The influence of entrepreneurial capabilities on mode of entry of small and medium firms expanding internationally

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ABSTRACT

Previous research (Chen & Mujtaba, 2007) on entry mode considered the influence of country, industry, location, firm specific factors on the entry mode. However to date limited research has attempted to examine the entrepreneurial capabilities and the influence on the strategic entry mode decision. This study will provide an empirical investigation of the contingent influence of small to medium sized firms' entrepreneurial capability on the entry mode decision for internationalisation. The research aimed to determine whether entrepreneurial capabilities influence the choice of entry mode for international firms. In addition, the study investigated which entrepreneurial capabilities will lead to financial growth in the international market.

The population for the study was small to medium-large firms in South Africa that had international operations. A combination of three non-probability sampling techniques was used, namely convenience, quota and snowball techniques (Blumberg, Cooper, & Schindler, 2008), which provided a sample of 175 firms. The questionnaire consisted of two sections, the first section consisted of corpographics, entry mode and performance information. The second section used a seven point Likert scale to determine the entrepreneurial capabilities of the firm. Descriptive and inferential statistics were used to analyse the data. Empirical results indicate that certain international entrepreneurial capabilities influence the choice of entry mode. In other words, it is the efforts to build the right mix of capabilities that may enhance the firm's output and ability to recognise international opportunities.

KEYWORDS

Entry Mode, International Entrepreneurial Capabilities, Entrepreneurship and International Business

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirement for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Suzel Magdalena Hechter 9 November 2011

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"To get through the hardest journey we need to take only one step at a time, but we must keep on stepping" *~ Chinese Proverbs*

I would like to thank the special people in my life that has encouraged me to keep on stepping, without their support, love and assistance the completion of this research project would not have been achievable.

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To my Creator, Jesus Christ, I bring my praise and honour for perseverance.

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Abstract: This article contributes to the existing international and business venturing literature by combining two key dimensions: entrepreneurial capabilities and choice of mode of entry. The study assists international managers and owners in understanding how they should combine their international entrepreneurial capabilities to create new opportunities with a strategic decision of a specific entry mode that generates a competitive advantage or leads to growth and survival in the international market. This framework identifies three underlying strategies, namely internationalisation, entrepreneurial capabilities and financial growth, which influence the choice of entry mode of small to large entrepreneurial firms in order to achieve its goals and objectives in the international market. A survey was conducted amongst 175 small and medium South African firms engaged in international entrepreneurial activities. Empirical results indicate that international entrepreneurial capabilities play an important role in determining entry mode choice. In other words, it is the efforts to build the right mix of capabilities that may enhance the firm's output and ability to recognise international opportunities.

GORDON INSTITUTE
OF BUSINESS SCIENCE
University of Pretoria

Prof Shepherd
The Editor
Journal of Business Venturing

Submission of Article: The influence of entrepreneurial capabilities on mode of entry of small and medium firms expanding internationally

Attached please find an article, "*The influence of entrepreneurial capabilities on mode of entry of small and medium firms expanding internationally*" for consideration in the Journal of Business Venturing. The article deals with the role of entrepreneurial capabilities in mode of entry for international expansion by small and medium firms. 175 firms were surveyed in the study. The paper is unique in bringing together theories of entrepreneurial capability and modes of entry for international expansion and makes a contribution to understanding the linkage between entrepreneurial capabilities, modes of entry and firm performance.

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JOURNAL ARTICLE

The influence of entrepreneurial capabilities on mode of entry of small and medium firms expanding internationally

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Keywords: Entry Mode, International Entrepreneurial Capabilities, Entrepreneurship and International Business

Executive Summary

This article contributes to the existing international and business venturing literature by combining two key dimensions: entrepreneurial capabilities and choice of mode of entry. The study assists international managers and owners in understanding how they should combine their international entrepreneurial capabilities to create new opportunities with a strategic decision of a specific entry mode that generates a competitive advantage or leads to growth and survival in the international market. This framework identifies three underlying strategies, namely internationalisation, entrepreneurial capabilities and financial growth, which influence the choice of entry mode of small to large entrepreneurial firm in order to achieve its goal and objectives in the international market. A survey was conducted amongst 175 small and medium South African firms engaged in international entrepreneurial activities. Empirical results indicate that international entrepreneurial capabilities play an important role in determining entry mode choice. In other words, it is the efforts to build the right mix of capabilities that may enhance the firm's output and ability to recognise international opportunities.

1. Introduction

Entrepreneurship is crucial for economic growth in the modern global economic market place and both established firms as well as international new ventures serve as important agents in enabling novel cross-border combinations of resources, markets and knowledge which are diffused internationally (Bosman & Levie, 2009; Hessels, Van Gelderen & Thurik, 2008; Thurik, Carree, van Stel, & Audretsch, 2008). International entrepreneurship is evident when small to medium-sized firms successfully expand internationally. To succeed, these firms are faced with the challenges of overcoming reputational, social and tangible resources are needed by a new venture for successful entry into the international arena (Fernhaber & Li, 2010).

An important aspect of internationalising is the firm's selection of mode of entry into a new market. Mode of entry decisions require a firm to consider the exploitation of competitive advantages, the reduction of transaction costs and the role of market structures and imperfections (Álvarez & Marín, 2010). Chen and Mujtaba (2007) state that entry modes vary in three aspects: cost of resources commitment; control of level of ownership and risks associated with the resource committed and the external environment. Greater control of the firms' influencing systems, methods and decisions require higher resource commitment and increase the associated risk levels of a firm operating in a foreign market (Bradley & Gannon, 2000; Chen & Mujtaba, 2007; Rhoades & Rechner, 2001). It therefore becomes imperative to understand and appreciate the influences of individual or firm capabilities as well as the intricacies of the entry mode decisions on the survival of the international firm. Previous research

(Chen, Zou, & Wang, 2009b; Frank, Lueger, & Korunka, 2007; Karra, Phillips, & Tracey, 2008) has indicated that there are various growth predictors for new ventures, such as entrepreneur characteristics, industry dynamics, organisational resources and structures. Although there are many factors that influence growth, this article examines the influence of international entrepreneurial capabilities, as defined by Zhang, Tansuhaj and McCullough (2009), on small to medium sized businesses' choice of mode of entry when expanding internationally. This article also explores the role of entrepreneurial capabilities and mode of entry on the consequent financial performance of small to large-medium sized international firms.

2. Theory

2.1 Entrepreneurship and International Entrepreneurial Capabilities

Entrepreneurship requires action, and to be an entrepreneur is to act on the possibility of a worthwhile opportunity (McMullen & Shepherd, 2006). Entrepreneurship also involves a process in which an entrepreneur makes a decision under uncertain conditions (McKelvie, Haynie, & Gustavson, 2009). The definition of entrepreneurship not only includes small start-up firms, but also corporate venturing from established organisations (Knight & Cavusgil 1996; Styles & Seymour, 2006; Townsend & Hart 2008; Zhang *et al.,* 2009).

International entrepreneurs are defined as individuals that discover opportunities and act, evaluate and exploit opportunities across national borders to create future goods and services (Oviatt & McDougall, 2005; Zhang *et al*., 2009). The field of international entrepreneurship consists of activities

such as brokering, resource leveraging or stretching, value creation and opportunity seeking through a combination of innovation, proactive and risk seeking behaviour (McDougall & Oviatt, 2000; Zhang *et al*., 2009).

Zhang et al. (2009) identified five key dimensions of international entrepreneurial capability, namely international experience (experience capability), international learning capability, international marketing capability, international networking capability and innovative and risk taking capability. The five key dimensions are discussed below.

Experience capability prior knowledge, work experience and international living of founders and decision makers in the international market reduce the risk and uncertainty of operating in the international market. Prior experiences increase the speed of learning and internationalisation (Zhang *et al*., 2009).

Learning capability is defined as a firm's ability to actively acquire, share and use its intelligence to plan and disseminate information in order to adapt to rapidly changing environments (Zhang *et al*., 2009). Organisational learning capabilities include formal and informal processes and structures which could accommodate acquisitions by sharing knowledge and skills (Zhang *et al*., 2009).

Marketing capabilities are firm-specific and include superior market-sensing, customer linking, and channel-bonding capabilities. International marketing capability is the ability to develop and execute marketing strategies using knowledge of competition to create superior value (Zhang *et al*., 2009). The marketing capability enables firms to understand the customer's needs and

identify the correct opportunities in the international market. Researchers (Jensen, 2003; Song, Nason, & Di Benedetto, 2008; Tseng & Lee, 2010) have highlighted the importance of firms strengthening their relationships together with their marketing capabilities, and suggest that firms should continue to cultivate strong marketing capabilities in order to overcome market turbulences and balance their entry mode decisions.

Networking capability refers to the firm's ability to obtain resources through alliances and social network creation, in order to apply it in the international context (Zhang *et al.*, 2009). This capability will enable firms to cope with uncertainty and impediments in the international environment and also contributes to the success of firms by helping to identify new market opportunities (Zhang *et al.*, 2009).

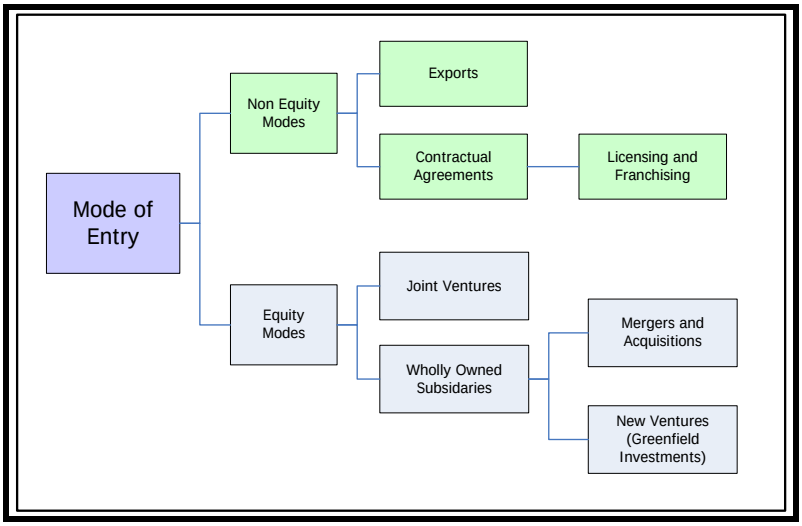
Innovation and risk-taking capability consist of two components. Innovativeness refers to the firm's ability to adopt new ideas, products or processes. Risk-taking is the firm's ability to make uncertain and significant resource commitments in the international market (Zhang *et al.*, 2009).

Zhang et al. (2009) found a positive and significant correlation between international entrepreneurial capability and a firm's global market performance. International firms should take cognisance of their international entrepreneurial capabilities and the advantages brought about in creating more opportunities for their firms. However, there are costs and benefits associated with each international opportunity and there are various entry modes of unearthing these opportunities in international markets.

2.2 Entry Modes into International Markets

The taxonomy of modes of entry as depicted by Grande and Teixeira (2011) is a useful model for classifying modes of entry. Modes of entry can be classified according to equity and non-equity modes (Hennart 1988, 1989, 2000; Kaynak, Demirbag & Tatoglu 2007; Pan & Tse, 2000). The main differences in modes of entry are in the varying degrees of investment requirements, resource commitments, market attractiveness, competitive advantage, control and risk exposure (Kaynak *et al.*, 2007). Equity options (such as joint ventures and wholly owned ventures) require higher levels of control from the parent firm, higher resource commitment, to deliver higher profit and lower flexibility, than the non-equity modes (Canabala & White III, 2008; Kaynak *et al.*, 2007).

Figure 1: Taxonomy of Entry Modes



Source: Adopted from Grande and Teixeira, 2011

2.2.1 Contractual: Franchising and Licensing

A firm that considers employing franchising as an international entry mode is probably already practising franchising in the domestic market. Doherty (2007) found that there are three main background factors that have a significant

influence on the franchise option as entry mode: an expansion ethos, the learning process and network spread. Additional factors that influence the international franchise decision as entry mode, including background and decision-maker characteristics as well as organisational (firm size, operating experience, top management's international experience, tolerance for risk and perception of the firm's competitive advantage) and macro environmental factors (political, economic, regulatory, legal, cultural distance, geographical distance and market potential) (Aliouche & Schlentrich, 2011; Doherty, 2007; Eroglu, 1992).

2.2.2 Exports

Many small and young firms use export as the main mode of internationalisation of operations. Exporting assists firms in gaining international experience and building an international presence. This entry mode limits the upfront-costs and minimises the risks associated with more challenging and complex entry modes (Mudambi & Zahra, 2007). It is for this reason that many firms who rely on organic growth start with lower levels of commitment (exporting) and then later move to higher levels of commitment (joint ventures and wholly owned subsidiaries) in order to minimise risk (Chen *et al.*, 2009b).

2.2.3 Joint Ventures

Joint ventures indicate partial or shared ownership which allows for sharing of risk and combining complementary strengths, especially local market knowledge of target markets (Kaynak *et al.,* 2007). An international joint venture consists of two or more legally independent parent firms from different countries, which

share equity investments, returns and control over operations (Chen, Park, & Newburry, 2009a). The appropriate control requires knowledge regarding the control system and is a critical factor for the success of the joint venture (Chen *et al.,* 2009a). Resource contribution influences organisational control in joint ventures and parent firms may adjust control mechanisms by changing their resource contributions.

2.2.4 Wholly Owned Subsidiaries

Wholly owned subsidiaries (WOS) as a mode of entry involves full equity control by the parent firm over its foreign operations (Tseng & Lee, 2010). A multinational with a strong marketing capability is more likely to use wholly owned subsidiary modes of entry to enter a turbulent foreign market (Tseng & Lee, 2010). A well-developed marketing capability enables a firm to acquire, interpret, and analyse a wealth and variety of information to equip a firm with proper tactics to use when dealing with foreign market turbulence (Song *et al.*, 2008). A WOS strategy may entail a merger and acquisition or a firm could decide to establish a new venture in the new country.

A cross-border acquisition allows a firm to obtain access to the country-specific capabilities of the acquired firm at a price which is governed by demand and supply of firms in the market (Nocke & Yeaple, 2007). Firms choose mergers and acquisitions to take advantage of local access related to distribution networks, political connections, local cultural knowledge and knowledge concentration (Álvarez & Marín, 2010). A merger and acquisition is a good option in countries where clusters of knowledge exist. Mergers and acquisitions

could also lead to cultural clashes between parent and subsidiary units, which inhibit knowledge flows (Álvarez & Marín, 2010). The inability to obtain accurate and timely information about the target market could reduce a firm's potential growth option that an acquisition can provide (Brouthers & Dikova, 2010). It is thus critical that knowledge is obtained to reduce uncertainty in future decisions regarding the specific investment.

A firm brings its own capabilities to work abroad when choosing to establish a new venture as entry mode (Nocke & Yeaple, 2007). Greenfield ventures establish a common organisational culture, thus making knowledge transfer from the new subsidiary to the parent firm easier. This enhances the value of Greenfield venture growth options and provides firms with the ability to lower upfront investments, minimise downside risks and gain experience without making long term expansion decisions (Brouthers & Dikova, 2010; Hennart & Park, 1993). Greenfield ventures are economical because investments are made incrementally as more information and knowledge about the new market becomes available (Brouthers & Dikova, 2010).

Each mode of entry requires a unique set of capabilities and it is therefore imperative to understand and appreciate these individual or firms capabilities. The firm's strategic decision of entry mode will require it to adjust resources in the long run as the firm attempts to generate a sustainable competitive advantage, which in turn may have a significant impact on the foreign ventures' performance and survival potential (Bradley & Gannon, 2000).

Previous research (Chen & Mujtaba, 2007) on mode of entry considered the influence of country, industry, location, firm specific factors on entry mode but did not include consideration of the capabilities required for each mode of entry. For the small to medium firm the challenges in selecting the appropriate mode of entry is considerably greater than that required by more resource-rich multinational firms. With a lack of resources and the costs of failure high, small and medium firms need to rely on the entrepreneurial capabilities present in the firm to reduce the potential for errors in judgement. Each mode of entry requires a different assessment and commitment to the international venture and it can be concluded that the type of entrepreneurial capabilities would similarly differ according to mode of entry.

