

Entry Mode Research and SMEs: A Review and Future Research Agenda

by Johan Bruneel and Robin De Cock

Research on SMEs' entry modes remains limited and is spread across various, often disconnected research fields using a broad variety of theories, sample characteristics, and methods. This makes it challenging for researchers to identify interesting research opportunities. Our study investigates the current state of the SME entry mode literature by conducting a systematic literature review of 47 articles. Our review shows that scholars should be more careful when conceptualizing SMEs, and we recommend the use of both quantitative and qualitative longitudinal research designs. We explain how new theories and perspectives might address existing problems and weaknesses in this literature.

Introduction

Entry mode—the operational form used to enter foreign markets (Brouthers and Hennart 2007)—is a key issue in international business research. Firms may choose to enter foreign markets alone through direct exports, in partnership with other companies via contracts with distributors, or by making a direct investment in a foreign country (FDI). In the case of equity investments, firms must decide on the mode (greenfield or acquisition) as well as the level of ownership (full versus shared ownership) (Dikova and van Witteloostuijn 2007). Research on entry modes is valuable because entry mode choice is a very important strategic issue for an internationalizing firm (Pedersen, Petersen, and Benito 2002). First, entry mode choices are important as forces of globalization that drive firms to expand outside their home market to establish effective firm boundaries (Brouthers and Hennart 2007). Second, entry mode choice has a considerable influence on the

performance of internationalizing firms (Brouthers 2002; Lu and Beamish 2001; Brouthers and Nakos 2004). Over-investment in foreign markets (Petrou 2009), partners taking advantage of the firm's knowledge (Tan, Erramilli, and Liang 2001), and coordination problems caused by lack of control (Anderson and Gatignon 1986) all imply inferior entry mode decisions that may significantly harm the performance of an internationalizing firm (Hill, Hwang, and Kim 1990).

While entry mode research has focused mainly on multinational enterprises (MNEs), studies have increasingly identified specific characteristics of small and medium-sized enterprises (SMEs) that influence not only entry mode choice but also entry mode change, management and outcomes. Compared with MNEs, SMEs have a *limited resource base*, which exacerbates the long-term impact of entry mode decisions (e.g., Burgel and Murray 2000; George, Wiklund, and Zahra 2005). This lack of

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internal resources may restrict a firm's choice of entry mode and force it to use inexpensive modes such as exporting or agents (Agndal and Chetty 2007). Furthermore, SMEs have *different managerial processes and structures* that are less rigid, sophisticated and complex (Coviello and Martin 1999). They also tend to *interact differently with their environment* (Brouthers and Nakos 2004). For example, Li and Qian (2008) find that market dynamics have different effects on the entry mode choices of small and large firms. Small firms will show a greater preference for cooperative entry modes, while large firms will prefer independent entry modes in dynamic markets. Therefore, SMEs will face different challenges during the internationalization process and are likely to make different decisions from large firms. While large firms tend to follow predetermined strategic plans for international expansion, SMEs *internationalize in less foreseeable ways*, often determined by serendipitous and uncontrollable events (Agndal and Chetty 2007; Hutchinson, Quinn, and Alexander 2006). Prater and Ghosh (2005) have shown that large firms are much more concerned about long-term strategic planning and prefer strategic alliances, while SMEs use more short-term and informal relationships to respond quickly to changing business conditions and shorter-term operational issues. Taken together, these findings show that the entry mode strategies of SMEs differ from those of their larger counterparts.

Although the literature points to clear differences in entry mode strategies between SMEs and large firms, no study has yet provided a clear and comprehensive overview of entry mode choices, processes, and outcomes in the context of SMEs. Previous review studies of internationalization provide interesting insights, but either focus only on the entry mode strategies of large, established companies (e.g., Brouthers and Hennart 2007; Canabal and White 2008) or examine SME internationalization in general (Coviello and McAuley 1999; De Clercq et al. 2012; Keupp and Gassmann 2009). This omission is surprising, given that SMEs make a substantial contribution to economic development and growth (OECD 2009) and tend increasingly to expand outside their home markets (George, Wiklund, and Zahra 2005). SME internationalization can be expected to gain further momentum in an ever more globalized world economy (Ripollés et al. 2012). Furthermore, the current literature on SMEs' entry modes is as yet limited,

calling for more extensive research (Brouthers 2013; Hennart and Slangen 2014; Maekelburger, Schwens, and Kabst 2012; Pezderka and Sinkovics 2011; Ripollés and Blesa 2012). Studies in this domain have covered a wide variety of theories, sample characteristics, methods, and entry modes. However, the question confronting research scholars in this field is where to go from here.

The objectives of this article are twofold. First, we adopt the framework of De Clercq et al.'s (2012) review of the international entrepreneurship literature to review conceptual and empirical studies of the antecedents, processes, and performance outcomes of SME entry modes. We examine how these articles are distributed across the three phases and explore the emerging themes in the literature. These three phases form our predetermined analytical framework for a systematic literature review to reveal problems, weaknesses, contradictions and controversies (Frank and Hatak 2014). Second, we seek to establish an agenda for future research. Our review shows that existing theories and sampling methods in the SME entry mode literature often lead to contradictory findings that require deeper examination and further refinement. In addition, the literature on SME entry modes would benefit from introducing new theories to the field, such as strategic decision-making theory, upper echelon theory, imprinting theory, and the capability perspective.

Overall, the review offers a number of contributions to the literature on entry mode research in the context of SMEs. First, we contribute to the SME entry mode literature by pointing out inconsistent results and describing as yet unanswered issues. Second, our review also shows how methodological and conceptual improvements, such as a better conceptualization of SMEs, the use of longitudinal research designs and different levels of analysis, more consistent definitions of entry modes, and solutions to endogeneity issues may improve the field and help tackle current challenges in entry mode research. Finally, we contribute to the field by introducing new theories and concepts. Entry mode research might adopt a strategic decision-making perspective to investigate individual antecedents of entry mode choice, or use imprinting theory to analyze how entry modes change over time, or take a capability perspective to gain a better understanding of the outcomes of entry mode choice.

Method

We use a systematic literature review method to identify, synthesize, and evaluate all relevant studies using the transparent and replicable process explained below. Since the existing research is heterogeneous in terms of theory, methods, and samples, we provide a narrative literature review with the objective of revealing problems, weaknesses, contradictions, and controversies that offer opportunities for future research (see problem identification, Frank and Hatak 2014). In the following sub-sections, we explain our process of selection, screening, assessment, and categorization of the articles to ensure transparency, focus, and reliability.

Article Screening and Selection

Following previous review studies (e.g., Brouthers and Hennart 2007; De Clercq et al. 2012; Jones, Coviello, and Tang 2011), we included only journal articles in our review because they provide more validated knowledge than book chapters, dissertations or conference papers. In total, we considered five categories of journal: entrepreneurship, management, international business, marketing, and innovation (see Table 1 for an overview of the journals). The first four categories were based on De Clercq et al. (2012), while the fifth was based on Keupp and Gassmann's (2009) review of international entrepreneurship. Entrepreneurship is considered to be a rapidly growing but relatively young field that has built up a strong knowledge of SMEs, and more recently of international entrepreneurship. International business is a more established field that is closely related to the management field (Keupp and Gassmann 2009) and is generally the most active in publishing studies on entry modes (Canabal and White 2008). Besides international business and international entrepreneurship journals, the field of marketing has proven to be a fruitful place for market entry studies (Canabal and White 2008). By combining these five categories of journal, we cross-referenced a broad set of both top-ranking and specific journals relevant to our review of SMEs and entry mode research. Two investigators, trained and guided by a senior investigator, screened the journals for relevant articles published in the last 20 years (1992–2012), as SME entry mode research grew rapidly from the beginning of the 1990s. We screened the journals systematically using the following keywords: (1) "SME," "start-up," "young firm," "new venture," "international entrepreneurship," "early

internationalization," "born global," and "entry mode" in combination with theories and constructs mentioned in a review of entry mode research by Canabal and White (2008); and (2) "transaction cost theory," "resource-based view," "institutional theory," "foreign direct investment," "licensing," "exporting," "performance," "OLI," "cultural distance," "uncertainty," "control," "risk," "capabilities," and "knowledge." We also identified additional studies through manual cross-referencing (De Clercq et al. 2012). These procedures initially generated 901 articles.

In the second screening of articles, we retained those that addressed SMEs as their main subject or included SMEs in their data collection. Conceptual articles were included if the discussion was specifically limited to SMEs or when the authors explicitly indicated that the theoretical framework could also be applied to SMEs. Empirical articles were retained if they investigated entry modes in the context of SMEs. Empirical papers with mixed samples (both large firms and SMEs) were retained when the authors explicitly stated that the findings could be applied to SMEs. As a result of this screening, the collection was reduced to 245 articles. This procedure was carried out by the two investigators independently to ensure objectivity. In case of disagreement, the senior investigator was consulted to reach consensus.

In the third screening, we further limited the set of articles to those that included a discussion of entry modes, articles addressing internationalization in general, without specifically discussing entry modes, were therefore removed from the set. We observed that a considerable number of articles limited their discussion to SMEs and exporting, and we decided not to retain these because the focus of our review is on the concept of entry mode, which extends beyond exporting. Inclusion of these would have resulted in a review with too great an emphasis on exporting and too little on other types of entry mode. However, articles that considered exporting in combination with alternative entry modes were included. The third and final screening resulted in a final set of 47 articles, of which 13 were published in entrepreneurship journals, four in management journals, 13 in international business journals and 17 in marketing journals.

