FACTORS ENHANCING HIGHER COMMITMENT ENTRY MODES IN INTERNATIONAL NEW VENTURES

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ABSTRACT

The choice of entry mode in foreign markets is an important strategic decision with major consequences for the success in international new ventures (INVs). It is generally accepted that these firms choose relatively low-commitment entry modes to operate in foreign markets. Nevertheless, this study extends previous international entrepreneurship research, including insights on antecedents of international new ventures' choice of higher commitment entry modes in foreign markets. The paper also goes further than previous international entrepreneurship research, by addressing the strategic consequences of rapid entry into foreign markets. Additionally, the results of this work encourage international entrepreneurs to look beyond the explicit value of experiential market knowledge to realize the potential value of international market orientation as an antecedent to higher commitment entry modes. The model proposes a positive effect of entrepreneurial orientation and early international entry on international market orientation which, in turn, is positively related to higher commitment entry modes. The hypotheses were tested on country-level data from Spain, using a structural equation model to analyze relationships between the latent variables.

KEYWORDS:

International New Ventures; Entrepreneurial Orientation; Early Entry; International Market Orientation; High-commitment Entry Modes.

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1. Introduction

It has traditionally been argued that firms need time to obtain the necessary resources to deal with the problems and challenges of internationalization (Johanson and Vahlne, 1977, 1990). But in 1994, Oviatt and McDougall identified a new type of firm that moves into foreign markets soon after creation. These firms have been referred to as international new ventures (INVs) and defined as "business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt and McDougall, 1994: 470). Since Oviatt and McDougall's seminal article, study of the factors that could encourage early international behavior in new firms has attracted the attention of many researchers in the fields of entrepreneurship, internationalization and marketing (see Zahra and George, 2002; Etemad and Wright, 2003; Rialp et al., 2005 or Aspelund et al., 2007 for a review). All these studies have significantly contributed to our understanding of the reasons that drive early internationalization in these firms. However, rapid international expansion alone is not a sufficient strategy for new ventures; it must be supported by entry mode strategies (McDougall and Oviatt, 1996). Choice of entry mode is an important strategic decision for INVs as it involves a given level of resource commitments in different target markets with different levels of risk, control and profit return. Indeed, once a particular method has been chosen, it cannot easily be changed without considerable loss of time and money (Hill et al., 1990; Kim and Hwang, 1992). For that reason we find particularly striking the paucity of studies analyzing the factors that may influence the governance structure these firms use to expand internationally (Autio, 2005; Zahra, 2005), especially with regard to entry modes involving greater commitment of resources in foreign markets (Aspelund et al., 2007) since INVs are subject to the liabilities of newness and youth (Burgel and Murray, 2000; Jones and Young, 2009).

Effectively, the study of how these less traditional firms develop foreign direct investment activities and other forms of resource commitment in multiple countries has been neglected in favor of the assumption that small new ventures will choose lower commitment entry modes in order to overcome resource constraints and handle foreign risk (McDougall et al., 1994; Coviello and Munro, 1997; Burgel and Murray, 2000; Aspelund et al., 2007). It has been pointed out that higher commitment entry modes are not a realistic way into international markets in the early stages (McAuley, 1999). Nevertheless, some authors have recently shown that not only do INVs use entry modes involving higher commitment in foreign markets right from the start (Aspelund et al., 2007) but that it also seems to be a competitive strategy for INVs (Zahra et al., 2000). Indeed, INVs can gain economic benefits by exploiting various assets across a large number of international markets through different modes of foreign commitment (Kuivalainen et al., 2007).

Traditional perspective has traditionally shown only a part of the entire picture focusing on firm size and age as the main factors affecting entry mode choice. The studies by Brouthers (2002) and Brouthers and Nakos (2004) suggest that the choice of entry mode is influenced by a wide variety of internal and external strategic factors. Furthermore, the size, age or experience of the company cannot be considered as the main factors determining entry mode. In this regard, the traditional or gradualist view of internationalization may be considered conceptually weak to explain how INVs choose higher resource commitment entry modes and consequently there is a need for new models of internationalization (McDougall et al., 1994; Westhead et al., 2001), without necessarily completely rejecting the contributions from these traditional approaches. Following Weerawardena et al. (2007: 296) we consider that "the key theoretical propositions of the Uppsala model are an appropriate starting point for conceptualizing the patterns of born global internationalization".

In line with gradualist tradition, we consider that a company's knowledge of its foreign markets is key to understanding the choice of entry mode; the greater the knowledge the more likelihood of the INV deciding to use methods involving a high resource commitment (Johanson and Vahlne, 1977, 1990; Erramili and Rao, 1993). Following De Clercq et al. (2005) two main arguments may be given for such positive relation: first, when INVs get more comfortable with the particular situations encountered in foreign markets, the uncertainty related to further increasing the intensity of international activities may diminish; and second, the more market knowledge a INV has gained, the more willing it will be to utilize and explicate this knowledge through subsequent international activity. Therefore, the processes by which foreign market knowledge is acquired, developed and used in INVs' strategic decisions are key to understanding how INVs increase their commitment of resources in foreign markets (De Clercq et al., 2005; Oviatt and McDougall, 2005; Prashantham, 2005; Sapienza et al., 2005; Weerawardena et al., 2007).

