we get the engine going, the cost of going is really small.” (Theta of TEFUK4)

The CEO of TEFUK2 had a “wait-and-see” attitude, because he was neither satisfied with the current international performance of the company, nor did he decide on the next step he should take in order to improve performance. Coupled with the international motivation findings of TEFUK2, this revealed that a lack of strategic vision could damage the firm's profitability.

It was contrasting that Canadian-hosted TEFs generally outperformed their UK-hosted counterparts both subjectively and objectively. However, evidence was mixed when international performance was compared between IEFs and TEFs. This finding seemed to have a significant association with that of the international market presence whereby the former secured better access than the latter to the key market of the IT industry.

Overall, the combined findings reveal that internationalisation intensity to the key market of the industry is positively associated with superior international performance. This

finding also corresponds to a recent study (He and Wei, 2013) that superior performance in the main markets would encourage firms' propensity to enter culturally distant markets. Thus, TEFs are no exception.

5.4.2 Reverse causation between performance, internationalisation dimensions & antecedents

Possible reverse causation, from the consequence of internationalisation (i.e. international performance), to internationalisation dimensions and antecedents in the near future (within three years), is captured. Respondents were asked, based on their performance outlook, whether they would increase, stay the same, or decrease their commitment to IB activities, and if they would change their attitude towards EO, network proclivity, and international motivation. They were asked to mention all the planned changes regarding those aspects. If the respondent did not mention an item even after being cued, the researcher presumed it would stay the same by default. The outcomes are summarised in Table 5.4.1.

Table 5.4.1 Performance effects of internationalisation dimensions and antecedents
(Source: the author)

Company	Dimensions		Antecedents		
	Market presence	Speed	EO	Network	Motivation
IEFUK1	↑	-	-	↑	-
TEFUK2	-	↓	-	-	-
TEFUK3	↑	↑	↑	-	↑
TEFUK4	↑	-	-	-	-
IEFCA1	-	↓	-	-	↑
TEFCA2	↑	↑	↑	↑	↑
TEFCA3	↑	↑	-	↑	↑
TEFCA4	↑	↑	-	-	↑

Note: (1) “↑” means a positive change; “-” means staying the same; “↓” means a negative change. (2) A positive change in market presence means an increase in international presence, which means more national markets and/or servicing in a current market, and vice versa. (3) A positive change in speed means an increase in speed of implementing the next internationalisation plan compared with the last foreign entry, and vice versa.

As a whole, it is difficult to identify a clear pattern from Table 5.4.1. However, with reference to findings for TEFs from Section 5.4.1, international performance may have a positive reverse causative effect on internationalisation dimensions and antecedents.

The three Canadian TEFs, who were high-performers, generally showed positive changes. For internationalisation dimensions, they showed their willingness to commit greater internationalisation in terms of scope and rapidity. This part of the findings contributed to the discussion of post-entry, which is defined as "...the pace of international expansion of a new venture once it has become an INV" (Prashantham and Young, 2011, p.277).

Another finding related to Canadian-host TEFs is that superior performance strongly promoted a higher level of international motivation. In contrast, the fourth high performer IEFCA1 displayed different feedback than its transnational counterparts. The company seemed to be motivated by its performance outcome, but did not plan to take actions to transform such motivation into deeper internationalisation.

When it comes to TEFs in the UK, low-performers yielded similar outcomes on internationalisation characteristics. This may indicate that only superior international performance has a reverse effect, but the reverse effect of lower international performance is rather inconclusive. UK-hosted TEFs' "staying the same" attitude towards networks may indicate that they were content with their current social capital preserved in their home country and they did not plan to acquire more. As a result, these firms engaged in few activities enhancing the degree of mixed embeddedness. Being distant from the key market of the industry and performing relatively worse than their Canadian counterparts, UK-hosted TEFs may be seen as being still at the "survival" stage in the international arena.

5.5 Summary

This chapter has presented and discussed the empirical findings of the case studies. Following the dynamic internationalisation theme (Jones et al., 2011; Oviatt and McDougall, 2005; Sapienza et al., 2006), the antecedent effects of the three constructs, namely EO, network proclivity, and international motivation on internationalisation dimensions, are evaluated. Their effects have been consistent with hypotheses.

While both TEFs and IEFs are likely to be internationally- and innovatively-oriented, the findings have confirmed the differential internationalisation dimensions between TEFs and IEFs manifested in international market selection. From the RBV perspective, geographic

distance shapes the deployment of resources and strategic assets as it takes up more resources (e.g. transaction costs) to reach distant markets than geographically close ones (Cantwell, 2009). The evidence does not suggest that psychic distance emerge to be a significant factor in the international market selection for TEFs. It may be that Canadian- and UK-based TEFs see themselves localised in their host countries, which reduce the psychic distance. Consequently, geographic distance further affects the international performance of TEFs from different host countries. In turn, there is positive reverse causation for high-performing TEFs.

CHAPTER 6 CONCLUSIONS

6.1 Overview

This study has examined the internationalisation trajectory of TEFs compared with IEFs. Although the fast internationalisation of SMEs has been investigated intensively in previous studies, TEFs are now emerging as distinct, fast internationalising firms that tend to be overlooked in mainstream IB research. As a result, although transnational entrepreneurship has started gaining momentum in the literature (Coviello et al., 2011; Yeung, 2009), many important characteristics of TEFs have remained uninvestigated and have sometimes been erroneously assumed to be insignificantly different from IEFs (Drori et al., 2009).

Using the RBV, this study has suggested a theoretical model that puts forward hypotheses on the antecedents, dimensions, and performance aspects of TEF internationalisation. The case study approach has provided rich contextual information that enhances our understanding of TEF internationalisation. With the model as its main reference point, the findings have presented evidence concerning the internationalisation patterns that distinguish TEFs and IEFs.

The purpose of this final chapter is to summarise the key findings and suggest the implications of this thesis. This chapter includes the following sections related to this study: a review of the research objectives, conclusions, theoretical and methodological contributions, management and policy making implications, limitations, and finally, future research directions.

6.2 Research objectives

The first key objective of the study was to develop an exploratory model in order to explain TEF internationalisation. By utilising the RBV perspective (Barney, 1991), the study conceptualises TEFs' entrepreneurial internationalisation. This conceptualisation has served as an organising framework for identifying relevant variables. The second was to compare the internationalisation between TEFs and IEFs to uncover the differences in terms of their antecedents, dimensions, and outcomes of internationalisation. This is conceptualised by both the literature review and the empirical stage of this study. The third

was to be one of the first studies to suggest hypotheses related to TEF internationalisation. An initial set of hypotheses was firstly proposed and then revised after empirical findings were analysed.

In hindsight, to achieve these objectives, a set of hypotheses and an initial conceptual model were developed (Chapter 3). Case study research was then proposed and conducted (Chapter 4). Subsequently, the hypotheses were tentatively refined in the light of empirical findings (Chapter 5). The following section reviews the main findings of the case studies.

6.3 Summary of key findings

Using a matched sample of internationalised SMEs based in Canada and the UK, this thesis has addressed the research questions: *what drives TEFs to internationalise; how do they internationalise; and, what is their international performance (compared with IEFs)?* The study suggests that factors concerning EO, network proclivity, and international motivation do propel TEFs' internationalisation and enhance their international performance. TEFs seemingly possess a different internationalisation pattern to IEFs.

Key findings on the research questions can be organised into three areas: (1) internationalisation antecedents, (2) internationalisation dimensions, and (3) international performance.

Internationalisation antecedents- "What drives TEFs to internationalise?"

Generally, TEFs are likely to possess a higher degree of international *EO* than their indigenous counterparts. This finding lends support to the merit of studying transnational entrepreneurship because EO is an important construct in entrepreneurship. Among the three EO dimensions, TEFs' are characterised by high levels of proactiveness, innovativeness, and risk-taking. As discussed, the EO effect on firm internationalisation is rarely investigated when the three EO dimensions are considered (Covin and Miller, 2014). The literature based on IEFs indicates that a high (or low) level of innovativeness and moderate levels of proactiveness and risk-taking generally lead to a high level of EO. However, the findings of this thesis have suggested the differentiated required level for each of the three EO dimensions that would facilitate TEF internationalisation specifically. That is, EO is best harnessed when TEFs are highly proactive, highly innovative, and highly risk-taking.

Also of significance are the findings associated with TEFs' *network proclivity*. TEFs are distinct in terms of the dimensions and roles of *social capital*. While TEFs and IEFs hardly differ on the structural dimension of social capital, they are quite dissimilar on the cognitive dimension. With TEFs, shared visions and beliefs, compatible work attitudes and styles, and the complementary capabilities of prospective partners in the corresponding business sectors are the major selection criteria for network partners. Shared culture is inherently embedded when Chinese TEFs grow their network-level social capital in China. In addition, although TEFs generally recognise the usefulness of their social capital, the roles of serendipity and liability on social capital are rarely exploited, i.e. TEFs are less likely to utilise social capital because of unexpected international opportunities and problems with existing partners.

The second network proclivity element is *mixed embeddedness*, which is a construct exclusively tailored for investigating TEFs, since no comparison with IEFs could be made of this element. The case studies illustrate how TEFs exploit the privileged networks from their home country, and perceive their newly established networks in the host country. Socio-economic and political embeddedness are confirmed to be critical to the international development of TEFs. TEFs are especially sensitive to the policy making friendliness of their host country that may either facilitate or hinder their activities. High levels of mixed embeddedness are associated with high degrees of TEF internationalisation.

