The effects of cultural dimensions, government regulations and entrepreneurial orientation on firms' international performance: A study of SMEs in Malaysia

Chew Tze Cheng

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College of Social Sciences

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ABSTRACT

This research advances an integrative approach to examining the complex interplays between various internal and external determinants to the firm, in order to provide a fuller understanding of the international performance of firms. Specifically, this research aims to enrich our understanding of the role of entrepreneurial orientation (EO) in driving the international performance of small- and medium-sized enterprises (SMEs). For this purpose, the research integrates the resource-based view (RBV) with the institutional perspective to explicate the dynamic interactions among EO - a core firm-specific resource - and two institutional factors, i.e. cultural dimensions and government regulations in explaining the international performance of SMEs.

The research conceptualises and examines four core sets of associations that relate to: i) EO and international performance of firms; ii) cultural dimensions and EO; iii) government regulations on the association between EO and international performance; and iv) government regulations on the association between cultural dimensions and EO. The study employed a quantitative research method and conducted a large-scale, self-administered questionnaire survey in Malaysia. The statistical analysis of data of 203 internationalised SMEs confirms the positive impact of EO on the firms' international performance. Moreover, analyses provide evidence of the association of cultural dimensions of high individualism, high masculinity and low uncertainty avoidance with EO; and of the premise that government regulations positively moderate the individualism-EO and masculinity-EO relationships.

The incorporation of the RBV and the institutional perspective offers a fuller explanation of the international performance of SMEs. Specifically, it advances understanding of the importance of EO - a critical resource for firms, whose manifestation and strength are influenced by institutional factors - in the internationalisation of firms. The research also contributes to the institutional perspective in two ways. First, the focus on the macro-institutional factors based on a micro perspective reflected through the perception of the key decision-maker advances the understanding of the entrepreneurship phenomenon. It explains that how firms perceive and respond to the institutional context within which they are embedded will, in turn, prompt the responding entrepreneurial behaviours and subsequently affect international performance. Second, it explicates the interacting and reinforcing effect of cultural dimensions and government regulations, which are an informal and a formal component of institutions, on the genesis of EO. Significant practical implications are derived accordingly for business practitioners and policy makers to promote SMEs' international business development and growth.

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To my beloved husband and family
who make it all worthwhile

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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 institute of learning.

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

Signature _____

Printed name **CHEW TZE CHENG**

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LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
CVSCALE	Cultural Values Scale
EO	Entrepreneurial Orientation
GLOBE	Global Leadership and Organisational Behaviour Effectiveness
IE	International Entrepreneurship
M/C&S	Miller/Covin & Slevin
OECD	Organisation for Economic Co-operation and Development
PLS-SEM	Partial Least Square-Structural Equation Modelling
RBV	Resource-Based View
SEM	Structural Equation Modelling
SMEs	Small-and Medium-sized Enterprises
SPSS	Statistical Package for the Social Sciences
VIF	Variance Inflation Factor

CHAPTER 1: INTRODUCTION

This chapter presents readers with an overview of the research conducted for this thesis. The chapter begins with the background to the research. The research focus is defined and the choice of research context in correspondence to the focus is discussed. Then, the theoretical underpinnings of the research is presented and the main research questions are specified. The research methodology is summarised and the chapter ends with definitions of some key concepts and an outline of the thesis's structure.

1.1 Background to the research

The purpose of this research is to provide a fuller understanding of the international performance of small- and medium-sized enterprises (SMEs) by integrating the resource-based view (RBV) and the institutional perspective. The integrative framework advances existing understanding of entrepreneurial orientation (EO) as a core explanatory factor in the international performance of SMEs, by incorporating the role of cultural dimensions and government regulations on EO, and consequently on the international performance of firms.

The idea of expanding internationally is often deemed to be out of reach for SMEs because by definition a small- and medium-sized firm has limited resources and expertise compared with multi-national enterprises. Despite their small size, many SMEs have successfully ventured abroad. International business offers firms wider business opportunities for growth and opens up access to an enlarged customer base. A larger and promising customer base assists firms in raising sales and productivity to improve firms' overall profitability (Lages and Montgomery, 2004; Katsikeas, Samiee and Theodosiou, 2006). Given that SMEs account for over 90 percent of all business establishments in most countries, a large proportion of successful internationalised SMEs will have a major impact on a country's social and economic development. These firms will contribute significantly to national revenues, enhance overall productivity and employment levels, as well as increase a country's global competitiveness and economic outlook (Czinkota, 1994).

Nevertheless, with the steady rise of competition in international markets, the development and survival of firms depends heavily on better understanding the determinants of international performance (Sousa, Martínez-López and Coelho, 2008). As a result, extant studies have attempted to explain various internal firm factors and external environment characteristics that affect firms' international performance (Zou and Stan, 1998; Singh,

2009; Lages and Sousa, 2010). However, the findings on factors that influence the international performance of firms are so far inconsistent. Some scholars believe existing findings are vague, not always validated and also difficult to grasp (Julian, 2003; Solberg and Durrieu, 2008; Maurel, 2009). In addition, the majority of empirical studies on international performance are derived from firms in developed economies, yet, many firms from developing economies are increasingly active and have become important international players (Katsikeas and Leonidou, 2010; Lages and Sousa, 2010; Griffith and Hoppner, 2013).

Most importantly, the lack of a proper comprehensive theoretical perspective in explaining international performance of firms makes it difficult to integrate findings from different studies into a coherent body of knowledge (Zou and Stan, 1998; Morgan, Kaleka and Katsikeas, 2004; Lages et al., 2008; Singh, 2009; Lages and Sousa, 2010). Hence, recent developments in the literature suggest a more robust approach to future internationalisation studies. Specifically, a number of scholars have called for a holistic and integrative approach to examining the complex interplays between various determinants of firms' international performance (McDougall, Oviatt and Shrader, 2003; Jones and Coviello, 2005; Rialp, Rialp and Knight, 2005; Lages and Sousa, 2010).

Responding to this call, this research integrates the core ideas of the RBV and the institutional perspective in explaining the international performance of SMEs from a developing economy context, i.e. Malaysia (to be discussed in *Section 1.2*). This research argues that reliance on a single theoretical perspective is insufficient to explain the complex and dynamic phenomenon of firms' internationalisation, e.g. international performance. The premise of this research is that neither internal firm level factors nor external institutional environment alone can fully explain the international performance of a firm. It posits that both internal firm factors and external institutional environment are complementary in providing a fuller and holistic understanding of the distinctive phenomenon.

The RBV and the institutional perspective have different assumptions about firm behaviour and performance. In this regard, a link that can bridge these two perspectives in understanding firms' international performance is needed but is currently missing. The RBV assumes that a firm's internal resources influence its behaviour and performance. While the extant literature widely associates small size with inherent resource limitations, the smallness of SMEs may present some key advantages which paradoxically explain the

successful growth of many of these firms abroad (Liesch and Knight, 1999; Young, Dimitratos and Dana, 2003). Specifically, these key advantages of smallness are believed to be associated with these firms' distinctive managerial behavioural characteristics (Vossen, 1998). Among different managerial behavioural characteristics, entrepreneurial-oriented behaviour is commonly emphasised in studies across contexts as a pivotal factor in explaining the international performance of SMEs (Zahra, 1993; Zahra and George, 2002; Oviatt and McDougall, 2005; Covin and Miller, 2014).

Additionally, it is generally emphasised and acknowledged that the personal attributes of key decision-makers of SMEs (labelled variously in existing studies as owners/managers, top managements, or entrepreneurs) directly shape the business activities of their firms. Referring to this supposition, the majority of small business studies put the focus on associating the role of entrepreneurs' attributes with the firm's EO (Covin and Miller, 2014). EO characterises the opportunity-seeking behaviour of the firm that constitutes a critical resource for firm competitiveness (Alvarez and Busenitz, 2001). Today's business environment is rapidly changing with product and business model life cycles significantly shortened. Such environmental conditions place intense demands on firms to interpret and respond to opportunities and threats actively (Lumpkin and Dess, 1996; Dess, Lumpkin and Covin, 1997). Having an EO promotes and supports behaviour favourable to active discovery and exploitation of opportunities in highly dynamic and competitive international markets (Zahra and George, 2002). Accordingly, EO will help to enhance competitiveness and performance of firms (Lumpkin and Dess, 1996; Zahra and George, 2002; Wiklund and Shepherd, 2005).

The institutional perspective, on the contrary, assumes that firm behaviour and performance is conditioned and shaped by the institutional context within which the firm is embedded. The institutional perspective is made up of formal and informal institutions governing a firm's actions and decisions (North, 1990). Institutions can be understood in a very broad sense. Formal institutions are tangible, man-made elements such as regulations, constitutions and property rights protection (North 1990) whereas informal institutions include norms, cultures, conventions, code of conducts and ethics (North, 1990; Scott, 1995; Peng, Sun, Pinkham, and Chen, 2009; Peng, 2016). Both formal and informal institutions have a significant influence on a firm's resources, and therefore its EO and international performance. Nevertheless, existing studies generally conceptualise formal and informal institutions by objective methods that limit the analysis to the macro-level, and they often study the two as separate variables that have independent direct effects on

EO and international performance. In this regard, these approaches limit current understanding and knowledge on: i) the effect of macro-institutional factors on micro-individual firms' behaviour and actions, and ii) the interactive effects of both formal and informal institutions on the firm's behaviour and performance.

In responding to these gaps, first, this research synthesises the RBV and the institutional perspective based on the underlying assumption that both perspectives can be regarded as complementary rather than conflicting with one another in explaining business development and growth of firms, in terms of international performance (Rao, 1994; Oliver, 1997; Peng, Wang and Jiang, 2008; Peng et al., 2009). Whether a firm's resources enable it to achieve its desired performance outcomes primarily depends on how effective the firm manages the institutional contexts within which it is embedded. Similarly, the firm's perception and hence response towards the opportunities and constraints presented in the institutional context determines the influence of institutions on the firm's resources and performance. In return, institutions that are considered favourable by the firm will nurture and encourage the manifestation of its EO.

Based on the above understanding of the influence of institutions on a firm's resources, this research examines the effects of EO on international performance in a given institutional context. Second, this research examines both formal and informal institutional factors based on a micro perspective reflected through the cognitive schema, interpretations and sense-making of individuals, specifically the key decision-makers of firms. This research posits that the impact of institutional factors on these key decision-makers determines the EO of SMEs in their pursuit of international business development. Third, this research examines the interplay effects of both formal and informal institutions simultaneously and posits that these two institutional factors interact and reinforce on one another to provide a fuller understanding of the genesis of the EO of SMEs.

Given the broad meaning of formal and informal institutions, government regulations are used to capture formal institutions that provide incentive and support systems to mould and induce specific business activities of firms (Busenitz, Gómez and Spencer, 2000; Tonoyan, Strohmeyer, Habib and Perlitz, 2010; Saeed, Yousafzai and Engelen, 2014). The role of government regulations in entrepreneurship and international business activities is well acknowledged in the extant literature (Busenitz et al., 2000; Bruton and Ahlstrom 2003; Scott, 2007; Peng et al., 2009; Bruton, Ahlstrom and Li, 2010; Sun, Peng, Li and Tan, 2015; Peng and Meyer, 2016). Of particular importance is the role of government regulations in providing supports that could influence: i) firm's entrepreneurial behaviour,

and/or ii) firm's international business activities. Cultural dimensions as informal institutions that influence people's belief and attitude towards specific behaviours and actions (Schneider and De Meyer, 1991; Shane, 1993, 1994; Lee and Peterson, 2000; Mueller and Thomas, 2001). Thus, certain cultural dimensions are likely to promote and induce a higher level of EO.

In summary, by placing the focus on investigating EO as a core explanatory factor and its interaction with cultural dimensions and government regulations in the quest for the enabling forces of SMEs' international performance, the thesis will present a fuller view of the interrelated influences of these factors to generate significant findings of theoretical and practical value regarding the distinctive phenomenon of the international performance of SMEs.

1.2 Research context

The choice of empirical location is in correspondence with the research focus on the international performance of SMEs. Malaysia with its abundance of natural resources and strategic location within South East Asian, is one of the 'Tiger Cub Economies', alongside Indonesia, the Philippines and Thailand (Asian Development Bank, 2011). These four economies indicate that they are on a similar, although slower, growth trajectory as the original four Asian Tigers: Hong Kong, Singapore, South Korea and Taiwan (Valls and Chuliá, 2012). Young tigers are referred to as cubs, the implication being that the four newly industrialised countries make up the 'Tiger Cub Economies' are rising Tigers. The Asian Development Bank (2011) proclaims that the Tiger Cub Economies along with Singapore are of particular importance to the South East Asian region due to their rapid financial liberalisation, stock market growth and ongoing economic development.

International business has always been important for the Malaysian economy. Based on Malaysia's 2016 trade figures, total trade of the country grew by 1.5 percent to reach MYR1.49 trillion compared to MYR1.46 trillion in 2015. Exports in 2016 rose by 1.1 percent to MYR785.93 billion and imports grew by 1.9 percent to RM698.66 billion, resulting in a trade surplus of MYR87.27 billion. Consequently, Malaysia has enjoyed nineteen consecutive years of trade surplus since 1998 (MATRADE, 2017). The increase in total trade in 2016 was contributed by higher trade with China, which expanded by MYR10.09 billion, United States (MYR6.87 billion), South Korea (MYR3.56 billion), Taiwan (MYR3.29 billion) and Saudi Arabia (MYR3.04 billion). This remarkable performance has shown the competitiveness of Malaysian firms in international markets.

1.2.1 Malaysia's SME sector and international business development

"To us in Malaysia, small is the new big."

Dato Hafsah Hashim, Chief Executive of SME Corporation Malaysia (2016)

It is commonly agreed that in terms of numbers, SMEs are significant, and they form the backbone of Malaysia's economy (World Bank, 2016). According to the 2015 Economic Census official statistics, Malaysian SMEs are comprised of 97.3 percent of total business establishments, while only 2.7 percent of total business establishments constituted the large businesses. The contribution of Malaysian SMEs is improving each year towards the country's gross domestic product, employment and share of exports. In addition, Malaysian SMEs have consistently outpaced the country's overall economic growth. These businesses are responsible for around 50 percent of the country's gross domestic product, 65 percent of the country's total employment and nearly 20 percent share of the country's exports. Although the 20 percent share of the country's export is not that high as the Asian Tigers' economies, e.g. around 60 - 80 percent shares of the country's exports, yet, the contributions of Malaysian SMEs to the country's export is similar and comparable among other developing countries, specifically the Tiger Cub Economies (SME Corp. Malaysia, 2016). Moreover, the contribution of SMEs to the country's exports has significantly improved and exceeded the estimated growth every year (EPU, 2015; MATRADE, 2015, 2017).

SMEs have been at the core of Malaysia's economic transformation since the 1990s.With the aim of becoming an upper-middle income nation, they are an important driver of the nation's employment and growth. Essentially, the future progress of Malaysia seems to depend greatly upon the development of SMEs. These firms are vital for accomplishing Malaysian Vision 2020: to be a fully developed and become an industrialised nation by the year 2020 (EPU, 2015). Anabel Gonzalez, Senior Director of the Bank Group's Trade and Competitiveness Global Practice comments that Malaysia's transition to a high-income economy will depend significantly on SMEs' contributions to the nation's gross domestic product growth (World Bank, 2016). The business activities of Malaysian SMEs are highly significant to international activities of the country in terms of import/export trade and inflow/outflow foreign direct investment.

1.2.2 Malaysian institutional context in relation to the development of SMEs

Based on the core notion that a firm's resources cannot alone explain international business development, the Malaysian institutional context serves as a rich research context to examine the influence of both formal and informal institutional factors on a firm's EO and international performance. Thus, this study focuses on the influence of i) Malaysian government regulations, and ii) the Malaysian cultural context on the firm's EO and international performance respectively.

Malaysian government regulations. Past research has generally focused on the role of host country formal institutions in attracting and supporting inward internationalisation, i.e. foreign firms entering and doing business in the host country, Malaysia. As a result, the promotion of outward internationalisation by domestic firms has arguably been neglected (Peng et al., 2008; Sun et al., 2015). However, this requires an examination of home country formal institutions which could influence the development of firms (Matthews, 2006; Luo and Tung, 2007; Peng, 2012; Sun et al., 2015).

The Government of Malaysia has undergone a series of formal institutional transitions in recent decades with the objective of accelerating the economic and industrial development of the country. In particular, its commitment to, and concern for, the development of SMEs has been evident since the early 1970s through various policies and strategies for SMEs in relation to Malaysia's aspiration to become a high-income country by 2020 (EPU, 2015). Since then, the country has significantly improved its legal and regulatory environment in efforts to support entrepreneurial and international business activities. Arguably as a consequence, the country is now ranked 18th globally in the World Bank's *Ease of Doing Business* survey, making it one of only handful developing countries in the top 20 which is reported to have a favourable formal institutional environment for doing business (World Bank, 2016b).

Malaysian cultural context. Numerous studies have attributed country-level cultural scores to individuals, in what is often referred to as a "passport approach", without taking into account the intra-cultural diversity within a country (Acs, Autio and Szerb, 2012; Autio, Pathak and Wennberg, 2013; Beugelsdijk, Kostova and Roth, 2017), and this approach implies assumptions about individual, organisational and national homogeneity (Sharma, 2010; Taras, Steel and Kirkman, 2011; Caprar, Devinney, Kirkman and Caligiuri, 2015; Kirkman, Lowe and Gibson, 2017).

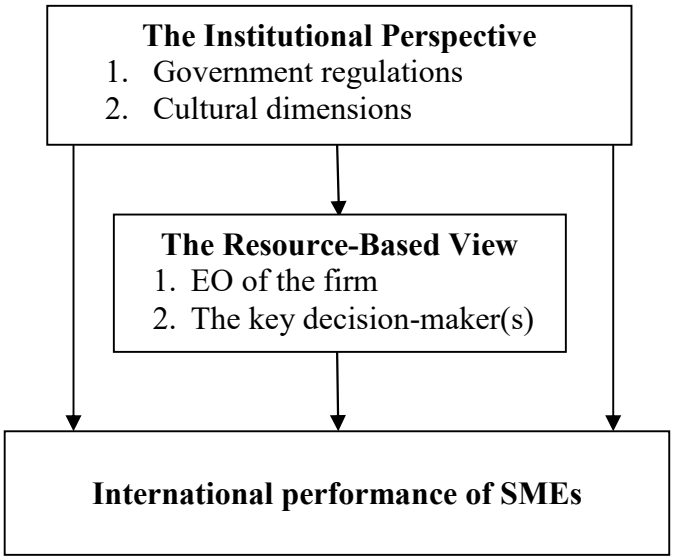
This research focuses on EO in SMEs as a key determinant of firms' international performance, and the personal attributes of key decision-makers have significant influences on firms' entrepreneurial behaviour. As suggested by Devinney and Hohberger (2017:55), it is important to examine the construct of culture at an individual, as well as national, level, and Malaysia has the additional complication of a multi-cultural population with different ethnicities.

Consequently, this research draws empirical evidence from the Malaysian context, with its unique institutional environment. Furthermore, it is proposed that the research findings may add to knowledge of the development of SMEs in the whole South East Asian region, particularly, the internationalising "Tiger Cub Economies".

1.3 The theoretical underpinnings of the research

The current study focuses on the RBV and the institutional perspective as its main theoretical basis. This integrative theoretical framework is proposed to examine the EO of firms and its interactions with cultural dimensions and government regulations in explaining the international performance of SMEs. The integrative theoretical framework with its main components and types of effects in explaining firms' international performance is illustrated in Figure 1-1 as follows:

Figure 1-1 The integrative theoretical underpinnings of the research



Source: The author

1.4 The research questions

The focus of this study is to adopt an integrative framework to advance existing understanding of EO as a core explanatory factor in the international performance of SMEs, by incorporating the role of cultural dimensions and government regulations on EO, and consequently on the international performance of firms. Accordingly, the following research questions are posed:

Research question 1: What is the effect of EO on international performance in a given institutional context?

Research question 2: What is the effect of cultural dimensions at an individual level on EO?

Research question 3: What is the role of government regulations in the association between EO and international performance, and in the association between cultural dimensions and EO respectively?

1.5 The research contributions

In seeking answers to the above-mentioned research questions, this study attempts to contribute to filling the theoretical gaps and practical knowledge (detailed contributions and implications are discussed in the concluding chapter) as follows:

i. *It advances an integrative conceptual framework*, which incorporates the underpinnings of the RBV and the institutional perspective, to portray a fuller view pertaining to the international performance of firms. The framework conceptualises the interrelationship of four key constructs, i.e. EO at the firm level, cultural dimensions, government regulations and international performance. It lays a foundation to support theoretical development and extension.
ii. *It enriches knowledge on the effects of macro-institutional factors on micro-individual behaviour and actions*, whereby the study examines the effects or influences of the institutional factors on firms through the perceptions of individual actors because their influence on firms largely depends on how individuals within firms perceive their institutions, and subsequently respond strategically to the institutional context in which they are embedded.

iii. *It enriches knowledge on the interactive effects of both formal and informal institutions* represented respectively by government regulations and cultural dimensions. These two factors have primarily been studied as two separate independent variables in extant EO research. Given that firms are often exposed to multiple institutional factors at the same time, hence, institutional factors are simultaneously present to jointly influence firms' behaviours and actions.

iv. *It provides awareness of the possible efforts at the level of the firm to leverage entrepreneurial behaviour* to achieve a higher degree of internationalisation and demonstrates the influence of the key-decision maker on the EO of SMEs. By identifying the effects of EO on international performance, and the influence that cultural dimensions have on this behaviour, the study derives practical implications to encourage proactive efforts by firms to cultivate entrepreneurially-oriented behaviour effectively in order to promote international development of SMEs.

v. *It provides awareness of the possible efforts at the level of the firm to utilise supportive government regulations* to ease firms' inherent resource constraints. By identifying the influence of government regulations on EO, the study derives practical implications by informing managers how they can best maximise the utility of EO within their respective firms by deliberately evaluate supports provided by the government, particularly those that are influential in promoting and enhancing the entrepreneurial proclivity.

vi. *It derives certain contextual findings* to examine and enrich existing knowledge of EO and the internationalisation of SMEs, which are developing rapidly to take an increasingly active position in the international arena.

1.6 The research methodology

In order to address the research topic, a quantitative research method was employed for this study. The main objective of the research is to test the hypothetical effects among EO of firms, cultural dimensions and government regulations on firms' international performance, and to a certain extent, generalise the findings. To test the proposed hypotheses, this study carried out a self-administered e-mail and a postal questionnaire survey of Malaysian internationalised SMEs from February to June 2016. A sample survey involving the collection of many cases is considered as the most appropriate research strategy to examine the proposed hypothetical relations and also detecting patterns of association among constructs in order to achieve generalisable findings (Bryman, 2012).

The Partial Least Square-Structural Equation Modelling (PLS-SEM) techniques were applied to validate the conceptual model and examined the relationship between hypothesised variables in this study (Hair, Hult, Ringle and Sarstedt, 2017).

A list of a total of 1,000 internationalised SMEs was obtained from Malaysia SME Corporation, which is the Central Coordinating Agency mandated to formulate overall policies and strategies for SMEs and coordinates the implementation of SME development programmes of the country (SME Corp. Malaysia, 2016). This list of SMEs was used as the sampling frame for this study. A total of 203 completed questionnaires from the 974 questionnaires distributed successfully were obtained for this study, giving a response rate of 20.8 percent. This study examined two non-response assessments: i) early and late respondents; and ii) replies through e-mail and post, by examining to the means of two demographic variables (the age of the firms and the size of the firms in terms of a number of employees). The t-test statistics indicate that the differences between the means of both variables are not significant between the two groups of responses ($p<0.05$) (detailed results of the assessments are discussed in *Chapter 4*), and it is concluded that non-response bias is apparently not a problem (Armstrong and Overton, 1977).

1.7 Key concepts

The key concepts of the study are precisely defined as follows in order to ensure intelligibility throughout the study and to assist readers' interpretation of the research. A detailed explanation of the other key concepts is also provided in the following Chapter 2.

1.7.1 Small- and medium-sized enterprises (SMEs)

There are various definitions of SMEs: different countries maintain different official definitions (Lamb and Liesch, 2002; OECD-APEC Global Conference, 2006). In Malaysia, the definition of SMEs is laid down by the National Small and Medium Development Council which is adopted and used by all Malaysian Government Ministries and Agencies that involved in SME development, as well as financial institutions (SME Corp. Malaysia, 2013). According to the National Small and Medium Development Council, sales turnover [*Note:* Conversion Rate as of March 2017 for GBP1 = MYR5.54; *Source*: Central Bank of Malaysia, see *Appendix 1*] and number of full-time employees are the two criteria used in determining the definition of SMEs with the "*or*" basis as follows:

i. For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding MYR50 million (GBP9.03 million) (sales turnover – micro: < MYR300,000; small: MYR300,000 to < MYR15 million; medium: MYR15 million to ≤ MYR50 million) *or* number of full-time employees not exceeding 200 (number of full-time employees – micro: < 5; small: 5 to < 75; medium: 75 to ≤ 200).
ii. For the services and other sectors, SMEs are defined as firms with sales turnover not exceeding MYR20 million (GBP3.62 million) (sales turnover – micro: < MYR300,000; small: MYR300,000 to < MYR3 million; medium: MYR3 million to ≤ MYR12 million) *or* number of full-time employees not exceeding 75 (number of full-time employees – micro: < 5; small: 5 to 29; medium: 30 to ≤ 75).

For the purpose of this study, the number of full-time employees is applied for the definition of SMEs instead of sales turnover figure as it is easier and convenient for the participants' firms to disclose the number of full-time employees than financial figures.

1.7.2 Internationalisation

There is still no comprehensive definition of internationalisation (Coviello and McAuley, 1999). This study adopts a generic understanding of internationalisation as entry into foreign markets (Lu and Beamish, 2001). It is proposed that internationalisation can involve both inward and outward cross-border links. This study is only concerned with the outward internationalisation of firms, i.e. from exporting to direct investments in the foreign market. In addition, the extant literature highlights two dominant themes of internationalisation studies of SMEs: i) internationalisation process; and ii) internationalisation outcomes. This study places its focus on the later, i.e. internationalisation outcomes, with regards to the international performance of firms.

1.7.3 International performance

Relative to internationalisation, there is also no agreement in the conceptualisation of international performance (Sousa, 2004; Manolova and Manev, 2004; Lages and Sousa, 2010). Consequently, no single definition has been widely accepted and used over the years (Sousa, 2004; Lages and Lages, 2004; Lages and Sousa, 2010). This study, therefore, follows the common definition of international performance as a firm's outcomes achieved in international markets (Shoham, 1998; Sousa, 2004). This definition provides an overall view of the activity of the firm resulting in an in-depth understanding of its international operations (Oliveira, Cadogan and Souchon, 2012).

1.8 Structure of the thesis

The thesis consists of six chapters, which are organised as follows:

Chapter 1: Introduction

The current chapter provides a broad overview of the background of the study.

Chapter 2: Literature review

The chapter discusses the existing literature pertinent to the study. The theoretical foundation is presented and the literature gaps are identified.

Chapter 3: A synthesis of reviewed literature and hypothesis development

The chapter addresses the literature gaps identified in the preceding chapter and a synthesis of the reviewed literature is presented. Based on the corresponding literature and gaps, the conceptual model and hypotheses are developed and discussed.

Chapter 4: Research methodology

The chapter explains the nature and objectives of the study, based upon which the research methodology is specified and justified. The research constructs and its measure, questionnaire design, sampling frame, data collection procedures and proposed technique of data analysis method are presented and described.

Chapter 5: Data analysis and findings

The chapter presents and discusses the results of the statistical analysis of the survey data.

Chapter 6: Discussion and conclusions

The chapter provides a detailed explanation and discussion of the interpretations of the findings. Implications are derived for theoretical, managerial and policy-making purposes, and lastly the limitations of the research and suggest the direction for future refinement are then presented and discussed.

CHAPTER 2: LITERATURE REVIEW

The preceding chapter has presented the integrative perspectives that this study employs with the aim to enrich existing knowledge in explaining the international performance of SMEs – the phenomenon of interest for this study. The RBV and the institutional perspective are integrated to provide the theoretical underpinnings of the research. It is believed that this integrative theoretical foundation contributes to the construction of a more comprehensive explanation of the international performance of SMEs.

Figure 2-1 The integrative theoretical foundation of the study

Source: The author

The flow of this chapter starts with the review of internationalisation studies and the focus of this research on the international performance of SMEs. This is followed by the discussion of the RBV and its linkage and impact on the development of the international entrepreneurship (IE), and then the core construct of IE – EO is reviewed. The potential incorporation of the institutional perspective into the phenomenon of interest is then discussed and explained. Finally, based on the review of theoretical foundation and extant literature, literature gaps are identified in order to justify the focus of this study.

2.1 Internationalisation studies

The definition of the term "internationalisation" remains elusive, with a number of interpretations being found in the literature (Coviello and McAuley, 1999). In general, internationalisation entails entry into new country markets (Lu and Beamish, 2001). The existing internationalisation literature suggests two distinct types of internationalisation orientation – outward internationalisation (e.g. seeking and selling in foreign markets, developing alliances with foreign businesses) and inward internationalisation (e.g. utilising management skills, new technology and direct investment from foreign countries) (Zhou, Wu and Luo, 2007).

The study of internationalisation initially focuses primarily on multi-national enterprises but later the focus extends to internationalised SMEs. In addition, the scope expands beyond the dominant literature on exporting to cover broader internationalisation activities, e.g. joint venture, franchising, outsourcing, etc. Increasing research interest in SME foreign business development and activities has been driven by the recognition of SMEs as an important driving force in individual countries' economies, as well as increasing the intensity and diversity of their international involvement (Brouthers, Nakos and Dimitratos, 2015).

Nonetheless, there is still a lack of relevant theories on internationalisation of SMEs. This is because research in international business has focused most often on established, large multi-national companies and early research on SME internationalisation has frequently been derived from these large businesses research (Coviello and McAuley, 1999; Mort and Weerawardena, 2006). However, SMEs are different from large firms in many aspects such as ownership type, their scale of operation, organisation practice and managerial style (Coviello and McAuley, 1999). As elaborated by Shuman and Seeger (1986:9):

> "Smaller businesses are not smaller versions of big business ... smaller business deal with unique size-related issues as well, and they behave differently in their analysis of, and interaction with, their environment."

Due to their distinctive nature, existing internationalisation theories based on multi-national enterprises are inadequate to explain the distinctive phenomenon of SME internationalisation. As a result, different and apparently contradictory patterns are found in some studies on the internationalisation of SMEs (Coviello and McAuley, 1999). In recent efforts to conduct SME internationalisation research, a clear body of internationalisation literature has emerged in which researchers have attempted to draw ideas from the entrepreneurship perspective that focuses on venture creation and the management of SMEs with the international business perspective in order to have a clear understanding of small firms' behaviour and patterns of internationalisation. The intersection of international business and entrepreneurship prompts the development of an IE perspective which has generally focused on SME internationalisation studies.

In general, there are two dominant themes concerning the internationalisation studies of SMEs which are most commonly researched: i) internationalisation process (e.g. Coviello and Munro, 1997; Coviello and McAuley, 1999; Moen, Gavlen and Endresen, 2004; Jones and Coviello, 2005; Oviatt and McDougall, 2005; Fletcher and Harris, 2011; Fletcher,

Harris and Richey Jr, 2013; Oehme and Bort, 2015); and ii) internationalisation outcomes (e.g. Lu and Beamish, 2001; Julien and Ramangalahy, 2003; Dimitratos, Lioukas and Carter, 2004; Brouthers and Nakos, 2005; Covin and Miller, 2014; Brouthers, Nakos, Hadjimarcou and Brouthers, 2009; Brouthers et al., 2015; Thanos, Dimitratos and Sapouna, 2016). The former theme focuses on understanding the internationalisation process of how SMEs increase their international involvement over time, in particular, the speed of initial internationalisation, the choice of international entry modes, and/or the selection of foreign market location. The later focuses on the performance of SMEs by venturing into the international marketplace (e.g. foreign sales, growth, profitability, etc.). While the first theme emphasises how and why SME internationalise, the second theme concerns how well the small firm performs on international markets, i.e. international business activities can lead to improved firm performance (Aaby and Slater, 1989; Lu and Beamish, 2001). Therefore, a growing body of research has focused on understanding how SMEs can improve international performance by examining several internal and external determinant factors (e.g. Autio, Sapienza and Almeida, 2000; Lu and Beamish, 2001; Dhanaraj and Beamish, 2003; Julien and Ramangalahy, 2003; Knight and Cavusgil, 2004; Dimitratos et al, 2004; Ibeh and Wheeler, 2005; Brouthers et al., 2009, 2015; Zhou, Wu and Barnes, 2012).

The focus of this research is on SME international performance which will be discussed in the following section. The literature pertaining to internationalisation process is out of the focus of this study and hence is not reviewed.

2.1.1 International performance

As international markets tend to be more diverse than domestic ones and in many instances more hostile, a clear understanding of the international performance of firms becomes particularly important (Sousa, 2004; Sousa et al., 2008). It is of interest to three broad audiences: of public policy makers, business managers and academic researchers (Katsikeas, Leonidou and Morgan, 2000). Research on international performance of firms is of interest to public policy makers because increased international performance of firms is seen as a benefit to increase productivity, create jobs, and drive a country's overall economic development (Czinkota, 1994). From the point of view of business managers, understanding of the international performance of firms is considered to be a benchmark to measure firm growth, strengthen competitive edge and to ensure a firm's survival in a highly competitive international marketplace (Samiee and Walters, 1990; Terpstra and

Sarathy, 2000). As a result, academic researchers consider international performance to be a challenging and promising area for theory building in internationalisation studies (Zou and Stan, 1998; Lages and Montgomery, 2005; Brouthers et al., 2009).

There have been numerous studies published over the years that are concerned with the international performance of the firm. Despite the attention that international performance has attracted in the literature, there is a lack of synthesis and agreement in the conceptualisation and operationalisation of the construct (Schlegelmilch and Ross, 1987; Walters and Samiee, 1990; Cavusgil and Zou, 1994; Sousa, 2004; Manolova and Manev, 2004). No single definition of international performance has been widely accepted and used over the years (Sousa, 2004; Lages and Lages, 2004; Lages and Sousa, 2010). To this point, one of the major criticisms of the international performance literature has been the lack of a uniform and widely accepted measure of international performance of firms (Katsikeas et al., 2000; Sousa 2004).

It is difficult to compare findings of different studies on international performance because it is impossible for researchers to decide whether the conflicting findings can or should be attributed to the independent constructs or the use of different measurement scales of international performance (Zou and Stan, 1998). The various international performance assessments (refer *Table 2-1*), in general, can be classified into two main approaches: i) objective (e.g. based mainly on records relating to absolute figures of company profitability, sales level and such like); and ii) subjective (e.g., managers' perceptions) (Katsikeas, Piercy and Ioannidis, 1996; Sousa, 2004). Another common classification is between financial (e.g. sales, profit, growth, etc.) and non-financial measurement approaches (e.g. managerial perceptions of international business success and the achievement of strategic goals) (Cavusgil and Zou, 1994; Zou and Stan, 1998; Leonidou, Katsikeas and Samiee, 2002; Wheeler, Ibeh and Dimitratos, 2008).

Sousa (2004) builds a literature review based on 43 empirical studies concerning the measurement of international performance published between the year 1998 to 2004 and concludes that there are about 50 different international performance indicators in the extant literature. The author finds that there is no uniform agreement on whether objective or subjective or both performance measures should be applied in research because previous studies have used mostly *ad hoc* measurement schemes that emphasise different performance dimensions (Sousa, 2004).

Nonetheless, among the 50 different performance indicators, most measures are perceptual and self-reported because of secondary information on the international activities of individual firms, particularly small firms, is not often publicly available. The most frequently used indicators are export intensity, export sales growth, export profitability, export market shares, satisfaction with overall export performance and perceived export success (Sousa, 2004).

Table 2-1 Summary of international performance measurements

Performance measure	Type of measure	Study
Sales/sales intensity/sales growth measures	Objective	Beamish, Craig and McLellan (1993); Crick, Chaudhry and Batstone (2000); Roper and Love (2002); Spence (2003); Alvarez (2004); Morgan et al. (2004); Lages and Lages (2004); Lages et al. (2008); Hultman, Katsikeas and Robson (2011); Morgan, Katsikeas and Vorhies (2012); Li, Vertinsky and Zhang (2013); Yi, Wang and Kafouros (2013); Ciravegna, Majano and Zhan (2014)
Profit measures	Objective	Beamish et al. (1993); Das (1994); Crick and Katsikeas (1995); Moen (1999); Crick and Jones (2000); Lages and Lages (2004); Morgan et al. (2004); Katsikeas et al. (2007); Hultman et al. (2011)
Achievement of strategic goals	Subjective	Cavusgil and Zou (1994); Das (1994); Katsikeas et al. (1996); Zou, Taylor and Osland (1998); Francis and Collins-Dodd (2004); Lages and Lages (2004); Chelariu, Bello and Gilliland (2006); Obadia and Vida (2011); Durmusoglu, Apfelthaler, Nayir, Alvarez and Mughan (2012)
Management's perception about international business success/performance	Subjective	Cavusgil and Zou (1994); Evangelist (1994); Katsikeas et al. (1996); Coviello and McAuley (1999); Ling, Yee and Ogunmokun (2001); Dimitratos et al. (2004); Haatti, Madupu, Yavas and Babakus (2005); Calantone et al. (2006); Wilkinson and Brouthers (2006); Zhou et al. (2007); Racela, Chaikittisilpa and Thoumrungroje (2007); Brouthers et al. (2009); Zhou et al. (2012); Nakos, Brouthers and Dimitratos (2014); Brouthers et al. (2015); Thanos et al. (2016); Stoian, Rialp and Dimitratos (2017)
Satisfaction with international performance	Subjective	Lages and Jap (2002); Lages and Montgomery (2004); Lages et al. (2008); He and Wei (2011); Griffith and Dimitrova (2014); Navarro-García, Arenas-Gaitán, and Rondán-Cataluña (2014); Sousa and Novello (2014), Nakos et al. (2014)
Combinations of measurements	Objective and subjective	Crick and Jones (2000); Rose and Shoham (2002); Shoham, Felicitas and Gerald (2002); Cadogan, Adamantios and Judy (2002); Dhanaraj and Beamish (2003); Ural (2009); Beleska-Spasova and Glaister (2010); Zeriti, Robson, Spyropoulou and Leonidou (2014)

Source: Developed from the internationalisation literature

2.1.2 Determinants of international performance

The foregoing review indicates that it is pivotal to have a clear understanding of international performance of firms given its positive impacts not only on the development and growth of the firm but also on the national economy. As a result, a large number of studies have been done to identify a substantial number of different determinants of international performance of firms within the past years (refer *Appendix 2*) (Aaby and Slater, 1989; Zou and Stan, 1998; Theodosiou and Leonidou, 2003; Wheeler et al., 2008; Leonidou, Katsikeas and Coudounaris, 2010; Chen, Sousa and He, 2016).

Specifically, research attention has focused on two major groups of variables influencing international performance: i) internal firm factors, and ii) external environment characteristics, and most studies place their focus on either one of these two major groups of variables (Zou and Stan, 1998; Lages and Sousa, 2010). Various internal firm factors have been identified to influence international performance such as a firm's characteristics and competencies (e.g. size, age, international competence, etc.), management attributes and resources (e.g. strategic orientation, international experience, perceptions, etc.) and marketing strategies (e.g. marketing mix strategies, distribution channel adaptation, customer relationships, etc.). External environmental characteristics, on the other hand, consist of both opportunities and threats such as industry characteristics (e.g. technological intensity) and home and host country market characteristics (e.g. market attractiveness, economics, social and political environment, etc.).

However, regardless of the efforts in identifying the key determinants of firms' international performance, the extant literature shows inconsistency, reporting different and often contradictory findings on the influence of various determinants of international performance (Chen et al., 2016). Therefore, it has caused confusion and misunderstanding as to which constructs significantly affect international performance of firms in this respect (Sousa et al., 2008; Singh, 2009). Singh (2009) comments that most studies have simply investigated the relationship between international performance of firms and its determinants without having a comprehensive underpinning theoretical framework. Without such a theoretical framework, it is often difficult to identify the reasons behind inconsistent findings on the various influences on international performance of firms. At the same time, reliance on a single perspective may not be sufficient to explain the complex phenomena of a firm's internationalisation (Coviello and McAuley, 1999; McDougall et al., 2003; Jones and Coviello, 2005; Rialp et al., 2005; Singh, 2009).

Recent developments in the literature suggest that a contemporary understanding of firms' internationalisation is informed by the convergent integration of multiple theoretical perspectives in a manner that is both pluralistic and holistic because different theoretical perspectives may be complementary rather than conflicting or substituting (McDougall et al., 2003; Jones and Coviello, 2005; Rialp et al., 2005). Internationalisation is a multifaceted phenomenon influenced by various factors and therefore does not depend only on internal firm factors, but it must also accommodate certain environmental conditions to explain a firm's internationalisation, e.g. international performance (Oviatt and McDougall, 1994).

While there are different theoretical perspectives underpinning studies of firms' international performance, the current study focuses on the RBV and the institutional perspective as its main theoretical basis.

2.2 Resource-based view

The RBV is characterised by a fragmented process of development that has seen various scholars from a number of different disciplines contribute to its growth (Penrose, 1959; Wernerfelt, 1991; Mahoney and Pandian, 1992; Barney, 2001; Barney and Arikan, 2001; Kor and Mahoney, 2004). Among its diverse streams, Kor and Mahoney (2000, 2004), Pitelis (2002) and Newbert (2007) suggest that Penrose's (1959) seminal work - *The Theory of the Growth of the Firm* - has been generally acknowledged to have laid and contributed to the RBV framework and to bridge different perspectives.

The RBV places the focus on internal factors of the firm, rather than external environment factors and explains that a firm's behaviour and performance is based on the firm's inherent resource position (Penrose, 1959). Penrose (1959) provides at least two key arguments concerning linkages between a firm's resource and its behaviour. First, Penrose (1959) maintains that firms can perform well due to an effective and innovative management of resources (Mahoney, 1995). She further explains that the productive service that this bundle of resources renders typically will be different depending on idiosyncratic deployments, i.e. heterogeneity achieved due to creative resource deployments which subsequently spurs differences in productive opportunities (Penrose, 1959:78). Second, Penrose (1959) asserts that the experience of top managements will affect the productive services which all its other resources are capable of providing. The experience of managers and other resources in the firm affects the unique productive opportunities available for their firms. Hence, managers function as a catalyst in the

conversion of a firm's resources into firm capabilities and new product applications (Kor and Mahoney, 2004).