Article Analysis and Categorization

The 47 articles were content analyzed and coded relative to a predetermined analytical

Table 1
Overview Journals

Journal	Conceptual articles	Quantitative articles	Qualitative articles	Total
Entrepreneurship Journals				
<i>Entrepreneurship and Regional Development</i>	0	0	0	0
<i>Entrepreneurship: Theory and Practice</i>	1	2	0	3
<i>International Small Business Journal</i>	0	1	1	2
<i>Journal of Business Venturing</i>	0	0	0	0
<i>Journal of International Entrepreneurship</i>	0	3	2	5
<i>Journal of Small Business and Enterprise Development</i>	0	0	0	0
<i>Journal of Small Business Management</i>	0	2	0	2
<i>Small Business Economics</i>	0	1	0	1
Management Journals				
<i>Academy of Management Journal</i>	0	2	0	2
<i>Academy of Management Review</i>	0	0	0	0
<i>Administrative Science Quarterly</i>	0	0	0	0
<i>Canadian Journal of Administrative Sciences</i>	0	0	0	0
<i>Journal of Management</i>	0	0	0	0
<i>Journal of Management Studies</i>	0	1	0	1
<i>Management Science</i>	0	0	0	0
<i>McKinsey Quarterly</i>	0	0	0	0
<i>Organization Science</i>	0	0	0	0
<i>Scandinavian Journal of Management</i>	0	0	0	0
<i>Sloan Management Review</i>	0	0	0	0
<i>Strategic Management Journal</i>	0	1	0	1
International Business Journals				
<i>Harvard Business Review</i>	0	0	0	0
<i>International Business Review</i>	2	3	1	6
<i>Journal of Business Research</i>	0	1	0	1
<i>Journal of International Business Studies</i>	2	1	0	3
<i>Journal of International Management</i>	0	0	0	0
<i>Journal of World Business</i>	0	2	0	2
<i>Management International Review</i>	0	0	0	0
<i>Multinational Business Review</i>	1	0	0	1
<i>Review of World Economics</i>	0	0	0	0
Marketing Journals				
<i>Advances in International Marketing</i>	0	1	0	1
<i>European Journal of Marketing</i>	0	1	1	2
<i>Industrial Marketing Management</i>	0	1	0	1
<i>International Marketing Review</i>	1	2	1	4
<i>Journal of International Marketing</i>	2	3	3	8
<i>Journal of Marketing</i>	0	1	0	1
<i>Journal of Marketing Research</i>	0	0	0	0
<i>Journal of the Academy of Marketing Science</i>	0	0	0	0
Innovation Journals				
<i>European Research</i>	0	0	0	0
<i>Journal of Product Innovation Management</i>	0	0	0	0
<i>Research Policy</i>	0	0	0	0
Total	9	29	9	47

framework. Similarly to De Clercq et al. (2012), the articles were coded depending on which stage of entry mode strategy they addressed: (1) antecedents of first entry mode choice, (2) processes following first entry mode choice, and (3) outcomes of entry mode choice. Next, we coded each article according to the key perspective used to frame the discussion of these three stages of entry mode choice. Building on Brouthers and Hennart (2007), we considered five key perspectives used in studies of firm internationalization: transaction cost theory (TCE), eclectic theory (OLI), resource-based view (RBV), stage theory (STAGE), and network approach (NA).¹ We also coded the articles as either conceptual (9 articles) or empirical (38 articles). For the nine conceptual articles, we described the theoretical perspectives and central ideas. The empirical articles were coded as either quantitative (29) or qualitative (9), and we recorded information about (1) sample specifications, (2) home country, (3) nature of data collection (cross-sectional/longitudinal), (4) supported predictions relating to antecedents, processes, and outcomes of entry mode, and (5) unsupported predictions. We collated this information in tables organized by phase and by type of article: conceptual, empirical qualitative, and empirical quantitative (see Tables 2–4).

Following previous studies (e.g., Keupp and Gassmann 2009; Street and Cameron 2007), we classified the antecedent, process, and outcome variables into conceptual groups. Groups were retained if they appeared in at least two articles included in our review. Figure 1 provides an overview of these groups in each entry mode phase. The acronyms in each block of Figure 1 refer to the underlying key perspective.

Review of SMEs and Entry Mode Research: Antecedents, Processes, and Outcomes

We found that 38 articles (81 percent of all articles) discussed the antecedents of entry mode choice, while 14 (30 percent) discussed entry processes, and 10 (21 percent) discussed the performance implications of entry mode

decisions. We discuss the main findings by stage of entry mode below.

Antecedents to Entry Mode Choice

The most common types of antecedent are embedded in TCE and OLI. Two TCE-related concepts surface as important factors influencing entry mode choice: environmental uncertainty at the level of industry and country, and asset specificity. The results regarding a relationship between environmental uncertainty and entry mode choice are inconclusive. In line with TCE predictions, the findings of most articles are that SMEs tend to prefer non-equity entry modes when environmental uncertainty is high (Bradley and Gannon 2000; Brouthers and Nakos 2004; Li and Qian 2008), as partnerships spread SMEs' risks and thereby reduce their direct exposure to uncertainty in foreign markets. However, one study has shown that greater uncertainty leads to equity-based entry modes, as these allow more adaptive decision making than partnership-based entry modes (McNaughton 1996). Results regarding the influence of asset specificity on entry mode choice are in line with TCE predictions, as SMEs opt for high-control entry modes when asset specificity is high to gain greater control over the use of their knowledge (Bradley and Gannon 2000; Brouthers and Nakos 2004; McNaughton 1996). Some studies have established a link between these two concepts by showing that greater environmental uncertainty strengthens the choice of high-control entry modes when asset specificity is high (Erramilli and Rao 1993; Maekelburger, Schwens, and Kabst 2012).

Research using OLI has shown the importance of ownership and location advantages. SMEs with greater ownership and locational advantages are more likely to adopt equity-based entry modes (Bradley and Gannon 2000; Brouthers, Brouthers, and Werner 1996; Pinho 2007; Shrader, Oviatt, and McDougall 2000). In an interesting extension to the above-mentioned studies, Pezderka and Sinkovics (2011) have considered "active online internationalization" as an entry mode in the context of online businesses. In contrast to traditional entry modes such as partnerships or subsidiaries, active

¹Not every article included in this review adopted one of these five perspectives. Five papers employed an alternative theory, such as institutional theory (Huang and Sternquist 2007), or the business model literature (Ojala and Tyrväinen 2006) to frame the study. We indicate clearly in Tables 2, 3, and 4 which theories were adopted in each article.

Table 2
Conceptual Articles (9)

Authors	Theories	Focus	Central ideas
Zacharakis 1997	TCE, Agency theory	Management	<ul style="list-style-type: none"> - Partnerships to enter foreign markets allows leverage of resources for entrepreneurial firms - Both entrepreneurial firms and export agents will try to reduce their risk by using contracts - Entrepreneurial firms will prefer outcome-based contracts whereas export agents will prefer behavior-based - Bonding stipulations will be included in the contracts to reconcile the different preferences in contract type between entrepreneurial firms and foreign export agents
Malhotra, Agarwal, and Ulgado 2003	IPLC, Market imperfections theory, Strategic behavior theory, RBV, TCE, OLI theory, Stage theory, Network approach	Change, choice, management	<ul style="list-style-type: none"> - The foreign market entry mode (FME) choice shifts as a product progresses through different IPLC phases: new (exporting), maturity (contractual agreements), standardization (FDI) - Moderating influences on FME choice: market risk factors, global strategic factors, transaction-specific factors, government imposed factors
Gao 2004	Pluralism governance perspective	Choice	<ul style="list-style-type: none"> - Small firms will use contractual agreements as FME choice to overcome resource constraints and accelerate international expansion - Introduce bargaining power and trust as non-equity sources of control in FME choice - Higher bargaining power/trust will lower the need for control through equity involvement - Firms with limited resources can make use of these non-equity sources of control to enter foreign markets, which otherwise would not be considered
Ekeledo and Sivakumar 2004	RBV	Choice	<ul style="list-style-type: none"> - Digital service firms will favor exporting and licensing whereas partial-digital service firms will favor full ownership or franchising as FME choice - Firms size has no effect on the FME choice of digital service firms whereas small partial-digital service firms will favor licensing and joint ventures

Table 2
Continued

Authors	Theories	Focus	Central ideas
Jones and Coviello 2005	Internationalization theory, Entrepreneurship theory	Choice, change	<ul style="list-style-type: none"> - FME choice and change is influenced by internal and external environmental triggers and as part of an adaptation process in response to organizational learning - FME of entrepreneurial firms represents the extent of internationalization behavior - Important influence of the entrepreneur in shaping internationalization behavior - High internal competency, greater cultural context similarity, and higher perceived internal uncertainty leads to a lower propensity to use a collaborative mode of FME - Greater organizational culture similarity and higher perceived external uncertainty leads to a higher propensity to use a collaborative mode of FME - FME choice is influenced by coercive, normative, and mimetic isomorphism - Different types of isomorphism are reflected in different dimensions of the institutional environment: regulative (law and government policy), normative (national and business culture), cognitive (organizational imprinting and imitation) - The internationalization process depends on the firm's relationships and network position - Business relationships impact a firm's choice of FME - Change in relationship commitment will be visible in change in FME - Develops a framework on how OLI-factors influence the choice between online versus traditional FME mode - Argues a positive relationship between OLI-predicted FME choice and performance - Perceived international e-risk is an important moderator influencing FME choice and subsequent performance
Akhter and Robles 2006	TCE, RBV	Choice	
Huang and Sternquist 2007	Institutional theory	Choice	
Johanson and Vahlne 2009	Stage theory, network approach	Choice, change	
Pezderka and Sinkovics 2011	OLI	Choice, performance	