Marketing literature highlights the role of international market orientation in the process of foreign market knowledge acquisition, development and learning in small and medium-sized firms (Armario et al., 2008). Past research also seems to suggest that the development of an international market orientation encourages internationalization in small and medium-sized firms, thus leading to better performance in foreign markets (Armario et al., 2008). Knight and Cavusgil (2004) suggest that the development of an international market orientation contributes to speeding up the internationalization process in INVs. However, few studies have analyzed the influence of international market orientation in the choice of foreign market entry modes. Adopting a marketing perspective and focusing on organizational issues, in this study we center our attention on international market orientation as an important factor that can encourage INVs to choose higher commitment entry modes. In developing our conceptual model, we also explore the organizational factors that can contribute to increase an international market orientation in INVs (Zahra and George, 2002; Sharma and Blomstermo, 2003; Laanti et al., 2007). Regarding this, two organizational factors are particularly significant: early international entry and entrepreneurial orientation. Entrepreneurial orientation reflects how a firm operates rather than what it does (Lumpkin and Dess, 1996) and it can be considered like a type of organizational knowledge. As an organizational knowledge it can influence the way in which INVs manage and lead their processes towards identifying and developing new opportunities in international markets (Wiklund and Shepherd, 2003; Jantunen et al., 2005). Fast entry in foreign markets and therefore the rapid commitment of the company to international activities may leave a "mark" on the INV which is capable of influencing its future functioning (Milanov and Fernhaber, 2009). It will give the company an international orientation which will pervade all the processes developed in the INV guiding them towards its international markets (Sapienza et al., 2005).

In summary, this paper develops a simple conceptual model that links early international entry, entrepreneurial orientation and international market orientation with higher commitment entry modes in INVs. This model is tested in an empirical study of a multi-industry sample of Spanish INVs operating in foreign markets. The remainder of this article is organized as follows. The next section reviews the relevant literature on the characteristics of INVs, the concept of entrepreneurial orientation, early entry and international market orientation and the relationship between them, and between international market orientation and higher commitment entry modes. The research hypotheses are then proposed, followed by the presentation of the proposed model. We then provide an explanation of the methodology used in the empirical study, followed by an analysis of the study results. The article concludes with a discussion of the major findings of the study, its limitations, and suggestions for future research arising from it.

2. Hypotheses development

2.1. Entrepreneurial orientation and international market orientation

The conceptualization of entrepreneurial orientation has been the focus of systematic inquiry in the literature (e.g. Lumpkin and Dess, 1996; Lyon et al., 2000; Covin et al., 2006), and different key dimensions of the construct have emerged. Miller (1983), the most accepted author in this conceptualization, suggests that a firm's degree of entrepreneurial orientation is the extent to which it innovates, acts proactively, and takes risks. This conceptualization has been extensively used in the literature (Covin and Slevin, 1989; Zahra et al., 1999; Wiklund and Shepherd, 2003, 2005; Covin et al., 2006). Consequently, this paper considers innovativeness, proactiveness and risk-taking to be the main important dimensions of an entrepreneurial orientation. Innovation related to entrepreneurial orientation does not necessarily have to involve creative destruction -Schumpeter's (1934) term- or be associated with the creation of new resources; rather, it also includes smaller innovations that lead to new forms of combining already existing resources (Zahra et al., 1999; Shane, 2003). The key element that allows us to identify an innovation as entrepreneurial is that it entails the search for new relationships between resources and/or existing products (Shane and Venkataraman, 2000; Eckhardt and Shane, 2003). Proactiveness implies a constant effort to take initiatives and anticipate competitors' movements (Covin and Slevin, 1989; Lumpkin and Dess, 1996). As Stevenson and Gumpert (1985) and Stevenson and Jarillo (1990) consider, proactiveness is an organizational process designed to seek out new business opportunities, and not the optimization of resources the firm already possesses. Proactiveness is therefore what drives entrepreneurs to constantly scour the environment to identify new entrepreneurial opportunities and capitalize on them ahead of their competitors. Finally, an entrepreneurial orientation assumes that strategic decisions will involve moderate to high risk taking. Accepting risk in business decisions is logically an inevitable element of innovative and proactive behavior (Covin and Slevin, 1989; Lumpkin and Dess, 1996).

The relationship between an entrepreneurial orientation and an international market orientation can be found by following the arguments of several authors. Sapienza et al. (2005) suggest, from the attention based-view of the firm, that a firm's organizing principles can be critical to develop an international learning process. The development of an entrepreneurial orientation can be considered as an organizational knowledge which pervades all the processes carried out in the firm, directing them to seek and develop new business opportunities (Wiklund and Shepherd, 2003; Jantunen et al., 2005). INVs with high levels of entrepreneurial orientation will tend to constantly scan and monitor their operating international environment in order to find new opportunities and strengthen their competitive positions in their international markets (Covin and Miles, 1999). De Clercq et al. (2005) consider that entrepreneurially-oriented INVs may experiment more freely and therefore be more willing to adopt an international market orientation. Jantunen et al. (2005) take the same line when they suggest that entrepreneurial orientation should be instrumental in INVs' development and enactment of key organizational routines to search and integrate foreign market knowledge into the firm's knowledge base. Recently, Keh et al. (2007) have indicated that information acquisition and utilization activities are mainly developed in firms with high levels of entrepreneurial orientation. Slater and Narver (1995) go even further to suggest that entrepreneurial orientation can trigger market-oriented behaviors that enable the firm to identify the innovations or improvements that the end consumer requires, overtake its competitors and assume the risk implicit in these decisions.

