**ENTREPRENEURIAL ORIENTATION, EXPORT CHANNEL SELECTION,**

**AND EXPORT PERFORMANCE OF SMEs**

Although research indicates that the export channel a firm uses can significantly impact export performance, it is unclear how firms should select this channel. Models of export channel choice tend to concentrate on transaction cost efficiencies, ignoring value adding orientations that entrepreneurial firms may possess. In this paper we develop and test the theoretical notion that in addition to transaction costs, differences in entrepreneurial orientation (EO) influence export channel choice and as a consequence export performance. Using data from a sample of Dutch and Italian SMEs we find that adding EO (moderated by institutional distance) significantly improves our model of export channel choice. Further we find that firms selecting export channels that align not only with transaction cost factors but also firm level EO, moderated by institutional distance, have higher export market performance. Thus, our study adds to and extends the export channel choice literature and provides interesting new insights into how EO helps firms create more successful export operations.

1. **INTRODUCTION**

Small and medium size enterprises (SMEs) get involved in exporting to increase sales and profits (Knight, Moen & Madsen, 2020; Paul, Parthasarathy & Gupta, 2017; OECD, 2008). Export channels are the mechanisms these firms use to take products and services to foreign locations (Ishii, 2021; Shervani, Frazer & Challagalla, 2007). The export channel decision is critically important because it is difficult to change channels once established (Bello & Lohtia, 1995) and the export channel impacts performance (Aulakh & Kotabe, 1997; He, Brouthers & Filatotchev, 2013; Ishii, 2021). Previous export channel choice research focuses mainly on transaction cost (TCE) factors (Anderson & Coughlan, 1987; Ishii, 2021; Klein, Frazer & Roth, 1990; Li, He & Sousa, 2017; Shervani et al., 2007). TCE studies indicate that firms taking more specific assets abroad will tend to use hierarchical integrated export channels because these channels help safeguard proprietary knowledge from potential opportunism of partners (Anderson & Coughlan, 1987; Klein et al., 1990; Shervani et al., 2007). These TCE studies also suggest that firms use cooperative export channels when the transaction costs generated by external uncertainties are high (Klein et al., 1990; Shervani et al., 2007) but use hierarchical export channels when the internal uncertainties of monitoring and controlling potential partners are high (Klein & Roth, 1990; Shervani et al., 2007).

While providing valuable insights about export channel choice these studies suffer from an important shortcoming. Although TCE studies do a good job of helping firms identify the most efficient export channel they fail to account for internal firm-specific factors that an organization can use to generate value(Cuypers, Hennart, Silverman & Ertug, 2021; Zajac & Olsen, 1993). But firms export to increase sales and performance which is only possible if it creates value for customers (Knight et al., 2020). Therefore, when expanding abroad firms need to select an export channel that is not only efficient, but also allows it to use any value generating factors it possesses to create a competitive advantage in the foreign market so it can produce better performance (He et al., 2013).

Research indicates that SMEs can use its entrepreneurial orientation (EO) as a driver of actions that create value when expanding abroad (Brouthers, Nakos & Dimitratos, 2015; Knight & Cavusgil, 2004; Knight et al., 2020; Wales, Gupta, Marino & Shirokova, 2019). Yet there is little research exploring how a firm’s EO influences the export channel decision and whether EO driven channel choices enhance export performance. Entrepreneurial orientation embodies the decision-making practices and processes that managers use to enact a firm’s strategy (Rauch, Wiklund, Lumpkin & Frese, 2009) and represents its willingness to innovate, be proactive, and take business risks (Anderson et al., 2015; Covin & Slevin, 1988; 1989; Wales et al., 2019). Scholars suggest that EO can provide an advantage to firms, especially SMEs (Alvarez & Busenitz, 2001; Brouthers et al., 2015; Knight et al., 2020; Lee, Lee & Pennings, 2001; Teng, 2007) because it facilitates access to and use of external resources and enhances the effectiveness of internal resources; focusing attention on utilizing these resources to discover and exploit new opportunities (Wiklund & Shepherd, 2003). However, research indicates that EO is influenced by the institutional environment (Bowen & De Clercq, 2008; Wales, Gupta & Moussa, 2013) which can differ between countries depending on the institutional distance (Kostova & Zaheer, 1999). Thus, in addition to transaction costs, EO (and indirectly institutional distance) may have a significant impact on SME export channel choice and performance.

Based on this gap in our knowledge, in this paper we address several important research questions. First, does the EO of a firm have a significant influence on the export channel choice it makes, above the influence of transaction cost factors? Second, does the institutional distance between home and export market moderate the relation between EO and export channel choice? Finally, do firms that select export channels that align not only with transaction cost factors but also with their level of EO, moderated by institutional distance, create better performing export operations?

To tackle these important questions, we develop and test theory that suggests SMEs need to consider its EO, in addition to transaction costs, when selecting export channels so it can create greater value generating export operations. Specifically, we theorize that SMEs with greater EO will tend to use intermediate (cooperative) export channels. The reason for this is that partnering with another firm can provide the SME with access to additional resources and knowledge, allowing a high EO firm to take advantage of the value adding practices and processes it possesses (e.g. innovativeness and proactiveness), generating greater value in that foreign market. Since low EO firms are less willing to innovate or be proactive they do not benefit as much from access to foreign market resources and knowledge provided by partner firms; instead, these SMEs try to generate value with proven products and processes and hence will use hierarchical (integrated) channels to control the foreign operation and avoid the costs and risks associated with intermediate export channels.

In addition, we theorize and test the idea that the value generating benefits derived from possessing EO are contingent on the institutional distance between countries and, therefore, export channel choice will vary. Every country provides a unique institutional context (Scott, 1995). We suggest that firms with greater EO entering institutionally distant markets will increase its tendency to use intermediate (cooperative) export channels since such channels provide these firms with additional opportunities and resources that can be leveraged to increase value generation in that market. However, when higher EO firms enter institutionally close markets its preference for intermediate export channels decreases, because in this situation home-based value generating knowledge can be applied to the export market reducing the need for and benefits of an export market partner.

Finally, we examine the impact of these export channel choices on market-specific performance since export channel choice influences the performance in a particular market but has less of an impact on overall firm exporting performance (Keupp & Gassmann, 2009). Our theory suggests that firms selecting an export channel that helps it generate more value in its foreign operations, and thus aligns with our theoretical predictions, will have higher market-specific export performance than firms that use export channels that deviate from our theory and therefore reduce the opportunities firms have to generate value in foreign markets. The reason for this is that export channels that align with our theory take into account not just transaction cost efficiency issues but also the value generation potential of EO and country institutional differences. Figure 1 represents our overall model.

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In this way we make several contributions to the literature. First, we make an important contribution to the export literature. Past export studies have done a good job of explaining export channel selection using transaction cost theory (Li et al., 2017). But TCE focuses on determining the most efficient structure, not the best value generating structure (Cuypers et al., 2021). In contrast, the entrepreneurship literature suggests that SMEs should rely on EO to help them generate value when expanding abroad (Brouthers et al., 2015; Knight et al., 2020; Wales et al., 2019). Building on this entrepreneurship literature, we add to knowledge about how SMEs can not only establish efficient export operations but create additional value in international markets through exporting. We theorize and explore how differences in EO, as well as transaction cost factors, are likely to impact the benefits that SMEs can derive from various export channel structures. Thus we extend the export channel choice paradigm by showing how adding insights about EO helps improve our understanding of the export channel decision and its impact on export performance.

Second, we contribute to the growing international entrepreneurship (Brouthers et al., 2015; Keupp & Gassmann, 2009; Zucchella, 2021) literature by employing an institutional theory (Scott, 1995) perspective. Research has noted that the institutional environment can impact entrepreneurial activities (e.g., Bowen & De Clercq, 2008; Covin & Slevin, 1989). In this study we add to knowledge by looking at how *differences* in institutional contexts influence the ability of firms to use its entrepreneurial value adding practices and processes in foreign markets and how the choice between export channels can help. By exploring the interaction between EO and institutional distance, we show that EO may provide different benefits to firms depending on the similarity/difference between home and export market and how these differences will affect export channel choice. Overall, our study extends previous work by noting that in addition to transaction costs, a firm should consider its value generating EO, contingent on the institutional distance, to determine the export channel that it can use to create better performing export operations.