Table 3
Qualitative Empirical Articles (9)

Author	Theory	Focus	Sample	Home	Data	Findings
Coviello and Munro 1997	Stage theory, Network approach	Choice, change	Software SMEs, size range: 25–140 FTEs, age range: 13–18 years	New Zealand	Cross-sectional cases: 4 SMEs	<ul style="list-style-type: none"> - Initial FME mode is the result of leveraging the initial relationship with a larger firm - Change of FME modes is result of development of network of informal and formal contacts
Coviello and Martin 1999	TCE, Stage theory, Network approach	Choice, change	Knowledge-based service SMEs size range: 23–250 FTEs, age range: 5–25	New Zealand	Cross-sectional cases: 4 SMEs	<ul style="list-style-type: none"> - Initial FME mode is exporting, subsequent FME modes evolve to alliances or joint ventures - FME mode choice and change is strongly influenced by network relationships - Formal client-service provider exchange relationship emerges from the SME's informal and formal network relationships
Bell, Crick, and Young 2004	Business strategy	Choice, change	Independent knowledge-based and traditional manufacturing SMEs, size <250 FTEs	United Kingdom	Cross-sectional cases: 10 SMEs	<ul style="list-style-type: none"> - Network relationships influence FME mode choice through preexisting contacts of decision-makers and client-followership - The influence of relationships on FME mode choice is higher among knowledge-intensive SMEs - Knowledge-intensive SMEs change to higher/other commitment modes while traditional SMEs prefer using low commitment FMEs
Obadia and Vida 2006	TCE, Agency theory	Management, Performance	Various industrial SMEs, size range: 35–200	Argentina (2), France (2), Brazil, Colombia, Israel, Switzerland, Uruguay, United Kingdom	Cross-sectional cases: 10 SMEs	<ul style="list-style-type: none"> - The scope and size of the assets of SME's foreign subsidiaries and insufficient incentives can cause opportunistic behavior; information asymmetry between parent SMEs and subsidiaries reinforces these effects - The economic performance of a foreign subsidiary of an SME is negatively affected by endogenous (intra-firm) opportunism

Table 3
Continued

Author	Theory	Focus	Sample	Home	Data	Findings
Hutchinson, Quinn, and Alexander 2006	RBV, Network approach, Stage theory	Choice	Retailer SMEs Max. sales turnover of £24 million	United Kingdom	Cross-sectional cases: 9 SMEs in 4 different sectors	<ul style="list-style-type: none"> - Important factor influencing FME choice is resource availability - SMEs emphasize the influence of the level of cost involved and the amount of risk in FME choice - low-control FMEs seem to be more attractive: exporting, licensing, wholesale, and distribution agreements - When product asset and brand exclusivity are important, SMEs chose for FDI - The efficacy, serendipity, and liability role of social capital of a SME triggers a change of FME mode - Efficacy and liability roles are more likely to change to higher control modes - Serendipity role induces change to both increasing and decreasing control modes - Majority of FME mode change involves a switch to higher commitment mode, often a change from distributor to sales subsidiary - Business relationships are more likely to influence a change of FME than social relationships - Direct relationships are more likely than indirect relationships to influence FME changes because of a stronger impulse for change - Change is most often triggered by an indirect relationship with a third party organizations
Chetty and Agndal 2007	Network approach	Change	High- and low-technology manufacturing SMEs, size <250 FTEs	Sweden (10) New Zealand (10)	Cross-sectional cases: 20 SMEs	
Agndal and Chetty 2007	Network approach	Change	Manufacturing SMEs, size <250 FTEs, Founding year ranges from 1938 to 1996	Sweden, New Zealand	Cross-sectional cases: 20 SMEs	

Table 3
Continued

Author	Theory	Focus	Sample	Home	Data	Findings
Ojala and Tyrväinen 2006	Business model	Choice	software SMEs, size <500 FTEs	Finland	Cross-sectional cases: eight SMEs	<ul style="list-style-type: none"> - Product strategy matters for FME choice: tailored products sold via representatives, semi-standardized products sold via sales subsidiaries, and mass-market products sold via cooperative FMEs - Other business model elements (revenue logic, service and implementation model, distribution model) showed weak or no connection to the FME mode
Kontinen and Ojala 2011	Network approach	Choice, change	Family-owned manufacturing SMEs with size <250 employees	Finland	Cross-sectional cases: eight SMEs	<ul style="list-style-type: none"> - Initial FME mode is exporting, which evolves to higher commitment modes over time - For initial FME, SMEs with strong ties take on a efficacy role of social capital whereas weak ties are related to the serendipity role of social capital - Post-entry, the role of strong and formal ties is important for FME mode change and social capital generally had efficacy and liability roles

Table 4
Quantitative Empirical Articles (29)

Author	Themes	Focus	Sample specifications	Home	Data	Supported predictions	Unsupported predictions
Erramilli and Rao 1993	TCE	Choice	Service firms; 30.4 percent of sample firms are SMEs	United States	Cross-sectional survey: 114 firms	- Service SMEs favor shared-control FME modes more when asset specificity is low - This intensifies when (1) services are inseparable, (2) with increasing country risk, and (3) as SMEs become smaller - Exporting is preferred FME mode - SMEs are not likely to change their FME mode - Choice of FME mode restricts many of the (larger) SMEs international expansion capabilities	- Cultural distance does not strengthen the inverse relationship between asset specificity and choice for shared-control FME mode
Bell 1995	Stage theory, Network approach	Choice, change	Small, independent software SMEs; size <200 FTEs	Finland, Ireland, Norway	Cross-sectional survey: 88 SMEs	- Channel volume is positively associated with the use of foreign sales subsidiaries and negatively associated with the use of shared control modes - Asset specificity is negatively associated with the use of joint ventures and positively associated with the use of foreign sales subsidiaries - Market volatility is positively associated with the use of foreign sales subsidiaries	- Diversity is not associated with choice of market channel - Volatility is not associated with the use of shared control modes
Mcnaughton 1996	TCE	Choice	Software firms of which 70 percent has less than 25 FTEs	Canada	Cross-sectional survey: 112 firms	- Ownership advantages are positively associated with use of more integrated FME modes - Perception of locational advantages are positively associated with the use of more integrated FME modes - SME size is positively associated with the use of intermediaries - SMEs using distributors domestically are more likely to use intermediaries - client-specific customization is negatively associated with the use of intermediaries	
Brouters, Brouthers, and Werner 1996	OLI	Choice	U.S.-based computer software SMEs, annual sales range: 1 million to 1 billion	United States	Cross-sectional survey: 25 SMEs		
Burgel and Murray 2000	Stage theory, TCE, RBV	Choice	High-tech start-ups, age ≤10 years	United Kingdom	Cross-sectional survey: 246 SMEs		

Table 4
Continued

Author	Themes	Focus	Sample specifications	Home	Data	Supported predictions	Unsupported predictions
Bradley and Gannon 2000	TCE, OLI	Choice	computer and furniture companies	Denmark, Germany, Ireland, United Kingdom	Cross-sectional survey: 105 firms of which 79 are SMEs	<ul style="list-style-type: none"> - Market diversification(concentration) strategy is positively associated with the choice for a low-control(high-control) FME mode - Demand uncertainty is positively associated with the choice for a low-control FME mode - High-tech(high-touch) products are positively associated with the choice for a high-control (low control) FME mode 	<ul style="list-style-type: none"> - The amount of upstream activity of the SME is not associated with the choice for a high-control FME mode
Shrader, Oviatt, and McDougall 2000	OLI	Choice	New ventures, almost 90 percent high-tech, age: ≤ 6 years old	United States	Archival: 87 SMEs	<ul style="list-style-type: none"> - Ventures that experience accelerated internationalization chose less committed FME modes - Number of foreign markets entered is negatively associated with FME commitment 	
Mcnaughton and Bell 2000	TCE	Change	Software SMEs Mean size of 37 FTEs	Canada	Cross-sectional survey: 120 SMEs	<ul style="list-style-type: none"> - Switching to a lower control mode is negatively associated with knowledge-based asset specificity, investment needed in physical assets, and the relative contribution of a market to overall sale - Switching to a lower control mode is positively associated with market diversity 	<ul style="list-style-type: none"> - Switching to a lower control mode is not associated with volatility, the custom software segment, and the U.S. market - Switching to a lower control mode is not associated with the packaged software segment and overseas markets
Zahra, Ireland, RBV and Hitt 2000	RBV	Performance	Corporate and privately owned high-technology new ventures ≤ 6 years	United States	Archival data and cross-sectional survey: 321 SMEs	<ul style="list-style-type: none"> - High-control FME modes are positively associated with the breadth, depth, and speed of technological learning - Knowledge integration enhances the effects of high-control FME modes on the breadth, depth, and speed of technological learning - Licensing and exports are positively associated with ROE - Acquisitions, licensing, and exports are positively associated with sales growth 	