In addition, the relationship between entrepreneurial orientation and international market orientation can also be defended considering the components of entrepreneurial orientation. Firstly, the development of an innovative orientation can lead INVs to organizational processes designed to search for and analyze information on the environment, customers and suppliers in order to identify new business opportunities in their international markets (Menon and Varadarajan, 1992; Matsuno et al., 2002; O'Cass and Viet, 2007). Secondly, the external culture embedded in a proactive orientation not only facilitates external information acquisition, but may also foster information utilization, entailing the design and implementation of marketing actions that influence external constituencies (Keh et al., 2007). In INVs, a proactive attitude can highlight the search for and capitalization of new business opportunities in their international markets ahead of their competitors, which therefore requires INVs to develop an efficient international information system that not only provides information on these opportunities, but also on the firm's capacity to benefit from them (Covin and Miles, 1999; Matsuno et al., 2002). Finally, the implicit assumption of risk in an entrepreneurial orientation does not mean behaving recklessly in order to take advantage of opportunities but the capacity of not renouncing opportunities because of a certain amount of risk is involved. So companies need to establish systems which will allow them to assess the risk they are assuming when it comes to exploiting a business opportunity (Matsuno et al., 2002). In this effort, they develop activities to generate and disseminate market information that facilitate the generation of actions in response to market opportunities and threats. Jaworski and Kohli (1993) posit an inverse relationship between risk aversion and market orientation, which they empirically confirm for the responsiveness component of market orientation.

The assertion that entrepreneurial orientation precedes international market orientation also matches Dess et al.'s (1997) and Knight's (2000) suggestion that the pursuit of a marketing orientation receives support when management adopts an entrepreneurial orientation. Consequently it is hypothesized that:

H1: Entrepreneurial orientation positively influences the development of an international market orientation in INVs.

2.2. Early international entry and international market orientation

Several gradualist models of internationalization emphasize the importance of the firm's national and foreign experience (see Blomstermo et al., 2004 for a brief review). However, learning theory suggests that prolonged focusing of attention on a limited domain creates competency traps that are difficult to overcome (Cohen and Levinthal, 1990). For well-established firms, it can be argued that international activity is an extension of their domestic activities (Bilkey and Tesar, 1977; Johanson and Valhne, 1977, 1990; Cavusgil, 1980). These firms have normally developed and built up resources and capabilities at home that spread into international markets (Johanson and Valhne, 1990). Entry into new markets requires the firm to develop new organizational routines and processes related to the need to acquire new market information and integrate this information into its existing knowledge base. Thus, well-established firms must unlearn routines rooted in domestic operations before new internationally oriented routines can be learned (Knight and Cavusgil, 2004). Unlearning embedded routines becomes more difficult as firms get older because new knowledge that leads to new routines tends to come into conflict with both existing operations and management's embedded mental models (Autio et al., 2000). This may lead to the risk of managers limiting their search for new business opportunities in international markets to factors they are already familiar with. Furthermore, the firm may not assimilate this information if it contradicts the existing knowledge base. As Autio et al. (2000) point out, the cognitive, political and relational impediments associated with older firms are obstacles that could limit the firm's ability to identify, assimilate and respond to new foreign market information and to diminish the attention to future foreign chances (Wagner, 2004; De Clercq, 2005).

McDougall et al. (1994) argued that international entrepreneurs formed INVs rather than domestic ventures due to a fear that domestic resource development would inhibit the organization's ability to create effective international managerial systems at a later stage. In the same vein, the attention-based view considers that the firm's specific organizational context in which individual decision-makers find themselves conditions the firm's behavior (Ocasio, 1997). The argument is further supported by findings that show that initial strategic decisions about resource development in INVs will have long-term consequences (Moen, 2002; Moen and Servais, 2002; Aspelund et al., 2007). In other words, early international entry may leave a "mark" which will influence the processes developed in the firm (Milanov and Fernhaber, 2009). Early international entry may contribute to the creation of an international identity that encourages the firm's international "attention" and facilitates the process of acquiring knowledge from international markets (Ocasio, 1997; Autio et al., 2000) and respond according to that information. Autio et al. (2000) argue that INVs see foreign markets as less "foreign". Early international entry reduces the fear of expending effort in learning about foreign markets and these firms are less constrained by existing domestic relationships, and more likely to develop knowledge through relationships that have been built internationally (Sapienza et al., 2005). Therefore, early international entry may help INVs to focus their efforts on foreign markets thereby facilitating the development of an international market orientation. For INVs, that are willing to take advantage early of the opportunities in foreign markets, this orientation is, in fact, a way of acquiring required knowledge from international markets and making up their lack of international experience.

H2: Early international entry positively influences the development of an international market orientation in INVs.

2.3. International market orientation and higher commitment entry modes

Traditional models (Johanson and Vahlne, 1997, 1990) consider commitment to internationalization to be a function of experiential knowledge of foreign markets. Accordingly, an INV would be expected to gain initial experience through reactive exporting before proactively venturing into foreign markets. The choice between direct exporting and the use of more complex and proactive entry modes in foreign markets thus depends on firm experience and foreign market knowledge, but this is not the case for INVs. Then INVs should opt for lower commitment foreign entry modes in order to reduce the risk associated to internationalization (Zaheer, 1995). But INVs' behavior seems to reflect a different way of thinking (Blomstermo et al., 2004). The use of entry modes involving lower commitment in foreign markets has an undesirable counterpart for INVs who have developed an international market orientation. The capacity to acquire market information, develop and integrate it into the firm's knowledge base so that it can be used in the firm's decisions and actions is an important marketing capability (Madhok, 1998; Luo, 2001). When INVs have marketing capabilities, higher commitment entry modes tend to outperform lower commitment entry modes. Marketing capabilities are based on tacit knowledge (Teece et al., 1997), firm-specific (Nonaka, 1994), valuable to customers and not easily codified or articulated (Nelson and Winter, 1982; Teece et al., 1997; Peteraf and Bergen, 2003), so they are not easily transferable. In this case, the choice will be associated with higher profits, because the use of cooperation-based modes could erode the INVs' advantage.