**2.0 THEORY AND HYPOTHESES**

When a (manufacturing) SME exports, it produces the product at home but needs to establish a structure to get its products to customers in the foreign export market. Exporting firms have several structural arrangements available to them. Scholars (e.g., Campa & Guillen, 1999; Erramilli & Rao, 1990; Ishii, 2021; Klein et al., 1990) suggest that the level of involvement in marketing and distribution distinguishes one export channel structure from another. Often exporters want to maintain full control of the export operation. In this case they will take charge of both these tasks either by distributing from the home market and sending sales staff to the foreign country on a regular basis or by setting up a wholly owned export operation in the foreign market (Ishii, 2021; Klein et al., 1990; McNaughton & Bell, 2000). For firms that do not want to take responsibility for all aspects of exporting either because they lack some expertise, have insufficient resources, or simply wish to tap into the expertise of foreign market entities, three export channel options exist. Firms might create a joint venture in the foreign market so they can share both the distribution and marketing functions with a target market organization (Anderson & Coughlan, 1987). Similarly, exporters might simply use agents to sell the products locally, but maintain distribution in house (Bello & Lohtia, 1995; Klein et al., 1990), or use distributors in the foreign market and share the marketing function (Bello & Lohtia, 1995). Under all three options, the exporter can access additional foreign market resources and share the marketing and distribution with a foreign-based company (Ishii, 2021; Khemakhem, 2010).

Transaction cost economics has been the dominant paradigm in studying export channel choice (Li et al., 2017). TCE models focus on identifying the most efficient export channel after considering bounded rationality, opportunism, and uncertainty (Cuypers et al., 2021; Williamson, 1985). Although these studies have helped shape our understanding of export channel choice, they fail to take into consideration internal firm-specific factors that can be used to generate additional value (Cuypers et al., 2021; Zajac & Olsen, 1993). He and colleagues (2013) theorize and find that for large firms in addition to TCE variables resource-based market orientation (MO) drives export channel choice and leads to improved market-specific export performance, because MO helps firms generate value. But evidence suggests that because SMEs suffer from significant resource constraints (Lu & Beamish, 2001; Paul et al., 2017) they are less likely to have a MO (Liu, 1995) and MO is less effective for SMEs (Grinstein, 2008).

Yet, the entrepreneurship literature suggests that one way for SMEs to generate value is through the application of EO (Knight et al., 2020; Teng, 2007; Wales et al., 2013). Research indicates a wide variance in EO among firms; noting that these differences can have an impact on the decision to export (Zhou, 2007), the level of export market diversity (Ripolles-Melia, Menguzzato-Boulard & Sanchez-Peinado, 2007), export strategy (Knight et al., 2020), firm performance (Rauch et al., 2009; Saeed et al., 2014), and may influence firm boundaries (Alvarez & Barney, 2007; Foss & Klein, 2012). According to the entrepreneurial theory of the firm, boundaries are not determined by some external predictable issues having to do with opportunism and bounded rationality, as is the case in TCE, but are based upon the resources needed to identify and exploit opportunities, those available to the firm, and a determination of the best way to access additional resources (Alvarez & Barney, 2007; Foss & Klein, 2013). Hence, firm boundaries for opportunity identification and exploitation might take different forms such as intermediate or internalized organizations (Alvarez & Barney, 2007). Based on this we suggest that combining the efficiency focus of TCE with the value creation aspects of entrepreneurship will lead to a better understanding of SME export boundary choices.

**2.1 EO and Export Channel Choice**

The entrepreneurship literature suggests that EO is made up of three components: proactiveness, innovativeness and risk taking (Covin & Slevin, 1988; 1989). Firms with greater EO generate value by taking business risks that allow them to proactively identify and pursue new opportunities through the development of innovative solutions (Teng, 2007; Wales et al., 2013). But EO requires access to resources to be effective (Jiang, Liu, Fey & Jiang, 2018; Teng, 2007). SMEs tend to suffer from significant resource constraints that impact their ability to gain advantage in overseas markets (Lu & Beamish, 2001; Paul et al., 2017). Although a SME might be very entrepreneurial, resource restrictions make it difficult to pursue entrepreneurial activities since the SME tends to lack managerial, financial and other resources needed to operationalize its entrepreneurial ideas (Jiang et al., 2018; Teng, 2007). One way to gain access to these additional resources is to partner with another organization (Hitt et al., 2001; Jiang et al., 2018; Teng, 2007). This seems to be especially beneficial for SMEs venturing into international markets (Brouthers et al, 2015). For higher EO SMEs getting access to partner resources enables them to purse the entrepreneurial activities that they want to undertake but could not because they lacked the resources to do so (Brouthers et al, 2015; Jiang et al., 2018; Teng, 2007). Hence, building on both TCE and entrepreneurship theories we offer three sets of arguments that explain why SMEs with higher EO will use cooperative export channels to generate value when expanding abroad.

First, we suggest that higher EO SMEs are more likely to create partnerships with local companies to get access to information or resources that allow the SME to leverage its proactive abilities and create or improve a competitive advantage (Knight & Cavusgil, 2004; Knight et al., 2020; Lee et al., 2001; Teng, 2007). SMEs with higher EO tend to create partnerships with local companies or contractual arrangements with local agents and distributors because these structures can provide knowledge to help the firm understand foreign competitors and customers to predict future trends and needs (İpek, 2019; Ishii, 2021; Knight & Cavusgil, 2004; Lu & Beamish, 2001). SMEs with proactive orientations can use this knowledge to identify untapped or underserved market niches (Knight et al. 2020; Lee et al., 2001). This allows SMEs possessing higher EO to accelerate entry into new market areas; potentially expanding the size of the export operation. In addition, SMEs with higher EO have the ability to be more proactive in locating partners that can provide needed resources.

Lower EO SMEs, on the other hand, are less proactive. When expanding abroad these firms want to sell existing products to the same types of customers as they serve in the home country (Lee et al., 2001; Teng, 2007). Fundamentally, low EO firms are reactive and do not seek to lead other firms in developing new products, markets or competitive strategies (Rauch et al, 2009). These SMEs are not interested in identifying and pursuing new market areas or untapped niches; they prefer to wait and react to the moves of competitors (Lee et al., 2001). Low EO SMEs do not like the flexibility that cooperation entails and seek control to be sure that the same processes, procedures and products are used in foreign markets (Covin & Slevin, 1988). For these firms a more formal mechanistic structure that provides certainty and uniformity will be preferred (Covin & Slevin, 1988). We suggest that hierarchical export channels are used by these firms because these channels allow the SME to have direct control over the export marketing and distribution functions, leveraging existing expertise in the foreign market.

Second, we suggest that higher EO SMEs are more innovative and favor R&D/technological leadership (Lyon, Lumpkin & Dess, 2000) but knowledge of the foreign market is typically limited. SMEs with higher EO benefit from cooperative export channels through the acquisition of tacit, knowledge-based resources (İpek, 2019; Ishii, 2021; Knight & Cavusgil, 2004). Partner firms can provide these SMEs with knowledge about customers, competitors, and government policymakers (İpek, 2019; Ishii, 2021; Lu & Beamish, 2001). This knowledge can be used to facilitate the discovery and exploitation of opportunities in the host market (Knight & Cavusgil, 2004; Knight et al. 2020; Teng, 2007). Such knowledge can help SMEs with higher EO be innovative and develop or modify current products to better fit the needs of foreign market customers. Thus, firms with high innovativeness will tend to collaborate with local partners because partner knowledge of the host market improves the development of new products/services and makes possible the identification of new opportunities for value creation in the foreign market.