Table 4
Continued

Author	Themes	Focus	Sample specifications	Home	Data	Supported predictions	Unsupported predictions
Lu and Beamish 2001	TCE, Network approach	Performance	19 industries, SMEs with export activities, size range: 58–499 FTEs	Japan	Archival, longitudinal data, 164 SMEs, 19 sectors	<ul style="list-style-type: none"> - There is a U-shaped relationship between the level of FDI and performance - The number of alliances with host country partners has a positive influence and the number of alliances with home country partners has a negative influence on the performance - Exporting activities have a negative moderating influence on the relationship between FDI and performance of an SME 	<ul style="list-style-type: none"> - The level of exporting activities is negative associated with performance
Nakos and Brouthers 2002	OLI	Choice	manufacturing and service SMEs, size <500 FTEs	Greece	Cross-sectional survey: 118 SMEs	<ul style="list-style-type: none"> - Differentiated products is positively associated with a preference for equity FME modes - Perceived high growth potential in a market is positively associated with a preference for equity FME modes - Perceived high contractual risk perceptions in a target country is positively associated with a preference for equity FME modes 	<ul style="list-style-type: none"> - SME sizes is not associated with FME mode preference - International experience is not positively associated with a preference for equity FME modes - Lower perceived investment risk is not associated with a preference for equity FME modes
Beamish and Lee 2003	TCE	Choice, performance	manufacturing SMEs, size <500 FTEs	United States, Japan, Western Europe	Cross-sectional survey: 42 affiliates in Korea	<ul style="list-style-type: none"> - There is a preference for JV over FDI to enter Korean market - There is a positive relationship between management control from the parent firm and ownership rates in these affiliates - A higher degree of control and high levels of exporting have a positive effect on performance of Korean affiliates 	<ul style="list-style-type: none"> - Age, size, and R&D spending are not associated with the performance of Korean affiliates
Majocchi and Zucchella 2003	TCE	Performance	Manufacturing SMEs, Italy size <250 FTEs	Italy	Cross-sectional survey: 220 SMEs	<ul style="list-style-type: none"> - FDI is negatively associated with profitability - Export intensity positively moderates this relationship 	

Table 4
Continued

Author	Themes	Focus	Sample specifications	Home	Data	Supported predictions	Unsupported predictions
Brothers and Nakos 2004	TCE	Choice, performance	Manufacturing and service SMEs, size <500 FTEs	The Netherlands, Greece	Cross-sectional survey: 209 SMEs	<ul style="list-style-type: none"> - Asset specificity and internal control mechanisms are positively associated with a preference for equity FME - Environmental uncertainty is positively associated with a preference for non-equity FME - SMEs that use FME modes predicted by TCE perform better than those not choosing TCE predicted FME modes 	
Ibch et al. 2004	TCE, Stage theory	Choice	Manufacturing SMEs, size range: 1-204 FTEs	United Kingdom	Cross-sectional survey: 204 SMEs		<ul style="list-style-type: none"> - Micro-multinational enterprises do not show a higher propensity to use contractual foreign market entry modes over FDI
Prater and Ghosh 2005	Stage theory	Choice	SMEs with manufacturing operations in Europe, size <500 FTEs	United States	Cross-sectional survey: 104 SMEs	<ul style="list-style-type: none"> - SMEs prefer entry strategies with the lowest required investment - Contrary to larger SMEs and SMEs operating in other regions (e.g., China), the SMEs operating in Europe are not likely to use strategic alliances for collaborative operations; they prefer flexible and informal relationship - SMEs that use non-equity FMEs achieve higher international revenue growth when domestic munificence is high 	
Rasheed 2005	TCE	Performance	Manufacturing SMEs, size <1,000 FTEs	United States	Archival: longitudinal data, 123 SMEs		<ul style="list-style-type: none"> - Domestic volatility does not moderate the relationship between non-equity FME modes and international revenue growth - SMEs that use equity FME modes will achieve higher international revenue growth when foreign market risk is high - L-factors do not provide explanatory power for FME choice of medium-sized companies
Hollenstein 2005	OLI	Choice	Low/high-tech manufacturing and trade-intensive service firms of which 81 percent are SMEs, size <200	Switzerland	Cross-sectional survey: 2,424 firms	<ul style="list-style-type: none"> - Ownership and location advantages provide explanatory power for FME choice for SMEs 	

Table 4
Continued

Author	Themes	Focus	Sample specifications	Home	Data	Supported predictions	Unsupported predictions
Eriksson, Hohenthal, and Lindbergh 2006	Stage theory	Choice	SMEs, size range: 50–200 FTEs	Sweden, New Zealand, Denmark	Cross-sectional survey: 494 SMEs	<ul style="list-style-type: none"> - Country experience and market growth are positively associated with the use of integrated FME modes - International experience, knowledge about customers and knowledge about competitors are not associated with the use of integrated FME modes 	<ul style="list-style-type: none"> - Cultural distance is positively associated with integrated FME modes - International experience, knowledge about customers and knowledge about competitors are not associated with the use of integrated FME modes
Bradley, Meyer, and Gao 2006	Network approach	Choice	Small-scale suppliers to the computer industry	Ireland	Cross-sectional survey: 7 OEM customers and 37 suppliers	<ul style="list-style-type: none"> - There is a positive association between an SME's attitude to the relationships with customers and suppliers and likelihood of establishing new customer-supplier relationships abroad 	<ul style="list-style-type: none"> - The status of the target country and management international experience are not positively associated with acquisitions - Larger firms prefer JV over acquisitions - Acquisitions announcements are not associated with performance
Gleason and Wiggenshorn 2007	Stage theory, RBV	Choice, performance	Born globals that did an acquisition or started a joint-venture within 6 years after founding and 3 years after IPO, unspecified number of SMEs	United States	Cross-sectional survey: 149 firms	<ul style="list-style-type: none"> - Cultural similarity is positively associated with the choice for acquisitions - JV announcements are positively associated with performance 	<ul style="list-style-type: none"> - The status of the target country and management international experience are not positively associated with acquisitions - Larger firms prefer JV over acquisitions - Acquisitions announcements are not associated with performance
Pinho 2007	OLI	Choice	SMEs in manufacturing, retailing and other sectors, size <250 FTEs	Portugal	Cross-sectional survey: 87 SMEs	<ul style="list-style-type: none"> - International experience and ability to innovate are positively associated with equity FME mode - The propensity to choose an equity FME increases with the expectation in market/sales growth potential - Decision-maker's market specific knowledge is positively associated with equity FME mode 	<ul style="list-style-type: none"> - Firm size, a lower perception of risk associated with the host country, and low-operating costs associated with performing marketing activities, low-distance in terms of culture and business practices with the host country - Decision-maker's age, level of education, and risk-orientation, ownership structure are not associated with equity FME mode