The thesis is further intended to contribute to the knowledge of transnational entrepreneurship by examining whether or not *international motivation* provides a significant incentive for TEFs to internationalise their firm in the host country. TEFs are likely to possess a high level of international motivation that promotes their international venturing to their country of origin. However, their high level of international motivation is mainly manifested in their receptiveness to employee feedback on international operations rather than proactiveness, in disseminating their international vision and plan. In contrast with IEFs, they are less likely to convey their international vision proactively to their employees.

Internationalisation dimensions- "How do TEFs internationalise?"

As far as the *international market presence* (i.e. competing in the key vs. peripheral markets of the industry) dimension is concerned, Canadian and UK IEFs tend to focus on the key market of their industry (i.e. the US) as the main target of their overseas sales. It is

revealed that the geographic distances between Canada, the UK and US significantly affects TEFs' market presence decisions, e.g. UK firms focus on China rather than the US. This may be due to firms' limited resources. TEFs' home country market (e.g. China in this study) provides an effective alternative when it is too costly to penetrate the key national market of the industry rapidly. It is a remaining mystery why the US should dominate the internationalisation of Canadian IT firms when the industry is so "footloose" in terms of transport and communications costs. Nevertheless, TEFs seem to be less affected by psychic distance for entering the US market.

When it comes to the *speed of initial foreign entry*, the findings confirmed that technology-based TEFs are likely to be fast internationalisers and should be considered within the IE paradigm. There is no significant difference between IEFs and TEFs on this dimension. Echoing Jolly et al. (1992), if technology-based firms do not internationalise their firm-specific technological resources promptly, they may lose their competitive advantage abroad. In addition, fast internationalisation may enable firms to seize the best timing for acquiring and accumulating international knowledge, i.e. generic knowledge, about how to engage in international operations.

International performance- "What is TEFs' international performance?"

A marked difference is that Canadian-hosted TEFs generally *outperform* their UK-hosted counterparts. The findings reveal that internationalisation intensity in relation to the key market of the industry is positively associated with superior international performance.

Reverse causation has also been investigated in relation to international performance. The cross-case analyses indicated that superior international performance has a positive reverse causative effect on internationalisation dimensions and antecedents. For example, superior performance strongly promotes a higher level of international motivation. As another example, international performance seems to have a significant association with key market presence, whereby superior international performance enables better access to the US for those Canadian-hosted TEFs rather than UK-hosted ones who relatively underperform. However, the effect of lower international performance is rather inconclusive.

When TEFs are distant from the key market of the industry and are relatively underperforming, it may take them longer to pass the “survival” stage during their internationalisation process.

Consequently, the eight initial hypotheses are re-visited and necessary amendments are proposed. The first half of Table 6.3 exhibits the revised hypotheses of the study. The findings have confirmed that five of the eight initial hypotheses require no change, but it is suggested that three need revision, with one being broken down into two separate hypotheses. H2a is split into H5 and H5.1, as TEFs’ market presence preference depends on whether they are close or far away from the key national market of the industry. Finally, H8 (originally H3b) confirms that international performance can have a positive reverse causative effect on internationalisation antecedents and dimensions. So effectively, the research concludes with nine hypotheses rather than eight. The following three sections provide concluding remarks. The second half of Table 6.3 makes reference to the corresponding sections of literature reviews and empirical findings, whereby these (revised) hypotheses were developed. It also tracks if changes have been made to the original hypotheses introduced in Chapter 3.

Table 6.3 Revised hypotheses for internationalisation by TEFs compared with IEFs

(Source: the author)

Hypotheses
H1: TEFs possess a higher level of EO than IEFs manifested in a combination of high levels of proactiveness, innovativeness, and risk taking.
H2: TEFs possess a higher level of network proclivity in terms of social capital than IEFs, especially in the shared cultural dimension of social capital.
H3: High levels of mixed embeddedness facilitate TEF internationalisation.
H4: The high levels of TEFs’ international motivation are manifested by the dissemination of their international vision or plan during venturing.
H5: When TEFs are geographically close to the key national markets of their industry, they are more likely than IEFs to seek and achieve market presence in the key national markets of

the industry, and not the peripheral national markets.

H5.1 When TEFs are geographically distant to the key national markets of the industry, they are more likely than IEFs to seek and achieve market presence in their country of origin.

H6: TEFs are more likely to be fast rather than incremental internationalisers to their country of origin.

H7: TEFs are more likely to achieve superior international performance when their host country is geographically close to the key national markets of the industry compared with their counterparts based in a geographically distant host country.

H8: For TEFs, international performance has a positive reverse causative effect on TEFs' internationalisation dimensions (i.e. international market presence and speed of internationalisation) and on internationalisation antecedents (i.e. EO, network proclivity and international motivation).

Revised hypothesis	Initial hypothesis	Section number	Section number	Changes suggested?
H1	H1a	3.2	5.2.1	Yes
H2	H1b	3.3.2	5.2.2	Yes
H3	H1c	3.3.3	5.2.2	No
H4	H1d	3.4	5.2.3	Yes
H5; H5.1	H2a	3.5.1	5.3.2	Yes
H6	H2b	3.5.2	5.3.3	No
H7	H3a	3.6	5.4.1	Yes
H8	H3b	3.6	5.4.2	No

6.4 Theoretical contributions of the study

In broad terms, this research makes a contribution to the management literature by proposing and examining a TEF-based research framework combining entrepreneurship, IB, and IE, from which transnational entrepreneurship is derived. Concrete and measurable

hypotheses are developed and qualitatively examined. More specifically, this study (1) refines RBV theory in the context of TEFs, (2) fills the transnational entrepreneurship gap currently overlooked by mainstream internationalisation theories, (3) enriches our understanding of the underlying mechanism of TEF internationalisation, (4) highlights the importance of researching context-rich transnational entrepreneurship as it integrates the internationalisation and IE literatures.

The first theoretical contribution of this study is that it advances the RBV by refining it in the context of TEFs. Many scholars (e.g. Kraaijenbrink et al., 2010; Newbert, 2007; Young et al., 2003) have called for the refinement of the RBV as a key future research direction. This study makes the first attempt to integrate the RBV into the research of TEFs and echoes Kraaijenbrink et al.'s (2010) plea for incorporating time and space into the RBV discussion. In turn, this study appears to support Madhok's (2002) view that the RBV approach is useful for explaining why certain activities are uniquely organised within a particular type of firms.

Second, this thesis offers explanations on an emerging type of internationalised SMEs that has not caught the attention of the mainstream theories. TEFs have been neglected from examining their internationalisation characteristics, which may be different from those of their indigenous counterparts. Transnational entrepreneurship should be seen here as a separate stream of internationalisation research, focusing on ventures that stem from migration and globalisation (Zolin and Schlosser, 2013). The study of TEFs has generally been underexplored in the management literature (Chrysostome and Lin, 2010). As a result, this study fills a gap in IB research.

Third, the findings provide evidence that emphasises the need for fine-grained consideration of different internationalisation elements between different types of international entrepreneurial firms. IB and entrepreneurship can be at the forefront of meaningful research contextualisation, but it is not yet (Michailova, 2011; Zahra et al., 2014). The study makes a contribution in responding to calls for further understanding of the influence of context on entrepreneurial behaviour (Jones and Casulli, 2014; Wright and Stigliani, 2013; Zahra and Wright, 2011), as well as the emerging phenomenon of transnational entrepreneurship (Drori et al., 2009).

The fourth contribution is that IE constructs seem to be generic and instrumental in enriching the theoretical advancement of transnational entrepreneurship. Thus, this study

makes an effort to utilise internationalisation constructs in order to integrate the linkage between IE and transnational entrepreneurship. To promote comparative IE research (Jones et al., 2011; Terjesen et al., 2013), this study compares Chinese TEFs across two nations (i.e. Canada and the UK), as well as TEFs with IEFs.

Several minor contributions are also notable. First, the effects of the three EO dimensions on firm internationalisation are so far underexplored in the literature (Covin and Miller, 2014). This study enriches the EO literature in the context of TEFs. Second, the inclusion of international motivation is in response to the dearth of motivation-based investigations of entrepreneurial activities for SMEs (Drori et al., 2009; Wright and Stigliani, 2013). It has not been previously discussed within the context of transnational entrepreneurship. The study is among the first studies that lend support to the view that the role of international motivation is vital to the internationalisation of TEFs. Third, findings in relation to the reverse causative effect of international performance contributes to the discussion of the post-entry phenomenon (e.g. Autio et al., 2000; Morgan-Thomas and Jones, 2009).

Fourth, the study's findings also shed light on the importance of cultural contexts embedded in entrepreneurship. It confirms the notion that the study of entrepreneurship must be combined with culture, e.g. Confucian dynamism in this case (Ji and Dimitratos, 2013; Light and Dana, 2013). Finally, partial findings in relation to the speed of internationalisation illuminate the phenomenon of born-again globals, suggesting that being an INV may be perceived as a strategic choice (Bell et al., 2001).

6.5 Methodological implications

This thesis claims two methodological contributions. Following Welch et al. (2011) and Ridder et al. (2014), three different theoretical perspectives (i.e. EO, network proclivity, and international motivation) are jointly harnessed to explain a single phenomenon (i.e. TEF internationalisation) in order to achieve creative and systematic theory building.

In addition, this study adopts a dual-level research logic in the cross-case study analysis. Extant works on immigrant enterprises focuses only on country-level effects (Hernandez, 2014). Nonetheless, the TEF phenomenon in IB research is inherently multi-levelled (Peterson et al., 2012). The overall internationalisation map of each firm is employed as the unit of analysis at the firm level. In addition, the case studies also incorporate the

discussion of individuals because TEs play a significant role in TEF internationalisation. This dual-level logic is innovative in assessing the firm as well as the individual.