This leads us to our first and second hypotheses:

> ***Hypothesis 1:*** *The required entrepreneurial capabilities differ amongst the various entry modes*
>
> ***Hypothesis 2:*** *The entrepreneurial capabilities available to the firm influence the choice of entry mode*

An important component of entrepreneurial capability is that of learning. When a firm embarks on an international expansion it learns lessons that are transferred to its next venture and develops capabilities that serve to reduce the risk associated with the different modes of entry. Consequently we can derive our third hypothesis:

> ***Hypothesis 3:*** *There is a relationship between the number of countries and choice of entry mode*

2.3 Financial Performance and Entrepreneurial Capability

International revenue sources are important for firms, but the firms' abilities to create value by combining resources internationally, is of equal or greater importance (Gregorio, Musteen, & Thomas, 2008). The correct internationalisation strategy could lead to cost reduction, competitive advantage and sustainable growth.

Mudambi and Zahra (2007) explored the impact of mode of entry on chances of survival for the international venture, or subsidiary. They categorised two types of mode of entry as either an international new ventures (INV) (greenfield) or alternatively as a (multiple) sequential FDI approach. Sequential FDI is where a firm's expansion starts with exporting, proceeds to licensing and then evolves into acquisitions or Greenfield investments. Mudambi and Zahra (2007) found that when the capabilities of the firm are correctly matched to the choice of entry, then the survival rate will be higher than a non-match. A growing body of research argues that the internal resources of the firm should be examined to justify firm strategies (Chen *et al.*, 2009b). The following hypothesis was formulated to test the relationship between growth and entrepreneurial capabilities:

> ***Hypothesis 4:*** *There is a relationship between the performance of the entrepreneurial capabilities and performance (measured as growth in terms of employee numbers, net profit and revenue.)*

3. Methodology

The population of this article was small to large-medium sized South African firms conducting business in the international market. The categories of small

to medium firms were defined according to the definition in the National Small Business Amendment Act of South Africa, 2003 (No. 25763) which defined a small firm as less than 50 employees with a turnover less than R 19 million (approximately USD 2.5 million), depending on the industry, and a medium firm as more than 50 employees with a turnover more than R 19 million (approximately USD 2.5 million), depending on the industry. An additional category of large-medium sized firm was added for firms with a revenue of about R 250 million (approximately USD 32 million) or more than 200 employees (see Appendix A). South African firms are interesting to study as South Africa is a developing economy but has a well developed tradition of building multi-national enterprises with firms such as SABMiller, Old Mutual, Anglo American, MTN and Richemont all originating from South Africa. In addition, South Africa is well represented on the UNCTAD list of transnational firms from emerging markets, despite the relatively small population and economy.

A combination of three non-probability sampling techniques was used, namely convenience, quota and snowball techniques (Blumberg, Cooper, & Schindler, 2008), which provided a sample of 175 firms. The survey instrument was adapted from Zhang et al. (2009) and permission was obtained from the researcher (Zhang) to use the questionnaire (see Appendix B). The questionnaire with the cover letter (see Appendix C) was piloted with five respondents prior to the distribution of the questionnaire. The questionnaire consisted of two sections, the first section was added to the original questionnaire and consisted of corpographics, entry mode and performance information (see Appendix D). The entry mode section of the questionnaire

explored the current entry mode of the firm, the entry mode it chose in the past and asked which entry mode it found most successful. The performance information section of the questionnaire focused on employee growth, net profit growth and revenue growth year on year from 2006 to 2010. Growth was in all instances indicated as the percentage growth. There was only one open-ended question in the questionnaire- the remainder of the questions indicated various choices from which the firm could choose a response.

The second section of the questionnaire used a seven point Likert scale to determine the entrepreneurial capabilities of the firm and each respondent was asked to indicate whether his/her firm is better or worse than the competition. The performances of the following international entrepreneurial capabilities were explored: marketing capability, learning capability, networking capability, experience capability, and innovative and risk taking capability.

Reliability scores for the five constructs measured ranged from 0.69 to 0.87. An overall score of 0.91 for the international entrepreneurial capability was achieved (Zhang *et al.,* 2009). These score indicates a good overall reliability of the questionnaire. Validity scores for the five constructs measured, indicated evidence of good convergent validity (Zhang *et al.,* 2009). The normed x^2 is 1.5 which indicated a good model fit and no evidence of over fitting (Zhang *et al.*, 2009). The Comparative Fit Index (0.96), Tucker-Lewis Index (0.94) and Incremental Index of Fit (0.96) scored greater than the recommended level of 0.9. In addition, the Relative Fit Index (0.86), Bentler and Bonnett's Normed Fit Index (0.88), and root mean square error of approximation (RMSEA = 0.061)

indicate that the model accounts for a substantial amount of the variance and are within acceptable ranges (Zhang *et al.*, 2009, p. 307).

Descriptive statistics and inferential techniques were used to analyse the data. Frequency analysis was used to describe the sample in terms of the corpographics. Descriptive statistics were employed to give an indication of mean performance, by entry mode in terms of entrepreneurial capabilities and growth. Inferential statistics were used to determine whether statistically significant differences existed between various entry modes on entrepreneurial capability and growth in terms of number of employees, net profit growth and revenue growth.

One-way analysis of variance was used test hypothesis one and non-parametric Kruskal-Wallis one-way analysis of variance was used to confirm the results obtained by the parametric one-way analysis of variance. T-tests for independent samples were also used to test hypothesis one (Hair, Black, Babin, Anderson, & Tatham, 1998). This test was used to determine significant differences between equity and non-equity modes of entry on entrepreneurial capabilities.

A binary logistic regression analysis was used to test hypothesis two. The analysis was used to determine whether certain entrepreneurial capabilities influenced the choice of entry mode. Entrepreneurial capabilities were calculated based on the summation of respondent's answers to the relevant questions in the questionnaire. The capability scores were calculated as continuous variables. However, the variable, entry mode, was still a categorical

or discreet variable. In the case of this study, the prediction of the chosen entry mode may be based on various or specific entrepreneurial capabilities. Logistic regression thus allows for the evaluation of the odds (probability) of choosing a particular entry mode based on the combination of values of the predictor variables, in this case entrepreneurial capabilities.

The Chi-square analysis was used to investigate hypothesis three. This analysis determined the relationship between the entry mode chosen by companies and the number of countries operated in.

The Pearson product-moment correlations was used to test hypothesis four which determine whether there were any relationships between entrepreneurial capabilities and financial growth.

4. Results

More than a third (31.4%) of the respondents was chief executive officers or managing directors of their companies, while 30.9% were members or directors of the companies involved. Another 21.7% of respondents indicated that they were the owners of the firm. The remaining 16% of respondents indicated that they were the founders, managing members or partners, general managers, managers, investors or consultants.

The results of the industry distribution indicated that a quarter (25.7%) of the companies operate in the business services industry with another 21.7% operating in the manufacturing industry. Information technology represented 9.1% of the operations. The remaining industries in which the companies

operated were distributed (in small percentages) across mining, construction, wholesale, retail, transport, finance, tourism and hospitality, community and personal services, agriculture, telecommunications, defence, media and entertainment. Four percent (4%) of the companies indicated that they operate across all industries.

A third of the companies were considered large, based on turnover. A quarter were categorised as medium and small. The remaining companies were categorised as very small and micro enterprises, based on turnover. Only 13.1% of the companies were classified as large-medium in terms of number of employees with a quarter classified as medium and small respectively. The remaining companies were classified as very small and micro based on the number of employees. Most of the companies indicated that they operated in at least two to five countries with 14.3% indicating operations in seven to eight countries, 23% in nine to ten countries and 22% in more than ten countries.

The current entry mode used was mostly exports (36.6%). A fifth of respondents (21.1%) indicated that they currently use contractual agreements as entry mode, with 14.3% adopting joint ventures as their preferential entry mode. Seventeen point seven percent (17.7%) indicated that they utilise more than one entry mode with 6.3% adopting services as an entry mode. New ventures (2.3%) and mergers and acquisitions (1.1%) were only used by a small percentage of companies. Only one firm indicated that they used an entry mode other than what was listed above (see Table 1).

The results in Table 1 indicated that in the past, exports (32.5%) were still most popular form of entry mode, 27.5% of companies indicating they used contractual agreements as entry mode and 21.7% using joint ventures. More than one entry mode was used by 10.8% of companies followed by 2.5% who made use of services or other modes of entry. Only 1.7% of the firms had used new ventures as their mode of entry, while 0.8% had used mergers and acquisitions.

Table 1: Current and Past Entry Mode

Entry Mode		Frequency	Percent	Valid Percent	Cumulative Percent
Current	Contractual	37	21.1	21.1	21.1
	Export	64	36.6	36.6	57.7
	Joint Ventures	25	14.3	14.3	72.0
	New Ventures	4	2.3	2.3	74.3
	M&A	2	1.1	1.1	75.4
	Other	1	.6	.6	76.0
	Services	11	6.3	6.3	82.3
	More than 1 entry mode	31	17.7	17.7	100.0
	Total	**175**	**100.0**	**100.0**	
Past	Contractual	33	18.9	27.5	27.5
	Export	39	22.3	32.5	60.0
	Joint Ventures	26	14.9	21.7	81.7
	New Ventures	2	1.1	1.7	83.3
	M&A	1	.6	.8	84.2
	Other	3	1.7	2.5	86.7
	Services	3	1.7	2.5	89.2
	More than 1 entry mode	13	7.4	10.8	100.0
	Total	**120**	**68.6**	**100.0**	
	Missing	55	31.4		
	Total	**175**	**100.0**		

More than a third (35.4%) of firms considered entry modes other than contractual agreements, exports, joint ventures, new ventures and mergers and acquisitions to be their most successful entry mode (see Table 2). A full list of these modes of entry that were mentioned by the respondents is provided in Appendix E. A quarter (25.4%) considered export their most successful entry mode while a further 17.8% who regarded contractual agreements as their

most successful, similarly another 17.8% thought joint ventures were most successful. Very few considered new ventures (1.7%) or mergers and acquisitions (0.8%) as their most successful entry mode. It should be noted that that only a small percentage of companies made use of these entry modes. New venture and mergers and acquisitions were excluded from further analysis as the base sizes were too small.

Table 2: Entry Mode Considered Most Successful

Entry Mode		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Contractual	21	12.0	17.8	17.8
	Export	30	17.1	25.4	43.2
	Joint Ventures	21	12.0	17.8	61.0
	New Ventures	2	1.1	1.7	62.7
	M&A	1	.6	.8	63.6
	Other	43	24.6	36.4	100.0
	Total	118	67.4	100.0	
Missing	System	57	32.6		
Total		175	100.0		

4.1 Hypothesis 1: Results of the Analysis to Determine whether Entrepreneurial Capabilities Differed amongst the Chosen Entry Modes

As indicated previously, one-way analysis of variance was used to determine whether there were any statistically significant differences between the various entry modes and their performance of the entrepreneurial capabilities. The technical results of the analyses are presented in Appendix F and G.

Mean Scores of Marketing Capability per Entry Mode

Respondents who preferred export as a mode of entry (13.18%) rated their marketing capability higher than the rest, while those companies with contractual agreements (11.62%) as entry mode tended to rate themselves

lower. The results of the analysis of variance for marketing capability indicated no statistically significant differences. The mean scores obtained on marketing capabilities were very closely grouped together. The results of the non-parametric Kruskal-Wallis tests confirmed the results obtained in the analysis of variance.

Mean Scores of Learning Capability per Entry Mode

Firms making use of services (15.36%) and more than one entry mode (15.35%) rated themselves the highest in terms of learning capabilities, followed by export (15.21%). Firms making use of joint ventures (14.52%) rated themselves the lowest. These differences were not statistically significant. The non-parametric tests confirmed these results.

Mean Scores of Networking Capability per Entry Mode

Firms making use of more than one entry mode (14.54%) rated themselves the highest in terms of networking capabilities. The one-way analysis of variance, however, indicated that this difference was not statistically significant. The results of the non-parametric analysis confirmed this result.

Mean Scores of Experience Capability per Entry Mode

Firms making use of services (15.81%) as entry mode rated themselves slightly higher than the remaining entry modes in terms of experience capabilities. Joint ventures (12.88%) rated themselves the lowest. One-way analysis of variance indicated that these differences were not statistically significant. The non-parametric analysis confirmed these results.

Mean Scores of Innovative and Risk Taking Capability per Entry Mode

Firms with more than one entry mode (16.58%), services (16.54%) and exports (16.40%) as entry modes rated themselves higher on the innovative and risk taking capability. Those companies with contractual agreements (15.21%) as entry mode rated themselves the lowest on this capability. One-way analysis of variance indicated that these differences were not statistically significant. The non-parametric analysis confirmed these results.

T-Tests Capability scores per Equity and Non-equity Modes

The second type of analysis investigating differences between entry modes based on the various entrepreneurial capabilities, focused on equity versus non-equity modes of entry. T-tests for independent samples were used to determine whether differences were statistically significant. Non-parametric statistics (Mann-Whitney U-tests) were used to confirm these results.

The entry modes were regrouped into equity versus non-equity entry modes and the analysis was performed for these two groupings. The majority (76.5%) of modes of entry could be classified as non-equity entry modes. The mean scores on all entrepreneurial capabilities were very similar when comparing equity versus non-equity modes of entry. T-tests for independent samples indicated that the two groupings of entry mode did not differ statistically significantly from one another on any of the capabilities. These results were confirmed by the Mann-Whitney U-tests.

4.2 Hypothesis 2: Results of the Analysis of the Influence of Entrepreneurial Capabilities on Chosen Entry Mode

Logistic regression allows one to evaluate the probability of choosing a particular entry mode based on the combination of values of the predictor variables, in this case entrepreneurial capabilities. A model was built with each entry mode as dependent variable and the entrepreneurial capabilities as independent variables. The complete results of these analyses are set out in Appendix H.

Table 3: Contractual Agreements Binary Logistic Regression

Capability		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Marketing	-.085	.056	2.302	1	.129	.918
	Learning	.057	.075	.582	1	.446	1.059
	Networking	.073	.063	1.364	1	.243	1.076
	Experience	.002	.061	.001	1	.980	1.002
	Risk	-.121	.069	3.042	1	.081	.886
	Constant	-.229	.893	.066	1	.798	.795

Note: Contractual Agreements as Dependent Variable and Entrepreneurial Capabilities as Independent Variables

The model that was calculated to determine whether entrepreneurial capabilities influenced the choice of contractual agreements as entry mode, classified 79.9% of the cases correctly. Further investigation of the results indicated that the innovative and risk taking capability influenced the choice of this entry mode at the 10% level of significance. As the innovative and risk taking capability increased, the odds of choosing contractual agreements as entry mode decreased by 0.886. This implies that the higher the innovative and risk taking capability, the less likely the firm would be to choose contractual agreements as entry mode.

Table 4: Exports Binary Logistic Regression

Capability		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Marketing	.075	.047	2.524	1	.112	1.078
	Learning	-.025	.063	.156	1	.693	.976
	Networking	-.096	.050	3.726	1	.054	.908
	Experience	.027	.052	.273	1	.601	1.027
	Risk	.037	.060	.380	1	.538	1.038
	Constant	-.863	.814	1.123	1	.289	.422

Note: Export as Dependent Variable and Entrepreneurial Capabilities as Independent Variables

The model calculated for export as entry mode classified 64.4% of the cases correctly. The results in Table 4 can be interpreted as follows. Networking as entrepreneurial capability does play a statistically significant role in the choice of export as entry mode at the 10% level of significance. As the networking capability increase the odds of choosing export as entry mode decreases with 0.908. This implies that the higher the networking capability the less likely the firm would be to choose export as entry mode.