Moreover, the processes involved in an international market orientation behavior help INVs to lower the risk associated with the lack of institutional knowledge of foreign markets. Thus, it seems more likely that, in order to take advantage of market knowledge and reduce the risk associated to higher commitment in foreign markets, INVs will adopt first an international market orientation and then, as a consequence of the response dimension of this orientation, they decide which higher commitment entry modes best fit the information collected and processed.

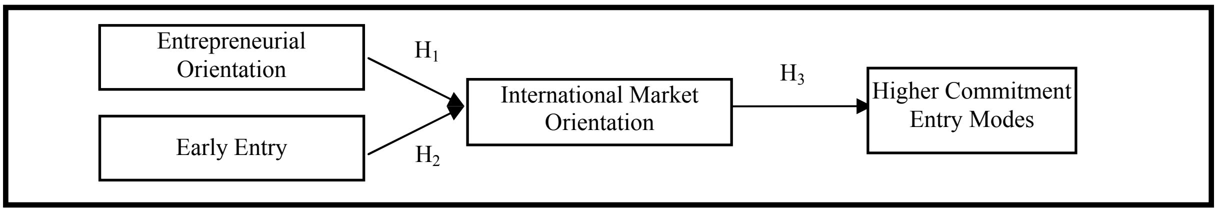
Given the scarcity of resources characteristic of the INVs business community, it may seem that higher commitment entry modes are not appropriate for this type of firm. However, INVs can use their social networks to obtain the resources they need to rapidly increase their commitment in international markets (Oviatt and McDougall, 1994). International market orientation in INVs contributes to their integration into a social network as a channel for sharing market information and other resources (Elg 2002, 2007; Trulsson 2002; Ghauri et al. 2008). Trulsson (2002) also notes that INVs benefit from the advantages stemming from this association as a means of achieving growth in international contexts. In short, the development of an international market orientation also contributes to speeding up the internationalization process in these firms (Knight and Cavusgil 2004), by their use of entry modes involving a higher resource commitment shortly after their creation.

H3: International market orientation positively influences high-commitment entry modes in INVs.

Figure 1 presents the theoretical model to be analyzed.

FIGURE 1

Model of effects of entrepreneurial orientation, early international entry and international market orientation on entry mode choice in international new ventures



3. Methodology

3.1. Sample

To test these hypotheses, data were collected from a sample of INVs from Spain operating in several industries. Firms were selected from the Dun & Bradstreet (2002) database, which contains references on 850.000 Spanish firms in terms of turnover. Three criteria were used to select the sample of firms. Firstly, the firms had to be new ventures. Although Oviatt and McDougall's definition suggests an INV needs to be international "at inception" (Oviatt and McDougall, 1994), in general the length of time considered to define an INV varies from three years (Madsen and Servais, 1997) until up to eight years (McDougall and Oviatt, 1996) after the firm's creation. Since the aim of this research is to study how early international entry, entrepreneurial orientation and international market orientation can influence the way INVs use higher resource commitment entry modes in foreign markets, we required our sample firms to have been operating for a maximum of 7 years in order to give them time enough to have implemented their strategies. Secondly, firms had to be engaged in international activities in a consolidated way; we considered a level of 25% of annual income coming from foreign markets as a threshold for consolidated international presence. Thirdly, firms could not be subsidiaries or affiliates.

The field research was carried out during the last quarter of 2005. After applying the above mentioned selection criteria, the total research population was 537 Spanish INVs. For the field research, interviewee collaboration was requested, together with confirmation of their e-mail address. Once the questionnaire had been sent out, follow-up contact was made by telephone to increase the response rate. A total of 135 Spanish firms (25.14 %) completed the questionnaire. Table 1 summarizes the main characteristics of the sample.

TABLE 1

Characteristics of the sample

Economic sector	Age	Management Team	Turnover (x 1000 €)	Employees	International income
Industrial = 55.6 %	1 - 4 = 47.4 %	1 – 3 = 75.6 %	Below 800 = 47.3%	3 – 15 = 60 %	25% - 50% = 43.2 %
Commercial = 17.8 %	5 = 24.4 %	4 – 6 = 20 %	800 - 5,000 = 33.3%	16 – 55 = 25.4 %	51% - 75% = 35.6 %
Others = 26.6 %	6 – 7 = 28.1 %	7 – 10 = 4.4 %	Over 5,000 = 19.4%	58 – 165 = 14.6 %	75% - 100% = 21.2 %

3.2. Measuring instruments

All items in the questionnaire were adapted from published works that were relevant to our study. We use one indicator to measure early international entry: the time between the creation of the firm and its internationalization. It was reverted so that higher values meant shorter internationalization time.