In contrast, firms with lower EO are far less innovative (Covin & Slevin, 1991). These firms lack the motivation to explore new ideas or look for new ways to solve problems (Lumpkin & Dess, 1996). They tend to be less innovative with the products and processes they use; instead, they focus on the marketing of tried and tested products and rely on traditional processes (Lee et al., 2001). SMEs with lower EO will avoid cooperative export channels because these firms lack the innovative abilities needed to benefit from this new market-specific information and, do not want to transact with partners that push them to experiment and develop new products and processes. Because these SMEs lack the motivation needed to take advantage of the innovative opportunities that a partner can provide, they see little value but potential risks from partnering with another organization. For lower EO SMEs the use of hierarchical export channels provides these firms with the ability to control both the marketing and distribution to the export country where they can use existing products and processes, without sharing profits with a partner organization.

Third, although both high and low EO firms might need and benefit from location-specific knowledge/resources, the entrepreneurship literature suggests that higher EO firms are willing to undertake the business risks associate with cooperation while lower EO firms are not (Brouthers et al, 2015; Knight et al. 2020; Teng, 2007). We theorize that higher EO SMEs are willing to accept the risks of using cooperative channels in order to get access to resources, including intangible knowledge about the market as well as tangible resources like access to distribution channels, a sales force and after sales customer service (Brouthers et al., 2015; Nakos et al, 2014). These additional resources allow higher EO firms to generate value (benefits) from their EO that could not be achieved without these resources (Teng, 2007). But as TCE theory suggests, this cooperation comes at a cost (Klein et al, 1990). Export partnerships imply threats associated with the loss of control over certain parts of the business and the necessity to transfer some key knowledge outside firm boundaries (He et al., 2013). One threat is that a partner can copy the activities that are not under exclusive control of the SME and decide to abandon the SME for a competitor. Another threat comes from potential miscommunication or simple ‘free-riding’ that can cause a reduction in the quality of service provided by the partner in the foreign market, reducing any potential benefits that may accrue to the SME. Finally, if the SME forms a foreign partnership with a larger firm, that firm might decide to buy the SME or simply threaten to drop the SME and become a competitor.

Previous research suggests that when confronted with business risks in the marketplace firms with higher EO often adopt a bold, aggressive posture that maximizes the probability of finding and exploiting opportunities (Covin & Slevin, 1991; Knight et al. 2020; Rosenbusch, Rauch & Bausch, 2013). We maintain that SMEs with greater EO are willing to bear the costs and business risks associated with cooperation because they believe that the benefits that can be achieved through access to additional resources will outweigh any costs (Teng, 2007). By working with a foreign partner, higher EO firms can gain access to partner resources (tangible and intangible), experience, and knowledge of the local market and more easily identify and adopt innovative solutions that lead to a competitive advantage. Thus we theorize that for SMEs with greater EO, the potential advantages that can be generated by using a cooperative export channel offset the potential costs and risks of working with a partner organization.

 In contrast, although lower EO firms might need location specific knowledge, these firms are not willing to accept the added business risks (costs) that accompany intermediate export channels. We suggest that lower EO SMEs will tend to concentrate on transaction cost efficiencies and internalize the foreign expansion (e.g., Klein et al., 1990), trading tried and tested products while relying on established processes. These firms might want access to target market knowledge and other resources but do not think that the benefits such knowledge/resources provide outweigh the business risks (costs) of cooperating (Covin & Slevin, 1988; Teng, 2007). SMEs with more limited EO are risk-averse and risk-averse firms typically adopt cautious and incremental behavior in uncertain situations to minimize the probability of making costly mistakes (Lumpkin & Dess, 1996). Cooperative channels increase risks because firms share the marketing and distribution functions. In hierarchical channels the SME can maintain control over the foreign operation; reducing the likelihood of ‘free-riding’ or miscommunication (He et al., 2013). Firms possessing lower EO believe that the loss of control of certain business functions and the risk of transferring knowledge across firm boundaries can lead to the loss of competitive advantage (Covin & Slevin, 1988; Teng, 2007). Thus, these firms think that the potential advantages of an export market partnership are offset by the potential costs and risks. By utilizing internalized exporting channels – especially exporting from the home market - these lower EO firms can avoid the costs/risks of cooperation and learn about the export market from their own experience, before making further investment commitments. Based on these arguments ourfirst hypothesis states:

**Hypothesis 1. SMEs possessing greater EO will use cooperative export channels while those possessing lesser EO will use hierarchical channels.**

**2.2 Institutional Distance, EO and Export Channel Choice**

Other research indicates that the value of EO depends on the institutional setting (Saeed et al., 2014). Theory contends that the institutional context affects how a firm does business, manages human resources, and interacts with customers and the government (Kostova & Zaheer, 1999; Scott, 1995). Studies have noted that the difference in institutional context between a firm’s home country and a foreign country (referred to as the institutional distance) is directly related to internationalization strategies (Kostova & Zaheer, 1999), including export channel selection (Campa & Guillen, 1999). Based on these insights, we extend previous research by theorizing how the regulative, normative and cognitive (Scott, 1995) institutional distance between home and export country will moderate the relation between the level of EO a firm possesses and the export channel it uses in that particular country.

Below we develop two sets of arguments because there are subtle differences between the theory that explains differences in the regulative environment and arguments looking at the normative/cognitive environment. Basically, the difference is that in the first case direction matters – for the regulative environment some differences are ‘good’ while other differences are ‘bad’. For the later institutional environmental issues (normative/cognitive) any difference is considered ‘bad’, no matter which direction (Zaheer, Schomaker & Nachum, 2012). In addition, when we explore the moderating influence of institutional distance on the EO-export channel relation we focus on higher EO firms. The reason we do this is that, theoretically, institutional distance moderates the value of EO and firms with lower EO will be impacted to a far lesser extent since they have little or no EO to moderate. Because we theorize that lower EO firms will internalize the export operation, due to the lack of EO-based value generation abilities and their reluctance to incur the added costs (risks) of sharing the export operation, institutional distance will play a limited role in this choice. In contrast, for firms possessing higher EO the moderating impact of institutional distance can be significant and reduce (increase) the benefits of using cooperative export channels.

**2.2.1 Regulative Distance**

The regulative dimension of the institutional context refers to the formal laws and regulations set by a government (North, 1990). These regulations are clearly and explicitly declared (Scott, 1995). With reference to the home country, regulations in a foreign country can be more or less favorable for entrepreneurial firms (Bowen & De Clercq, 2008); because regulative distance is asymmetric direction counts (Zaheer et al., 2012). For example, having a higher level of regulatory protection or reducing the complexity of a country’s regulations might encourage entrepreneurial activities. In contrast foreign country regulations can make it more difficult to operate by setting a lower level of policy transparency or poor property rights protection. Thus, differences in the level of regulations can favor or hinder new entrepreneurial entrants.

When entering markets that present a similar or better regulative context compared to the home country, firms will face fewer barriers. The reasons for this are twofold. First, the firm has experience dealing with particular types of regulations in its home market and moving to a country with similar or better regulations requires only small adjustments (Gaur & Lu, 2007). Second, better regulations make it easier to do business; lowering paperwork demands, reducing tariffs, and simplifying processes (Bowen & De Clercq, 2008). Given the relative ease with which an SME can understand the conditions in these host countries, firms possessing greater proactive and innovative abilities will be able to conform to the new regulative context without the need for the additional resources or knowledge that a local partner can provide (Gaur & Lu, 2007). In these circumstances adding a partner offers limited added value but increases costs. Therefore, we suggest that when entering markets with similar or better regulations, SMEs possessing greater EO will be less inclined to use cooperative export channels.