Drawing on Penrose's idea of the firm as a bundle of unique resources, RBV scholars have put forward the concept of sustained competitive advantage (Barney, 1991; Peteraf, 1993). The central proposition of the concept is that if a firm is to achieve a state of sustained competitive advantage, resources must meet certain conditions that provide a clear explanation of performance differences among competing firms (Barney, 1991). Barney (1991) notes that two assumptions are elemental to the resource of the firm: i) resource heterogeneity (i.e. different level of resources possessed by different firms), and ii) resource immobility (i.e. resources cannot be transferred without incurring substantial costs). The assumptions based on resource heterogeneity and immobility are not, however, sufficient conditions for sustained competitive advantage. According to Barney (1991), a firm's resource must, in addition, be valuable, rare, and imperfectly imitable and non-substitutable in order to be sources of a sustained competitive advantage. Peteraf (1993) also presents four conditions underlying sustained competitive advantage: heterogeneity within an industry, *ex-post* limits to competition, imperfect resource mobility and *ex-ante* limits to competition. In their joint paper, Peteraf and Barney (2003) make clear that Barney's (1991) and Peteraf's (1993) frameworks of sustained competitive advantage are consistent with one another once some terms are unambiguously defined.

Barney (1991:101) defines firm resources as including "…all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness." These resources can be categorised into two major groups: i) tangible (e.g. physical assets – land, machine, cash, etc.), and ii) intangible resources (knowledge, process, etc.).

In reference to Barney's (1991) definition, no differentiation is made between a firm's resources and capabilities, although some scholars argue that certain differences do exist (Grant, 1991; Amit and Schoemaker, 1993; Barney and Arikan, 2001). For instance, Grant (1991:118-119) notes the distinction between resources and capability as follows:

> "Resources are inputs into the production process… include items of capital equipment, skills of individual employees, patents, brand names, finance, and so on. But, on their own, few resources are productive. Productive activity requires the cooperation and

coordination of teams of resources. A capability is the capacity for a team of resources to perform some task or activity."

In the same manner, Amit and Schoemaker (1993) define resources as stocks of available factors that are owned or controlled by the firm. Capabilities, on contrary, refer to a firm's capacity to deploy resources, usually in combination, using organisational processes, to produce the desired outcome. Based on the above definitions, the underlying differences between resources and capabilities is that the former represent inputs into a firm's production process, whereas the later represents the firm's capacity to deploy resources that have been purposely integrated in the production process to achieve the desired end state (Hoskisson, Hitt, Ireland and Harrison, 2004). While an explicit distinction has been made between capabilities and resources, Kraaijenbrink and Groen (2008) comment that most of the RBV's definitions of resources include capabilities in their category of intangible resources. This inclusion brings the RBV into an endless loop in which using a resource is defined as a resource as well (Kraaijenbrink and Groen, 2008).

2.2.1 Limitations of the resource-based view

As discussed above, the focus of the RBV is on the factors within the firm as the determinants of growth behaviour and performance (Penrose, 1959). Hence, at least two key criticisms are raised by the focus of the RBV in the extant literature as follows:

First, the RBV is concerned with a firm's resource possession – mainly what the firm already had and possessed. This means that the RBV has explained neither how future valuable resources are created nor how a firm's existing resource base can be renewed in the face of changing markets and environments (Teece, Pisano and Shuen, 1997; Eisenhardt and Martin, 2000). Hence, the focus on static resources in the RBV seems to be not enough to support significant and sustained competitive advantage, given the nature of dynamic and rapidly changing environments.

Mahoney and Pandian (1992:365) suggest that "…[a] firm may achieve [competitive advantage] not because it has better resources, but rather the firm's distinctive competence involves making better use of its resources". Similar arguments are proposed by Peteraf (1993) and Henderson and Cockburn (1994), who argue that to confer a competitive advantage to a given firm, its valuable resources must be properly leveraged (Peteraf, 1993) or managed (Henderson and Cockburn, 1994). Subsequently, a great deal of theoretical work begins to emerge regarding how attention should be drawn to factors that

impact firms' acquisition, deployment or development of further resources and capabilities – so a firm can possess sustainable competitive advantages (Kogut and Zander, 1992; Amit and Schoemaker, 1993; Russo and Fouts, 1997; Teece et al., 1997; Eisenhardt and Martin, 2000).

Notably, the foundations of dynamic concepts into resource deployment and development are hinted in Penrose's (1959) seminal work, from which the RBV is developed. She stresses that value creation does not come from the possession of resources alone. Rather, it arises from their use and the amount of value generated is linked to how resources are deployed, i.e. how they are combined within the firm. In this way, Penrose argues for a firm to grow and develop, the firm must continuously invest in renewing its capabilities via new resource combinations and then the firm's competitive advantage can be sustained (Penrose, 1959: 135-136). Yet, a majority of the subsequent RBV literature focuses on the static set of resources and capabilities which distinguish a firm's behaviour and performance (Priem and Butler, 2001). Barney (2001) agrees that the dynamic analysis of sustainable strategic advantage is important for understanding the full implications of a resource-based logic. Peteraf and Barney (2003) comment that the development of the dynamic capabilities concept (e.g. Teece et al., 1997; Eisenhardt and Martin, 2000) can be regarded as an important extension of the RBV.

The next criticism raised in the literature is related to the RBV's focus on the internal factors of the firm; hence, it does not address to any great extent the impact of external environmental factors or the nature of interactions among market actors, but hold constant all of these factors (Peteraf and Barney, 2003). In a context where a firm simultaneously competes and collaborates, failing to look beyond internal resources of a firm may be the reason for its limited explanatory power in terms of a firm's competitive advantage (Armstrong and Shimizu, 2007).

A focus on internal conditions basically states that a firm's competitive advantage is obtained through efficiency-based explanations rather than strategic actions (Peteraf and Barney, 2003). Efficiency-based explanations can, however, only explain the performance of a firm as a result of the firm's internally oriented actions. Firms respond with externally oriented actions which manifest through strategic actions, in order to control its external environment and not being dependent on arms-length trading or internal oriented efficiency-based explanations. As firms do not exist in isolation or operate in a vacuum context, firms need to strategically respond to emerging opportunities and threats in their

external environment (Oliver, 1997). These strategic actions reflect a firm's awareness to shape or respond to threats and opportunities in the external environment.

2.3 International entrepreneurship: a specific application of the resource-based view

The RBV has been widely employed in internationalisation studies and a firm's resources are likely to determine the internationalisation processes and outcomes of firms (Lu and Beamish, 2001; Westhead, Wright and Ucbasaran, 2001; Peng, 2001). However, smaller firm size is generally believed to limit firm expansion when size is regarded as a useful and manageable proxy for a firm's inherent resource base and advantages (Vossen, 1998; Dhanaraj and Beamish, 2003). Smaller firm size, therefore, is often seen as an indication of fewer resources. In this regard, SMEs are believed to have inherent resource limitations (e.g. financial capital, human capital, knowledge and information, etc.) and therefore their development is often hampered (Leonidou, 2004). The liabilities of small firms are increased particularly with internationalisation, due to the liabilities of foreignness in doing business in unknown environments that have significant differences in economic, political, social and legal systems (Lan and Wu, 2010). Hence, it is often presumed that the inherent resource limitations of SMEs will hinder their pursuit of internationalisation (Peng, 2001).

While the extant literature has widely discussed SMEs' lack of availability of internal resources as a big disadvantage in internationalisation, their smallness is the key advantage which paradoxically explains the successful growth of these small firms abroad (Liesch and Knight, 1999; Young et al., 2003). Vossen (1998:88) comments that the relative strength of large firms relies mostly on tangible resources such as machinery and financial capital. Small firms, on the contrary, have the advantages of smallness in terms of their distinctive managerial behavioural characteristics such as quick decision-making process, motivation and experience, flexibility, fast reaction and responsive to changing market requirements, little bureaucracy, etc. These managerial behavioural characteristics are normally referred as the intangible resources of the firm (Vossen, 1998; Peng, 2001; Knight and Kim, 2009; Al-Aali and Teece, 2014).

Additionally, the role of key decision-makers in SMEs (labelled variously in existing studies as owners/managers, top managements, or entrepreneurs) have generally been pinpointed as the key source of such managerial behavioural characteristics in the firm. Business activities in small firms are characterised by highly personalised preferences and attitudes (Penrose, 1959; Buckley, 1989; Vossen, 1998). Previous studies also stress that

management in small businesses is carried out in a highly personalised manner and is strongly influenced by the experience, ability, personality and disposition of the key decision-makers (Johannisson, 1988; Jennings and Beaver, 1996).

Given that the above-mentioned distinctive small firms' characteristics are not stressed by the existing theories based on multi-national companies, it is not surprising that the applications of those theories are inadequate to explain the distinctive phenomenon of SME internationalisation. As a result, it prompts the rise of the IE perspective (to be discussed in *Section 2.3.1*). The extant literature has acknowledged that the IE is an important part of the RBV and the RBV plays an important role in the emergence of the IE perspective (Peng, 2001; D'Angelo and Warner, 2010; Miller, 2011).

Based on the discussion in the preceding section, the RBV posits that firms differ from one another in the inherent resources they possess and this resource heterogeneity influences strategy and helps to explain sustained competitive advantage differences among firms (Barney, 1991). Whilst, the IE perspective focuses on firms' entrepreneurial behaviour, e.g. the EO of the firms in pursuing opportunities that exist primarily because different entrepreneurial actors have different beliefs about the relative value of resources when they are deployed and converted from inputs into outputs (Schumpeter, 1934; Kirzner, 1979; Shane and Venkataraman, 2000). Indeed, the seminal work by Penrose (1959), from which the RBV is developed, has incorporated the role of top management experience. Such experience influences what they will imagine about new uses of resources and new directions for the firm, and productive opportunities envisioned by managers will lead to heterogeneity in the services available from existing resources.

In summary, heterogeneity is a common attribute of both the RBV and the IE perspective. Thus, the RBV, which sees the firm as a bundle of unique resources, directly addresses the criticality of resource issues for the performance of SMEs. The definition of a firm's resources under the RBV, forge the linkage and development of the IE perspective. The RBV, therefore, provides important insights into explaining SMEs' entrepreneurial behaviour and international performance.

2.3.1 Defining international entrepreneurship

IE has become a very popular research field since its emergence in the late 1980s with the aim to understand the phenomenon of firms that internationalise early from inception (i.e. international new ventures and born global firms) (Zucchella and Magnani, 2016). Over

time, the field has progressively enlarged, extending its scope and positioning at the intersection of entrepreneurship and international business (Hisrich, Honig-Haftel, Oviatt and McDougall 1994; Young et al., 2003; Oviatt and McDougall, 2005). Despite the extensive interest in the IE field from researchers over the years, there is no unifying paradigm present within the IE field, and there is a great variety of its theoretical and methodological approaches (McDougall and Oviatt, 2000). This problem can be directly traced to various IE definitions presented in scholarly articles in the past decades, and this indicates that defining IE is challenging because what IE constitutes can be evaluated from different positions from that which the researcher stands on (Oviatt and McDougall, 2000; Keupp and Gassmann, 2009).

On the one hand, some authors identify its domain in international new ventures. This can be traced back to one of the first empirical studies in the IE area by McDougall (1989) on the differences between international new ventures and those ventures that do not start out on an international scale. McDougall (1989:388) defines IE "…as the development of international new ventures or start-ups that, from their inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm's operation". Oviatt and McDougall (1994:49) futher develop the study of IE based on the international new ventures which they define as "... a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries."

On the other hand, other scholars emphasise the construct of entrepreneurial behaviour, which can be observed in very different kinds of organisations regardless of firm size and age. Zahra (1993:9), for example, suggests that the study of IE should encompass both new and established firms, and thus defines IE as "…the study of the nature and consequences of a firm's risk-taking behaviour as it ventures into international markets". Following the suggestion of prior studies, McDougall and Oviatt introduce a broader definition of IE which includes the study of established firms and define IE as "…a combination of innovative, pro-active, and risk-seeking behaviour that crosses or is compared across national borders and is intended to create value in business organisations" (McDougall and Oviatt 2000:903). This definition incorporates the dimensions of innovativeness, proactiveness and risk taking, which are based on the works of Miller and Friesen (1982) and Miller (1983), and are usually included to conceptualise and measure the construct of EO (Covin and Wales, 2012; Covin and Miller, 2014).

However, this definition is criticised for two main reasons: i) the idea that IE is a combination of innovative, proactive and risk-seeking behaviour is questioned as these are not the only entrepreneurial dimensions that scholars have identified (e.g. Lumpkin and Dess, 1996, 2001); and ii) the core ideas of entrepreneurship – enactment and opportunity seeking (Weick, 1995; Shane 2000; Shane and Venkataraman, 2000) - are not emphasised in the definition (Oviatt and McDougall, 2005). Hence, Oviatt and McDougall (2005:540) make some refinement to their prior definition and suggest that IE is "... the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services". According to Oviatt and McDougall (2005), this definition: i) focuses on opportunities, ii) permits but does not require the formation of new organisations, iii) allows for corporate entrepreneurship, iv) renders unnecessary a debate over how many dimensions EO(s) include; and v) highlights entrepreneurial activity across national borders. Scholars (e.g. Rialp, Rialp and Knight, 2015) suggest that this definition is the well-accepted definition of IE. According to the scholars, this definition examines and compares – how, by whom, and with what effects those opportunities are pursued and exploited across national borders, fostering both international opportunity (Mainela, Puhakka and Servais, 2014) and EO (Covin and Miller, 2014) as a key construct that applies to all firm sizes and ages.

Therefore, this revised definition of IE by Oviatt and McDougall (2005) is adopted in this study and the three dimensions – innovativeness, proactiveness and risk-seeking behaviours are positioned as the heart of EO. The following Table 2-2 provides selected definitions developed in chronological order.

Table 2-2 A chronological development of selected definitions of IE

Authors	Definition
McDougall (1989:388)	"…the development of international new ventures or start-ups that, from their inception, engages in international business, thus viewing their operating domain as international from the initial stages of the firm's operation".
Zahra (1993:9)	"…the study of the nature and consequences of a firm's risk-taking behaviour as it ventures into international markets".
Oviatt and McDougall (1994:49)	"a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries".

(*continued*)

Knight (2000:14)	"…associated with opportunity seeking, risk-taking, and decision action catalysed by a strong leader or an organisation".
McDougall and Oviatt (2000:903)	"...a combination of innovative, pro-active, and risk-seeking behaviour that crosses or is compared across national borders and is intended to create value in business organisations".
Knight (2001:159)	"…reflects the firm's overall pro-activeness and aggressiveness in its pursuit of international markets".
Zahra and George (2002: 2)	"the process of creatively discovering and exploiting opportunities that lie outside a firm's domestic markets in the pursuit of competitive advantage".
McDougall et al. (2003)	"…the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services".
Dimitratos and Plakoyiannaki (2003:189)	"…an organisation-wide process which is embedded in the organisational culture of the firm and which seeks through the exploitation of opportunities in the international marketplace to generate value".
Oviatt and McDougall (2005:540)	"…the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services".
Mathews and Zander (2007:389)	"…entrepreneurial processes that stretch across the discovery of new business opportunities in an international context to aspects of exploitation including the redeployment of resources and the ultimate engagement with competitors".
Karra, Phillips and Tracey (2008:442)	"IE involves building competitive advantage by developing complex international resource configuration".

Source: Zucchella and Magnani (2016:9-10)

2.3.2 The concept of entrepreneurial orientation

EO generally can be regarded as an intangible resource of a firm. It characterises the opportunity-seeking behaviour of the firm (Alvarez and Busenitz, 2001). This resource is essential for firms' competitiveness because EO leads firms to structure their resource portfolios, bundle their resources and leverage these bundles of resources in ways to achieve business development, success and growth (Ireland, Hitt and Sirmon, 2003).

In the IE literature, EO is considered to be one of the core constructs. This is acknowledged in the literature (Weerawardena, Mort, Liesch and Knight, 2007; Rialp et

al., 2015) and the dimensions of EO: innovativeness, proactiveness and risk-seeking behaviour are explicitly incorporated in McDougall and Oviatt's (2000) definition of IE. At the same time, it has also gained importance as a *per se* phenomenon of research that leading to a number of literature reviews and studies (Covin and Lumpkin, 2011). However, as aforementioned, the dimensions of EO (to be discussed) are also the subject of an ongoing debate which causes in the refinement in the McDougall and Oviatt's (2000) definition.

Relative to IE, EO is less consistently defined within the literature (Covin and Wales, 2012; Covin and Miller, 2014). This may due to the notion of an orientation toward entrepreneurial activity has been given a variety of labels/terms in past research such as entrepreneurial style (e.g. Naman and Slevin, 1993; Chaston, 1997; Sadler-Smith, Hampson, Chaston and Badger, 2003), entrepreneurial posture (e.g. Balabanis and Katsikea, 2003; Gabrielsson, 2007), entrepreneurial intensity (e.g. Morris and Sexton, 1996; Morris, 1998; Liao and Welsch, 2004; Weerawardena and O'Cass, 2004; Ireland, Kuratko and Morris, 2006), entrepreneurial management (e.g. Stevenson and Jarillo, 1990), entrepreneurial proclivity (e.g. Matsuno, Mentzer and Özsomer, 2002; Zhou, Barnes and Lu, 2010), and in some cases, corporate entrepreneurship (e.g. Zahra, 1991; Zahra and Covin, 1995; Zahra, Nielsen and Bogner, 1999; Barringer and Bluedorn, 1999; Sharma and Chrisman, 2007) and international entrepreneurial proclivity or EO when the international dimension is emphasised (e.g. Freeman and Cavusgil, 2007; Zhou, 2007; Kuivalainen, Sundqvistand Servais, 2007; Thanos et al., 2016).

Given the various labels/terms used to refer the phenomenon, it is, perhaps, not surprised that there are many different definitions of EO. Table 2-3 shows a list of different EO definitions summarised by Covin and Wales (2012).

Table 2-3 Selected definitions of EO

Authors	Definitions of EO
Mintzberg (1973:45)	"In the entrepreneurial mode, strategy-making is dominated by the active search for new opportunities…" as well as "…dramatic leaps forward in the face of uncertainty".
Khandwalla (1977:25)	"The entrepreneurial style is characterised by bold, risky, aggressive decision-making".
Miller and Friesen (1982:5)	"The entrepreneurial model applies to firms that innovate boldly and regularly while taking considerable risks in their product-market strategies".

(*continued*)

Miller (1983:771)	"An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch".
Morris and Paul (1987:249)	"An entrepreneurial firm is one with decision-making norms that emphasise proactive, innovative strategies that contain an element of risk".
Covin and Slevin (1989:218)	"Entrepreneurial firms are those in which the top managers have entrepreneurial management styles, as evidenced by the firms' strategic decisions and operating management philosophies. Non-entrepreneurial or conservative firms are those in which the top management style is decidedly risk-averse, non-innovative, and passive or reactive".
Lumpkin and Dess (1996:136-137)	"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".
Zahra and Neubaum (1998:124)	EO is "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".
Avlonitis and Salavou (2007:567)	"EO constitutes an organisational phenomenon that reflects a managerial capability by which firm embarks on proactive and aggressive initiatives to alter the competitive scene to their advantage".
Cools and Van den Broeck (2008:27)	"Entrepreneurial orientation (EO) refers to the top management's strategy in relation to innovativeness, pro-activeness, and risk taking".
Pearce, Fritz, and Davis (2010: 219)	"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".

Source: Covin and Wales (2012:679)

The roots of EO research owe their origin from the works of Mintzberg (1973). However, the recognition and scholarly attention to the notion of entrepreneurial firms and the most popular dimensions of EO begin with the publication of Miller and Friesen (1982) and Miller (1983). Miller and Friesen (1982:5) suggest that entrepreneurial firms "…innovate boldly and regularly while taking considerable risks in their product-market strategies."

This earlier version of the discussion of entrepreneurial firms highlights innovative and risk-taking behaviour dimensions while the following discussion by Miller (1983:771) posits that a firm is entrepreneurial when it "…engages in product-market innovation, undertakes somewhat risky ventures and is first to come up with 'proactive' innovations, beating competitors to the punch", subsequently, adding the dimension of proactiveness. As such, Miller (1983) conceives EO as the simultaneous exhibition of innovativeness, risk-taking and proactive behaviour.

i. *Innovativeness* refers to a firm's internal environment that promotes and supports novel ideas, experimentation and creative processes that may lead to new products, techniques or technologies (Lumpkin and Dess, 1996; Knight, 2000). Knight and Cavusgil (2004) explain that innovating firms are able to develop their own unique knowledge and resultant capabilities that engender organisational performance.
ii. *Proactiveness* refers to a firm's opportunity-seeking and forward-looking behaviour that involve introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment (Lumpkin and Dess, 1996; 2005). According to Lan and Wu (2010), proactiveness enables firms to keep a clear mind about market changes, react in advance of competitors and immediately seize new opportunities. Hence, proactive firms have "the advantages of prioritised actions; being the first to march into new markets and charge higher prices, and would exceed competitors and become leaders of their industries" (Lan and Wu, 2010:55-56).
iii. *Risk-taking* reflects an acceptance of uncertainty and risk inherent in original activity and propensity to devote resources to activity that entails a substantial possibility of failure, along with chances of high return (Hughes and Morgan, 2007; Knight, 2000). Lumpkin and Dess (1996) explain that risk has various meanings depending on the context in which it is applied. In international business context, for instance, risk can be viewed through the uncertainties by operating in foreign markets. The international market is more challenging than the domestic market, so firms with high level of risk taking acceptance are able to undertake the uncertainty of international operation. Thus, the ability to embrace the risk of foreignness and newness will increase the chance of success.

Furthermore, Miller (1983) implicitly views these dimensions of EO together as comprising a basic, uni-dimensional strategic orientation and the three dimensions of EO are highly intercorrelated with each other and related to firm performance in similar ways. Miller (1983:780) states:

> "In general, theorists would not call a firm entrepreneurial if it changed its technology or product line ('innovated' according to our terminology) simply by directly imitating competitors while refusing to take any risks. Some proactiveness would be essential as well. By the same token, risk-taking firms that are highly leveraged financially are not necessarily entrepreneurial. They must also engage in product-market or technological innovation."

Therefore, the three dimensions of EO can be combined into one single factor when determining their influence on a firm's performance (Miller, 1983; Rauch, Wiklund, Lumpkin and Frese, 2009). Subsequently, Covin and Slevin (1989) develop a strategic posture scale for the measurement of EO which is often known as the M/C&S (Miller/Covin&Slevin) scale and many researchers have adopted a uni-dimensional approach based on Miller's conceptualisation and the M/C&S scale in their study (Rauch et al., 2009; Covin and Wales, 2012).

Another classical work addressing the EO concept is by Lumpkin and Dess (1996). Lumpkin and Dess (1996:136) suggest that "EO refers to the processes, practices and decision-making activities that lead to new entry... It involves the intentions and actions of key players functioning in a dynamic generative process aimed at new-venture creation." Expanding the number of dimensions that characterise EO as proposed by Miller (1983), Lumpkin and Dess (1996) posit that innovativeness, risk taking, proactiveness, competitive aggressiveness and autonomy represent five multi-dimensions that independently and collectively define the domain of EO.

iv. *Competitive aggressiveness* refers to the "…intensity of a firm's effort to outperform rivals and is characterised by a strong offensive posture or aggressive responses to competitive threats" (Lumpkin and Dess 1996:763).
v. *Autonomy* refers to a firm's independence, freedom and self-direction, necessary to develop new ideas and opportunities. It refers to independent actions performed by individuals or teams to bring forth ideas or vision and carry them through to completion (Lumpkin and Dess 1996).

This multi-dimensional view suggests that all these EO dimensions are not necessarily present at the same level in an entrepreneurial firm and a firm may be considered entrepreneurial when only some of these dimensions are operating. Lumpkin and Dess (1996:137) elaborate:

> "All of these factors - autonomy, innovativeness, risk-taking, proactiveness, and competitive aggressiveness - may be present when a firm engages in new entry. In contrast, successful new entry may also be achieved when only some of these factors are operating. That is, the extent to which each of these dimensions is useful for predicting the nature and success of a new undertaking may be contingent on external ...or internal factors."

As the dimensions of EO are independent, thus, they may relate differently to a firm's performance (Rauch et al., 2009). This new multi-dimensional view and radical rethinking of the EO concept is opposite to the previously mentioned one and marks the beginning of theoretical division within EO concept (Covin and Wales, 2012).

Although there are two different views concerning the EO concept, there has been no significant or widely acknowledged agreement on how the constructs of EO can or should be conceptualised (Covin and Wales, 2012). The choice of the EO constructs depends on the purpose and objectives of the research. If it is intended to study the whole unified notion of EO, the uni-dimensional approach based on Miller's conceptualisation with three dimensions is usually used. Whereas in research which aims to investigate EO and its dimensions in greater detail, the multi-dimensional approach as suggested by Lumpkin and Dess (1996) is used. In addition, extant research has verified the use of EO measures in various cultural contexts and settings and confirmed the validity of both uni-dimensional (Arbaugh, Cox and Camp, 2009) and multi-dimensional (Kreiser, Marino and Weaver, 2002) approaches to EO.

Moreover, what matters is, Covin and Miller (2014:13) assert, that "[a]s originally proposed, the concept of EO was advanced as an answer to the question of what it means, in a practical or behavioural sense, for a firm to 'be entrepreneurial' (Miller, 2011)", i.e. EO encompasses a set of firms' strategic postures which capture specific processes, practices and activities that enable firms to create value by engaging in entrepreneurial endeavours (Covin and Slevin, 1989; Lumpkin and Dess, 1996).

This research employs EO as one construct composed of three sub-dimensions - innovativeness, risk-taking and proactiveness as conceptualised by Miller (1983) because the focus of this research is on the unified notion of EO rather than its individual sub-dimensions.

2.3.3 EO and international performance

As discussed in the previous sub-section, EO encompasses a set of firms' strategic postures which capture specific processes, practices and activities that enable firms to create value by engaging in entrepreneurial endeavours (Covin and Slevin, 1989; Lumpkin and Dess, 1996). As such, it reflects how a firm operates (Lumpkin and Dess, 1996). The question of how a firm operates in today's business environment, characterised as rapid change and shortened product and business model lifecycles, is particularly important. This is because such environmental conditions place intense demands on firms to actively interpret opportunities and threats (Dess et al., 1997). Therefore, firms may benefit from having an EO which enables them to act innovatively "…to rejuvenate market offerings, take risks to try out new and uncertain products, services, and markets, and be more proactive than competitors toward new marketplace opportunities" (Wiklund and Shepherd, 2005:72-73).

In general, research has revealed that there is an overall tendency for EO to have a positive impact on firms' international performance. For example, empirical findings show that EO levels are significantly higher among firms that internationalised than among their non-internationalised counterparts (Ripollés-Meliá, Menguzzato-Boulard and Sánchez-Peinado, 2007). Also, EO is positively related to international scope, measured by the number of countries in which the firm operates, and international sales percentage. In a study using data from 208 Greek SMEs, Thanos et al. (2016) find that international EO is positively related to international performance in terms of sales level, return on investment, profitability, market share and overall satisfaction with international performance relative to the objectives set.

Notably, a large part of research that links EO and international performance has been conducted on samples including, or solely limited to, Chinese firms (Covin and Miller, 2014). First, Zhou (2007) explores the relationship between EO and the pace and performance of early internationalisation and results indicate that EO has positive influences foreign market knowledge acquisition, which in turn affects the speed of born-global internationalisation through foreign market knowledge acquisition.

Next, a study by Zhang, Tansuhaj and McCullough (2009) on 155 Chinese manufacturing firms shows that various dimensions of international entrepreneurial capability, including an international innovative and risk-taking capability, are positively associated with subjective financial and strategic indicators of global performance for both INVs and traditional exporting firms. Subsequently, Li, Wei and Liu's (2010) study also reports that EO has positive effects in knowledge acquisition from foreign outsourcers, and this knowledge acquisition, in turn, positively affects overall firm performance which is measured by sales growth, market share, gross profits and market reputation.

Liu, Li and Xue (2011), in their study of ownership structure, strategic orientations and internationalisation outcomes, demonstrate that EO is positively associated with internationalisation that operationally defined as the extent to which the firm aggressively seeks foreign markets, sells its products or services in foreign markets and enters into overseas locations via foreign direct investment. Furthermore, Zhang, Ma and Wang (2012) explore relationships between individual EO dimensions and the degree of internationalisation and results indicate that of the three EO dimensions, proactiveness is most consistently and positively associated with the internationalisation performance, while innovativeness exhibits no significant association.

In summary, these studies and empirical findings reveal that firms may benefit from having high EO, specifically, in the international context. As Zahra and George (2002:261) suggest, having high EO may be particularly helpful to firms in international markets because they assist a firm in "…the process of creatively discovering and exploiting opportunities that lie outside a firm's domestic markets in pursuit of competitive advantage."

Hitherto, the foregoing review discusses the RBV assumptions on a firm's behaviour and performance, e.g. the EO of the firm and international performance. Notwithstanding its important insights and roles, the RBV has not looked beyond the internal factors of the firm. In particular, it has not examined the external environmental factors within which firms are embedded and these external environmental factors also have effects on a firm's behaviour and performance. The following section discusses external environmental factors, particularly, the institutional contexts in which firms are embedded.

2.4 Institutional perspective

The institutional perspective suggests that the success and failure of firms are moulded, enabled and constrained by external factors, i.e. institutional contexts (Busenitz and Lau, 1996; Kostova, 1997; Busenitz et al., 2000; Peng et al., 2008, 2009; Bruton et al., 2010; Peng and Meyer, 2016). More specifically, it is about how the behaviour and performance of a firm are shaped and conditioned by the institutional context in which it operates (Kostova, 1997; Busenitz et al., 2000).

Recent decades have seen the major development of the institutional perspective in the social sciences (Bell, 2002). Initially, the traditional institutionalism or old institutionalism focuses on institutions *per se* as in the political system in determining, ordering or modifying individuals' motives and in acting autonomously in terms of institutional needs (March and Olsen, 1984). Thus, under the old institutionalist view, individuals are constrained by the institutions of the law, politics and their historical backgrounds. However, the old institutionalism neglects the influence of individuals on decision-making.

In contrast, according to the new institutionalism, institutions and the behaviour of individuals are interactive. As such, behaviourism is an important theoretical source of the new institutionalism which is largely ignored on the old institutionalism (March and Olsen, 1984). The new institutionalism adds that, instead of acting based on obligation, individuals act because of their cognitions. This new institutionalist view, particularly, has gained prominence in various fields of organisational studies (North, 1990, 1991; Powell and DiMaggio, 1991; Scott, 1997, 2001) including strategic management (e.g. Oliver, 1997; Dacin et al., 2007; Brouthers and Hennart, 2007; Brouthers, Brouthers and Werner, 2008), international business (e.g. Peng, 2002; Peng et al., 2008; 2009; Meyer, Estrin, Bhaumik and Peng, 2009; Stephan and Uhlaner, 2010; Peng and Meyer, 1996), entrepreneurship (e.g. Gnyawali and Fogel, 1994; Ahlstrom and Bruton, 2002; Hwang and Powell, 2005; Bruton et al., 2010; Saeed et al., 2014), and international entrepreneurship (e.g. Busenitz et al., 2000; Yeung, 2002; Szyliowicz and Galvin, 2010; Muralidharan and Pathak, 2017).

The underpinnings of the institutional perspective in this study, therefore, are largely derived from the new institutionalism. There are two major streams in the broader new institutionalist movement (Bell, 2002; Peng et al., 2009; Bruton et al., 2010). The first stream is based on work in economics, often referred to as institutional economics (e.g. Williamson, 1975, 1985; North, 1986, 1990, 1991). The economics stream focuses

exclusively on the "rules of the game" that define and limit the set of choices and preferences of individuals (Williamson, 1975; North, 1990, 1991). These rules are built on assumptions about human behaviour-decision-making and a rational choice model. Hence, individuals rationally pursue their self-interest and make choices by weighing the cost and benefits of their intended actions. Also, North (1990) emphasises how institutions act as negative constraints on individuals' actions and behaviours.

While the first stream has its origins in economics; the second stream derives principally from sociology, also known as institutional sociology (e.g. Meyer and Rowan, 1977; Zucker, 1977, 1988, 1991; DiMaggio and Powell, 1983; Powell and DiMaggio, 1991; Scott, 1997, 2001). The pivotal point of divergence between the economics and sociology stream of the institutional perspective is that the sociology stream comprises a rejection of the rational choice model advocated by economists in explaining human behaviour-decision-making (Powell and DiMaggio, 1991:8-10). The sociology stream questions whether "...individual choices and preferences can be understood apart from a cultural framework in which they are embedded" (Powell and DiMaggio, 1991:10). Sociologists contend that there are diverse institutional spheres that make up society, thus, the shared conceptions that constitute the nature of social reality and the frames through which meaning is made. The meaning of things is a process of interpretation – it shapes and supports individuals' actions and behaviours (Powell and DiMaggio, 1991:16-17, Scott, 2008:17). As elaborated by Friedland and Alford (1991:234/251):

> "A market, we believe, is not simply an allocative mechanism [costs and benefits] but also an institutionally specific cultural system for generating and measuring value. Many of the most important dimensions of economic life – material security, prestige, meaningful work, sociability, craftsmanship – do not have explicit prices. The philosophical foundations of economics operate with a means-ends, subject-object dualism which assumes that individuals are instrumentally rational, that they evaluate their participation in social relationships based on costs and benefits they impose upon them. ... [Yet], society is composed of multiple institutional logics [e.g. symbolic order and social practice] which are available to individuals as bases for action."

Hence, the sociology stream stresses the centrality of cognitive and cultural elements of institutions in explaining individuals' behaviour, each with its own social logics, and the boundaries of which require defining through a process of interpretation (Powell and

DiMaggio, 1991:8-9). These institutions can promote as well as restrain individuals' actions and behaviours.

However, the recognition of culture as being part of institutions (i.e. based on the institutional sociology stream) has generated a lively debate in the literature (Hofstede, Van Deusen, Mueller and Charles, 2002; Redding, 2005; Peng et al., 2008; Peng and Meyer, 2016). The main concern is that culture has been studied previously (i.e. primarily in psychology) as being separate and different from institutions (e.g. McGrath, MacMillan and Scheinberg, 1992; Shane, 1993, 1994; Muller and Thomas, 2000; Kreiser et al., 2009). This, subsequently, has prompted the question, "what is the relationship between culture and institutions?" (Peng et al., 2008; Alesina and Giuliano, 2015).

Hofstede et al. (2002:800) comment that "…claiming either a priority or a causality link between 'institutions' and 'cultures' is useless hair-splitting". Also, they suggest that as "…institutions are the crystallisations of culture, [hence] culture is the substratum of institutional arrangements, i.e. "...culture is seen as underpinning institutions" (Redding, 2005:123). This is also in line with the ideas of the sociology stream of the institutional perspective in their conceptions of the cognitive and cultural bases of institutionalised behaviour where institutions reflect the beliefs of the individuals. Behind beliefs is the cultural or cognitive setting of the individuals (Powell and DiMaggio, 1991:5-7, 27-28). Additionally, Scott (2008:45) notes that indeed the sociology stream of the institutional perspective builds on ideas stemming from "…cognitive psychology and cultural studies and have primarily focused on the effects of cultural belief system in the institutional environments of organisations."

Given the differences between the economics and sociological perspective of institutions, the term "institutions" has disparate meanings within the institutional literature. The following Table 2-4 shows some of the definitions of institutions in the extant literature.

Table 2-4 A summary of definitions of institutions

Author(s)	Definitions of institutions
North (1986:231)	"...institutions are regularities in repetitive interactions ...rules that provide a set of incentive and disincentives for individuals"
North (1989:1321)	"Institutions are rules, enforcement characteristics of rules, and norms of behaviour that structure repeated human interaction."
North (1990:3)	"Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequences they structure incentives in human exchange..."
Ostrom (1990:51)	"Institutions can be defined as the sets of working rules that are used to determine who is eligible to make decisions in some arena, what decisions are allowed or constrained, what aggregation rules will be used, what procedures must be followed, what information must or must not be provided, and what payoffs will be assigned to individuals dependent on their action."
Giddens (1984:24)	"Institutions by definitions are the more enduring features of social life ...giving 'solidarity' [to social system] across time and space."
Meyer, Boli and Thomas (1987:10)	"...institutions as cultural rules giving collective meaning and value to particular entities and activities, integrating them into the larger schemes."
Friedland and Alford (1991:232)	"...institutions as both supraorganisational patterns of activity through which humans conduct their material life in time and space, and symbolic systems through which they categorise that activity and infuse it with meaning."
Jepperson (1991:145)	"Institution represents a social order or pattern that has attained a certain state or property."
Scott and Meyer (1994:68)	"Institutions are symbolic and behavioural systems containing representational, constitutive, and normative rules together with regulatory mechanisms that define a system and give rise to distinctive actors and action routine."
Scott (1995:33)	"Institutions are social structures that have attained a high degree of resilience. Institutions are transmitted by various types of carriers, including symbolic systems, relational systems, routines, and artifacts. Institutions operate at different levels of jurisdiction, from the world system to localised interpersonal relationships."
Scott (2008:48)	"...institutions are multifaceted, durable social structures made up of symbolic elements, social activities, and material resources."

Source: The author

Scott (1995:235) comments that there "... is no single and universally agreed definition of an 'institution' in the institutional school of thought." Nevertheless, North's (1990:4) classification of institutions "... consist of both informal constraints and formal rules" is widely discussed and adopted in organisational studies. Formal rules are such as regulations, constitutions and property rights protection (North, 1990:46, 2016:74). On the other hand, informal constraints are such as conventions, codes of conduct, taboos and standards of behaviour (North, 1989:1322, 1990:4, 2016:74). The key differences between formal and informal are the tangibility of formal rules which are humanly designed and enforced through channels that are widely accepted as official, e.g. laws, whereas informal constraints usually unwritten, are created, communicated and enforced outside of officially sanctioned channels (North, 1990).

This distinction between formal rules and informal constraints (subsequently labelled as formal and informal institutions) in North's classification of institutions could be seen as a bridge between the economist's and sociologist's view of institutions. Powell and DiMaggio (1991:5) note that "…North is of the few economists to attend the importance of ideology [religions, social values, etc. (in North, 1989:1322)] and the state in maintaining institutions." Although North (1990) fully accepts and recognises the importance of informal institutions, yet, his work is centrally focused on the formal institutions which are seen from the confines of his definition of institutions (refer *Table 2-3*) to rules that codified in law (Hodgson, 2006:12). To repeat, North's analysis emphasises institutions as negative constraints: indeed, these constraints are thought to lead to inertia and path dependency (North, 1990).

Nonetheless, research based on cultural sociology and cross-cultural psychology typically examine culture and informal institutions (Pacheco, York, Dean and Sarasvathy, 2010:980, Muralidharan and Pathak, 2017:290). North's discussion of informal institutions do not explicitly refer to culture *per se* but he notes that "…informal constraints come from socially transmitted information and are a part of the heritage that we call culture" (North, 1990:37). This is recognised by Hofstede et al. (2002: 800) and they comment that North "…has classified cultural factors as 'informal constraints' on societies, and has put them on an equal level with formal constraints via institutions."

This study follows others that have identified culture approximately with informal institutions and *vice versa* (e.g. Stephan and Uhlaner, 2010; Saeed et al., 2014; Engelen, Schmidt and Buchsteiner, 2015; Muralidharan and Pathak, 2017). Some studies have

acknowledged culture as part of informal institutions, while others claim to have discerned differences between culture and informal institutions, e.g. ethics/ethical codes are informal additions to culture (Peng, 2002). While recognising possible differences between culture and informal institutions in terms of ethics/ethical codes, culture has unarguably had a large influence on ethics/ethical codes (Vitell, Nwachukwu and Barnes, 1993; Lu, Rose and Blodgett, 1999). As stated by Mitchell (2009:15), "... understand a culture and you understand its ethics." Generally, this study agrees that the differences between culture and informal institutions are trivial, and that the later can be measured using established cultural measurements such as cultural context (e.g. high and low), cultural cluster (e.g. Global Leadership and Organisational Behaviour Effectiveness - GLOBE) and cultural dimensions (e.g. Hofstede) (Peng, 2016; Peng and Meyer, 2016).

Similar to North's suggestion, Scott (1995) proposes three supportive pillars of institutions which are the regulatory, normative and cultural-cognitive pillars. While terms and labels may differ on the surface, Peng et al. (2009) comment that North's (1990) classification of formal and informal institutions are complementary to Scott's (1995) ideas of the three supportive pillars (refer *Table 2-5*).

Table 2-5 Dimensions of institutions

Degree of formality (North, 1990)	Examples	Supportive pillars (Scott, 1995)
Formal institutions	Law, regulations, rules	Regulative
Informal institutions	Norms, cultures, ethics	Normative and cultural-cognitive

Source: Peng et al. (2009: 64) and Peng (2016:37)

The regulative pillar derives most directly from studies in economics and thus represents a rational actor model of behaviour, based on the laws and policies that the government formulates to encourage or discourage some types of behaviour (Scott, 1995, 1997, 2008). However, both the normative and the cultural-cognitive pillar derives principally from studies in sociology: the normative pillar is based on the traditional institutional sociology approach whereas the cultural-cognitive pillar is based on the new institutional sociology approach (Scott, 2008:89-90). Scott (1994:67) explains that he takes a relatively balanced view and insists on the importance of both normative and cultural-cognitive elements of institutions. The normative pillar represents models of organisational and individual behaviour based on obligatory dimensions of social, professional and organisational interaction, and is composed of values (i.e. what is preferred or considered proper) and norms (e.g. how things are to be done, consistent with those values) that further establish

consciously followed ground rules to which people conform (Scott, 2008). Indeed, Scott (1994:65-66) notes that North's idea of informal constraints is based on normative elements. Finally, the cultural-cognitive pillar represents models of individual behaviour based on subjectively constructed realities and meanings that limit appropriate beliefs and actions. Table 2-6 shows a summary of the institutional perspective in organisational studies.

Table 2-6 A summary of the institutional perspective in organisational study

Characteristics	Institutional economics	Institutional sociology
Assumptions	Rule systems or regularities define and limit the set of choices and preferences of individuals in behaviour-making-decision.	Human behaviour-decision-making is embedded in a cultural setting which the shared conceptions that constitute the nature of social reality and the frames through which meaning are made. The meaning of things is a process of interpretation.
Drivers of human behaviours	Rules system or regularities, formal control.	Cultures, social norms, cognitive scripts and schemas.
Type of institutions	Focus on formal institutions.	Focus on informal institutions.
Representative works	Williamson (1975, 1985), North (1986, 1990, 1991)	Meyer and Rowan (1977) Zucker (1977, 1988, 1991), DiMaggio and Powell (1983); Powell and DiMaggio (1991), Scott (995; 1997, 2001; 2008)

Source: Pacheco et al. (2010:980) and Bruton et al. (2010:430)

2.4.1 Limitations of the institutional perspective

Although the institutional perspective has gained prominence in organisational studies, the most important impediment to the institutional perspective is that the term "institutions" (refer *Table 2-3*) means so many things to different scholars (Powell and DiMaggio, 1991; Scott, 1995; Peters, 2000; Peng et al., 2008). As discussed in the preceding section, different labels and terms are associated with the term of institutions that range from formal and informal institutions to the three supportive pillars – regulatory, normative and cultural-cognitive. As such, this can be traced back to the sources of new institutionalism which are underpinned by both economics and sociology stream (Bruton et al., 2010).

Owing to the different streams, Peters (2000:2) comments that "... if one adopts [either stream] of the institutional [perspective], he or she may have very different empirical evidence, and make very different predictions about behaviour, than if one were doing research using another stream." In a similar manner, Bruton et al. (2010:430) also note that the extant literature relies heavily on a single stream approach (i.e. rules system versus cultural setting) to the institutional perspective yet "... fail to acknowledge the existence of the other stream and the somewhat different assumptions inherent in the different institutional traditions."