We use the extended version of Miller's (1983) scale from the specialized literature (Covin and Slevin, 1989) that considers entrepreneurial orientation as the interrelation of three basic characteristics: innovative attitude, willingness to take controlled risks, and proactiveness; we use the. This measure has been used in a wide variety of research settings and has exhibited high levels of reliability and validity (Becherer and Maurer, 1997; Dickson and Weaver, 1997; Barringer and Bluedorn, 1999; Kreiser et al., 2002; Wiklund and Sepherd, 2005). Concretely, this 5-point Likert type scale has three dimensions: innovation (3 items), proactiveness (4 items) and risk assumption (3 items).

The main problem in opting to use one of the two most widely used scales for measuring the degree of market orientation is that they measure market orientation either from a behavioural approach (MARKOR scale) or from a cultural approach (MKTOR scale). Then, the use of one of them makes no possible to consider the characteristics shared by both perspectives, as suggest emerging conciliatory approaches. This drawback leads us to consider the eclectic scale proposed by Blesa and Bigné (2005). The dimensions of this scale were based on the MARKOR (Kohli et al., 1993) and MKTOR (Narver and Slater, 1990) scales, and also includes items from other scales referring to additional aspects such as price policies, discussion of market tendencies (Deshpandé et al., 1993), identification of emerging segments, appearance of new products, information exchange stimulations, environment-directed strategies, and information flow to consumers. Specifically, the 5-point Likert type scale was made up of a total of 16 items divided into 5 general dimensions: interfunctional coordination (2 items), information search (3 items), information dissemination (5 items), response design (2 items) and response implementation (4 items).

Regarding the measurement of entry modes, from the literature review we found that most of works that have addressed this variable have been qualitative. In this regard, the criteria used in several recent works allow us to develop a measurement index for entry modes (Pan and Tse, 2000; Nakos and Brouthers, 2002; Kalantaridis 2004, Wei et al., 2005). Specifically, respondents were asked to specify the entry mode that they used in their most recent foreign entry (Nakos and Brouthers, 2002). The possible response options (export, brand licensing, commercialization, franchising and production agreements, joint-venture, acquisition of a sufficiently high capital share to control a business that was operating in the new market, acquisition of 100% of the capital of an existing business and creation of a new business or a subsidiary) were arranged hierarchically according to the resources committed to each of them (Pan and Tse 2000; Kalantaridis 2004, Wei et al., 2005).

3.3. Validity and reliability of the scales

Most researchers in social sciences assume that the indicators of a scale reflect the effect of the measured construct, and as such the items (observed variables) in the scale are perceived as reflective indicators of the underlying constructs (the latent variable) (Diamantopoulos and Winklhofer, 2001). Nevertheless, causal indicators seem to be more appropriate when they can be considered as the reason rather than the effect of the latent variable measured (MacCallum and Browne, 1993). This alternative measurement perspective involves creating an index rather than a scale (Bollen and Lennox, 1991). The key characteristics of these formative models are (Jarvis et al., 2003): (1) the direction of causality from the measurement to the construct; (2) there is no reason to think that the measurements are correlated; (3) the elimination of a measurement model indicator can change the meaning of the construct; (4) the measurement error is considered at the level of the construct; and (5) the value in the scale does not adequately represent the construct. As a consequence of these characteristics, the conventional procedures used to evaluate the validity and reliability of reflective indicator scales are not appropriate for indices with formative indicators (Diamantopoulos and Winklhofer, 2001; MacKenzie et al., 2005). Four questions are critical for constructing appropriate indices (Diamantopoulos and Winklhofer, 2001): content specification, indicator specification, indicator collinearity and external validity.

One construct of the model proposed in this paper has these characteristics: entry modes. To check the content and specification of their index indicators, all the items were extracted from a review of the related literature, verifying that all the relevant dimensions of the construct were included (Straub et al., 2004). Multicollinearity analysis between the indicators of the indice show that the maximum variance inflation factors index (1.757) is below the commonly accepted threshold of 10 (Kleinbaum et al., 1988). Finally, following recommendations by Jarvis et al. (2003) on the evaluation of external validity, two reflective indicators were added to the formative construct, and a multiple indicators and multiple causes model was estimated (Table 2). Estimation of the model achieves a good overall fit.

TABLE 2

External validity of the index of entry mode

Reflective indicators	1. My firm prefers entry modes in foreign markets that involve low investment. 2. When my firm attempts to enter a foreign market, it adopts a cautious position.							
Quality of fit measures								
χ^2/ fd	**RMSEA**	**NFI**	**CFI**	**IFI**	**RFI**	**RMSR**	**GFI**	**AGFI**
1.70	0.056	0.99	0.99	1.00	0.96	0.039	0.99	0.97

Confirmatory factor analysis was performed to purify the reflective scales (entrepreneurial and international market orientations). This methodology allows the researcher to contrast theoretical models in which the representative latent variables of a certain theoretical concept and the indicators designed to measure them are present. Confirmatory factor analysis has become an essential tool in validating measurement scales as a result of these properties (Steenkamp and Van Trijp, 1991).

The model was progressively improved by the sequential elimination of the least suitable indicators. Thus, indicators whose standardized coefficients (λ) were below 0.4 (Hildebrant, 1987), and whose student t-test statistic was lower than 2.58, were removed. Following these criteria, we eliminated items Proact1, Proact4 and Risk3 from the entrepreneurial orientation scale and items Dissem5 and Imple4 from the international market orientation scale. One diagnostic tool to evaluate internal consistency is the coefficient of reliability that evaluates the consistency of the entire scale, and in which Cronbach's alpha (Nunnally, 1979) is the most extensively used measurement. Additionally, other complementary reliability tests were carried out: composite reliability of the construct and extracted variance analysis.