Table 5: Joint Ventures Binary Logistic Regression

Capability		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Marketing	.019	.065	.081	1	.776	1.019
	Learning	-.059	.082	.508	1	.476	.943
	Networking	.027	.067	.165	1	.684	1.028
	Experience	-.131	.069	3.661	1	.056	.877
	Risk	.089	.080	1.221	1	.269	1.093
	Constant	-1.125	1.089	1.069	1	.301	.325

Note: Joint Ventures as Dependent Variable and Entrepreneurial Capabilities as Independent Variables

The model calculated for joint ventures as entry mode classified 85.6% of the cases correctly. The results in Table 5 can be interpreted as follows: experience as entrepreneurial capability plays a statistically significant role in the choice of joint ventures as entry mode, at the 10% level of significance. While the

experience capability increases the probability of choosing joint ventures as entry mode decreases with 0.877. This implies that the higher the experience capability the less likely the firm would be to choose joint ventures as entry mode.

Table 6: More than one Entry Mode Binary Logistic Regression

Capability		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Marketing	-.015	.059	.062	1	.804	.985
	Learning	-.054	.080	.452	1	.501	.948
	Networking	.165	.072	5.238	1	.022	1.180
	Experience	-.025	.066	.144	1	.705	.975
	Risk	.011	.076	.021	1	.886	1.011
	Constant	-2.606	1.071	5.927	1	.015	.074

Note: More than One Entry Mode as Dependent Variable and Entrepreneurial Capabilities as Independent Variables

The model that was calculated to determine whether entrepreneurial capabilities influenced the choice of more than one entry mode, classified 82.2% of the cases correctly. Further investigation of the results indicated that the networking capability influenced the choice of more than one entry mode at the 5% level of significance. While the networking capability increased, the probability of choosing more than one entry mode increased by 1.180. This implies that the higher the networking capability, the more likely the firm would be to choose more than one entry mode. The choice of services as entry mode was not statistically significantly influenced by any of the entrepreneurial capabilities.

4.3 Hypothesis 3: Results of the Relationship between the Number of Countries and Choice of Entry Mode

The Chi-square analysis indicated that there was a statistically significant relationship between the entry mode chosen by companies and the number of countries operated in.

Table 7: Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.073[a]	8	.109
Likelihood Ratio	14.019	8	.081
Linear-by-Linear Association	2.239	1	.135
n of Valid Cases	168		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is 1.38.

This relationship was significant at the 10% level of significance. The results in the cross tabulation in Table 8 indicate that most of the companies traded in between one to five countries regardless of their entry mode (see areas shaded in blue). However, those companies who traded in more than ten countries mostly made use of export and more than one entry mode. Those companies who traded in six to ten countries mostly employed export only as entry mode. The companies who trade in one to five other countries mostly made use of export and contractual agreements as entry modes.

Table 8: Cross-tabulations between Entry Modes and Number of Countries Operated In

			Number of Countries trading in			Total
			1 - 5 Countries	6-10 Countries	>10 Countries	
Current Entry Mode	Contractual	Count	24	9	4	37
		% within current entry mode	64.9%	24.3%	10.8%	100.0%
		% within number of countries trading in	25.0%	17.6%	19.0%	22.0%
	Export	Count	33	23	8	64
		% within current entry mode	51.6%	35.9%	12.5%	100.0%
		% within number of countries trading in	34.4%	45.1%	38.1%	38.1%
	Joint Ventures	Count	19	5	1	25
		% within current entry mode recoded	76.0%	20.0%	4.0%	100.0%
		% within number of countries trading in	19.8%	9.8%	4.8%	14.9%
	Services	Count	7	4	0	11
		% within current entry mode recoded	63.6%	36.4%	.0%	100.0%
		% within number of Countries trading in	7.3%	7.8%	.0%	6.5%
	More than one entry mode	Count	13	10	8	31
		% within Current entry mode recoded	41.9%	32.3%	25.8%	100.0%
		% within Number of Countries trading in	13.5%	19.6%	38.1%	18.5%
	Total	**Count**	**96**	**51**	**21**	**168**
		% within Current entry mode recoded	**57.1%**	**30.4%**	**12.5%**	**100.0%**
		% within Number of Countries trading in	**100.0%**	**100.0%**	**100.0%**	**100.0%**

4.4 Hypothesis 4: Results of the Correlation Analysis of the Relationships between Performance on Entrepreneurial Capabilities and Growth in terms of Employee Numbers, Net Profit and Revenue

In order to determine whether there were statistically significant relationships between performance on entrepreneurial capabilities and financial growth, Pearson product-moment correlations were calculated. The results of this analysis are provided in Table 9 and Table 10.

Table 9: Pearson Product-Moment Correlations between Entrepreneurial Capabilities and Net Profit Growth

		Net Profit Growth 2010	Net Profit Growth 2009	Net Profit Growth 2008	Net Profit Growth 2007	Net Profit Growth 2006
Marketing Capability	Pearson Correlation	-.011	.102	.072	-.112	.066
	Sig. (2-tailed)	.896	.215	.395	.223	.511
	n	154	150	140	120	101
Learning Capability	Pearson Correlation	-.020	-.036	-.059	.119	.107
	Sig. (2-tailed)	.806	.665	.488	.196	.287
	n	153	150	140	120	101
Networking Capability	Pearson Correlation	-.010	-.013	-.006	.180*	.200*
	Sig. (2-tailed)	.898	.871	.948	.049	.045
	n	154	150	140	120	101
Experience Capability	Pearson Correlation	-.007	-.072	-.073	.071	.122
	Sig. (2-tailed)	.929	.378	.390	.441	.225
	n	154	150	140	120	101
Innovative and Risk Taking Capability	Pearson Correlation	-.001	-.036	-.095	.141	.158
	Sig. (2-tailed)	.991	.662	.266	.123	.114
	n	154	150	140	120	101

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Only one statistically significant correlation was found between entrepreneurial capability and net profit growth (see Table 9). A weak positive correlation (r=0.180; p= 0.049) was found between networking capability and net profit growth in 2007. Therefore, the higher the networking capability the higher the net profit growth in 2007. This correlation was significant at the 5% level of significance. The relationship between these variables was however weak and not confirmed in other years.

Table 10: Pearson Product-Moment Correlations between Entrepreneurial Capabilities and Revenue Growth

		Revenue Growth 2010	Revenue Growth 2009	Revenue Growth 2008	Revenue Growth 2007	Revenue Growth 2006
Marketing Capability	Pearson Correlation	.043	.074	-.045	.078	.083
	Sig. (2-tailed)	.582	.362	.588	.417	.416
	n	164	155	145	112	99
Learning Capability	Pearson Correlation	.129	.106	.044	.075	.159
	Sig. (2-tailed)	.102	.187	.596	.434	.115
	n	163	155	145	112	99
Networking Capability	Pearson Correlation	.031	.068	-.064	.047	.158
	Sig. (2-tailed)	.696	.397	.443	.620	.118
	n	164	155	145	112	99
Experience Capability	Pearson Correlation	.047	.027	.051	.204*	.121
	Sig. (2-tailed)	.551	.739	.540	.031	.234
	n	164	155	145	112	99
Innovative and Risk Taking Capability	Pearson Correlation	.134	.093	.054	.292**	.194
	Sig. (2-tailed)	.087	.249	.515	.002	.054
	n	164	155	145	112	99

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

The results in Table 10 indicate that there was a weak positive correlation (r=0.204; p=0.031) between experience capability and revenue growth in 2007. The higher the experience capability scores, the higher the revenue growth in 2007. This correlation is weak and not confirmed in any of the other years. Innovative and risk taking capability had weak positive correlations with revenue growth in 2010, 2007 and 2006. In 2007 this correlation was significant at the 5% level of significance, but was only significant on the 10% level of significance in 2010 and 2006. This implied that the higher the innovative and risk taking capabilities in these years, the higher the revenue growth. These correlations were however weak and not confirmed in 2009 and 2008.

Table 11: Correlation between Average Net Profit and Revenue Growth and Capabilities

		Ave Net Profit	Ave Rev. Growth	Mark-eting Cap	Learn-ing Cap	Net-work Cap	Expe-rience Cap	Innv and Risk Taking Cap	Total Int. Cap
Ave Net Profit Growth	Pearson Correlation	1	.351**	-.009	.032	.071	-.040	.006	.038
	Sig. (2-tailed)		.000	.916	.692	.381	.626	.941	.640
	n	154	153	154	153	154	154	154	153
Ave Revenue Growth	Pearson Correlation	.351**	1	.028	.122	.012	.030	.125	.097
	Sig. (2-tailed)	.000		.730	.127	.881	.709	.116	.224
	n	153	160	160	159	160	160	160	159

The results in the table above investigate the relationship between average net profit and revenue growth and entrepreneurial capabilities. The correlation coefficients in question are circled in red. The results of these analyses indicated that there is no statistically significant correlation between the capability scores and net profit and revenue growth.

5. Discussion

The purpose of this study was to explore whether international entrepreneurial capability influences the choice of entry mode into international markets. The study also investigated which entrepreneurial capabilities and/or choice of entry mode led to growth in terms of revenue, net profit and number of employees. A summary of the results is displayed in Table 12.

Table 12: Summary of Results

Nr	Hypotheses	Analytical Model	Support
H_1	Entrepreneurial capabilities differ amongst the various entry modes.	One way analysis of variance	No
H_2	Entrepreneurial capabilities influence the choice of entry mode.	Binary Regression Model	Yes
H_3	There is a relationship between the number of countries and choice of entry mode.	Chi-square analysis	Yes
H_4	There is a relationship between the performance of the entrepreneurial capabilities and growth in terms of employee numbers, net profit and revenue.	Pearson Correlation	No

5.1.1 Entrepreneurial Capabilities and Mode of Entry

The strategy and choice of entry mode is determined by the firm's unique set of resources and competencies (Mudambi & Zahra, 2007). Hypothesis two indicated that entrepreneurial capabilities influence the choice of entry mode. We found that there were significant indications of specific international entrepreneurial capabilities, such as innovative and risk taking, networking and experience. These findings extended the perspectives developed by Zhang et al. (2009), by suggesting that international entrepreneurial capabilities influence the choice of joint ventures, contractual agreements, export and more than one entry mode. Innovative and risk taking capabilities significantly influenced the choice of contractual agreements. The results indicated that the higher the innovative and risk taking capability, the less likely the firm would be to choose contractual agreements as entry mode. The main motivation to internationalise is based on a successful franchise formula (Doherty, 2007). This is usually a low risk decision to buy a franchise – especially when it is an established brand which is well-known in the market. When the entrepreneur buys a franchise, he needs to abide to the guidelines and procedure as set out in the franchise agreement. Therefore the innovation that the entrepreneur can apply will be limited to certain areas of the set up process.

Networking as entrepreneurial capability played a statistically significant role in the choice of exports. The results indicated that the higher the networking capability, the less likely the firm would be to choose export as entry mode. This finding is supported by previous literature studies. The sequential approach to internationalisation indicates that export is the most likely first phase (Mudambi & Zahra, 2007). The finding of the study supports this as well as the finding that during the early stages of internationalisation, the entrepreneur will

have less networks at his disposal. However, the more experienced the entrepreneur becomes the more networks he/she will build in the international arena and thus the networking capability becomes of great importance to the entrepreneur when choosing more than one entry mode to do business internationally.

Our findings support those of Dunning (1995) that the networking capability is of great importance for the entrepreneur, especially in the international context. Moen, Gavlen and Endresen (2004) confirm that the firm's network relationships are determinant when deciding which foreign entry forms to choose and to some extent, which markets they decide to enter. They also found that there is limited correlation between the firms' international experience and their foreign entry form. The options the firms choose will differ from market to market depending on the existing network relationship in a particular market (Moen, *et al.*, 2004).

Accordingly, networks enable the entrepreneur to rapidly expand into international markets, especially if more than one entry mode is used. The results confirm this and highlight that the networking capability influenced the choice of more than one entry mode. The results indicated that the higher it's networking capability, the more likely the firm would be to choose more than one entry mode. Entrepreneurs need to ensure that the development of the networking capability forms part of their strategic skills set in order to grow their international footprint. The new venture internationalisation view describes the individual's skills, experience and networks as critical to the decision to internationalisation (McDougall, Shane, & Oviatt, 1994). This study will extend

the analysis of the new venture internationalisation by suggesting that networking capability is essential when a firm internationalise by using more than one entry mode.

Furthermore, the results indicated that inexperienced firms are not willing to make significant resources commitments and only tend to invest in low control modes such as joint ventures (Chen & Chang, 2011). Experience as entrepreneurial capability plays a statistically significant role in the choice of joint ventures. The results showed that the higher the experience capability, the less likely the firm would be to choose joint ventures as entry mode. It is the entrepreneur's skills, experience and networks that allow firms to skip the entry phase of internationalisation (Karra *et al.*, 2008). Firms use joint ventures when entering in a new country in order to reduce the external uncertainties (Tseng & Lee, 2010). This enables the firm to gain greater local knowledge and experience from partners. Certain resources, such as technical, creative, and collaborative skills, promote adaptation and flexibility in uncertain environments (Chen *et al.*, 2009a; Miller & Shamsie; 1996).

5.1.2 Number of Countries and Choice of Entry Mode

There was a statistically significant relationship between the entry mode chosen by companies and the number of countries they operated in. This relationship was significant at the 10% level of significance. The results in the cross tabulation indicate that most of the companies traded in between one to five countries regardless of their entry mode. However, those companies who traded in more than ten countries mostly made use of export and more than

one entry mode. Those companies who traded in six to ten countries mostly employed export as entry mode.

5.1.3 Relationship between the Performance of the Entrepreneurial Capabilities and Growth in terms of Employee Numbers, Net Profit and Revenue.

The study investigated whether there was a relationship between the performance of the entrepreneurial capabilities and growth in terms of employee numbers, net profit and revenue. The aim was to establish whether there is a specific combination of entrepreneurial capabilities that may create opportunities to generate growth. Only one statistically significant correlation was found between entrepreneurial capability and net profit growth. The higher the networking capability score, the higher the net profit growth in 2007. The relationship between these variables was however, weak and not confirmed in the other years analysed in the study.

A weak positive correlation was also found between the experience capability and revenue growth in 2007. The higher the experience capability scores, the higher the revenue growth in 2007. This correlation was weak and not confirmed in any of the other years. Innovative and risk taking capability had weak positive correlations with revenue growth in 2010, 2007 and 2006. This implied that the higher the innovative and risk taking capabilities in these years, the higher the revenue growth. These correlations were again weak and not confirmed in 2009 and 2008. Further analysis indicated that there was no statistically significant correlation found between the total capability scores and average net profit and average revenue growth over the five year period. Thus

hypothesis four was inconclusive although some correlations were found. Zhang et al. (2009) argued that international entrepreneurial capability is a key determinant of a firm's global markets performance. Global market performance was measured for global born firms and exporters in terms of a strategic and financial dimension, consisting of the firm's global market share, competitive position, cost position, sales growth and profitability in the global market. This study isolated the financial dimension and measured growth in terms change in number of employees, net profit and revenue for various entry modes. Although there were certain positive effects, it is inconclusive whether there is a correlation between growth and the international entrepreneurial capabilities.

6. Conclusion

Previous research (Chen & Mujtaba, 2007) on entry mode considered the influence of country, industry, location, firm specific factors on entry mode, but to date limited research has attempted to examine the entrepreneurial capabilities and the influence thereof on the strategic entry mode decision. This study extended this analysis by suggesting that certain international entrepreneurial capabilities influence the choice entry mode. We found empirical evidence that certain entrepreneurial capabilities (as defined by Zhang *et al.*, 2009), influence the choice of entry mode.

There are several limitations to this research in that only South African based firms were used in the sample, and additional factors such as bias, country risk and market specific factors may also influence choice of mode of entry and success with a new international venture. Future studies could be expanded to include other entry modes. Future research could focus on mergers and

acquisitions and new ventures as the population. The study focussed only on the entrepreneurial capabilities, future research could also measure other factors such as cultural bias, country risk and market specific factors. One could also include multi-national enterprises or born global companies, because this study only focussed on small to medium-large companies headquartered in South Africa.