Nonetheless, a central question then is just how much of an impediment these inherent differences are and what if anything can be done to generate a more unified and integrated approach for the institutional perspective (Peng and Heath, 1996; Peters, 2000; Peng et al., 2009). Peters (2000:6) elaborates "... one way to proceed in developing institutional [perspective], therefore, is to accept the inherent ambiguity of this body of theory as it currently exists, and indeed to revel in that diversity rather than deploring it ... we [can] utilise these various versions of institutionalisms as a set of lenses to illuminate different aspects of [institutions] structures and behaviour." Peng (2003:276) also clarifies that particularly because of the interdisciplinary nature of strategy research, he suggests that "…a combination of the two is natural for management research, [hence], [study can] draw on the best available insights from the institutional literature, regardless of the disciplinary background."

2.4.2 The influence of formal and informal institutions on entrepreneurial and international business activities

The role of formal institutions in constructing and maintaining an environment supportive to entrepreneurial and international business activities is widely acknowledged in the literature (Baumal, 1990; Busenitz et al., 2000; Bruton et al., 2010; Autio and Acs, 2010; Estrin, Korosteleva and Mickiewicz, 2012; Sun et al., 2015). In particular, the level of EO and international business activities that develops in a society is directly related to any supportive role of formal institutions (Wilkinson and Brouthers, 2000; Acs and Szerb, 2007; Meyer et al., 2009; Peng, Yamakawa and Lee, 2010; Lee, Yamakawa, Peng and Barney, 2011; Sun et al., 2015). These supportive formal institutions refer to the direct actions of governments in defining opportunities and providing resources for firms, small firms in particular, to obtain or enhance existing capabilities and resources that are needed

in order to become an effective competitor in the market (Czinkota, 1996; Meyer et al., 2009; Roxas and Chandee, 2013).

Besides its links with formal institutions, EO has been theoretically and empirically linked to informal institutions (Baughn and Neupert, 2003; Zahra, Korri and Yu, 2005; Autio, Pathak and Wennberg, 2013; Covin and Miller, 2014; Engelen et al., 2015; Muralidharan and Pathak, 2017). These informal institutions exert their influence through individual consideration of social desirability and cultural legitimacy of entrepreneurial behaviour (Ajzen, 1991; Lee and Peterson, 2001; Douglas and Sheperd, 2002; Hayton, George and Zahra, 2002, Shane, Locke and Collins, 2003). Furthermore, informal institutions are responsible for the differences in the value placed on entrepreneurial activities (Bruton et al., 2010), and more importantly they act as motivational stimulants to fuel entrepreneurial intentions (Baumal, Litan and Schramm, 2009; Stephan and Uhlaner, 2010; Stephan, Uhlaner and Stride, 2014; Muralidharan and Pathak, 2017). In reporting the results of Global Entrepreneurship Monitor research, Reynolds, Hay and Camp (1999:43) conclude that "…[a]mong many factors that contribute to entrepreneurship, perhaps the most critical is a set of social and cultural values that ... encourage the pursuit of entrepreneurial opportunity."

The following Table 2-7 provides a summary of selective empirical studies focusing on formal and informal institutions in entrepreneurial and international business activities.

Table 2-7 Selected empirical studies focusing on formal and informal institutions in entrepreneurial and international business activities

Studies	Explanatory factors	Explained outcomes	Data sources	Main findings
Formal institutions: Entrepreneurial activities				
Manolova, Eunni and Gyoshev (2008)	Regulative framework	Entrepreneurial behaviour and strategies	Survey	Regulative framework across countries is an important determinant of entrepreneurship. Supportive regulation policies entail more entrepreneurial behaviour in the country.

(continued)

Lee et al. (2011)	Government entrepreneur-friendly bankruptcy laws.	Entrepreneur-ship (i.e. rate of new firm entry)	World Bank, OECD, Doing business report	Supportive and lenient entrepreneur-friendly bankruptcy laws increase the rate of new firm entry and indicate vibrant entrepreneurial activities in an economy.
Li and Zahra (2012)	Formal institutions (e.g. property rights, quality of bureaucracy, control of corruption)	Venture capital activity	World government index	Formal institutions have a positive effect on the level of venture capital activity.
Estrin et al. (2012)	Government activity on entrepreneur-ship	Entrepreneurial aspirations	World Bank	Supportive government activity towards entrepreneurship has a positive influence on entrepreneurial aspiration.
Stephan et al. (2014)	Formal regulatory (government activism)	Entrepreneur-ship	Heritage Foundation	Results underscore the importance of resource support from formal institutions on social entrepreneurship.
Formal institutions: International business activities				
Wilkinson and Brouthers (2000)	Government sponsored programmes	Export success	Report published by Department of Commerce	Government sponsored programmes such as trade shows positively influence export success. Firms benefit from the knowledge gained through hand on experienced.
Gencturk and Kotabe (2001)	Export assistance programs	Export Performance	Survey	Firms' usage of government export assistance programs shows higher export performance than firms that were not.

(*continued*)

Lu, Liu, Wright and Filatotchev (2014)	Regulatory quality	International-isation	Worldwide Governance Indicator	High regulatory quality reduces the importance of prior entry experience and significantly increases the likelihood of foreign direct investment.
Sun et al. (2015)	Legal environment openness and financial market openness	International-isation (i.e. the ratio of foreign sales to total sales and the ratio of the number of overseas subsidiaries to total subsidiaries)	Data from National Economic Research Institute	A supportive government regulations in terms of providing legal and financial environment enhance firms' outward internationalisation.
Informal institutions: Entrepreneurial activities				
McGrath et al. (1992)	Culture based on Hofstede's conceptual-lisation	Characteristics of an entrepreneur.	Survey (culture measured in survey)	Across cultures, entrepreneurs score high in power-distance, individualism and masculinity whereas low in uncertainty avoidance.
Shane (1993)	Culture based on Hofstede's conceptual-lisation	National rates of innovation	Hofstede's cultural indices	Individualism and power distance are positively correlated with national rates of innovation.
Davidson and Wiklund (1995)	Cultural values and belief	New firm formation.	Survey (culture measured in survey)	Cultural belief and values have significant association with rates of new firm formation.
Muller and Thomas (2000)	Culture based on Hofstede's conceptual-lisation	Entrepreneurial traits	Survey (culture inferred from nationality	Cultures high in individualism and low in uncertainty avoidance rate highest on a measure of EO.

(*continued*)

Stephan and Uhlaner (2010)	Informal institutions – based on the GLOBE project cultural dimensions	Entrepreneurship rates	GLOBE	Findings provide strong support for a social human orientation and supply-side variable explanation of entrepreneurship rate.
Kreiser, Marino, Dickson and Weaver (2010)	Culture based on Hofstede's conceptual -lisation	EO: risk-taking and proactiveness	Hofstede's cultural indices	Uncertainty avoidance and power distance are found to have a significant negative influence on risk-taking. Various dimensions of cultural values impact the willingness of entrepreneurial firms to display risk taking and proactive behaviour.
Lee, Lim and Pathak (2010)	Culture – based on Hofstede's and Trompe-naars conceptual -lisation	EO: autonomy, innovativeness, risk-taking and competitive aggressiveness	Survey (culture inferred from nationality)	Different cultural contexts have strong impact on EO and high level of entrepreneurship does not necessarily means high level of EO.
Fayolle, Basso and Bouchard (2010)	Culture – based on Hofstede's and Trompe-naars conceptual -lisation	EO: risk-taking, innovativeness and proactiveness	Not available – conceptual paper.	The conceptual model suggests that the EO of firms is influenced by cultural variables at three levels: national, industry and corporate.
Li and Zahra (2012)	Culture based on Hofstede's conceptual -lisation	Venture capital activity	Hofstede's cultural indices	Both collectivism and uncertainty avoidance cultural dimensions have significant influence on venture capital activity.

(*continued*)

Autio et al. (2013)	Cultural practices -– based on the GLOBE project cultural dimensions	Entreprneurial behaviours	GLOBE	Different effects of cultural practices on entrepreneurial entry and growth aspirations.
Wennberg, Pathak and Autio (2013)	Cultural practices– based on the GLOBE project cultural dimensions	Entrepreneurial entry	GLOBE	Positive effect of self-efficacy on entry is moderated by the cultural practices of institutional collectivism and performance orientation. Conversely, the negative effect of fear of failure on entry is moderated by the cultural practices of institutional collectivism and uncertainty avoidance.
Liñán, Fernandez-Serrano and Romero (2014)	Cultural values – based on Schwartz's conceptual -lisation	Entrepreneurial activity and entrepreneurs' motivation	Schwartz Value Survey	The results show that only in higher income countries do Autonomy values boost entrepreneurial activity. Additionally, higher entrepreneurship is found in countries where Egalitarianism predominates.
Liñán and Fernandez-Serrano (2014)	Cultural values – based on Schwartz's conceptual -lisation	Entrepreneurial activity	Schwartz Value Survey	Differences exist with regard to entrepreneurial activity (overall total entrepreneurial activity, necessity and opportunity-driven activity). Each of the four regional entrepreneurial cultures is characterised by a different entrepreneurial dynamics that may be plausibly explained by culture and income.

(*continued*)

Engelen et al. (2015)	Informal institution-based on Hofstede's conceptual-lisation	EO: risk-taking, innovativeness and proactiveness	Hofstede's cultural indices	Inividualism has significant positive effects on EO.
Liñán, Moriano and Jaén (2016)	Cultural values – based on Schwartz's conceptual-lisation	Entrepreneurial intentions	Schwartz Value Survey	The results support a double-effect of culture on entrepreneurial intention: the personal values effect (a more individualist culture leads to more members exhibiting higher entrepreneurial intentions) and the outlier effect (those who are more individualist than average in their culture will exhibit a higher entrepreneurial intention).
Muralidharan and Pathak (2017)	Informal institutions - based on the GLOBE project cultural dimensions	Entrepreneurial firms	GLOBE	High performance orientation, high self-expression, and low social desirability of entrepreneurship in societies increase the extent of internationalisation by early-stage entrepreneurial firms.

Source: The author

2.5 The literature gaps

Based on this review of the extant literature, three gaps are identified and positioned as the focus of the current study as follows:

Gap 1: Incomplete link between the RBV and the institutional perspective in explaining firms' international performance

The preceding review indicates that the RBV and the institutional perspective have different assumptions on a firm's behaviour and performance. On the one hand, the RBV assumes that a firm's internal resources influence its behaviour and performance. The

institutional perspective, on the other hand, assumes that a firm's behaviour and performance is conditioned and shaped by the institutional context in which the firm is embedded. In particular, through the RBV lens, EO influences international performance, whereas both EO and international performance are also influenced by institutional factors drawn from the institutional perspective.

Peng et al. (2008:929) comment that most studies have treated either the RBV or the institutional perspective as a substitute for one another. Hence, the understanding of international performance either based on the RBV or the institutional perspective on an *ad hoc* basis is incomplete because both theories are complementary in certain ways (Rao, 1994; Oliver, 1997; Peng et al., 2008, 2009). Whether a firm's resources enable it to achieve its desired performance outcomes primarily depends on how effective the firm manages the institutional contexts to which it is embedded. Similarly, the firm's perception and hence response towards the opportunities and constraints presented in the institutional context determine the influence of institutions on the firm's resources and performance.

Thus, despite important insights drawn from the separate influences of the RBV and the institutional perspective, the complementary influences of the RBV and the institutional perspectives in relation to EO and international performance of firms have rarely been analysed.

Gap 2: Limited understanding of the effects of macro-institutional factors on micro-individual behaviour and actions

Research on institutional factors (both formal and informal institutions) in the entrepreneurship and international business literatures have generally conceptualised institutions by objective methods (e.g. world government index, World Bank, doing business report, Hofstede's cultural indices, GLOBE, etc.) and analysed at an aggregate level in order to make a comparative analysis of different institutional frameworks at the macro-level rather than to unbundle the ways through which these institutional frameworks influence entrepreneurs' decision and the firm's strategic choices (Djankov, La Porta, Lopez-de-Silanes and Shleifer, 2002; Acemoglu and Johnson, 2005; Malesky and Taussig, 2009). As a result, research on the macro–micro link in terms of institutional–individual mindset link is relatively sparse (Wicks, 2001; Renko, Sinha, Kontula, Baldegger and Kunda, 2009; Bruton et al., 2010). Hence, much remains unknown on how institutional factors originating at the macro-level, can lead to micro-level, individual/firm behaviour, action and outcomes. In a similar manner, Meyer and Peng (2005:612) comment that "...

the way institutional [factors] translate into behavioural changes at the individual and firm levels remains a major research agenda."

The studies of formal and informal institutions that have been theoretically and empirically linked to EO are operationally defined at macro-level analysis. However, Autio et al. (2013) assert the critical point that entrepreneurship is fundamentally an individual endeavour. Thus, macro-level studies often suffer from the individualistic fallacy (Seligson, 2002) in incorrectly imputing individual level entrepreneurial behaviour to the macro-level. Furthermore, Covin and Miller (2014) and Peng et al. (2009) note that while the relationship between formal and/or informal institutions and EO is examined in much empirical research, these institutional factors are simply recognised as being part of the national context in which the EO research is being conducted. In other words, formal and informal institutions have been assumed away as "background" (Peng et al., 2009) and treatment of institutional factors as background conditions are insufficient to gain a deeper understanding of strategic behaviour (Clougherty, 2005). Perhaps, the main reason for this is that most prior studies are examined in the context of developed economies (Leonidou and Katsikeas, 2010; Sun et al., 2015) whose institutional conditions are well established and thus are often considered as background conditions (Peng et al., 2009).

Caprar et al. (2015:1015) comment that "... many researchers still […] use [a] country as a proxy for culture, insufficiently articulate and/or account for different levels of analysis [individual, group, country], and omit much attention to capturing heterogeneity at the individual level." Kogut and Singh (1988), Shenkar (2001) and Autio et al. (2013) critique that the use of a country as a proxy for informal institutions assumes the homogeneity of cultural dimensions within a national culture, hence, masks the heterogeneous effects of individual-level attributes on behaviours. In addition, Kostova (1997) notes that although in general, objective data might have advantages over perceptual and evaluative data, country institutional factors lose meaning when they are generalised across a broad set of issues.

Therefore, notwithstanding the important insights from macro-level studies, little is known about the effects of macro-institutional factors on micro-individual behaviour and actions, particularly in relation to the focus of this study – EO.

Gap 3: Limited studies on the interactive effects of formal and informal institutions on firms' behaviour and performance

Both formal and informal institutions have primarily been studied as two separate independent variables in extant EO research and have been assumed that they are fully independent and have exclusively direct effects on a firm's behavior and performance (Yiu and Makino, 2002; Ang and Michailova, 2008; Engelen et al., 2015). The main reason for this is perhaps as discussed in Section 2.4.1 (limitations of the institutional perspective) that most prior studies tend to choose either the economics or sociology streams of the institutional perspective as the main theoretical foundation of their research (Peng et al., 2009; Bruton et al., 2010).

Within the institutional literature, economists have mostly focused on formal institutions - formal laws, rules and regulations (North, 1990; La Porta, Lopez-de-Silanes and Shleifer, 2008) whereas sociologists emphasis on informal institutions - norms, values and cultures (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Thus, formal and informal institutions have been studied individually with less emphasises on their potential interactive effects (Peng et al., 2009).

Given that in reality firms are often exposed to a number of institutional factors at the same time, Peng et al. (2009) suggest that formal and informal institutions should be studied together in a complementary manner instead of individually. Coherently, Jackson and Deeg (2008) argue that studying formal and informal institutions in isolation could disregard the possible effect of the interaction and enforcement effects between both factors on the firm's behaviour and performance.

While the existing studies provide valuable insights on the individual direct effects of formal and informal institutions on the firm's behaviour and performance, yet, it still limits the understanding of the interactive effects of both formal and informal institutions factors on the firm's behaviour and performance.

2.6 Summary of the chapter

The international performance of firms has received great attention in the internationalisation literature, hence, various internal and external factors are identified as determinants of the firm's international performance. The RBV focuses on the firm's internal factors and explains that a firm's behaviour and performance is based on the firm's inherent resources position. The institutional perspective on the other hand focuses on the

firm's external factors, in particular, the institutional contexts within which the firm is embedded. These institutional contexts present a set of opportunities and threats that shape and influence the firm's behaviour and performance. In the review of the RBV and the institutional perspective, and specifically EO and formal and informal institutions, three gaps were identified and are positioned as the focus of the current study.

CHAPTER 3: A SYNTHESIS OF THE REVIEWED LITERATURE AND HYPOTHESIS DEVELOPMENT

This chapter firstly elaborates the standpoints of this study to the gaps identified in the extant literature. Then, it synthesises the focus of this study and introduces the conceptual model. Finally, twelve hypotheses are developed based on the key variables underpinned by the RBV and the institutional perspective in the study.

3.1 Addressing the literature gaps

A review of literature in the preceding chapter has identified three gaps which are positioned as the focus of current study as follows:

- **Gap 1**: Incomplete link between the RBV and the institutional perspective in explaining firms' international performance
- **Gap 2**: Limited understanding of the effects of macro-institutional factors on micro-individual behaviour and actions
- **Gap 3**: Limited studies on the interactive effects of both formal and informal institutions on firms' behaviour and performance

Addressing Gap 1: The integration of the RBV and the institutional perspective in explaining firms' international performance

This study posits that the RBV and the institutional perspective complement one another in explaining a firm's business development and growth in terms of the international performance of firms (Rao, 1994; Oliver, 1997; Brouthers et al., 2008; Peng et al., 2008, 2009).

According to the RBV, a firm's inherent resources are the value-enhancing assets and competencies of the firm. A firm has to make active resource decisions regarding how to develop and deploy its inherent resources to render productive services that contribute to its development goals. Penrose (1959) suggests that the development and growth of a firm are not only differentiated by the resources it possesses but also by the specific productive services that the resources render. Firms that seek growth, therefore, will actively develop, reconfigure and deploy their inherent resources to generate valuable, rare, imitable and non-sustainable competitive advantages to achieve higher business development.

The RBV posits that resource decisions, i.e. how to develop and use resources to render productive services are actively made by firms. However, a firm will be influenced by

factors in the institutional context within which it is embedded when making these resource decisions. Furthermore, the institutional context will impact on the resources and the productive services they render which eventually influence business development and growth of a firm. This is because the institutional context constitutes specific opportunities and threats to firms that might enhance or inhibit optimal development and use of their inherent resources (Oliver, 1997; Brouthers et al., 2008). In this regard, the institutional perspective complements the RBV in explaining a firm's business development and growth by specifying in what contexts and under what circumstances specific resources of a firm add value to the firm's business performance.

Building on the above idea, this study pinpoints EO as a critical resource that influences a firm's business development and growth in terms of the international performance of the firm. A successful nurturing and manifestation of a firm's EO depends on the nature of the external environmental contexts within which the firm is embedded (Miller and Friesen, 1983), of which the institutional contexts are particularly influential (Busenitz et al., 2000; Covin and Miller, 2014). Researchers (e.g. Ireland et al., 2003; Wiklund and Shepherd, 2003; Wales, Gupta and Mousa, 2013) comment that EO of firms will exercise and facilitate positive impacts only when the firms are able to acquire, develop or/and leverage resources from external sources. Thus, a favourable institutional context will foster both the opportunity- and advantage-seeking behaviours of firms.

Based on this understanding, this study examines the effects of EO on international performance in a given institutional context. It requires the integration of the RBV and the institutional perspective to fully capture and reveal the impact of EO – a resource internal to the firm but is influenced by the institutional environment – on the firm's international performance.

Addressing Gap 2: The effects of macro-institutional factors on micro-individual behaviour and actions

Previous studies have mostly conceptualised and operationalised institutions at the macro-level and this is not surprising given the nature of the external environment as macro-level forces. As discussed in the previous chapter (in *Section 2.4*), behaviourism is an important theoretical source of the new institutionalism where institutions and behaviour of human beings are seen as interactive (March and Olsen, 1984). The new institutionalism assumes that the interaction of institutions and individual actors are divided into two levels– a higher level (macro) and a lower level (micro) where behaviour is best understood at a

lower/micro-level perspective (also refer as microfoundations approach in macroeconomics study) (March and Olsen, 1984:732).

Within such a perspective, for example, the behaviour of an organisation is the consequence of the interlocking choices by individuals acting in terms of their expectations and preferences (March and Olsen, 1984). March and Olsen (1984:732) note that "... in most social sciences, the actions of individual human beings are considered to determine the flow of events in a larger social system. Outcomes at the system level are thought to be determined by the interactions of individuals acting in terms of the axioms of individual behaviour", i.e. the influence of institutions and its resulting outcomes is the consequence of the perceptions and expectations of individuals. Hence, the understanding of macro consequences should be viewed from a micro-level behaviour perspective, i.e. that are grounded in individuals motivations and their behaviours (Janssen, 2008; Eisenhardt, Furr and Bingham, 2010).

Based on the above propositions, the effects of institutional factors on firms are best captured through the perceptions of the individual actors because any influence of these institutional factors on firms largely depends on the perception of those institutions by individuals within firms and the subsequent responses/actions of these individuals (Kostova, 1997; Garud, Hardy and Maguire, 2007; Renko et al., 2009). Therefore, this study intends to examine institutional factors, i.e. formal and informal institutions, based on a micro perspective reflected through the cognitive schema, interpretations and sense making of key individuals, i.e. the decision-makers within firms (Kostova, 1997; Chrisman, Chua and Steier, 2002). This approach is particularly suited to research in the context of SMEs because decision-making power in these firms is centralised in a few key individuals (Bourgeois, 1980; Hambrick and Mason, 1984; Hambrick, 2007). This study posits that the impact of institutional factors on key decision-makers of SMEs determines the EO of firms in their pursuit of international business development.

Addressing Gap 3: The interactive effects of both formal and informal institutions on firms' behaviour and performance

Researchers have called for a more unified or integrative approach to the institutional perspective in order to enhance our understanding of the impact of different aspects of formal and informal institutional factors on a firm's behaviour and performance (Peters, 2000; Peng 2006; Peng et al., 2009). Although the economics and sociology streams of the institutional perspective have some differences, many researchers have started to work on

constructs related to both streams within the same study to enrich the institutional perspective.

Peng et al. (2009) observe that there has been extensive and significant interpenetration between the economics and sociology stream of the institutional perspective. This is due to the interdisciplinary nature of organisational study: the combination of both streams is natural and complementary in explaining a firm's behaviour and performance. For example, sociologists such as Powell and DiMaggio (1991) and Scott (1994) have long acknowledged North's (1990) works on institutions, which embrace the sociological elements in conceptualising his idea about informal institutions. At the same time, some sociologists have now worked on typical economics constructs such as rules, regulations and contracts that are drawn extensively on the institutional economics literature (Peng et al., 2009).

Against this background, this study employs an integrative approach, drawing on the best insights from both the economics and sociology streams to explicate the distinctive phenomenon of institutional context. This supports the understanding of Peng et al. (2009:65) that, "[r]egardless of disciplinary roots, there is remarkable consensus on a core proposition: Institutions matter."

As firms are often exposed to multiple institutional factors at the same time, thus, firms' behaviours and actions are seldom subject to the influence of only one institutional factor but various institutional factors simultaneously (Peng et al., 2008, 2009). These various institutional factors may have interaction and enforcement effects on firms' behaviours and performance. Therefore, this study examines the interplay effects of both formal and informal institutions simultaneously and posits that these two institutional factors interact and reinforce on one another to provide a fuller understanding of the genesis of the EO of SMEs.

3.2 A synthesis of the reviewed literatures

This research aims to construct a fuller explanation of the role of EO in driving the international performance of SMEs, by incorporating the influence of institutional factors on EO of the firm and subsequently on its' international performance. The research argues that neither internal firm level factors nor external institutional environment alone can fully explain the complex and dynamic phenomenon of the internationalisation of SMEs, e.g. international performance of firms. It requires an integrative view that accounts for the

interplay between internal firm factors and external institutional environment to provide a fuller understanding of the distinctive phenomenon.

The literature review in the preceding chapter indicates that understanding of the international performance of SMEs will be largely enriched by incorporating core concepts of the RBV and the institutional perspective. The integration of the two perspectives also responds to the call for a more robust and holistic view of the distinctive phenomenon of SMEs' internationalisation, including their international performance (McDougall et al., 2003; Jones and Coviello, 2005; Rialp et al., 2005; Lages and Sousa, 2010).

The RBV provides theoretical insights into understanding EO as a type of intangible resource possessed by a firm and represents the opportunity-seeking behaviour of the firm (Zahra, 1999; Alvarez and Busenitz, 2001; Oviatt and McDougall, 2005). This resource is essential to the competitiveness of firms because EO leads firms to structure their resource portfolios, bundle their resources and leverage these bundles of resources in entrepreneurial ways to achieve business development and growth (Ireland et al., 2003).

Furthermore, the RBV also provides insights into identifying another essential factor - the key decision-makers of the firm, specifically the founder/owner/entrepreneur - in the internationalisation of SMEs. In Penrose's (1959) seminal work, the role of entrepreneur and productive services has been acknowledged as a key determinant and core resources of the growth of the firm. In this regard, Penrose (1959:7-9) explains: "the [productive] services that resources will yield depend on the capacities of the men using them, but the development of the capacities of men is partly shaped by the resources men deal with. The two together create the special productive opportunity of a particular firm." Additionally, studies assert that management in small businesses is enacted in a highly personalised manner and is strongly influenced by the experience, ability, personality and disposition of the key decision-makers (Penrose, 1959; Reid, 1981; Johannisson, 1988; Bell, 1995; Jennings and Beaver, 1996; Casson, 2004; Autio, 2005; Zahra, 2005; Oviatt and McDougall, 2005).

The literature on the internationalisation of SMEs has widely discussed the pivotal influence of key decision-makers upon small firms' actions, choices and developments (e.g. Madsen and Servais, 1997; McDougall and Oviatt, 2000; Weaver, Dickson, Gibson and Turner, 2002; Manolova et al., 2002; Ibeh, 2003; Dimitratos, Johnson, Slow and Young, 2003; Andersson and Wictor, 2003; Johnson, 2004; Andersson, Gabrielsson and Wictor, 2004; Nummela, Saarenketo and Puumalainen, 2004, 2005; Oviatt and

McDougall, 2005; Joardar and Wu, 2011; Tang, 2011). In their seminal work in IE, Oviatt and McDougall (1994, 1997, 2005) have specified and incorporated the key decision-maker as one of the major driving forces of the internationalisation of firms. They explain that key decision-makers will observe and interpret the potential of an opportunity on behalf of their firm and their observations and interpretations are filtered through the key decision-makers' personal characteristics (e.g. alertness to business opportunities, international experiences) and/or psychological traits (e.g. entrepreneurial propensity).

Concurring with the aforementioned discussion, EO of the firm is often a direct reflection of the entrepreneurial attributes of the firm's key decision-makers, i.e. firms' specific resources and capabilities are directed by the behaviour of the key decision-maker (Shane and Venkataraman, 2000; Alvarez and Busenitz, 2001). Lumpkin and Erdogan (2004:22) suggest that "personality ... of the entrepreneurs will influence the entrepreneurial orientation of the organisation." Thai and Chong (2008:77) emphasise that "…managerial attitude, vision, and orientation are ... critical in the firm's decision to internationalise." Joardar and Wu (2011:330) note that "... the entrepreneurs' values, tendencies, and orientation will be embedded in the entrepreneurial orientation of the organisation." Weaver et al. (2002) observe that "... the key manager acts as the brain of the organisation and is the key determinant of the strategic posture of the firm". Poon et al. (2006:62) specify that personal features of the entrepreneur have a great influence of the entrepreneurial proclivity of the firms. All these propositions highlight the influence of key decision-makers' attributes on the EO of SMEs (Covin and Miller, 2014; Zucchella and Magnani, 2016). Hence, it is certainly difficult to imagine a situation in which the key-decision maker of a SME is not found to have major influences on the firm's business development and growth.

Applying the institutional perspective, the strength and manifestation of a firm's EO depend on the nature of the institutional context within which the firm is embedded (Miller and Friesen, 1983; Covin and Miller, 2014). Based on the above discussions regarding the association between key decision-makers and EO, the influence of institutional context on EO of the firm will be dependent on how the key decision-makers perceive or take in opportunities and threats in the institutional context and such cognitive understanding will feed into its resource decisions. As such, different firms may have different levels of EO and the differences subsequently entail variations in business development and growth in terms of the international performance of firms. This supports the understanding of Penrose (1959:5) that entrepreneurs hold an important role in perceiving and pursuing

productive opportunities in a dynamic environment so that they can change resources rendered and the demand conditions that affect its productive services. The integration of the institutional perspective, thus, provides theoretical insights into understanding the institutional context that presents a set of opportunities and threats that might enhance or inhibit the optimal development and use of the firm's inherent resources to achieve its development goals. In this regard, the institutional perspective presents a set of institutional factors that could influence firms' development and deployment of further resources and capabilities, i.e. EO to fuel its international business development and growth.

In summary, the core proposition of this study is to integrate the RBV and the institutional perspective to fully capture and reveal the impact of EO – a resource internal to the firm but influenced by institutional factors – on the firm's international performance. Furthermore, this research acknowledges the role of the key decision-makers to be directing and driving force of all business activates of the firms, including EO and international business activities. Thus, the research seeks to articulate the investigation of the impact of institutional factors on these key decision-makers that determines the EO of SMEs in their pursuit of international business development.

3.3 Key explanatory variables

Rationale for choosing variables to represent formal and informal institutions

As discussed and reviewed in the foregoing chapter (in *Section 2.4*), the institutional perspective is made up of formal and informal institutions (North, 1990). Both formal and informal institutions can be understood in a very broad sense. Formal institutions are tangible, man-made elements such as regulations, constitutions, property rights protection, etc. (North, 1990) whereas informal institutions include norms, cultures, convention, code of conducts and ethics (North, 1990; Scott, 1995; Peng et al., 2009).

For the purpose of this study, formal institutions are represented by those government regulations which provide incentive and support systems to mould and induce specific business activities of firms, i.e. firms' entrepreneurial and international business activities (Busenitz et al., 2000; Tonoyan et al., 2010; Saeed et al., 2014). Cultural dimensions are identified as those informal institutions which influence people's beliefs and attitudes towards specific behaviours and actions, i.e. entrepreneurially-oriented behaviour (Schneider and De Meyer, 1991; Lee and Peterson, 2000; Mueller and Thomas, 2001; Stephan and Uhlaner, 2010; Stephan et al., 2014; Muralidharan and Pathak, 2017).

3.4 The conceptual framework

Building on the theoretical underpinnings of the existing literature and the gaps identified, the following research questions are defined to represent the focus of the research:

Research Question 1: What is the effect of EO on international performance in a given institutional context?

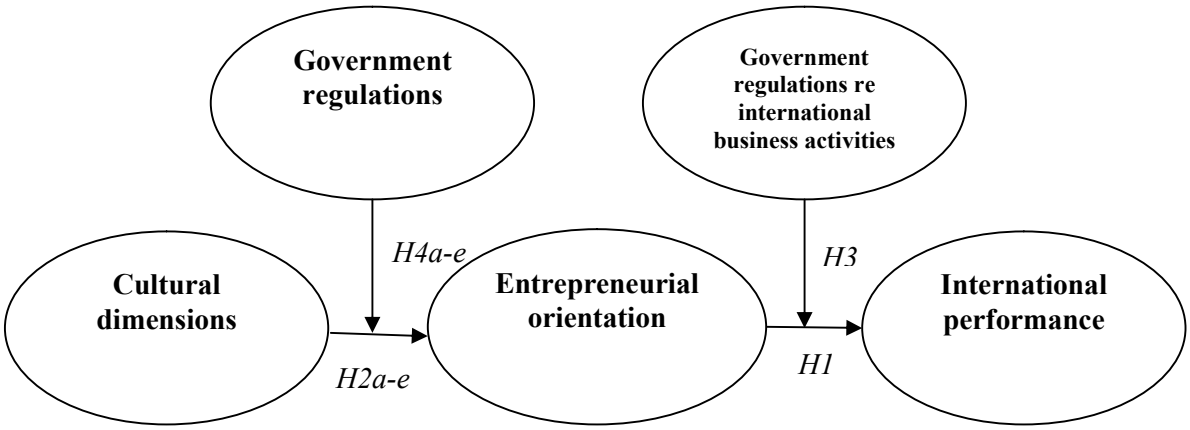
Research Question 2: What is the effect of cultural dimensions at an individual level on EO?

Research Question 3: What is the role of government regulations in the association between EO and international performance, and in the association between cultural dimensions and EO respectively?

Research Question 1 is a general research question which focuses on the overall effect of EO on international performance in a given institutional context. Then, *Research Questions 2* and *Research Question 3* emphasise the two institutional factors, i.e. the roles of cultural dimensions and government regulations on the EO-international performance relationship respectively. In this regard, *Research Question 2* focuses on the direct effect of cultural dimensions at an individual level on EO whereas *Research Question 3* focuses on the moderating roles of government regulations pertaining to both EO and international performance, and cultural dimensions and EO relationships respectively.

Based on the defined research questions, this study explicitly conceptualises the interrelationships between the EO of firms, cultural dimensions and government regulations in an integrative model that explains the international performance of SMEs. The empirical analyses of this study are matched with the four sets of associations illustrated in the conceptual model (see *Figure 3-1*). They are: i) the association between EO and international performance; ii) the association between cultural dimensions and EO; iii) the association of government regulations on the relationships between EO-international performance; and iv) the association of government regulations on the relationships between cultural dimensions-EO.

Figure 3-1 The conceptual model of the research



Source: The author

3.5 EO and international performance

The EO-performance relationship is a recurring theme in studies on EO. Findings across past research suggest that the EO of a firm positively contributes to its international performance (Zhou, 2007; Covin and Miller, 2014; Thanos et al., 2016). The essence of entrepreneurship is the entrepreneur's ability and endeavours to perceive, identify and exploit opportunities that others may not recognise and/or dare to take the risk in their pursuit (Kirzner, 1973). Firms with higher EO are commonly presumed to be more proactive and assertive to scan for and identify new business opportunities, develop innovative solutions to problems, and willing to take risks to pursue untapped and unproven market prospects to reap targeted outcomes than their competitors (Covin and Slevin, 1999; Rauch et al., 2009). In the international context in which market conditions and resource needs are significantly different from and present higher risks than those of the domestic market, it is expected that the effect of EO on firm performance will be magnified.

Studies find that firms that have a stronger tendency to develop new products or significantly enhance existing products can better tailor to and satisfy the different, specific demands and requirements of customers in international markets (Knight, 2001; Zhang, Ma and Wang, 2012). Innovation also helps firms to develop and enhance key capabilities in operating and competing internationally through improving their business models; ways of acquiring, organising and deploying resources; and business processes and activities. As a result, the aspiration to innovate enables firms to explore and exploit opportunities in the

dynamic international business environment more responsively, efficiently and effectively (Zahra and George, 2002).

Firms with higher EO are proactive in spotting and pursuing new and promising opportunities to pioneering new business, introducing new products, and strategically eliminating operations that are at the mature or declining stage of their life cycle (Venkatraman, 1989; Zahra and Covin, 1995). The ambition and ability to stay at the forefront of the latest market and business developments ahead of competitors are vital for firms to continuously gain insights into international market opportunities, and to keep abreast of changes to stay competitive (Zhang et al., 2012; Ciravegna et al., 2014; Thanos et al., 2016).

Furthermore, international business activities present additional risks due to a high probability of failure in an unknown environment with significant differences in economic, political, social and legal systems (Lan and Wu, 2010). Therefore, only firms that are willing to absorb and tolerate such risks are likely to make the resource commitment and boldly pursue the opportunities present to reap a higher return.

Studies have provided empirical evidence to support the argument that internationalised firms tend to have a higher level of EO than their non-internationalised counterparts (e.g. Ripollés-Meliá et al., 2007; Li et al., 2010; Zhang et al., 2012; Brouthers et al., 2015; Thanos et al., 2016). Studies by Brouthers et al. (2015) and Thanos et al. (2016) confirm that EO is positively associated with a firm's international performance and this finding is supported by Covin and Miller (2014). Based on the above discussion, the following hypothesis is proposed:

Hypothesis 1 EO is positively associated with firms' international performance.

3.6 Cultural dimensions and EO

Culture influences people's beliefs and attitudes towards specific behaviours and actions (Schneider and De Meyer, 1991; Lee and Peterson, 2000; Mueller and Thomas, 2001; Stephan and Uhlaner, 2010; Autio et al., 2013; Stephan et al., 2014; Muralidharan and Pathak, 2017). In the context of SMEs, the cultural values of the owner-manager may have a predominant influence on strategic orientations, configurations and practices of the firm because decision-making power of the business is generally centralised in the owner-manager (Hambrick and Mason, 1984; Hambrick, 2007; Engelen, 2010; Autio et al., 2013; Engelen et al., 2015).

Consequently, it is expected that differences in the entrepreneurial behaviours of SMEs are a result of variations in the cultural values of the owner-managers (Geletkanycz, 1997; Hofstede, 1991; Mueller and Thomas, 2001). McMullen and Shepherd (2006), for example, suggest that culture influences entrepreneurs' perception of the economic and social feasibility and desirability of entrepreneurial actions; perceptions, in turn, will determine actions undertaken. Lee and Peterson (2000) also explain that it is the different dimensions of culture that give rise to entrepreneurial behaviour potential. Accordingly, they suggest that certain cultural values are likely to be more compatible with entrepreneurship than others and hence are more favourable to foster higher EO of firms.

Numerous studies (e.g. Hofstede, 1980, 1991; Schwartz, 1992, 1994; Trompenaars, 1993; House, Hanges, Javidan, Dorfman and Gupta, 2004) have identified different dimensions that conceptualise the construct of culture. Hofstede (1980, 1991), for example, advocates five dimensions of culture: power distance tolerance, individualism, masculinity, uncertainty avoidance and long-term orientation. Schwartz (1992, 1994) proposes ten motivational value types that are divided into four categories: self-transcendence, conservation, self-enhancement and openness to change. Trompenaars (1993) presents seven dimensions of culture: universalism, individualism, specific, neutral, achievement, time and direction. The GLOBE project (House et al., 2004) defines nine dimensions of culture: performance orientation, assertiveness, future orientation, human orientation, institutional collectivism, in-group collectivism, gender egalitarianism, power distance and uncertainty avoidance.

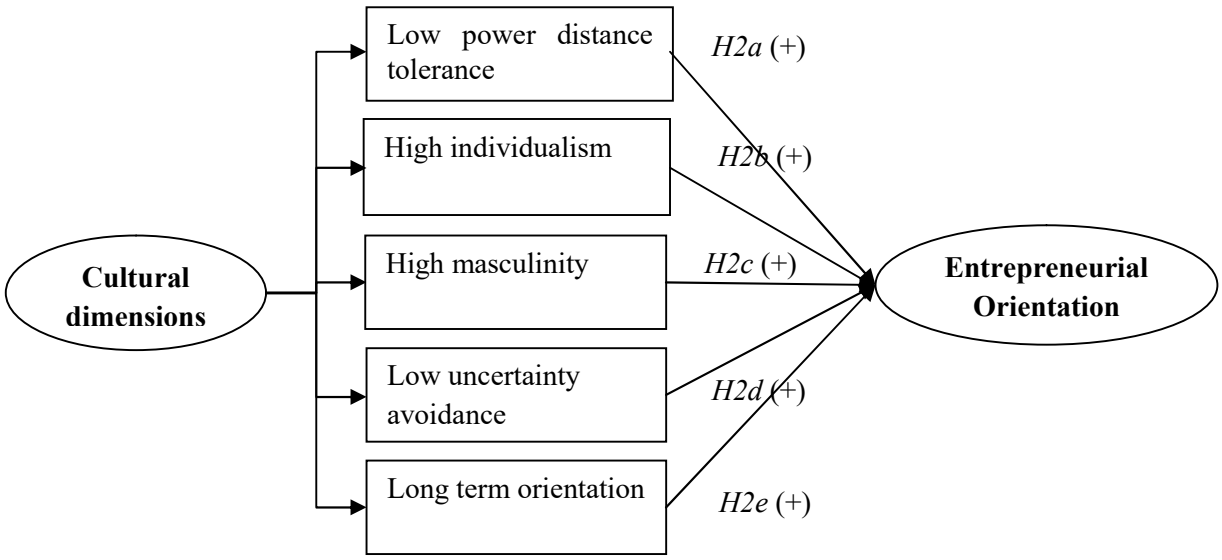
Although there is no consensus amongst scholars on which dimensions comprehensively describe the construct of culture, they all agree that culture is a multidimensional construct (Soares, Farhangmehr and Shoham, 2007). Nonetheless, the five dimensions of culture advocated by Hofstede (1980, 1991) is amply analysed in the literature, replicated and cited in numerous research works (Søndergaard 1994; Steenkamp, 2001), and taken as the foundation for developing subsequent, more evolved cultural dimensions, such as the GLOBE project (García-Cabrera and Gracia García-Soto, 2008). In entrepreneurship studies, particularly, the configuration of cultural values for increased entrepreneurial activity, behaviour and/or intention is generally based on Hofstede's (1980) conceptualisation of cultural dimensions. Hofstede (2001) does not specify the relationship between entrepreneurship and culture; however, his cultural dimensions are useful in identifying criteria of culture related to entrepreneurship and are found to have various

influences on the entrepreneurial action of firms (Mueller and Thomas, 2001; García-Cabrera and Gracia García-Soto, 2008; Kreiser et al., 2010; Engelen et al., 2015).

Thus, this study employs Hofstede's (1980, 1991) conceptualisation of culture (power distance tolerance, individualism, masculinity, uncertainty avoidance and long-term orientation) because it allows the proposed conceptual model to base the hypotheses formulated in this research on solid theoretical foundations. Hence, this study argues that these five cultural dimensions have impacts on the EO of firms. Rationales for the conjecture and theoretical reasoning can be obtained in Figure 3-2.

Whilst this study conceptualises cultural dimensions in compliance with Hofstede (1980, 1991), it does not approach cultural dimensions as a national feature. In correspondence with the focus of this study to examine cultural dimensions at an individual level, the five cultural dimensions are measured using CVSCALE (Cultural Values Scale) (detailed explanation is discussed in *Chapter 4*: *Section 4.4*) which is designed particularly to measure cultural values that covers all of Hofstede's cultural dimensions simultaneously at an individual level.

Figure 3-2 Hofstede's cultural dimensions and their impact on EO



Source: The author

3.6.1 Power distance tolerance and EO

Power distance tolerance refers to the degree in which people believe that power and status are distributed unequally and the acceptance of an unequal distribution of power as the proper way for social systems to be organised (Hofstede, 1980). In high power distance

tolerance culture, there is an emphasis on maintaining status consistency (Hofstede, 1980). As a result, firms in a high power distance tolerance culture are characterised by an unequal distribution of power, strong hierarchical and control mechanisms, less communication among organisational levels, and an emphasis on subordinates being deferential and obedient to those in positions of power (Shane, 1993; Kreiser et al., 2010; Saeed et al., 2014). In contrast, firms in a low power distance tolerance culture are more intent on improving their positions and hence, there is a much higher degree of social mobility. Therefore, firms in a low power distance tolerance culture have flexible control mechanisms and hierarchical structures, and an individual's freedom and autonomy are respected (Kreiser et al., 2010; Saeed et al., 2014).