A confidence interval test was performed to examine discriminate validity. This test consists of verifying that the value '1' does not appear in the estimated confidence intervals for the correlations between each pair of dimensions (Table 3).

TABLE 3

Measurement model reliability analysis results

Scale	**Parameters**	**A**	**CR**	**EV**
Entrepreneurial orientation	0.46-0.97	0.77	0. 89	0.55
International market orientation	0.43-0.89	0.83	0.83	0.50

Quality of fit measures

χ^2/ gl	**RMSEA**	**NFI**	**CFI**	**IFI**	**RFI**	**RMSR**	**GFI**	**AGFI**
1.82	0.078	0.94	0.99	0.99	0.91	0.072	0.96	0.94

3.4. Control variables

To test for non-response bias, the responses of early and late respondents were compared. A t-test of independent means was performed on the different dimensions of the variables in the proposed model and no significant differences were found between these respondents at the 0.05 level, indicating an absence of non-response bias (Armstrong and Overton, 1977). In the same way, ANOVAs were performed to confirm that sample characteristics had no effect on the constructs in the model. Concretely, extent of internationalization, international age, international experience and size (turnover and number of employees) were used as control variables. No significant differences were found in any of the analyses at 0.05 level. Similarly, a further ANOVA was performed to test for any possible influence of destination country risk on choice of entry mode. Specifically, we consulted the latest version of the International Country Risk Guide (ICRG), produced monthly since 1980 by Political Risk Services, to construct a variable that covered different risk levels according to the countries where the firm was going to sell its products. Our results did not reveal significant differences in the choice of entry mode according to risk level (F=0.897; Sig.= 0.579).

3.5. Common method variance

We tested the possible effects of common method variance for the variables using Harman's one factor test (Harman 1976). If common method variance was a serious problem in the study, we would expect a single factor to emerge from a factor analysis or one general factor to account for most of the covariances in the independent and dependent variables (Podsakoff et al., 2003). All the items used to create the reflective variables, a total of 26 items, were factor analyzed using principal axis factoring where the unrotated factor solution was examined, as recommended by Podsakoff et al. (2003). The sample size seemed to be large enough for factor analysis according to the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO = 0.831).

Factor analytic results indicated the existence of six factors with eigenvalues greater than 1.0. The six factors explained 66.962 percent of the variance among the 26 items, and the first factor accounted for 25.176 percent of the variance. Since several factors, as opposed to one single factor, were identified and since the first factor did not account for the majority of the variance, a substantial amount of common method variance does not appear to be present (Podsakoff et al., 2003; Green et al., 2008; Friedrich et al., 2009). Thus, we conclude that common method variance bias is not a threat to the validity of the results.

4. Results

Structural equation models (SEM) have proven to be particularly useful when the research aim is to establish the direct causal contribution of one variable to another in a non-experimental situation (Jöreskog and Sörbom, 1993). Furthermore, unlike techniques such as multiple regression, factor analysis, multivariate analysis of variance and so on, which can only examine one relationship at a time, analysis with these models can simultaneously explore a series of dependency relationships (Hair et al., 2006). This type of analysis was used in the present study.

The sample size required by SEM analysis increases in proportion to the complexity of the model. In order to simplify the model, entrepreneurial and international market orientations measurement scales were narrowed down to three and five indicators respectively, which corresponded to its dimensions. To do this, the items making up each dimension were averaged.

Table 4 shows the results of the estimation of the relationship model with SEM using statistical software LISREL 8.8. The results confirm all the hypotheses proposed in the theoretical model. Thus, entrepreneurial orientation and early entry show a positive and significant relationship with the development of an international market orientation in INVs ($\gamma = 0.63$; $t = 11.86$ and $\gamma = 0.14$; $t = 3.35$ respectively), confirming hypotheses H1 and H2. Moreover, the development of international market oriented behaviors has a positive effect on the use of high entry modes by INVs ($\gamma = 0.18$; $t = 2.61$), confirming hypothesis H3.

Evaluation of the model was completed by comparing the proposed model with a series of competing models acting as alternative explanations for the proposed model. The acceptability of the proposed model can thus be determined according to whether better fit can be achieved with any other similarly formulated model (Hair et al., 2006; Yukl, 2006; Friedrich et al., 2009). For this purpose, two alternative models are proposed. The first (Competitive Model 1) suggests an inverse relationship between international market orientation and high-commitment entry modes. The second (Competitive Model 2) proposes a non-mediator relationship between the variables. Quality of fit measures for the different models are compared.

Results show that the proposed model shows better fit indices in the different types of fit measures. The absolute fit measures show that although the GFI value is the same, complying with the values around 1 requirement (Kacmar and Carlson, 1997), the other measures are favorable in the proposed model with RMSR and RMSEA below 0.08 (Nunnally and Bernstein, 1994; Garretson et al., 2002; Hair et al., 2006). Furthermore $\chi 2$ has the lowest value and the highest likelihood. All the incremental fit measures for the proposed model, fulfilling the values around 1 requirement, are equal to or higher than those of the competitive models (Mulaik et al., 1989; Bentler, 1990; Bollen, 1990; Kacmar and Carlson, 1997; Hair et al., 2006). Finally, parsimonious fit measures exceed all the values obtained with the competitive models. The proposed model is accepted in the light of these results, which strengthens both the empirical and the theoretical basis of this work.