GIBS Literature Review

7.1 Introduction

Entrepreneurship is crucial for economic growth in the modern global economic market place. Many researchers (e.g. Bosman & Levie, 2009; Hessels, Van Gelderen & Thurik, 2008; Thurik, Carree, van Stel, & Audretsch, 2008) have indicated that entrepreneurship enhances economic growth and that there is a positive correlation between entrepreneurship and economic growth. Entrepreneurship acts as a catalyst to promote the augmentation of advances in trade and industry. Both established firms as well as international new ventures serve as important agents in enabling novel cross-border combinations of resources, markets and knowledge which are diffused internationally. The novel combinations of resources, markets and knowledge lead to profit creating opportunities and the enabling of new economic activity (Gregorio, Musteen, & Thomas, 2008). International knowledge as well as reputational, social and tangible resources are needed by a new venture for successful entry into the international arena (Fernhaber & Li, 2010). This will assist with successfully overcoming the associated constraints related to entering an international market. Increased performance could be enhanced by the breadth, depth, and speed of technological learning obtained when internationalising (Fernhaber & Li, 2010; Zahra, Ireland & Hitt, 2000). The international entrepreneurial capability of globally born firms has a positive and significant impact in a firm's international market performance in terms of competitive advantage, sales, growth and profitability (Zhang, Tansuhaj, & McCullough, 2009).

The economics and business literature on firms' entry modes focus on the exploitation of competitive advantages, the reduction of transaction costs and the role of market structures and imperfections (Álvarez & Marín, 2010). Chen and Mujtaba (2007) state that entry modes vary in three aspects: cost of resources commitment; control of level of ownership and risks associated with the resource committed and the external environment. Greater control of the firms' influencing systems, methods and decisions require higher resource commitment and increase the associated risk levels of a firm operating in a foreign market (Chen & Mujtaba, 2007; Rhoades & Rechner, 2001). The choice of entry mode has implications for resource commitments and may affect the foreign firm's performance and survival (Bradley & Gannon, 2000; Chen & Mujtaba, 2007). It therefore becomes imperative to understand and appreciate the influences of individual or firm capabilities as well as the intricacies of the entry mode decisions on the survival of the international firm.

The firm's characteristics are founded on the basis of the entrepreneurial capabilities. The firm operates within an environment exhibiting its own characteristics. The firm will therefore react to the external environment based on its own capabilities which comprises of its entrepreneurial capabilities as well as the firms' characteristics. Developing organisational capabilities such as international entrepreneurial capabilities is important to small globally born firms, because it could assist in leveraging a firm's resources in order to achieve superior performance in international markets (Zhang *et al.*, 2009).

This study endeavoured to determine whether the different international entrepreneurial capabilities, as defined by Zhang et al*.* (2009), influence the

choice of entry mode. In addition, this research further investigated the contribution of the different entrepreneurial capabilities and the choice of entry mode on small to large firms' financial growth in the international market.

This study contributes to the existing literature in the area of international business and international entrepreneurship by combining two key dimensions: entrepreneurial capabilities and choice of entry mode. The study assists international managers and owners in understanding how they should combine their international entrepreneurial capabilities to create new opportunities with a strategic decision of a specific entry mode that generates a competitive advantage or leads to growth and survival in the international market. The scope of the research embraced international entrepreneurship and the entry mode into the international market.

7.2 Entrepreneurship Defined

There are two main traditional theories of entrepreneurship – the system level approach and the individual level approach. Schumpeter and Krizner were the founding fathers of the system level approach in terms of which the health of the economy depends on the pursuit of opportunities by prospective entrepreneurs (McMullen & Shepherd, 2006).

The individual level approach explores how individual entrepreneurs pursue opportunities. Entrepreneurship requires action, and to be an entrepreneur is to act on the possibility of a worthwhile opportunity (McMullen & Shepherd, 2006). Entrepreneurship also involves a process in which an entrepreneur makes a

decision under uncertain conditions (McKelvie, Haynie, & Gustavson, 2009). The definition of entrepreneurship not only includes small start-up firms, but also corporate venturing from established organisations (Knight & Cavusgil 1996; Styles & Seymour, 2006; Townsend & Hart 2008; Zhang *et al.,* 2009).

This research aims to evaluate the relationship between international entrepreneurial capabilities and the choice of entry mode. It therefore becomes imperative to understand and appreciate the individual or firms capabilities, as well as the intricacies of the opportunity identification process in an international context.

7.3 International Entrepreneurship

It has become more common worldwide for small to large sized firms to compete globally and to create competitive advantages by organising their resources in such a way as to successfully compete across international borders (Karra, Phillips, & Tracey, 2008; Styles & Seymour 2006). Globalisation makes it possible for firms to expand across local boundaries (Brouthers & Hennart, 2007).

The field of International Entrepreneurship (IE) studies the phenomenon of globalisation. IE is defined as “the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt & McDougall, 2005, p. 540). The authors furthermore suggested that there are two branches of the study of IE; cross national border entrepreneurial behaviour of entrepreneurial actors (organisations, groups or

individuals), and the cross national border entrepreneurs which compare the behaviour of entrepreneurs and their circumstances. The research will focus on the cross national border entrepreneurial behaviour of a firm.

Zhang et al. (2009, p. 295) define international entrepreneurs as individuals that discover opportunities, act, evaluate and exploit opportunities across national borders. International entrepreneurship therefore includes the components of opportunity recognition and exploitation in international markets. The field of international entrepreneurship consists of components such as brokering, resource leveraging or stretching, value creation (Zhang *et al.*, 2009), and opportunity seeking through a combination of innovation, proactive and risk seeking behaviour (McDougall & Oviatt, 2000).

Accordingly, there are certain capabilities required for an entrepreneurial firm to be successful in an international setting, and the international entrepreneur or entrepreneurial firm requires this set of capabilities in order to bring the international opportunities alive. The next section briefly portrays the required capabilities for an entrepreneurial firm to be successful in an international setting.

7.4 International Entrepreneurial Capabilities

Entrepreneurial characteristics (a desire for achievement; locus of control; risk taking propensity; pro-activeness; tolerance for ambiguity; and creativity, competitiveness, drive, and organisation, flexibility, impulsiveness, self-

interestedness, leadership, scepticism and endurance) could be seen as the underlying principles of entrepreneurial capabilities (Izedonmi, 2010).

Zhang et al. (2009) identified five key dimensions of international entrepreneurial capability, namely: international experience, international learning capability, international marketing capability, international networking capability and innovative and risk taking capability. Their study concluded that through the entrepreneurial capability, a firm leverages resources through a "… combination of innovative, proactive, and risk seeking activities to discover, enact, evaluate, and exploit business opportunities across borders" (Zhang *et al.*, 2009, p. 293). The five key dimensions are discussed below.

Experience capability is the first dimension of international entrepreneurial capability. Prior knowledge, work experience and international living of founders and decision makers in the international market reduce the risk and uncertainty of operating in the international market. Prior experience increases the speed of learning and internationalisation (Zhang *et al.*, 2009).

Learning capability is defined as a firm's ability to actively acquire, share and uses it intelligence to plan and disseminate information in order to adapt to rapidly changing environments (Zhang *et al.*, 2009). Organisational learning capabilities include formal and informal processes and structures which could accommodate acquisitions by sharing knowledge and skills (Zhang *et al.*, 2009).

Marketing capabilities are firm-specific and include superior market-sensing, customer linking, and channel-bonding capabilities. International marketing

capability is the ability to develop and execute marketing strategies using knowledge of competition to create superior value (Zhang *et al.*, 2009). The marketing capability enables firms to understand the customer's needs and identify the correct opportunities in the international market. Researchers (Jensen, 2003; Song, Nason, & Di Benedetto, 2008; Tseng & Lee, 2010) have highlighted the importance of firms strengthening their relationships together with their marketing capabilities and suggest that firms should continue to cultivate strong marketing capabilities. Firms should also utilise this critical resource to overcome market turbulences and balance their entry mode decisions.

Networking capability refers to the firm's ability to obtain resources through alliances and social network creation, in order to apply it in the international context (Zhang *et al.*, 2009). This capability will enable firms to cope with uncertainty and impediments in the international environment. Networking also contributes to the success of firms by helping to identify new market opportunities (Zhang *et al.*, 2009).

Innovation and risk-taking capability consist of two components. Innovativeness refers to the firm's ability to adopt new ideas, products or processes. Risk-taking is the firm's ability to make uncertain and significant resource commitments in the international market (Zhang *et al.*, 2009).

International entrepreneurial capabilities study has indicated that there is a positive and significant correlation between international entrepreneurial capability and a firm's global market performance (Zhang *et al.*, 2009).

International firms should take cognisance of their international entrepreneurial capabilities and the advantages brought about in creating more opportunities for their firms.

7.5 International Opportunity Identification

Opportunity finding is part of the entrepreneurial process and one cannot have entrepreneurship without first finding the opportunity (Shane & Venkataraman, The promise of entrepreneurship as a field of research., 2000). Opportunity recognition influences entrepreneurial decision making (Miao & Liu, 2010). The international entrepreneurial process consists of three principles: the discovery of new opportunities; deployment of resources in the exploitation of these opportunities and the engagement with competitors (Mathews & Zander, The international entrepreneurial dynamics of accelerated internationalisation, 2007). Drucker (1985) confirms this by describing three different categories of opportunities: (1) the creation of new technologies; (2) the exploitation of market inefficiencies; (3) the reaction to shifts, eg political changes, regulatory or demographical changes (Shane & Venkataraman, 2000).

International entrepreneurship is all about opportunity identification and exploitation in the international markets (Zahra, Korrib, & Yu, 2005). International opportunity recognition is the beginning of the internationalisation process and is the way in which people and firms discover opportunities to enter international markets (Chandra, Styles, & Wilkinson, 2008). This also includes how and why these opportunities are exploited. Internationalisation can enhance a firm's managerial skills and capabilities, better facilitate the use of resources and give it a greater degree of flexibility for undertaking diversified

business risks (Katsikeas & Skarmeas, 2003; Pinho, 2007; Young, Hamill, Wheeler & Davies, 1989).

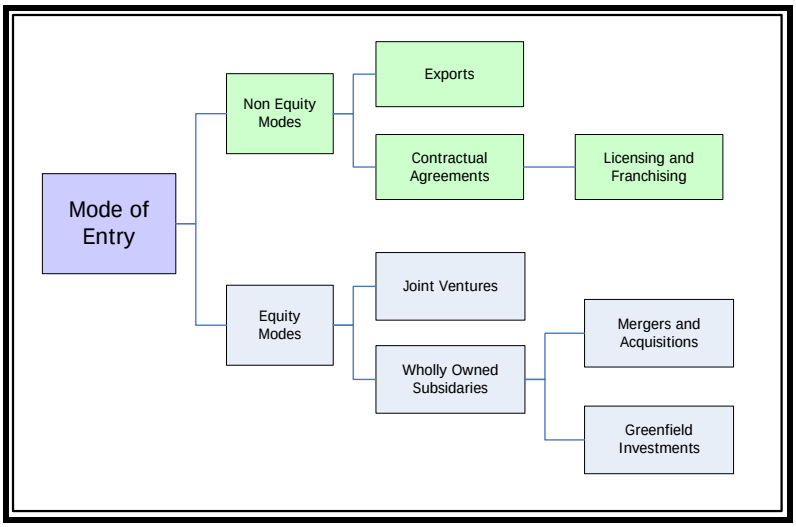
However, there are costs and benefits associated with each international opportunity and there are various entry modes of unearthing these opportunities in international markets. The next section explores the different entry modes which will make it possible for firms to expand into the international markets.

7.6 Entry Modes into International Markets

Hennart (1988, 1989, 2000) classifies modes of entry into two categories: contracts and equity modes, with both JVs and WOSs in the equity category, with the main difference in the method chosen to remunerate input providers (Brouthers & Hennart, 2007). Nocke and Yeaple (2007) argue that a firm selling products aboard has two options: Exporting or producing the products locally (FDI). By producing locally, the firm will either build a new venture (Greenfield Investments), or engage in a cross-border merger and acquisition deal. Pan and Tse (2000) divide entry modes into two categories: equity and non-equity. They explain that these two categories of entry modes vary with regard to investment requirements and control. Equity options (such as joint ventures and wholly owned ventures) require higher levels of control from the parent firm, due to a relatively large commitment to investment (Canabala & White III, 2008). Kaynak, Demirbag and Tatoglu (2007) concur by stating that entry modes consist of non-equity and equity categories and added that each entry mode is associated with varying degrees of resource commitment, market attractiveness, competitive advantage, control and risk exposure. The equity

modes involve higher resource commitment and higher levels of control, higher profit potential and low flexibility, than do the non-equity modes (Kaynak *et al.*, 2007). This study will focus on the taxonomy of entry modes as depicted by Grande and Teixeira (2011).

Figure 2: Taxonomy of Entry Modes



Source: Adopted from Grande and Teixeira, 2011

7.6.1 Contractual: Franchising and Licensing

A firm that considers employing franchising as an international entry mode is probably already practicing franchising in the domestic market. Research (Doherty, 2007) has found that there are three main background factors that have a significant influence on the franchise option as entry mode: an expansion ethos, the learning process and network spread. Researchers (Doherty, 2007; Eroglu, 1992; Aliouche & Schlentrich, 2011) have found many factors which influence the international franchise decision as entry mode, including background and decision-maker characteristics as well as organisational (firm size, operating experience, top management's international experience, tolerance for risk and perception of the firm's competitive

advantage), macro environmental factors (political, economic, regulatory, legal, cultural distance, geographical distance and market potential).

7.6.2 Exports

Many small and young firms use export as the main mode of internationalisation of operations. Exporting assist firms in gaining international experience and building an international presence. This entry mode limits the upfront costs and minimise the risks associated with more challenging and complex entry modes (Mudambi & Zahra, 2007). It is for this reason that many firms who rely on organic growth start with lower levels of commitment (exporting) and then later move to higher levels of commitment (joint ventures and wholly owned subsidiaries) in order to minimise risk (Chen, Zou, & Wang, 2009b).

7.6.3 Joint Ventures

Joint ventures indicate partial or shared ownership, in which the parent firm has only a portion of equity control over its operations (Tseng & Lee, 2010). Shared ownership allows for sharing of risk and combining complementary strengths, especially local market knowledge of target markets (Kaynak *et al.,* 2007).

An international joint venture consists of two or more legally independent parent firms from different countries, which share equity investments, returns and control over operations (Chen, Park, & Newburry, 2009a). The appropriate control requires knowledge regarding the control system and is a critical factor for the success of the joint venture (Chen *et al.,* 2009a). Resource contribution

influences organisational control in joint ventures and parent firms may adjust control mechanisms by changing their resource contributions. There are three control types: output (measures and rewards outcomes and based on outcome measurement), process (monitors ongoing behaviours and based on behaviour surveillance) and social (influences embedded values of the controller and based on social interactions) control (Chen *et al.*, 2009a). Firms could increase property contributions to enhance output and process control, and increase knowledge contributions to intensify process and social control (Chen *et al.*, 2009a). Firms should use joint ventures when entering in a new country in order to reduce the external uncertainties (Tseng & Lee, 2010). This will enable the firm to gain greater local knowledge from partners. Certain resources, such as technical, creative, and collaborative skills, promote adaptation and flexibility in uncertain environments (Chen *et al.*, 2009a; Miller & Shamsie; 1996).

7.6.4 Wholly Owned Subsidiaries

Wholly owned subsidiaries (WOS) or full ownership involves a complete equity control by the parent firm over its foreign operations (Tseng & Lee, 2010). A multinational with a strong marketing capability is more likely to use wholly owned subsidiary to enter a turbulent foreign market (Tseng & Lee, 2010). The marketing capability enables a firm to acquire, interpret, and analyse a wealth and variety of information to equip a firm with proper tactics to use when dealing with foreign market turbulence (Song, Nason, & Di Benedetto, 2008). A WOS strategy may entail a merger and acquisition or a firm could decide to establish a new venture in the new country.