This study posits that a low power distance tolerance culture has a positive influence on entrepreneurial mindsets for several reasons:

First, firms in a low power distance tolerance culture have flexible control mechanisms and hierarchical structures which mean they are not restricted by strong hierarchical structures that tend to inhibit communication among organisational levels (Kreiser et al., 2010). A flexible hierarchical structure enables active communication among organisational levels; thereby increases the likelihood that innovative ideas or products will be developed (Carl, Gupta and Javidan, 2004; Saeed et al., 2014). Second, firms in a low power distance tolerance culture also encourage strategic responsiveness and re-activeness towards new opportunities and ideas as in an effort to improve their current standing (Covin, Green and Slevin, 2006). Finally, in an environment of rapid change, shortened product and business model-life cycles, discovering and exploiting opportunities in a timely manner are pivotal to business developments. Managers with high levels of freedom and autonomy are more likely to make risky strategies and take bold actions that they deem appropriate to improve their firms' current standing (Thompson, 1967; Shane, 1993).

Based on the aforementioned discussion, the following hypothesis is therefore put forward:

Hypothesis 2 (a) Low power distance tolerance is positively associated with EO.

3.6.2 Individualism and EO

Individualism pertains to the degree of emphasis placed on individual accomplishment, whereas collectivism, the opposite of individualism, pertains to the degree of emphasis placed on group accomplishment (Hofstede, 1980). Both individualistic and collectivist culture have been argued to have an effect on EO (Kreiser et al., 2010; Saeed et al., 2014).

On the one hand, prior studies argue that a collectivist culture encourages collaboration among people having different expertise and resources which are necessary for implementing and facilitating the effectiveness of EO's commercialisation (Franke, Hofstede and Bond, 1991; Nakata and Sivakumar, 2001; Saeed et al., 2014). However, as the underlying essence of a collectivist culture is based on group adherence and cohesion, it can pose a barrier that may affect independent and individual thinking. This is because entrepreneurs are less likely to be bold, take risk and think differently because they are afraid of being an outlier that may be turned into an outcast by the group to which they belong. As a result, firms in a collectivist culture will be less willing to engage in pursuing novel ideas and opportunities which are often viewed as extreme and also have less acceptance of uncertainty or risks inherent in action taken that might affect the group's interests.

An individualistic culture, on the other hand, values the freedom and autonomy for individuals to make their own decisions and action, and results are often attributed to an individual's achievements rather than from a group's action – it gives the individual's interests priority over those of the group (Morris, Avila and Allen, 1993; Morris, Davis and Allen, 1994; Hofstede, 2001; Kreiser et al., 2010). Freedom and autonomy given to managers to take actions and decisions they see as most worthwhile are found to be important to gain successful new ideas even if it may be associated with high risks of the outcomes in different contexts such as in the United States and Japan (Shane, 1993). With greater freedom and autonomy, managers may have more self-confidence. This may lead them to be bolder in pursuing novel and creative ideas, more competitive in seeking opportunities and more willing to display tolerance and assume the risks inherent in the entrepreneurial acts in hopes of a larger strategic payoff derived from their actions and efforts. It is, therefore, expected that individualistic culture will be positively associated with EO.

Hence, the following hypothesis is proposed:

Hypothesis 2 (b) High individualism is positively associated with EO.

3.6.3 Masculinity and EO

The masculinity-femininity dimension focuses on the extent to which a society stresses or nurtures measurable achievement. A relatively masculine culture emphasises assertive behaviour, material goods, and prestige, thus individuals tend to exhibit a higher need for

achievement and are more willing to engage in competitive entrepreneurial behaviours (Hofstede, 1980; McGrath et al., 1992). Conversely, a feminine culture emphasises modesty, caring, and being concerned with the quality of life, which are all difficult to measure (Hofstede, 1980). Additionally, assertive behaviour is considered as inappropriate in most social circumstances in a feminine culture as it will create competition among people and leads to an imbalance of life as there will be winners and losers (Hofstede, 1991).

In a feminine culture, relationships are valued over money and material things, and quality of life is more essential than achievement. For example, satisfaction from giving help to someone or treating everyone as a winner is valued more than individual success or achievement. Thus, a feminine culture emphasises cooperative and less competitive values (Hofstede, 1980). Furthermore, instead of being assertive in nature, firms with feminine culture will be more likely to react with a "live and let live" approach. They will be less likely to willingly interact with their external environment and will try to act modestly in their strategies in relation to their competition (Kreiser et al., 2010).

In contrast, a masculine culture emphasises measurable achievement, rank leadership, independence, and ambition as important life goals compared with a feminine culture. A masculine culture is also very competitive, and in order to survive and thrive, firms are driven to be assertive (Hofstede, 1980). Hofstede (1980) acknowledges that firms in a masculine culture would be more willing than firms in a feminine culture to display assertive behaviours, e.g. generating innovative ideas and taking proactive strategies to pursue such ideas even the outcomes of the effort are uncertain and risky. This is because firms expect that by acting assertively, a higher payoff will be achieved. Moreover, firms in a masculine culture which displays a strong assertive behaviour tend to quickly address strategic issues instead of leaving them unresolved as a sign of incompetence. This is in line with the open willingness of firms to interact strategically with their external environment, which is at the core of EO behaviours (Lumpkin and Dess, 2001). As Knight (2001) elaborates, firms with high EO will be more willing to use any means necessary to achieve their organisational goals and objectives. Since a masculine culture idealises assertive behaviour, individual achievement, and success, the following hypothesis is proposed:

Hypothesis 2 (c) Masculinity is positively associated with EO.

3.6.4 Uncertainty avoidance and EO

Uncertainty avoidance refers to the degree of non-acceptance of uncertainty or ambiguous situations (Hofstede, 1980). There is a strong theoretical link between the tolerance of uncertainty and EO's characteristics (Hofstede, 1980; Shane, 1994; Thomas and Mueller, 2000; Kreiser et al., 2010). This study suggests that a low uncertainty avoidance culture has a positive influence on entrepreneurially-oriented behaviour, for two reasons as follows:

First, firms in a low uncertainty avoidance culture will be more willing to recognise and exploit novel ideas, experimentation and creative processes that have not yet been commercialised (Shane, 1993; Covin et al., 2006). Decision-makers are less likely to be afraid of the risks and uncertainties that may arise from new ways of doing things and more likely to focus on the positive outcomes from their action amid uncertainties. Thus, firms with a higher tolerance of uncertainty culture have a lower fear of failure, and value achievement, which is often recognised in terms of pioneering efforts (Hofstede, 1980).

Second, firms in a low uncertainty avoidance culture have low levels of internal formalisation and bureaucracy (Luque and Javidan, 2004) because they believe that stricter rules and regulations on individual behaviour may restrict them to be creative and think "differently" (Shane, 1994; Thomas and Mueller, 2000), and they will perceive more opportunities as existing in the external environment (McClelland, 1987; Covin and Slevin, 1989; Mueller and Thomas, 2001). The tendency to discount external constraints is considered to be a key attribute of proactive individuals (Whiting, 1988). As elaborated by Lieberman and Montgomery (1988), firms that look favourably on the external environment will, therefore, encourage firms to be more proactive in pursuing opportunities and willing to act as first-movers when entering new markets regardless of the present risks and ambiguity. Moreover, with less bureaucracy and formalisation, firms are able to respond and act quicker in pursuing opportunities particularly in a market that has intense competition.

Hence, the study puts forward the following hypothesis:

Hypothesis 2(d) Low uncertainty avoidance is positively associated with EO.

3.6.5 Long-term orientation and EO

Long-term orientation is described as the future orientation of a culture, which values perseverance towards future results and assigns greater importance to the future than the present (Hofstede and Bond, 1988; Lumpkin, Brigham and Moss, 2010). Short-term orientation, on contrary, is directed towards immediate potential paybacks and current results (Zahra, Hayton and Salvato, 2004). This study argues that a future-oriented culture has a positive influence on entrepreneurially-oriented behaviours and actions. This perspective corroborates with the opportunity discovery theory of entrepreneurial action, which proposes that it takes a long time for EO's characteristics to exert their effects on firm outcomes (Shane and Venkataraman, 2000).

A core EO characteristic is an innovativeness. However, innovation requires a long-range planning and dedicated efforts. Novel ideas for innovation which create values for firms often take a longer time to be incubated, experimented, developed and commercialised to be successful (Bhide, 2000; Lumpkin et al., 2010). As Leifer, McDermott, Colarelli, O'Connor, Peters, Rice and Veryzer (2000) point out, radical and industry-changing innovations typically payoff only after an appreciable delay, sometimes as long as ten years or more. Hence, innovation requires a long-range planning and efforts.

The development of the ability to effectively undertake environmental scanning and forecasting, and to seize opportunities ahead of competitors also requires a longer time horizon (Ward, Leong and Boyer, 1994). Firms also need to have a long-term orientation in anticipating future changes in the business and market environment, and to commit resources and investment in the long run, to reap benefits from entrepreneurial activities. Le Breton-Miller and Miller (2006), for example, stress that firms should expect that entrepreneurial actions to be riskier and investments which are successful usually takes a longer period of time to produce returns.

Based on the above-mentioned discussion, the following hypothesis is proposed:

Hypothesis 2 (e) Long-term orientation is positively associated with EO.

3.7 Government regulations

Previous studies have mostly examined the main effects of government regulations on entrepreneurial and international business activities, while the potential moderating effects of government regulations are seemingly overlooked. This study posits that government

regulations have moderating effects and the effect of government regulations is activated based on the perceptions of strategic actors (i.e. the key decision-makers) within firms. Supportive government regulations towards entrepreneurial and international business activities may present a set of resource opportunities to firms. However, these opportunities would stimulate the firm's specific strategic behaviours and strengthen the firm's capabilities in their business activities only if they are perceived and recognised by the firm's decision-makers, who are then willing to act on the opportunities.

The following sections provide the discussion on the moderating influence of government regulations on EO-international performance and cultural dimensions-EO relationships, respectively.

3.7.1 The moderating influence of government regulations on EO-international performance relationship

This study suggests that supportive government regulations for international business activities have a positive moderating effect on the relationship between EO and the international performance of SMEs. The pursuit of entrepreneurial strategies requires resources and EO is a resource-demanding strategic orientation (Covin and Slevin, 1991; Wiklund and Shepherd, 2005). Hence, better access to resources facilitates the manifestation of EO. Improved access to resources is of particular importance to smaller firms which generally face stronger inherent resource constraints and liabilities of size (Beamish, 1985; Lu and Beamish, 2001, 2006a, 2006b). These liabilities are intensified in the pursuit of international business activities which require heavier investments while involving higher risks and uncertainties (Lu and Beamish, 2006b). Nonetheless, this study proposes supportive government regulations that provide financial and non-financial resources to international business activities may help ease the aforementioned internal limitations of SMEs and support them to implement entrepreneurial strategies (Saeed et al., 2014).

Specifically, this study posits that supportive government regulations should interact with EO in explaining firm's international performance. International marketplaces present a bigger pool of potential buyers for a firm's products and/or services. At the same time, these potential buyers also have different demand patterns that require greater efforts of the firm to develop innovative products to fulfil the different demand. Recent research highlights the role of government regulations in providing access to raw materials and

subsidies to research and development that could facilitate and speed up the innovation development process (Shane, 2003).

Venturing into international marketplaces also requires the constant scanning and forecasting of market differences and changes. Government market assistance such as trade information and trade matching provide firms with cheaper and readily accessible channels to locate information about overseas markets, trade opportunities in new markets, foreign partners and buyers (Wilkinson and Brouthers, 2000). Greater access to financial credit or capital provided by government can also mitigate the chance of risky investments becoming fatal and stimulating risk-taking simultaneously (Wiklund and Shepherd, 2005). In summary, the successful implementation of an EO as a strategic orientation appears to require access to considerable resources (Covin and Slevin, 1989). Thus, the following hypothesis is put forward:

H3: Government regulations positively moderate the relationship between EO and firms' international performance. Specifically, the EO-international performance relationship is enhanced by the supportive government regulations pertaining to international business activities.

3.7.2 The moderating influence of government regulations on cultural dimensions-EO relationship

This study posits that government regulations moderate the cultural dimensions-EO relationship. Instead of treating cultural dimensions and government regulations as two parallel sets of independent variables without interaction, this study suggests that cultural dimensions and government regulations interact and reinforce one another on the genesis of EO.

First, cultural dimensions and government regulations are intertwined (Guiso, Sapienza and Zingales, 2006; Casson, Giusta and Kambhampati, 2010). Government regulations are usually embedded in the cultural setting because political, contractual rules and legal systems are all intertwined and connected to people's conceptions of how things ought to be done (North, 1990; Li and Zahra, 2012). This understanding corresponds with Alesina and Giuliano's (2015) notion that culture and regulations interact and evolve in a complementary way to create mutual effects. Consistently, Jackson and Deeg (2008) warn that studying institutional dimensions (formal or informal institutions) in isolation might ignore the possible effect of the interaction and reinforcement.

Second, Hofstede (1991) explains that culture is the "software of the mind" and formal institutions, e.g. government regulations are a "product of the dominant cultural value system" (Hofstede, 2001; Redding, 2005). Extending this point, researchers (e.g. North, 1990; Scott, 1995; Peng et al., 2008, 2009; Szyliowicz and Galvin, 2010) suggest that cultural dimensions need to be supported by government regulations in order to enhance the likelihood of generating the desired effect, i.e. coherent and supportive government regulations will help reinforce the cultural dimensions that are favourable to entrepreneurship, and thus enhance the strength of these cultural dimensions in shaping entrepreneurially-oriented behaviours and actions.

This cultural dimensions-EO relationship is likely to be enhanced by firms that perceive government regulations as favourable and supportive to entrepreneurial activities. While cultural dimensions influence the perception and attitude of a firm in perceiving and recognising entrepreneurial opportunities; yet the actions or inactions of governments are influential for setting the opportunity conditions for firms (Lee and Peterson, 2000). Resource constraints are usually posed as main barriers to the exploitation of entrepreneurial opportunities by SMEs. The strength of the influence of the cultural dimensions on the development of strong EO is likely to be enhanced by the presence of consistent government regulations that legitimise and encourage the pursuit of entrepreneurial initiatives and opportunities (Reynolds et al., 1999; Lee and Peterson, 2000).

Based on the aforementioned discussion, this study expects that the positive effects of cultural dimensions on EO will be stronger when firms perceived that there is strong support from the government regulations. Hence, this study advances the following hypotheses:

H4a: Government regulations moderate the relationship between power distance tolerance and EO: the low power distance tolerance-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.

H4b: Government regulations moderate the relationship between individualism and EO: the high individualism-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.

H4c: Government regulations moderate the relationship between masculinity and EO: the high masculinity-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.

H4d: Government regulations moderate the relationship between uncertainty avoidance and EO: the low uncertainty avoidance-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.

H4e: Government regulations moderate the relationship between long term orientation and EO: long term orientation-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.

3.8 Summary of the chapter

This chapter presents the integrative framework that explains the international performance of SMEs based on the interrelationships between the EO of firms, cultural dimensions and government regulations. Based on the conceptual model, twelve hypotheses (refer *Table 3-1*) are proposed in correspondence to the four sets of associations: i) EO and international performance; ii) cultural dimensions and EO; iii) government regulations on the association between EO-international performance; and iv) government regulations on the association between cultural dimensions-EO.

Table 3-1 Hypotheses of the study

No.	Hypothesis
H1	EO is positively associated with firms' international performance.
H2(a)	Low power distance tolerance is positively associated with EO.
H2(b)	High individualism is positively associated with EO.
H2(c)	High masculinity is positively associated with EO.
H2(d)	Low uncertainty avoidance is positively associated with EO.
H2(e)	Long term orientation is positively associated with EO.
H3	Government regulations positively moderate the relationship between EO and firms' international performance. Specifically, the EO-international performance relationship is enhanced by the supportive government regulations pertaining to international business activities.
H4(a)	Government regulations moderate the relationship between power distance tolerance and EO: the low power distance tolerance-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.
H4(b)	Government regulations moderate the relationship between individualism and EO: the high individualism-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.
H4(c)	Government regulations moderate the relationship between masculinity and EO: the high masculinity-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.
H4(d)	Government regulations moderate the relationship between uncertainty avoidance and EO: the low uncertainty avoidance-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.
H4(e)	Government regulations moderate the relationship between long term orientation and EO: long term orientation-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.

CHAPTER 4: RESEARCH METHODOLOGY

This chapter explains the choice of research methodology of this study and justifies the appropriateness of its choice. The chapter begins with a brief overview of the research philosophies, approaches, methods and strategies employed in business and management research. The choice of research philosophy, approach, method and strategy in this study is then explained and justified. Finally, a detailed description of the design and implementation of the research method adopted in this study is presented.

4.1 Research philosophies

Research philosophies are the development of the research background, research knowledge and its nature (Saunders, Lewis and Thornhill, 2007). Saunders et al. (2007) explain that the research philosophy that researchers adopt contains important assumptions about the way in which they view the world, and these assumptions will underpin the research strategy and the method chosen as part of that strategy.

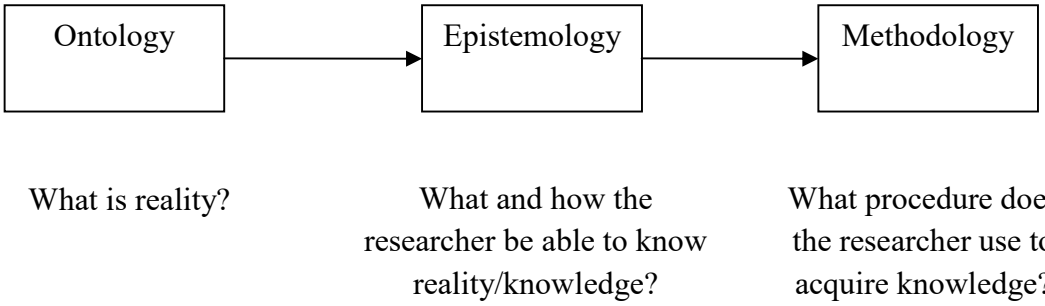
Easterby-Smith, Richard and Lowe (2002) identify three reasons why it is essential to understand research philosophies in reference to methodology: i) through research philosophy, the researcher may refine and clarify the research method to be used in the study and consequently help the researcher to gather evidence in order to address the research questions; ii) an understanding of research philosophy will assist the researcher with different methodologies, thus avoiding inappropriate choices; and iii) by understanding the basic meaning of research philosophy and its advantages and benefits, it helps researchers to be more creative and exploratory in their method of research.

According to Guba and Lincoln (1994), there are three major components of research philosophy as follows**:**

i. **Ontology**: Concerns with the form and nature of reality and, therefore, what is there that can be known about it. This has to do with the researcher's view of the nature of reality or being.
ii. **Epistemology**: Concerns with what is acceptable knowledge in a field of study. This has to do with the researcher's view regarding what constitutes acceptable knowledge and how one might discover knowledge about the world.
iii. **Methodology:** Concerns with how researchers go about finding out elements they believe can be known. This has to do with the tools and techniques of research that the researcher chooses to discover knowledge about the world.

Ontology and epistemology create a holistic view of how knowledge is viewed and how the researchers see themselves in relation to this knowledge, and the methodological strategies they will use to discover particular knowledge. The following Figure 4-1 explains the three components of research philosophy and the relationship between them:

Figure 4-1 The relationship between ontology, epistemology and methodology



Source: Crotty (1998)

There are two dominant research paradigms: i) Positivism; and ii) Interpretivism. The following Table 4-1 summarises the differences between positivism and interpretivism paradigm in research:

Table 4-1 Summary of research paradigms: positivism and interpretivism

	Positivism	**Interpretivism**
Ontology *What is reality?*	• There is a single reality or truth. • Implies that there is an external viewpoint from which it is possible to view the organisation, which is comprised of consistently real processes and structures. • The social entities exist in reality external to social actors.	• There is no single reality or truth. • Implies that an organisation is a socially constructed product, a label used by individuals to make sense of their social experience, so it can be understood only from the point of view of individuals who are directly involved in its activities. • Social phenomena are created from the perceptions and consequent actions of social actors.
Epistemology *What and how the researcher be able to know reality/knowledge?*	• Reality can be measured, hence advocates the application of the methods of the natural sciences to the objective study of social reality and beyond.	• Reality needs to be interpreted thus suggests that the meanings of the social reality can be grasped by human beings through subjective interpretation.

(continued)

Methodology *What procedure does researcher use to acquire knowledge?*	• Empirical testing of theories and hypotheses through a process of verification or falsification to reach a general principle. • Concentrates on description and explanation. • Highly structured, large samples, measurement, primarily quantitative, but can use qualitative. • Formalised statistical and mathematical methods predominant.	• The understanding of how members of a social group by actions enact meanings, beliefs and realities of the social world. • Concentrates on understanding and interpretation. • Small samples, in-depth investigations, primarily qualitative.

Source: Saunders et al. (2007) and Bryman (2012)

With regards to this study, the researcher takes the stance that with the chosen topic of international performance of SMEs, social reality is mainly a set of facts to be known and can be studied based on the ideas of objectivity, scientific method and empiricism (Collis and Hussey, 2003; Harrison and Reilly, 2011). Therefore, a positivist position is adopted.

4.2 Research methodology

It has been acknowledged that any research approach and method has its own relative merits. Different research questions require different research approaches and methods to address them. Thus, the choice of research approach and method depends upon the research questions and objectives set in a specific research study (Saunders et al., 2007; Bryman, 2012). Nonetheless, the fundamental understanding of alternative research approaches and methods is essential to support the choice of appropriate methodology in the study, and also to acknowledge the limitations of the findings.

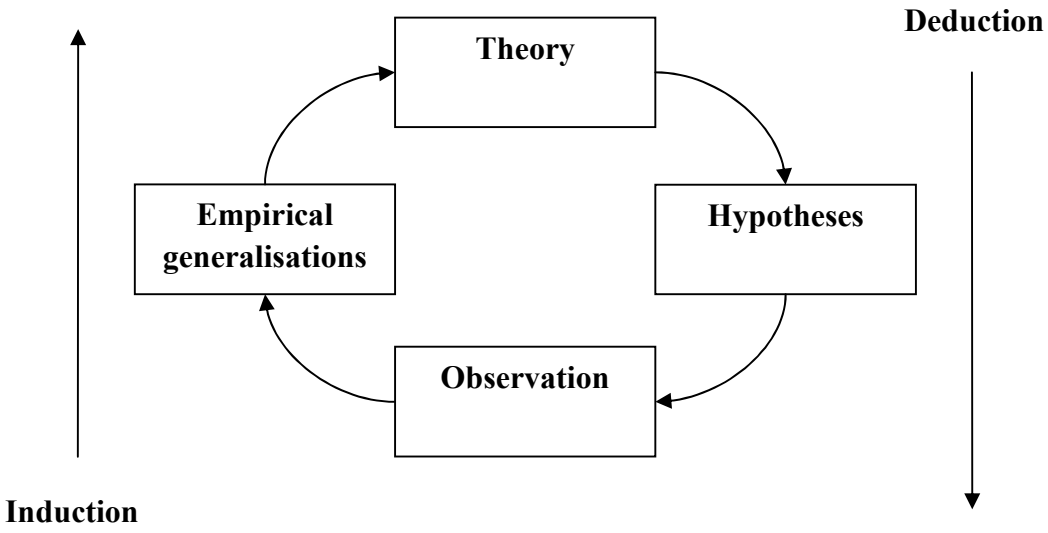
4.2.1 Research approaches

According to Saunders et al. (2007), research approaches are mainly based on research philosophies; there are two distinctive research approaches, namely inductive and deductive. Figure 4-2 shows that the inductive approach formulates theory following data collection whereas the deductive approach is a theory-driven process, which assumes that a theory can be formed or supported by testing hypotheses through examination of empirical evidence (Babbie, 2004; Bryman, 2012).

The deductive approach has its origin in the theoretical perspective of positivistic tradition and its basic idea stems from this approach that the “social world exists externally and that

its properties should be measured through objectives methods, rather than being inferred subjectively through sensations, reflection or intuition" (Easterby-Smith et al., 2002:28). In other words, positivism indicates that the cause-and-effect relations within society can be explained or understood through testing empirical data (Punch, 2014). The key characteristic of the deductive approach is that a conceptual and theoretical structure is developed and subsequently a number of experiments and observations take place to test this theory (Gill and Johnson, 2010; Bryman, 2012). Hence, a deductive approach either proves or disproves the theory or hypotheses being investigated.

Figure 4-2 The wheel of science



Source: Wallace (1971)

The inductive approach, on the other hand, is usually based on the interpretivist (phenomenological) paradigm to social science that "...to appreciate the different constructions and meanings that people place on their experience. The focus should be on what people, individually and collectively are thinking and feeling, and attention should be paid to the ways they communicate with each other, whether verbally or non-verbally" (Easterby-Smith et al., 2002:24).

The key characteristic of this inductive approach is that the researcher uses observed data and facts to reach tentative hypotheses and define a theory relevant to the research topic (Sekaran and Bougie, 2010). Intrinsically, an inductive approach reflects upon past experiences and uses the normalisation of abstract concepts, theories and generalisations to explain past experiences and predict future events (Gill and Johnson, 2010). The inductive

approach moves from particular empirical observations towards general hypotheses and theories, while deduction goes from general theories to particular predictions. As a result of this analysis, a theory is formulated (Saunders, 2011). Therefore, the inductive approach explains a phenomenon and builds a theory through the collection of qualitative data (Saunders, 2011).

4. 2.2 Research methods

Research methods are categorised into two groups: i) quantitative; and ii) qualitative. This categorisation is based on the method, the nature of the data collected and the ways in which they are analysed (Van Maanen, 1979; Coviello, 2005).

Quantitative research can be construed as a research method that emphasises numerical information in the collection and analysis of data. It is then used to provide support or evidence for or against hypotheses and thus, it generally entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories (Bryman, 2012).

Qualitative research, on the other hand, can be construed as a research method that usually emphasises words rather than numerical information in the collection and analysis of data. In this regard, qualitative data chiefly emphasises an inductive approach to the relationship between theory and research, in which the focus is placed on the generation of theories (Bryman, 2012).

Research conclusions derived from quantitative methods provide objective evidence to support or reject specific hypotheses based on logical reasoning, hence it allows generalisation and prediction (Bryman, 2012). However, quantitative methods generally do not provide an in-depth understanding with regards to the complex and dynamic interactions between the research subject and its context. Qualitative methods enable researchers to explain what is happening in context by providing rich and diverse data which allows greater awareness of the reality of participants' lives and context (Bryman, 2012). However, such findings are normally subjective and highly context-bounded, and thereby generalisations which can be drawn from them are limited. In short, quantitative methods are supportive for theory verification whilst the qualitative methods are practical for explaining specific phenomena.

The distinction between quantitative and qualitative methods is not completely clear-cut (Mason, 2006). A number of authors view that the qualitative and quantitative methods as

complementary rather than competing research methods (Teddie and Tashakkori, 2009; Gill and Johnson, 2010; Bryman, 2012). As elaborated by Saunders, Lewis and Thornhill (2000:98) "…research methods do not exist in isolation and therefore can be mixed and matched". The approach of combining two or more methods together within one single research is known as 'mixed-methods' (Bryman and Bell, 2015).

The purpose of mixed-methods is that both qualitative and quantitative methods, in combination, may provide a better understanding of a research problem or issue than either research method alone. Yet, Creswell (2013) asserts that studies choosing to apply mixed-methods need to establish a purpose for their "mixing", a rationale for the reasons why quantitative and qualitative data need to be mixed in the first place and it is not solely because of limitations in the single method. Furthermore, Bryman and Bell (2015:659) explain that "…it is important to appreciate that mixed-methods research is not intrinsically superior to mono-method or mono-strategy research. It is tempting to think that mixed-methods research is more or less inevitably superior to research that relies on a single method on the grounds that more varied findings are inevitably 'good thing'. Indeed, social scientists sometimes display such a view."

Therefore, the principle here is that the choice of research method whether mono-method or mixed-method depends on the overall research objectives and questions that the researchers want to answer (Bryman, 2012). That is, the matching or fit between the research questions and methods should be as close as possible (Punch, 2013).

A summary of key features of research methods are shown in Table 4-2 as follows:

Table 4-2 Key features of research methods

	Quantitative	**Qualitative**
Aim	To count things in an attempt to explain what is observed.	To provide a complete, detailed description of what is observed.
Purpose	Generalisability, prediction, causal explanations.	Contextualisation, interpretation, understanding perspectives
Tools	E.g. surveys to collect numerical data.	Gathering instrument.
Data collection	Structured.	Unstructured.
Output	Data is in the form of numbers and statistics.	Data is in the form of words, pictures or objects.

(*continued*)

Sample	Usually a large number of cases representing the population of interest.	Usually a small number of non-representative cases.
Objective/Subjective	Objective – seeks precise measurement and analysis.	Subjective – individuals' interpretation of events is important.
Researcher role	Remain objectively separated from subject matter.	Become subjectively immersed in the subject matter.
Analysis	Statistical.	Interpretive.

Source: MacDonald and Headlam (2011)

4. 2.3 Research strategies

> "Selecting an appropriate research strategy is key to ensuring that research questions are addressed in a way which has value and is congruent with the overall topic, questions and purpose of research."
>
> *Walshe, Caress, Chew-Graham and Todd (2004:677)*

Once the purpose of a research is clear and a research method has been chosen, the researcher needs to put in place a suitable research strategy to enable data collection so as to address the research question(s). As with the distinction between research methods, there are different research strategies for data collection and analysis. Table 4-3 provides a brief summary of commonly applied research strategies as follows:

Table 4-3 Commonly applied research strategies

Research strategies	Description	Key strength	Major weakness
Experiment	Manipulation of an independent variable under controlled conditions and measurement of its effects on a dependent variable.	Establish cause and effect relationships between the independent and dependent variable.	Lack of generalisability; and time intensive.
Quasi-experiment	Measurement of a dependent variable when random assignment to groups is not possible.	Provide strong evidence suggesting cause and effect relationship.	Lack of random assignment can weaken conclusions

(continued)

Naturalistic observation	Careful observations of human or other animals in real-life situations.	Provides descriptive data about behaviour with wide applicability.	Loss of experimental control; time intensive; and require high commitment.
Sample survey	Obtain large samples of abilities, beliefs, or behaviours at a specific time and place.	Ease of administrations, scoring and statistical analysis.	Distorted results because of sampling error, response biases, and statistical validity and reliability issues.
Case study	Intensive investigation of the behaviour and mental processes associated with a specific person, group or situation.	Provide detailed descriptive data and analyses of new, complex, or rare phenomena.	May not be representative of phenomena; time intensive; bias of both the researcher and participant of information.

Source: MacDonald and Headlam (2011) and Bryman (2012)

4. 3 Research methodology employed in this study

The main objective of this study is to investigate the hypothetical effects of an interplay between cultural dimensions, government regulations and EO on the international performance of SMEs developed in the foregoing chapter (see *Chapter 3*). The deductive research is considered the more appropriate approach, thus is employed in this study as to "the deductive research approaches are the most suitable for pursuing the objective of explanation" (Blaikie, 2003:126).

A quantitative research method was employed to address the research topic. In particular, a sample survey was adopted as the research strategy to collect data for the study. The choice of this method reflects the research interest and study objectives pursued. More specifically, the main purpose of the study is to detect patterns of association and magnitudes of the effects between explained and explanatory variables (Bryman, 2012; Pallant, 2013).

A survey is the most appropriate research strategy to examine the proposed hypothetical relations because it has the capacity to generate quantifiable data on large numbers of participants who are representatives of a much wider population for examining the hypotheses (Bryman, 2012). Furthermore, this study attempts to measure the studied

phenomenon and its potentially explanatory variables, and to some extent, to generalise the findings, thus, a quantitative method based on statistical theory testing is more suitable to achieve the objective of this study. In addition, due to time and budget constraints, this study does not intend to quantitatively study the phenomenon over time and instead collects data more or less at a single point in time. A cross-section, sample survey data collection method can best satisfy this rationale of the study.

4.3.1 Common method bias

The researcher is aware of the potential risk of employing a sample survey method in the study. This is because common method bias is often considered as a major limitation of sample survey method due to the explained and explanatory variables usually being measured by self-reported data (Podsakoff, MacKenzie, Lee and Podsakoff, 2003; Chang, Van Witteloostuijn and Eden, 2010). It is common to use a single key informant for data collection, particularly in small business research. This is because not only are the decision-making in smaller firms often controlled by very few persons (usually the top management, e.g. founder/owner/manager), but also because in practice it is difficult to make requests of, and gain access to, all key people in smaller firms which constantly suffer from insufficient slack resources. Top management is the central boundary spanner in dealing with the operations of the firm and is appropriately qualified to provide answers for the organisation (Pennings, 1979).

Despite the merits and relevance of using a single key information for data collection, common method bias can cause systematic measurement errors that inflate or deflate observed relationships between constructs, which could lead to the generation of type I and II errors (Chang et al., 2010). Variance caused by common method bias is attributable to the measurement method rather than to the constructs that the measures represent (Podsakoff et al., 2003). In order to control for common method variance issues, Podsakoff et al. (2003) suggest that researchers should use both procedural and statistical measures as to control for the biasing effect. The procedural measures concern over the approach the data is collected and the instrument designs whereas the statistical measures focus on to detect and control for the common method bias influence statistically. In order to control potential effects of common method bias, thus, both procedural and statistical measures were employed in this study.

4.3.1.1 Procedural measures

Three procedural measures suggested by Podsakoff et al. (2003) were employed in this study to control potential effects of common method bias as follows:

Measures of the explained and explanatory variables from different sources

The explained and explanatory variables in this study were obtained from different sources and were measured by different type scale of response anchors (e.g. 1 = "strongly dissatisfied" 7 = " strongly satisfied", 1 = "strongly disagree" 7 = "strongly agree"). Additionally, counterbalanced or reverse-coded questions were introduced. Although it is generally argued that common method bias not only inflates correlations between dependent and independent variables, but it also increases the shared common variance among independent variables (Olson, Parayitam and Bao, 2007). It is, therefore, difficult to have strong explanatory variables and subsequently reduces the chance of having a significant correlation between explained and explanatory variables. Thus, this may ease the effect of the common potential methodological biases on the conclusions.

Use temporal, proximal, psychological or methodological separation of measurement

The explained and explanatory variables were organised into different sections in the questionnaire which may produce a psychological separation between these two types of variables. This is hoped to potentially reduce informants' motivation and ability to retrieve cues and consistency pursuits in answering a survey (Podsakoff et al., 2003). Furthermore, it was unlikely that the respondents linked the variables under the investigation in this study because the study constructs were presented on different pages of lengthy questionnaires (Miller, 2008). As such, previous studies suggest that complex statistical relationships that involve multiple independent and dependent variables are difficult for the respondents to predict when completing questionnaires (Boso, Cadogan and Story, 2012).

Protect respondent anonymity and reduce evaluation apprehension

This study also motivated the key respondents to provide accurate responses by reassuring them that their responses would be strictly confidential and it was made explicit no firm would be named in any publications that would follow from the analysis of the collected data (Miller, Cardinal and Glick, 1997; Martín-Tapia, Arragon-Correa and Rueda-Manzanares, 2010). Furthermore, respondents were asked to report information on the

most important international business activities that took place in the recent past (i.e. last 3 years) to minimise any memory and distortion problems (Miller et al., 1997).

4.3.1.2 Statistical measures

Statistical controls against the common method bias are:

i. Harman's single factor test.
ii. Partial correlation procedures.
iii. Controlling the effects of a directly measured latent method factor.
iv. Controlling the effects of an unmeasured latent method factor.

Among all four main statistical measures above, Harman's single factor test is the simplest measure (Podsakoff et al., 2003) and the test is the most widely used in the literature (e.g. Isobe, Makino and Montgomery, 2000; Joshi and Sharma 2004; Zhou, 2007; Musteen, Francis and Datta, 2010; Zhou, Wu and Luo, 2012; Alegre and Chiva 2013; Thanos et al., 2016; Stoian et al., 2017). Hence, this study performed Harman's single factor test to assess whether common method bias posed a threat to the data obtained. If there is a substantial degree of common method variance, then either a single factor will emerge from the factor analysis, or one general factor will account for the majority of the covariance among the variables (Podsakoff et al., 2003). The significance of these results (refer *Appendix 3*) is that common method bias is not a major concern in the data set: the results of Harman's single factor test indicates that no single factor emerged in the unrotated solution and the largest factor accounting for 48.21 percent (less than 50 percent cut-off point) of the explained variance.

4. 4 Research constructs and measures

This study employed previously established and tested scales to measure the constructs. Table 4-4 summarises the scales used to measure the main variables in the study.

Dependent variable*: *International performance. Previous research has measured international performance with either objective or subjective indicators. Both approaches have pros and cons, and as a result, there is no uniform agreement on whether objective or subjective or both performance measurements should be applied in research (Sousa, 2004). This study employed subjective indicators whereby key respondents were asked to assess the performance of their firms in the international marketplace in terms of sales level, growth, profitability and overall performance in foreign business activities. This approach

follows previous studies, which have reported adequate reliability estimates for very similar scales of performance (Zahra and Garvis, 2000; Balabanis and Katsikea, 2003).

This study relied on subjective over objective measures of performance for three main reasons as follows:

First, objective financial indicators of performance are difficult to obtain because firms are reluctant to reveal their financial data, (Katsikeas et al., 2000), particularly for data regarding international performance (Zahra and Garvis, 2000). Furthermore, in many cases, financial indicators are not publicly available, especially for small firms in developing countries, which makes it impossible to check the accuracy of any reported financial figures and objective data are also difficult to interpret (Papadopoulos and Martin, 2010). Second, subjective measurements enable the capture of both financial and non-financial aspects of performance (Richard, Devinney, Yip and Johnson, 2009). Additionally, extant literature suggests that subjective indicators of performance are correlated adequately with objective indicators (Sousa, 2004; Richard et al., 2009). Third, the literature also suggests that the use of subjective measures would encourage more managers to respond given that managers need not provide confidential international business profitability figures (Katsikeas et al., 2000; Sousa, 2004).

Nevertheless, this study also recognises the importance of objective measures of performance and previous studies suggest that the use of both objective and subjective measures of performance could enhance the validity of the findings (e.g. Shoham et al., 2002; Cadogan et al., 2002; Dhanaraj and Beamish, 2003). Moreover, the use of objective data for performance also could reduce problems and concerns associated with the common method bias and other types of informant biases (Podsakoff et al., 2003; Chang et al., 2010). Hence, this study triangulated the subjective measures of performance with the collected objective measures of performance on the dependent variable (foreign sales as a percentage of total sales) in order to enhance the validity of evaluation and research findings (refer *Chapter 5* in *Section 5.5.2*).

Independent variables:

Entrepreneurial orientation. This study adopted the most extensively used operationalisation of EO (also known as M/C&S scale) by Covin and Slevin (1989) based on Miller's (1983) conceptualisation of EO as a uni-dimensional construct. A study conducted by Kreiser et al. (2002) provides further support for the cross-cultural validity of

the EO scale items developed by Covin and Slevin (1989) and it can also be effectively employed when conducting research. Furthermore, this measure of EO has been utilised in a wide variety of research settings and has a high level of reliability and validity in numerous studies (Kreiser et al., 2002; Wiklund and Shepherd, 2005; Raunch et al., 2009).

Cultural dimensions. As discussed in the foregoing chapter (refer *Chapter 3* in *Section 3.6*) while this study conceptualises cultural dimensions in compliance with Hofstede (1980, 1991), this study does not approach cultural dimensions as a national feature. Accordingly, cultural dimensions were operationalised and measured using the twenty-six items of CVSCALE (Cultural Values Scale) from the work of Yoo, Donthu and Lenartowicz (2011). This scale has adequate psychometric properties and demonstrates satisfactory reliability, validity and usefulness in variety of sample types, e.g. managers, consumers, professionals, etc. (Donthu and Yoo, 1998; Lenartowicz and Roth, 1999; Patterson, Cowley and Prasongsukarn, 2006; Soares, Farhangmehr and Shoham, 2007; Sharma, 2010; Baker, Meyer and Chebat, 2013; Zielke and Komor, 2015).

This scale is designed specifically to assess Hofstede's five cultural dimensions at the individual level given the limitations of using existing national cultural indices. This is because national cultural indices are only valid at a national level (Hofstede, 1980, 1990) and the use of national cultural indices to measure individual cultural orientation often leads to methodological difficulties: i) unable to accurately capture psychological, individual-level cultural traits, ii) mask the effects of individual-level attributes on behaviours, and iii) involves the assumption of individual and organisational homogeneity (Shenkar, 2001; McSweeney, 2002; Yoo et al., 2011; Acs et al., 2012; Autio et al., 2013).

Government regulations. Two sets of scales were used to measure government regulations, as moderators to the EO-international performance relationship and cultural dimensions-EO relationship, respectively.

The first set of scales of government regulations was measured using the five-items from the regulatory dimensions of the country institutional profile for international business developed by Descotes, Walliser, Holzmüller and Guo (2011). These measures are designed to capture the home country conditions for internationalised SMEs (Renko et al., 2009; Descotes et al., 2011).

The second set of scales of government regulations was measured using the five-items from the regulatory dimensions of the country institutional profile for entrepreneurship

developed by Busenitz et al. (2000). These measures have high internal consistency, reliability and validity in various studies (Spencer and Gomez, 2004; Manolova et al., 2008; Roxas and Chandee, 2013).

Control variables. This study also took into consideration the influence of four variables that were expected to influence the results of the study. The variables were the age of firm, the size of the firm, the industrial sector, and the international experience of the firm. Prior research has found that the aforementioned four variables influence internationalisation processes and outcomes (Dimitratos et al., 2004; Wales, Wiklund and McKelvie, 2015). Therefore, these variables were included in the research model as control variables. Measures for each of the control variables are described as follows:

i. *Age of firm*. Firm's age was captured by the number of years in operation (Majocchi, Bacchiocchi and Mayrhofer, 2005).
ii. *Size of firm*. Firm's size was measured using the total number of employees (Wales et al., 2015).
iii. *Industrial sector*. Industrial sector was distinguished between services and manufacturing firms (DeClerq, Dimov and Thongpapanl, 2015).
iv. *International experience*. Firm's international experience was measured by the number of years that the firm has been active internationally (Wales et al., 2015).