6.6 Managerial and policy making implications

There are implications for managers and policy makers resulting from this research. By working collaboratively, academics and practitioners can deploy complementary bodies of knowledge to develop a constructive intervention to support TEF activities.

TEF practitioners may draw upon their cross-country and cross-cultural experiences in strategic ways (Terjesen and Elam, 2009). They may tap the full potential of available opportunities to access the key market of the industry as well as the home country market. Especially when they are far away from the main market of the industry, they should learn from their indigenous counterparts how to overcome the disadvantage of being geographically distant and enter the main industry market for superior performance anyway. For those TEFs close to, or, in the main market of the industry, perhaps they should balance their resource allocation and devote more resources to their home country market for international success, since they may overlook opportunities and network advantages back home, and thus over-invest in the main market of the industry.

TEFs now understand that a high level of the respective three EO dimensions leads to a high level of aggregate EO. Developing the right types of transnational networks may lead to more successful international performance, such that they should also commit to a high level of mixed embeddedness in their host country in order to promote firm internationalisation. Furthermore, in order to better assimilate into the host country, TEFs should learn from IEFs on how to promote the international motivation of their staff via a “top-down” approach, since they currently prefer a “bottom-up” method. This may strengthen their international commitment, which would lead to competitive advantage compared to indigenous international entrepreneurs. On the other hand, IEF managers could anticipate and realise the benefits of following TEFs into their home countries, which are mostly emerging markets.

On the policy making significance of this study, policy makers should be aware that TEFs make significant and unique contributions to the stock of business activities and be more cognisant of the heterogeneous nature of internationalised SME activities. In other words, they ought to properly reflect upon the specificities of TEFs’ entrepreneurial environment

when devising appropriate policy interventions (cf. Mason and Brown, 2013). Despite the on-going public debate about the merits of immigration into the UK, the benefits of retaining a stable or high percentage of immigrant entrepreneurs seemingly far outweigh the drawbacks to the national economy (Ndofor and Priem, 2011). TEFs in the case studies have reported that Canada has a more welcoming attitude so that Canada has thus benefited more than the UK from TEFs' international activities. UK policy makers might learn from their Canadian counterparts in order to promote advanced SME transnationalism, whereby the migrant elites are encouraged to engage in many forms of transnational commitments to their homeland (Ambrosini, 2014).

Policy makers need to have a deeper understanding of TEFs in the host country. To illustrate, it is interesting why TEFs are able to stay vigorous and innovative during a sustained period of economic standstill (*The Economist*, 2011) and how to transfer such know-how to IEFs. Assessing TEFs appropriately provides an opportunity for the host country to grow faster, attract more worldly entrepreneurial firms, and have a larger number of sustainable international SMEs.

Provided that the benefits from supporting TEFs are likely to outweigh the costs of subsidising them, policy makers of the host country may demonstrate a strong commitment to assisting TEFs through dedicated public sector support in order to attract this special group of "value-adding" immigrants. Thus, policy makers may wish to commit sufficient measures and resources to building a healthy regulatory, cognitive, and normative environment that encourages TEF activities. In line with Shane (2009), government agencies are advised to offer niche programmes to assist the special needs of TEFs in order to increase support effectiveness. For example, TEFs may understand their home country institutional mechanism well, but they may know little about how they can be assisted by the host country when they do businesses abroad. Host country government agencies may implement adjustment programmes and hold a series of workshops to educate TEs with pertinent information. Nevertheless, since policy makers need to balance national and regional economic development, social harmony and security issues, obtaining accurate data on the business activities of immigrants may help policy makers to make these decisions (Levie, 2007).

On the other hand, the home country government may make every effort to provide a more favourable business environment to welcome those TEFs when they reach back to the

home country. Home governments and managers of home MNEs may need to realise that local MNEs can benefit from the presence of TEFs in a host country (Liu et al., 2009).

All in all, the study's main implications, as mentioned in Sections 6.4-6.6, are summarised in Table 7.6 below.

Table 6.6 Summary of main implications of this thesis

Theoretical contributions	<ul style="list-style-type: none"> ● Refinement of the RBV theory in the context of TEFs. ● Attempt to fill the gap in the emergent transnational entrepreneurship field currently left unanswered by the mainstream internationalisation theories. ● First explanation of the underlying mechanisms in TEF internationalisation. ● Consolidation of transnational entrepreneurship into the internationalisation and IE literatures.
Methodological contribution	<ul style="list-style-type: none"> ● Synthesis in the case study investigation, using three different theoretical domains: EO, network proclivity and international motivation. ● Dual-level research logic.
Implications for managerial practice	<ul style="list-style-type: none"> ● Effort to penetrate the key market of the industry and the home country market. ● Effort to balance resource allocation between the key industry and home country markets. ● Making proactive communications with employees on international motivation.
Implications for policy makers	<ul style="list-style-type: none"> ● Appreciation of TEFs' contributions to the host country's economy. ● Understanding TEF mechanisms and how to assist them to retain their SCA. ● Possible demonstration of strong commitment to TEFs through public sector support from the host country. ● Support from the home country government may provide a more favourable business environment and encourage the inward FDI from TEFs.

6.7 Limitations

This study is not without some inherent limitations. To begin with, the proposed framework is not comprehensive, as some other important factors may have been ignored.

For example, the mediating effects of venture age and entrepreneurs' experience are not considered (cf. Hernandez, 2014; Reuber and Fischer, 1997). However, firms' operational routines are often a function of a venture's age (Lu and Beamish, 2006). The question remains whether the performance advantages of newness diminish as ventures get older (Zhou and Wu, 2014).

In a similar vein, the conceptual framework guiding this study outlines three elements (internationalisation antecedents, dimensions, and consequences) as a nearly linear relationship. The study analyses two sets of unidirectional associations, i.e. the influence of three types of internationalisation antecedents on the speed and location dimensions, and that of the two internationalisation dimensions on the international performance of the firm. The study disregards possible non-linear relations, and the more complex causal relationships in multiple directions among the constructs.

In addition, although the study has refined the RBV, it does not take other competing theories into account, such as the opportunity-based view, the knowledge-based view, and so on. Moreover, market entry mode and the role of subsidiaries are important components of a robust theory of the firm (Teece, 2014), but they are beyond the scope of the current study.

A further limitation of the research is that it is a comparative study as it compares two types of firms headquartered in two host countries, but contextually, the sampled firms are all of Chinese origin in a single industry. This is a weakness as well as a strength. Future research may include TEFs of diverse origins in a cross-industry setting. However, one caveat is that transnational activities are not always comparable among TEFs from different origins (Kariv et al., 2009).

The research uses only two criteria when evaluating international motivation, which may be too simplistic in measuring this variable. The scales for measuring international motivation may be further developed. Being interdisciplinary in nature, a comprehensive scale for measuring international motivation may be devised from the overlap of strategic management, organisational psychology, and IB.

The last two limitations are methodology-related. First, the case studies are based on a limited sample size. Although the firms are selected using clear criteria with a purposeful

sampling strategy, they might introduce self-selection bias, since only firms who are willing to participate and share information are included. However, the purpose of the research is not to achieve statistical but rather analytical generalisation. Thus, a limited sample size may be acceptable for case studies (Yin, 2013). As this study focuses on theorising TEF internationalisation, the analysis of each firm compensates for the limited sample size.

The researcher's own bias may influence the interpretation of the findings. However, this was remedied by having three doctoral supervisors constantly checking the case analysis write-up until a consensus was achieved. In addition, the respondents were asked to fill out a standard survey instrument to confirm if their original meanings were conveyed. If there was a disagreement between interview and survey answers, the respondent was then contacted for clarification.

6.8 Future research directions

This study opens up a number of promising directions that merit further research. First, there still exists a processual gap in the literature, while the internationalisation process of TEFs is unclear. For example, network proclivity has been argued to be static (McDougall et al., 1994) and dynamic (Vahlne and Johanson, 2013), both assertions being consistent with the RBV. Also, future researchers may consider other perspectives within the RBV domain such as dynamic capabilities (Teece, 2014) and path dependent resources (Cantwell et al., 2010), and other theories such as the internalisation theory (Dunning and Lundan, 2008).

Future researchers may engage in a longitudinal approach employing quantitative or qualitative techniques in order to capture the dynamics of TEF internationalisation. The strength of the longitudinal study as a method is self-evident. However, the caveat is that its practicality is seldom under the full control of the researcher, but relies heavily on the high commitment from respondents, whose continuous cooperation and participation are crucial.

Another opportunity for future research is to extend this study to other SME sectors including traditional, service and/or knowledge-based industries. The hypotheses formulated in this study could be investigated to advance transnational entrepreneurship with rigorous statistical tests. However, it is important to obtain an adequate database,

should a large-sample quantitative methodology be adopted. Large-scale surveys also allow the investigation of entry mode for TEFs, which is not feasible for the current study. Relatedly, future studies may identify country-specific TEF internationalisation traits.

In order to benefit policy makers, researchers may investigate how the changing and/or dual institutional profiles (i.e. regulatory, cognitive, and normative environments) encourage or suppress TEF activities. The institutional profile is concerned with how organisations secure their legitimate positions by conforming to the rules and norms of an institutional environment (Scott, 2007). Such an institution-based study could produce practical implications for policy makers (of the host country) on how to encourage transnational entrepreneurship.

To conclude, research on transnational entrepreneurship is still in its infancy and there are broad research opportunities for the future. Geographic proximity, which has been largely studied in the MNE context, is a mysterious topic for future research in SMEs. The intriguing paradox needs to be resolved, why the proximity to the US is crucial to the internationalisation of Canadian SMEs competing in an industry such as IT, which can be located at any location without being affected from factors such as resources or transport. The thesis offers a stepping stone for this fruitful research avenue.