7.6.4.1 Mergers and Acquisition

A cross-border acquisition allows a firm to obtain access to the country-specific capabilities of the acquired firm at a price which is governed by demand and supply of firms in the market (Nocke & Yeaple, 2007). Firms choose mergers and acquisitions to take advantage of local access related to distribution networks, political connections, local cultural knowledge and knowledge concentration (Álvarez & Marín, 2010). A merger and acquisition is a good option in countries where clusters of knowledge are located. Acquisitions often suffer from cultural clashes between parent and subsidiary units, which inhibit knowledge flows (Álvarez & Marín, 2010).

Demand uncertainty, acquisition-based strategic flexibility, and subsidiary size would all impact the acquisition decision. Furthermore, the inability to obtain accurate and timely information about the target market and changes that occur will also impact the acquisition decision. This could reduce a firm's potential growth option that an acquisition can provide (Brouthers & Dikova, 2010). It is thus critical that knowledge is obtained to reduce uncertainty in future decisions regarding the specific investment. A cross-border merger and acquisition becomes the preferred entry mode into foreign markets when some capabilities such as marketing, distribution, and country-specific institutional competency become relatively less mobile across borders (Nocke & Yeaple, 2007).

Brouthers and Dikova (2010, p. 1048) suggest that "acquisitions are a good choice only when firms enter markets containing low demand uncertainty and when these firms possess acquisition-based strategic flexibility". Despite the

growth in acquisition activity over the past few decades, there is still little empirical evidence that acquisitions result in improved firm performance. Researchers indicated that few financial benefits accrue to firms after acquisition and that it is not always the best entry mode to expand, especially into international markets (Brouthers & Dikova, 2010).

7.6.4.2 Greenfield Ventures (New Ventures)

A firm brings its own capabilities to work abroad when choosing Greenfield foreign direct investment (FDI) as entry mode (Nocke & Yeaple, 2007). Greenfield ventures establish a common organisational culture, thus making knowledge transfer from the new subsidiary to the parent firm easier and enhance the value of Greenfield venture growth options (Hennart & Park, 1993).

Brouthers and Dikova (2010) suggest that Greenfield ventures may bestow firms with valuable growth options, it provide firms with the ability to lower upfront investments, minimise downside risks and gain experience without making long term expansion decisions. Greenfield ventures are more economical because investments are made incrementally as more information and knowledge about the new market becomes available (Brouthers & Dikova, 2010).

7.6.5 Possible Influences on Choice of Entry Mode

There are various driving forces which encourage firms to internationalise their businesses; the willingness to commitment resources, risks perceptions and

international learning expectations (Álvarez & Marín, 2010; Slangen & Hennart, 2007). These forces are related to the FDI motives that may differ according to the firms' strategies of resource seeking, market seeking, efficiency seeking and knowledge seeking (Dunning, 2006). International entry mode explores the form in which firms operationalises in foreign markets.

Dunning (1988) developed an eclectic model that identifies three factors that influence the choice entry mode: Transaction-specific advantages, internalisation-specific advantages and ownership-specific advantages (Brouthers & Hennart, 2007). Similarly, Kogut and Singh (1988) found that industry, firm and country or location specific factors influence the entry mode decision (Chen & Mujtaba, 2007). Firm specific factors include firm-specific assets and skills; where assets are reflected by the firm's size and multi-national experience and skills are measured by the firm's ability to develop products (Chen & Mujtaba, 2007; Dunning, 1988). This study will delve deeper into the firm specific assets and skills and will use Zhang et al. (2009) questionnaire to gain understanding how the international capability of a small to large sized firm influences the choice of entry mode.

7.7 Financial Growth

Globalisation gained substantial momentum in reshaping the world of trade and industry, acting as a conduit for entrepreneurs and providing access to goods and services in untapped markets. FDI, open markets and technological advancements are creating a global economy that fosters a competitive business environment. Globalisation enables expansion across local boundaries

(Brouthers & Hennart, 2007). Growth is the route to survival for international ventures. The choice of entry mode may affect the foreign firm's performance and survival and it is thus critical for growth (Chen & Mujtaba, 2007). New ventures are an engine for job creation, innovation, and regional development (Chen *et al.*, 2009b).

Entrepreneurial firms advocate sustainable growth in a global, dynamic and competitive environment. Their survival and growth are dependent on how successfully they can identify their competitive advantage, leveraging of their unique set of capabilities and translating these into sustainable growth in profits. More and more firms are moving towards an international strategy for growth and new business opportunities. International revenue sources are important for firms, but the firms' abilities to create value by combining resources internationally, is of equal or greater importance (Gregorio *et al.*, 2008). The dilemma for entrepreneurs in the growth stages are that once they have identified the international opportunity, they need to elect how best to take advantage of the international market prospects. Entrepreneurs need to decide which international strategy will be the most appropriate to unlock the potential of the given opportunities. Expansion into international markets is critical for international entrepreneurial firms in order to create new opportunities by making the correct strategic decisions. The correct internationalisation strategy could lead to cost reduction, competitive advantage and sustainable growth.

Mudambi and Zahra (2007) compare survival odds with modes of entry. They found that the survival of international new ventures (INV) or sequential FDI

approach to entry mode depends on whether the firm has the correct set of competencies to go either way. In other words, if the capabilities of the firm are correctly matched to the choice of entry, then the survival rate will be higher than a non-match. Sequential FDI is where a firm's expansion starts with exporting, proceeds to licensing and then evolves into acquisitions or Greenfield investments (Mudambi & Zahra, 2007). New ventures are engines for job creation, innovation, and regional development (Chen *et al.*, 2009b). Previous research (Frank, Lueger, & Korunka, 2007; Chen *et al.*, 2009b; Karra, Phillips, & Tracey, 2008) has indicated that there are various growth predictors for new ventures, such as entrepreneur characteristics, industry dynamics, organisational resources and structures. Although there are many factors that influence growth, this study will focus on entry mode and entrepreneurial capabilities.

The ability of globally born firms to succeed in foreign markets is largely a function of their internal capabilities (Zhang *et al.,* 2009). A growing body of research argues that the internal resources of the firm should be examined to justify firm strategies (Chen *et al.*, 2009b).

GIBS Research Methodology

8.1 Research Design and Methodology

A high level explorative literature review was performed in order to gain more insight in the principles discussed in the literature summary section. Blumberg, Cooper and Schindler (2008) defines a descriptive study as a "...describe phenomena associated with a subject population or to estimate proportions of the population that have certain characteristics". The research design was a quantitative, descriptive, cross sectional study.

Qualitative and quantitative research differs in many ways, one of the differences is the nature of the data; in qualitative the nature of the data is 'soft' e.g. impressions, words, sentences and photos where as in quantitative the nature of the data is 'hard' e.g. in the form of numbers and figures (Neuman, 2011). Qualitative research aims to describe and explain the relationship between variables however, quantitative research predicts the casual relationship between variables and quantity the variations (Mack, Woodsong, MacQueen, Guest, & Namey, 2010). An independent variable in a variable that creates an effect on the dependent variable and the dependent variable is the variable that reacts to the effect of the independent variable (Neuman, 2011).

The quantitative approach was chosen for purposes of this study in light of the fact that the study investigates the relationship between various variables. In the first part of the research, the independent variable was the entry mode and the dependent variables were the international capabilities: international experience capability; international learning capability; international marketing

capability; international networking capability; the international innovative and risk taking capability. In the second part of the research, the independent variable was growth and the dependent variables were the international entrepreneurial capabilities.

This study used a structured, self-administered questionnaire developed to collect data from the sample. Surveys were used because of their appropriateness for testing research questions related to behaviours (Neuman, 2011). There are different types of surveys, namely mail questionnaires, telephone interviews, face to face interviews and web surveys. The survey instrument was designed to specifically test the hypotheses. The web survey option was chosen because it is fast, cost effective and provides access to a wider reach of respondents (Neuman, 2011).

The survey instrument was adapted from Zhang et al. (2009) and permission was obtained from the researcher (Zhang) to use the questionnaire. The first section was added to the original questionnaire and consisted of corpographics, entry mode and performance information. The corpographics section of the questionnaire explored the nature of the firm by requesting the name of the firm (not compulsory), the respondent's position in the firm, the industry in which the firm operated, the size of the firm in terms of total turnover and number of employees and the name and number of countries in which the firm operated. The entry mode section of the questionnaire explored the current entry mode of the firm, the entry mode it chose in the past and asked which entry mode it found most successful. The performance information section of the questionnaire focused on employee growth, net profit growth and revenue

growth year on year from 2006 to 2010. Growth was in all instances indicated as the percentage growth. There was only one open-ended question in the questionnaire- the remainder of the questions indicated various choices from which the firm could choose a response. Open ended questions are quicker and easier to answer and the answers of respondents are easier to compare than open ended questions (Neuman, 2011).

The second section used a seven point Likert scale to determine the entrepreneurial capabilities of the firm. A Likert-type scale, also known as a summated-rating scale, is widely used in survey research to gauge a person's attitude towards a statement in terms of ordinal-level categories (better, worse). The scores on the scale are computed by summing the number of responses the person gives (Neuman, 2011). The Likert scale used in this study asked each respondent to indicate, on a seven point scale, whether his/her firm is better or worse than the competition. A neutral category, indicating "no difference", was also added. The scores for each of the entrepreneurial capabilities were summed, which indicated the respondents' entrepreneurial capabilities. This section of the questionnaire contained 15 questions relating to entrepreneurial capabilities. The performances of the following international entrepreneurial capabilities were explored:

- *Marketing Capability:* This area focused on the companies' abilities to use marketing tools to differentiate its products, advertising effectiveness, and control and evaluation of marketing activities.
- *Learning Capability:* This section of the questionnaire measured the companies' perceptions of their knowledge of customers and

competitors, the development and adaptation of their products and the effectiveness of pricing.

- *Networking Capability:* The questions relating to this aspect focused on technology based links with customers and suppliers in the international market and entrepreneurial collaborations with external partners.
- *Experience Capability:* This section focused on top management's experience in international business, whether they saw the world as their marketplace and whether top management continuously communicated the mission to succeed in international markets to their employees.
- *Innovative and Risk Taking Capability:* The last section of the questionnaire focused on the companies' willingness to take risks, their commitment to innovation and development and their readiness to meet new challenges.

It is submitted that the questionnaire is both valid and reliable (Zhang *et al.,* 2009). Reliability refers to whether responses to items are consistent across different groups, stable over time, and whether the measure yield consistent results across different indicators (Creswell, 2009; Neuman, 2011). Reliability scores for the five constructs measured ranged from 0.69 to 0.87. An overall score of 0.91 for the international entrepreneurial capability was achieved. These score indicates a good overall reliability of the questionnaire.

Validity refers to how well an idea fits with actual reality and whether one can draw meaningful inferences from scores (Neuman, 2011). Validity scores for the five constructs measured, indicated evidence of good convergent validity

(Zhang *et al.,* 2009). The normed x^2 is 1.5 which indicated a good model fit and no evidence of over fitting (Zhang *et al*., 2009). The Comparative Fit Index (0.96), Tucker-Lewis Index (0.94) and Incremental Index of Fit (0.96) scored greater than the recommended level of 0.9. In addition, the Relative Fit Index (0.86), Bentler and Bonnett's Normed Fit Index (0.88), and root mean square error of approximation (RMSEA = 0.061) indicate that the model accounts for a substantial amount of the variance and are within acceptable ranges (Zhang *et al*., 2009, p. 307).

The questionnaire was piloted with five respondents prior to the distribution of the questionnaire. The purpose of the pilot testing was to ensure that all the questions are clear and fully understood by respondents. The feedback was incorporated in the questionnaire, prior to distribution to the sample.

8.2 Population and Unit of Analysis

Neuman (2011, p. 224) define a population as "... the abstract idea of a large group of many cases from which a researcher draws a sample and to which results from a sample are generalised". The population of this article was small to large-medium sized South African firms conducting business in the international market. The categories of small to medium firms were defined according to the definition in the National Small Business Amendment Act of South Africa, 2003 (No. 25763) which defined a small firm as less than 50 employees with a turnover less than R 19 million (approximately USD 2.5 million), depending on the industry, and a medium firm as more than 50 employees with a turnover more than R 19 million (approximately USD 2.5

million), depending on the industry. An additional category of large-medium sized firm was added for firms with a revenue of about R 250 million (approximately USD 32 million) or more than 200 employees (see Appendix A). South African firms are interesting to study as South Africa is a developing economy but has a well developed tradition of building multi-national enterprises with firms such as SABMiller, Old Mutual, Anglo American, MTN and Richemont all originating from South Africa. In addition, South Africa is well represented on the UNCTAD list of transnational firms from emerging markets, despite the relatively small population and economy.

The unit of analysis was the small to large-medium sized firm.

8.3 Sampling Method and Size

Two types of sampling frames, which closely approximates all elements in the population, were used: a database with 37 611 small to large-medium sized firms, supplied by a data listing firm and a list of the researcher's friends and colleagues. Sampling is a critical component of research and the incorrect sample will influence the research design, measurement of variables and the data collection strategy (Neuman, 2011). A combination of three non-probability sampling techniques was used, namely snowball, convenience and quota techniques (Blumberg, Cooper, & Schindler, 2008). The main reasons for choosing these three techniques were:

- Snowball sampling was utilised in order to distribute the survey and increase the reach across regions in South Africa. Respondents also contributed to the snowballing effect by distributing the link to their

social networks. The initial set of questionnaires was distributed to friends and colleagues.

- The convenience sample method assisted with easier access to firms conducting business cross borders. In addition, this method was easy and cost effective to conduct (Neuman, 2011).
- Quota sampling was used to ensure that equal number of observations of each entry mode was obtained.

The aim was to collect at least 150 (30 questionnaires of each entry mode) completed and valid questionnaires from South African small to large-medium sized firms.

8.4 Data Gathering Process

The data was collected via personalised, self-administrated questionnaires, distributed by means of SurveyMonkey, a web-based survey administered online which remained opened for one month. The link to SurveyMonkey, a questionnaire and short cover note were emailed to all potential respondents. Collection of data in this form was appropriate and convenient for this study because of the rapid turn around time; it is inexpensive and flexible in terms of design (Neuman, 2011). The downside of this form is that internet surveys do have a low response rate. This was addressed by the distribution of reminders and follow-up phone calls to the potential respondents. A total of 175 completed and valid questionnaires were received.

8.5 Data Analysis

The captured data was analysed by making use of the IBM SPSS statistical analysis package. Descriptive statistics and inferential techniques were used. Frequency analysis was used to describe the sample in terms of the corpographics. Descriptive statistics were employed to give an indication of mean performance, by entry mode in terms of entrepreneurial capabilities and growth. The descriptive statistics included the number of participants, minimum and maximum values, mean scores and standard deviations.

Inferential statistics were used to determine whether statistically significant differences existed between various entry modes on entrepreneurial capability and growth in terms of number of employees, net profit growth and revenue growth. These types of analyses were also used to determine whether entrepreneurial capabilities and growth differed amongst equity versus non-equity modes of entry. One-way analysis of variance was used to determine whether statistically significant differences existed between the modes of entry in terms of the entrepreneurial capabilities. As the sample sizes were relatively small and the data was not normally distributed, non-parametric techniques were used to confirm the results. The non-parametric Kruskal-Wallis one-way analysis of variance was used to confirm the results obtained by the parametric one-way analysis of variance.