Table 4-4 Summary of constructs and measures employed in the study

Construct	No. of Items	Measurement
International performance	• Foreign business sales • Foreign business growth • Foreign business profitability • Overall performance in foreign business activities	Seven-point Likert scale (1= strongly dissatisfied; 7 = strong satisfied)
Cultural dimensions	• People in higher positions should make most decisions without consulting the people in lower positions • People in higher positions should not ask the opinions of people in lower positions too frequently • People in higher positions should avoid social interaction with people in lower positions • People in lower positions should not disagree with decisions by people in higher positions • People in higher positions should not delegate important tasks to people in lower positions • Individuals should sacrifice self-interest for the group (either at school or the workplace)	Seven-point Likert scale (1= strongly disagree; 7 = strong agree)

(continued)

	• Individuals should stick with the group even through difficulties • Group welfare is more important than individual rewards • Group's success is more important than individual success • Individuals should only pursue their goals after considering the welfare of the group • Group loyalty should be encouraged even if individual goals suffer • It is more important for men to have a professional career than it is for women • Men usually solve problems with logical analysis; women usually solve problems with intuition • Solving difficult problems usually require an active, forcible approach, which is typical of men • There are some jobs that a man can always do better than a woman • It is important to have instructions spelled out in detail so that I always know what I'm expected to do • It is important to closely follow instructions and procedures • Rules and regulations are important because they inform me of what is expected of me • Standardised work procedures are helpful • Instructions for operations are important • Careful management of money is important • It is important to go on resolutely even when there is opposition • Personal steadiness and stability are important • It is important to plan for the long-term • Giving up today's fun for success in the future is important • It is important to work hard for success in the future	
EO	• Favours a strong emphasis on research, development, and innovation of products and technologies • Entered new businesses and marketed new products • Changes in its lines of products or services. • Typically initiates actions which competitors respond to • Is usually the first one to introduce new products or services, administrative techniques, operating technologies, etc. • Typically seeks to avoid competitive clashes, preferring a "live-and-let live" posture	Seven-point Likert scale (1= strongly disagree; 7 = strong agree)

(continued)

	• Strong proclivity for high-risk projects with chances of very high returns • Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behaviour • Typically adopts a conservative posture with the aim to minimise the risk of making a mistake	
Government regulations	• Government organisations in this country assist individuals with starting their own business • The government sets aside government contracts for new and small businesses • Local and national governments have special support available for individuals who want to start a new business • The government sponsors organisations that help new businesses develop • Even after failing in an earlier business, the government assists entrepreneurs in starting again	Seven-point Likert scale (1= strongly disagree; 7 = strong agree)
Government regulations re international performance	• Government organisations in this country assist SMEs in foreign business activities • The government provides financial aids to help SMEs in expanding their business in foreign markets • Local and national governments have special support available for SMEs that want to expand into foreign markets • The government provides support programs for SMEs willing to internationalise • The government assists SMEs in starting foreign business activities, even if they failed previously	Seven-point Likert scale (1= strongly disagree; 7 = strong agree)
Age of firm	Number of years in operation.	Continuous scale
Size of firm	Number of full-time employees.	Continuous scale
Industrial sector	Manufacturing or services.	Categorical dichotomy
International experience	Number of years that the firm has been active internationally.	Continuous scale

4. 5 Questionnaire design

The questionnaire (refer *Appendix 4*) is divided into six sections, each of which includes questions corresponding to the section topic.

The six sections are as follows:

- ***Section One: Entrepreneurial and Business Profiles***. The section has seven questions that record the key respondent's and company's background information, including the key respondent's position and ethnic group, year of establishment, full-time employee

numbers, main business and product, and ownership type. This section collects data on the control variables in the quantitative analysis.

- ***Section Two: Degree of Foreign Activities of the Company***. The section has six questions that collect data about the internationalisation of the company. The first question collects data about the first step of internationalisation, which is the year the company started foreign business activities. The following four questions collect data about the internationalisation of the company to date, which cover the mode of foreign business activities, the geographical span of foreign countries, the percentage of foreign sales to total sales, and foreign business activities. The final question is a self-assessment of the company's foreign business performance on four items. The questions in this section capture data of the dependent variable of international performance and control variables in the quantitative analysis.
- ***Section Three: Cultural dimensions***. The section has twenty-six questions assessing the five cultural dimensions of the company. The questions capture data of the variables of cultural dimensions in the quantitative analysis.
- ***Section Four: Government Regulations in Encouraging Entrepreneurship***. The section has five questions assessing the government regulations that were likely to affect the company's entrepreneurial activities and initiatives. The questions capture data of the variables of government regulations in the quantitative analysis.
- ***Section Five: Entrepreneurial Orientation***. The section has nine questions assessing the business entrepreneurial behaviour of the company in three dimensions. The questions in this section capture data of the variables of EO in the quantitative analysis.
- ***Section Six: Government Regulations in Supporting Foreign Business Activities***. The section has five questions assessing the government regulations that were likely to affect the company's international business activities. The questions capture data of the variables of government regulations pertaining to international business activities in the quantitative analysis.

The overall number of questions in the questionnaire was fifty-eight (58). The scaling technique to yield the highest level of information in a given situation was used to allow a variety of statistical analyses (Lietz, 2010). The widely used Likert rating scale was applied for this research. A Likert rating scale necessitates a respondent to indicate a degree of agreement or disagreement with a variety of statements related to the research investigation (Lietz, 2010). The Likert rating scale has several merits: It is easy to construct and

administer, as respondents readily understand how to use the scale, making it suitable for surveys (Hair, Bush and Ortinau, 2000).

However, there is no general agreement on the choice of the number of points in a Likert rating scale despite various debates on the topic. Five- and seven-point Likert rating scales are the most commonly used scales in research (Malhotra and Peterson, 2006). Between these two most popular choices, the seven-point Likert scale was chosen over the five-point Likert scale in this study with reference to studies showing that a seven-point Likert scale can facilitates maximal respondents specificity (Hulbert, 1975) and potentially increases response rate and enhances accuracy of answers as well (Knight and Cavusgil, 2004). Moreover, as a seven-point Likert scale obviously has considerably more response categories than a five-point Likert scale, and it is therefore expected that it could perform better in terms of greater dispersion or variance in responses, reliability and validity (Alwin, 1997; Bagozzi, Yi and Nassen, 1999; Dawes, 2002).

4. 6 Sampling frame

Three sampling criteria were used in this study in accordance with the research focus – international performance of SMEs. Thus, participating firms were: i) SMEs in terms of number of employees (Onkelinx, Manolova and Eldelman, 2016); ii) already involved in foreign business activities (De Clerq, Sapienza and Zhou, 2014); iii) domestically owned rather than subsidiaries of foreign firms (De Clerq et al., 2014). Both manufacturing and services firms were included in the study to ensure a representative sample (Miller, 2008).

Applying the above-mentioned criteria, a list with a total of 1,000 internationalised SMEs was obtained from Malaysia SME Corporation – a Central Coordinating Agency under the Ministry of International Trade and Industry Malaysia that is mandated to formulate overall policies and strategies for SMEs and coordinates the implementation of SME development programmes of the country. This list of SMEs was used as the sampling frame for this study.

4. 7 Data collection process

In this study, self-administered questionnaire surveys are chosen as they are deemed the simplest and most cost effective method of collecting data from a large population while a wider geographical area can be covered at the same time. As this is a national study, it is important that a wide geographical spread of respondents is obtained. A key-informant technique consistent with previous studies was used to obtain data because they could

provide proper and accurate information about their firms as required in the questionnaire. Furthermore, key-informants also possess the most comprehensive knowledge of the characteristics of the organisation, its strategy, and performance as well (Saunders et al., 2007; Lages et al., 2008; Alegre and Chiva, 2013). The questionnaire survey was addressed to the owner-managers of SMEs as on the database record, and a control question asking the position of the respondent was included to ensure his/her legitimacy to provide valid answers and information.

Considering the financial and time constraints, the researcher deliberately chose to distribute the self-administered questionnaire survey in two ways: i) by post, and ii) by e-mail. The choices in distributing the questionnaire survey via post and e-mail were based on consultation with an officer of the Malaysian SME Corporation and a few Malaysian academic researchers who have research experiences in Malaysia. They suggested that questionnaire survey could be distributed via e-mail for those that provided personal e-mail addresses to the government agency because key-informants such as owner and key managers normally prefer to be reached through e-mail for a quick response. On the other hand, for those that provided the general company's e-mail address, the postal questionnaire survey is preferred as the best option to reach the target respondents by addressing their name on the mail and sending it directly to that person. This is because it is difficult to pass the gate-keeper for e-mail addresses of the companies designated for general inquiries to reach target respondents, and hence yielded almost zero response. Based on the consultation and suggestions provided, the researcher randomly selected 500 companies in the list with a personal e-mail for e-mail questionnaire survey whereas the rest of the 500 companies were chosen for the postal questionnaire survey.

Bryman and Bell (2011) recognise that the main disadvantage of the questionnaire survey method is the potentially low response rate and this might be enhanced by the fact that one of the biggest constraints faced by SMEs is time constraints (Dobbs and Hamilton, 2007; Lussier and Halabi, 2010). Therefore, in order to gain the cooperation of respondents and enhance the response rate, several motivational strategies were used in the research. First of all, a covering letter was used with each questionnaire (both postal and e-mail) stressing the importance of this study, its potential implications for research, practice and policy-making as a result of the research project. The covering letter was further accompanied by the researcher's assurances that all information provided would be treated with the strictest of confidentiality and anonymity was guaranteed. For the postal questionnaire survey, in particular, a prepaid return envelope and a souvenir bearing the university logo as an

incentive and also credibility effects was enclosed with the survey. For the e-mail questionnaire, the researcher developed an electronic version of questionnaire forms (refer *Appendix 5*) in which respondents were able to fill in the questionnaire instantly without the need to print the document and it was more convenient than the Word Documents format.

The first batch of questionnaires was distributed by e-mail in 3 groups (150-150-200) over a period of 3 weeks. Distributing the questionnaires in batches allowed the researcher to have time to conduct follow-up in a group order. The delivery of 14 questionnaires failed after the initial distribution. Follow-up e-mails were sent three weeks after the initial distributions (second week of March). After the first follow-up, a telephone survey was conducted as a second follow-up a month after the initial distribution, i.e. three weeks after the first follow-up (early April). Telephone follow-up was conducted through the completion date of the survey (mid-May). During the follow-up period, it was found that an additional 12 companies had ceased international business activities. These 12 companies together with the 14 from which e-mails failed to deliver after initial distribution were counted as invalid samples. The final number of prospective respondents to which the questionnaires were successfully distributed through e-mail was 474 and 82 questionnaires were received through e-mail by the end of June.

The second batch of questionnaires was distributed by post in one group (500 copies) in mid-May. The delay in distributing the second batch of questionnaires by post was due to the late approval of data collection funding (i.e. stamp, returned prepaid envelope, souvenir) by the university. No questionnaires were returned as undelivered after the second distribution. By the end of June, a total of 142 of the 500 questionnaires posted was obtained for this study.

In sum, a total of 224 questionnaires were returned by the end of June 2016. Among the 224 replies, 21 responses were identified as being unusable for the following reasons: i) 17 replies lacked answers to key questions (in *Section Two: Degree of Foreign Activities of the Company)*; ii) two replies were returned blank and unanswered; and iii) two replies had the number of employees in the companies was substantially larger than the pre-defined criterion (refer the definition of SMEs adopted in this study – *Chapter 1* in *Section 1.7.1*).

After the deduction of the unusable ones from the responses, a total of 203 usable questionnaires representing a 20.8 percent useable response rate was used for the quantitative analysis in this study. Coviello and Jones (2004) explain that surveys based on

internationalised SME studies range from 30 to 3,600 responses, with half receiving less than 200 usable responses. Hence, the total of useable questionnaires in this study is considered favourable pertaining to studies that involved internationalised SMEs. Furthermore, for a response rate of 20.8 percent is considered to be modest and comparable to those achieved in similar studies (refer *Table 4-5*).

Table 4-5 Response rate of primary studies involving internationalised SMEs

Study	Respondents	Response rate
Carpano, Chrisman and Roth (1994)	United States internationalised SMEs	23.5 percent
Zahra and Garvis (2000)	United States internationalised SMEs	25.8 percent
Hughes and Morgan (2007)	United Kingdom internationalised SMEs	21 percent
Freixanet (2011)	Spain internationalised SMEs	22.5 percent
Brouthers et al. (2015)	United Kingdom and United States internationalised SMEs	27 percent
Thanos et al. (2016)	Greek internationalised SMEs	22 percent
Stoian et al. (2017)	United Kingdom internationalised SMEs	13.4 percent
The present study	Malaysian internationalised SMEs	20.8 percent

Source: The author

Table 4-6 provides the summary of details of the survey as follows:

Table 4-6 Details of the survey (via e-mail and post)

Contact	Time frame	Means	Responses
First batch distribution	Mid-February – Mid-May	E-mail	33
First follow-up	Second week of March	E-mail	31
Second follow-up	Early April	E-mail and telephone	18
		Total	82/474
Second batch distribution	Mid-May – end of June	Post	142/500
		Total response	**224**
		Useable response	**203**
		Usable response rate	**20.8%**

*Based on the 974 questionnaires distributed successfully.

4. 7.1 Non-response assessment

Non-response bias is always a concern to researchers because non-response bias potentially undermines the representatives and validity of survey research (Goor and Goor, 2007). A common approach to test non-response bias is to compare the mean of demographic variables. In order to ensure the representatives of response data, two non-response bias tests in the survey data were assessed as follows:

Non-response bias test – early and late respondents

This study compared the replies of respondents by dividing the responses received after the initial distribution (early responses) and those received after the second follow-up (late responses). This approach was based on the assumption that those respondents who took longer or required more reminders to reply closely resemble the non-respondents (Armstrong and Overton, 1977). Non-response bias cannot be tested on the second batch data because it was not possible to classify into early and late responses due to geographical distance of those companies that were closer and farther than the return address location. For instance, those companies that were closer to the return address location (East Malaysia) will have their mail delivered faster than those in West Malaysia, and this was also the same for when the researcher posted the questionnaires to those companies which were nearer to the sending location will receive the mail sooner than others. Furthermore, the questionnaires were posted in one group and collected approximately six weeks after the distribution.

Non-response bias test – replies through e-mail and post

As this study has chosen to distribute the self-administered questionnaire survey through e-mail and post, thus, it is important to examine whether there are significant differences in response between the two groups of respondents. Hence, the study compared the replies of respondents by dividing the responses received through e-mail and those received through post. The means of two demographic variables (the age of the firms and the size of the firms in terms of a number of employees) were compared using independent sample t-test. The t-test statistics indicate that the differences between the means of both variables are not significant between the two groups of responses ($p<0.05$), and it is concluded that non-responses bias is apparently not a problem. The t-test results are summarised in Table 4-7 and Table 4-8 as follows:

Table 4-7 Non-response bias test results (early and late respondents)

Variables	T-values	Sig. (2-tailed)
Age of the firms	0.344	0.733
Size of the firms	-0.890	0.378

df = 49

Table 4-8 Non-response bias test results (replies through e-mail and post)

Variables	T-values	Sig. (2-tailed)
Age of the firms	0.725	0.469
Size of the firms	-1.543	0.126

df = 201

4. 8 Data analysis method

The Partial Least Squares (PLS) technique to Structural Equation Modelling (SEM) was employed for this study in view of the characteristics of the model and sample for the following reasons:

First, PLS-SEM is a highly robust technique because it incorporates several statistical techniques such as confirmatory factor analysis, multiple regression, redundancy analysis and canonical correlation without inflating t-statistics, which would happen if each analysis are conducted separately (Hair, Sarstedt, Ringle and Mena, 2012; Hair, Hult, Ringle and Sarstedt, 2017). In addition, PLS-SEM is variance-based analysis and works very efficiently with any sample size, in particular, small samples (Hair et al., 2012).

Second, PLS-SEM matches the researcher's prediction-oriented objective and avoids many of the restrictive assumptions imposed by other causal models that involve latent variables such as Linear Structural Relations (LISREL) analysis technique which require normal data distribution and large sample sizes (Fornell and Larcker, 1981; Fornell and Bookstein, 1982; Chin, 1998; Hair et al., 2012, Goodhue, Lewis and Thompson, 2012; Hair et al., 2017). PLS-SEM makes practically no assumption about the underlying data especially its distribution (Hair et al., 2017).

Third, PLS-SEM has the ability to account for measurement errors of latent constructs and to examine the significance of a structural model simultaneously. By estimating measurement errors and a structural model simultaneously, PLS-SEM allows relationships among constructs to be automatically corrected for measurement errors (Anderson and Gerbing, 1988; Hair et al., 2012, 2017).

Fourth, PLS-SEM is appropriate for complex models where a large set of relationships among constructs and sub-constructs are examined. Since multiple independent and dependent variables and their relationships are modelled simultaneously, PLS-SEM eliminates concerns about multi-collinearity (Inkpen and Birkenshaw, 1994).

Finally, PLS-SEM is more appropriate for this research in terms of its flexibility in modelling interacting terms, i.e. moderation and/or mediation (Chin, 1998; Chin, Marcolin and Neswsted, 2003). PLS-SEM supports a hierarchical component approach to modelling constructs with and without interaction effects (Chin and Gopal, 1995). Furthermore, it also shows the significance of interaction effects on the explained variance, R^2 value of the endogenous latent constructs in the PLS-SEM path model.

Despite the aforementioned advantages and relevance of the PLS technique to SEM, the PLS technique is critised for its relative capabilities and suitability to SEM (e.g. Rönkkö and Evermann, 2013). In particular, Rönkkö and Evermann (2013) lay out six statistical myths about the PLS technique: i) PLS has advantages over traditional methods because it is an SEM estimator, ii) PLS reduces the effect of measurement error, iii) PLS can be used to validate measurement models, iv) PLS can be used for testing null hypotheses about path coefficients, v) PLS has minimal requirements on sample size, and vi) PLS is most appropriate for exploratory or early stage research.

These six statistical myths have created a lively debate in the literature (Henseler, Dijkstra, Sarstedt, Ringle, Diamantopoulos, Straub, Ketchen Jr., Hair, Hult, and Calantone, 2014; Sarstedt, Hair, Ringle, Thiele and Gudergan, 2016). This study does not discuss in detail pertaining to the debate about the six statistical myths; but to acknowledge the criticisms of the PLS-SEM in extant literature. Moreover, the six statistical myths defined by Rönkkö and Evermann (2013) have been addressed by the main scholars of the PLS technique (e.g. Henseler et al., 2014) in their paper - *Common Beliefs and Reality About PLS: Comments on Rönkkö and Evermann (2013).* Henseler et al. (2014:182/184) in their paper dispel the six myths (with stimulation results) and claim that PLS should continue to be used as an important statistical tool for management and organisational research, as well as other social science disciplines. Additionally, they explain that "[t]here is no such thing as an estimation method that is best for every model, every distribution, every set of parameter values, and every sample size. For all methods, no matter how impressive their pedigree (maximum likelihood being no exception), one can find situations where they do not work as advertised. […] An objective critique of any method should not only focus on its limitations but also highlight its advantages" (Henseler et al., 2014:202).

In summary, this study acknowledges the criticisms of PLS-SEM in the literature and chooses to employ the PLS technique to SEM because the advantages of the PLS techniques in view of the characteristics of the model and sample in this study. Moreover, this study conducted an alternative analysis (hierarchical multiple regression analysis) in order to evaluate and compare whether the parameter estimates of the alternative analysis are similar to those generated by the PLS-SEM analysis (refer *Chapter 5* in *Section 5.5*).

Detailed discussions of the PLS-SEM analysis results are presented in the following Chapter 5. The characteristics, advantages and limitations of PLS-SEM are summarised in Table 4-9 as follows:

Table 4-9 Characteristics, advantages and limitations of PLS-SEM

Data characteristics	
Sample size	• Accomodate different sample sizes and no identification issues with small sample sizes. • Generally achieves high levels of statistical power with small sample sizes whereas large samples sizes increase the precision (i.e. consistency) of PLS-SEM estimations.
Distribution	• No distribution assumptions; PLS-SEM is a nonparametric method
Missing values	• Highly robust as long as missing values are below a reasonable level
Scale of measurement	• Works with metric data, quasi-metric scaled data and binary-coded variables. • Some limitations when using categorical data to measure endogenous latent variables.
Model characteristics	
Number of items in each constructs measurement model	• Handles constructs measured with single and/or multi-item measures.
Model complexity	• Handles complex models with many structural model relations. • Larger numbers of indicators are helpful in reducing the PLS-SEM bias.
PLS-SEM algorithm properties	
Objective	• Minimise the amount of unexplained variance (i.e. maximises the R^2 values).
Efficiency	• Converges after a few iterations even in situations with complex models and/or large sets of data) to the optimum solution; efficient algorithm.
Construct score	• Estimated as linear combinations of their indicators. • Used for predictive purposes and not affected by data inadequacies
Model evaluation issues	
Parameter estimation	• Structural model relationships are generally underestimated and measurement model relationships are generally overestimated when estimating data from common factor models • High levels of statistical power and consistency
Evaluation of measurement model	• Both reflective and formative measurement models. • Reliability and validity assessment by multiple criteria.
Evaluation of structural model	• Collinearity among sets of constructs, the significance of path coefficients, and criteria to assess the model's predictive capabilities
Additional analyses	• Mediating/moderating effects, hierarchical component, etc.

Source: Hair et al. (2017:19-20)

4. 9 Summary of the chapter

This chapter mainly presents the research philosophy, approach, method and strategy, data collection process and response results of this study. More specifically, due to the nature and interest of this study, a deductive approach and quantitative method using a sample survey research strategy were employed to achieve the study objectives. The e-mail and postal questionnaires were adopted as the data collection method due to its relatively low cost, geographical flexibility, time efficiency, and being free from interviewer effects as well. After two waves of the large scale survey, 203 usable questionnaires were received, the total response rate was 23 percent and the usable questionnaire response rate was 20.8 percent. A t-test was employed to detect the potential for non-response bias, and no significant differences were revealed in the results between respondents and non-respondents.

CHAPTER 5: ANALYSIS AND FINDINGS

This chapter presents and discusses the results of the quantitative analyses for the study based on the survey data collected. A descriptive data of the demographic profile of the key respondents and respondent firms are first summarised. Next, the PLS-SEM analysis was conducted in two steps in this study: First, the reliability and validity of the measurement model were assessed. Then, the structural model was assessed. This sequence ensures that the constructs' measures are valid and reliable before attempting to draw conclusions regarding relationships among constructs. Finally, a series of alternative specifications to assess the robustness of the results is presented.

5.1 Descriptive data of the respondent firms

5.1.1 Demographic profile of the key respondents

Table 5-1a Distribution of the key respondents – by position and ethnic

Profile	Description	Frequency	Percentage
Position in the company	Owner	60	29.6
	General Manager	68	33.5
	Sales/Marketing Manager	22	10.8
	Export Manager	11	5.4
	Business Development Manager	4	2.0
	Managing Director	5	2.5
	Production/Operation Manager	6	3.0
	Quality Assurance Manager	2	1.0
	Others (e.g. R&D manager, human resource manager, etc.)	25	12.3
	Total (N=203)	**203**	**100**
Ethnic	Malay	66	32.5
	Chinese	125	61.6
	India	7	3.4
	Others (e.g. Bumiputera Sabah and Sarawak)	5	2.5
	Total (N=203)	**203**	**100**

Table 5-1a shows a summary of the results for the demographic profile of the key respondents of this study. Out of the total 203 key respondents from the survey, the majority are general managers (33.5 percent) and owners (29.6 percent). For the ethnic category, the majority of the key respondents are Chinese (61.6 percent) followed by Malay (32.5 percent), Indian (3.4 percent) and others (2.5 percent).

5.1.2 Demographic profile of the respondent firms

Table 5-1b Distribution of the respondent firms – by size (number of employees)

Firm size	Frequency	Percentage
1 - 4 employees	7	3.4
5 - 74 employees	101	49.8
75 - 200 employees	95	46.8
Total (N=203)	**203**	**100**

Table 5-1c Distribution of the respondent firms – by age

Age of company	Frequency	Percentage
1 - 6 years	35	17.2
7 – 12 years	43	21.2
13 - 18 years	29	14.3
19 - 25 years	33	16.3
More than 25 years	63	31.0
Total(N=203)	**203**	**100**

Table 5-1d Distribution of the respondent firms – by main business activities

Main business activities	Frequency	Percentage
Manufacturing	168	82.7
Services	35	17.2
Total (N=203)	**203**	**100**

Table 5-1e Distribution of the respondent firms – by ownership type

Ownership type	Frequency	Percentage
Sole proprietor	22	10.8
Partnership	34	16.7
Limited liability company	142	70.0
Joint stock company	5	2.5
Total (N=203)	**203**	**100**

Table 5-1f Distribution of the respondent firms – by main product or service line

Main product/service line	Frequency	Percentage
Food and beverage	76	37.5
Textile and garments	16	7.9
Furniture and woods production	24	11.8
Electric appliance	3	1.5
Basic and fabricated metal products	6	3.0
Latex and rubber products	7	3.4
Paper based products	6	3.0
Healthcare, cosmetics and pharmaceutical products	19	9.4
Plastic based products	11	5.4
Logistics and shipping services	2	1.0
Paints	2	1.0
Children’s products and recreation equipment	5	2.5
Fashion products and services	2	1.0
Others	24	11.8
Total (N=203)	**203**	**100**

The majority of the respondent firms in the survey are small firms by the official definitions of SMEs adopted in this study (refer *Chapter 1* in *Section 1.7.1*) in terms number of employees: 53.2 percent have 75 or fewer employees. The respondent firms are relatively old; with 61.8 percent of the firms have been established 13 years or more, in total. The majority of the respondent firms come from manufacturing industry (82.7 percent) and followed by services industry (17.2 percent). The higher percentage of sample firms in the manufacturing industry to a large extent reflects that the actual industry distribution in the country, in which the economy is still dominated by firms in manufacturing activities (MATRADE, 2015). The majority of the respondent firms are involved in food and beverage products and/or services (34.5 percent) and 70 percent of the respondent firms are limited liability company, in total.

5.1.3 Foreign business activities of the respondent firms

Table 5-2a Time of initial foreign business activities

Time of initial foreign business activities	Frequency	Percentage
Less than 6 years	144	70.9
More than 6 years	59	29.1
Total (N=203)	**203**	**100**

Table 5-2b Foreign business activities of the respondent firms

Foreign business activities	Total*
Direct export of products and/or services	196
Licensing and/or Franchising abroad	34
Outsourcing and/or Subcontracting business activities abroad	26
Collaborations and/or Partnership (e.g. joint venture, alliance abroad)	34
Wholly-owned operations (e.g. office, factory, research centre) abroad)	26

*Some respondent firms indicate multiple foreign business activities, thus, the total number is larger than the number of respondent firms.

Table 5-2c Significance of the foreign sale

Significance of the sale outputs	Frequency	Percentage (%)
Less than 25%	54	26.6
25% - 50%	61	30.0
More than 50%	86	42.4
*Missing value	2	1.00
Total (N=203)	**203**	**100**

The majority of the respondent firms (70.9 percent) in the present study sample have started to develop foreign business activities for less than 6 years since it started operation. Only 29.1 percent of the respondent firms started foreign business activities after 6 years of operation.The majority of the respondent firms (196) have their foreign business development through direct exporting. The finding is consistent with other studies because

this non-direct investment mode to develop foreign business is relatively less-resource-intensive and is easily achieved by the resource-constrained SMEs (Lu and Beamish, 2006a, 2006b). In total, with 42.4 percent of the respondent firms have more than 50 percent of the significance of foreign sales while only with 26.6 percent of the respondent firms that have less than 25 percent of the significance of foreign sales.

5.2 Partial Least Square-Structural Equation Modelling (PLS-SEM)

This section presents the analyses of relationships between the constructs of cultural dimensions, government regulations, EO and international performance. The relationships were analysed using SmartPLS version 3.0 software (Ringle, Wende and Becker, 2015). A structural model was developed using the aforementioned constructs and all of the constructs were specified with reflective measures.

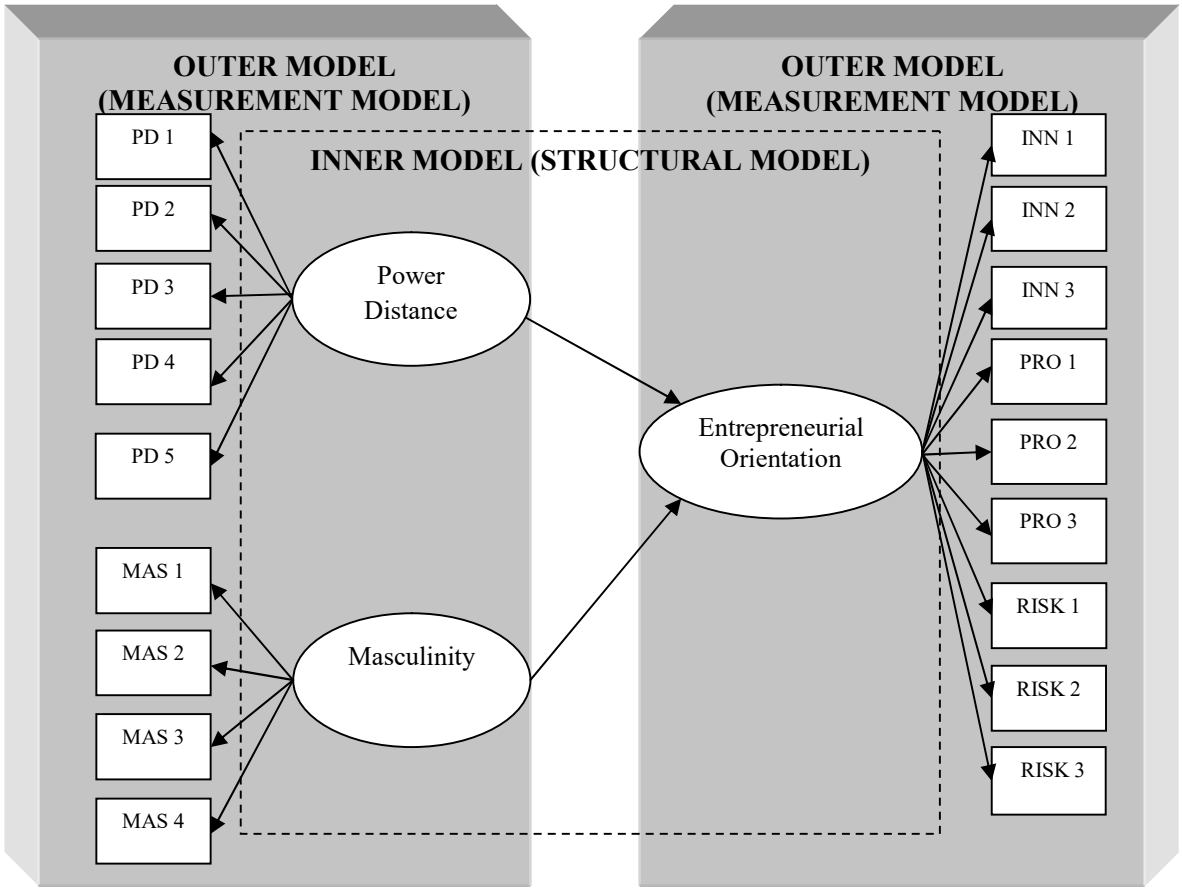
As discussed in Chapter 4, this study collected data based on perceptions of the key decision-maker in the firm (individuals holding high positions such as owners, directors, key managers), an approach that is extensively used by other researchers (Saunders et al., 2007; Lages et al., 2008). Hence, the seven-point Likert rating scale was chosen and used to capture the key respondent's perceptions. As the collected data was ordinal with no clear numerical interpretation, non-parametric method was adopted and utilised for their analysis (Pallant, 2010). To further justify the use of non-parametric method for the data collected in this study, the normality of the distribution of the responses was assessed using the Kolmogorov-Smirnov test in Statistical Package for the Social Sciences (SPSS) (Sarstedt and Mooi, 2014). A non-significant result - a Sig. Value more than 0.05 - indicates normality. In this study, a Sig. Value of .000 for both dependent variables of EO and International Performance (refer *Appendix 6*) suggests the violation of the assumption of normality.

Nonetheless, this is quite common in larger samples (>200) to have a non-normal distribution of data (Tabachnick and Fidell, 2007; Pallant, 2010). Pallant (2010:64) explains that " ...often the distribution of scores was not normally distributed particularly in social sciences because many scales and measures used in the social science have scores that are skewed, either positively or negatively. This does not indicate a problem with the scale, but rather reflects the underlying nature of the construct being measured." The distribution of scores was not normal in this study and as such, the use of non-parametric method was fully justifiable. Furthermore, PLS-SEM has advantages over other techniques, particularly when analysing data with non-normal distributions because the

PLS-SEM's statistical properties provide robust model estimations with data that have non-normal distributional properties (Fornell and Larcker, 1981; Chin, 1998; Chin and Newsted, 1999; Hair et al., 2012; Goodhue et al., 2012; Hair et al., 2017).

The PLS-SEM results are reviewed and evaluated using a systematic process. The goal of the PLS-SEM is to maximise the explained variance, R^2 value of the endogenous latent constructs in the PLS-SEM path model. For this reason, the evaluation of the PLS-SEM measurement and structural models focuses on metrics that indicates the model's predictive capabilities (Hair et al., 2017). Accordingly, assessment of the PLS-SEM in this study was done in two steps (refer *Appendix 6* and *Appendix 7* for the full analyses of the PLS-SEM). First, the reliability and validity of the measurement model (the outer model) were assessed (Haenlein and Kaplan, 2004). Then, the structural model (the inner model) was assessed. This sequence ensures that the constructs' measures are valid and reliable before attempting to draw conclusions regarding relationships among constructs (Hair et al., 2017). The following Figure 5-1 shows a part of the inner vs. outer model in the PLS-SEM for this study.

Figure 5-1 Inner vs. outer model in the PLS-SEM



Source: The author

The following sub-sections report the procedures used to assess the measurement model and structural model, and subsequently, evaluate the measurement and structural model of the study.

5.3 The measurement model

Confirmatory factor analysis establishes a valid specified measurement model before assessing the structural model (Haenlein and Andreas, 2004; Hair et al., 2017). The measurement model in the PLS-SEM in this study was assessed by examining: i) individual item reliability (factor loadings); ii) internal consistency reliability (Cronbach's alpha and composite reliability); iii) convergent validity (Average Variance Extracted, AVE); and iv) discriminant validity.

The following Table 5-3 summarises the rule-of-thumb for various reliability and validity constructs for the measurement model that must be checked and reported when conducting the PLS-SEM.

Table 5-3 Guidelines for reliabilty and validity for constructs

Analysis	Rule-of-thumb
Individual item reliability (factor loadings)	• 0.70 or higher (Forner and Larcker, 1981 and Hulland, 1999). • 0.30 or higher (Chae and Hill, 2000). • 0.40 or higher when the sample size is around 200 (Stevens, 1992 and Hair, Black, Babin, Anderson and Tatham, 1998).
Internal consistency reliability (Cronbach's alpha and composite reliability)	***Cronbach's alpha*** • 0.70 or higher (Nunnally, 1987 and Hinkin, 1995). • 0.50 or 0.60 for a scale with only two or three items (Cortina, 1993). ***Composite reliability*** • 0.60 or higher (Bagozzi and Yi, 1988 and Hair et al., 2017).
Convergent validity (AVE)	• 0.5 or higher (Bagozzi and Yi, 1988).
Discriminant validity	• The square root of AVE of each latent variable should be greater than the correlations among the latent variables (Fornell and Larcker, 1981).

Source: Fornell and Larcker (1981); Nunnally (1987); Bagozzi and Yi (1988); Hair et al. (2017)

5.3.1 Individual item reliability

The first step in the PLS-SEM analysis is to analyse the measurement model or outer model to determine how well the indicators load on the theoretically defined constructs (Hair et al., 2017). Examining the outer model ensures that the survey items are measuring the constructs they are designed to measure, thus ensuring that the survey instrument is reliable.

In assessing the individual item reliability in this study, the factor loadings of the latent constructs with their respective items generated by the PLS-SEM were examined. The full-scale model comprised nine latent constructs: five cultural dimensions, EO, government regulations regarding entrepreneurial and international business activities, and international performance. Individual reflective item reliability is considered adequate when an item has a factor loading that is greater than 0.70 on its respective latent construct (Fornell and Larcker, 1981; Hulland, 1999). Although the rule-of-thumb is to accept items with loadings of 0.70 or better, some scholars (e.g. Chae and Hill, 2000) recommend that items with factor loadings greater than 0.30 can be retained whereas Hair et al. (1998) suggest that a loading over 0.40 is necessary when sample size is around 200, which is consistent with Stevens' (1992) recommendation.

The sample size for this study is 203; thus only items with factor loadings greater than 0.40 have been retained for the following stage of the analysis. Based on the results of individual item reliability in Table 5-4a, factor loadings for all the measures of the latent constructs range from 0.056 to 0.946 where three items for long-term orientation construct (LTO2, LTO5 and LTO6) are shown to have factor loadings lower than 0.40. Thus, these three items were removed from the model and the subsequent analyses. The other factor loadings are above the 0.40 threshold level, therefore, accepting measures as adequately reliable (Barclay, Higgins and Thompson, 1995). The next step in assessing the measurement model of this study was to examine the internal consistency reliability of the latent constructs.

Table 5-4a Results of individual item reliability for each construct

Construct		Item	Factor Loadings
Entrepreneurial orientation	Innovativeness	• Favours a strong emphasis on research, development, and innovation of products and technologies.	0.591
		• Entered new businesses and marketed new products.	0.631
		• Changes in its lines of products or services.	0.677
	Proactiveness	• Typically initiates actions which competitors respond to.	0.718
		• Is usually the first one to introduce new products or services, administrative techniques, operating technologies, etc.	0.630
	Risk-taking	• Typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture.	0.710
		• A Strong proclivity for high-risk projects with chances of very high returns.	0.618
		• Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behaviour.	0.791
		• Typically adopts a conservative posture with the aim to minimise the risk of making a mistake.	0.789
Cultural dimensions	Power distance	• People in higher positions should make most decisions without consulting the people in lower positions.	0.833
		• People in higher positions should not ask the opinions of people in lower positions too frequently.	0.879
		• People in higher positions should avoid social interaction with people in lower positions.	0.719
		• People in lower positions should not disagree with decisions by people in higher positions.	0.780
	Individualism	• People in higher positions should not delegate important tasks to people in lower positions.	0.803
		• Individuals should sacrifice self-interest for the group (either at school or the workplace).	0.864
		• Individuals should stick with the group even through difficulties.	0.890
		• Group welfare is more important than individual rewards.	0.933

(continued)

	Masculinity	• Group's success is more important than individual success.	0.927
		• Individuals should only pursue their goals after considering the welfare of the group.	0.851
		• Group loyalty should be encouraged even if individual goals suffer.	0.896
		• It is more important for men to have a professional career than it is for women.	0.884
		• Men usually solve problems with logical analysis; women usually solve problems with intuition.	0.915
		• Solving difficult problems usually require an active, forcible approach, which is typical of men.	0.864
	Uncertainty avoidance	• There are some jobs that a man can always do better than a woman.	0.843
		• It is important to have instructions spelled out in detail so that I always know what I'm expected to do.	0.910
		• It is important to closely follow instructions and procedures.	0.937
		• Rules and regulations are important because they inform me of what is expected of me.	0.946
		• Standardised work procedures are helpful.	0.925
	Long term orientation	• Instructions for operations are important.	0.918
		• Careful management of money is important.	0.902
		• It is important to go on resolutely even when there is opposition.	**0.231***
		• Personal steadiness and stability are important.	0.718
		• It is important to plan for the long-term	0.656
		• Giving up today's fun for success in the future is important.	**0.057***
		• It is important to work hard for success in the future.	**0.056***
Government regulations		• Government organisations in this country assist individuals with starting their own business.	0.882
		• The government sets aside government contracts for new and small businesses.	0.879
		• Local and national governments have special support available for individuals who want to start a new business.	0.906

(continued)

	• The government sponsors organisations that help new businesses develop.	0.867
	• Even after failing in an earlier business, the government assists entrepreneurs in starting again.	0.831
Government regulations re international business activities	• Government organisations in this country assist SMEs in foreign business activities.	0.851
	• The government provides financial aids to help SMEs in expanding their business in foreign markets.	0.900
	• Local and national governments have special support available for SMEs that want to expand into foreign markets.	0.926
	• The government provides support programs for SMEs willing to internationalise.	0.922
	• The government assists SMEs in starting foreign business activities, even if they failed previously.	0.817
International performance	• Foreign business sale	0.886
	• Foreign business growth	0.931
	• Foreign business profitability	0.881
	• Overall performance in foreign business activities	0.927

Note: The items for all of the constructs were assessed using seven-point Likert scales.
*removed from the model (individual item reliability < 0.40).

5.3.2 Internal consistency reliability

The traditional criterion for internal consistency reliability is Cronbach's alpha, which provides an estimate of reliability based on the inter-correlations of the observed indicator variables. However, Cronbach's alpha is sensitive to the number of items in the scale and generally tends to underestimate internal consistency reliability. As such, it may be used as a more conservative measure of internal consistency reliability. Considering the Cronbach's alpha limitations, the prior literature suggests the use of composite reliability as a more appropriate measurement (Bagozzi and Yi, 1988; Hair et al., 2012; Hair et al., 2017). The measure of composite reliability takes into account the different outer loadings of the indicator variables. Nonetheless, Hair et al. (2017) suggest that it is reasonable to report both criteria, i.e. Cronbach's alpha and composite reliability. This is because when analysing and assessing the measures' internal consistency reliability, the true reliability of a construct usually lies between Cronbach's alpha (representing the lower bound) and the composite reliability (representing the upper bound) (Hair et al., 2017).

Thus, this study assessed internal consistency reliability of the measurement model using both Cronbach's alpha and composite reliability. With regards to the Cronbach's alpha, Nunnally (1987) and Hinkin (1995) suggest a cut-off value of 0.70 as appropriate for modest construct reliability. As Cronbach's alpha values may be affected by the number of items in a scale (Hair et al., 2017), some scholars (e.g. Cortina, 1993) recommend a level of 0.50 or 0.60 for a scale with only two or three items. Furthermore, with regard to composite reliability, Bagozzi and Yi (1988) and Hair et al. (2017) suggest that a sufficient composite reliability value should be 0.70 or greater.

In this study, Cronbach's alpha values for latent constructs are greater than 0.70 with only one exception (see *Table 5-4b*), which is the long-term orientation (Cronbach's alpha = 0.66). Considering the limited number of items for the long-term orientation construct (number of items = 3), the Cronbach's alpha values for the construct can be considered as having acceptable reliability (Cortina, 1993). On the other hand, the composite reliabilities for all of the latent constructs range from 0.807 to 0.969 (see *Table 5-4b*), which exceed the recommended threshold value of 0.70, thus accepting measures as adequately reliable.

Table 5-4b Cronbach's alpha and composite reliability for each construct

Constructs	Number of Items	Mean	SD	Cronbach's Alpha	Composite Reliability
International performance	4	5.45	0.86	0.928	0.949
Entrepreneurial orientation	9	5.17	0.84	0.822	0.895
Government regulations regarding international business activities	5	5.48	1.03	0.930	0.947
Power distance	5	2.49	1.13	0.863	0.901
Individualism	6	4.82	1.50	0.950	0.960
Masculinity	4	4.83	1.40	0.900	0.930
Uncertainty avoidance	5	3.72	1.67	0.959	0.969
Long term orientation	3	5.72	0.60	0.661	0.807
Government regulations	5	4.84	1.12	0.922	0.941

5.3.3 Convergent validity

Once the internal consistent reliability of the latent constructs has been established, the next step in assessing the overall quality of the measurement model is to examine the convergent and discriminant validity of the latent constructs. Convergent validity is to assess the extent to which a measure correlates positively with alternative measures of the same latent constructs.