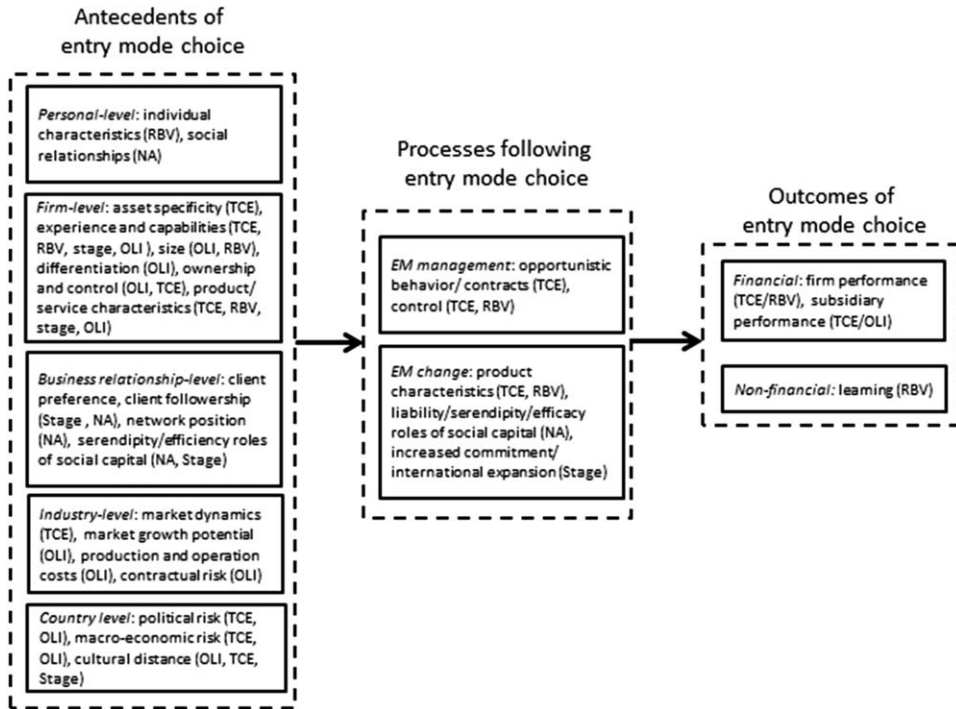
Table 4
Continued

Author	Themes	Focus	Sample specifications	Home	Data	Supported predictions	Unsupported predictions
Forlani, Parthasarathy, RBV and Keaveny 2008	TCE, RBV	Choice, management	Manufacturing and service SMEs, size range: 1-1,400 FTEs	United States	Cross-sectional survey: 81 SMEs	<ul style="list-style-type: none"> - Managers in lower-capability SMEs will see more risk in high-ownership high-control entry modes and less risk in low-ownership low-control entry modes - Managers in high-capability SMEs will see more risk in no-ownership entry modes than in JV - Managers in high-capability SMEs perceive more risk in no-ownership FME mode than managers in low-capability SMEs - Managers prefer to retain control of R&D and give up control in marketing functions in mixed ownership mixed-control FME mode - Criticality of the marketing function is positively associated with the level of ownership 	<ul style="list-style-type: none"> - Managers of SMEs with more developed capabilities perceive full-ownership entry modes as more risky than joint-venture entry - Retaining control over production is not critical in mixed-ownership mixed-control FME mode
Pehrsson 2008	RBV	Choice	Manufacturing SMEs, Sweden unspecified number of SMEs	Sweden	Cross-sectional survey: 173 SMEs	<ul style="list-style-type: none"> - Product/market relatedness and technology market relatedness of a business unit in a foreign market and the core business unit in the home market is positively related to the choice of a full control foreign market FME; both relationships are moderated by foreign market importance - The higher the degree of importance of foreign markets for a SME the more likely it will choose a full control foreign market FME 	<ul style="list-style-type: none"> - There is no association between competitor certainty and the choice of a full control FME mode - The relationships between intangible resource relatedness and product/market relatedness between home market and foreign market business units on the one hand and choice of foreign market FME on the other hand are not moderated by competitor certainty of a SME
Li and Qian 2008	TCE, RBV, Network approach	Choice	technology-based SMEs <500 employees	Unspecified	Cross sectional survey: 166 SMEs of which 77 SMTEs	<ul style="list-style-type: none"> - The more dynamic the markets, the more likely that an SMTE will choose a partnership FME - The more the required promotional effort, the more likely that an SMTE will choose a partnership FME 	<ul style="list-style-type: none"> - An SMTE with a greater innovative advantage is more likely to choose a self-reliance FME

Table 4
Continued

Author	Themes	Focus	Sample specifications	Home	Data	Supported predictions	Unsupported predictions
Schwens, Ertche, and Kabst 2011	RBV	Choice	SMEs, size <500 employees	Germany	Cross-sectional survey; 227 SMEs	<ul style="list-style-type: none"> - Higher formal institutional risk of the host country strengthens the positive relationship between the choice for an equity foreign market FME and the international experience of an SME and its proprietary know-how; it weakens the positive relationship between the choice for an equity foreign market FME and the strategic importance of the international activity - Higher informal institutional distance between the home and host country strengthens the positive relationship between the choice of an equity foreign market FME and the proprietary know-how of an SME 	<ul style="list-style-type: none"> - Higher informal institutional distance between the home and the host country does not strengthen the positive relationship between the choice for equity foreign market FMEs and the international experience of an SME; it does not weaken the positive relationship between the choice for equity foreign market FMEs and an international activity's strategic importance
Ripollés, Blesa, OLI, Stage and Monferrer 2012	OLI, Stage theory, RBV	Choice	New venturesage ≤7, size range: 3–165 FTEs	Spain	Cross-sectional survey; 135 SMEs	<ul style="list-style-type: none"> - International market orientation is positively associated with higher-commitment FMEs 	
Ripollés and Blesa 2012	RBV	Choice, performance	New venturesage ≤7, size range: 3–165	Spain	Cross-sectional survey; 135 SMEs	<ul style="list-style-type: none"> - Marketing capabilities are positively associated with higher-commitment FME - Higher-commitment FME is positively associated with international performance 	
Maelkelburger, Schwens, and Kabst 2012	TCE	Choice	SMEs, size <500 FTEs	Germany	Cross-sectional survey; 206 SMEs	<ul style="list-style-type: none"> - The presence of the following factors weakens the effect of asset specificity on the probability of choosing an equity FME: international experience, host country networks, imitation, property rights protection, and cultural proximity 	

Figure 1
Literature Overview Framework



online internationalization takes place in the virtual domain (Yamin and Sinkovics 2006). Surprisingly, few studies have included online market entry in their analysis of SME entry mode decisions, even though SMEs are more likely than larger firms to adopt online market entry (Pezderka and Sinkovics 2011).

Studies using RBV have echoed the findings of studies employing TCE and OLI: SMEs tend to prefer full-ownership entry modes to protect resource-based advantages such as proprietary knowledge and capabilities (Akhter and Robles 2006; Ekeledo and Sivakumar 2004). Knowledge and capabilities have a tacit component which may result in value erosion or loss of competitive advantage when transferred to partners (Ripollés and Blesa 2012). This relationship is stronger when the level of uncertainty in the host market is higher (Schwens, Eiche, and Kabst 2011). However, results for the level of SME resources are inconclusive. Whereas Hutchinson, Quinn, and Alexander (2006) have shown that limited resource availability may force SMEs to adopt low-control entry modes, Gleason and

Wiggenhorn (2007) have found that, contrary to their expectation, larger firms tend to prefer joint ventures over acquisitions.

Finally, some studies have emphasized the role of networks to explain the use of different types of entry mode early in the internationalization of SMEs, especially those operating in knowledge-intensive industries (e.g., Bell, Crick, and Young 2004). Rather than following a staged internationalization process (Johanson and Vahlne 1977), these studies have shown that SMEs tend to internationalize early on, using a broad set of entry modes (e.g., Eriksson, Hohenthal, and Lindbergh 2006; Ibeh et al. 2004; Prater and Ghosh 2005). The important role of networks of formal and informal relationships in the entry mode choices of knowledge-intensive SMEs has been further established in several empirical articles using case study designs (Coviello and Martin 1999; Coviello and Munro 1997; Kontinen and Ojala 2011).

In summary, we note that TCE and OLI are the most frequently used theoretical

perspectives, followed by RBV and NA. Asset specificity (TCE), ownership and location advantages (OLI), and networks (NA) are important predictors of entry mode choice. Compared with MNEs, SMEs have lower resource availability and restricted information-collecting and information-processing capabilities, which means that they interact differently with their environment (Li and Qian 2008). However, how these factors influence SMEs' entry mode choice and their approach to environmental uncertainty remains unclear.

Processes Following Entry Mode Choice

The literature on processes following SMEs' entry mode choices encompasses (1) entry mode change and/or (2) management of entry modes. Entry mode change is strongly influenced by both formal and informal network relationships (Coviello and Munro 1997) and by changes in relationship commitment (Johanson and Vahlne 2009). Network relationships allow SMEs to move quickly to high entry modes such as sales subsidiaries, enabling them to leapfrog stages in the internationalization process (Bell 1995; Coviello and Martin 1999; Coviello and Munro 1997). However, existing studies have been based on samples of software- and knowledge-based service SMEs. Studies in the context of manufacturing SMEs have found contradictory results, as they conclude that most entry mode changes involve a switch to higher commitment modes such as sales subsidiaries (Agndal and Chetty 2007; Chetty and Agndal 2007; Kontinen and Ojala 2011).

Changes in entry mode are primarily the result of reactions by SMEs to pressure from formal relationships (Agndal and Chetty 2007). SMEs typically move to sales subsidiaries in response to problems with distributors, such as unsatisfactory performance or opportunistic behavior. This role of network relationships in inducing entry mode change reflects the liability role of social capital (Chetty and Agndal 2007). In addition, SME's network relationships may also induce changes in entry mode as a result of their usefulness (efficacy role) or by generating unexpected opportunities for change (serendipity role). Kontinen and Ojala (2011) provide support for these roles of social capital in entry mode change in the context of family SMEs.

However, it is not only SMEs' networks that influence entry mode changes. Building on RBV and international product life-cycle theory (IPLC), conceptual work indicates that entry

mode changes may also be shaped by maturation of SMEs' products (Malhotra, Agarwal, and Ulgado 2003). Empirical evidence suggests that SMEs tend to switch to lower-control entry modes when knowledge-based assets can be protected and when there is little investment in product marketing (McNaughton and Bell 2000). These studies have also shown important differences between knowledge-based and traditional manufacturing SMEs. Knowledge-based SMEs exhibit a higher propensity to change from direct and indirect exporting to higher-commitment modes, whereas traditional manufacturing SMEs follow the predictions of STAGE (Bell, Crick, and Young 2004).

Studies focusing on the management of entry modes have drawn mainly on TCE. TCE highlights the potential problems and risks relating to opportunism for companies entering into partnerships or other types of entry mode. In the case of parent-foreign subsidiary relationships (Obadia and Vida 2006), insufficient incentives and the value of the assets of foreign subsidiaries may cause endogenous opportunism, which is exacerbated by information asymmetries due to inadequate monitoring by the parent firm. In the case of SME-foreign agent relationships (Zacharakis 1997), it is concluded that contracts mitigate opportunistic threats. Agents prefer behavior-oriented contracts, whereas SMEs prefer outcome-based contracts. However, agents have a stronger bargaining position than SMEs because the former are able to diversify their relationships with different SMEs and are more familiar with the market than the SMEs.