T-tests for independent samples were used to assess the statistical significance of the difference between two independent sample means (Hair, Black, Babin, Anderson, & Tatham, 1998). This method was used to determine whether there were significant differences in the mean scores of equity versus non-equity

modes of entry in terms of entrepreneurial capabilities and growth. Statistically significant relationships between variables are indicated by a significance value p. If the value of p is equal to or less than 0.05, it gives an indication that there is a statistically significant difference, on the 5% level of significance. Non-parametric statistics were used to confirm the results of the t-tests by making use of Mann-Whitney U-tests. This test was used to determine significant differences between equity and non-equity modes of entry on entrepreneurial capabilities and growth.

The Pearson product-moment correlations analysis was used to determine whether there were any relationships between entrepreneurial capabilities and financial growth. A binary logistic regression analysis was used to determine whether certain entrepreneurial capabilities influenced the choice of entry mode. Entrepreneurial capabilities were calculated based on the summation of respondent's answers to the relevant questions in the questionnaire. Each question was rated on a seven point scale and each respondent thus scored between a minimum score of three and a maximum score of 21 on each capability. The capability scores were calculated as continuous variables. However, the variable, entry mode, was still a categorical or discreet variable. In the case of this study, the prediction of the chosen entry mode may be based on various or specific entrepreneurial capabilities. Logistic regression thus allows for the evaluation of the odds (probability) of choosing a particular entry mode based on the combination of values of the predictor variables, in this case entrepreneurial capabilities. The various modes of entry were coded into separate dichotomous variables where 1= chose the entry mode and 0= did not choose this entry mode. Binary Logistic regression was used with entry mode as

the dependent binary categorical variable. This was done to determine the effect of the entrepreneurial capabilities on each of the entry modes.

The Chi-square analysis was used to determine the relationship between the entry mode chosen by companies and the number of countries operated in.

8.6 Limitations

This study presents itself with various limitations. Only South African based companies were used in the sample, and this study only focussed on entrepreneurial capabilities and did not take into consideration the other elements that may influence the choice of entry mode. Such elements may include cultural bias, country risk and market specific factors.

The study was based on a self-report survey instrument which was proven to be accurate, reliable and valid. However, these factors do not guarantee that respondents will respond in ways that reflect the true nature of their entrepreneurial capabilities. Intangible variables such as entrepreneurial capabilities are challenging to measure.

The response rate was 0.5%. Mergers and acquisitions and new ventures were not representative in this study and could thus not be included. Furthermore, several contingencies could not be explored, for example how entrepreneurial capabilities influence the choice of new ventures (Greenfield investments) and mergers and acquisitions. The effect of psychic distance between countries could also be an interesting study.

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APPENDIX A: CLASSIFICATION OF FIRMS

Sector	Large	Total Full time employees	Total Turnover	Total Gross Asset Value (excl fixed-property)
Transport	Large Medium	> 200	R26.01m - R 250m	> R6m
	Medium	51 - 200	R13.01 - R26m	R3.10 - R6m
	Small	21 - 50	R3.01 - R13m	R0.61 - R3m
	Very Small	6-20	R0.21 - R3m	R0.11 - R0.6m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Finance and Business Services	Large Medium	> 200	R26.01 m - R 250m	> R5m
	Medium	51 - 200	R13.01 - R26m	R3.10 - R5m
	Small	21 - 50	R3.01 - R13m	R0.51 - R3m
	Very Small	6-20	R0.20 - R3m	R0.11 - R0.50m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Community and Personal Services	Large Medium	> 200	R13.01 m - R 250m	> R6m
	Medium	51 - 200	R6.10 - R13m	R3.10 - R6m
	Small	21 - 50	R1.10 - R6m	R0.61 - R3m
	Very Small	6-20	R0.21 - R1m	R0.11 - R0.6m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Agriculture	Large Medium	> 100	R5.01 m - R 250m	> R5m
	Medium	21 - 100	R3.10 - R5m	R3.10 - R5m
	Small	11 - 20	R0.51 - R3m	R0.51 - R3m
	Very Small	6 - 10	R0.21 - R0.50m	R0.11 - R0.50m
	Micro	1 - 5	R0 - R0.20m	R0 - R0.10m
Mining	Large Medium	> 200	R39.01 m - R 250m	> R23m
	Medium	51 - 200	R10.10 - R39m	R6.10 - R23m
	Small	21 - 50	R4.10 - R10m	R2.10 - R6m
	Very Small	6-20	R0.21 - R4m	R0.11 - R2m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Manufacturing / Electricity and Water	Large Medium	> 200	R51.01 m - R 250m	> R19m
	Medium	51 - 200	R13.10 - R51m	R5.10 - R19m
	Small	21 - 50	R5.10 - R13m	R2.10 - R5m
	Very Small	6-20	R0.21 - R5m	R0.11 - R2m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Construction	Large Medium	> 200	R26.01 m - R 250m	> R5m
	Medium	51 - 200	R6.10 - R26m	R1.10 - R5m
	Small	21 - 50	R3.10 - R6m	R0.51 - R1m
	Very Small	6-20	R0.21 - R3m	R0.11 - R0.50m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Retail and Motor Trade	Large Medium	> 200	R39.01 m - R 250m	> R6m
	Medium	51 - 200	R19.10 - R39m	R3.10 - R6m
	Small	21 - 50	R4.10 - R19m	R0.61 - R3m
	Very Small	6-20	R0.21 - R4m	R0.11 - R0.60m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Wholesale	Large Medium	> 200	R64.01 m - R 250m	> R10m
	Medium	51 - 200	R32.10 - R64m	R5.10 - R10m
	Small	21 - 50	R6.10 - R32m	R0.61 - R5m
	Very Small	6-20	R0.21 - R6m	R0.11 - R0.60m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Catering	Large Medium	> 200	R13.01 m - R 250m	> R3m
	Medium	51 - 200	R6.10 - R13m	R1.10 - R3m
	Small	21 - 50	R5.11 - R6m	R1.91 - R1m
	Very Small	6-20	R0.21 - R5.10m	R0.11 - R1.90m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Telecoms and Electronics	Large Medium	> 200	R26.01 m - R 250m	> R5m
	Medium	51 - 200	R13.01 - R26m	R3.10 - R5m
	Small	21 - 50	R3.01 - R13m	R0.51 - R3m
	Very Small	6-20	R0.20 - R3m	R0.11 - R0.50m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m

APPENDIX B: CONSENT LETTER

-----Original Message-----
From: Man Zhang [mailto:mzhang@bgsu.edu]
Sent: 17 February 2011 09:11 PM
To: Alex Antonites1
Subject: RE: International entrepreneurial capability

Dear Dr. Antonites:
I am glad that you found our paper interesting. Sure, I think you can go ahead use our scales. And feel free to adapt them to your context. The items we used are actually in the paper. We used 7 point scales.
Good luck!
Man

-----Original Message-----
From: Alex Antonites1 [mailto:Alex.Antonites1@up.ac.za]
Sent: Wednesday, February 16, 2011 8:13 AM
To: Man Zhang; mccullough@ups.edu; tansuhaj@wsu.edu
Cc: Suzel.Hechter@absa.co.za
Subject: International entrepreneurial capability

Dear Professors

I read your article International entrepreneurial capability: The measurement and a comparison between born global firms and traditional exporters in China. (JInt Entrep (2009)7). I firstly need to congratulate you with a highly informative and scientifically sound paper that served perfectly in igniting a study of sort with one of our top MBA students. She intends to measure entrepreneurial capability, but within the context of the South African entrepreneur and the frame of BRIC. The five dimensions you have identified and measured fits perfectly in this research objective. I hereby ask with great admiration if your measurement instrument is maybe available for duplication in her study with the necessary copyright and reference permission.

It will be highly appreciated!

Thank you in advance!

Alex

Dr Alex Antonites
Chair in Entrepreneurship
Department of Business Management
Tel +27 12 420 3119
Cell. +27 82 894 6602

APPENDIX C: COVER LETTER

Dear Sean

I am currently studying toward obtaining my MBA and as partial fulfilment of my degree I need to conduct research. The objective of my research is two fold.

- Firstly, the research aims to determine whether entrepreneurial capabilities of small to large sized firms' influence the choice of entry mode into international markets
- Secondly, the research will investigate which entrepreneurial capabilities and/or choice of entry mode into International markets will lead to financial growth in the international market.

We will really appreciate it if you could please complete the survey using the following link:

http://www.ifeedback.co/index.php?Itemid=188&option=com_bfsurvey_pro&view=bfsurveypro&catid=67
OR
https://www.surveymonkey.com/s/Survey_Suzel_Hechter

Please complete one questionnaire per firm or division, if different modes of entry into International markets are used.

This will help us better understand the link between entrepreneurial capabilities and International entry modes. The survey should not take you more than 15 minutes. Responding to this survey is entirely anonymous. (Please only complete your personal details if you would like a copy of the executive summary of the research)

Your participation is voluntary and you can withdraw at any time.

Thanking you in advance for your participation!

Researcher
Suzel Hechter
suzel.hechter@absa.co.za
082 330 3482

Researcher Supervisor
Albert Wocke
wockea@gibs.co.za

APPENDIX D: QUESTIONNAIRE

SECTION 1

Background Information

a) What is the name of your firm?
b) What is your position in the firm?
c) In which industry do you operate?
d) When was your firm founded?

Classification of Firm

(Please use table below to answer the next two questions)

Sector	Large	Total Full time employees	Total Turnover	Tot Gross Asset Value (excl fixed-property)
Transport	Large Medium	> 200	R26.01m - R 250m	> R6m
	Medium	51 - 200	R13.01 - R26m	R3.10 - R6m
	Small	21 - 50	R3.01 - R13m	R0.61 - R3m
	Very Small	6-20	R0.21 - R3m	R0.11 - R0.6m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Finance and Business Services/ Construction/ Telecoms and Electronics	Large Medium	> 200	R26.01 m - R 250m	> R5m
	Medium	51 - 200	R13.01 - R26m	R3.10 - R5m
	Small	21 - 50	R3.01 - R13m	R0.51 - R3m
	Very Small	6-20	R0.21 - R3m	R0.11 - R0.50m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Community and Personal Services	Large Medium	> 200	R13.01 m - R 250m	> R6m
	Medium	51 - 200	R6.10 - R13m	R3.10 - R6m
	Small	21 - 50	R1.10 - R6m	R0.61 - R3m
	Very Small	6-20	R0.21 - R1m	R0.11 - R0.6m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Agriculture	Large Medium	> 100	R5.01 m - R 250m	> R5m
	Medium	21 - 100	R3.10 - R5m	R3.10 - R5m
	Small	11 - 20	R0.51 - R3m	R0.51 - R3m
	Very Small	6 - 10	R0.21 - R0.50m	R0.11 - R0.50m
	Micro	1 - 5	R0 - R0.20m	R0 - R0.10m
Mining	Large Medium	> 200	R39.01 m - R 250m	> R23m
	Medium	51 - 200	R10.10 - R39m	R6.10 - R23m
	Small	21 - 50	R4.10 - R10m	R2.10 - R6m
	Very Small	6-20	R0.21 - R4m	R0.11 - R2m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Manufacturing / Electricity and Water	Large Medium	> 200	R51.01 m - R 250m	> R19m
	Medium	51 - 200	R13.10 - R51m	R5.10 - R19m
	Small	21 - 50	R5.10 - R13m	R2.10 - R5m
	Very Small	6-20	R0.21 - R5m	R0.11 - R2m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Retail and Motor Trade	Large Medium	> 200	R39.01 m - R 250m	> R6m
	Medium	51 - 200	R19.10 - R39m	R3.10 - R6m
	Small	21 - 50	R4.10 - R19m	R0.61 - R3m
	Very Small	6-20	R0.21 - R4m	R0.11 - R0.60m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Wholesale	Large Medium	> 200	R64.01 m - R 250m	> R10m
	Medium	51 - 200	R32.10 - R64m	R5.10 - R10m
	Small	21 - 50	R6.10 - R32m	R0.61 - R5m
	Very Small	6-20	R0.21 - R6m	R0.11 - R0.60m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Catering	Large Medium	> 200	R13.01 m - R 250m	> R3m
	Medium	51 - 200	R6.10 - R13m	R1.10 - R3m
	Small	21 - 50	R5.11 - R6m	R1.91 - R1m
	Very Small	6-20	R0.21 - R5.10m	R0.11 - R1.90m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m

a) What is the size of your firm in terms of Total Turnover:

- Large-Medium,
- Medium,
- Small,
- Very Small, or
- Micro

b) What is the size of your firm in terms of Number of Employees:

- Large-Medium,
- Medium,
- Small,
- Very Small, or
- Micro

c) Name the countries in which you do business.

1.	2.	3.
4.	5.	6.
7.	8.	9.
10.	11.	12.

d) Please indicate your current entry mode you opted for doing business cross border. In other words, which methods did you use to take your products, services, technology, etc across borders? *Tick applicable*

- Contractual (Licensing or Franchising)
- Export
- Joint Ventures
  Wholly Owned Subsidiary: Mergers and Acquisitions
- Wholly Owned Subsidiary: New Venture
- Other (please specify)

e) Please indicate any other entry mode you opted for, in the past, doing business cross border. *Tick applicable*

- Contractual (Licensing or Franchising)
- Export
- Joint Ventures
- Wholly Owned Subsidiary: Mergers and Acquisitions
- Wholly Owned Subsidiary: New Venture
- Other (please specify)

f) Which entry mode did you find most successful and why?

Performance Information

a) Non Financial Growth: Please indicate the increase in employee growth as a percentage year on year.

2010	
2009	
2008	
2007	
2006	

b) Financial Growth: Please indicate the percentage change in net profit (% growth or decline).

2010	
2009	
2008	
2007	
2006	

c) Financial Growth: Please indicate the percentage change in revenue (% growth or decline).

2010	
2009	
2008	
2007	
2006	

SECTION 2

Entrepreneurial Capabilities

Please indicate whether your firm is worse or better than your main competitors in the following areas in the international markets. 1= much worse than competitors and 7= much better than competitors. (Much worse (1), Slightly worse (2), Worse (3), No difference (4), Better (5), Sightly better (6), Much better (7))

	1	2	3	4	5	6	7
a) Ability to use marketing tools to differentiate firm products							
b) Advertising effectiveness							
c) Control any evaluation of marketing activities							
d) Knowledge of customers and competitors							
e) Development or adaptation of the product Effectiveness of pricing							
f) We have technology based links with suppliers in international markets							
g) We have entrepreneurial collaborations with external partners							
h) Top management is experienced in international business							
i) Top management tends to see the world as the firm's marketplace							
j) Top management continuously communicates its mission to succeed in international markets to firm employees							
k) Willingness to stick necks out and take risks							
l) Commitment to innovation and development							
m) Readiness to meet new challenges							

APPENDIX E: LIST OF MOST SUCCESFULL ENTRY MODES

Which mode of entry did you find most successful and why?