Yet in some countries the regulative context is worse with respect to aspects like transparency of government policymaking, efficiency of the legal framework, intellectual property protection (Luo & Zhao, 2013) or the level of tariff barriers and burden of regulation (Oliver, 1997). In such conditions a firm with higher EO will increase its preference for cooperative export channels. One reason for this is that entry into worse regulative markets increases the costs of exporting. Countries with worse regulations impose higher tariffs and paperwork requirements which increases exporting costs (Bowen & De Clercq, 2008). Poor regulations with regards to policymaking transparency or inefficiencies of the legal framework increase uncertainty and risk of loss for exporters (Gaur & Lu, 2007). One way to overcome some of these barriers and decrease the cost of exporting to these countries is to partner with another firm located in that country. Although cooperating with a local firm carries risks, especially in weaker regulative countries, SMEs with greater EO are more willing to accept such risks to obtain other benefits. By working with a partner familiar with the target market regulative context, exporters with higher EO are able to speed-up acquisition of local regulative knowledge and develop or modify current export activities to compensate for these differences (Wiklund & Shepherd, 2003). Hence, our second hypothesis suggests that the regulative distance between home and export market will moderate the relation between EO and export channel choice such that:

**Hypothesis 2. SMEs possessing greater EO entering markets with similar/better regulations will have a lower tendency to use cooperative export channels compared to those same firms entering markets with worse regulations.**

**2.2.2 Cognitive and Normative Distance**

The normative and cognitive dimensions of the institutional context are not explicitly codified, are usually informal, and are rooted in society (Gaur & Lu, 2007). The normative aspect describes how things should be done to achieve a goal in a legitimate way (Scott, 1995). The cognitive dimension is concerned with the beliefs and values of a society (Scott, 1995). Both normative and cognitive aspects represent some implicit knowledge and procedures, ‘ways of doing’ that are intrinsically part of a country. The closer the home and host markets are from a normative and or cognitive perspective the easier it will be to operate successfully in that market because these informal ways of doing business will be familiar (Gaur & Lu, 2007). In contrast, when there are larger normative and or cognitive differences (no matter which direction) it will be more challenging for a foreign firm to understand the host market and to compete effectively (Gaur & Lu, 2007). Thus, normative and cognitive distances are symmetric and we treat the relationships as a dyad (Zaheer et al., 2012).

We argue that normative and cognitive institutional distances will also moderate the relation between EO and the way a firm structures its export channel. Earlier we theorized that a firm with higher EO would prefer a cooperative export channel because it possesses the practices and processes needed to take external resources (both tangible and intangible) provided by a partner and leverage those to improve its performance in the foreign market (Wiklund & Shepherd, 2003). However, when entering markets with similar normative and or cognitive aspects fewer additional resources will be required and thus the benefits of partnering with a local firm will be reduced. In more similar normative and or cognitive countries it is easier to transfer and use capabilities developed in the home country (Chan & Makino, 2007). Although SMEs may still require some additional tangible resources, much of the intangible resource needs disappear. In this situation, firms with higher EO will see fewer benefits from partnering with a local organization since little additional knowledge may be needed; firms can exploit existing capabilities to create a competitive advantage. Because of this we suggest firms with greater EO entering a country with similar normative and or cognitive contexts will be less likely to benefit from and use cooperative export channels.

In contrast, in a normatively and or cognitively distant country SMEs will need to gain access to information about these differences to develop effective responses (Chan & Makino, 2007). Under these conditions, SMEs with greater EO will tend to export with the aid of local partners. The reason for this is that these partners can be helpful in accessing intangible knowledge rooted in a society (Gaur & Lu, 2007). Local partners provide knowledge regarding commercial conventions and customer standards of behavior that will help innovative and proactive SMEs to develop new or modify current products to better match the expectations of the foreign market. Through foreign partners a SME with greater EO gets access to intangible resources that allow it to take advantage of its EO, compensating for the lack of knowledge about how to position and market products in these countries (Nakos et al., 2014). Thus, we suggest that these firms will have a greater tendency to use cooperative export channels when entering normatively and or cognitively distant countries compared with when they enter normatively and or cognitively close countries. Based on this our third hypothesis suggeststhat:

**Hypothesis 3a. SMEs possessing greater EO entering normatively distant markets will have a greater tendency to use cooperative export channels compared to those same firms entering normatively close markets.**

**Hypothesis 3b. SMEs possessing greater EO entering cognitively distant markets will have a greater tendency to use cooperative export channels compared to those same firms entering cognitively close markets.**

**2.3 Export performance**

Previous research has noted that firms which have greater EO tend to perform better both domestically and in export markets (Balabanis & Katsikea, 2003; Rauch et al., 2009; Saeed et al., 2014). This occurs because high EO firms are more innovative, proactive and risk-taking (Lee et al, 2001; Saeed et al., 2014). These attributes enable firms to find unique market niches, adjust products to fit consumer demand, and develop processes needed to provide superior service (Lumpkin & Dess, 1996; Rosenbusch et al., 2013). In export markets firms can use EO to develop processes, technologies, and strategies suitable to exploit foreign-market opportunities; allowing the firm to overcome some of the liabilities of foreignness encountered as it moves abroad (Covin & Miller, 2014; Knight et al., 2020). Overall, having greater EO leads to superior export performance because it enhances a firm’s ability to identify new opportunities and transform these into a value adding competitive advantage (Knight et al., 2020; Rosenbusch et al., 2013).

Yet the possession of EO may not be sufficient for explaining wealth creation, especially international wealth creation; extent research suggests that there may be other mediating and moderating factors (Jiang et al., 2018; Wales et al., 2013). While a number of factors have been examined, such as transformational leadership behaviors (Engelen, Gupta, Strenger & Brettel, 2015), networks (Jiang et al., 2018), and alliance participation (Brouthers et al., 2015), no study has looked at the impact of export channel choice. But other research suggests that aligning organizational structure with firm-specific abilities improves performance (He, Brouthers & Filatotchev, 2018; Hollender, Zapkau & Schwens, 2017; Ishii, 2021; Venkatraman, 1989); export channel choice may be an important mediator between firm value generating abilities and performance (Bello & Lohtia, 1995; Cavusgil & Zou, 1994; He et al., 2013).

We theorize that the choice of export channel is critical since this organizational structure can impact a firm’s ability to exploit its firm specific EO in an export market. While transaction cost theory suggests that firms should choose the most efficient export channel (Cuypers et al., 2021; Klein et al, 1990), from an entrepreneurial perspective firms should select the structure that provides the best value creation opportunities by aligning the export channel choice with firm EO. Deviations from the optimal or predicted structure will weaken the alignment and will, therefore, result in lower export performance. Thus, taking an entrepreneurship perspective moves the cooperative export channel partner from being simply an independent entity to transact with, to a resource supplier and strategic asset which enables SMEs with higher EO to capture greater value in the export operation.

Further complicating the TCE/EO-export channel-performance relation is the fact that regulative, normative and cognitive institutional differences between home and export markets can affect the value generation potential of firm-specific EO (Wales et al., 2013). To reduce this impact and generate superior performance, firms need to adapt a structure (export channel) that aligns not just with TCE factors and the EO the firm possesses but also with differences in the foreign market context (He et al., 2013; Saeed et al., 2014). In other words, a firm needs to use a structure that will allow it to deal with transaction costs as well as exploit its EO, while taking into consideration the differences in institutional contexts. Accordingly, our final hypothesis states:

**Hypothesis 4. A SME that aligns its export channel not only with TCE factors but also with the level of EO it possesses, contingent on the level of institutional distance, will achieve better export performance compared to a firm that uses another export channel.**

**3.0 METHODS**

To test our hypotheses, we surveyed internationally active privately held manufacturing SMEs based in two different countries to avoid potential biases and confounded variables that arise from working with a single nation (Brouthers, Marshall & Keig, 2016). Biases might occur because a single country may not be representative of other countries (China versus Germany or the U.S.A.). A confounding effect can occur when looking at distance from a single country since scholars cannot distinguish between the distance effects and the country-level effects (Brouthers et al., 2016). Hence, following Brouthers, Marshall and Keig (2016) we selected two countries that have institutional values that ‘somewhat’ offset each other.

The two countries included in this paper are the Netherlands and Italy. These two countries were selected for several reasons. First, they provide good variance in institutional dimensions, needed to be sure our institutional distance measures were useful (Brouthers et al., 2016). For cultural distance variables Italy has the values of 38, 80, 14 and 53 while the Netherlands scores 50, 76, 70 and 75 (PD, ID, MA, UA). Hence, these two countries differ substantially on all cultural measures except individualism. For Regulative measures Italy scores 3.17 while the Netherlands is much higher at 4.83, again a substantial difference. The one area where both countries are very similar is on the Normative measures where Italy scores 6.12 and the Netherlands scores 6.13.

In addition, most firms in the Netherlands are privately held SMEs (European Commission, 2018) and they tend to actively export to many parts of the world (European Commission, 2018). In fact, exporting activities make up 64% percent of the country’s overall GDP (Eurostat, 2018). Further, the researchers are familiar with Dutch culture and language, minimizing potential translation errors in the survey instruments.