APPENDICES

Appendix 1 Within-case Analysis

1A.1 Introduction

While Chapter 6 consolidates and explains the findings across case firms, it is also necessary to consider them case by case, as Eisenhardt (1989) suggests that within-case analysis is one of two steps in case analysis. A useful and common starting point is to construct a display of the data. A display is a visual format that presents information systematically so that valid conclusions may be drawn (Patton, 1990). Displays can be simple arrays and sequential tables (Miles and Huberman, 1994). Eisenhardt (1989) argues that the essence of within-case analysis is to become intimately familiar with each case as a standalone entity and to allow the unique patterns of each case to emerge before seeking to generalise across cases. This in turn gives researchers a better understanding of cross-case analysis.

Hence, this appendix supplements the individual within-case findings of each firm to Chapter 6, since cross-case analysis synthesises the individual findings and leads to study conclusions. The presentation of each case is broken into the three themes identified in the research:

A. EO, network proclivity, and international motivation

B. Dimensions of internationalisation

C. Subjective and objective performance and growth expectation

The analysis of each case (1A.2-9) is presented in a tabular format. Hence, the remainder of this appendix is structured as follows:

1A.2 Case IEFUK1

1A.3 Case TEFUK2

1A.4 Case TEFUK3

1A.5 Case TEFUK4

1A.6 Case IEFCA1

1A.7 Case TEFCA2

1A.8 Case TEFCA3

1A.9 Case TEFCA4

1A.2 Case IEFUK1: Indigenous entrepreneurial firm in the UK

1A.2.1 EO, network proclivity, and international motivation

Table 1A.2.1 presents the EO, network proclivity, and international motivation of the firm.

Table 1A.2.1 Case IEFUK1 – EO, network proclivity, and international motivation

Dimension	Findings
EO	
-Proactiveness	Internationalisation was unintentional, as the firm had to go abroad because most clients had foreign assets that we need to service.
-Innovativeness	It was highly important for the firm but not for customers. It was about creating a market that did not exist. The industry (oil & gas) the firm served was not innovation-friendly.
-Risk taking	It always evaluated the costs and benefits before a decision. It was not so worried about licensing because its patent technology was secure.
Network proclivity	
-Social capital	It used a lot of personal contacts and referrals; the industry was regarded as a very incestuous business. Sometimes business came out of a <i>Google</i> search.
International motivation	It always tried to collect information about key industry centers; looking for where to get the best penetration in the shortest time with the least amount of cultural barriers; held virtual monthly team meetings and occasional one-day strategy workshop to disseminate

	plans; checked the understanding by internal surveys.
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Regarding its EO, the internationalisation of IEFUK1 was seemingly reactive, as it happened when required to serve the foreign assets of its domestic customers. It was not optional to remain domestic when the firm competes in a fairly niche market. Secondly, the firm took innovation seriously and believed it is the innovation leader of its niche market as a cloud platform service provider for the oil and gas industry. They were so confident that their service is well ahead that their customers would not switch to their rivals. Thirdly, both interviewees were not risk-tolerant, commenting that they always went through a rational decision-making process before a strategic move (n.b. both have a PhD degree). Also, they are not so worried about overseas debt collection because they can easily cut off the virtual access to the cloud server until the overdue bill is fully paid.

About network proclivity, IEFUK1 benefited from many referrals from its existing customers. The CEO reckoned that the gas and oil industry it served was an incestuous business. Word of mouth was much needed in order to attract more businesses. They also maintained an excellent online profile in order to attract potential partners.

There was a positive response to international motivation as well. The firm always tried to collect marketing information in order to find the next best foreign penetration. It had a plan to open one-to-two new subsidiary probably in the US in the next 5 years. It held weekly meetings with the management, virtual monthly meetings and occasional one-day workshops with all staff. Interestingly, the firm did evaluate the understanding of the staff by sending internal feedback surveys after major meetings.

1A.2.2 Dimensions of internationalisation

Table 1A.2.2 presents the internationalisation dimensions of the firm.

Table 1A.2.2 Case IEFUK1 – Dimensions of internationalisation

Dimension	Findings
Market presence	<p>Operating countries/regions: Azerbaijan, West Africa, Trinidad, and the US.</p> <p>Best-selling country: the US</p> <p>Biggest national market of the industry: the US</p>

Speed	2 years after founding (Azerbaijan, 2002; West Africa, Trinidad, and the US, 2005)
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IEFUK1 is an INV, as it internationalised two years after its inception. Their main market focus was the US, where was the main source of its foreign revenue. It planned to open two more data centers to meet the demand of the US clients in the near future, cost-and-benefit permitting. Other national and regional markets of the firm included Azerbaijan, West African countries, and Trinidad.

1A.2.3 Performance aspects

Table 1A.2.3 presents the performance-related aspects of the firm.

Table 1A.2.3 Case IEFUK1 – International performance of the firm

Dimension	Findings
Subjective	The firm was in the early adopter phase. It was happy to sacrifice profitability in a year in order to invest big time two or three years ago when the core product was introduced. Its profit level was roughly 10 % higher after internationalisation even though it invested heavily on sales and marketing. Overall, the performance was satisfactory.
Objective	The turnover for the last financial year was about £1.3 million, about £130,000 of which was the profit.

IEFUK1 recognised itself in the early adopter stage of the business life-cycle so that it expected a high potential to grow exponentially over the next few years. So, it was content with its current performance since it was investing heavily in infrastructure. Internationalisation had still benefited the company and the net profit for the last year was about 10% of its turnover.

1A.3 Case TEFUK2: First transnational entrepreneurial firm in the UK

1A.3.1 EO, network proclivity, and international motivation

Table 1A.3.1 presents the EO, network proclivity, and international motivation of the firm.

Table 1A.3.1 Case TEFUK2 – EO, network proclivity, and international motivation

Dimension	Findings
EO	
-Proactiveness	Internationalisation was unintentional and reactive.
-Innovativeness	Early adopter of e-commerce.
-Risk taking	Indifferent perception of domestic and international risks.
Network proclivity	
-Social capital	Used many personal contacts from hometown.
-Mixed embeddedness	Experienced cultural difference in the new country; home country experience helpful. Hiring local people to overcome the liability of foreignness.
International motivation	No formal plan or vision due to smallness; Little employee education.

The internationalisation of TEFUK2 came naturally, as the CEO did not have an ostensible intention. The firm was innovative not only in its product line, but also in its way of doing business. Retrospectively, it designed and operated a few e-commerce websites in early 2000s. The CEO was indifferent in terms of risks as he believed that every businessperson must live with it. He did not do anything specifically to avoid risks.

The CEO was originally from Hong Kong. He used many personal contacts from hometown during the firm's internationalisation period. Many of his childhood friends were now in an influential position in their organisation and they facilitated his business activities in Hong Kong. Regarding the TE's mixed embeddedness, he had well experienced the cultural difference of the two places, but his home country experience was helpful for the international expansion of his business. He further added, one way of being localised is to hire local people.

TEFUK2 simply followed the "flow" of the market, admitting that the firm was too small to plan ahead. In addition, the CEO stated that his employees understood his plans and visions implicitly so he did not need to hold meetings for this particular purpose.

1A.3.2 Dimensions of internationalisation

Table 1A.3.2 presents the internationalisation dimensions of the firm.

Table 1A.3.2 Case TEFUK2 – Dimensions of internationalisation

Dimension	Findings
Market presence	Operating countries/regions: China, Hong Kong, and Middle East. Best-selling country: China Biggest national market of the industry: the US
Speed	4 years after founding (China and Hong Kong, 2000; Middle East, 2008)

TEFUK2 internationalised 4 years after founding. It had three modes of entry in three markets. It exported bespoke specialised software to China and Hong Kong. It additionally held a sales office mainly for marketing purposes in Hong Kong. Moreover, with Iraqi partners, it has an international joint venture in Middle East offering IT infrastructure consulting services. Finally, the CEO considered the US the largest market of the IT industry and China its best-selling market.

1A.3.3 Performance aspects

Table 1A.3.3 presents the performance-related aspects of the firm.

Table 1A.3.3 Case TEFUK2 – International performance of the firm

Dimension	Findings
Subjective	Satisfactory performance
Objective	Slight increase in profitability after internationalisation

The CEO of TEFUK2 confirmed that the international performance in the past three years had been satisfactory. Since he was satisfied with status quo, he was not really ambitious and had a specific idea of the trend of firm performance in the future.

1A.4 Case TEFUK3: Second transnational entrepreneurial firm in the UK

1A.4.1 EO, network proclivity, and international motivation

Table 1A.4.1 presents the EO, network proclivity, and international motivation of the firm.

Table 1A.4.1 Case TEFUK3 – EO, network proclivity, and international motivation

Dimension	Findings
EO -Proactiveness -Innovativeness -Risk taking	The firm was highly market-oriented, maintaining a very dynamic business culture. Innovation was extremely important. A consistent high portion of overall expenditure was spent on R&D. The company had to bear considerable risks when it was just established. Now it had become even more risk-averse even though it was more risk tolerant.
Network proclivity -Social capital -Mixed embeddedness	The firm did not use any networks at all when it started internationalising to China. It did not even go to the hometown of the founder but purely followed the market. Nowadays, the CEO used some personal contacts occasionally. It was troublesome with home and host country partners when the firm tried to collaborate with others, possibly due to cultural misunderstanding (e.g. It positioned itself as a UK firm when working with Chinese partners, but the partnership did not go well). Also, the CEO felt that the host country government impeded the firm's internationalisation to the home country.
International motivation	The firm had a concrete plan for the next 3-5 years, but the plan was dependent on the trend of macro-economy. The CEO wanted to go to the US and Irish markets, but he gave little formal education on employees.