- Licensing. Better because they produce there, eliminates the high cost of manufacture in SA and high cost of transport and time of transport.
- Differs by country
- Made a website, with the right search words, got inquiries, supplied the service, made a good name and carried on supplying to new clubs.
- Direct: have full control of the relationships and transactions.
- Referrals
- Personal / Relationship and word of mouth
- We react to marketing calls. At the moment we do not proactively market our technology to companies outside South Africa.
- Exports are very haphazard and not a key part of the business
- Wholly owned, because we have more control.
- Projects - ensure we bill international HQs rather than local clients.
- Wholly Owned because we have full control of the operations.
- Distribution agreements (non exclusive): Some of our products that are sent into the international market are niche by nature. Setting up distribution agreements narrows our distribution channel and adds value to our customers (distributor) offering.
- File transfers via the internet
- Digital. Fast, cost effective and measurable
- Obtaining local partners who understand the local business environment and exporting our knowledge, skills and customer base necessary to operate business. Customers are largely international customers, so not as exposed to risk of local customers.
- Networking with tour operators and good web-paging
- We are in the IP business - so licensing is the only method
- Build your own subsidiary
- None has been particularly successful we tend to do business outside RSA on a opportunistic basis now with direct involvement from South Africa
- Network of connections with people overseas, including internet groups. Occasionally some SA Businesses like Standard Bank hire me to do work in other countries
- Going there in person and consultants spending time in Africa
- Direct sales: No middle-man; no expectation of bribes; relationship building direct with end-user
- Becoming an accredited supplier for a global company
- Set up wholly owned PR co in each country. Retain control. Limit costs. No need to leave SA to operate companies
- Projects are effective, but getting payment is online sales even for small amounts are difficult in South Africa. Our exchange control regulations actually discourage any form of entrepreneurship as one need to keep the amounts very small to stay legal.
- Project type selling
- Personal contact
- It depends on the region: United States & Canada - Direct via US subsidiary Australia - Direct and Direct with Agent India - Direct with Agent Rest of World - Direct from South Africa
- The first because it developed over time and solid goodwill is created with repeat business. This type of model does take time to get results from!
- Direct
- The Cloud as it offers us more control and allows us to maximise opportunity across border with limited investment
- Existing transport companies that specialise in this field
- Advertising - people hear or read about us and contact us
- Through web pages; travelling to clients and knocking on doors, meeting them at International Fairs. Email through attending fairs getting all clients details regularly communication through sending pdfs and brochures.
- As a consultancy we find it best to do the work from SA. We partner or hand over for

implementation only
- Dealing direct with the end user and supply is done on a \"\"Cash in the Bank\"\" basis before dispatch.
- Wholly done by ourselves.
- I only use one method. I identify a client and sell my services. They ask for a quotation which I provide, and then I do the job. Simple!
- Appointing a Commission Agent and supplying inventory on consignment stock basis.
- Business Partnerships - As they are usually wholly and locally owned, the desire to succeed is integral to personal sustenance.
- PB provides engineering and project management services, most of which we export to these countries using sub-contractors as necessary. This has been very successful as we have used ICT systems to enhance the deployment of our services into each project.
- Personal relationship marketing
- Using Local partners
- Education & Training (Services)

APPENDIX F: ONE-WAY ANALYSIS

One-way analysis of variance to determine statistically significant differences between modes of entry on Capabilities for Contractual, Export, Joint Ventures, Services and More than one entry mode.

Descriptive

		N	Mean	Std. Dev	Std. Error	95% Confidence Interval for Mean		Min	Max
						Lower Bound	Upper Bound		
Marketing Capability	Contract	37	11.6216	4.4431	.73045	10.1402	13.1030	3.00	21.00
	Export	64	13.1875	4.3929	.54911	12.0902	14.2848	3.00	20.00
	JV	25	12.2800	3.1691	.63382	10.9719	13.5881	7.00	21.00
	Services	11	12.3636	4.3421	1.3092	9.4465	15.2808	5.00	18.00
	>1 entry mode	31	12.9355	3.8465	.69085	11.5246	14.3464	5.00	21.00
	Total	168	12.6071	4.1412	.31951	11.9764	13.2379	3.00	21.00
Learning Capability	Contract	36	14.8333	4.5512	.75855	13.2934	16.3733	3.00	20.00
	Export	64	15.2188	3.4155	.42694	14.3656	16.0719	3.00	20.00
	JV	25	14.5200	3.4414	.68828	13.0995	15.9405	8.00	21.00
	Services	11	15.3636	3.2022	.96552	13.2123	17.5150	11.0	21.00
	>1 entry mode	31	15.3548	3.3620	.60384	14.1216	16.5880	8.00	21.00
	Total	167	15.0659	3.6407	.28173	14.5096	15.6221	3.00	21.00
Networking Capability	Contract	37	13.0000	4.3652	.71765	11.5445	14.4555	3.00	21.00
	Export	64	12.6406	4.0014	.50018	11.6411	13.6402	3.00	21.00
	JV	25	12.7600	4.0236	.80474	11.0991	14.4209	3.00	20.00
	Services	11	12.8182	4.2146	1.2707	9.9867	15.6497	3.00	21.00
	>1 entry mode	31	14.5484	3.3944	.60967	13.3033	15.7935	6.00	21.00
	Total	168	13.1012	4.0129	.30960	12.4900	13.7124	3.00	21.00
Experience Capability	Contract	37	13.7027	4.2483	.69842	12.2862	15.1192	3.00	21.00
	Export	64	14.4844	4.2612	.53266	13.4199	15.5488	3.00	21.00
	JV	25	12.8800	3.9085	.78171	11.2666	14.4934	8.00	21.00
	Services	11	15.8182	2.8219	.85086	13.9223	17.7140	10.0	20.00
	>1 entry mode	31	14.6452	4.4086	.79182	13.0280	16.2623	6.00	21.00
	Total	168	14.1905	4.1785	.32238	13.5540	14.8270	3.00	21.00
Innovative and Risk Taking Capability	Contract	37	15.2162	5.2447	.86223	13.4675	16.9649	3.00	21.00
	Export	64	16.4063	3.3698	.42124	15.5645	17.2480	6.00	21.00
	JV	25	16.0400	3.4578	.69157	14.6127	17.4673	7.00	21.00
	Services	11	16.5455	2.1616	.65176	15.0932	17.9977	14.0	21.00
	>1 entry mode	31	16.5806	3.0416	.54630	15.4650	17.6963	11.0	21.00
	Total	168	16.1310	3.7601	.29010	15.5582	16.7037	3.00	21.00

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Marketing Capability	Between Groups	64.162	4	16.041	.934	.446
	Within Groups	2799.909	163	17.177		
	Total	2864.071	167			
Learning Capability	Between Groups	14.456	4	3.614	.268	.898
	Within Groups	2185.820	162	13.493		
	Total	2200.275	166			
Networking Capability	Between Groups	82.672	4	20.668	1.292	.275
	Within Groups	2606.608	163	15.991		
	Total	2689.280	167			
Experience Capability	Between Groups	92.818	4	23.204	1.340	.257
	Within Groups	2823.087	163	17.320		
	Total	2915.905	167			
Innovative and Risk Taking Capability	Between Groups	44.176	4	11.044	.777	.542
	Within Groups	2316.943	163	14.214		
	Total	2361.119	167			

Post Hoc Test: Multiple Comparisons

Dependent Variable		(I) Current mode of entry recoded	(J) Current mode of entry recoded	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Marketing Capability	Scheffe	Contract	Export	-1.56588	.85595	.504	-4.2329	1.1011
			JV	-.65838	1.07301	.984	-4.0017	2.6849
			Services	-.74201	1.42332	.991	-5.1768	3.6928
			>1 entry mode	-1.31386	1.00914	.791	-4.4582	1.8305
		Export	Contractual	1.56588	.85595	.504	-1.1011	4.2329
			JV	.90750	.97749	.930	-2.1382	3.9532
			Services	.82386	1.35277	.985	-3.3911	5.0389
			>1 entry mode	.25202	.90692	.999	-2.5738	3.0778
		Joint Ventures	Contractual	.65838	1.07301	.984	-2.6849	4.0017
			Export	-.90750	.97749	.930	-3.9532	2.1382
			Services	-.08364	1.49956	1.000	-4.7560	4.5887
			>1 entry mode	-.65548	1.11409	.987	-4.1268	2.8159
		Services	Contractual	.74201	1.42332	.991	-3.6928	5.1768
			Export	-.82386	1.35277	.985	-5.0389	3.3911
			JV	.08364	1.49956	1.000	-4.5887	4.7560
			>1 entry mode	-.57185	1.45454	.997	-5.1040	3.9603
		>1 entry mode	Contractual	1.31386	1.00914	.791	-1.8305	4.4582
			Export	-.25202	.90692	.999	-3.0778	2.5738
			JV	.65548	1.11409	.987	-2.8159	4.1268
			Services	.57185	1.45454	.997	-3.9603	5.1040
	LSD	Contract	Export	-1.56588	.85595	.069	-3.2561	.1243
			JV	-.65838	1.07301	.540	-2.7772	1.4604
			Services	-.74201	1.42332	.603	-3.5525	2.0685
			>1 entry mode	-1.31386	1.00914	.195	-3.3065	.6788
		Export	Contractual	1.56588	.85595	.069	-.1243	3.2561
			JV	.90750	.97749	.355	-1.0227	2.8377
			Services	.82386	1.35277	.543	-1.8473	3.4951
			>1 entry mode	.25202	.90692	.781	-1.5388	2.0428
		Joint Ventures	Contractual	.65838	1.07301	.540	-1.4604	2.7772
			Export	-.90750	.97749	.355	-2.8377	1.0227
			Services	-.08364	1.49956	.956	-3.0447	2.8774
			>1 entry mode	-.65548	1.11409	.557	-2.8554	1.5444
		Services	Contractual	.74201	1.42332	.603	-2.0685	3.5525
			Export	-.82386	1.35277	.543	-3.4951	1.8473
			JV	.08364	1.49956	.956	-2.8774	3.0447
			>1 entry mode	-.57185	1.45454	.695	-3.4440	2.3003
		More than one entry mode	Contractual	1.31386	1.00914	.195	-.6788	3.3065
			Export	-.25202	.90692	.781	-2.0428	1.5388
			JV	.65548	1.11409	.557	-1.5444	2.8554
			Services	.57185	1.45454	.695	-2.3003	3.4440

Post Hoc Tests Multiple Comparisons

Dependent Variable		(I) Current mode of entry recoded	(J) Current mode of entry recoded	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Learning Capability	Scheffe	Contract	Export	-.38542	.76526	.993	-2.7700	1.9992
			JV	.31333	.95630	.999	-2.6666	3.2932
			Services	-.53030	1.26547	.996	-4.4736	3.4130
			>1 entry mode	-.52151	.90003	.987	-3.3260	2.2830
		Export	Contractual	.38542	.76526	.993	-1.9992	2.7700
			JV	.69875	.86633	.957	-2.0008	3.3983
			Services	-.14489	1.19893	1.000	-3.8808	3.5911
			>1 entry mode	-.13609	.80379	1.000	-2.6407	2.3686
		Joint Ventures	Contractual	-.31333	.95630	.999	-3.2932	2.6666
			Export	-.69875	.86633	.957	-3.3983	2.0008
			Services	-.84364	1.32903	.982	-4.9850	3.2977
			>1 entry mode	-.83484	.98740	.949	-3.9116	2.2420
		Services	Contractual	.53030	1.26547	.996	-3.4130	4.4736
			Export	.14489	1.19893	1.000	-3.5911	3.8808
			JV	.84364	1.32903	.982	-3.2977	4.9850
			>1 entry mode	.00880	1.28913	1.000	-4.0082	4.0258
		More than one entry mode	Contractual	.52151	.90003	.987	-2.2830	3.3260
			Export	.13609	.80379	1.000	-2.3686	2.6407
			JV	.83484	.98740	.949	-2.2420	3.9116
			Services	-.00880	1.28913	1.000	-4.0258	4.0082
	LSD	Contract	Export	-.38542	.76526	.615	-1.8966	1.1258
			JV	.31333	.95630	.744	-1.5751	2.2018
			Services	-.53030	1.26547	.676	-3.0292	1.9686
			>1 entry mode	-.52151	.90003	.563	-2.2988	1.2558
		Export	Contractual	.38542	.76526	.615	-1.1258	1.8966
			JV	.69875	.86633	.421	-1.0120	2.4095
			Services	-.14489	1.19893	.904	-2.5124	2.2227
			>1 entry mode	-.13609	.80379	.866	-1.7233	1.4512
		Joint Ventures	Contractual	-.31333	.95630	.744	-2.2018	1.5751
			Export	-.69875	.86633	.421	-2.4095	1.0120
			Services	-.84364	1.32903	.526	-3.4681	1.7808
			>1 entry mode	-.83484	.98740	.399	-2.7847	1.1150
		Services	Contractual	.53030	1.26547	.676	-1.9686	3.0292
			Export	.14489	1.19893	.904	-2.2227	2.5124
			JV	.84364	1.32903	.526	-1.7808	3.4681
			>1 entry mode	.00880	1.28913	.995	-2.5369	2.5545
		More than one entry mode	Contractual	.52151	.90003	.563	-1.2558	2.2988
			Export	.13609	.80379	.866	-1.4512	1.7233
			JV	.83484	.98740	.399	-1.1150	2.7847
			Services	-.00880	1.28913	.995	-2.5545	2.5369

Post Hoc Tests Multiple Comparisons

Dependent Variable		(I) Current mode of entry recoded	(J) Current mode of entry recoded	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Networking Capability	Scheffe	Contract	Export	.35938	.82587	.996	-2.2139	2.9327
			JV	.24000	1.03531	1.000	-2.9859	3.4659
			Services	.18182	1.37331	1.000	-4.0972	4.4608
			>1 entry mode	-1.54839	.97368	.640	-4.5822	1.4854
		Export	Contractual	-.35938	.82587	.996	-2.9327	2.2139
			JV	-.11938	.94315	1.000	-3.0581	2.8193
			Services	-.17756	1.30523	1.000	-4.2445	3.8893
			>1 entry mode	-1.90776	.87505	.318	-4.6343	.8188
		Joint Ventures	Contractual	-.24000	1.03531	1.000	-3.4659	2.9859
			Export	.11938	.94315	1.000	-2.8193	3.0581
			Services	-.05818	1.44687	1.000	-4.5664	4.4500
			>1 entry mode	-1.78839	1.07495	.599	-5.1378	1.5610
		Services	Contractual	-.18182	1.37331	1.000	-4.4608	4.0972
			Export	.17756	1.30523	1.000	-3.8893	4.2445
			JV	.05818	1.44687	1.000	-4.4500	4.5664
			>1 entry mode	-1.73021	1.40343	.823	-6.1031	2.6427
		More than one entry mode	Contractual	1.54839	.97368	.640	-1.4854	4.5822
			Export	1.90776	.87505	.318	-.8188	4.6343
			JV	1.78839	1.07495	.599	-1.5610	5.1378
			Services	1.73021	1.40343	.823	-2.6427	6.1031
	LSD	Contract	Export	.35938	.82587	.664	-1.2714	1.9902
			JV	.24000	1.03531	.817	-1.8043	2.2843
			Services	.18182	1.37331	.895	-2.5299	2.8936
			>1 entry mode	-1.54839	.97368	.114	-3.4710	.3743
		Export	Contractual	-.35938	.82587	.664	-1.9902	1.2714
			JV	-.11938	.94315	.899	-1.9817	1.7430
			Services	-.17756	1.30523	.892	-2.7549	2.3998
			>1 entry mode	-1.90776*	.87505	.031	-3.6357	-.1799
		Joint Ventures	Contractual	-.24000	1.03531	.817	-2.2843	1.8043
			Export	.11938	.94315	.899	-1.7430	1.9817
			Services	-.05818	1.44687	.968	-2.9152	2.7988
			>1 entry mode	-1.78839	1.07495	.098	-3.9110	.3342
		Services	Contractual	-.18182	1.37331	.895	-2.8936	2.5299
			Export	.17756	1.30523	.892	-2.3998	2.7549
			JV	.05818	1.44687	.968	-2.7988	2.9152
			>1 entry mode	-1.73021	1.40343	.219	-4.5015	1.0410
		More than one entry mode	Contractual	1.54839	.97368	.114	-.3743	3.4710
			Export	1.90776*	.87505	.031	.1799	3.6357
			JV	1.78839	1.07495	.098	-.3342	3.9110
			Services	1.73021	1.40343	.219	-1.0410	4.5015