Likewise, most firms in Italy are also privately held SMEs (European Commission, 2018) and are active exporters (European Commission, 2018), with firms in Northern Italy representing the vast majority of this export activity (ISTAT, 2012). Furthermore, the researchers had access to a unique list of (Northern) Italian exporting firms and are familiar with Italian culture and language, minimizing potential translation errors in the survey instruments.

In both countries, we selected firms that met four specific criteria. First, they had to be small or medium size companies. We used the European Union definition (European Commission, 2018), that indicates SMEs are firms with a maximum of 250 employees; we excluded micro-companies, i.e. those with less than 10 employees. Second, firms needed to be exporters because we were interested in exploring the choice of export channel. Exporting firms were defined as any firm that recorded ‘export sales’ for the fiscal year ended 2011 on the documents filed with the requisite governmental organization from which our populations (lists of firms) were culled. Firms that do not export do not make this ‘export channel’ decision and hence were excluded from our sample. Third, each firm had to be a manufacturer because the internationalization of services involves additional issues. Fourth, the firm had to be headquartered in Italy or in the Netherlands.

In each firm, the target respondent was the person with the greatest experience and knowledge about the export operations; the entrepreneur/owner, CEO, or high-level manager. Similar to previous export research (He et al., 2013), we asked informants to provide information regarding their most important export market (defined as the market in which the firm has its largest sales). We split the questionnaire into two rounds to limit the potential for common method bias (Podsakoff, MacKenzie, Lee & Podsakoff, 2003). Data were collected between March and June 2012. Before using the questionnaires, they had to be translated. One of the authors is fluent in both Italian and English and therefore for the Italian questionnaire that author translated the original English language questionnaire into Italian. Then we asked an independent academic (also fluent in both Italian and English but not familiar with our research paper) to back-translate into English. After that we cross-checked for differences between the original questions and the back-translated questions. A few discrepancies were found. We then adjusted the Italian questionnaire to improve the translation and asked another independent academic to back-translate this revised Italian version. At this point, we did not find any major differences.

For the Dutch questionnaire we asked two independent academics (fluent in both Dutch and English but not familiar with our research paper) to translate the questionnaire independently into Dutch. We then cross-checked these two versions and integrated them. We gave this integrated (Dutch) version of the questionnaire to another academic (also fluent in both Dutch and English and not familiar with our research project) to back-translate into English. A few differences were found so some adjustments made. This final version of the Dutch questionnaire was given to another academic to back-translate and no major differences were found.

Finally, to be sure that these translated questionnaires would not impact our outcomes we tested both the Dutch and Italian questionnaires with a group of 3 to 4 native Italian and Dutch speaking managers. Their understanding of the questions was in accordance with the spirit of the underlying literature.

In the Netherlands, we selected a sample from the Orbis database provided by Bureau van Dijk. We identified approximately 6400 private Dutch firms that met our criteria. We wanted our Dutch sample to be approximately the same size as our Italian sample to avoid issues of sample skewness, therefore we limited our study to a random sample (selecting every sixth firm on the list of qualifying firms) of 1070 of these firms. Each firm was contacted via phone and then email to complete an on-line questionnaire. This questionnaire contained only our control and independent variables. Within two weeks 46 companies completed the questionnaire. Subsequently, we made two more efforts (spaced two weeks apart) to contact by phone and email the firms that had not answered the questionnaire. This yielded an additional 210 responses. Hence, we received 256 completed questionnaires (23.4% response rate). One month later we followed a similar procedure asking the 256 respondent firms to complete the second part of the questionnaire, containing our dependent variable measures. After two additional attempts at telephone follow-up, we obtained 180 usable responses.

In Italy, our sample was based on a list of companies in North-east Italy (regions of Veneto, Friuli-Venezia Giulia and Trentino-Alto Adige) provided by the Italian Chamber of Commerce. We believe this is a good place to undertake our research because Northern Italy is the main business area of the country (ISTAT, 2012) generating 70.7% percent of export activity (ISTAT, 2012). In addition, the authors had contacts in the region that provided access to a list of exporting firms that is not normally publicly available. Approximately 3200 private firms met our criteria. Employing a local research organization, and based on budgetary constraints of the research team, a randomly selected sample (every fourth firm on the list) of 800 firms was contacted by telephone, of which 299 answered the first-round questionnaire (37.4% response rate). One month later, each of the 299 firms were contacted by phone again to complete the second part of the questionnaire. After two additional phone attempts, only 85 Italian companies provided usable responses to the second part.

To investigate potential response bias we examined differences between respondents that answered only the first round questionnaire and respondents that answered both first and second round questionnaires. We checked for differences in the transaction cost variable *R&D intensity* (t = -0.94; p = 0.35), firm size differences using *Number of employees* (t = -0.39; p = 0.70), differences in *International experience* (t = 1.19; p = 0.23), and specifically export related differences *Number of export markets* (t = -0.47; p = 0.64). We noted no significant differences. Thus it appears that firms included in our analysis did not significantly differ from those excluded.

**3.1 Dependent Variables**

As in He, Brouthers and Filatotchev (2013) we asked respondents to indicate which statement best represented the firm’s e*xport channel* in their most important (largest) export market. Based on Klein and Roth (1990) and Klein, Frazier, and Roth (1990), respondents were provided with 6 different channel choices: “We are involved in a joint venture with another company to handle sales in this market”, “We sell to a merchant distributor who takes title to our product and contacts buyers directly”, “We use commission agents”, “We have a wholly owned sales subsidiary”, “We serve it directly from the Netherlands/Italy, using company personnel” and “other”. As in Ishii (2021) and He et al. (2013) *Hierarchical* or independent channels were assigned a value of zero. In these channels the SME handles all the distribution and selling of the product in the foreign market which includes the use of wholly owned subsidiaries and direct exports from the home country. *Cooperative* or intermediate channels were assigned a value of one. These channels allow the SME to share all or part of the distribution or sales of products in the foreign market either through a joint venture, a merchant distributor, or commission agents who act for the firm in foreign markets. Respondents selected *Hierarchical* channels 169 times (25 wholly owned and 144 service directly). They selected *Cooperative* channels 85 times (10 joint ventures, 33 agents, and 42 distributors). Respondents selected the “other” option 11 times. After reviewing these “other” responses, we attributed 8 responses to hierarchical and 3 to cooperative channels.

Second, as Cavusgil and Zou (1994) suggest, we measured *export performance* for each firm in the main (largest) export market (He et al., 2013), not overall firm performance or overall export performance. According to Keupp and Gassmann (2009) capturing country-specific export performance is a better method of testing export related decisions and activities. We used subjective measures because the firms we contacted were reluctant to provide concrete performance data and because we were exploring performance in a specific foreign market and the data were not available through a third party (e.g. Chambers of Commerce). We included three questions (on a seven-point Likert-type scale) about the level of satisfaction with the main export market over the past three years regarding (a) profitability (mean = 4.56, s.d. = 1.58), (b) overall export performance (mean = 4.46, s.d. = 1.58), and (c) achievement of the company’s initial objectives (mean = 4.58, s.d. = 1.61). We used factor analysis to look at the loadings for this variable as well as all other multi-item variables included in our study. We also looked at the reliabilities of each of these multi-item variables.Factor analysis indicated that the three performance items loaded on one factor (Cronbach alpha = 0.85). The values of the three items were summed to create the *export performance* construct (mean = 13.58, s.d. = 4.13).

**3.2 Independent and Moderating Variables**

For our export channel choice analysis, *Entrepreneurial Orientation* (EO) was measured using nine seven-point Likert-scale items, building on work by Covin and Slevin (1989). While there is some debate about the usefulness and dimensionality of this construct (Anderson, et al., 2015; Wales et al., 2013), it is widely used in entrepreneurship research (Rauch et al., 2009; Wales et al., 2013) and thus aids in comparisons with previous results. This variable included the three components of EO: proactiveness, risk aversion, and innovativeness (Miller, 1983). Although the EO items loaded on two factors (instead of one), consistent with previous research (Rauch et al., 2009; Wales et al., 2013) we decided to make EO a univariate item. The nine items were summed and averaged to create a single EO construct. The reliability test indicated that the nine items have good reliability (Cronbach alpha = 0.79).