TEFUK was a university spin-off as the CEO won the seed funding from the university-wide enterprising competition and was allowed to be affiliated with the university for the first three years. It started in a university science park and grew to become an independent entity. The firm and the CEO had subsequently won several business awards for innovative ideas in the UK. As a highly proactive business, the CEO was highly market-oriented and sensitive to market changes. It was also an innovative unit, consistently keeping a high portion of its spending on R&D over the years. The firm initially had a high-risk exposure and incurred a loss at that time. Although it was more tolerant than before, the firm was still risk-averse.

The CEO's social capital was not fully utilised for the firm at the beginning. When the firm first entered China, it did not even go to the entrepreneur's hometown (which is the provincial capital). The entrepreneur has the principle of only following the market, but

now occasionally used his personal contacts to help his business. In terms of mixed embeddedness, the CEO had problems both in the UK and in China. Although now running a successful business, he felt the external environments of both countries were not welcoming for his venturing.

The CEO of TEFUK3 had a plan to expand to more international markets such as the US and Ireland, but whether he would implement it would depend on the macro-economy. In addition, he verbally told his employees about his plans occasionally, but there was not a formal procedure for employee education.

1A.4.2 Dimensions of internationalisation

Table 1A.4.2 presents the internationalisation dimensions of the firm.

Table 1A.4.2 Case TEFUK3 – Dimensions of internationalisation

Dimension	Findings
Market presence	Operating country: China Best-selling country: China Biggest national market of the industry: the US
Speed	3 years after founding (2010)

The internationalisation map of TEFUK3 was relatively simple comparing to that of TEFUK2. As an INV, its only overseas market was China, which was also its main market. It had set up five sales offices and one subsidiary across the country. However, for the firm, the largest market of the industry was the US so that it planned to enter in the near future.

1A.4.3 Performance aspects

Table 1A.4.3 presents the performance-related aspects of the firm.

Table 1A.4.3 Case TEFUK3 – International performance of the firm

Dimension	Findings
Subjective	The performance was excellent domestically, but sometimes worrisome in China.

Objective	The firm achieved better performance than last year.
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Domestic performance was better than international performance for the firm, even though foreign sales continued to increase. However, the CEO was quite unsure of the future, even though he had concrete plans for growth.

1A.5 Case TEFUK4: Third transnational entrepreneurial firm in the UK

1A.5.1 EO, network proclivity, and international motivation

Table 1A.5.1 presents the EO, network proclivity, and international motivation of the firm.

Table 1A.5.1 Case TEFUK4 – EO, network proclivity, and international motivation

Dimension	Findings
EO	
-Proactiveness	Internationalisation was a proactive move. The CEO intended to go abroad quickly as he reckoned it was easy to internationalise.
-Innovativeness	Innovation was very important to the firm. It updated its existing product lines (e.g. web applications) every 2-3 months.
-Risk taking	The CEO was adventurous, as he regarded that risk always existed at home and abroad so he would rather embrace it than avoid it.
Network proclivity	
-Social capital	The firm's internationalisation heavily relied upon relationships with former business partners in China.
-Mixed embeddedness	The firm was able to adapt to both host and home countries' environments. The entrepreneur received higher degrees and from both countries so that he was familiar with cultural differences between China and the UK in terms of doing businesses.
International motivation	The firm planned to pay more attention to the Asian market because it made up most of their sales. However, it did not have specific routes to motivate employees.

In order to start venturing, the entrepreneur withdrew his PhD study at a UK university, where he had only spent three months. The internationalisation was a proactive move for the firm as the entrepreneur had it in mind at the time of founding. As a web and mobile application-designing firm, it constantly updated the version of its products every two to three months. It also designed the first application of its kind for a corporate customer. The

entrepreneur preferred high risks for high returns, since he thought the cost of taking risks is relatively low.

The entrepreneur had been already a businessperson before he came to the UK for his master education, so he heavily made use of his social capital in China to help his business activities in China. His two master's degrees from both host and home countries helped him to adapt to both societies readily.

The recent plan of the company was to further focus on the market in Asian markets as the demand from the region is fast-growing. The company did not formally educate its employees on the company vision.

1A.5.2 Dimensions of internationalisation

Table 1A.5.2 presents the internationalisation dimensions of the firm.

Table 1A.5.2 Case TEFUK4 – Dimensions of internationalisation

Dimension	Findings
Market presence	Operating countries/regions: China, Hong Kong Best-selling country: China Biggest national market of the industry: the US
Speed	3 years after founding (China, 2006; Hong Kong, 2010)

Having internationalised very quickly after inception, TEFUK4 presented in China and Hong Kong in the forms of licensing and subsidiary. Both forms were necessary because of the different needs and levels of collaborating with customers. It also perceived China as the best-selling country and the US as the biggest national market of the industry.

1A.5.3 Performance aspects

Table 1A.5.3 presents the performance-related aspects of the firm.

Table 1A.5.3 Case TEFUK4 – International performance of the firm

Dimension	Findings
Subjective	The CEO was satisfied with the performance after internationalisation. However, the firm still grew rapidly, so the performance would improve gradually.
Objective	On average, the firm made about £300,000 in net profit per year in the last three years.

International as well as overall performance had been on the right track since the firm made stable revenue from a few lasting corporate orders from China. The firm was looking to make further investment in East Asian soon so it might have a loss in the next 3 years due to the initial lump sum spending, but it was confident of rocket-high revenue after gaining new markets.

1A.6 Case IEFCA1: Indigenous entrepreneurial firm in Canada

1A.6.1 EO, network proclivity, and international motivation

Table 1A.6.1 presents the EO, network proclivity, and international motivation of the firm.

Table 1A.6.1 Case IEFCA1 – EO, network proclivity, and international motivation

Dimension	Findings
EO	
-Proactiveness	The firm's internationalisation was not a strategic move. It was rather an organic growth being invited by its customers who have an international presence.
-Innovativeness	Innovation was considered "hugely important". The firm showed an extremely high level innovation so that it built their products way ahead of the market.
-Risk taking	The firm followed a pragmatic approach, namely, it would not do any business unless revenue is secured.
Network proclivity	
-Social capital	The management used a lot of personal contacts and referrals. Also, they thought it was important to hire sales people with great networks.
International motivation	The firm was committed to continuing to grow. The positive sign was that 50 % of leads to its new product line come from outside of North America. The management held monthly company-wide meeting and daily meeting with separate teams about the company vision. The meeting was the main way of communicating with employees, with

	the supplement of occasional email updates.
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The founder of IEFCA1 would agree that the firm's internationalisation was not a well-planned one. Similar to IEFUK1 and TEFUK2, the move was organic for meeting customer needs. He further asserted that his firm is so innovative that the customers could not even comprehend sometimes. He believed that some of the company's products are 1-2 years ahead of the market. In terms of risk attitude, the firm took a pragmatic approach, unlike IEFUK1 and TEFUK3, the firm did all steps to ensure the risk is minimised before doing foreign business.

The management team used to work for *Microsoft Canada*, where they were able to accumulate abundant social capital. A lot of referrals and contacting former colleagues/customers propelled the business. The entrepreneur also emphasised on hiring sales people who are rich in social capital to help the company to sell.

The firm identified itself as an early adopter so it was committed to growing internationally. It had increased connections with the European market and 50% of the market leads were outside of North America. It held company-wide meeting every month to disseminate plans and strategies; daily meetings with individual departments/project teams; occasional emails to supplement meeting communication with the staff.

1A.6.2 Dimensions of internationalisation

Table 1A.6.2 presents the internationalisation dimensions of the firm.

Table 1A.6.2 Case IEFCA1 – Dimensions of internationalisation

Dimension	Findings
Market presence	Operating countries: Brazil, France, and the US Best-selling country: the US Biggest national market of the industry: the US
Speed	3 years after founding (the US, 1999; Brazil, 2008; France, 2009)

As an INV, IEFCA1 had presence in three countries outside of Canada, Brazil, France, and the US. Licensing was their main entry mode to these countries. In addition, since the US

was the most important market, they held two sales offices in Silicon Valley and in Florida. It also regarded the US as the biggest market of the industry.

1A.6.3 Performance aspects

Table 1A.6.3 presents the performance-related aspects of the firm.

Table 1A.6.3 Case IEFCA1 – International performance of the firm

Dimension	Findings
Subjective	Overall, the respondents were extremely satisfied. However, they also admitted that it was hard to give an estimate for private shareholdings because it was intangible.
Objective	Domestic turnover continued to decrease while international turnover increased in the past financial year.

Both respondents expressed high satisfaction with the international performance of the firm. The CEO of the firm added that it was difficult to estimate performance as a private firm so it might be a very biased perception. As a result, they had little objective financial statements to provide. By checking the firm's sales tax return, it revealed that the domestic revenue of the firm had shrunk while the international revenue had increased. The firm was optimistic about the performance in the near future, as it believed its innovative products would continue to lead to success in gaining a larger customer base.

1A.7 Case TEFC2: First transnational entrepreneurial firm in Canada

1A.7.1 EO, network proclivity, and international motivation

Table 1A.7.1 presents the EO, network proclivity, and international motivation of the firm.

Table 1A.7.1 Case TEFC2 – EO, network proclivity, and international motivation

Dimension	Findings
EO	
-Proactiveness	The firm's internationalisation was proactive. It was also because the domestic market in Canada is too small.
-Innovativeness	The firm believed it made industry-leading products so that it was comfortable about going abroad. The firm was innovative both in software and hardware lines.