To check convergent validity of the latent constructs in this study, each latent construct's AVE was evaluated. Bagozzi and Yi (1988) suggest that the accepted threshold of an AVE value is 0.50 or higher to reflect a sufficient level of convergent validity. As can be observed in Table 5-4c, all of the AVE is greater than the accepted threshold of 0.50 and is considered to be a reliable set of measurement items for the constructs.

Table 5-4c AVE for each construct

Constructs	Number of Items	AVE
International performance	4	0.822
Entrepreneurial orientation	9	0.742
Government regulations regarding international business activities	5	0.783
Power distance	5	0.648
Individualism	6	0.800
Masculinity	4	0.768
Uncertainty avoidance	5	0.860
Long term orientation	3	0.587
Government regulations	5	0.763

5.3.4 Discriminant validity

Discriminant validity is to assess the extent to which measures of one latent construct differ from the measures of another latent construct (Oliver, Kerstin and Krafft, 2000). Hence, establishing discriminant validity implies that a latent construct is unique and captures phenomena not represented by other latent constructs in the model.

The Fornell-Larcker criterion approach is generally used to assess discriminant validity of the measurement model (Hair et al., 2012, 2017). It compares the square root of AVE of each construct, which should be greater than the variance shared between the latent construct and other latent constructs in the model (the squared correlation between the two latent constructs) (Fornell and Larcker, 1981). For adequate discriminant validity, the diagonal elements should be significantly greater than the off-diagonal elements in the corresponding rows and columns (Barclay et al., 1995).

In this study, the latent construct International Performance's (IP) AVE is found to be 0.822 (from *Table 5-4c*), hence, its square root became 0.907. This number is larger than the correlation values in the column of IP (e.g. 0.462) and also larger than those in the row of IP (e.g. 0.428, 0.441, 0.536, etc.) (refer *Table 5-4d*). Similar observations are also made for the other latent constructs. Hence, the results indicate that discriminate validity is well established.

Table 5-4d Fornell-Larcker criterion analysis for checking discriminant validity

	PD	IND	MAS	UA	LTO	EO	REG	IP	IREG
PD	**0.805**								
IND	0.597	**0.894**							
MAS	0.247	0.417	**0.877**						
UA	0.546	0.777	0.498	**0.928**					
LTO	0.038	0.194	0.057	0.361	**0.766**				
EO	0.444	0.690	0.492	0.682	0.237	**0.861**			
REG	0.258	0.387	0.412	0.433	0.141	0.516	**0.873**		
IP	0.428	0.441	0.536	0.515	0.164	0.593	0.370	**0.907**	
IREG	0.305	0.491	0.517	0.555	0.126	0.567	0.730	0.462	**0.885**

Note: Numbers in bold indicate square root of the average variance extracted for each construct.

5.3.5 Summary of the measurement model

The following Table 5-4e summarises the results of the measurement model assessment in this study. As can be seen, all model evaluation criteria were met, providing support for the measures' reliability and validity. Next, the structural model in this study was assessed in terms of its predictive capabilities and relationships between the constructs.

Table 5-4e Results summary for the measurement model

Latent Construct	Indicators	Factor loadings >0.40	Cronbach's Alpha >0.60	Composite reliability >0.70	AVE >0.50
Power distance (PD)	PD1	0.833	0.863	0.901	0.648
	PD2	0.879			
	PD3	0.719			
	PD4	0.780			
	PD5	0.803			
Individualism (IND)	IND1	0.864	0.950	0.960	0.800
	IND2	0.890			
	IND3	0.933			
	IND4	0.927			
	IND5	0.851			
	IND6	0.896			
Masculinity (MAS)	MAS1	0.884	0.900	0.930	0.768
	MAS2	0.915			
	MAS3	0.864			
	MAS4	0.843			
Uncertainty Avoidance (UA)	UA1	0.910	0.959	0.969	0.860
	UA2	0.937			
	UA3	0.946			
	UA4	0.925			
	UA5	0.918			
Long Term Orientation (LTO) * items were removed from the construct	LTO1	0.902	0.661	0.807	0.587
	LTO2*	**0.231**			
	LTO3	0.718			
	LTO4	0.656			
	LTO5*	**0.057**			
	LTO6*	**0.056**			
Government regulations	REG1	0.882	0.922	0.941	0.763
	REG2	0.879			
	REG3	0.906			
	REG4	0.867			
	REG5	0.831			
Entrepreneurial orientation (EO)	INN1	0.591	0.859	0.889	0.742
	INN2	0.631			
	INN3	0.677			
	PRO1	0.718			
	PRO2	0.630			
	PRO3	0.710			
	RISK1	0.618			
	RISK2	0.791			
	RISK3	0.789			
Government regulations regarding international business activities	IREG1	0.851	0.930	0.947	0.783
	IREG2	0.900			
	IREG3	0.926			
	IREG4	0.922			
	IREG5	0.817			
International performance	IP1	0.886	0.928	0.949	0.822
	IP2	0.931			
	IP3	0.881			
	IP4	0.927			

5.4 The structural model

Once the latent construct measures are confirmed as reliable and valid, the next step in the PLS-SEM is to assess the structural model. This involves examining the model's predictive capabilities and the relationships between the constructs (Hair et al., 2017).

The structural model in this study was assessed by examining: i) collinearity issues; ii) significance and relevance of the structural model relationships; iii) predictive power of the model, R^2; iv) predictive relevance of the model Q^2; and v) effect sizes of the model, f^2.

5.4.1 Collinearity issues

The first step in assessing the structural model is to examine the structural model for collinearity issues, i.e. each set of latent variables in the inner model is checked for the potential multi-collinearity problem to see if any variables should be eliminated, merged into one, or simply have a higher order latent variable developed. As a rule-of-thumb, it is reasonable for a variance inflation factor (VIF) of 5 or lower to avoid the collinearity problem (Sarstedt, Ringle and Hair, 2014; Hair et al., 2017). According to the results in Table 5-5a, VIF values for the structural model in this study are between 1.031 to 3.536 and uniformly below the threshold value of 5. Therefore, this implies that no serious collinearity problems are present and it is not an issue for the estimation of the PLS-SEM in this research study.

Table 5-5a Collinearity statistics for each construct

Construct	Variance inflation factor (VIF)	
	Entrepreneurial orientation	**International performance**
Entrepreneurial orientation		1.557
Power distance	1.978	
Individualism	2.907	
Masculinity	1.693	
Uncertainty avoidance	3.536	
Long term orientation	1.291	
Government regulations	1.791	
Government regulations regarding international business activities		1.622
Size of firm		1.041
Age of firm		1.650
Industry		1.031
International experience		1.690

5.4.2 Significance and relevance of the structural model relationships

The next step in assessing the structural model is to examine the significance and relevance of the structural model relationship. The structural component of the model examines complex relationships among a set of exogenous variables and the endogenous variable that has a relationship based on theoretical projections (Hair et al., 2017). This method is different from the traditional regression analysis as it undertakes multiple regression analyses concurrently and allows the direct and indirect effects of variables to be simultaneously examined (Hair et al., 2012, 2017).

The purpose of this study is to examine the interrelationships between EO, cultural dimensions and international performance by taking into account the moderating roles of government regulations on the EO-international performance and cultural dimensions-EO relationships, respectively. To establish a moderating effect, the construct should directly affect the relationship between the exogenous and endogenous latent variable although in a different perspective (Baron and Kenny, 1986; Hair et al., 2017). A moderating effect occurs when the moderator and an independent variable change the strength or even the direction of a relationship between two constructs in a model (Hair et al., 2017). Moderating relationships, in theory, are tested statistically by checking for interaction effects among independent variables.

Thus, in order to illustrate the estimation of moderating effects, this study, followed the two-stages approach proposed by Chin (1998) to construct and compare models with and without the respective interacting (i.e. moderating or/and mediating) constructs. This two stages approach (refer *Appendix 7*) is discussed as follows:

Stage 1: The main effects model

The main effects model (i.e. without the interaction term – moderation and/or mediation) is estimated to obtain scores for the latent variables. In this study, the five cultural dimensions and government regulations were included as the main effects on EO whereas EO and government regulations pertaining to international business activities were included as the main effects on international performance (EO acts as both independent and dependent variable in this study and is placed in the middle of the model). Then, these latent variable scores were saved and used for further analysis in the second stage.

Stage 2: The interactive effects model

The latent variable scores for the exogenous latent variable and moderator variable from Stage 1 were multiplied to create a single-item measure used to measure the interaction term. All other latent variables were represented by means of single items of their latent variables scores from Stage 1. In this stage, the moderator variables (i.e. government regulations and government regulations pertaining to international business activities) were multiplied with their respective exogenous variables (five cultural dimensions and EO) to create the interaction effects on the endogenous variables.

The PLS-SEM can generate *T*-values for significance testing of the structural model, using a procedure called bootstrapping to calculate the model's predictive capabilities and the relationships between the constructs (Efron and Tibshirani, 1986; Davison and Hinkley, 1997; Hair et al., 2017). In this procedure, a large number of subsamples are taken from the original sample with replacement to give bootstrap standard errors, which in turn gives approximate *T*-values for significance testing of the structural path (Hair et al., 2017). Replacement means that each time an observation is drawn at random from the sampling population, it is then returned to the sampling population before the next observation is drawn. Therefore, an observation for any bootstrap sample can be selected more than once or may not be selected at all for the sample. The number of bootstrap samples should be high but must be equal to the number of valid observations in the dataset. As a rule-of-thumb, 5,000 bootstrap samples are recommended (Hair et al., 2017). Thus, this was applied in the study. Support for each hypothesis is determined by examining the sign and statistical significance of the *T*-values for each corresponding path (Wold, 1985; Hair et al., 2012, 2017). The critical *T*-values are 1.65 for a significance level of 10 percent ($p < 0.10$), 1.96 for a significance level of 5 percent ($p < 0.05$) and 2.58 for a significance level of 1 percent ($p < 0.01$).

For the full interpretation of the structural model, the interaction model is used in this study to generate conclusions on the significance and relevance of the structural model relationships (Hair et al., 2017) whereas the predictive power of both the main effects and the interactive effects model are compared in the following subsection to determine whether the moderating constructs significantly contribute to the variance values of the endogenous latent constructs. The following Table 5-5b summarises the results of path coefficients and *T*-values for the structural model.

Table 5-5b Path coefficients and *T*-values for the structural model

Structural path	Path coefficients, β	*T*-values	Results
EO ⟶ IP	0.493	5.766***	Supported. There is a positive effect between EO and IP. High levels of EO associated with higher levels of IP.
PD ⟶ EO	0.043	0.683	Not supported.
IND⟶ EO	0.398	5.220***	Supported. There is a positive effect between IND and EO. High levels of IND associated with higher levels of EO.
MAS⟶ EO	0.163	2.501**	Supported. There is a positive effect between MAS and EO. High levels of MAS associated with higher levels of EO.
UA ⟶ EO	-0.200	2.768***	Supported. There is a negative effect between UA and EO. Low levels of UA associated with higher levels of EO.
LTO ⟶ EO	-0.051	0.974	Not supported.
EO*IREG ⟶ IP	0.019	0.284	Not supported.
PD*REG ⟶ EO	0.001	0.023	Not supported.
IND*REG ⟶ EO	0.175	2.209**	Supported. Higher REG entails a stronger relationship between IND and EO.
MAS*REG⟶ EO	0.097	1.662*	Supported. Higher REG entails a stronger relationship between MAS and EO.
UA*REG ⟶ EO	-0.087	0.860	Not supported.
LTO*REG ⟶ EO	-0.094	1.300	Not supported.

Note: *p < 0.10, ** p < 0.05, ***p < 0.01.

The first hypothesis is to assess the main effect of EO on international performance (IP). According to the result of path coefficients and *T*-Statistics of the structural model in Table 5-4b, the model suggests that EO has a strong effect on IP, $\beta = 0.493$, $T = 5.766$, $p < 0.01$. The hypothesised path relationship between EO and IP is statistically significant and thus, Hypothesis 1 is supported.

Hypothesis 2 is to assess the main effect of cultural dimensions on EO. On the one hand, the model suggests that individualism (IND) has the strongest effect on EO among the five cultural dimension, $\beta = 0.398$, $T = 5.220$, $p < 0.01$, followed by uncertainty avoidance (UA), $\beta = -0.200$, $T = 2.768$, $p < 0.01$, and masculinity (MAS), $\beta = 0.163$, $T = 2.501$, $p < 0.05$. The hypothesised path relationship between IND and EO, UA and EO, and MAS and

EO is statistically significant. Thus, Hypothesis 2a, Hypothesis 2b and Hypothesis 2c are supported. On the other hand, the hypothesised path relationship between power distance (PD) and EO, and long-term orientation (LTO) and EO are not statistically significant because its path coefficients (0.043 and -0.051) is lower than 0.1 hence, Hypothesis 2a and 2e are not supported.

Hypothesis 3 and 4 are to examine the moderating effects of government regulations in the model. Specifically, Hypothesis 3 was to assess the moderating effect of government regulations re international business activities (IREG) on the EO-IP relationships and the results show that the hypothesised path relationships are not statistically significant β = 0.019, T = 0.284. Therefore, Hypothesis 3 is not supported.

Hypothesis 4 is to assess the moderating effect of government regulations (REG) on the cultural dimensions-EO relationships. Among the five cultural dimensions, the model suggests that REG has positive and statistically significant moderating effect on IND-EO relationships, β = 0.175, T = 2.209, $p < 0.05$ and MAS-EO relationships, β = 0.097, T = 1.662, $p < 0.10$. Thereby, Hypothesis 4b and Hypothesis 4c are supported. However, the hypothesised path relationship of moderating effects of REG, on PD-EO, UA-EO and LTO-EO relationships is not statistically significant. Consequently, Hypothesis 4a, Hypothesis 4d and Hypothesis 4e are not supported.

Beyond understanding these aspects of moderation analysis, interpretation of moderation results are often quite challenging (Henseler and Fassott, 2010; Hair et al., 2017). For this reason, graphical illustrations of results provide better interpretation and also draw conclusions for the moderation relationships (Hair et al., 2017). A common way to illustrate the results of a moderation analysis is by slope plots. In this study, the relationship between IND and EO has a path coefficient value of 0.398, whereas the relationship between REG and EO has a path coefficient value of 0.278, and the interaction term of INDxREG has a positive moderation relationship with EO (β = 0.175). Figure 5-3a shows the sloping plot for such a setting, where the x-axis represents the exogenous construct (IND) and the y-axis represents the endogenous construct (EO).

The two lines in Figure 5-2a show the relationship between IND and EO for low and high levels of the moderator construct, REG. Usually, a low level of a moderator is one standard deviation unit below its average (straight line in *Figure 5-2a*) while a high level of a moderator is one standard deviation unit above its average (dotted line in *Figure 5-2a*). Since it is a positive moderating effect as expressed in the positive relationship between the

interaction terms (INDxREG) and the EO construct, the high moderator line's slope is steeper: i.e. the relationship between IND and EO becomes stronger with high levels of REG. For low levels of REG, the slope is much flatter, as shown in Figure 5-2a. Hence, with low levels of the moderator construct, REG, the relationship between IND and EO becomes weaker. Additionally, the aforementioned discussion also applies to the significant positive moderation effects of REG on the MAS-EO relationship as shown in Figure 5-2b. Overall, these results provide clear support that REG exerts a significant and positive moderating effect on the relationships between IND and EO, and MAS and EO, i.e. the higher the supportive government regulations, the stronger the relationships between individualism and EO, and masculinity and EO.

Figure 5-2a Slope plot for individualism x government regulations

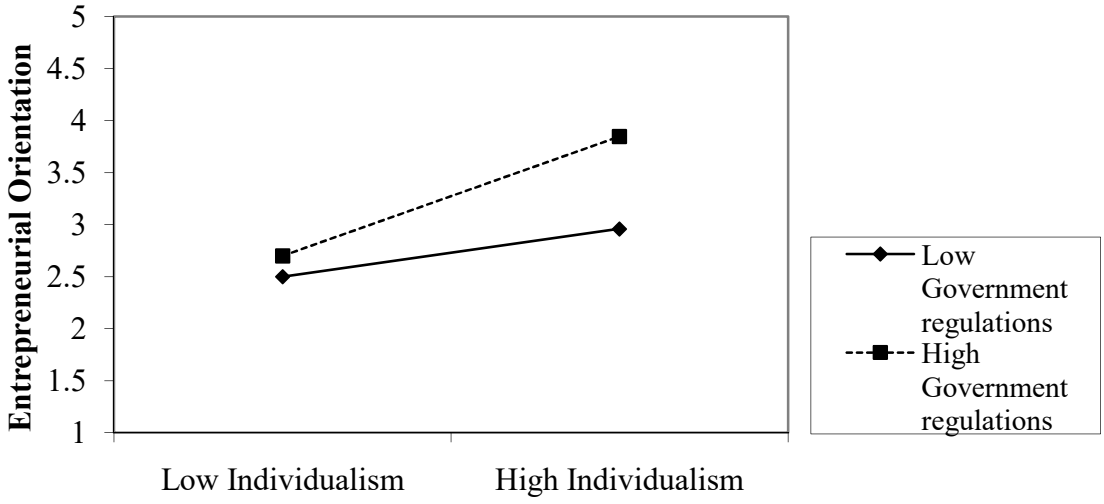
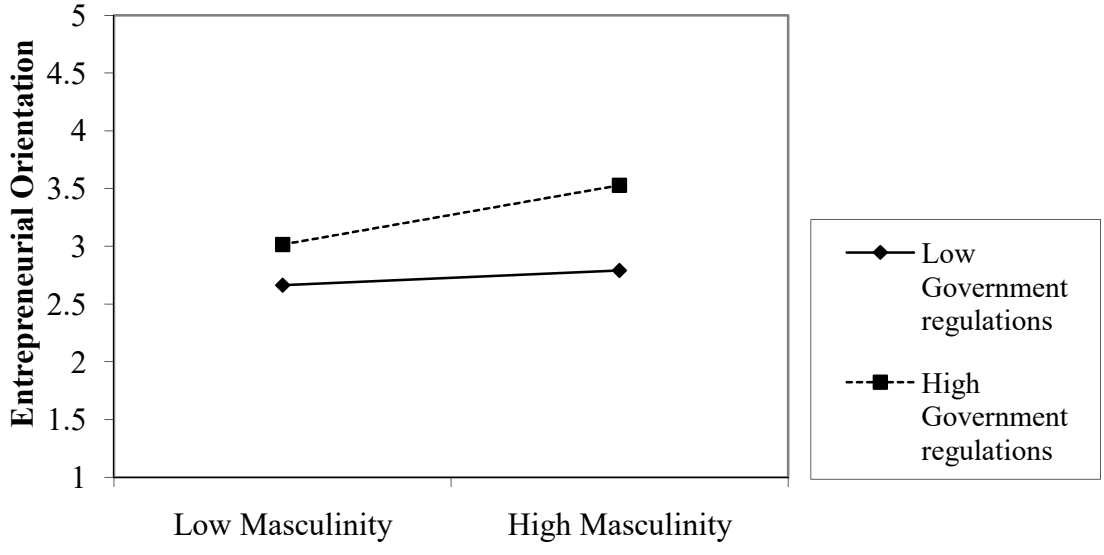


Figure 5-2b Slope plot for masculinity x government regulations



5.4.3 Predictive power of the model, R^2

In the PLS-SEM, instead of a goodness-of-fit assessment, the model is evaluated using variance explained (R^2) in the dependent constructs (Hair et al., 2017). R^2 is the measure used to evaluate the structural model coefficient of determination and it represents the amount of variance in the endogenous constructs explained by all the exogenous constructs linked to it. R^2 value ranges from 0 to 1. In determining whether a level of explained variance is substantive, the level is compared with results reported in previous similar studies, if such studies exist (Hair et al., 2017). Nonetheless, a general guideline for social sciences research, R^2 values of 0.75, 0.50 and 0.25 for endogenous constructs can be respectively described as substantial, moderate and weak (Hair, Ringle and Sarstedt, 2011).

Table 5-5c shows the summary and comparison of the main effects model and the interaction effects model in this study. As a basis of comparison, the main effects model explains 59.0 percent of the variance in EO and 39.3 percent of the variance in international performance. Following the general guideline of R^2 values, the R^2 value of EO can be considered moderate whereas the R^2 value for international performance is in between moderate and weak, but this value is considered substantive as compared with previous studies in a similar area, e.g. Dimitratos et al.'s (2004), Brouthers et al.'s (2015) and Thanos et al.'s (2016) study yield R^2 value of 22 percent, 36.2 percent and 11 percent respectively.

In contrast, with the addition of government regulations as the moderating variable in the cultural dimensions-EO relationships, a significant additional 4.2 percent of the variation in EO (63.2 percent) is accounted for and this R^2 value is above the moderate level and can be considered a strong moderator value. Moreover, a very small increment of the variation in international performance (0.1 percent) is shown due to the insignificant moderating role of government regulations pertaining to international business activities in the EO-international performance relationships. Thus, there is no increment of the variation in international performance. In addition, the R^2 value and the R^2 adjusted value for both EO (0.021) and international performance (0.022) in the interactive effects model have small differences which show that the cross-validity of the model is good.

Overall, the R^2 value generated by the model of this study is considered acceptable and substantive. This indicates that cultural dimensions contribute 63.2 percent of the variation in EO while EO contributes 39.4 percent of the variation in international performance. According to this model, the main effects of EO, the cultural dimensions of individualism,

masculinity and uncertainty avoidance; and the moderation effects of government regulations on the individualism-EO and masculinity-EO relationships are found to be statistically significant.

Table 5-5c Summary and comparison of the main effects model and the interactive effects model

Model	Main effects	Interactive effects
Age of firm	0.066	0.066
Size of firm	0.041	0.041
Industrial sector	-0.079	-0.076
International experience	-0.122	-0.120
PD	-0.024	0.043
IND	0.365***	0.398***
MAS	0.146**	0.163**
UA	-0.193**	-0.200***
LTO	-0.050	-0.051
REG	0.222***	0.278***
EO	0.488***	0.493***
IREG	0.186*	0.193*
EO x IREG		0.019
PD x REG		0.001
IND x REG		0.175**
MAS x REG		0.097*
UA x REG		-0.087
LTO x REG		-0.094
R^2 in EO	0.590***	0.632***
Adjusted R^2 in EO	0.578***	0.611***
ΔR^2		0.042***
R^2 in International Performance	0.393***	0.394***
Adjusted R^2 in International Performance	0.375***	0.372***
ΔR^2		0.001

Note: EO acts as both independent and dependent variable in this study and is placed in the middle of the model.
$N = 203$, *p < 0.10, ** p < 0.05, ***p < 0.01.

Control variables

Following Fichman and Kemerer (1997), in addition to the full model, two nested models (theoretical model and control model) were evaluated. These three models were assessed to evaluate the true impact and the additional explanatory power of the theoretical variables after the variance explained by the control variables had been accounted for. As for the full model, both the theoretical variables and control variables were included. The theoretical model included only theoretical variables and excluded the control variables, while for the control model, only the control variables were included. Comparisons between the three models are summarised in Table 5-5d and Table 5-5e.

A comparison between the full model and control model shows that the control model explains an incremental variance of 1.4 percent for international performance. In contrast, by comparing the full model and the theoretical model, the incremental variance derived by the theoretical model is around 38 percent for international performance. Results indicate that the theoretical variables accounted for a substantial proportion of the variance in the value of the full model and these results also suggest that the theoretical model in this study is substantive enough to explain the variance in the research model.

Table 5-5d A summary of comparison of the structural models

Results	Full Model	Control Variables Model	Theoretical Variables Model
Number of paths in the model	18	4	14
Number of significant paths in the model	8	0	8
in International Performance (R^2)	0.394	0.020	0.380
International Performance			
- Additional Variance Explained by the Theoretical Variables	0.374	(0.394 – 0.020)	
- Additional Variance Explained by the Control Variables	0.014	(0.394 – 0.380)	

Table 5-5e A summary of comparison of the structural models (with the hypothesised relationships)

Results	Path Coefficients, β		
	Full Model	Control Variables Model	Theoretical Variables Model
EO → IP	0.493***		0.502***
EO*IREG → IP	0.019		0.032
IREG → IP	0.193*		0.192*
PD → EO	0.043		0.043
IND → EO	0.398***		0.398***
MAS → EO	0.163**		0.163**
UA → EO	-0.200***		-0.200***
LTO → EO	-0.051		-0.051
PD*REG → EO	0.001		0.001
IND*REG → EO	0.175**		0.175**
MAS*REG → EO	0.097*		0.097*
UA*REG → EO	-0.087		-0.087
LTO*REG → EO	-0.094		-0.094
REG → EO	0.278***		0.278***
Age of firm → IP	0.066	0.054	
Size of firm → IP	0.041	0.004	
Industrial sector → IP	-0.07	-0.098	
International experience → IP	-0.120	-0.127	
R^2 in EO	0.632***	-	0.632***
R^2 in IP	0.394***	0.020	0.380***

Note: EO acts as both independent and dependent variable in this study and is placed in the middle of the model; *p < 0.10, ** p < 0.05, ***p < 0.01.

5.4.4 Predictive relevance of the model, Q^2

In the PLS-SEM, an assessment of Stone-Geisser's predictive relevance, Q^2 is an important step because the values of Q^2 explain how the observed values are reproduced by the model and parameter estimates (Vinzi, Chin, Henseler and Wang, 2010). The assessment of Q^2 employs a blindfolding technique in which a part of the data is omitted for a particular block of indicators and the model attempts to estimate the omitted part using the estimated parameters as an indicator of predictive relevance (Henseler, Ringle and Sinkovics, 2009). According to Chin (1998), a model demonstrates a good predictive relevance when its Q^2 value is larger than zero. Based on the results in Table 5-5f, the Q^2 value for both EO and International Performance in this study are larger than zero. Hence, it shows that the conceptual model in the study has a good predictive relevance for both of the endogenous constructs.

Table 5-5f Predictive relevance of the model, Q^2

Endogenous latent constructs	Predictive relevance, Q^2
Entrepreneurial orientation	0.281
International performance	0.312

Note: EO acts as both independent and dependent variable in this study and is placed in the middle of the model.

5.4.5 Effect sizes of the model, f^2

In addition to assessment for the size of the R^2 and Q^2 values of all endogenous constructs, the effect size, f^2 is a measure of the impact of a specific predictor construct on an endogenous construct (Hair et al., 2017). In other terms, the f^2 assesses the magnitude or strength of the relationship between the latent variables. Such discussion is important because f^2 helps researchers to assess the overall contribution of a research study. General guidelines for assessing f^2 suggest that values of 0.02, 0.15 and 0.35 indicate small, medium and large effects, respectively (Cohen, 1988).

Moreover, in the context of moderation analysis, particular attention should be paid and focused to the f^2 of the interaction effect. However, the general guidelines are deemed not optimistic for assessing the f^2 of moderation (Hair et al., 2017). Aguinis, Beaty, Boik and Pierce (2005) comment that the average f^2 in tests of moderation is only 0.009. Against this background, Kenny (2016) suggests that 0.005, 0.01 and 0.025 constitute more

realistic standards for small, medium and large effect sizes, respectively when assessing f^2 for moderator constructs. Therefore, this study applied the general guidelines to assess the main latent constructs and the proposed guidelines by Kenny (2016) to assess the moderator constructs. Table 5-5f shows the effects sizes of the model, f^2 for each construct in the study.

According to the results in Table 5-5g, among the five cultural dimensions/individual latent constructs, the effect size for individualism is the highest, followed by masculinity and uncertainty avoidance in producing the R^2 for EO. These values (0.148, 0.081 and 0.053) can be considered to be in the range of low to medium effects. Furthermore, the value of 0.254 indicates the effect size for the predictive value of EO on international performance and this value shows a medium effect in producing the R^2 for international performance. On the other hand, government regulations have a large moderation effect sizes on the individualism-EO (0.036) and masculinity-EO (0.024) relationships. This is also supported by the significance of these relationships as discussed in the preceding section (in *Section 5.6.2*).

Table 5-5g Effect sizes of the model, f^2 for each construct

Construct	Effect sizes of the model, f^2	
	Entrepreneurial orientation	**International performance**
Entrepreneurial orientation		0.254
Power distance	0.003	
Individualism	0.148	
Masculinity	0.081	
Uncertainty avoidance	0.053	
Long term orientation	0.006	
Government regulations	0.117	
Government regulations regarding international business activities		0.038
Entrepreneurial orientation x Government regulations re international business		0.001
Power distance x Government regulations	0.001	
Individualism x Government regulations	0.036	
Masculinity x Government regulations	0.024	
Uncertainty avoidance x Government regulations	0.006	
Long term orientation x Government regulations	0.017	

Note: f^2 values of 0.02, 0.15 and 0.35 indicate small, medium and large effect for main constructs, respectively.
f^2 values of 0.005, 0.01 and 0.025 indicate small, medium, and large effect sizes for moderation constructs, respectively.

The following Table 5-6 summarises the results of the structural model assessment in the study in terms of path coefficients, T-statistics and R^2 values.

Table 5-6 Results summary of path coefficients β, *T*-values and R^2 for the study

	Hypothesised relationships	**β**	***T*-values**	**R^2**
H1	EO is positively associated with firms' international performance.	0.493	5.766***	**39.4%**
H2(a)	Low power distance tolerance is positively associated with EO.	0.043	0.683	**63.2%**
H2(b)	High individualism is positively associated with EO.	0.398	5.220***	
H2(c)	High masculinity is positively associated with EO.	0.163	2.501**	
H2(d)	Low uncertainty avoidance is positively associated with EO.	-0.200	2.768***	
H2(e)	Long term orientation is positively associated with EO.	-0.051	0.974	
H3	Government regulations positively moderate the relationship between EO and firms' international performance. Specifically, the EO-international performance relationship is enhanced by the supportive government regulations pertaining to international business activities.	0.019	0.284	
H4(a)	Government regulations moderate the relationship between power distance and EO: the low power distance-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.	0.001	0.023	
H4(b)	Government regulations moderate the relationship between individualism and EO: the high individualism-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.	0.175	2.209**	
H4(c)	Government regulations moderate the relationship between masculinity and EO: the high masculinity-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.	0.097	1.662*	
H4(d)	Government regulations moderate the relationship between uncertainty avoidance and EO: the low uncertainty avoidance-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.	-0.087	0.860	
H4(e)	Government regulations moderate the relationship between long term orientation and EO: long term orientation-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.	-0.094	1.300	

Note: *p < 0.10, ** p < 0.05, ***p < 0.01.

5.5 Robustness of the results

In addition to the results reported in the previous sections, the study estimated a series of alternative specifications to assess the robustness of the results as follows:

5.5.1 Robustness check I: Hierarchical multiple regression analysis

The first robustness check is to conduct an alternative analysis in order to evaluate and compare whether the parameter estimates of the alternative analysis are similar to those generated by the PLS-SEM analysis (Peng and Lai, 2012). Following the same procedures as in previous studies (e.g. Wiklund and Shepherd, 2005; Stam and Elfring, 2008; Thanos et al., 2016), the study used hierarchical multiple regression analysis in SPSS as the alternative analysis to test the research model and hypotheses.

In Step 1, the four control variables (i.e. age of firm, size of firm, industrial sector, international experience) were entered so as to partial-out their effects from the hypothesised relationships of the study. In Step 2, the main effects of EO, cultural dimensions, government regulations regarding entrepreneurial and international business activities were entered. In Step 3, all possible two-way interactions were entered. In order to control for possible collinearity between variables and their interactions in the equation (Aiken and West, 1991), the independent variables were standardised prior to the analyses. The findings show that the main effects of cultural dimensions, EO and international performance, and the moderating effects of government regulations on the cultural dimensions-EO and EO-international performance relationships are in line with the findings presented in the PLS-SEM analysis. Therefore, the findings appear to be robust according to alternative statistical analysis.

5.5.2 Robustness check II: Data triangulation

The second robustness check is to enhance the validity of evaluation and research findings through data triangulation which involves the collection of data from multiple sources (Greene, and McClintock, 1985; Cohen and Manion, 1997; De Vos, 1998; Malhotra and Birks, 2000; Saunders et al., 2007) The study triangulated the questionnaire responses with the collected information on the dependent variable (foreign sales as a percentage of total sales) employed in 2015 from the *e-statistik* of Department of Statistics Malaysia. After cross-checking from the response of participant firms and the Profile of SMEs 2015 via *e-statistik*, seventy-seven (77) companies could be identified and the data were gathered for data triangulation process. The Guttman split-half reliability test was employed to

triangulate the primary data with the secondary data collected. The result of the Guttman split-half reliability test on foreign sales as a percentage of total sales (R = 0.906) shows a high consistency of the secondary data with the primary data obtained from the questionnaires.

5.5.3 Robustness check III: Possible reverse causality issues

The third robustness check is to assess possible reverse causality issues between the independent and dependent variables due to the cross-sectional research design. Following previous studies (e.g. Engelen et al., 2015; Thanos et al., 2016), the study ran an additional analysis to assess the direction of causality between i) EO and international performance; and ii) cultural dimensions and EO. First, the study assigned international performance as the independent variable and EO as the dependent variable and tested the interactions of international performance with government regulations on EO. Second, the study assigned EO as the independent variable and the five cultural dimensions as the dependent variables and tested the interactions of EO with government regulations on the five cultural dimensions. The results show that none of these two reverse interactions are statistically significant, thus, suggesting that reverse causality is not an issue in this study.

5.6 Summary of the chapter

The chapter firstly presents the summary of descriptive data of the demographic profile and the measures used in this study. Then, the validity and reliability of the measurement model were assessed. After achieving satisfactory construct reliability and validity, the structural model was examined to test the hypotheses and research model as proposed in Chapter 3. Six out of twelve hypotheses receive full support. Specifically, the result suggests a positive interaction effect between cultural dimensions and government regulations with EO. Furthermore, the result also shows that the predictive power of the model increases with the inclusion of the moderating constructs, government regulations. The test results of the hypotheses in this study are summarised in the following Table 5-7:

Table 5-7 Summary of test results of the hypotheses

No.	Hypothesis	Result
H1	EO is positively associated with firms' international performance.	Supported
H2(a)	Low power distance tolerance is positively associated with EO.	Not Supported
H2(b)	High individualism is positively associated with EO.	Supported
H2(c)	High masculinity is positively associated with EO.	Supported
H2(d)	Low uncertainty avoidance is positively associated with EO.	Supported
H2(e)	Long term orientation is positively associated with EO.	Not Supported
H3	Government regulations positively moderate the relationship between EO and firms' international performance. Specifically, the EO-international performance relationship is enhanced by the supportive government regulations pertaining to international business activities.	Not Supported
H4(a)	Government regulations moderate the relationship between power distance and EO: the low power distance-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.	Not Supported
H4(b)	Government regulations moderate the relationship between individualism and EO: the high individualism-strong EO relationship is enhanced by the supportive government regulations to pertaining entrepreneurial activities.	Supported
H4(c)	Government regulations moderate the relationship between masculinity and EO: the high masculinity-strong EO relationship is enhanced by the supportive government regulations to pertaining entrepreneurial activities.	Supported
H4(d)	Government regulations moderate the relationship between uncertainty avoidance and EO: the low uncertainty avoidance-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.	Not Supported
H4(e)	Government regulations moderate the relationship between long term orientation and EO: long term orientation-strong EO relationship is enhanced by the supportive government regulations pertaining to entrepreneurial activities.	Not Supported

CHAPTER 6: DISCUSSION AND CONCLUSIONS

This chapter provides a discussion of the results presented in the previous Chapter 5. This chapter is divided into several sections: First, this introduction is followed by a recapitulation of the study (*Section 6.1*). Next, general findings (*Section 6.2*) and then key findings (*Section 6.3*), including those associated with the main factors, are discussed. Implications of this study for theoretical and practical knowledge are illustrated (*Section 6.4*), and finally, limitations of this study are presented (*Section 6.5*), in turn suggesting potential directions for future research.

6.1 A recapitulation of the research focus

6.1.1 The research focus

International performance remains an important issue at the heart of international business studies. This is because of the important contribution of international business activities to the development and growth of firms as well as national economies. Given the significant contribution of international business activities, scholars have tried to explain the determinants of international business success (Zou and Stan, 1998; Sousa et al., 2008).

This research, therefore, advances an integrative approach to examining the complex interplays between various determinants to construct a fuller understanding of the factors driving international performance of firms (McDougall et al., 2003; Jones and Coviello, 2005; Rialp et al., 2005; Lages and Sousa, 2010). Specifically, this research aims to enrich knowledge about the role and effects of EO on SMEs' international performance, by integrating the RBV with the institutional perspective to explicate the dynamic interactions among EO - a core firm-specific resource – and two institutional factors, i.e. cultural dimensions and government regulations in explaining the international performance of SMEs.

The focus of this study addresses three major literature gaps in existing internationalisation studies as follows:

First, a link that can bridge the RBV and the institutional perspective in explicating firms' international performance is needed but is currently missing. To address this gap, this research synthesises the RBV and the institutional perspective based on the underlying assumption that both can be regarded as complementary in explaining firms' international performance (Rao, 1994; Oliver, 1997; Peng et al., 2008, 2009).

Second, existing studies have generally conceptualised institutional factors by objective methods that limit the analysis to the macro-level. Hence, the understanding of the effects of macro-institutional factors on micro-individual behaviour and actions is relatively sparse. It is commonly recognised that decision-making in SMEs is centralised on a few individuals, and the impact of institutional factors on these key decision-makers influences the entrepreneurial behaviours of SMEs in pursuit of business development. Hence, this research addresses this gap by examining two institutional factors, i.e. cultural dimensions and government regulations based on a micro perspective reflected through the cognitive schema, interpretations and sense-making of individuals, specifically the key decision-maker of firms (Kostova, 1997; Chrisman et al., 2002).

Third, both formal and informal institutions have primarily been studied as two separate variables and have independent direct effects on EO and international performance. The interactive effects of both formal and informal institutions on firms' behaviour and performance are seemingly overlooked (Peng et al., 2008, 2009). Given that firms are exposed to both formal and informal institutional factors simultaneously, this research aims to examine cultural dimensions and government regulations, as an informal and a formal component of institutions and posits that cultural dimensions and government regulations interact and reinforce one another in relation to the EO of SMEs.

In summary, this research advances the conceptual and empirical understanding of the interrelationships between the EO of firms, cultural dimensions and government regulations in an integrative model that explains the international performance of SMEs. The empirical analyses of this study are proposed in correspondence with the four sets of associations and the integrative model is tested using data from internationalised SMEs in Malaysia: i) the association between EO and international performance; ii) the association between cultural dimensions and EO; ii) the association of government regulations on the relationship between EO and international performance; and iv) the association of government regulations on the relationships between cultural dimensions and EO.

6.1.2 The theoretical foundation

The study focuses on the RBV and the institutional perspective as its main theoretical basis. This integrative theoretical framework illustrates the complementary and dynamic interaction between a core firm-specific resource (EO) and two institutional factors (cultural dimensions and government regulations) in explaining firms' international

performance. The following Figure 6-1 shows the incorporation of theoretical underpinnings in the integrative theoretical foundation of the study.

Figure 6-1 Incorporation of theoretical underpinnings in the integrative theoretical foundation of the study

Resource-Based View

- Provides the rationale for explaining EO at the level of the firm with regard to a firm's inherent resources and capabilities.
- Supports the interpretation of EO as a type of resource and capability possessed by a firm that impacts on international performance.
- Illustrates the influence of the key-decision maker(s) on the resource (i.e. EO) and growth (i.e. international performance) of the firm.
- Complements the institutional perspective which proposes that external institutional factors have an impact on firm's behaviour and performance: the firm response to external opportunities or threats, and subsequently acquires, modifies and reconfigures its resource base for business development.

Institutional Perspective

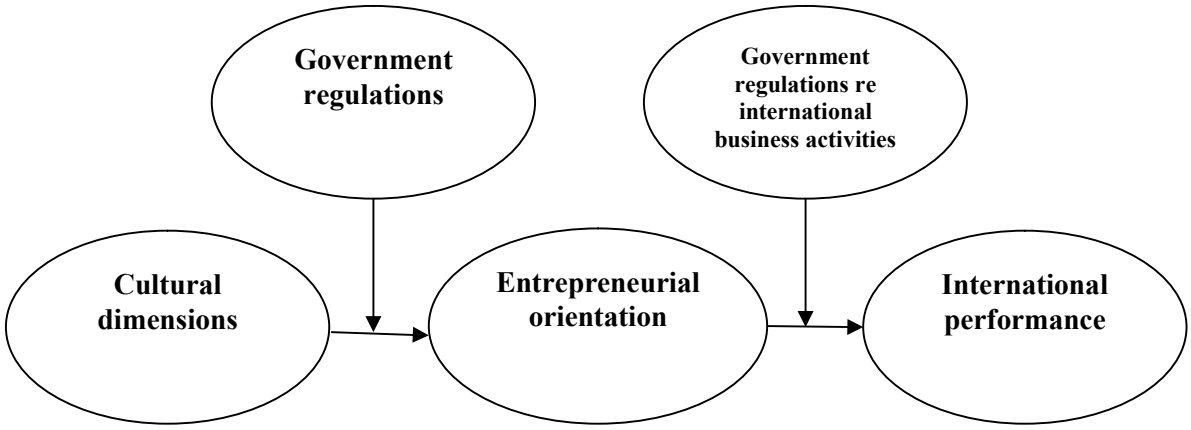
- Provides the rationale for explaining firm responses to certain external institutions factors that have significant influence on firm's EO and international performance.
- Illustrates the dynamic interaction between firms' inherent resources and institutional factors.
- Complements the RBV by specifying in what context and under what circumstances certain resources add value: institutional context create various opportunities or threats which surround resource decisions of the firm.

Source: The author

6.1.3 The conceptual framework

Based on these theoretical foundations and the extant literature, the fundamental ideas of the research are represented in a conceptual model outlining the linkages between the cultural dimensions, government regulations, EO of the firm, and their interactions in explaining the international performance of SMEs in Malaysia. The conceptual model provides the direction for guiding analyses and interpretations of the associations between the aforementioned key constructs. The conceptual model is illustrated in Figure 6-2 as follows:

Figure 6-2 The conceptual model



Source: The author

6.2 Discussion of findings

The overall model is statistically significant, i.e. the statistical results provide support for the conceptual model developed in this study. In particular, the model is significantly improved when the indirect effects of government regulations are introduced. This supports the suggestion of this study that cultural dimensions matter but the integration of government regulations enriches the whole understanding of EO and its effects. A few statistically unconfirmed associations between individual factors in the model are explored and explained.

6.2.1 EO and international performance

The findings provide empirical support for the suggestion that EO positively influences the international performance of SMEs. The findings further enrich knowledge regarding the importance of EO for business development of SMEs, particularly in the international context. A high EO enables SMEs to flexibly and quickly adapt and adjust in an international environment, thus, enhancing their competitive advantage. The demand patterns of international customers are likely to be more diverse than those in domestic markets. SMEs with high EO have a stronger aspiration to produce innovative products to meet different demands and requirements and to seek innovative solutions to optimise operations and mitigate challenges. A proactive and risk-taking attitude also urges and enables firms to constantly gain insights into international market opportunities; anticipate and pioneer changes in the competitive business environment; be assertive and willing to take bold actions to achieve a higher return from international opportunities.