 Based on institutional theory (Scott, 1995) we developed three measures of the institutional environment as moderators. Since our data were collected in 2012 we wanted to use values of the institutional environment that corresponded closely with the date of data collection.First, we explored the *regulative distance* between export and home country. According to Scott (1995) regulative pillars are connected to rule setting, monitoring, and sanctioning activities. To measure the regulative institutional environment for exporters we took seven items from the World Economic Forum’s Global Competitiveness Report 2011-2012 (Schwab & Sala-i-Martin, 2011).As in Luo and Zhao (2013), we included the protection of intellectual property measure. Exporters are concerned with protecting intellectual property such as brands and trademarks. We also included two items from the government inefficiency measure - efficiency of legal frameworks, and transparency of policymaking. Such governmental policies/actions can make it difficult for exporters to understand the regulative environment and as a result increase the risk and costs of doing business in a particular market. Third, we included four items from the goods market efficiency portion of the database: the effectiveness of anti-monopoly policy, tariff rates, prevalence of foreign ownership, and burden of custom procedures. These factors highlight governmental attitudes toward exporters and the barriers such firms face in a particular market. Each item was standardized and all seven items load on one factor (Cronbach alpha=0.94). *Regulative distance* was calculated by summing the seven items and taking the difference between the export market value and the home market value (greater values equate to better regulations in the export market).

Second, we examined the *normative distance* between export and home country. According to Scott (1995), norms define legitimate means to pursue valued ends and specify how things should be done. These norms impact how easy (difficult) it is to manage foreign market employees and whether these employees can be trusted to act in the best interest of the exporting firm. Following Brouthers, Brouthers and Werner (2008) and Knack and Keefer (1997), social norms were measured using four items (Cronbach alpha=0.92) taken from the World Value Survey(downloaded 21.12.2012 from<http://www.worldvaluessurvey.org/>.). These items include: attitudes toward claiming government benefits, avoiding a fare on public transport, cheating on taxes, and accepting a bribe. Normative distance was calculated as the absolute value of the difference between the export market social norms value and the home market value and then centered for analysis.

Third, Scott (1995) highlights that legitimacy is connected with cultural orthodoxy and suggests that the cognitive pillar of the institutional environment captures internal representations of the environment by actors. Consistent with previous institutional theory research (Gaur, Delios & Singh, 2007; He et al., 2013) we used cultural distance as our proxy for cognitive institutional distance. Based on Hofstede’s (1980) four cultural dimensions, which have been shown to be constant over time (Kirkman et al, 2006), we calculated the cognitive distance between the home (Italy or Netherlands) and each export country, using Kogut and Singh’s (1988) formula.

Finally, we calculated three interaction variables. We centered the values of our EO, regulative, normative and cognitive distance variables and then multiplied the centered EO variable by the centered normative distance measure, the regulative distance measure, and the cognitive distance measure (Aiken & West, 1991).

For our performance analysis, we followed previous international performance research (Brouthers et al., 2008; He et al., 2013) and examined the alignment or fit (Shaver, 1998; Venkatraman, 1989) of the export channel used by our respondents with the theoretically determined export channel. This method is widely used in the international entry mode literature (Brouthers, 2013; Hult et al., 2008), and has recently been introduced to the export channel literature (Fernandez-Olmos & Diez-Vial, 2015; He et al., 2013). It is based on the idea of strategic fit first developed by Venkatraman (1989). In the strategic fit literature scholars test the notion that firms using the strategy that best fits the theoretical variables will generate the best performance. We use a Heckman type two-step method to determine fit and to try to correct for the fact that export channel choice is non-randomly selected by firms, rather than trying to correct for the fact that the firms in our sample are not randomly observed. We are trying to correct for the endogeneity in the export channel choice variable so we can see its true effect on performance (Shaver, 1998).Hult et al. (2008: 1074-5) state that “Practically, if the researcher believes that entry mode choice is nonrandom but that the choice of entry mode has a level effect only (i.e., influences the intercept term in the performance model only and not the coefficients on other key explanatory variables), then a 2SLS estimation strategy for entry mode choice is appropriate. However, if the researcher believes that choice of entry mode should influence both level of performance and other explanatory variables on performance (different intercept and different slopes), a selection correction model such as Heckit [the Heckman correction] is appropriate.”

Therefore, as in previous structure choice research we used a Heckman type two-step model (Brouthers, 2013; He et al., 2013; Shaver, 1998). We created three Fit variables to test our various export channel selection models. We calculated *Fit-controls* by comparing the theoretically predicted (correct) export channel from our export channel regression Model 1 (Table 2), that included the TCE variables and all other control variables, to the actual export channel used by each firm. When the export channel used by the firm matched the export channel predicted by our regression model the *Fit-controls* variable assumed a value of one, when firms used export channels other than those predicted by our theoretical variables the value was zero. We followed a similar procedure to calculate our *Fit-EO* and *Fit-EO/Institutional distance* variables, but for *Fit-EO* we used the theoretically correct channel based on our regression Model 2 (Table 2) and for *Fit-EO/Institutional distance* we calculated the theoretically correct channel using Model 6 (Table 2). In addition, a new Inverse Mills ratio was calculated for each of the three performance models using Probit regression analysis. We then used these independent variables in our performance analysis.

**3.3 Control Variables**

We included a number of control variables that according to previous research influence export channel choice (Klein et al., 1990) and/or have been linked to export performance (Sousa, Martinez-Lopez & Coelho, 2008). We began by including transaction cost variables (asset specificity, internal uncertainty, external uncertainty, and frequency) since past export channel choice studies have already shown that these variables impact this decision (Anderson & Coughlan, 1987; Klein et al., 1990; Shervani et al., 2007). Asset specificity is the extent to which specialized investments are needed to support an exchange (Williamson, 1985). The greater the asset specificity the more firms use hierarchical channels (Anderson & Coughlan, 1987; Klein et al., 1990). While measuring the specificity of investments is difficult, scholars examining TCE issues in decisions involving export channel or entry mode choice have operationalized asset specificity using R&D intensity (Brouthers & Hennart, 2007; Campa & Guillen, 1999; He et al., 2013; Zhao et al., 2004) because it reflects the degree of complexity of a process, product or investment (Zhao, Luo & Suh, 2004)..Following this research, we measured*Asset specificity* as the ratio of R&D expenditures to total sales.

Internal uncertainty is related to monitoring costs (Williamson, 1985). TCE theory suggests that the greater the internal uncertainty (inability to know what partners are doing) the greater the monitoring costs a firm incurs and the greater the use of hierarchical channels (Brouthers & Hennart, 2007; Shervani et al, 2007). We measured *internal uncertainty* with a single-item seven-point Likert-scale question that asked about the ease/difficulty of measuring the collective performance of individuals who perform the exporting function in their most important market (He et al., 2013).

The greater the uncertainty in the external environment the more difficult it is for managers to collect, understand and respond to changes that might occur after entry into a foreign market (Williamson, 1995). In these situations firms look for structures that allow them to be flexible and responsive to potential changes (Bello & Lohtia, 1995; Klein et al., 1990). For *external uncertainty* we used the four-item semantic differential scale developed by Shervani, Frazier and Challagalla (2007)*.* These items look at how easy/difficult it is to monitor trends, forecast sales, gauge competition, and understand the export market. All four items load on a single factor (Cronbach alpha = 0.62) and were therefore summed to create the construct. Finally, TCE suggests that frequency of transactions influence transaction costs because it is more efficient to internalize transactions when there is high volume since firms can realize economies of scale, but better to rely on markets when volume is low and it is costly to develop expertise (Bello & Lohtia, 1995; Williamson, 1985). Following Klein et al (1990) we measured export *frequency* as the percentage of sales in the target market compared with total export sales for the firm.

Other control variables included *Firm size* which can influence export channel choice because size means greater availability of resources (Campa & Guillen, 1999). It was measured as the number of people employed (full-time equivalent) in the company worldwide. Because we have SMEs from two home countries, we created a dichotomous variable (*nationality*) to control for home country differences. Firms from Italy were coded zero while firms from the Netherlands were coded one.