-Risk taking	The firm preferred not to be risky, so it focused on retaining corporate rather than small business customers.
Network proclivity -Social capital -Mixed embeddedness	Referrals were vital for the firm to be known to potential customers. As a result, the firm took a proactive approach in establishing relationships with clients. The CEO was very used to the business environments in Canada, Australia, and the US as she found these countries have a similar business culture. However, a different mind-set was required for doing business in China, since it was quite different in terms of commercial law, relationship building with customers, partners, and government officials, and the way of working with employees.
International motivation	It had a clear vision to enter more national and regional markets with maintaining the current degree of penetration in China. Bi-weekly strategy meetings were held to inform and motivate staff.

It was apparent for TEFCA2 to internationalise because it reckoned the domestic market in Canada is too small. The firm was proud of its market-leading innovativeness in both software (Applications related to power control, monitoring, and energy saving) and hardware (smart power-saving controller). There were few competitors in the field related to environmental sustainability, which also facilitated the firm's internationalisation. It tried to maintain a low risk exposure because most of its sales were for corporate clients in developed countries.

Its first international contract was referred by a long-term domestic customer, so it always recognised the importance of social capital and used it whenever possible. The founder came to Canada when she was a teenager, so she was more used to the environment in Canada than in China. She internationalised to China only because the market has a high potential in the future.

The CEO wished to bring her products to more countries, but no plan for deep penetration in China. Normally, the firm held bi-weekly meeting to discuss business strategy and motivate employees.

1A.7.2 Dimensions of internationalisation

Table 1A.7.2 presents the internationalisation dimensions of the firm.

Table 1A.7.2 Case TEFCA2 – Dimensions of internationalisation

Dimension	Findings
Market presence	Operating countries/regions: Australia, China, Hong Kong, and the US Best-selling country: the US Biggest national market of the industry: the US
Speed	2 years after founding (the US and Australia, 2007; China and Hong Kong, 2010)

This firm is also an INV. It issued licences of its patent products in Australia and the US, exporting its hardware to China, Hong Kong, and the US. The US was the most important market for the firm as well as for the industry.

1A.7.3 Performance aspects

Table 1A.7.3 presents the performance-related aspects of the firm.

Table 1A.7.3 Case TEFCA2 – International performance of the firm

Dimension	Findings
Subjective	The firm was very satisfied with the status quo.
Objective	A consistent and stable increase in revenue was shown since inception (2005).

The CEO was very satisfied with the performance of the firm and believed it would continue to grow exponentially in the future. The current line of products was stable for gaining market share, and since it was environmentally friendly, the firm was confident that the sales would increase exponentially as the products become more popular in the market.

1A.8 Case TEFCA3: Second transnational entrepreneurial firm in Canada

1A.8.1 EO, network proclivity, and international motivation

Table 1A.8.1 presents the EO, network proclivity, and international motivation of the firm.

Table 1A.8.1 Case TEFCA3 – EO, network proclivity, and international motivation

Dimension	Findings
EO -Proactiveness -Innovativeness -Risk taking	The CEO was highly proactive. It was clear at the beginning that the firm would expand into the US and China, and probably Europe later. The service platform was based on an innovative idea. The firm was still the most innovative firm in the industry. The CEO considered himself to be highly risk-taking.
Network proclivity -Social capital -Mixed embeddedness	Personal contacts and relationship the firm possesses in the industry were heavily used for entering overseas markets. Going to the US market was almost the same as operating in Canada, and hiring American employees was essential for knowing the needs of American customers. There was no issue with going to China, although little social capital of the CEO was utilised. However, for the firm's future expansion to Europe, there could be lot of (cultural) barriers.
International motivation	The firm was set to keep the strategy of going abroad. Employees were assumed fully aware and part of the planning process, but there were no explicit instructions from the management.

The entrepreneur of TEFCA3 was highly keen to bring the company to an international stage as he had known the firm would only survive by entering the US and Chinese markets for receiving enough orders. The firm took innovation seriously and believed its innovation level was high in industry. The entrepreneur was highly risk-taking, although he normally went through a risk assessment to assist decision-making.

TEFCA3 also heavily relied upon the entrepreneur's social capital when internationalising the company. He collaborated with some of his university classmates who now located in China and the US because the trust was already there. Similar to TEFCA2, the CEO of TEFCA3 also came to Canada at a young age, so he received his secondary education in Canada and found himself more used to Canadian customs. He reckoned it was almost borderless between Canada and the US in terms of doing business; employing local people is the key to adapt to a foreign market. For his venturing in China, he did not have any particular difficulty as a Canadian Chinese, although his network was based on his Canadian contacts that had relocated to China. Finally, he worried about cultural barriers to his future expansion to Europe since it is culturally different from North America.

The motivation channel was informal. The employees knew the entrepreneur's plan, but rather than planning first and educating them, the entrepreneur made the employees part of the planning process by asking them what they want the firm to be.

1A.8.2 Dimensions of internationalisation

Table 1A.8.2 presents the internationalisation dimensions of the firm.

Table 1A.8.2 Case TEFCA3 – Dimensions of internationalisation

Dimension	Findings
Market presence	Operating countries: China and the US Best-selling country: the US Biggest national market of the industry: the US
Speed	9 years after founding (the US, 2010; China, 2012)

Although the entrepreneur had a vision to internationalise at the beginning, he did not do so until 9 years later. It was mainly due to his initial failure with some of the company's operations so that the company grew too slowly to accumulate adequate capital for foreign expansion. It now had franchising locations for his IT solutions in China and the US, and the main markets for his company and the industry were both the US.

1A.8.3 Performance aspects

Table 1A.8.3 presents the performance-related aspects of the firm.

Table 1A.8.3 Case TEFCA3 – International performance of the firm

Dimension	Findings
Subjective	The firm compared its year-end results with the plan. The financial performance was "a lot bumpier" than it anticipated. It took longer to see the profit coming in. The firm now started catching up and sticking to the performance plan.
Objective	The profit level was about the same level as before-internationalisation

The company usually compared its actual financial results at the year-end with the plan set up at the beginning of the year. The performance was not as decent as anticipated. However, it was not religious to traditional financial measures such as market share and

sales data. The firm was getting on the right track, and was still optimistic that the firm would perform well soon. The firm believed that if it temporarily re-invested its profits to under-performing areas, it should be benefited in the long term.

1A.9 Case TEFCA4: Third transnational entrepreneurial firm in Canada

1A.9.1 EO, network proclivity, and international motivation

Table 1A.9.1 presents the EO, network proclivity, and international motivation of the firm.

Table 1A.9.1 Case TEFCA4 – EO, network proclivity, and international motivation

Dimension	Findings
EO	
-Proactiveness	The firm was also very proactive. The company started up by receiving foreign investment at inception, so it already has an international gene.
-Innovativeness	The firm was highly innovative as it collaborated with the university. Most senior staff received a master's/PhD degree in computing science.
-Risk taking	The respondents thought the risk in the IT industry was relatively low. Most services were offered on the cyberspace and could be discontinued if customers failed to pay on time.
Network proclivity	
-Social capital	The firm did not make much use of social capital in the beginning. However, it realised that if it wanted to grow, it must build up and utilise relationships with customers and partners.
-Mixed embeddedness	Any socio-political and cultural barrier was minimised because the technology was considered the common language. The Chinese background of the CEO had been an advantage for conducting IB to China.
International motivation	The firm focused on a niche product for a niche market. So at the moment, its goal was to become the market leader in that particular market. There was no formal staff training, but the employees were assumed to know the direction of the firm very well.

The firm was highly proactive as the firm started because of winning a major innovation award, which provided the venture capital. The entrepreneur used to work in a university lab and even now, he collaborated with his former affiliated university in order to maintain

the innovativeness of the product line. Eighty per cent of the management had had a Master's or a PhD degree in IT. The business risk was relatively low for the firm in two ways. First, their product was patented so the chance of being copied or followed was low. Second, their running cost was kept low as the initial lump sum of investment was funded. Similar to IEFUK1, most of their services ran on the cloud platform.

The entrepreneur employed little social capital at the start-up stage, as it was able to receive ample assistance from the government agency and his affiliated university. However, he realised that social capital is an asset he had undervalued. Serving a niche market, the entrepreneur was not concerned with being difficult of doing businesses as an immigrant. He stated that he spoke the language of technology so there was no perceived barrier. Nonetheless, his Chinese background had been helpful in attracting partners and customers from China. He stated that many Chinese companies preferred a foreign partner to a local one since Chinese customers had the impression that products made with international collaboration must be of better value and quality.

Competing in a niche market, the firm was determined to increase its international scope and be the market leader, but the staff were thought to know well of this plan so the CEO did not think any additional coaching is needed.

1A.9.2 Dimensions of internationalisation

Table 1A.9.2 presents the internationalisation dimensions of the firm.

Table 1A.9.2 Case TEFCA4 – Dimensions of internationalisation

Dimension	Findings
Market presence	Operating countries/regions: China, Hong Kong, and the US Best-selling country: the US Biggest national market of the industry: the US
Speed	Within 1 year after founding (the US, 2010; China, 2012)

TEFCA4 should be classified as a BG. Its main way of internationalising was issuing licensing permits to China, Hong Kong, and the US. Because the start-up fund award the entrepreneur won included an office space in New York, the firm had a representative

office there for displaying its products. In line with other case firms, it also believed the US was the largest market for the firm and the industry.

1A.9.3 Performance aspects

Table 1A.9.3 presents the performance-related aspects of the firm.