From the RBV, the findings indicate that EO is a valuable resource that plays a pivotal role on firm international performance. EO is one of those unique resources that may lead to competitive advantage (Ireland et al., 2003; Wiklund and Shepherd, 2003; Rauch et al., 2009). In contemporary markets, globalisation and technological advancements create significant hurdles and opportunities for the firm, thereby increasing the criticality of organisational resources, and EO is particularly well-suited to allow firms to capitalise on the opportunities brought about by these external forces (Brown and Eisenhardt, 1995; Wiklund and Shepherd, 2003). Reflecting the inherent characteristics of the EO dimensions (innovative, proactive, and risk-taking), firms constantly scan and monitor their operating environments to seek out and identify new product opportunities, and then pursue these untapped market prospects more aggressively than their competitors to reap the corresponding outcomes (Rauch et al., 2009). EO, thus, as an idiosyncratic resource bestows the focal firm with strategic advantages in international markets (Barney, 1991).

Overall, the findings show that firms with a strong innovative tendency, a proactive stance relative to competitors, and a willingness to take risks in pursuit of opportunities are more likely to perform better in international markets in terms of international sales, growth and profitability.

6.2.2 Cultural dimensions and EO

The study finds that cultural dimensions have a direct impact on EO. Three of the five sub-hypothesised relationships between cultural dimensions and EO receive empirical support.

Individualism and masculinity culture are both found to have a positive significant influence whereas a culture of uncertainty avoidance has a negative significant effect on the EO of SMEs. These findings suggest that managers with high individualism, high masculinity and low uncertainty avoidance culture tend to display higher EO. The positive associations between individualism/EO and masculinity/EO relationships are consistent with the argument of self-reliance and independent action in individualistic cultures, and forward-looking and self-confident in masculine cultures that foster strong entrepreneurial values while collectivistic and feminine cultures do not. The negative association between uncertainty avoidance and EO lends support to the argument that high tolerance of ambiguity in low uncertainty avoidance culture cultivates strong entrepreneurial values.

Theoretically, the aforementioned findings support the argument of the institutional perspective which suggests that values and beliefs within a specific cultural dimension influence certain behaviours and actions (Powell and DiMaggio, 1991; Scott, 1995, 1997). In this regard, cultural dimensions influence how individuals perceive the desirability of entrepreneurial behaviour and act as motivational stimulants to fuel their entrepreneurial intentions. Thus, in the context of SMEs, key-decision makers' cultural characteristics have impacts on the EO of their firm. In sum, the results of this study suggest that cultural dimensions influence the willingness of firms to display innovative, risk-taking and proactive behaviours in pursuit of business opportunities.

However, power distance tolerance as one of the key components of cultural dimensions is found not to be significantly associated with EO. Existing studies often suggest that a low power distance tolerance culture has flexible hierarchical structures that infer active and collective communication between organisation levels, and respect for individuals' autonomy and both of these attributes are likely to increase entrepreneurial proclivity (Kreiser et al., 2010; Saeed et al., 2014). The results of this study challenge these presumed relationships and hence, the association between power distance tolerance and EO. A plausible explanation of the insignificant association is that power distance tolerance is a measurement of the perception of the interpersonal power or influence between the boss and the subordinates by the subordinate (Kreiser et al., 2010). Hence, it may not be

relevant to investigate the EO of the firm in relation to power distance tolerance using a questionnaire that was answered by the boss (owner-manager) instead of the subordinate.

Furthermore, this study also finds that long-term orientation, a cultural dimension which is often perceived to be rooted in Chinese values, is not significantly associated with EO. The presumed relationship is built on the idea that a more future-oriented culture implies a strong willingness to anticipate potential future opportunities. This is consistent with the entrepreneurial opportunity-driven view which suggests that entrepreneurial values come to fruition after an extended period (Lumpkin et al., 2010). Nonetheless, the results of this study do not provide substantial support for these presumed relationships. The lack of significance of the association might be due to the fact that the measurement of long-term oriented culture is based on the cultural values of life in general instead of work values (Hofstede and Bond, 1988). Thus, this specific cultural dimension may be unable to precisely mirror the extent of EO in firms.

6.2.3 Government regulations

The extant literature, including both entrepreneurship and international business literature, has widely acknowledged the important role of government regulations in providing support to firms in the environment in which they operate (Busenitz et al., 2000; Scott, 2007; Peng et al., 2008, 2009; Sun et al., 2015). The institutional perspective suggests that firms respond to certain external institutional factors through their behaviours and actions; hence it can either support or constrain a firm's success through the nature of the business climate they establish.

Moderation effects of government regulations on the entrepreneurial orientation – international performance relationship

Many studies maintain that EO is strongly related to performance only when it is combined with proper environment conditions (Covin and Slevin 1989; Lumpkin and Dess 1996, 2001). Unexpectedly, the statistical result in this study does not provide support for the premise that government regulations moderate the relationship between EO and international performance. EO is positively related to international performance irrespective of the level of support through government regulations. These findings are unexpected given that the presumed relationships are built on the core ideas that perception of opportunities and threats in the external environment may influence the behaviour and

performance of the firm. There are, however, other alternative explanations of these insignificant relationships.

First, the findings suggest that firms with strong EO appear better able to adapt: are more flexible and well-equipped to create or discover new opportunities despite the conditions, and are hence less influenced by the external institutional environment. This suggestion supports the RBV which emphasises the uniqueness and inimitability of a firm's resources that are the basis for a firms' competitive advantage (Penrose, 1959; Barney, 2001). Apparently, different firms have different expectations about the future value of an opportunity and firms also have different expectations about the future return of their resources invested in the opportunity (Penrose, 1959; Barney, 2001). Therefore, different expectations regarding resources may produce the possibility of a competitive advantage for a firm. In other words, a critical source of competitive advantage of the firm may be the firm's capability to percieve the future value (opportunity) of resources invested (Shane and Venkataraman, 2000). Thus, regardless of the institutional conditions (weak or strong institutional support), firms with high EO are able to discover how to generate value with their resources in ways that firms with low EO are less likely to anticipate (Barney, 2001). Government regulations may be viewed as temporary or unreliable compared with perceived market opportunities.

Relevant to the ideas of differentiation (heterogeneity) in the RBV, the Discovery Theory also asserts that firms are different in their abilities (entrepreneurial alertness) to objective opportunities (Alvarez and Barney, 2007). The Discovery Theory is built on the assumption that opportunities exist as objective phenomena, i.e. in principle opportunities are objective, and thus opportunities are supposed to be available to all and potentially observed by everyone, yet would only be perceived and exploited by only a few (Kirzner, 1973; Shane and Venkataraman, 2000). Hence, they may be differences in the level of entrepreneurial alertness between high and low EO firms. These differences are linked to the differential ability of individuals (founder/owner/entrepreneur) to exploit objective opportunities and their decisions towards opportunities are based on their particular cognitive biases and heuristics (Alvarez and Barney, 2007). Busenitz and Barney (1997) explain that while both high and low EO firms manifest certain biases, that high EO firms are systematically more biased in their decision making. This is because high EO firms are also often known to have a high internal locus of control and self-efficacy which they tend to believe that outcomes of an extent are within their own control and ability (McClelland, 1961, Bandura, 1997). They see that they have the necessary resources, skills and

competencies to attain a certain level of achievement even without external supports. Accordingly, this may explain why high EO firms may see the objective opportunity of support from the institution, but then they are not influenced by it. Additionally, high EO firms may not even see the support from institutions as support but as a restriction and violation of their internal control and constraints.

Another plausible explanation for the finding of an insignificant moderating effect of government regulations on the relationship between EO and international performance may be linked to the perception of firms, particularly firms in developing economies, towards policies and programmes offered by the formal institutions (Tesfom and Lutz, 2008; Shamsuddoha, Ali and Ndubisi, 2009; Freixanet, 2012). It may appear that a lack of the necessary trust and motivation to utilise official support programmes is not due to the SME sector's low awareness of what is available, but to the general nature of such support programmes which are often perceived to either ignore, or be a poor match for, the actual needs and conditions of SMEs (Kotabe and Czinkota; 1992; Cavusgil and Yeoh, 1994; Tesfom and Lutz, 2008). Accordingly, firms may preserve a conservative and cautious attitude towards the usefulness and effectiveness of formal institutional support and may disregard it when making internationalisation decisions.

For instance, Ng and Hamilton (2016) find in their case study that Malaysian firms perceive the government provides only indirect support in the form of information centres, trade fairs and exhibitions. However, financial support provided by the government for international expansion is seldom enough, so firms do not bother trying to utilise the supports provided when they are making decisions on international business activities. This is evident in the reported difficulties of officials from some government Malaysian agencies such as the Malaysian Investment Development Authority and Small and Medium Industries Development Corporation in approaching and working with SMEs, due to SMEs' perception of the likely ineffectiveness of the support services provided (Beng and Lee, 2010).

Apart from perceptions on the usefulness and effectiveness of the support services provided, the insignificant findings may also be due to the unfavourable perception of firms that the government regulations are bureaucratic and cumbersome (Mohd and Mohd, 2010; Durmusoglu et al., 2012; Harun, Mohammad, Mohd and Fawad, 2016). The perception may be a result of the actual experience of a firm or simply of (negative) 'word

of mouth' among firms in the same industry, which discourages access to support provided by government regulations.

In Malaysia, extensive and bureaucratic authoritative procedures present difficulties not only to the administration of social activities but also to the administration of organisations (Dana, 1990; Harun et al., 2016). The Government of Malaysia is divided into State and the Federal levels; hence every institutional procedure has to go through a lengthy process at both levels before final approval is granted (Harun et al., 2016). A study by Daisy, Azura, Lilis and Noor Afiza (2011) reports that the Malaysian SMEs in their study rank the complicated and lengthy procedures to obtain support from Malaysia's institutions as the main reason for not preferring government assistance services. They further explain that financing applications to government-allied SME banks require numerous supporting documents, and loan processing normally takes two to three months longer than commercial banks. This highly bureaucratic and time-consuming application procedure for public support may deter a majority of SMEs, who would rather turn to other more efficient market sources of private support and/or mobilise their own resources (Foziah, Aziz and Sudin, 2006; Daisy et al., 2011). In these cases, public facilities may not be perceived as favourable supports and may be less likely to influence the relationship between EO and international performance.

Moderation effects of government regulations on cultural dimensions - entrepreneurial orientation relationship

The statistical results show that the association between cultural dimensions and EO is significantly improved when the indirect effects of government regulations are introduced. Two of the five sub-hypothesised relationships of moderating effects of government regulations on the relationship between cultural dimensions and EO receive empirical support.

These statistical results provide support for the premise that government regulations moderate the individualism-EO and masculinity-EO relationships, i.e. the individualism-EO and masculinity-EO relationships are enhanced by support from government regulations. These findings provide substantial support for the institutional perspective (North, 1990; 1991, Peng et al., 2008, 2009; Bruton et al., 2010; Szyliowicz and Galvin, 2010) which suggests that behaviours are motivated directly through cultural dimensions and indirectly through the government regulations. Furthermore, the moderating role of government regulations highlights that formal institutions act as a catalyst rather than a

causal agent of EO. In sum, the interaction between cultural dimensions and government regulations has a larger effect than each of the cultural dimensions individually and portrays a fuller understanding of the genesis of EO.

Nevertheless, this study does not find statistical supports for the hypotheses that government regulations moderate the relationship between power distance and EO, uncertainty avoidance and EO, and also the long-term orientation and EO. Some plausible explanations for these unconfirmed relationships are discussed as follows:

Firstly, firms with a culture of high power distance tolerance are likely to see government regulations as some kind of authority, and will be more likely to respect and conform to them, whereas firms with low power distance tolerance may not (Bruton et al., 2010; Saeed et al., 2014). Thus, government regulations may not be regarded as favourable mechanisms for firms with low power distance tolerance. This is because SMEs may be cautious in relation to the usefulness of government regulations due to the perception of such support regulations as being probably associated with stricter rules and procedures (Shane, 1994).

Next, firms with a culture of higher tolerance of uncertainty may be less responsive to the incentives and support offered by the government regulations (Li and Zahra, 2012). This is because uncertainty-accepting firms have a higher tolerance of uncertainty, ambiguity and insecurity (Shane, 1993; Saeed et al., 2014; Engelen et al., 2015). Thus, they may better absorb and respond positively to risky and uncertain situations, and consequently, may be less influenced by the role of government regulations in providing supports and incentives.

Finally, government regulations do not enhance the long-term orientation-EO relationship. One possible reason might be that supports and incentives through government regulations are largely infrequent and short-term, and mostly contribute to short-term prospects via cash flow and net income (Lumpkin et al., 2010). For example, supports through government regulations such as financial aids and subsidies may help firms seizing and acting on an immediate business opportunity and might salvage a company whose short-term survival is in question. However, entrepreneurial activities may require a long-range planning horizon to achieve higher performance such as sales, profitability, and growth.

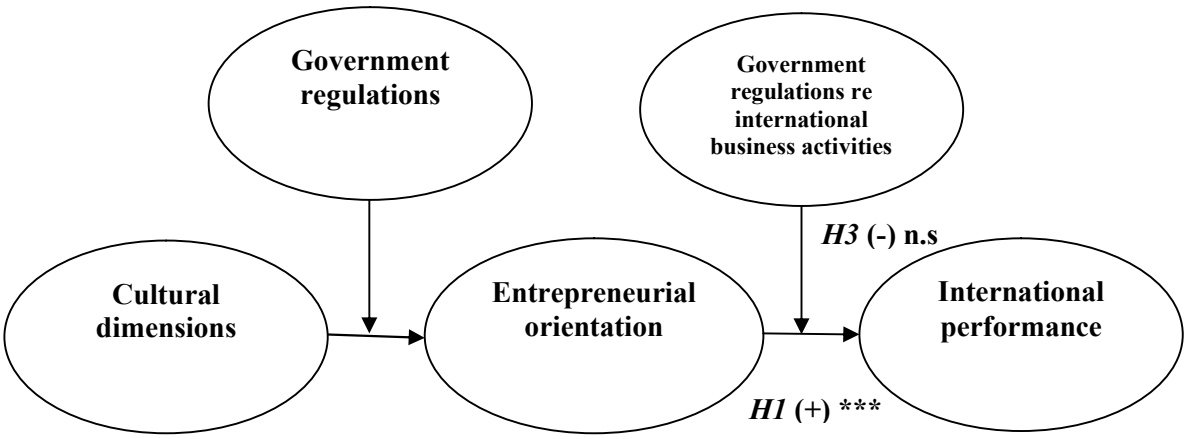
In the Malaysian context, a majority of international business supports and incentives may have a short rather than a long-term basis (MATRADE, 2015). It may be difficult to get long-term support in the form of loans and credit, particularly for SMEs under the so-called 5Cs - capital, character, conditions, capacity and collateral - approach for credit

assessment which is commonly adopted by financial institutions (Mohd and Mohd, 2010; Hasnah, Saniza, Jayaraman and Ishak, 2013). Usually, most of the SMEs in Malaysia face difficulties when dealing with financial capital and collateral (Mohd and Mohd, 2010; Daisy et al., 2011). In a commercial credit assessment, banks require a sufficient capital to ease the gearing ratio and ensure financial viability. The same goes for collateral when it is required as a second guarantee in collecting debts if a business turns bad. For SMEs, it is difficult for them to fulfil both requirements when they generally own few valuable assets and mostly started the business with their own personal savings (Foziah et al., 2006; Mohd and Mohd, 2010). Therefore, SMEs may often disregard complex and arduous State credit procedures when pursuing long-term entrepreneurial goals which often require high capital investment (Daisy et al., 2011; Hasnah et al., 2013).

6.2.4 Summary of key points in discussion

This study introduces the institutional perspective, i.e. cultural dimensions and government regulations, into the explanation of EO as a key factor in firms' international performance. Generally, the results of the statistical analysis support the need to include these theoretical elements. Firstly, the overall model is highly significant and includes all the variables of interest. Secondly, the model is remarkably improved when the indirect effects of government regulations are introduced. Apart from finding a strong significant effect of EO on international performance of SMEs, the most direct effect of cultural dimensions (i.e. individualism, masculinity and uncertainty avoidance) and indirect effects of government regulations are found to be significant as well. In sum, the quantitative analysis confirms the interactive effects of cultural dimensions, government regulations and EO on international performance of firms. The following Figure 6-3 summarises and illustrates the theoretical components for this study and their relationship to the international performance of SMEs, based on the PLS-SEM analysis.

Figure 6-3 A summary of statistical testing results



Source: The author

6.3 Key empirical findings and insights into the research questions

The empirical study, which applied a quantitative research method, fulfils the purpose of generating significant findings for the research topic as discussed in the previous section. The quantitative results enhance the rigorousness of the findings based on the evidence from a large sample, relatively objective statistical analysis, and provide comprehensive answers to address the core three research questions in this study as follows:

Research Question 1: What is the effect of EO on international performance in a given institutional context?

Research Question 1 relates to the effect of EO on international performance in a given institutional context. This is in correspondence with the research aims to integrate the RBV and the institutional perspective to fully capture and reveal the impact of EO – a resource

internal to the firm but influenced by the institutional environment – on the international performance of firms.

Existing research has produced mixed results regarding the entrepreneurial behaviour of SMEs in driving firms' international performance. On the one hand, findings show that there is a strong positive connection between EO and international performance (e.g. Liu et al., 2011; Zhang et al., 2012), while on the other hand, weak or insignificant relationships between the constructs are found (e.g. Kuivalainen, Sundqvist and Servais, 2004; Jantunen, Puumalainen, Saarenketo and Kyläheiko, 2005).

This empirical research lends strong support to the former; more importantly, explicit and fine-grained findings are obtained in association with the influence of specific institutional context on the EO of SMEs in their pursuit of international business development. EO is a critical resource for firms to enhance competitiveness in business development and growth in terms of the international performance of firms. Yet, successful nurturing and manifestation of EO of firms depends on the nature of the external environmental contexts within which the firm is embedded (Miller and Friesen, 1983). Institutional contexts that are considered favourable by the firm will nurture and encourage the manifestation of its EO, and in turn, exercise and facilitate positive impacts on the firms' international performance.

The findings are in line with the premise of the study that the integration of the RBV with the institutional perspective contributes to our understanding of the determinants of EO – a critical resource to firms whose manifestation and strength is influenced by institutional context – which is significant in driving international performance of SMEs.

Research Question 2: What is the effect of cultural dimensions at an individual level on EO?

While *Research Question 1* provides a general discussion on the effects of EO on international performance in a given institutional context*, Research Question 2* and *Research Question 3* address the specific roles of two institutional factors, i.e. cultural dimensions and government regulations, on the EO-international performance relationship (to be discussed).

Placing the EO of the firm at the core of the research, this study investigates the key decision-maker as a principal of a core behavioural aspect – the entrepreneurial behaviour – of a firm in the pursuit of international business (Oviatt and McDougall, 2000;

McDougall and Oviatt, 2005). The importance of the key decision-maker in determining the business direction of SMEs is commonly recognised. The entrepreneurship literature, which emphasises the roles of cultural dimensions and government regulations in examining various facets of entrepreneurship (e.g. entrepreneurial traits, innovation rate, new entry, venture capital activity, etc.) (Shane, 1992, 1993; McGrath et al., 1992; Stephan and Uhlaner, 2010; Li and Zahra, 2012; Muliradharan and Pathak, 2017) provides conceptual insights into this research approach.

This research attempts to associate personal attributes, i.e. cultural dimensions and perception of government regulations, of the key decision-maker with entrepreneurial behaviour at the level of the firm, instead of with entrepreneurial behaviour at the personal level of the key decision-maker. The key-decision maker's cultural characteristics and perception of government regulations on the entrepreneurially-oriented behaviour of SMEs enrich the explanation and enable the prediction of variations in EO of SMEs in affecting international performance.

This empirical study finds that the key decision-maker, who ideally is individualistic, has attributes associated with masculinity and has high tolerance of uncertainty, is a pivotal factor in engendering a strong EO (Shane, 1992; 1993; Mueller and Thomas, 2001; Kreiser et al., 2010; Saeed et al., 2014). The most important insight derived from this study is that to a large extent, the successful development of EO into a capability of a firm is determined by the attitudes and behaviours of its key decision-maker. This is because an organisation's behaviour is built around the actions of people who act on behalf of the organisation, and personal attitudes and behaviours inevitably become involved in business practices (Johannisson, 1988; Jennings and Beaver, 1996; Autio, 2005; Zahra, 2005). This is particularly the case of small firms, in which the key decision-maker, collects, organises and transforms resources into a collective entity and acts based on their perceptions of business opportunities. In this study, it appears that cultural dimensions act as motivational stimulants which influence how the key decision-maker perceive the desirability of an entrepreneurial action and consequently in leading a firm's foreign business development.

In summary, the findings show the direct influence of personal cultural dimensions of the key decision-maker on conditioning the entrepreneurial behaviour of the firm in international business activities.

Research Question 3: What is the role of government regulations in the association between EO and international performance, and in the association between cultural dimensions and EO respectively?

This study examines the moderating role of government regulations on the EO-international performance and cultural dimensions-EO relationships based on the supposition that supportive government regulations towards entrepreneurial and international business activities may present a set of resource opportunities to firms. However, these opportunities would be realised to stimulate a firm's specific strategic behaviours and to strengthen the firm's capabilities in its business activities only if they are recognised and acted upon by the firm's key decision-makers.

The empirical research provides two interesting findings with regards to the moderating roles of government regulations as follows:

i) Government regulations do not significantly moderate the EO-international performance relationship

The findings suggest that EO is positively related to international performance regardless of the level of supports from government regulations pertaining to internationalisation decisions. This surprising finding may need to be interpreted cautiously and may require further investigation to construct fuller and more comprehensive explanations. Nonetheless, there is an important insight that can be drawn from this finding, which reinforces the notion of EO being a differentiator: what makes firms with high EO different than firms with low EO lies in their flexibility and well-equipped inherent characteristics to discover new opportunities which may be weakly influenced by external environmental conditions and are better to adapt regarless the external environmental conditions. Relevant to the findings, a meta-analysis conducted by Saeed et al. (2014) find that the degree of regulatory quality does not facilitate the EO-performance relationship because firms with a high entrepreneurial proclivity are different in their strategies, and are better off in implementing and commercialising risky entrepreneurial endeavours, regardless of high or low levels of regulatory quality.

ii) Government regulations positively moderate the cultural dimensions-EO relationship

This research finds that the relationship between cultural dimensions and EO is strengthened when the moderating effects of government regulations are introduced. The more important insights derived from this finding are the interplay between both

institutional factors (i.e. cultural dimensions and government regulations) has a larger effect on EO than does each factor individually. Most existing studies have examined the influence of institutional factors on EO separately and disregard the fact that firms operate in environments with various institutional factors, and the interplay of these factors affects the strategic behaviour that firms must adopt.

In contrast, this study investigates the interaction between cultural dimensions and government regulations which may enhance EO. As such, the results show that the combinations of i) individualistic culture and government regulations; and ii) masculinity culture and government regulations have an enhancing effect on EO, as the focus of both factors on business opportunities, is the same. Cultural dimensions have an interaction with government regulations (the relationship between the cultural dimensions and EO is moderated by the government regulations); hence, cultural dimensions need to be supported by supportive government regulations in order to enhance the likelihood of generating the desired effect. In this regard, coherent and supportive government regulations will help reinforce the cultural dimensions that are favourable to entrepreneurship, thus, enhance the strength of these cultural dimensions in shaping entrepreneurial behaviours and actions. These findings affirm the idea that whether or not certain cultural dimensions can nourish the development of strong EO depends on appropriate government regulations that legitimise and encourage the pursuit of entrepreneurial opportunity (Reynolds et al., 1999; Lee and Peterson, 2001).

In essence, findings of the associations between the cultural dimensions, government regulations, EO and the firms' international performance correspond with each other to provide solid evidence for the core idea that: i) entrepreneurially-oriented behaviour is significant in driving the international performance of SMEs, and ii) interactions between both institutional factors (i.e. cultural dimensions and government regulations) has a significant and greater effect on EO than does each factor individually.

6.4 Implications of the study

This research claims to have advanced both conceptual and empirical knowledge in internationalisation studies, by investigating the effects of cultural dimensions, government regulations, EO of firms and their interaction in explaining the international performance of SMEs in Malaysia. This study claims to make contributions to knowledge at theoretical, contextual, and methodological levels and has implications for business practitioners and policy-makers.

6.4.1 Theoretical implications

Building on an understanding of the significance of EO as a core element in the broad picture of internationalisation of SMEs (McDougall and Oviatt, 2000; Oviatt and McDougall, 2005), this study focuses on explaining EO as the key construct in a precise causal model pertaining to the international performance of SMEs. The study seeks to enable more precise explanations of EO as a core explanatory influence on the international performance of SMEs, by incorporating the role of cultural dimensions and government regulations on EO, and consequently on the international performance of firms.

This approach prompts the incorporation of the underpinnings of the RBV and the institutional perspective, through which an integrative theoretical foundation is developed to provide better explanations and predictions of the interplay effects among cultural dimensions, government regulations and EO in relation to the firm's international performance. Consequently, this enables a stronger link with the conceptual ideas in the entrepreneurship and strategic management literatures regarding the role of EO on firms' international performance. It also answers the call for a more integrative perspective to comprehend the distinctive phenomenon of the internationalisation of SMEs (McDougall et al., 2003; Rialp et al., 2005; Jones and Coviello, 2005; Lages and Sousa, 2010).

The integration of the RBV and the institutional perspective enables the study to bridge the complementary nature of both perspectives which explain the dynamic interaction between a core firm specific resource, i.e. EO and two institutional factors (cultural dimensions and government regulations) in explaining the international performance of firms. Concurring with the RBV, the key decision-makers of the firm with individual-specific resources facilitate the recognition of new opportunities and at the same time they also have the ability to organise the resources of the firm to create heterogeneous outputs that may differentiate the firm from other competitors in the market (Casson, 1997; Shane and Venkataraman, 2000; Alvarez and Busenitz, 2001).

Nonetheless, whether the firm's inherent resources enable it to achieve its desired performance outcomes also depends on its ability to manage the institutional context effectively (Oliver, 1997). Hence, the institutional context influences the firm's resource decisions, and, in turn, how the firm responds towards the institutional context determines the influence of institutions on the firm's resources and performance. The core idea here is that how a firm responds to the institutional context will result in the firm's sustainable

differences in resources compared with its competitors (Ginsberg, 1994; Oliver, 1997). In this regard, institutional context creates various opportunities or threats which surround the resource decisions of the firm, i.e. how firms respond strategically to these opportunities and threats, and subsequently modify and reconfigure their resource base to achieve higher business development and growth.

The integration of the RBV and the institutional perspective, therefore, offers a fuller explanation of the international performance of SMEs and advances understanding of the importance of EO - a critical resource to firms whose manifestation and strength is influenced by institutional factors - in the internationalisation of firms. This also affirms that institutional factors play a prominent role in the development of a firm's resources and capabilities because firms will continuously make resource decisions in terms of acquisition, modification and reconfiguration. This supports the understanding of Penrose (1959) that the importance of continuously maintaining a firm's existing resources and productive services in protecting competitive advantage. Specifically, institutional factors can be a source of competitive advantage as they establish the boundaries within which firms can be highly innovative, proactive and risk-taking, and consequently achieve higher performance in foreign business activities.

Furthermore, this study builds on the institutional perspective in two ways as follows:

The effects of macro-institutional factors on micro-individual behaviour and actions. While most entrepreneurship and international business research has conceptualised institutions (i.e. cultural dimensions and government regulations) as macro-level variables, this study examines institutional factors based on a micro-perspective reflected through the cognitive schema, interpretations and sense making of individuals, specifically key SME decision-makers (Kostova, 1997; Chrisman et al., 2002). This is because much remains unknown about how institutional factors originating at the macro-level, can lead to micro-level, individual/firm action and outcomes (Wicks, 2001; Meyer and Peng, 2005; Bruton et al., 2010).

Nonetheless, a basic premise in the institutional perspective is that firms are embedded in country-specific institutional arrangements (Kostova, 1997; Busenitz et al., 2000; Bruton and Ahlstrom 2003) and whether these institutional arrangements have an influence on firms largely depends on how firms perceive their institutions, and subsequently respond strategically to the very institutions in which they are embedded (Garud et al., 2007; Renko et al., 2009). March and Olsen (1984) also comment that the influence of institutional

factors and resulting outcomes are the consequence of the perceptions and expectations of individuals in the firms.

In other words, the effects of the institutional context are channelled to a firm through the interpretations of the firm's key individuals (cognitive processes) regarding how the institutions are related to and may affect, the firm, which in turn prompts the responding behaviours of these key individuals. This understanding corroborates social cognitive theory which explains that the environment-behaviour relationship is underpinned by social cognitive variables, which determine what parts of the environment will be perceptually selected, processed, and subsequently attended to in behavioural terms (Bandura, 1986; Renko et al., 2009). Therefore, the macro–micro link in terms of the institutional–individual mindset link proposed in this research advances the understanding of the entrepreneurship phenomenon by explaining how firms perceive and respond to the institutional context within which they are embedded.

The investigation of institutional factors as micro-level variables also confirms that both cultural dimensions and government regulations can be researched at an individual level to examine intra-cultural diversity among respondents within a country and perceptions towards the home country's formal institutions which determine the strategic behaviours and development of the firm, respectively. This approach remedies the unrealistic assumption of homogeneity of cultural attitudes within prior country studies (Shenkar, 2001; Acs et al., 2012; Autio et al., 2013; Beugelsdijk et al., 2017) and provides a clearer link between how government regulations influence key decision-makers' decisions and the firm's strategic choices (Malesky and Taussig, 2009).

Moreover, a focus on institutional factors (based on a micro perspective reflected through the key decision-maker) corresponds to the idea that in the small business context, the key decision-maker is expected to have a substantial role in the development and implementation of the firm's overall strategic behaviours and configurations (Elenkov and Manev, 2005; Roxas and Coexter, 2012). Thus, institutional factors are manifest in the attitudes and behaviours of the key decision-maker and contribute to firms' strategic behaviour which consequently influences the firms' performance. It also lends support to the strategy-manager alignment perspective of strategy development (Hambrick and Mason 1984; Hambrick, 2007), whereby the owner-manager has a substantial role in the formation and implementation of the firm's overall strategic configurations. Additionally, it corresponds with the concept of perceived and enacted environment that suggests it is the

perception of the key decision-maker of the environment elements that matters in the pursuit of entrepreneurially-oriented behaviour (Bourgeois, 1980; Weick, 1988).

The interactive effects of both informal and formal institutions. The extant studies have examined the individual effects of several institutional factors separately, but few have considered the interaction effects of combinations of institutional factors simultaneously (Peng et al., 2008, 2009; Bruton et al., 2010; Engelen et al., 2015). Additionally, researchers suggest that formal and informal institutions should be studied together because both factors have a mutual influence that enhances the likelihood of generating the desired effect (Jackson and Deeg, 2008; Peng et al., 2008, 2009). This research contributes to the institutional perspective of the firm by shedding new light on how the concurrent presence of both formal and informal institutions (represented by cultural dimensions and government regulations respectively) affect a firm's strategic behaviour and subsequently firms' international performance. The findings show that government regulations have positive moderating effects on EO by providing a favourable environment (for example, resource opportunities) that support the pursuit of entrepreneurial opportunity and enable the firm to achieve a higher degree of internationalisation, i.e. international performance in this study.

In reality, firms are often exposed to multiple institutional factors at the same time and the firms are not influenced by any one particular institutional factor at a time but various institutional factors are simultaneously present to jointly influence the firm's behaviours and performance (Oliver, 1997). The incorporation of the interplay between cultural dimensions and government regulations as influences on EO corresponds with the suggestion by Reynolds et al. (1999:43) and Lee and Peterson (2001:7) that the most critical factor for the development of a strong EO is a set of cultural dimensions alongside appropriate government regulations that legitimise and encourage the pursuit of entrepreneurial opportunity. Hence, cultural dimensions act as motivational stimulants that influence the perception and attitude of a firm in perceiving and recognising entrepreneurial opportunities that others may not; and these cultural dimensions need to be supported by favourable government regulations in order to enhance the likelihood of generating the desired effect. In this regard, coherent and supportive government regulations will help reinforce the cultural dimensions that are favourable to entrepreneurship, thus, enhancing the strength of these cultural dimensions in shaping entrepreneurial behaviours and actions.

6.4.2 Contextual implications

This research used a large sample survey to investigate the internationalisation of Malaysia SMEs, which supplemented prior studies that have mainly concentrated on certain countries, particularly developed countries in North America and Europe (Calantone, Kim, Schmidt and Cavusgil, 2006; Katsikeas and Leonidou, 2010; Lages and Sousa, 2010; Griffith and Hoppner, 2013). This research bridges the gap and enriches our understanding of Malaysian SMEs' international performance. The findings provide important contextual implications for Malaysia as well as other developing countries in general and specifically the internationalising "Tiger Cub Economies" (e.g. Philippines, Indonesia, and Vietnam) in the same region. This is important because many of these countries and their firms are increasingly active and are becoming important international market players (Luo and Tung, 2007).

Furthermore, the Government of Malaysia has undergone a series of formal institutional transitions in the previous decades to accelerate the economic and industrial development of the country with the aim to become a fully developed country by the year 2020 (EPU, 2015). This research, therefore, addresses an important current topic in this country's context. In 2010, the Government of Malaysia presented its New Economic Model and the 10th Malaysian Economic Plan to facilitate Malaysia's transition to become a high-income economy by the year 2020 (SME Corp. Malaysia, 2016). This economic model advocates the need to enhance the government's role in the economy as a facilitator and enabler through the provision of different support measures. Furthermore, according to the 2015 *World Bank's Ease of Doing Business* study, Malaysia ranked 18th globally, making it one of only a handful of developing countries in the top 20 that are reported to have the most favourable formal institutional environment for doing business (World Bank, 2016b). Hence, there is obviously a need to see whether and to what extent these measures work and have an impact on business in a specific national context.

Corresponding to the arguments of this study, a macro-level analysis may give a generic and high-level view of the impact and/or association of these institutional measures to the overall national context. However, there is also a need for micro-level empirical data based on firms and entrepreneurs' assessments of the impact of the institutional arrangements. These micro-level data and analyses complement the macro-level ones and enable more specific explanations of how individual firms are affected by institutional factors in this context (Weicks, 2004; Renko et al., 2009). In particular, findings based on the assessment

of the institutional environment by the key decision-makers within firms provide a more concrete, and arguably valid, picture of how institutional arrangements actually affect firms' activities, in this case, their entrepreneurial and international business development.

In addition, this research derives results from firms operating in both traditional as well as knowledge intensive sectors and thus extending the IE field. Most studies in IE deal with the foreign activities of young and small firms that internationalise from their inception (Zahra and George, 2002). While international activities of international new ventures in knowledge intensive sectors have received considerable interest, the IE field may be enriched by studies examining entrepreneurial activities abroad of firms in other sectors and entrepreneurial behaviour among all firms, regardless of the sector (Zahra and George, 2002; Dimitratos and Plakoyiannaki, 2003).

6.4.3 Methodological implications

First, this research takes advantage of the PLS-SEM to validate latent constructs developed from different academic fields, e.g. entrepreneurship (e.g. M/C&S scale), cultural studies (e.g. CVSCALE) and institutional studies (e.g. country institutional profiles). This statistical technique enables the researcher to conduct theory-based measurement assessment, control for measurement error and facilitates simultaneously estimating all relationships in the research model, which increases the reliability and validity of the findings.

Next, this research examines institutional factors through a micro perspective which enables the study to operationalise cultural dimensions at the individual level to examine the influence of the key-decision maker's individual cultural characteristics on the firm's EO. This responds to the call for examining intra-cultural diversity in order to address two major shortcomings of using existing national cultural indices: i) national cultural indices are only valid at a national level (Hofstede, 1980) and the use of national cultural indices to represent managerial attitudes involves the assumption of individual and organisational homogeneity (Shenkar, 2001; McSweeney, 2002; Yoo et al., 2011); and ii) there are validity issues with using country-level predictors to predict individual entrepreneurial behaviours that could mask the effects of individual-level attributes on behaviours (Acs et al., 2012; Autio et al., 2013).

The findings of this research demonstrate that there is a need to account for intra-cultural diversity in a country. This is particularly necessary when a country consists of a heterogeneous population with different cultural backgrounds. In such a multi-cultural society, overall national cultural indices may conceal important variations (Shenkar, 2001; Acs et al., 2012; Autio et al., 2013; Beugelsdijk et al., 2017). In other words, equating the national culture of a country directly with all the citizens of the country would be misleading and unrealistic. In the case of Malaysia, that is well-known to have a multicultural population with different ethnicities, findings do show that only uncertainty avoidance among the five cultural dimensions indicates approximately the same level (refer *Chapter 5* in *Section 5.3.1* - based on the mean values) as Hofstede's national cultural indices for Malaysia. The other four cultural dimensions - power distance tolerance, individualism, masculinity, and long-term orientation - appeared to be somewhat different from Hofstede's (1980) study. Therefore, this research advances on the national cultural indices of Hofstede (1980) which focus only on national country differences by showing the existence of intra-cultural diversity within the country (Triandis, Bontempo, Villareal, Asai and Lucca, 1988; Schwartz, 1992; Shenkar, 2001; Acs et al., 2012; Autio et al., 2013; Beugelsdijk et al., 2017; Devinney and Hohberger, 2017).

6.4.4 Managerial and policy implications

The study proposes three, arguably important, messages to the business practitioners of SMEs who seek to pursue internationalisation. First, business practitioners of SMEs can enhance their international performance by exhibiting EO. Second, key decision-makers' personal cultural characteristics have a direct influence on the business (entrepreneurial) behaviour of SMEs. Third, business practitioners in SMEs can utilise the favourable government regulations to enhance business development and growth.

Practitioners in SMEs may be alerted to the importance of EO in improving international performance. International performance is driven by key decision-makers' orientation towards introducing new products, taking a proactive competitive stance and a willingness to take risks. However, greater EO of course comes at a cost in terms of time, money and other resources.

The development of entrepreneurially-oriented behaviour as a key capability of the firm is, to a large extent, determined by the attitudes and behaviours of its key decision-makers (Manolova et al., 2002; Weaver et al., 2002, Lumpkin and Erdogan, 2004; Joardar and Wu, 2011). Opportunity recognition by key decision-makers may indeed be influenced to some

extent by culture-bound values (Powell and DiMaggio, 1991, Scott, 1995; Maznevski et al., 2002; Yoo et al., 2013) but individuals may not be bound by national cultural dimensions (i.e. low power distance tolerance, low avoidance of uncertainty, and masculine, individualistic, and future-oriented attitudes). Therefore, key decision-makers may need to be alert to the need for cultural and behavioural adaptation and adjustment at an individual as well as at a firm level (Kreiser et al., 2010; Peng and Meyer, 2016).

Finally, resource constraints have often been a major barrier to the business development of SMEs (Lu and Beamish, 2001, 2006a, 2006b; Leonidou, 2004), so it seems important for SMEs to be aware of public supports that are available to ease these constraints. However, it is recognised that the perceptions of key decision-makers may deter the use of government support programs because some are perceived as being not relevant, or helpful yet involving costly application processes (Tesfom and Lutz, 2008; Daisy et al., 2011; Durmusoglu et al., 2012). It is, therefore, suggested generally that practitioners may take a more active approach to evaluating the usefulness of government support on offer.

Besides implications for practitioners, policy-makers may learn from the finding that perceptions of government regulations could have important implications for the design and implementation of entrepreneurship programs. Support programmes and policies are often designed from the policy-makers' point of view and may not have a thorough understanding of the real business situations experienced by their targeted users (OECD, 2000; Moran and Cooney, 2004). For example, a study by Moran and Cooney (2004) reveals that firms may perceive that support programmes may be too generic. Consultation/dialogue between SMEs and policy-makers may determine the actual needs of SMEs and their perception towards the current business policies and programmes provided (Gnyawali and Fogel, 1994; Moran and Cooney, 2004; Cooney, 2012).

The main implications of the study according to aforementioned categories are summarised in Table 6-1 as follows:

Table 6-1 Summary of main implications of the study

Theoretical implications

- *It advances an integrative conceptual framework*, which incorporates the underpinnings of the RBV and the institutional perspective, to portray a fuller view pertaining to the international performance of firms.
- *It enriches knowledge on the effects of macro-institutional factors on micro-individual behaviour and actions*, i.e. the study examines the effects or influences of the institutional factors on firms through the perceptions of individual actors because their influence on firms largely depends on how individuals within firms perceive their institutions and subsequently respond strategically to the institutional context in which they are embedded.
- *It enriches knowledge on the interactive effects of both informal and formal institutions* represented respectively by cultural dimensions and government regulations. These two factors have primarily been studied as two separate independent variables in extant EO research. Given that firms are often exposed to multiple institutional factors at the same time, hence, institutional factors are simultaneously present to jointly influence firms' behaviours and actions.

Contextual implications

- *It enriches existing knowledge of the internationalisation of SMEs* by using a large sample survey to investigate internationalisation from a developing country context, i.e. Malaysia, which supplements prior studies that have mainly concentrated on firms from developed country contexts, e.g. North America and Europe.
- *It expands the IE field* by focusing on firms operating in both traditional as well as knowledge intensive sectors, while previous studies have often focused only on knowledge intensive sectors.

Methodological implications

- *It validates the latent constructs* developed from different academic fields, e.g. entrepreneurship (e.g. M/C&S scale), cultural studies (e.g. CVSCALE) and institutional studies (e.g. country institutional profiles) by using a robust statistical technique: PLS-SEM.
- *It demonstrates there is a need to account for intra-cultural diversity in a country and advances Hofstede's (1980) national cultural indices* by operationalising cultural dimensions at the individual level to examine the influence of the key-decision maker's individual cultural characteristics on the firm's EO.

Practical implications

- *It provides awareness of the possible efforts at the level of the firm to leverage entrepreneurial behaviour* to enhance their international performance.
- *It demonstrates the influence of the key-decision maker on the entrepreneurially-oriented behaviour of SMEs* which could encourage proactive efforts by firms to cultivate entrepreneurially-oriented behaviour effectively in order to promote international development of SMEs.
- *It provides awareness of the possible efforts at the level of the firm to utilise supportive government regulations* to ease firms' inherent resource constraints.
- *It demonstrates that the key decision-makers' perceptions of government regulations* could influence the design and implementation of entrepreneurship programs.

6.5 Limitations and directions for future research

While the researcher has made various attempts and used different measures to ensure the robustness of the research and the validity of its findings, the study has a number of limitations which may provide the basis for refining future research.