TABLE 4

Results of the estimation of the standardized parameters of the model

Relationship	γ value	t value	Hypothesis	Result
Entrepreneurial Orientation – International Market Orientation	0.63	11.98 ($p<0.001$)	H_1	Accepted
Early Entry – International Market Orientation	0.14	3.48 ($p<0.001$)	H_2	Accepted
International Market Orientation – High-commitment Entry Modes	0.26	2.41 ($p<0.05$)	H_3	Accepted

Quality of fit measures

$\chi 2$ / gl	RMSEA	NFI	CFI	IFI	RFI	RMSR	GFI	AGFI
20.84 / 29 (P=0.87)	0.000	0.96	1.00	1.00	0.93	0.062	0.98	0.96

5. Discussion

The motivation for this study arose from a growing body of literature in international entrepreneurship that increasingly recognizes the importance of INVs for the economic and social progress of ever more globalized economies (see Zahra and George, 2002; Oviatt and McDougall, 2005; Rialp et al., 2005; Hessels and Van Stel, 2007). Despite the major contributions from these studies, however, prior literature has not uncovered the factors determining higher commitment entry modes in INVs. To pursue this line of inquiry, we examined whether the development of an international market orientation in INVs might influence them to choose entry modes involving higher commitment of resources in foreign markets. We also developed theoretical arguments to explain the relationship between entrepreneurial orientation, early international entry, and international market orientation.

Taken together, our results seem to voice one common message: in addition to experiential knowledge, foreign market knowledge generated through the development of an international market orientation is also important to understand the level of resource commitment firms make in international markets. Our research highlights the importance of developing an international market orientation to distinguish the early internationalization path from traditional ways of internationalizing. This study therefore extends past international entrepreneurship research as it explains how firms experiencing the liabilities of newness, smallness and foreignness can deviate from the conventional internationalization model (Bell et al., 2004; Chetty and Campbell-Hunt, 2004; Laanti et al., 2007). Additionally, the results of this study reveal that the effect of early international entry and entrepreneurial orientation stretches beyond influencing the INV’s immediate performance (Knight and Cavusgil, 2004) to determine the extent of resource commitment in foreign markets.

Studied independently, it may appear a priori that these results do not coincide with the arguments developed by much of the international entrepreneurship literature, since, due to their entrepreneurial character, it is argued that INVs might prefer to use cooperation agreements with distributors and international trade agents. The fact that INVs have limited resources would lead them to establish relationships with partners that would provide them with the resources necessary to facilitate their growth in international markets (Zacharakis, 1997). The variable costs borne by INVs through using external agents will always be lower than the total administrative, marketing and organizational costs associated with capital intensive entry modes (Zheng and Kavul, 2005). Furthermore, it has been argued that these firms might positively value the use of entry modes that do not involve higher resource commitment in different markets, since these modes could guarantee the operational flexibility they require to operate in these markets (Knight and Cavusgil, 2004; Jantunen et al., 2005).

However, despite all these arguments, the real situation appears to suggest that INVs can use higher commitment entry modes in their foreign markets (Oviatt and McDougall, 1994; Aspelund et al., 2007). This study confirms the fact that the lack of tangible resources does not condition the choice of entry mode used by INVs; their choice appears to be motivated by the possession of a set of intangible resources (Gleason and Wiggenhorn, 2007), such as the development of an international market orientation. In this vein, the present study may complement that of Hashai and Almor (2004) and Hessels and Terjesen (2008), by pointing to the importance of international market orientation as a key variable in INVs' choice of entry mode. Hashai and Almor (2004) conclude that in important markets, wholly owned subsidiaries are the preferred foreign market-servicing mode. Hessels and Terjesen (2008) concluded that SMEs are more likely to export using direct mode if they are located in home markets with favorably perceived production costs and access to knowledge and technology.

Based on the recommendations of Sharma and Blomstermo (2003) or Laanti et al. (2007) and on some arguments from the attention-based view of the firm (Ocasio, 1997), this study also analyzed whether the characteristics that define INVs might encourage these firms to develop an international market orientation. The results of our study give us a better understanding of the factors behind INVs' use of entry modes that involve a higher commitment of resources. It can be confirmed that early international entry and entrepreneurial orientation are contributing factors in the development of an international market orientation in INVs. This orientation also influences their decision to use higher resource commitment entry modes in foreign markets. This work therefore confirms proposals from the attention based-view of the firm (Ocasio, 1997) and is in line with works such as those by Sapienza et al. (2005) as it relates early international entry and entrepreneurial orientation with a greater tendency for INVs to develop learning processes based on their international markets.

This study has confirmed that an entrepreneurial orientation is an antecedent of an international market orientation in INVs. Analysis of the complex relationship between entrepreneurial orientation and market orientation in a domestic context has attracted the interest of many researchers over the last decade (see Wiklund and Shepherd, 2003; Bhuian et al., 2005). It is generally held that firms should combine these two orientations to obtain long-term sustainable competitive advantages in international markets (Knight and Cavusgil, 2004; Knight et al., 2004). The results from this study, however, uphold the thesis of those who consider entrepreneurial orientation to be an antecedent of market orientation in firms (Slater and Narver, 1995; Matsuno et al., 2002; Weerawardena and O'Cass, 2004) to the detriment of those claiming precisely the opposite relationship (Atuahene-Gima and Ko, 2001; Liu et al., 2003; Armario et al., 2008). Our findings therefore contribute to clarifying the controversy surrounding the complex relationship between the two orientations in the specific case of INVs. We have demonstrated that in INVs, entrepreneurial orientation generates an international market orientation that enables new firms to identify and proactively develop new business opportunities in international markets.