Post Hoc Tests Multiple Comparisons

Dependent Variable		(I) Current mode of entry recoded	(J) Current mode of entry recoded	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Experience Capability	Scheffe	Contract	Export	-.78167	.85948	.934	-3.4597	1.8963
			JV	.82270	1.07744	.965	-2.5344	4.1798
			Services	-2.11548	1.42920	.701	-6.5686	2.3377
			>1 entry mode	-.94246	1.01331	.929	-4.0998	2.2148
		Export	Contractual	.78167	.85948	.934	-1.8963	3.4597
			JV	1.60438	.98153	.615	-1.4539	4.6627
			Services	-1.33381	1.35835	.915	-5.5662	2.8986
			>1 entry mode	-.16079	.91067	1.000	-2.9983	2.6767
		Joint Ventures	Contractual	-.82270	1.07744	.965	-4.1798	2.5344
			Export	-1.60438	.98153	.615	-4.6627	1.4539
			Services	-2.93818	1.50575	.436	-7.6299	1.7535
			>1 entry mode	-1.76516	1.11869	.647	-5.2508	1.7205
		Services	Contractual	2.11548	1.42920	.701	-2.3377	6.5686
			Export	1.33381	1.35835	.915	-2.8986	5.5662
			JV	2.93818	1.50575	.436	-1.7535	7.6299
			>1 entry mode	1.17302	1.46055	.958	-3.3778	5.7239
		More than one entry mode	Contractual	.94246	1.01331	.929	-2.2148	4.0998
			Export	.16079	.91067	1.000	-2.6767	2.9983
			JV	1.76516	1.11869	.647	-1.7205	5.2508
			Services	-1.17302	1.46055	.958	-5.7239	3.3778
	LSD	Contract	Export	-.78167	.85948	.364	-2.4788	.9155
			JV	.82270	1.07744	.446	-1.3048	2.9502
			Services	-2.11548	1.42920	.141	-4.9376	.7066
			>1 entry mode	-.94246	1.01331	.354	-2.9434	1.0584
		Export	Contractual	.78167	.85948	.364	-.9155	2.4788
			JV	1.60438	.98153	.104	-.3338	3.5425
			Services	-1.33381	1.35835	.328	-4.0160	1.3484
			>1 entry mode	-.16079	.91067	.860	-1.9590	1.6374
		Joint Ventures	Contractual	-.82270	1.07744	.446	-2.9502	1.3048
			Export	-1.60438	.98153	.104	-3.5425	.3338
			Services	-2.93818	1.50575	.053	-5.9115	.0351
			>1 entry mode	-1.76516	1.11869	.117	-3.9742	.4438
		Services	Contractual	2.11548	1.42920	.141	-.7066	4.9376
			Export	1.33381	1.35835	.328	-1.3484	4.0160
			JV	2.93818	1.50575	.053	-.0351	5.9115
			>1 entry mode	1.17302	1.46055	.423	-1.7110	4.0571
		More than one entry mode	Contractual	.94246	1.01331	.354	-1.0584	2.9434
			Export	.16079	.91067	.860	-1.6374	1.9590
			JV	1.76516	1.11869	.117	-.4438	3.9742
			Services	-1.17302	1.46055	.423	-4.0571	1.7110

Post Hoc Tests Multiple Comparisons

Dependent Variable		(I) Current mode of entry recoded	(J) Current mode of entry recoded	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Innovative and Risk Taking Capability	Scheffe	Contract	Export	-1.19003	.77863	.675	-3.6161	1.2361
			JV	-.82378	.97609	.949	-3.8651	2.2176
			Services	-1.32924	1.29475	.901	-5.3635	2.7050
			>1 entry mode	-1.36443	.91799	.698	-4.2247	1.4959
		Export	Contractual	1.19003	.77863	.675	-1.2361	3.6161
			JV	.36625	.88920	.997	-2.4044	3.1369
			Services	-.13920	1.23058	1.000	-3.9735	3.6951
			>1 entry mode	-.17440	.82500	1.000	-2.7450	2.3962
		Joint Ventures	Contractual	.82378	.97609	.949	-2.2176	3.8651
			Export	-.36625	.88920	.997	-3.1369	2.4044
			Services	-.50545	1.36411	.998	-4.7558	3.7449
			>1 entry mode	-.54065	1.01346	.991	-3.6984	2.6171
		Services	Contractual	1.32924	1.29475	.901	-2.7050	5.3635
			Export	.13920	1.23058	1.000	-3.6951	3.9735
			JV	.50545	1.36411	.998	-3.7449	4.7558
			>1 entry mode	-.03519	1.32316	1.000	-4.1579	4.0876
		More than one entry mode	Contractual	1.36443	.91799	.698	-1.4959	4.2247
			Export	.17440	.82500	1.000	-2.3962	2.7450
			JV	.54065	1.01346	.991	-2.6171	3.6984
			Services	.03519	1.32316	1.000	-4.0876	4.1579
	LSD	Contract	Export	-1.19003	.77863	.128	-2.7275	.3475
			JV	-.82378	.97609	.400	-2.7512	1.1036
			Services	-1.32924	1.29475	.306	-3.8859	1.2274
			>1 entry mode	-1.36443	.91799	.139	-3.1771	.4483
		Export	Contractual	1.19003	.77863	.128	-.3475	2.7275
			JV	.36625	.88920	.681	-1.3896	2.1221
			Services	-.13920	1.23058	.910	-2.5691	2.2907
			>1 entry mode	-.17440	.82500	.833	-1.8035	1.4547
		Joint Ventures	Contractual	.82378	.97609	.400	-1.1036	2.7512
			Export	-.36625	.88920	.681	-2.1221	1.3896
			Services	-.50545	1.36411	.711	-3.1991	2.1881
			>1 entry mode	-.54065	1.01346	.594	-2.5419	1.4606
		Services	Contractual	1.32924	1.29475	.306	-1.2274	3.8859
			Export	.13920	1.23058	.910	-2.2907	2.5691
			JV	.50545	1.36411	.711	-2.1881	3.1991
			>1 entry mode	-.03519	1.32316	.979	-2.6479	2.5775
		More than one entry mode	Contractual	1.36443	.91799	.139	-.4483	3.1771
			Export	.17440	.82500	.833	-1.4547	1.8035
			JV	.54065	1.01346	.594	-1.4606	2.5419
			Services	.03519	1.32316	.979	-2.5775	2.6479

*. The mean difference is significant at the 0.05 level.

Homogeneous Subsets

Marketing Capability

	Current mode of entry recoded	N	Subset for alpha = 0.05
			1
Scheffe[a],b	Contractual	37	11.6216
	Joint Ventures	25	12.2800
	Services	11	12.3636
	More than one entry mode	31	12.9355
	Export	64	13.1875
	Sig.		.784

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 24.293.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Learning Capability

	Current mode of entry recoded	N	Subset for alpha = 0.05
			1
Scheffe[a],b	Joint Ventures	25	14.5200
	Contractual	36	14.8333
	Export	64	15.2188
	More than one entry mode	31	15.3548
	Services	11	15.3636
	Sig.		.958

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 24.205.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Networking Capability

	Current mode of entry recoded	N	Subset for alpha = 0.05
			1
Scheffe[a],b	Export	64	12.6406
	Joint Ventures	25	12.7600
	Services	11	12.8182
	Contractual	37	13.0000
	More than one entry mode	31	14.5484
	Sig.		.599

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 24.293.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Experience Capability

	Current mode of entry recoded	N	Subset for alpha = 0.05
			1
Scheffe[a],b	Joint Ventures	25	12.8800
	Contractual	37	13.7027
	Export	64	14.4844
	More than one entry mode	31	14.6452
	Services	11	15.8182
	Sig.		.201

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 24.293.
b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Innovative and Risk Taking Capability

	Current mode of entry recoded	N	Subset for alpha = 0.05
			1
Scheffe[a],b	Contractual	37	15.2162
	Joint Ventures	25	16.0400
	Export	64	16.4063
	Services	11	16.5455
	More than one entry mode	31	16.5806
	Sig.		.810

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 24.293.
b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Non-parametric Tests to determine statistically significant differences between Entry Modes (Contractual, Export, Joint Ventures, Services and More than One Entry Mode) and Capabilities

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Marketing Capability is the same across categories of Current mode of entry recoded.	Independent-Samples Kruskal-Wallis Test	.271	Retain the null hypothesis.
2	The distribution of Learning Capability is the same across categories of Current mode of entry recoded.	Independent-Samples Kruskal-Wallis Test	.889	Retain the null hypothesis.
3	The distribution of Networking Capability is the same across categories of Current mode of entry recoded.	Independent-Samples Kruskal-Wallis Test	.242	Retain the null hypothesis.
4	The distribution of Experience Capability is the same across categories of Current mode of entry recoded.	Independent-Samples Kruskal-Wallis Test	.168	Retain the null hypothesis.
5	The distribution of Innovative and Risk Taking Capability is the same across categories of Current mode of entry recoded.	Independent-Samples Kruskal-Wallis Test	.922	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

APPENDIX G: T-TESTS

T-Tests to determine significant differences in Capability scores between Equity and Non-equity Entry Modes

Group Statistics

	Equity/non-equity mode of entry	N	Mean	Std. Deviation	Std. Error Mean
Marketing Capability	Equity	101	12.6139	4.45414	.44320
	Non-equity	31	12.2581	3.53051	.63410
Learning Capability	Equity	100	15.0800	3.84466	.38447
	Non-equity	31	14.9677	3.46875	.62301
Networking Capability	Equity	101	12.7723	4.12039	.40999
	Non-equity	31	12.4839	4.26514	.76604
Experience Capability	Equity	101	14.1980	4.25210	.42310
	Non-equity	31	13.2581	3.97465	.71387
Innovative and Risk Taking Capability	Equity	101	15.9703	4.17003	.41493
	Non-equity	31	16.1935	3.30070	.59282

Independent Samples Test: Levene's Test for Equality of Variances

				t-test for Equality of Means						
		F	Sig.	t	df	Sig. 2-tailed	Mean Diff	Std. Err. Diff	95% Confidence Interval of the Difference	
									Lower	Upper
Marketing Capability	Equal var. assumed	2.786	.098	.407	130	.685	.35580	.87445	-1.37419	2.08579
	Equal var. not assumed			.460	62.031	.647	.35580	.77363	-1.19066	1.90226
Learning Capability	Equal var. assumed	.047	.828	.145	129	.885	.11226	.77306	-1.41725	1.64177
	Equal var. not assumed			.153	54.793	.879	.11226	.73209	-1.35500	1.57952
Networking Capability	Equal var. assumed	.007	.933	.338	130	.736	.28841	.85298	-1.39911	1.97592
	Equal var. not assumed			.332	48.456	.741	.28841	.86886	-1.45813	2.03494
Experience Capability	Equal var. assumed	.010	.922	1.093	130	.277	.93996	.86026	-.76196	2.64187
	Equal var. not assumed			1.133	52.823	.262	.93996	.82983	-.72461	2.60452
Innv and Risk Taking Capability	Equal var. assumed	1.49	.225	-.273	130	.785	-.22325	.81849	-1.84253	1.39603
	Equal var. not assumed			-.309	62.121	.759	-.22325	.72361	-1.66967	1.22316

Non-parametric Tests: Mann-Whitney U-tests to determine significant differences in Capability Scores between Equity and Non-equity Entry Modes.

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Marketing Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Mann-Whitney U Test	.272	Retain the null hypothesis.
2	The distribution of Marketing Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Kruskal-Wallis Test	.272	Retain the null hypothesis.
3	The distribution of Learning Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Mann-Whitney U Test	.603	Retain the null hypothesis.
4	The distribution of Learning Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Kruskal-Wallis Test	.603	Retain the null hypothesis.
5	The distribution of Networking Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Mann-Whitney U Test	.676	Retain the null hypothesis.
6	The distribution of Networking Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Kruskal-Wallis Test	.676	Retain the null hypothesis.
7	The distribution of Experience Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Mann-Whitney U Test	.176	Retain the null hypothesis.
8	The distribution of Experience Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Kruskal-Wallis Test	.176	Retain the null hypothesis.
9	The distribution of Innovative and Risk Taking Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Mann-Whitney U Test	.831	Retain the null hypothesis.
10	The distribution of Innovative and Risk Taking Capability is the same across categories of Equity/non-equity mode of entry.	Independent-Samples Kruskal-Wallis Test	.831	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

APPENDIX H: LOGISTIC REGRESSION

Logistic Regression: Entrepreneurial Capabilities and Contractual Agreements

Case Processing Summary

Unweighted Cases[a]		N	Percent
Selected Cases	Included in Analysis	174	99.4
	Missing Cases	1	.6
	Total	175	100.0
Unselected Cases		0	.0
Total		175	100.0

a. If weight is in effect, see classification table for the total number of cases.

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	170.899[a]	.037	.058

Classification Table[a]

			Predicted		
			Contractual		
	Observed		.00	1.00	Percentage Correct
Step 1	Contractual	.00	138	0	100.0
		1.00	35	1	2.8
	Overall Percentage				79.9

a. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Marketing	-.085	.056	2.302	1	.129	.918
	Learning	.057	.075	.582	1	.446	1.059
	Networking	.073	.063	1.364	1	.243	1.076
	Experience	.002	.061	.001	1	.980	1.002
	Risk	-.121	.069	3.042	1	.081	.886
	Constant	-.229	.893	.066	1	.798	.795

a. Variable(s) entered on step 1: Marketing, Learning, Networking, Experience, Risk.

Logistic Regression: Entrepreneurial Capabilities and Exports

Case Processing Summary

Unweighted Cases[a]		N	Percent
Selected Cases	Included in Analysis	174	99.4
	Missing Cases	1	.6
	Total	175	100.0
Unselected Cases		0	.0
Total		175	100.0

a. If weight is in effect, see classification table for the total number of cases.

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	222.952[a]	.034	.046

a. Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.

Classification Table[a]

			Predicted		
			Export		
	Observed		.00	1.00	Percentage Correct
Step 1	Export	.00	106	4	96.4
		1.00	58	6	9.4
	Overall Percentage				64.4

a. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Marketing	.075	.047	2.524	1	.112	1.078
	Learning	-.025	.063	.156	1	.693	.976
	Networking	-.096	.050	3.726	1	.054	.908
	Experience	.027	.052	.273	1	.601	1.027
	Risk	.037	.060	.380	1	.538	1.038
	Constant	-.863	.814	1.123	1	.289	.422

a. Variable(s) entered on step 1: Marketing, Learning, Networking, Experience, Risk.

Logistic Regression: Entrepreneurial Capabilities and Joint Ventures

Case Processing Summary

Unweighted Cases[a]		N	Percent
Selected Cases	Included in Analysis	174	99.4
	Missing Cases	1	.6
	Total	175	100.0
Unselected Cases		0	.0
Total		175	100.0

a. If weight is in effect, see classification table for the total number of cases.

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	138.461[a]	.027	.048

a. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Classification Table[a]

		Predicted		
		Joint Ventures		
	Observed	.00	1.00	Percentage Correct
Step 1	Joint Ventures .00	149	0	100.0
	1.00	25	0	.0
	Overall Percentage			85.6

a. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Marketing	.019	.065	.081	1	.776	1.019
	Learning	-.059	.082	.508	1	.476	.943
	Networking	.027	.067	.165	1	.684	1.028
	Experience	-.131	.069	3.661	1	.056	.877
	Risk	.089	.080	1.221	1	.269	1.093
	Constant	-1.125	1.089	1.069	1	.301	.325

a. Variable(s) entered on step 1: Marketing, Learning, Networking, Experience, Risk.

Logistic Regression: Entrepreneurial Capabilities and More than One Entry Mode

Case Processing Summary

Unweighted Cases[a]		N	Percent
Selected Cases	Included in Analysis	174	99.4
	Missing Cases	1	.6
	Total	175	100.0
Unselected Cases		0	.0
Total		175	100.0

a. If weight is in effect, see classification table for the total number of cases.

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	156.613[a]	.036	.060

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Classification Table[a]

			Predicted		
			More than one mode		
	Observed		.00	1.00	Percentage Correct
Step 1	More than one mode	.00	143	0	100.0
		1.00	31	0	.0
	Overall Percentage				82.2

a. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Marketing	-.015	.059	.062	1	.804	.985
	Learning	-.054	.080	.452	1	.501	.948
	Networking	.165	.072	5.238	1	.022	1.180
	Experience	-.025	.066	.144	1	.705	.975
	Risk	.011	.076	.021	1	.886	1.011
	Constant	-2.606	1.071	5.927	1	.015	.074

a. Variable(s) entered on step 1: Marketing, Learning, Networking, Experience, Risk.