Table 1A.9.3 Case TEFCA4 – International performance of the firm

Dimension	Findings
Subjective	The firm saw itself in the early adopter phase, so it cared less about profitability, but still focused on R&D spending. The entrepreneur believed the harvest would come later.
Objective	The firm did have a low profit level currently (about £100,000 on average per annum for the past three years).
Outlook	It expected high growth in the next 5-7 years.

As the firm still invested heavily in R&D at the early adopter phase, it did not have too much expectation on profitability at the current stage. Nevertheless, in the long run, the CEO was optimistic about the firm's performance, especially in five-seven years later when it would be able to become a firm industry leader.

Appendix 2 Plain Language Statement**Plain Language Statement****Title of Project: The internationalisation of Chinese transnational entrepreneurial firms: A comparative study with indigenous counterparts in Canada and UK**

Researcher: Nicolas Li
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You are being invited to take part in a research study for which is part of fulfilment to my Doctor of Philosophy in Business and Management degree. Before you decide, it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with the researcher or any others if you wish. Ask me if there is anything that is not clear or if you would like more information. Please take time to decide whether or not you wish to take part.

The purpose of the study is to identify the key differences in terms of international entrepreneurial characteristics between local British/Canadian entrepreneurs and immigrant ones. We would like to investigate how these two groups of entrepreneurs internationalise their enterprises. The findings from this study can have profound implications for research, practice and policy making. You have been chosen because you fall into one of the two types and the data to be collected from your firm are invaluable to our study.

The study is based on conducting two face-to-face interviews with each of the firm's founder and a senior manager possessing the best information and knowledge of the firm's international operations, being followed by a short fully structured survey, both of which should take no longer than one hour altogether. In addition, the archival data of your firm will be gratefully solicited to complement the studying of your firm.

Participation in the study is completely voluntary and all results are strictly confidential. No one other than the researcher and his supervisor will have access to the raw data. Reports will include pseudonym information only; it will not be possible to identify individuals, or individual companies, from any report. All computer files and documents will be coded with subject numbers, not names, and kept in a secure office. The copy of archival data of your firm will be returned to you by recorded delivery or destroyed after being studied. All information will be analysed for the purpose of this study and will be stored securely and confidentially for comparison purposes for future studies.

This study has been approved by the ethics committee of the Colleges of Social Sciences at the University of Glasgow. If you have any concerns regarding the conduct of the research project that they can contact the College of Social Sciences Ethics Officer by contacting Professor John McKernan at John.McKernan@glasgow.ac.uk

Thank you for reading this document.

Appendix 3 Participant Consent Form



Consent Form

Title of Project: The internationalisation of Chinese transnational entrepreneurial firms: A comparative study with indigenous counterparts in Canada and UK

Name of Researcher: Nicolas Li

1. I confirm that I have read and understand the Plain Language Statement for the above study and have had the opportunity to ask questions.
2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason.
3. By signing this form, I understand and agree with the following:
 - *consent to interviews being audio-taped,*
 - *acknowledgement that copies of transcripts can be returned to participant for verification upon request,*
 - *participants to be referred to by pseudonym in any publications arising from the research,*
4. I agree / do not agree (delete as applicable) to take part in the above study.

Name of Participant

Date

Signature

Researcher

Date

Signature

Appendix 4 Generic Interview Guide

Interview Questions for Firm Participants

Antecedents of Internationalisation

General questions

What international activities does your company have? (Exports, Licensing, Sales office, or overseas ventures? If so, which type?).

Why did you internationalise? Please explain how you decided to internationalise your company.

What factors are important for you and your company to achieve successful internationalisation?

Entrepreneurial Orientation

Were you considering internationalising your company at the time of founding?

To what extent do you think innovation has played an important role in your company's entering into the foreign market? Why?

How did you perceive the risk of internationalising your company?

Network Proclivity

Did you use a network or personal contacts to help you internationalise your company? Please elaborate.

How did you try to adapt yourself to overcome the "liability of foreignness" in the international market? Please elaborate.

[TEF only] How did your UK/Canadian experience help you with your internationalisation?

International Motivation

What is your "plan or vision" for your company's growth abroad?

How do you disseminate this plan/vision to your employees? In what way?

Dimensions of Internationalisation

General questions

How did you enter the market abroad? And, in what countries?

Market Presence

Which is the biggest national market for your industry (in terms of sales volume)?

Which are the best-selling national markets for your product/service?

Speed

When did you enter the market abroad?

When your firm went abroad following its establishment, was it a proactive or reactive move?

International Performance

How do you measure performance of your company? How did your company do in terms of overall performance after you entered the foreign market? Performance overseas?

What changes in firm performance do you perceive after internationalisation in terms of profit level, market share, and sales growth?

Based on reviewing your overseas performance, what changes do you propose in terms of...your foreign market expansion/the timing for that expansion/innovation-related activities/attitude towards risk/initiative to lead the market/relationship building/the socio-economic and political effects on relationship building/educating employees about your international vision and plans/receiving suggestions from your employees?

Appendix 4A Interview Questions to Business Consultants

1. To your knowledge, which international activity is most common for SMEs in IT to have (e.g. exports, licensing, sales office, joint venture, subsidiary, etc.)?
2. Which is the biggest national market in the IT industry (in terms of sales volumes)?
3. What is the most important reason would a small IT firm want to internationalise?

4. What factors are important for small IT firms to achieve successful internationalisation, if any?
5. To what extent do you think innovation has played an important role in those firms entering the foreign market? Why is that? (i.e. Obviously, innovation is important for these tech-intensive firms, but how so?).
6. What actions can these firms undertake in order to overcome the “liability of foreignness”? (i.e. the disadvantage of being foreign in a non-local market such as linguistic and cultural barriers).
7. Is network/relationships important when these firms venture overseas?
8. For those internationalised small IT firms founded and operated by Chinese immigrant entrepreneurs in Canada, could you give an approximate estimate of their proportion to the whole industry? Do you think they perform better than their Canadian counterparts (entrepreneurs born in Canada) do in the international market? If so, what are their advantages? If not, what are their disadvantages?
9. For those Chinese immigrant entrepreneurs as stated in Q8, do you think they have the same sort of advantages/disadvantages when they enter a market other than China? Please elaborate.
10. As for Canadian-based small IT companies, do you think it is worth internationalising after considering the risks and uncertainties, and the benefits of accessing a bigger market?

Appendix 5 Short Survey for Firm Participants

A short questionnaire after the interview

Thank you very much for the interview. Your response is important to our research on SME internationalisation. To help us better understand firm internationalisation, please fill out this brief questionnaire, which should take no more than five minutes of your time. Thank you again.

1. Please evaluate the following statements with reference to your firm’s activities in the foreign country in which your firm achieves the highest level of sales in the most recent financial year, and tick the appropriate box:

	Strongly	Disagree	Agree	Strongly	Not Sure/Not
--	----------	----------	-------	----------	--------------

	Disagree			Agree	Applicable
I did not actively seek opportunities to enter the foreign market					
Being innovative is the core strategy for a firm going abroad.					
I am always proactive towards competition.					
I was highly risk-taking when internationalising my firm.					
I relied on my personal networks for entering a foreign market.					
Some acquaintances helped me a lot when I entered a particular market.					
I/my company managed to adapt to the socio-cultural circumstances in the new market.					
I always had a plan to grow the company abroad.					
I am able to communicate with the employees about the firm's internationalisation plan effectively.					
I am only comfortable to enter the major, established markets of my firm's industry.					

I do not wish to expand my business abroad too quickly before it has grown slowly in the UK.					
Wholly-owned subsidiary would be preferred to export for my firm's international business.					

2. Over this period since your company's internationalisation, to the best of your knowledge, please rate the performance of your company in comparison to the average for your sector.

	Well Below Average in Sector	Below Average in Sector	Average	Above Average in Sector	Well Above Average in Sector
Profitability growth	1	2	3	4	5
Market share growth	1	2	3	4	5
Sales growth	1	2	3	4	5
Foreign sales growth	1	2	3	4	5
Firm size growth	1	2	3	4	5
Return on asset	1	2	3	4	5
Association between R&D in the domestic firm and productivity in business presence in other countries	1	2	3	4	5

Appendix 6 Company Financial Review Form**Company Financial Review Form**

Company:

Date:

Year Ended:

General	Total	Domestic	International
No of employees			
No of international markets	n/a	n/a	
Sales/turnover/revenue			
Profit/loss (+, -, or =)			

Over the last three years are:	Total	Domestic	International
No of employees, increasing (+), decreasing (-) or constant (=)			
Sales increasing (+), decreasing (-) or constant (=)			
Profits are increasing (+), decreasing (-) or constant (=)			

Appendix 7 Interview Record

Interview record (to be completed in advance and checked):

Company:
Address:
Contact details:
Year of foundation:
Year of internationalisation:
Interviewee (Pseudonym):
Position of interviewee:
Founder (s):
Services:
Interviewer:
Date:

Appendix 8 Supplement Figures in Section 5.4.4

These five figures, extracted from World Bank (2013) data, provide supporting information to statistics quoted in Section 5.4.4