We included several aspects of experiential learning that have been shown to influence foreign structure choices. First, years of exporting experience can provide firms with knowledge and processes that make future export operations easier to establish, and less risky (Klein & Roth, 1990). Our measure *international experience* captured the number of years the firm had been exporting. We also controlled for the *number of countries* in which the firm has exported its products (calculated as the natural logarithm) (Fernandez-Olmos & Diez-Vial, 2015; He et al., 2013). This diversity of international experience can influence export channel choice because firms can learn to work in different types of markets through varying experience, reducing uncertainty when entering a new market (Brouthers & Hennart, 2007). Third, we developed a measure *export channel experience* which captures the number of other countries where the firm has used the same export structure as is used in the target market. Export channel experience can benefit firms because they can refine their ability to set-up and operate a specific type of export structure as their experience with these specific structures grow (Padmanabhan & Cho, 1999).

Finally, in our sample we had SMEs belonging to 21 different manufacturing industries according to NACE classification. To control for potential *industry* differences, we created seven dummy variables, one each for those industry sectors that are present with 5% or more companies. The industry dummy variables are manufacturing of: Machinery and equipment n.e.c. (NACE code 28), Fabricated metal products except machinery and equipment (NACE code 25), Other non-metallic mineral products (NACE code 23), Food products (NACE code 10), Furniture (NACE code 31), Rubber and plastic products (NACE code 22) and Other manufacturing (NACE code 32). For each dummy variable, a value of one means that firm belongs to the industry, otherwise the value is zero.

**3.4 Common Method Bias**

To be sure our data do not suffer from common methods variance we used several techniques. First, following Chang, van Witteloostuijn and Eden (2010) we designed our data collection effort so that the independent and dependent variable information was collected at different points in time. Second, much of our data consisted of fact-based items (like our export channel measure). Third, we used a variety of scales and formats for our variables. In addition, as recommended (Chang et al., 2010), we included interaction terms in our model. Finally, we used confirmatory factor analysis (CFA) as an *ex post* technique to check for common-method variance (Chang et al., 2010). To test common methods variance the model had to include all variables used in the regression analysis to see if they explain one factor. The CFA analysis revealed a poor model fit (RMSEA index = 0.10; NFI = 0.41; Tucker-Lewis NNFI = 0.36; CFI = 0.44), which indicates a lack of common methods variance (Podskoff et al., 2003). All these actions help assure that our data do not suffer from common methods variance.

**4.0 RESULTS**

As a first step in our analysis, we looked at the correlations between variables (see Table 1). There is no sign of multi-colinearity. On average, our firms have around 60 employees, over 22 years of international experience, and tended to use both hierarchical (66.8%) and cooperative (33.2%) export channels.

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Insert Tables 1 and 2 about here

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**4.1 Export Channel Choice Results**

Since our dependent variable, export channel, is a binary variable we used binomial Logit regression analysis to test our hypotheses. Table 2 reports the results of our tests. Model 1 is our base model and incorporated all the transaction cost variables plus other control variables. Model 1 is significant (p<0.01). As in previous TCE export studies (Anderson & Coughlan, 1987; Klein et al., 1990), we find that the TCE variables and controls explain a large portion (21%) of the variance in the choice of export channel. Number of countries (p<0.05), NACE 32 (p<0.05), and Asset specificity (R&D intensity) (p<0.10) are significantly related to the use of cooperative channels while Nationality (p<0.01), Export channel experience (p<0.01), NACE 22 (p<0.10) and Frequency (p<0.05) are related to the use of hierarchical channels.

In Model 2 we added our primary independent variable: EO. This model is significant (p<0.01). Model 2, which includes EO, the TCE variables and other controls, explains about 23 percent of the variance in our dependent variable, a significant (p<0.05) increase in explained variance over Model 1, the TCE and controls model. In addition, EO is significantly related to export channel (p=0.046); firms with greater EO tend to use cooperative channels of exporting, as suggested in hypothesis 1.

Next we examined the interaction between the three measures of institutional distance and EO. In Models 3, 4, and 5 (Table 2) we added Regulative distance, Normative distance, and Cognitive distance separately while Model 6 includes all interactions between EO and the three measures of institutional distance. We found that Model 3 significantly increases the explanatory power over Model 2 (p<0.01) and the interaction variable Regulative Distance/EO is significantly related to export channel (p=0.050). Model 4 also significantly increases the explanatory power over Model 2 (p<0.10) and the interaction variable Normative Distance/EO is significantly related to export channel (p=0.095). Model 5 does not significantly increase the explanatory power over Model 2 and the interaction variable Cognitive Distance/EO is not significantly related to export channel (p=0.400). Our final model (Model 6) significantly increases the explanatory power over Model 2 (p<0.01) and explains about 28 percent of the variance in our dependent variable, yet due to colinearity issues the significance of individual items is not the same as in the separate regression models.

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Insert Figures 1 and 2 about here

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To aid in interpreting our significant interactions we plotted them both (see Figures 2 and 3). Because we are dealing with a limited dependent variable we followed the advice of Wiersema and Bowen (2009) and others (Ai & Norton, 2003; Huett et al., 2014) as a basis for developing our figures. For both figures 2 and 3, the x-axis shows low to high values of EO (centered around the mean); the y-axis displays the probability of choosing the export channel (coded 1 for cooperative export channels and 0 for hierarchical channels). The grey dotted line (labelled Medium in both figures) represents the direct effect of the independent variable (EO) as the ‘medium’ refers to the moderator variable (regulative distance in figure 2 and normative distance in figure 3) having a value of zero (i.e. equal to their means). Thus in figures 2 and 3 we find that with increasing degrees of EO the probability of choosing export channel 1 (a cooperative export channel) increases.

The other two lines in these figures represent the effects at low and high values of the moderator variable (one standard deviation below/above the mean). Figure 2 explores the interaction of regulative distance on the EO-export channel relation. From figure 2 we can see that for firms having higher EO the probability of choosing a cooperative export channel decreases with higher values of regulative distance (similar or better regulative environment in the host market compared to the home market). But when the regulative distance is low (worse regulative environment in the host market compared to the home market), the probability of choosing a cooperative export channel increases for these SMEs. This provides support for hypothesis 2.

Figure 3 looks at the interaction of normative distance on the EO–export channel relation. This figure indicates that for firms with higher EO the probability of choosing a cooperative export channel increases for higher values of normative distance (when the normative environment of the host market is more distant from the home market). But when normative distance is low (the normative environment of the host market is similar to the home market), the probability of choosing a cooperative export channel decreases for these SMEs. Thus providing support for hypothesis 3a. However, since the result of the analysis of cognitive distance was not significant, we have no support for hypothesis 3b.

**4.2 Export Performance Results**

We developed three models to test our performance hypothesis (see Table 3). Model 1 in Table 3 is the base model and contains transaction cost and other control variables, an inverse Mills ratio variable, and our *Fit-controls* variable. Fit-controls takes a value of one if the predicted (theoretical) export channel (Model 1 in Table 2) is the one actually used by the firm; otherwise it takes a value of zero. The results show that Model 1 (Table 3) is significant (p<0.01), but that our *Fit-controls* variable is not significant (p=0.283).

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Insert Table 3 about here

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The second export performance model contains the TCE and control variables, a new inverse Mills ratio variable, and our *Fit-EO* variable. Fit-EO takes a value of one if the predicted (theoretical) export channel (Model 2 in Table 2) is the one actually used by the firm; otherwise it takes a value of zero. The results indicate that Model 2 (Table 3) is significant (p<0.01), but our *Fit-EO* variable is not significant (p=0.724).

In Model 3 (Table 3), we included the TCE and control variables, a new inverse Mills ratio variable, and the *Fit-EO/Institutional Distance* variable. Fit-EO/Institutional Distance takes a value of one if the predicted (theoretical) export channel (Model 6 in Table 2) is the one actually used by the firm; otherwise it takes a value of zero. Model 3 (Table 3) is significant (p<0.01) and the variable *Fit-EO/Institutional Distance* is significantly (and positively) associated with export performance (p=0.042). These results provide support for hypothesis 4; firms that use export channels that align with transaction cost factors as well as the level of EO, contingent on the institutional distance between home and export market, on average generate superior performance.