The establishment of early international entry as a factor that can influence INVs' capability to acquire new knowledge of international markets contrasts with one of the hypotheses raised by the traditional models of internationalization. In their hypotheses, the firm's experience and its physical presence in international markets are assigned a fundamental role when it comes to explaining how firms acquire knowledge of the foreign market and how firms increase their commitment in international markets (Bilkey and Tesar, 1977; Johanson and Valhne, 1977, 1990; Cavusgil, 1980). Our results enrich the conceptual framework developed by Autio et al. (2000) and Kuivalainen et al. (2007) by showing that the speed of international market entry contributes to the development of an international market orientation, which in turn enables INVs to adopt high commitment entry modes. Our study confirms that early international entry influences the capability of INVs to absorb foreign market knowledge since it can be considered an antecedent of an international market orientation in these firms. In other words, it influences how INVs acquire data and knowledge from the foreign market, and how they process that information and generate actions according to it. The results of this study therefore suggest that the learning advantages of newness (Autio et al., 2000) may be due to the fact that early international entry fosters an international market orientation in INVs. In sum, our results support the thesis put forward by Sapienza et al. (2005), since we show that both the age at which a firm internationalizes and its entrepreneurial orientation lead it to direct its efforts towards knowledge development and renewal in foreign markets and increase its resources in foreign markets.

6. Conclusions, limitations and future research

Our conclusions highlight the idea that an international market orientation can be considered a key aspect in INVs' choice of entry modes involving higher commitment of resources. Moreover, we have demonstrated that an entrepreneurial orientation and early international entry act as antecedents to the development of an international market orientation in INVs. At managerial level, this implies that the entrepreneur will be capable of generating the necessary relevant information that support and justify the choice of higher commitment entry modes to expand into foreign markets. To achieve this, he or she must adopt international market intelligence systems that guarantee the generation of information on the firm's different markets and environments, which must then be distributed across all levels of the INV, enabling opportunities to be identified in the most effective way and thus fostering the definition of a coordinated response that allows INVs to choose foreign entry modes involving a greater level of commitment. In addition, the entrepreneur should possess, and at the same time infuse throughout his or her firm, a culture that embraces the development of innovative and proactive actions and behaviors addressed towards the new market from its base, that will facilitate the development of an international market orientation. Moreover, entrepreneurs should be aware of the importance of early internationalization for their firms. In this paper, we argue that early internationalization contributes to the development of an international market orientation which, in turn, is conducive to INVs choosing entry modes involving high levels of resource commitment in these markets.

Certain limitations should be taken into account when considering the conclusions drawn in this study. First, the use of cross-sectional data to make causal inferences could be seen as a limitation of the present study. However, as the main explanatory variables of the proposed model are path-dependent and time-consuming activities embedded in organizational routines and processes (Jantunen et al., 2005), it might be reasonable to assume a causal explanation structure such as we have done in this paper. Taking into account the above limitations, future research should study the proposed relationships using longitudinal data and combining positivist and interpretivist methods, such as ethnographic or phenomenological methods (Coviello and Jones, 2004).

Our empirical study was based on common method bias. This procedure raises the question of whether one respondent alone can adequately report for the entire firm. On this issue, as our study is based on new ventures, entrepreneurs can be considered as the appropriate respondents to provide information about the strategic orientations and associated results in new ventures (Davidsson, 2004) because they possess the most comprehensive knowledge of the characteristics of the organization, its strategy and performance (Hambrick, 1981).

While we believe that our findings are exciting in that they emphasize the value of studying the relationships between international market orientation, entrepreneurial orientation and early international entry to explain higher commitment entry modes in INVs, a multitude of other strategic factors -industry, firm and transaction related factors- (Brouthers and Nakos, 2004; Ekeledo and Sivakumar, 2004; Pehrsson, 2007) and other institutional factors (Hessels and Terjesen, 2008) can condition that choice. Moreover, these strategic and institutional factors are important to our understanding of the appropriateness of different entry modes (Brouthers, 2002; Brouthers and Nakos, 2004). Therefore, we suggest future research analyze the effect of other factors on INV entry mode choice and international performance.

The specialized literature has also noted the importance of firm networks in INVs creation. Basically reasearchers have indicated that INVs uses its relations to access new knowledge, sharing its own knowledge with trusted firms (Oviatt and McDougall, 1994; Coviello and Munro, 1995; Loane and

Bell, 2006). However there is a lack of studies that analyze how entrepreneurial network characteristics influence the rate at which INVs increase their international commitment and enter new markets (Oviatt and McDougall, 2005; Coviello, 2006). In addition, just as competition is said to take place between value networks or chains rather than between firms, international market orientation also occurs on an entrepreneurial network level, which explains how some networks can become more competitive and effective than others in the same market. It therefore seems opportune to extend the scope of INV research to include the networks in which they participate; this would also lead to explorations of the relationship between entrepreneurial orientation and international market orientation in the whole network as fundamental elements to our understanding of internationalization in these firms.

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