Figure A8.1 Total international migrant stock in 2000-2010: Canada and the UK

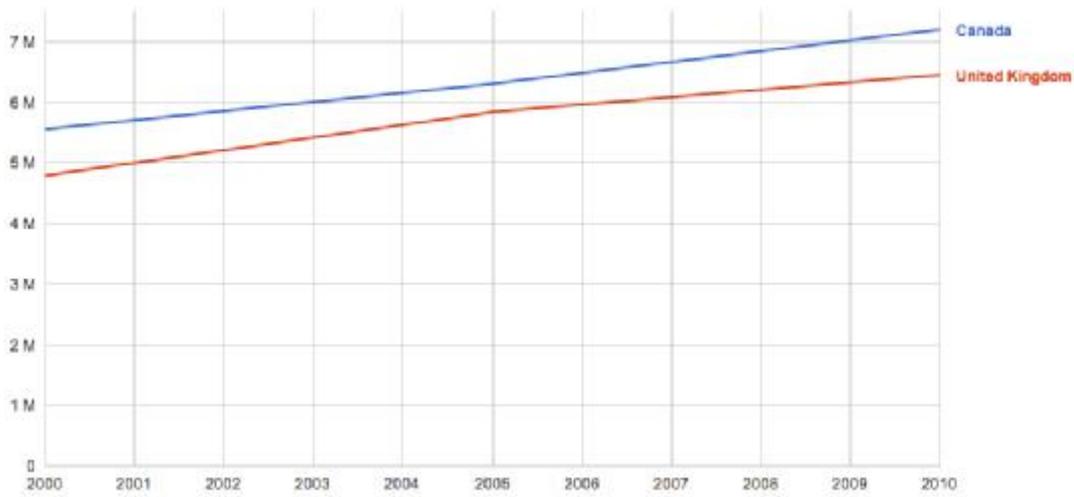


Figure A8.2 GDP growth in the period 2000-2010: Canada and the UK

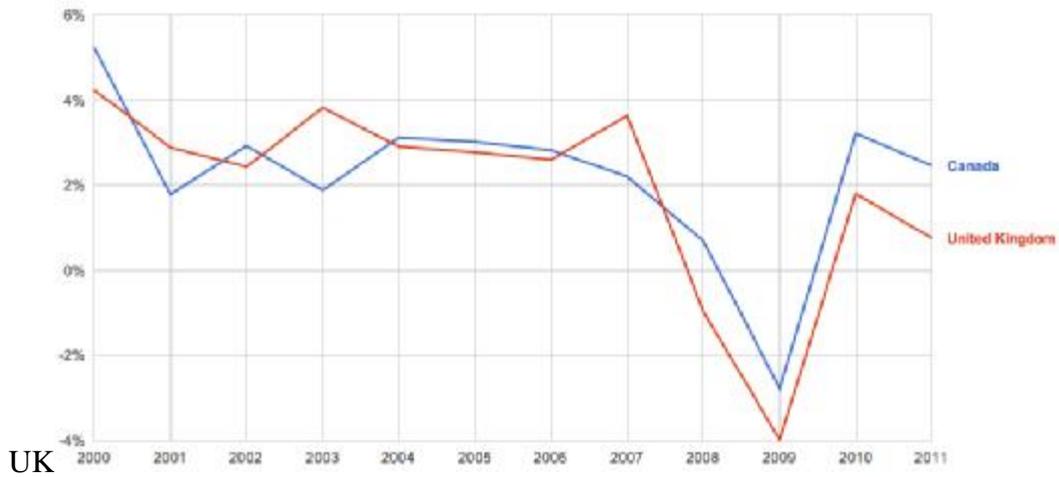


Figure A8.3 Refugee population in 2000-2010: Canada and the UK

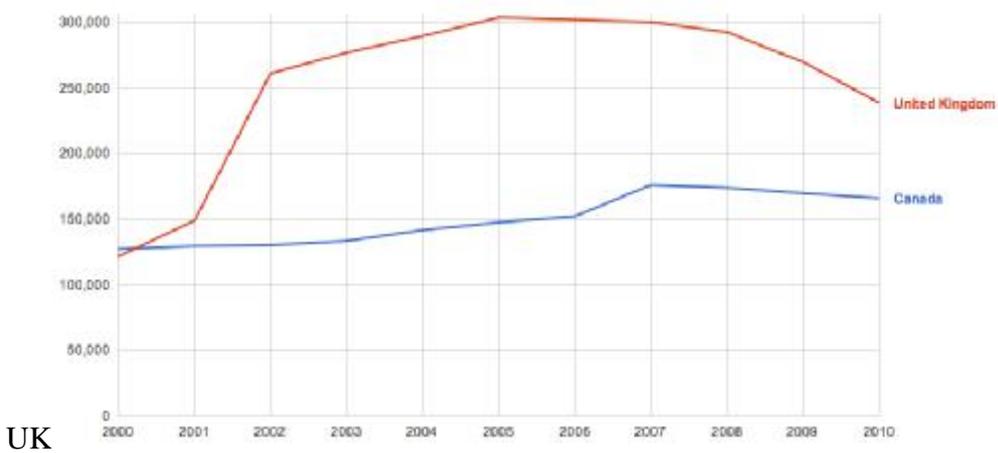


Figure A8.4 Cost of business start-up procedure in 2000-2010: Canada and the UK

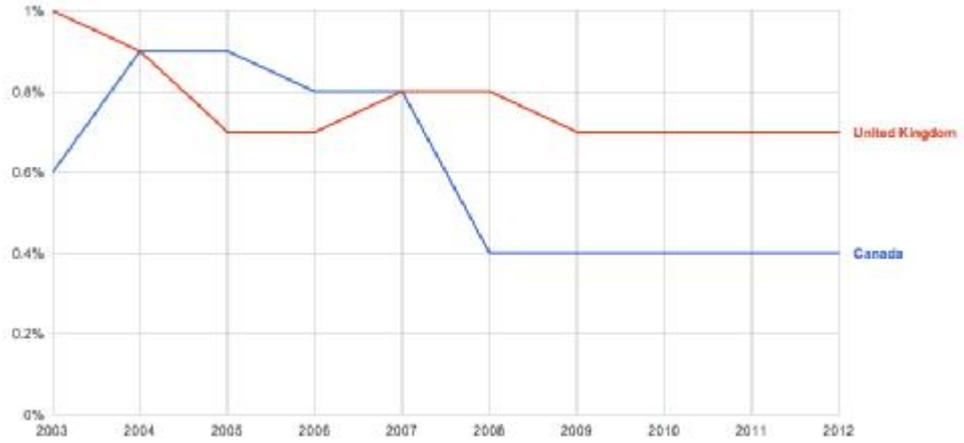
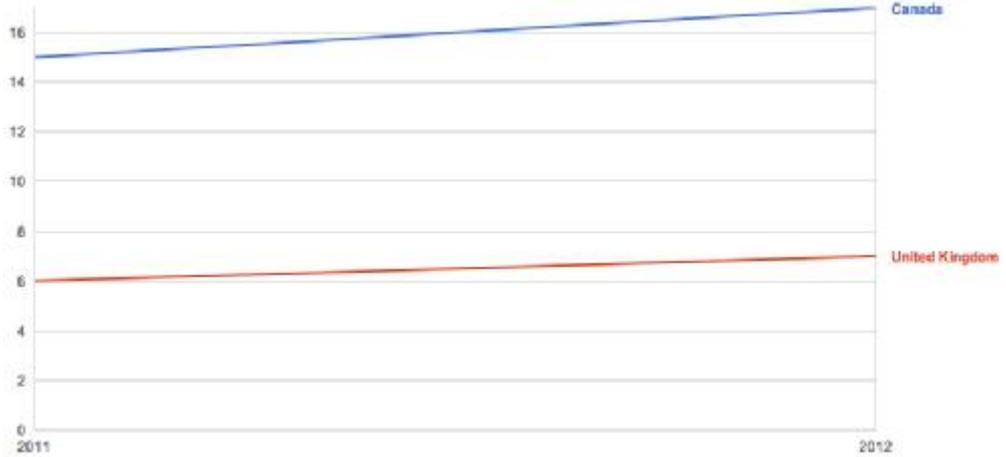


Figure A8.5 Ease of doing business index in Canada and the UK (1=most business-friendly regulations)



Appendix 9 Screenshot of Data Nodes Page (i.e. the “themes”) in NVivo 10

The screenshot displays the NVivo 10 interface, specifically the Data Nodes page. The top menu bar includes File, Home, Create, External Data, Analyze, Query, Explore, Layout, and View. The main window shows a list of nodes with columns for Name, Sources, References, Created On, Created By, Modified On, and Modified By. The nodes are organized into a hierarchical tree structure on the left side of the main window. The left sidebar contains navigation options: Sources, Nodes (selected), Classifications, Collectives, Queries, Reports, Models, and Folders. The bottom status bar shows 14 items in 17 files.

Name	Sources	References	Created On	Created By	Modified On	Modified By
Antecedents	8	50	05/07/2013 1	NL	21/01/2014	NL
2D	8	34	05/07/2013 1	NL	21/01/2014	NL
Innov	11	12	05/07/2013 1	NL	08/12/2013	NL
Proactin	11	22	05/07/2013 1	NL	13/12/2013	NL
Piac	8	11	05/07/2013 1	NL	21/01/2014	NL
InfMotiv	8	15	05/07/2013 1	NL	22/01/2014	NL
InfMotiv	8	15	28/11/2013 1	NL	23/01/2014	NL
Network	8	23	05/07/2013 1	NL	21/01/2014	NL
MixedEmbed	8	14	05/07/2013 1	NL	09/12/2013	NL
SolCap	11	24	05/07/2013 1	NL	21/01/2014	NL
InfDin	11	22	05/07/2013 1	NL	13/12/2013	NL
Inference	11	24	15/01/2013 1	NL	13/12/2013	NL
Speed	11	12	15/01/2013 1	NL	13/12/2013	NL
Performance	11	20	05/07/2013 1	NL	13/12/2013	NL
ObjPerf	8	12	05/07/2013 1	NL	13/12/2013	NL
SubjPerf	11	15	05/07/2013 1	NL	22/01/2014	NL
Reverse causation	12	16	05/07/2013 1	NL	21/01/2014	NL

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