We conclude that NA, RBV, and IPLC are frequently-used perspectives to explain entry mode change in SMEs. SMEs' network relationships (NA) and the maturation, protection and marketing investments of SMEs' products (IPLC) explain entry mode changes. Studies of processes of entry mode change have not only shown differences between SMEs and MNEs, but have also found differences in the speed and propensity of entry mode change between SMEs in knowledge-based and traditional manufacturing industries. Research focusing on management of entry modes has tended to use the TCE concept of "opportunism" to understand how SMEs handle their weaker bargaining positions and increased vulnerability to opportunism compared with MNEs.

Outcomes of Entry Mode Choice

The most important perspective in analysis of outcomes of SMEs' entry mode choices is TCE. Researchers using the TCE perspective have analyzed the impact of various entry modes on firm performance, such as non-equity versus equity (Brouthers and Nakos 2004; Rasheed 2005) and export versus FDI (Lu and Beamish 2001; Majocchi and Zucchella 2003). Entry mode choice based on TCE predictions proves to be normative: SMEs that adopt entry modes based on TCE tend to perform better than SMEs that do not. Other studies have considered the role of the environment and have shown that SMEs benefit more from non-equity modes when domestic munificence is high, and more from equity entry modes when foreign market risk is high (Rasheed 2005).

Some researchers have found more complex relationships between the type of entry mode used by SMEs and firm performance. Using a rare longitudinal data set, Lu and Beamish (2001) found a flattened U-shaped relationship between degree of FDI and firm performance. They further report that export activities have a negative impact on the relationship between FDI and performance, and argue that the combination of exporting and FDI increases coordination costs. A study by Majocchi and Zucchella (2003) provides further insights into the relationship between exporting, FDI, and the performance of SMEs. They have shown that the negative relationship between FDI and SME performance becomes positive when FDI is preceded by a high level of exporting. This resonates with stage theory.

Other work has discussed the performance of internationalizing SMEs' affiliates from a TCE perspective. This line of inquiry argues that the performance of SMEs is negatively affected by endogenous opportunism in foreign subsidiaries (Obadia and Vida 2006), and that a higher degree of control over foreign affiliates has a positive effect on performance (Beamish and Lee 2003).

Despite the dominance of the TCE perspective, researchers have also used RBV to understand the relationship between SMEs' entry mode choice and firm performance. Articles using RBV have focused mainly on the link between SME capabilities and performance (Ripollés and Blesa 2012), and the influence of international activities on learning (Zahra, Ireland, and Hitt 2000). Ripollés and Blesa (2012)

have shown that marketing capabilities enable greater benefits to be gained from a choice of high-commitment entry modes, while Zahra, Ireland, and Hitt (2000) find that high-control entry modes have a positive effect on the breadth, depth, and speed of technological learning.

In conclusion, we find that TCE has dominated research on the relationship between entry mode and SME performance. Similarly to the findings on the performance implications of MNEs' entry mode choices, SMEs adopting entry modes based on TCE tend to perform better. As SMEs' capabilities differ significantly from those of their larger counterparts (Coviello and Munro 1997; Forlani, Parthasarathy, and Keaveny 2008), RBV also provides useful insights into the importance of certain types of SME capabilities for SME performance. Interestingly, only one study has used a longitudinal data set to measure performance and found a more complex and nuanced relationship.

Future Research

In this section, we suggest several avenues for future research based on our literature review. First, we explain future research opportunities by considering methodological issues found in our literature review. Then, based on the analytical framework adopted, we identify several directions for future research on the antecedents, processes, and outcomes of entry mode choice.

Methodological Considerations: SMEs, Sector, and Home Country, Concepts, and Data Collection Methods

Empirical studies should seek theoretical consensus on the concepts employed and use similar operationalization to ensure comparability of findings between studies to move the field forward. Our literature review reveals great diversity in the conceptualization of SMEs. With regard to the age of SMEs, our findings appear similar to those of Keupp and Gassmann (2009) and De Clercq et al. (2012): generally, the age of SMEs is not considered as a sample criterion, and only five articles explicitly mention age as a criterion specifically addressed in the context of the entry mode strategies of new ventures. In contrast, in the studies included in our literature review, size proves to be an important criterion for defining SMEs. The maximum size of an

SME ranges from less than 200 employees to less than 1,000 employees. These differences in size as a selection criterion for SMEs hinder comparison of the findings of different entry mode studies. However, we suggest that future entry mode research should be more conscious of conceptualizing SMEs. The use of arbitrary quantitative definitions of SMEs, such as the number of employees, considers SMEs as a homogeneous group of firms. The differing and sometimes even contradictory findings of these studies may be caused by their failure to consider the heterogeneity of SMEs attributable to qualitative characteristics. Future studies might tackle the problem of heterogeneity either by taking a descriptive approach to defining different typologies of SMEs, or by using a prescriptive method to define the type of SME on which the study focuses (Frank and Roessl 2015).²

For example, future studies might focus on age differences in sample firms. Older SMEs entering foreign markets will already have developed certain routines and capabilities in domestic operations, while new international ventures will not be hampered by established routines and structures (Autio, Sapienza, and Almeida 2000). The learning advantages of newness may allow new international ventures to make bolder moves when entering foreign markets. Age at entry may also influence a firm's ability to change entry mode in response to changing environmental conditions. Inertia may cause older SMEs to be slow to change entry mode when necessary, whereas new ventures may have greater ability to respond quickly to changing requirements. Age at entry may also have an impact on the extent to which the SME is able to reap the benefits of using different types of entry mode. The learning advantages of newness may accelerate young internationalizing SMEs' learning from foreign markets through different types of entry mode. This accelerated learning, in turn, may result in higher firm performance. Similarly, future studies might provide a more nuanced perspective on the role of size in entry mode research. For example, size may be an important moderator in the relationship between transaction costs or resource-based variables and entry mode choice, as resource constraints may prevent SMEs from adopting the best entry mode according to these

theories. This raises the important question of whether SMEs really face an entry mode "decision," or whether, owing to financial resource constraints, they actually have no choice.³ Quantitative studies that focus on the role of financial resources might deepen our understanding of how these resources shape SME entry mode decisions and subsequent changes for internationalizing SMEs.

In addition to differences in definitions of SMEs across studies, our review also reveals sample heterogeneity with respect to industry sectors, with most empirical articles (25 of 38) relying on samples consisting of SMEs from both high-tech and low-tech sectors. Industry sector matters: a key finding of empirical studies is that knowledge-based SMEs do not follow the sequential stages of internationalization but have a notable preference for high-control entry modes (Bradley and Gannon 2000) and build strongly on their networks to serve foreign markets (Coviello and Munro 1997). However, industry sector is often relegated to a control variable in quantitative studies, while there is great potential for further exploration of the influence of sector characteristics on entry mode choice and change. Industry characteristics calling for more detailed examination include the appropriability regime and the distribution of complementary assets (Teece 1986). Interesting issues include how the strength of the appropriability regime or level of specialization of complementary assets influence entry mode choice; the moderating effect of the appropriability regime and the distribution of complementary assets on the extent to which SMEs may reap the benefits of adopting certain entry modes; and the influence of the interplay between appropriability regime and distribution of complementary assets on the entry mode strategy of SMEs.

Our literature review shows that most research has been carried out on SMEs with a home base in Europe or the United States. Apart from three articles that include New Zealand as the home country, no other articles compare Europe, the United States, and the rest of the world. We therefore suggest an examination of entry mode strategies for SMEs from emerging economies, which are growing at a much faster pace than advanced economies, and are

²We thank the editor for this suggestion.

³We thank an anonymous reviewer for this suggestion.

increasingly integrating into the worldwide economy (Aulakh and Kotabe 2008). The studies included in this literature review show that managers' experience and networks of informal relationships influence entry mode choice (Bell, Crick, and Young 2004; Burgel and Murray 2000; Coviello and Martin 1999). However, entrepreneurs and managers in emerging economies often do not have relevant business expertise and business-related knowledge (Kiss, Danis, and Cavusgil 2012), which raises some interesting research questions regarding what mechanisms SMEs in emerging economies rely on to make entry mode decisions. Are they different from their counterparts in advanced economies and, if so, how? The role of institutionally based differences between emerging and advanced economies provide particular opportunities for future research, and such studies might, perhaps, explore the effect of regulative, normative, and cognitive burdens on entry mode choice (Kostova and Roth 2002). Our review indicates that few studies have examined entry modes from an institutional perspective, even though this is a core perspective in international entry mode research (Brouthers and Hennart 2007). Entry mode research on SMEs from both emerging and advanced economies from an institutional perspective would be a welcome extension to the current literature.

Similarly to Brouthers and Hennart (2007), we observe some ambiguity in definitions of joint ventures. Some articles treat joint ventures as a stage between a hierarchical and market governance structure (e.g., Forlani, Parthasarathy, and Keaveny 2008), while others consider them as purely hierarchical (e.g., Gleason and Wiggernhorn 2007). The contradictory findings of Bradley and Gannon (2000) and Brouthers and Nakos (2004) on the one hand and McNaughton (1996) on the other hand regarding the influence of environmental uncertainty on entry mode choice are caused by different definitions and operationalizations of environmental uncertainty.

Finally, the empirical articles in our review have made use of case studies (8), surveys (25), archival data (4), and a combination of survey and archival data (1). This shows that the literature has tried to maintain diversity in data collection methods, yet the vast majority of quantitative empirical articles have been based on cross-sectional data. Only two articles in our review have used longitudinal data: Lu and Beamish (2001) used data from 1986 to 1997

and Rasheed (2005) used data from 1992 to 1994. Consequently, there is only a limited view of the effect of changes to factors influencing entry mode antecedents, processes, and outcomes. Further empirical research using quantitative and qualitative longitudinal research designs would be valuable to examine the dynamics of entry mode strategies deployed by SMEs and to allow examination of causal rather than correlational relationships.