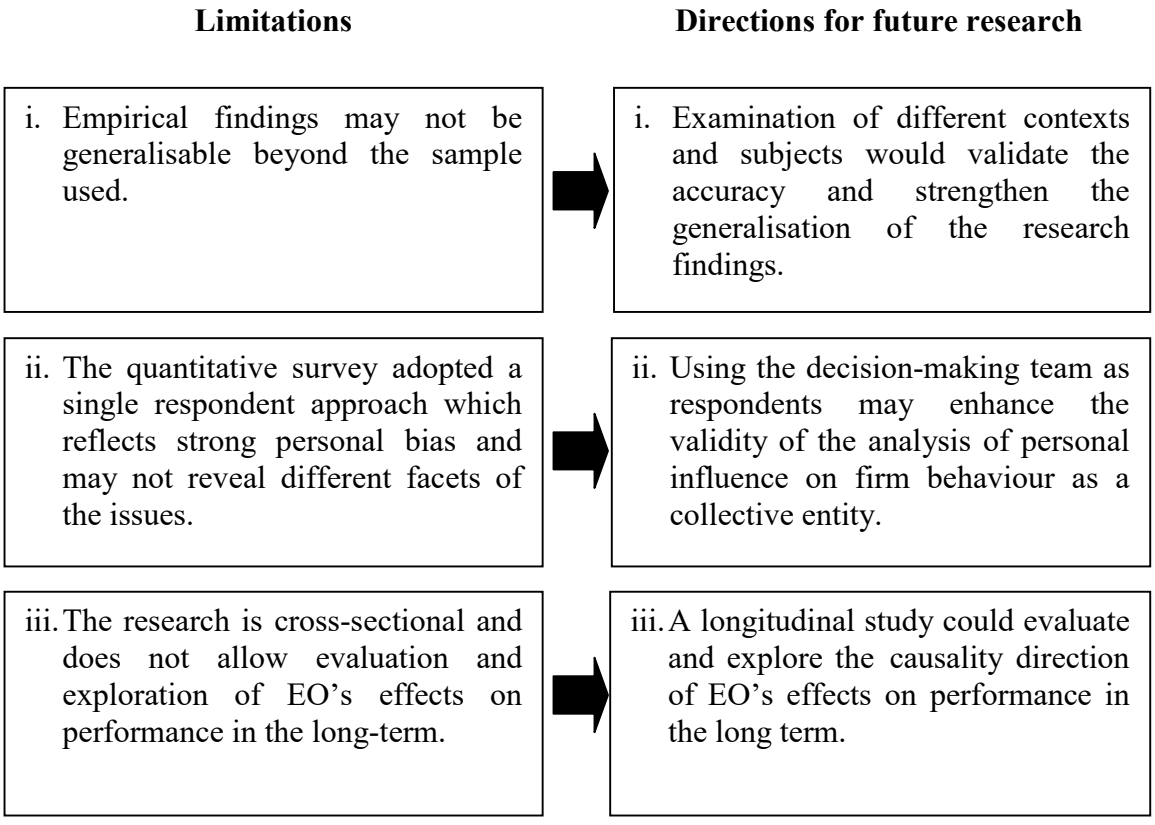
To begin with, this research examines and lends support to the effect of a new research model incorporating cultural dimensions, government regulations, EO and their interactions in explaining the international performance of SMEs in Malaysia settings. Malaysia shares many characteristics with other developing economies countries and, therefore, offers a rich context to test the impacts of the model from a developing economy perspective. Nevertheless, other developing countries may possess unique and varied contextual elements that allow for additional insights and theory development. Hence, it may limit the generalisability of these research findings. Although theoretical reasoning for including these elements is likely to be universal (Wiklund and Shepherd, 2005; Wales et al., 2013), it is important to examine the research model in other contextual settings or by studying different subjects, for instance, firms from different countries or multinationals and/or new ventures rather than SMEs. By replicating the research in different contexts or subjects in future studies, empirical data from larger samples can be collected to strengthen the generalisation of the research findings.

Second, the quantitative survey in this study adopted a single respondent approach whereby information was collected from one key informant in each company. Using a single key informant for data collection is common in small business research, not only because the decision-making in smaller firms is often controlled by very few key persons (usually the founder/owner), but also because in practice it is difficult to request and gain access to all key people in smaller firms which constantly suffer from insufficient slack resources (Zhou et al., 2007; Batra and Gupta, 2015). However, Hambrick and Mason (1984) assert the importance of the top management team in making strategic choices and decisions. The influence of individual key decision-maker(s) on the collective organisational entity may vary because of their different personal attributes and responsibilities in the organisation (Hambrick, Cho and Chen, 1996). For future studies, researchers could use the decision-making team as respondents to capture more accurate evaluations of the situation and potential dynamical interactions among decision-makers in their actions and decisions with regards to international business activities. The multiple informant approaches may enhance the validity of the analysis of personal influence on firm behaviour as a collective entity (McDougall et al., 2003).

Third, this study undertook a cross-sectional approach to data collection, and thereby the relationship tested in this research represents a snapshot at one time. Although it is likely that the conditions under which the data collected will remain essentially the same, there are no guarantees that this will be the case (Jantunen et al., 2005). Furthermore, EO may have further implications on performance in the long-term (Zahra, 1991), but as this is not a longitudinal study, this research is unable to evaluate and explore its effects. Future studies might assess the relationship between EO and international performance at different points or in a longitudinal framework.

The limitations and directions for future research are summarised in the following Figure 6-4.

Figure 6-4 Summary of limitations and directions for future research



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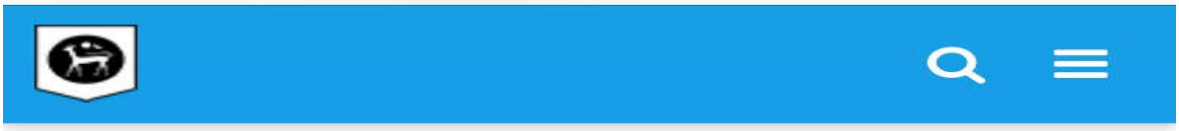
APPENDIX 1: CURRENCY EXCHANGE RATE



	USD	GBP	EUR	JPY100	CHF
1/3/2017	4.4475	5.5022	4.6961	3.9225	4.4122
2/3/2017	4.4500	5.4648	4.6867	3.9057	4.4042
3/3/2017	4.4555	5.4678	4.6876	3.9037	4.3998
6/3/2017	4.4520	5.4693	4.7216	3.9106	4.4143
7/3/2017	4.4520	5.4510	4.7140	3.9078	4.4025
8/3/2017	4.4490	5.4318	4.7008	3.9134	4.3902
9/3/2017	4.4595	5.4219	4.6961	3.8966	4.3908
10/3/2017	4.4575	5.4210	4.7227	3.8695	4.4051
13/3/2017	4.4465	5.4149	4.7564	3.8724	4.4084
14/3/2017	4.4480	5.4281	4.7389	3.8744	4.4142
15/3/2017	4.4510	5.4140	4.7250	3.8757	4.4102
16/3/2017	4.4380	5.4432	4.7582	3.9117	4.4369
17/3/2017	4.4420	5.4872	4.7851	3.9152	4.4574
20/3/2017	4.4325	5.4892	4.7694	3.9390	4.4483
21/3/2017	4.4290	5.4767	4.7636	3.9285	4.4345
22/3/2017	4.4310	5.5272	4.7828	3.9683	4.4562
23/3/2017	4.4310	5.5317	4.7815	3.9785	4.4638
24/3/2017	4.4300	5.5335	4.7704	3.9804	4.4502
27/3/2017	4.4145	5.5303	4.7880	4.0003	4.4690
28/3/2017	4.4175	5.5515	4.7985	3.9943	4.4825
29/3/2017	4.4220	5.4895	4.7831	3.9757	4.4563
30/3/2017	4.4225	5.5038	4.7549	3.9744	4.4331
31/3/2017	4.4265	5.5267	4.7257	3.9496	4.4210

Source: Central Bank of Malaysia (2017). Retrieved from http://www.bnm.gov.my/index.php?ch=statistic&pg=stats_exchangerates&lang=en&StartMth=3&StartYr=2017&EndMth=3&EndYr=2017&sess_time=1200&pricetype=Mid&unit=rm

APPENDIX 2: SUMMARY OF INTERNATIONAL PERFORMANCE STUDIES

Study	Sample size	Independent and interacting variable(s)	Dependent variable	Methodology
Atuahene-Gima (1995)	275	Firm size, international competence, international orientation, firm technology	Export performance	Discriminant regression
Autio et al. (2000)	59	Knowledge intensity, age at entry, technology knowledge	Internationalisation (growth in sales)	Regressions
Balabanis and Katsikea (2003)	82	EO, turbulence in external environment*	Export performance	Path analysis
Beamish et al. (1993)	197	Export market competitiveness*	Export performance	Correlations
Brouthers and Nakos (2004)	209	Asset specificity, behavioural uncertainties and environmental uncertainties*	International mode choice and performance	Two-stage analytical method
Brouthers and Nakos (2005)	112	Systematic international market selection	Export performance and international sales growth	Hierarchical regression analysis
Brouthers et al. (2009)	202	Learning capabilities	Export performance	Multiple regressions
Brouthers et al. (2015)	162	EO, research alliances, joint marketing alliances	International performance	Hierarchical regression analyses
Cavusgil and Kirpalani (1993)	130	Industry's technology intensity*	Export performance	Chi-square
Crick and Jones (2000)	10	International orientation, distribution channel relationship, management's international experience, firm capabilities	Export performance	Interviews
Czinkota and Ursic (1991)	174	Management's experience, perceived export advantages, perceived export barriers	Export performance	ANOVA

Dhanaraj and Beamish (2003)	89	Firm size, technology intensity, degree of internationalisation	Export performance	Multiple group analysis (LISREL)
Dimitratos et al. (2004)	112	Entrepreneurship, environmental context*	International performance	Moderated hierarchical regressions
Durmusoglu et al. (2012)	143	Home country export promotion*	Export performance	MANOVA
Estrin, Meyer, Wright and Foliano (2008)	494	Host country institutional environment*	Export intensity	Two stage regression model
Kaynak and Kuan (1993)	154	Foreign market environment*	Export performance	Discriminant analysis
Keeble, Lawson, Lawton Smith, Moore and Wilkinson (1998)	100	Firm's size, firm's age, firm's technology, industry technology intensity*, domestic regional cluster*, supply chain links, firm capabilities	International performance	Chi-square
Knight and Cavusgil (2004)	203	International EO and international market orientation	International performance	Path analysis (LISREL)
Lages and Montgomery (2005)	519	Export assistance, export market competition*	Export performance	SEM
McAuley (1999)	15	Export planning, product strengths, distribution channel relationships, industry technology intensity*	Internationalisation success	Multiple regression
O'Farrell, Wood and Zheng (1998)	502	Firm's size, firm's age, technology intensity*, foreign market competitiveness and attractiveness*, market barriers*, domestic market conditions and regional clusters*	Export performance	Chi-sqaure
Pla-Barber and Alegre (2007)	121	Innovation and firm size	Export intensity	SEM (EQS)
Singh (2009)	47,140	Firm size, research and development expenditure, advertising expenditure and	Export performance	Two-stage least square estimation

		business group affiliation		
Stoian et al. (2017)	251	Inter-organisational networks*	International performance	Network theory
Stoian, Rialp and Rialp (2011)	146	International experience	Export performance	Regression and factor analysis
Thanos et al. (2016)	208	International EO	International performance	Hierarchical moderated regression analysis
Zhou et al. (2007)	129	Networks*	International performance	SEM (AMOS)
Zhou et al. (2012)	300	Marketing capabilities, learning capabilities	International performance	Regressions

Note: *external-environment factors

APPENDIX 3: HARMAN'S SINGLE FACTOR TEST RESULTS

Total Variance Explained						
Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.750	48.212	48.212	6.750	48.212	48.212
2	3.014	21.528	69.741			
3	1.423	10.162	79.902			
4	.899	6.420	86.322			
5	.680	4.858	91.179			
6	.466	3.326	94.505			
7	.363	2.593	97.098			
8	.305	2.179	99.277			
9	.048	.344	99.621			
10	.028	.199	99.821			
11	.014	.102	99.923			
12	.006	.043	99.966			
13	.004	.026	99.992			
14	.001	.008	100.000			

Extraction Method: Principal Component Analysis.

APPENDIX 4: RESEARCH QUESTIONNAIRE (POSTAL VERSION)

University of Glasgow

College of Social Sciences

Plain Language Statement

Title of Project: The effects of cultural dimensions, government regulations and entrepreneurial orientation on firms' international performance: A study of SMEs in Malaysia

Researcher: Chew Tze Cheng
Adam Smith Business School, University of Glasgow
Phone: +441412112138
Email: t.chew.1@research.gla.ac.uk

Primary supervisor: Professor Pavlos Dimitratos
Adam Smith Business School, University of Glasgow
Phone: +441413302760
Email: pavlos.dimitratos@glasgow.ac.uk

You are being invited to take part in a research study for which is part of fulfilment to the researcher Doctor of Philosophy in Business and Management degree. Before you decide to participate, 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 the researcher 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 influences of cultural dimensions and government regulations in terms of entrepreneurial characteristics among Malaysian Small and Medium Enterprises (SMEs) on international performance. The findings from this study can have profound implications for research, practice and policy making. You have been chosen because you fall into the criteria (i.e. A Malaysian SME and involved in

international business activities) for this project and the data to be collected from your firm is invaluable to our study.

The study is based on a fully structured, self-administered survey of each firm's founder or a senior manager possessing the best information and knowledge of the firm's operations, which should take no longer than 30 minutes. Participation in the study is completely voluntary and all results are strictly confidential. No one other than the researcher and her 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. All information will be analysed for the purpose of this study and will be stored securely and confidentially for comparison purposed for future studies.

This study has been approved by the ethics committee of the College of Social Sciences at the University of Glasgow. If you have any concerns regarding the conduct of the research project, you could contact the College of Social Sciences Ethics Officer, Dr Muir Houston, email at Muir.Houston@glasgow.ac.uk.

Thank you for reading this document.

Section 1: Entrepreneurial and Business Profiles

This section requests for general information about you and your company. Please fill in the required information in the spaces provided. Please tick ☑ in the box only **ONCE** after each corresponding item.

1.1 Your position in the company

Owner ☐ General Manager ☐

Other (please specify) _____

1.2 Ethnic group

Malay ☐ India ☐

Chinese ☐ Other (please specify) _____

1.3 Year of company establishment: _____

1.4 Current number of full time (or FTE) staff: _____

1.5 Main business activities: Manufacturing ☐ Service (including trading) ☐

1.6 Main product/service line:_____

1.7 Ownership type:

Sole proprietor ☐ Partnership ☐ Public Listed ☐

Limited Liability Company ☐ Joint Stock Company ☐

Section 2: Degree of Foreign Activities of the Company

2.1 The **YEAR** the company **STARTED** foreign business activity: _____

2.2 Please indicate the extent of **Foreign Business Activities** of the company to date (☑ ALL that apply)

2.2.1 Direct export of products and/or services ☐

2.2.2 Licensing and/or Franchising abroad ☐

2.2.3 Outsourcing and/or Subcontracting business activities abroad ☐

2.2.4 Collaborations and/or Partnerships (e. g. joint venture, alliance) abroad ☐

2.2.5 Wholly-owned operations (e. g. office, factory, research centre) abroad ☐

2.2.6 Other, *please specify*: _____

2.3 Please indicate the **Foreign Countries** in which the company has business activities:_____

2.4 Please indicate the approximate **% of Foreign Sales to Total Sales**: _____

2.5 Please specify the **Foreign Business Activities** of the company to date.

(☑ ALL that apply)

Sales and Marketing ☐ Research and Development ☐ Manufacturing ☐

Other, *please specify*: _____

2.6 Please **rate your company performance in comparison with direct key competitors** regarding the following aspects of foreign business activities.

		Strongly dissatisfied						**Strongly satisfied**
2.6.1	Foreign business sales	1	2	3	4	5	6	7
2.6.2	Foreign business growth	1	2	3	4	5	6	7
2.6.3	Foreign business profitability	1	2	3	4	5	6	7
2.6.4	Overall performance in foreign business activities	1	2	3	4	5	6	7

Section 3: Cultural dimensions

Using the following scale: 1 = Strongly disagree, 2 = Disagree, 3 = Slightly disagree, 4 = Neither agree nor disagree, 5 = Slightly agree, 6 = Agree and 7 = Strongly agree, please circle **ONE** answer only that best describes your opinion relating to each statement.

		Strongly disagree	.....					Strongly agree
3.1	People in higher positions should make most decisions without consulting the people in lower positions	1	2	3	4	5	6	7
3.2	People in higher positions should not ask the opinions of people in lower positions too frequently	1	2	3	4	5	6	7
3.3	People in higher positions should avoid social interaction with people in lower positions	1	2	3	4	5	6	7
3.4	People in lower positions should not disagree with decisions by people in higher positions	1	2	3	4	5	6	7
3.5	People in higher positions should not delegate important tasks to people in lower positions	1	2	3	4	5	6	7
3.6	Individuals should sacrifice self-interest for the group (either at school or the workplace)	1	2	3	4	5	6	7
3.7	Individuals should stick with the group even through difficulties	1	2	3	4	5	6	7

3.8	Group welfare is more important than individual rewards	1	2	3	4	5	6	7
3.9	Group's success is more important than individual success	1	2	3	4	5	6	7
3.10	Individuals should only pursue their goals after considering the welfare of the group	1	2	3	4	5	6	7
3.11	Group loyalty should be encouraged even if individual goals suffer	1	2	3	4	5	6	7
3.12	It is more important for men to have a professional career than it is for women	1	2	3	4	5	6	7
3.13	Men usually solve problems with logical analysis; women usually solve problems with intuition	1	2	3	4	5	6	7
3.14	Solving difficult problems usually require an active, forcible approach, which is typical of men	1	2	3	4	5	6	7
3.15	There are some jobs that a man can always do better than a woman	1	2	3	4	5	6	7
3.16	It is important to have instructions spelled out in detail so that I always know what I'm expected to do	1	2	3	4	5	6	7
3.17	It is important to closely follow instructions and procedures	1	2	3	4	5	6	7
3.18	Rules and regulations are important because they inform me of what is expected of me	1	2	3	4	5	6	7
3.19	Standardized work procedures are helpful	1	2	3	4	5	6	7
3.20	Instructions for operations are important	1	2	3	4	5	6	7
3.21	Careful management of money is important	1	2	3	4	5	6	7
3.22	It is important to go on resolutely even when there is opposition	1	2	3	4	5	6	7
3.23	Personal steadiness and stability are important	1	2	3	4	5	6	7
3.24	It is important to plan for the long-term	1	2	3	4	5	6	7
3.25	Giving up today's fun for success in the future is important	1	2	3	4	5	6	7
3.26	It is important to work hard for success in the future.	1	2	3	4	5	6	7

Section 4: Government regulations in encouraging entrepreneurship

Think of the country in which you live and tell us the extent to which you agree with the following statements using the scale: 1 = Strongly disagree, 2 = Disagree, 3 = Slightly disagree, 4 = Neither agree nor disagree, 5 = Slightly agree, 6 = Agree and 7 = Strongly agree. Please circle **ONE** answer only for each of the statements.

		Strongly disagree	.....					Strongly agree
4.1	Government organizations in this country assist individuals with starting their own business.	1	2	3	4	5	6	7
4.2	The government sets aside government contracts for new and small businesses.	1	2	3	4	5	6	7
4.3	Local and national governments have special support available for individuals who want to start a new business.	1	2	3	4	5	6	7
4.4	The government sponsors organizations that help new businesses develop.	1	2	3	4	5	6	7
4.5	Even after failing in an earlier business, the government assists entrepreneurs in starting again.	1	2	3	4	5	6	7

Section 5: Entrepreneurial Orientation

Please indicate the extent of your agreement with each of the following statements using the scale: 1 = Strongly disagree, 2 = Disagree, 3 = Slightly disagree, 4 = Neither agree nor disagree, 5 = Slightly agree, 6 = Agree and 7 = Strongly agree. Please circle **ONE** answer only for each of the statements

		Strongly disagree	.....					Strongly agree
5.1	My company favours a strong emphasis on research, development, and innovation of products and technologies.	1	2	3	4	5	6	7
5.2	During the past 5 years, my company has entered new businesses and marketed new products.	1	2	3	4	5	6	7
5.3	My company usually makes significant changes in its lines of products or services.	1	2	3	4	5	6	7
5.4	In dealing with its competitors, my company typically responds to actions that competitors initiate and rarely initiates actions in the sector.	1	2	3	4	5	6	7

5.5	My company is usually the first one to introduce new products or services, administrative techniques, operating technologies, etc.	1	2	3	4	5	6	7
5.6	My company typically seeks to avoid competitive clashes, preferring a "live-and-let live" posture.	1	2	3	4	5	6	7
5.7	My company has a strong proclivity for high-risk projects with chances of very high returns.	1	2	3	4	5	6	7
5.8	Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behaviour.	1	2	3	4	5	6	7
5.9	When my company has to make a decision with a certain degree of uncertainty, it typically adopts a conservative posture with the aim to minimize the risk of making a mistake.	1	2	3	4	5	6	7

Section 6: Government regulations in supporting foreign business activities

Think of the country in which you live and tell us the extent to which you agree with the following statements using the scale: 1 = Strongly disagree, 2 = Disagree, 3 = Slightly disagree, 4 = Neither agree nor disagree, 5 = Slightly agree, 6 = Agree and 7 = Strongly agree. Please circle **ONE** answer only for each of the statements.

		Strongly disagree	…….					Strongly agree
6.1	Government organizations in this country assist SMEs in foreign business activities.	1	2	3	4	5	6	7
6.2	The government provides financial aids to help SMEs in expanding their business in foreign markets.	1	2	3	4	5	6	7
6.3	Local and national governments have special support available for SMEs that want to expand into foreign markets.	1	2	3	4	5	6	7
6.4	The government provides support programs for SMEs willing to internationalise.	1	2	3	4	5	6	7
6.5	The government assists SMEs in starting foreign business activities, even if they failed previously.	1	2	3	4	5	6	7

END OF SURVEY-THANK YOU

APPENDIX 5: RESEARCH QUESTIONNAIRE (E-MAIL/ELECTRONIC VERSION)

University of Glasgow
College of Social Sciences

Plain Language Statement

Title of Project: The effects of cultural dimensions, government regulations and entrepreneurial orientation on firms' international performance: A study of SMEs in Malaysia

Researcher: Chew Tze Cheng
Adam Smith Business School, University of Glasgow
Phone: +441412112138
Email: t.chew.1@research.gla.ac.uk

Primary supervisor: Professor Pavlos Dimitratos
Adam Smith Business School, University of Glasgow
Phone: +441413302760
Email: pavlos.dimitratos@glasgow.ac.uk

You are being invited to take part in a research study for which is part of fulfilment to the researcher Doctor of Philosophy in Business and Management degree. Before you decide to participate, 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 the researcher 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 influences of cultural dimensions and government regulations in terms of entrepreneurial characteristics among Malaysian Small and Medium Enterprises (SMEs) on international performance. The findings from this study can have profound implications for research, practice and policy making. You have been chosen because you fall into the criteria (i.e. A Malaysian SME and involved in

international business activities) for this project and the data to be collected from your firm is invaluable to our study.

The study is based on a fully structured, self-administered survey of each firm's founder or a senior manager possessing the best information and knowledge of the firm's operations, which should take no longer than 30 minutes. Participation in the study is completely voluntary and all results are strictly confidential. No one other than the researcher and her 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. All information will be analysed for the purpose of this study and will be stored securely and confidentially for comparison purposed for future studies.

This study has been approved by the ethics committee of the College of Social Sciences at the University of Glasgow. If you have any concerns regarding the conduct of the research project, you could contact the College of Social Sciences Ethics Officer, Dr Muir Houston, email at Muir.Houston@glasgow.ac.uk.

Thank you for reading this document.

Section 1: Entrepreneurial and Business Profiles

This section requests for general information about you and your company. Please fill in the required information in the spaces provided. Please tick ☑ in the box only **ONCE** after each corresponding item.

1.1 Your position in the company

Owner ☐ General Manager ☐

Other (please specify) _____

1.2 Ethnic group

Malay ☐ India ☐

Chinese ☐ Other (please specify) _____

1.3 Year of company establishment: _____

1.4 Current number of full time (or FTE) staff: _____

1.5 Main business activities: Manufacturing ☐ Service (including trading) ☐

1.6 Main product/service line:_____

1.7 Ownership type:

Sole proprietor ☐ Partnership ☐ Public Listed ☐

Limited Liability Company ☐ Joint Stock Company ☐

Section 2: Degree of Foreign Activities of the Company

2.1 The **YEAR** the company **STARTED** foreign business activity: _____

2.2 Please indicate the extent of **Foreign Business Activities** of the company to date (☑ ALL that apply)

2.2.1 Direct export of products and/or services ☐

2.2.2 Licensing and/or Franchising abroad ☐

2.2.3 Outsourcing and/or Subcontracting business activities abroad ☐

2.2.4 Collaborations and/or Partnerships (e. g. joint venture, alliance) abroad ☐

2.2.5 Wholly-owned operations (e. g. office, factory, research centre) abroad ☐

2.2.6 Other, *please specify*: _____

2.3 Please indicate the **Foreign Countries** in which the company has business activities:_____

2.4 Please indicate the approximate **% of Foreign Sales to Total Sales**: _____

2.5 Please specify the **Foreign Business Activities** of the company to date.

(☑ ALL that apply)

Sales and Marketing ☐ Research and Development ☐ Manufacturing ☐

Other, *please specify*: _____

2.6 Please **rate your company performance in comparison with direct key competitors** regarding the following aspects of foreign business activities. Please choose **ONE** that applies. (1 = Strongly dissatisfied, 4 = Neither satisfied or dissatisfied, 7 = Strongly satisfied)

2.6.1 Foreign business sales

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

2.6.2 Foreign business growth

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

2.6.3 Foreign business profitability

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

2.6.4 Overall performance in foreign business activities

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

Section 3: Cultural dimensions

Using the following scale: 1 = Strongly disagree, 2 = Disagree, 3 = Slightly disagree, 4 = Neither agree nor disagree, 5 = Slightly agree, 6 = Agree and 7 = Strongly agree, please tick **ONE** answer only that best describes your opinion relating to each statement.

3.1 People in higher positions should make most decisions without consulting the people in lower positions

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.2 People in higher positions should not ask the opinions of people in lower positions too frequently

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.3 People in higher positions should avoid social interaction with people in lower positions.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.4 People in lower positions should not disagree with decisions by people in higher positions.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.5 People in higher positions should not delegate important tasks to people in lower positions.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.6 Individuals should sacrifice self-interest for the group (either at school or the workplace).

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.7 Individuals should stick with the group even through difficulties.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.8 Group welfare is more important than individual rewards

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.9 Group's success is more important than individual success

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.10 Individuals should only pursue their goals after considering the welfare of the group

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.11 Group loyalty should be encouraged even if individual goals suffer

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.12 It is more important for men to have a professional career than it is for women

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.13 Men usually solve problems with logical analysis; women usually solve problems with intuition

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.14 Solving difficult problems usually require an active, forcible approach, which is typical of men

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.15 There are some jobs that a man can always do better than a woman

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.16 It is important to have instructions spelled out in detail so that I always know what I'm expected to do

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.17 It is important to closely follow instructions and procedures

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.18 Rules and regulations are important because they inform me of what is expected of me

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.19 Standardized work procedures are helpful

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.20 Instructions for operations are important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.21 Careful management of money is important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.22 It is important to go on resolutely even when there is opposition

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.23 Personal steadiness and stability are important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.24 It is important to plan for the long-term

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.25 Giving up today's fun for success in the future is important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

3.26 It is important to work hard for success in the future.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

Section 4: Government regulations in encouraging entrepreneurship

Think of the country in which you live and tell us the extent to which you agree with the following statements using the scale: 1 = Strongly disagree, 2 = Disagree, 3 = Slightly disagree, 4 = Neither agree nor disagree, 5 = Slightly agree, 6 = Agree and 7 = Strongly agree. Please choose **ONE** answer only for each of the statements.

4.1 Government organisations in this country assist individuals with starting their own business.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

4.2 The government sets aside government contracts for new and small businesses.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

4.3 Local and national governments have special support available for individuals who want to start a new business.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

4.4 The government sponsors organisations that help new businesses develop.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

4.5 Even after failing in an earlier business, the government assists entrepreneurs in starting again.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

Section 5: Entrepreneurial Orientation

Please indicate the extent of your agreement with each of the following statements using the scale: 1 = Strongly disagree, 2 = Disagree, 3 = Slightly disagree, 4 = Neither agree nor disagree, 5 = Slightly agree, 6 = Agree and 7 = Strongly agree. Please choose **ONE** answer only for each of the statements.

5.1 My company favours a strong emphasis on research, development, and innovation of products and technologies.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

5.2 During the past 5 years, my company has entered new businesses and marketed new products.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

5.3 My company usually makes significant changes in its lines of products or services.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

5.4 In dealing with its competitors, my company typically responds to actions that competitors initiate and rarely initiates actions in the sector.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

5.5 My company is usually the first one to introduce new products or services, administrative techniques, operating technologies, etc.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

5.6 My company typically seeks to avoid competitive clashes, preferring a "live-and-let live" posture.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

5.7 My company has a strong proclivity for high-risk projects with chances of very high returns.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

5.8 Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behaviour.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

5.9 When my company has to make a decision with a certain degree of uncertainty, it typically adopts a conservative posture with the aim to minimize the risk of making a mistake.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

Section 6: Government regulations in supporting foreign business activities

Think of the country in which you live and tell us the extent to which you agree with the following statements using the scale: 1 = Strongly disagree, 2 = Disagree, 3 = Slightly disagree, 4 = Neither agree nor disagree, 5 = Slightly agree, 6 = Agree and 7 = Strongly agree. Please tick **ONE** answer only for each of the statements.

6.1 Government organisations in this country assist SMEs in foreign business activities.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

6.2 The government provides financial aids to help SMEs in expanding their business in foreign markets.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

6.3 Local and national governments have special support available for SMEs that want to expand into foreign markets.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

6.4 The government provides support programs for SMEs willing to internationalise.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

6.5 The government assists SMEs in starting foreign business activities, even if they failed previously.

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

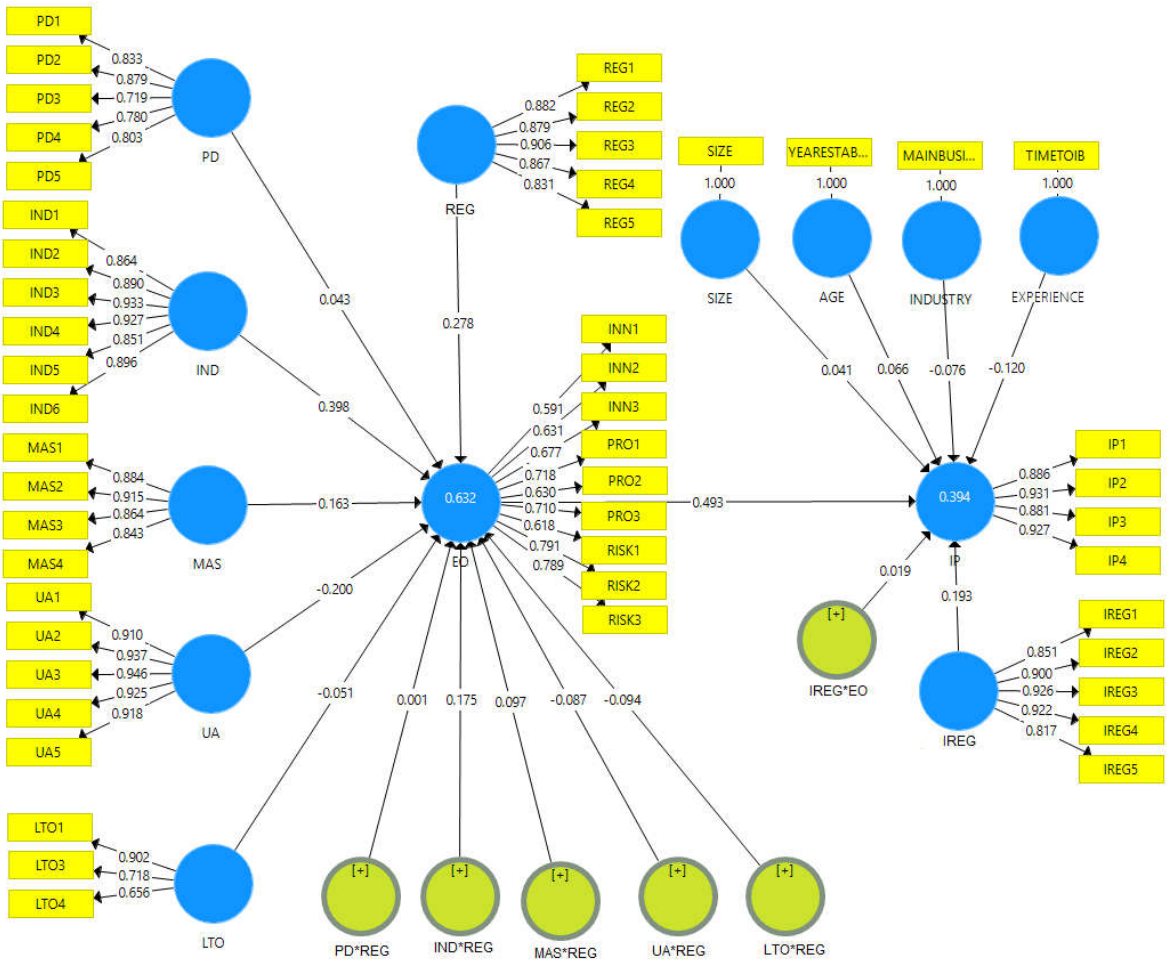
END OF SURVEY-THANK YOU

APPENDIX 6: KOLMOGOROV-SMIRNOV TEST RESULTS

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**.000**	**Statistic**	**df**	**.000**
Entrepreneurial Orientation	.123	203	.000	.961	203	.000
International Performance	.112	203	.000	.955	203	.000

a. Lilliefors Significance Correction

APPENDIX 7: PLS-SEM - THE MEASUREMENT MODEL ANALYSIS AND RESULTS



Overview

	AVE	Composite Reliability	Cronbachs Alpha
PD	0.684	0.901	0.863
IND	0.800	0.960	0.950
MAS	0.768	0.930	0.900
UA	0.860	0.969	0.959
LTO	0.587	0.807	0.661
REG	0.763	0.941	0.922
EO	0.742	0.895	0.822
IREG	0.783	0.947	0.930
IP	0.822	0.949	0.928

Discriminant Validity (Fornell-Larker Criterion)

	PD	IND	MAS	UA	LTO	EO	REG	IP	IREG
PD	0.805								
IND	0.597	0.894							
MAS	0.247	0.417	0.877						
UA	0.546	0.777	0.498	0.928					
LTO	0.038	0.194	0.057	0.361	0.766				
EO	0.444	0.690	0.492	0.682	0.237	0.861			
REG	0.258	0.387	0.412	0.433	0.141	0.516	0.873		
IP	0.428	0.441	0.536	0.515	0.164	0.593	0.370	0.907	
IREG	0.305	0.491	0.517	0.555	0.126	0.567	0.730	0.462	0.885

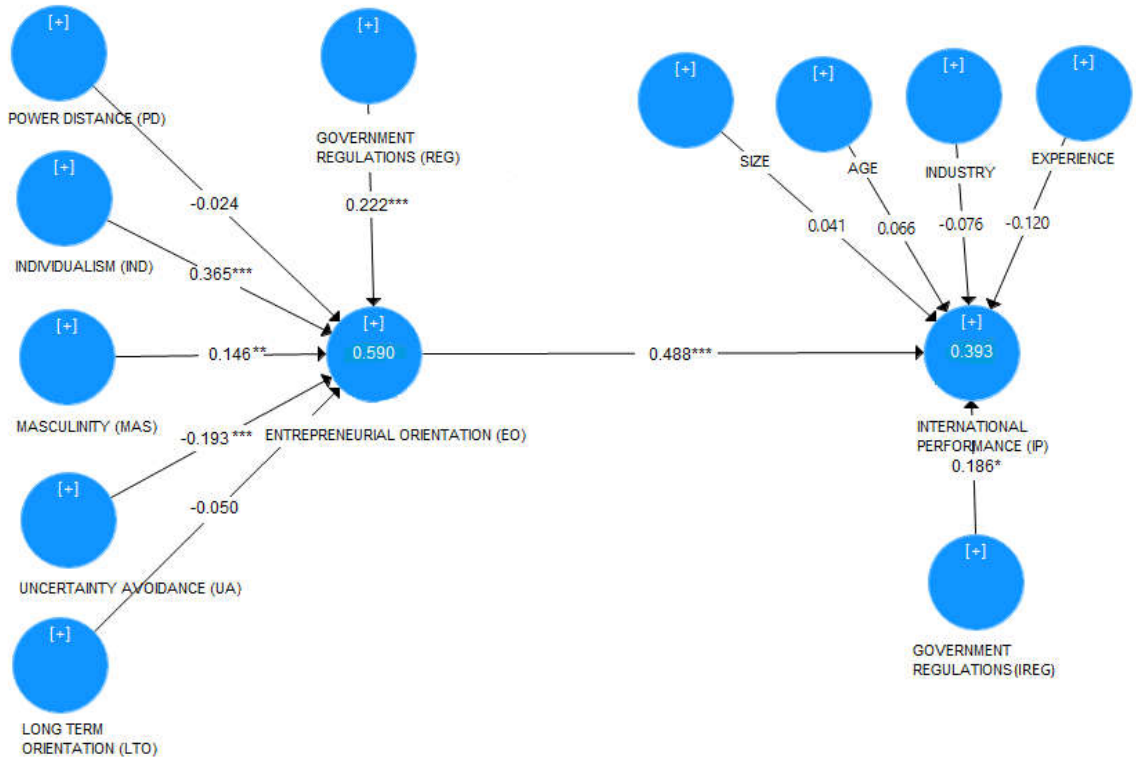
Factor Loadings (Outer Loadings)

	PD	IND	MAS	UA	LTO	EO	REG	IP	IREG
PD1	0.833								
PD2	0.879								
PD3	0.719								
PD4	0.780								
PD5	0.803								
IND1		0.864							
IND2		0.890							
IND3		0.933							
IND4		0.927							
IND5		0.851							
IND6		0.896							
MAS1			0.884						
MAS2			0.915						
MAS3			0.864						
MAS4			0.843						
UA1				0.910					
UA2				0.937					
UA3				0.946					
UA4				0.925					
UA5				0.918					
LTO1					0.902				
LTO2					0.231				

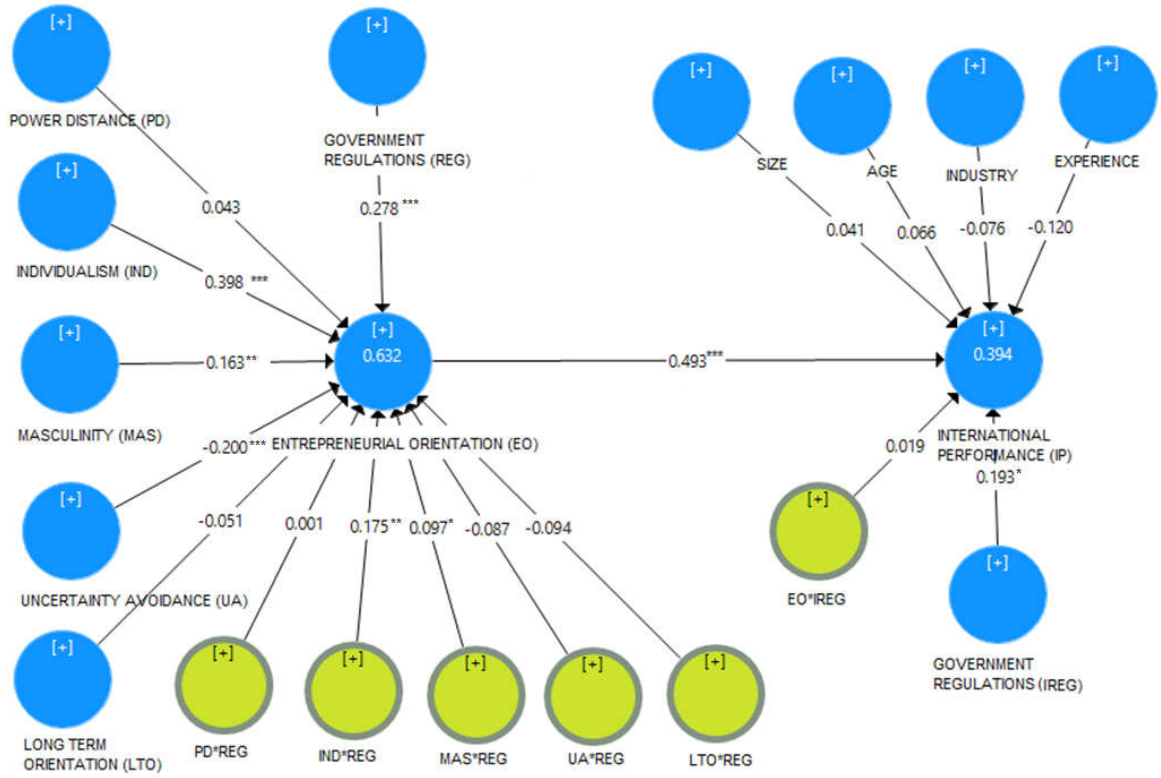
LTO3					0.718				
LTO4					0.656				
LTO5					0.057				
LTO6					0.056				
REG1						0.882			
REG2						0.879			
REG3						0.906			
REG4						0.867			
REG5						0.831			
INN1							0.591		
INN2							0.631		
INN3							0.677		
PRO1							0.718		
PRO2							0.630		
PRO3							0.710		
RISK1							0.618		
RISK2							0.791		
RISK3							0.789		
IREG1								0.851	
IREG2								0.900	
IREG3								0.926	
IREG4								0.922	
IREG5								0.817	
IP1									0.886
IP2									0.931
IP3									0.881
IP4									0.927

APPENDIX 8: PLS-SEM - THE STRUCTURAL MODEL ANALYSIS AND RESULTS

Two-stage approach: Stage 1



Two-stage approach: Stage 2



Overview

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STERR|)	f Square
PD -> EO	0.043	0.035	0.065	0.683	0.003
IND -> EO	0.398	0.400	0.071	5.220	0.148
MAS -> EO	0.163	0.169	0.063	2.501	0.081
UA -> EO	-0.200	-0.196	0.073	2.768	0.053
LTO -> EO	-0.051	-0.070	0.054	0.974	0.006
REG -> EO	0.269	0.273	0.058	5.478	0.117
EO -> IP	0.493	0.502	0.086	5.766	0.254
IREG - > IP	0.193	0.183	0.092	2.108	0.038
SIZE - > IP	0.041	0.010	0.077	0.562	0.003
AGE - > IP	0.066	0.084	0.086	0.798	0.004
INDUSTRY - > IP	-0.079	-0.069	0.060	1.251	0.009
IEXPERIENCE- > IP	-0.122	-0.126	0.081	1.510	0.015
EO * IREG -> IP	0.019	0.014	0.071	0.284	0.001
PD * REG -> EO	0.001	0.012	0.061	0.023	0.001
IND * REG -> EO	0.175	0.171	0.078	2.209	0.036
MAS * REG -> EO	0.097	0.096	0.060	1.662	0.024
UA * REG -> EO	-0.087	-0.094	0.098	0.860	0.006
LTO * REG -> EO	-0.094	-0.086	0.075	1.300	0.017

R Square, R Square Adjusted and Predictive Relevance (Q^2)

	R Square	R Square Adjusted	Predictive Relevance (Q^2)
EO	0.632	0.611	0.281
IP	0.394	0.372	0.321