Future Directions for Research on Antecedents

Our literature review reveals five broad antecedent categories, ranging from individual- to meso-level (firm and business relationships), and finally to broader macro-level (industry and country). While some articles include individual-level variables, such as preexisting contacts of decision makers (Burgel and Murray 2000), previous managerial international experience (Gleason and Wiggernhorn 2007), or the entrepreneurial orientation of the CEO (Ripollés, Blesa, and Monferrer 2012) as antecedents, only one paper explicitly emphasizes the role of the entrepreneur/manager in the decision-making process of entry mode choice (Pinho 2007). This is somewhat surprising, as the small business management and entrepreneurship literatures emphasize the role of the entrepreneur in firms' decision-making processes (Shepherd 2011).

Future studies on SMEs' entry mode strategies should draw on the strategic decision-making perspective (Eisenhardt and Zbaracki 1992) and upper echelon theory (Hambrick and Mason 1984), since these take into account the characteristics of managers, the nature of the decision-making process, the internal power and politics in an organization, the organizational culture, and the influence of stakeholders. The influence of characteristics of entrepreneurs or managers may be of special interest for SMEs, as it is widely considered that entrepreneurs have an important imprinting effect, not only on the general strategy of SMEs but also on the internationalization of small firms (Gilbert, McDougall, and Audretsch 2006). Entrepreneurs' characteristics or traits and their roles in identifying, accessing and leveraging resources in the pursuit of opportunity creation and innovation are relevant to the body of internationalization research (Jones and Coviello 2005).

Decision making may also be influenced by the personalities of entrepreneurs (Zhao and Seibert 2006). Individuals are confronted by so

many stimuli, laden with so much ambiguity, complexity, and contradiction, that their personalities influence how they distill and process this information (Nadkarni and Herrmann 2010). This filtering process influences their strategic choices and is considered to be central to developing strategies (Shimizu and Hitt 2004). For instance, conscientious individuals have a strong need for achievement and may make different entry mode choices from those with high levels of openness to experience and a strong tolerance for ambiguity and flexibility.

Our literature review also reveals that little attention has been paid to the influence of team diversity and team processes on SMEs' entry mode strategies. Future studies should therefore focus on how the sum and diversity of individual characteristics lead to certain decisions in the internationalization process through well-developed intermediary team constructs such as conflict and cohesion (for an overview, see Klotz et al. 2014). For example, conflict may help teams to consider and thoroughly analyze more and better entry mode options, but may also lead to team exits and loss of the experience and knowledge necessary to guide the SME through the internationalization process. As entrepreneurial teams are dynamic and tend to change over time (Ucbasaran et al. 2003), the impact of team exits and entries at different stages of the internationalization process may shed new light on changes in SMEs' entry mode strategies.

Finally, not only do individual and team characteristics have an impact on decision making in internationalizing SMEs, but the preexisting networks of managers may also explain how SMEs enter new international markets. Studies in our review have focused on how firm networks influence entry mode decisions and have found evidence that foreign entry choices are driven by the networks of relationships that ventures establish (e.g., Coviello and Munro 1997). However, a more detailed approach is needed to investigate how personal relationships within networks are built and how personal interactions between partners influence entry mode choices.

Our review shows that the current literature on entry mode strategy draws primarily on TCE, OLI, RBV, STAGE, and NA perspectives. We encourage future studies to employ other perspectives to provide novel insights into SMEs' entry mode strategies. The influence of business models and business strategies on entry mode

choices and entry processes offers an interesting avenue for further investigation. Although only one study in our literature review devoted attention to the impact of business models on entry mode choices (Ojala and Tyrväinen 2006), we believe that the burgeoning literature on business models offers an interesting framework within which to explain variations in the entry mode strategies of SMEs. A business model may be defined as an organization's architecture or design for creating, delivering and capturing value (Zott, Amit, and Massa 2011). It distinguishes several components or structural elements: (1) the technology and features embedded in a company's product or service, (2) the customer segments targeted, (3) the market approach, (4) the way in which customers are served and hence value is captured through customer relationships, and (5) the company's cost structure and revenue model (Chesbrough and Rosenbloom 2002; Osterwalder and Pigneur 2009). Although not explicitly referencing business model scholarship, various studies in our literature review have pointed to possible relationships between the components of a business model, particularly product characteristics, and the choice of entry mode (Bell 1995, 1997). These studies indicate that few steps have so far been taken to investigate the impact of particular characteristics of an SME's business model on entry mode choice, and much more needs to be done to explore the impact of each of the five business model components, separately or in concert, on entry mode choice. Future studies might, for example, focus on how characteristics of customer segments targeted in the business model influence entry mode choice. Business models targeting high-end customers require SMEs to be close to their customers, thereby potentially demanding a different entry mode strategy from SMEs adopting a business model focused on low-end customers. The customer relationship component might also influence entry mode strategy. For SMEs adopting a business model that requires dedicated personal client assistance, equity-based entry modes may be more appropriate, while for SMEs adopting a software-as-a-service (SAAS) model following the principles of self-service, non-equity-based entry modes might be preferred.

Future Directions for Research on Processes

Initial work in this field has observed that entry modes change over time as a result of the

development of network relationships (e.g., Coviello and Munro 1997). Subsequent qualitative studies have examined the role of networks in greater detail and have provided insights into how the types of relationship and social capital roles impact entry mode changes (Agndal and Chetty 2007; Chetty and Agndal 2007; Kontinen and Ojala 2011). An alternative explanation has been offered by Jones and Coviello's (2005) conceptual work. Entry mode change is invoked by internal and external triggers and as part of an adaptation process in response to organizational learning. These two conceptual mechanisms provide several opportunities for empirical research. For example, attracting venture capital increases the resource availability of SMEs significantly, allowing them to switch from low-control to high-control entry modes. Another interesting internal trigger is negative performance feedback from the current entry mode strategy. When performance falls below a certain aspiration level, firms will take strategic actions to address the performance problem at hand (Cyert and March 1963). Building on this, SMEs may change their entry mode strategy if the current strategy fails to meet expectations. The behavioral theory of the firm and the concept of problematic search might provide a fresh perspective on entry mode change.

Complementarily, researchers might study the impact of external triggers such as environmental jolts. While our review shows that specific entry modes are preferable under certain environmental conditions, we know very little about how change in the environment in which SMEs operate forces them to adjust their entry mode strategies. Future research might analyze the impact of environmental changes by making a distinction between the home country and the home base, which is the combination of countries in which the SME is active and has accumulated operational experience (Zhou and Guillén 2015). For example, imprinting theory (Stinchcombe 1965) might provide the necessary theoretical background to analyze whether the mode used to serve customers in the home country might have long-lasting effects on entry mode strategies in the home base, despite changes in the external environments of home base countries.

Our literature review also points to an interesting but under-researched topic: the management of risk associated with foreign market entry modes (Figueira-de-Lemos, Johanson, and Vahlne 2011). Such risk may be the result of

uncertainty relating to potential opportunistic behavior and information asymmetry when working with partners to serve foreign markets (Anderson and Gatignon 1986). This gap is surprising, given the importance of agents and distributors to SMEs entering foreign markets (Bell, Crick, and Young 2004). In particular, large partners provide opportunities for market entry, raising issues about the vulnerability of SMEs and their potential dependence on large partners (Coviello and Munro 1997). Future research might study how SMEs manage such relationships, with a specific focus on non-equity sources of control such as trust. Trust might offer a valuable alternative to equity- or contract-based control in managing networks of business relationships, and might thereby provide SMEs with the ability to enter, via intermediaries, foreign markets that would otherwise be impossible to access (Gao 2004). Future studies might investigate the extent to which sharing of knowledge-based assets with intermediaries and environmental uncertainty, conceptualized as psychic distance, might hinder the development of trust and its subsequent use as a control mechanism. Empirical work on such questions might provide novel insights into the boundary conditions of trust as a non-equity source of control.

Our review shows that all qualitative and quantitative studies on the processes following entry mode choice have taken a cross-sectional research approach, while longitudinal research designs might reveal more interesting results when studying entry mode processes over time. Longitudinal case studies that examine the interplay of influence between formal and informal networks would bring novel insights into entry mode research. Such studies might move beyond the observation that networks matter (Agndal and Chetty 2007; Chetty and Agndal 2007) and shed light on the dynamics and interplay between informal relationships at the individual level and formal relationships at the organizational level, and how these may influence entry mode change.

Finally, the business model literature also stresses the dynamic nature of business models (Zott, Amit, and Massa 2011). In fast-paced, globally competitive environments, consumer needs, technological opportunities, and competitor activity are in a constant state of flux. New opportunities for value creation open up, while established SME profit streams are put at risk (Teece 2007), forcing firms to change or innovate in their business model to remain

successful. This implies that the business model framework might also be used to explain changes in entry mode. Future studies might focus on how certain components of a business model evolve alongside changes in entry mode strategy.

Future Directions for Research on Outcomes

Similarly to the literature on entry mode strategies of MNEs (Brouthers 2013), this review shows a lack of research on SME entry mode and performance. The number of articles covering performance outcomes (10) is considerably lower than the number covering the antecedents (38) and processes (14) of entry mode strategy. A potential reason for this lower number is the difficulty of collecting performance data on SMEs. This gap in the literature is important, since entry mode change is particularly difficult for resource-constrained SMEs, and thus entry mode choice has long-term implications for firm performance. Future studies on entry mode–performance relationships should pay careful attention to the issue of endogeneity (Brouthers 2013). Entry mode choice is often not random but the result of a managerial decision-making process that includes the analysis of internal and external factors. There is a plethora of statistical techniques to address endogeneity, ranging from relatively simple methods, such as including control variables and fixed effects, to more advanced econometric methods, such as matching and propensity models and the instrumental variable approach (for an overview, see Reeb, Sakakibara, and Mahmood 2012). However, statistical methods are often used as “crutches or substitutes for critical thinking” (Reeb, Sakakibara, and Mahmood 2012, p. 216), whereas endogeneity ought to be addressed in terms of theoretical predictions and mechanisms. Comparison of the performance of the entry mode choice predicted by theory (e.g., based on TCE, OLI, or RBV) and the actual entry mode used is therefore a fruitful avenue for future research.

Various objective and subjective performance measures have been used by the empirical articles in our review. These include financial measures, such as return on assets and return on sales (Lu and Beamish 2001), profitability (Majocchi and Zucchella 2003), and international revenue growth (Rasheed 2005). Other studies have used subjective measures, such as the manager’s overall satisfaction (Beamish and Lee 2003) and relative performance compared

to the main competitors (Ripollés and Blesa 2012). An important consideration when using financial performance measures is the age of the sample firms. Whereas older SMEs may be more concerned about the implications of entry mode choice for profitability, their younger counterparts may be more growth-driven. Future studies should go beyond financial performance to consider other performance variables such as employment growth and survival. Studies using employment growth as an outcome variable would be able to examine the influence of entry mode strategy on organizational complexity and resource and knowledge accumulation (Delmar, Davidsson, and Gartner 2003). We find it surprising that no study in our review of entry mode research on SMEs has considered survival as an outcome variable, given its importance in the literature on small business and entrepreneurship (Shepherd, Douglas, and Shanley 2000). We therefore strongly encourage researchers to study how SMEs’ entry mode strategies influence firm survival. Although the growth and survival of internationalizing SMEs are closely intertwined, they are conceptually distinct: “survival does not guarantee growth, and not all growth is profitable” (Sapienza et al. 2006, p. 915). The type of entry mode employed by an SME may increase its opportunities for growth, but at the same time may expose it to greater survival threats. For example, sales subsidiaries may have a positive influence on revenue growth but may be detrimental to firm survival owing to the greater complexity and risks associated with managing foreign sales offices. Consequently, future studies should examine how different types of entry mode influence the growth *and* survival of SMEs.

One study has focused on the effects of different types of entry mode on technological learning (Zahra, Ireland, and Hitt 2000). We believe there is a great opportunity to explore further how SMEs’ entry mode strategies influence organizational processes. Future studies might, for example, use a capability perspective to examine whether the heterogeneous experiences resulting from the use of different types of entry mode stimulate the development of innovative and marketing capabilities.

Limitations

Despite our attempt to analyze the received literature on SME entry modes rigorously and objectively, this review has several limitations.

Table 5
Avenues for Future Research

	Antecedents	Processes	Outcomes
Theoretical	<ul style="list-style-type: none"> • <u>Strategic decision-making perspective and upper echelon theory</u> Investigate the role of the entrepreneur/manager in the decision-making process of entry mode choice Take into account the nature of the decision-making process, the internal power and politics, the organizational culture and the influence of stakeholders Focus on how the sum and diversity of individual characteristics lead to decisions, by including team constructs and analyzing team processes and dynamics Consider the impact of pre-existing networks of managers on decision making in internationalizing SMEs • <u>Business model framework</u> Research how business model components, separately or in concert, influence entry mode choice 	<ul style="list-style-type: none"> • <u>Behavioral theory of the firm</u> Consider negative performance feedback and problematic search as a mechanism for entry mode change • <u>Imprinting theory</u> Examine whether entry mode in the home country may have long-lasting effects on entry mode choices in home base countries despite environmental differences and changes in home base countries • <u>Business model framework</u> Focus on how certain business model components evolve alongside entry mode changes 	<ul style="list-style-type: none"> • <u>Capability perspective</u> Analyze whether the heterogeneous experiences resulting from the use of different types of entry mode stimulate the development of innovative and marketing capabilities

Table 5
Continued

	Antecedents	Processes	Outcomes
Conceptual	<ul style="list-style-type: none"> • <u>Avoid ambiguity by defining concepts in a consistent way</u> Define joint ventures in a consistent way Define and operationalize environmental uncertainty to avoid contradictory results • <u>Introduce new concepts to the field</u> Analyze how entrepreneurs'/managers' personalities may influence important strategic choices such as entry mode • <u>SME age</u> Consider SME age, as older SMEs have already developed capabilities and routines while younger ones are unhampered by established capabilities • <u>SME size</u> Investigate the impact of SME size, as smaller firms with fewer resources may not be able to adopt the best entry mode according to TCE or RBV 	<ul style="list-style-type: none"> • <u>Introduce new concepts to the field</u> Investigate the impact of external triggers such as environmental jolts on entry mode changes Analyze how trust supports SMEs in managing the risks associated with foreign market entry mode • <u>SME age</u> Examine age at entry, and whether this may determine the ability to change entry mode in response to changing environmental conditions • <u>SME size</u> Analyze how availability of financial resources influences entry mode changes • <u>Industry characteristics</u> Research how industry characteristics (appropriability regime, complementary assets, emerging or not) influence entry mode change 	<ul style="list-style-type: none"> • <u>Introduce new concepts to the field</u> Consider other performance measures such as survival and employment growth Investigate how different types of entry mode influence both survival and growth • <u>SME age</u> Take into account the age of sample firms when considering financial performance measures, as older SMEs may be more concerned about profitability while younger ones may be more growth-driven

Table 5
Continued

Antecedents	Processes	Outcomes
<ul style="list-style-type: none"> • <u>Industry characteristics</u> Investigate how industry characteristics (appropriability regime, complementary assets, emerging or not) influence entry mode choice Examine entry mode strategies of SMEs in emerging economies 	<ul style="list-style-type: none"> • <u>More conscious sampling of SMEs</u> Account for age, size, and type of industry as important sample criteria for SMEs, either by defining different types of SME or by defining the type of SME on which the study focuses 	<ul style="list-style-type: none"> • <u>More conscious sampling of SMEs</u> Account for age, size, and type of industry as important sample criteria for SMEs, either by defining different types of SME or by defining the type of SME on which the study focuses
Methodological	<ul style="list-style-type: none"> • <u>Conduct more empirical research using quantitative and qualitative longitudinal research designs</u> 	<ul style="list-style-type: none"> • <u>Conduct more empirical research using quantitative and qualitative longitudinal research designs</u> • <u>Endogeneity issues</u> Compare performance of theory-predicted and actual entry modes

First, we excluded empirical papers that limited their discussion to SMEs and exporting. The aim of our study was to focus on entry mode as a concept that extends beyond exporting, and including these studies would have resulted in a review with too great an emphasis on exporting. Second, we only reviewed entry mode studies published in the last 20 years (1992–2012). Third, we screened papers in five different categories of journal. Although this is in line with other reviews on internationalization (De Clercq et al. 2012; Keupp and Gassmann 2009), there may be other relevant papers and journals that we did not consider. However, as we combined keyword searches with a cross-referencing search, we are confident that we identified the most important articles in the SME entry mode literature. Fourth, many existing studies have focused on the entry mode choice of MNEs, while their samples also include smaller firms. We brought together a team of three investigators to assess whether or not we should also include studies with mixed samples. We retained those that explicitly reported insights into SMEs. While this process was rigorous, we still see this as a limitation of this study.

Conclusion

Despite the growing importance of SMEs choosing, changing and managing entry mode strategies effectively, the literature on SMEs' entry mode strategies is as yet immature: it does not provide answers to compelling issues, but reports inconsistent results. We have provided a comprehensive, systematic literature review of research on SMEs' entry mode strategies organized by antecedents, processes, and performance outcomes. Based on our review, we have developed a research agenda by highlighting several interesting opportunities at all three stages, and have provided guidance on how to pursue these in future studies (for an overview, see Table 5).

From a methodological point of view, more empirical studies using quantitative and qualitative longitudinal research designs are needed to provide a better understanding of the effects of changes in factors influencing entry mode antecedents, processes, and outcomes. Future studies should also pay close attention to endogeneity issues when analyzing entry mode–performance relationships. From a conceptual point of view, entry mode scholars should be more careful when conceptualizing SMEs, either by describing different types of SMEs or by defining the types

of SME on which their study focuses. Inconsistent results in the entry mode literature have also often been caused by varying definitions of entry modes and other important concepts.

Finally, introducing new theories and perspectives might address the existing problems and weaknesses in this literature. Future research might use a strategic decision-making perspective to investigate individual antecedents of entry mode choice, or apply imprinting theory to analyze how entry modes change over time, or adopt a capability perspective to gain a deeper understanding of the outcomes of entry mode choice. We hope that the research agenda put forward in our review may inspire further exploration of SMEs' entry mode strategies.

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