As a further test of this relation, we looked at the economic impact of export channel alignment. Firms that use export channels predicted by Model 3, Table 3 (TCE and control variables + EO/Institutional Distance interaction) have an average performance of 13.93 (s.d. = 4.02) while firms that do not choose the predicted export channel have an average performance of 12.57 (s.d. = 4.30). A t-test indicates that these two groups differ significantly (t = -2.29, p = 0.02), with firms using export channels that align with our theory indicating greater performance than firms that use misaligned export channels, again providing support for hypothesis 4.

**5.0 DISCUSSION, LIMITATIONS, AND CONCLUSION**

Exporting provides a fruitful area of research (İpek, 2019; Knight et al, 2020) because SMEs continue to use exporting as they expand abroad (European Commission, 2018; OECD, 2008) in an attempt to increase sales and profits (Paul et al., 2017). But these firms face several choices about how to structure the export operation and this choice influences export performance (Aulakh & Kotabe, 1997; He et al., 2013; Ishii, 2021). Although past export channel choice research has provided some guidance, based almost exclusively on transaction cost theory (Shervani et al., 2007; Li et al., 2017), these studies have overlooked how firms can generate value when exporting since transaction cost theory focuses on determining the most efficient export channel but not a value creating channel (Cuypers et al., 2021). The international entrepreneurship literature has noted that EO can help SMEs create value internationally (Brouthers et al., 2015; Jiang et al., 2018; Knight & Cavusgil, 2004). Building on these insights, we suggest that in addition to transaction costs SMEs should consider differences in firm-specific EO, as moderated by institutional distance, when making the export channel decision. Doing so should lead to better value creation and superior market-specific export performance.

Based on samples of Dutch and Italian SMEs we find that in addition to transaction cost factors, EO plays a vital role in the export channel decision. Our results also suggest that the EO-export channel relation is influenced by the institutional distance between home and export country, although more research is needed here. While we found that both regulative distance and normative distance significantly impact the relation between EO and export channel choice, as suggested by our theory, we found no such significance for cognitive distance. Our lack of significance for cognitive distance might be the result of the way we measure this construct. We relied on a commonly used instrument (cultural distance) to proxy cognitive distance (Gaur, Delios & Singh, 2007; He et al., 2013). But as in these prior studies we had non-significant results. Future research needs to explore this issue further and possibly develop a better measure of cognitive institutional distance, one that captures decision-specific aspects of cognition and apply that measure to these questions of institutional distance. Despite this one insignificant result, our analysis suggests that firms using export channels that align not only with transaction costs but also EO, contingent on institutional distance, generate superior performing export operations. This suggests that taking a value generating perceptive, instead of relying exclusively on the TCE underlying assumption of efficiency, might result in export channel choices that help firms perform better.

Thus, we make several important contributions to the existing literature. First, we contribute to research on export channel choice which has mainly focused on transaction cost minimization (Ishii, 2021; Li et al., 2017; Shervani et al., 2007). While helpful TCE assumes that firms are interested in creating the most efficient organizational structure (Cuypers et al., 2021); this perspective does not consider internal firm-specific factors that an organization can use to generate value (Zajac & Olsen, 1993). But the international entrepreneurship literature suggests that SMEs can generate value in foreign markets by leveraging their EO (Brouthers et al., 2015; Jiang et al., 2018; Knight & Cavusgil, 2004).Building on this entrepreneurship research (Rauch et al, 2008; Saeed et al, 2014; Wales et al., 2013), we theorize and find that although transaction cost factors are important, an SME also needs to consider its EO when making the export channel choice decision in order to create better performing export operations.

These new insights have important implications for managers and for future research. Managers of SMEs can use the results of our research when making export channel decisions. Unlike research that suggests that firms need to develop an EO to be successful (Rauch et al., 2009), our research intimates that both high and low EO firms can craft successful export operations if they select an appropriate export channel. Hence, managers need to understand their level of entrepreneurial activities (proactiveness, innovativeness and tolerance for business risk - EO) and using those insights select an export channel that aligns with that level. Future research can also build on these insights to explore other ways in which SMEs can generate value in foreign markets. For example, there is some evidence that having a global mindset or cultural intelligence improves the effectiveness of international operations, because globally oriented managers make decisions that improve value creation in foreign markets (Felício, Meidutė & Kyvik, 2016; Yari, Lankut, Alon & Richter, 2020). Building on this mindset literature future research could explore how the cognitions of top managers (or top management teams) in SMEs influence the value creating choices it makes when exporting and how these cognitions influence the export channel that will lead to value creation in foreign markets.

Second, we contribute to the international entrepreneurship literature (Zucchella, 2021) by considering the impact of institutional distance on the EO - export channel choice relation. Because countries differ with respect to regulative, normative and cognitive institutional factors (Scott, 1995), when firms expand aboard they may encounter very different institutional pressures than those they face at home. As a result of these institutional differences products and procedures that have value in one institutional context may have a different (or no) value in another context (Brouthers et al., 2008). Expanding on these ideas and previous EO research (Covin & Miller, 2014; He et al., 2018; Saeed et al., 2014), we theorize that differences in regulative, normative, and cognitive institutions will influence the value a firm can generate from its EO and as a consequence have an impact on export channel choice. Our results provide some support indicating that regulative and normative institutional distance does appear to impact the value generation ability of EO and hence the export channel a firm should use.

Again, these insights have important implications for managers and future research endeavors. Managers need to be aware of institutional differences when expanding abroad. What our study shows is that these differences can influence a firm’s ability to generate value from EO. EO seems to provide an advantage in institutionally close countries where home-based processes and products can be used to create value. Yet as institutional distances increase, firms need to think more carefully about how they structure their export operations so they can generate the greatest value from the EO practices and processes they possess. Researchers also could build on these ideas and investigate in more detail how EO and institutions can best be combined to improve firm value creation and as a consequence export performance. One approach would be to study the impact of home or host institutions separately. We explored institutional distance, but home country institutions might influence a firm’s ability to generate value in foreign markets and hence impact export channel choice. Alternatively, it could be target market (host) institutions that influence value creation and export channel effectiveness. International entrepreneurship research focusing on value creation in foreign markets should explore these alternative configures to try and see which of these different sets of institutions influence EO value creation and export channel choice.

**5.1 Limitations**

Although our study provides some interesting new insights, it suffers from limitations which may provide opportunities for future research. First, since our study only looks at manufacturing SMEs from two European countries the findings might not be generalizable to firms from other countries or to larger firms. Future research might wish to explore these issues in other geographical locations and look at larger organizations to determine the generalizability of our ideas.

Second, our data collection effort took place in 2012. Since that time many things have changed and more firms are going digital. Although we had no SMEs indicating they used digital export channels, data gathered in the next few years might find that firms are shifting from traditional integrated and shared export channels to online channels for exporting. We suggest that future research needs to develop new theory to explain the use and impact of digital export channels on firm exporting value creation and examine how this move can be used to improve export market performance.

Third, our study focused only on the most important export market for the firm. Yet many firms export to multiple markets. In such a case, SMEs will need to carefully allocate scarce resources; which could result in different channel choices in these other export operations. Future research may wish to explore whether our theory applies to these other markets by collecting data on multiple export markets for each firm.

Fourth, in our data collection efforts we made numerous attempts to get firms to participate and increase our response rate in both the Netherlands and Italy. For our first-round questionnaires these added efforts paid off and we had relatively good response rates. However, especially for the Italian sample, response rates for the second-round questionnaire were lower. Future research could look at this issue to determine why Italian SMEs appeared to be more reluctant to answer a second questionnaire, compared to Dutch SMEs. Do incentives need to be included to increase response rates for follow-up surveys? Should researchers budget in additional funds when using research companies to undertake additional steps to collect data for second-round questionnaires? Are there alternatives to using two rounds of questionnaires to deal with common methods bias? These issues need further investigation to improve response rates in similar situations.

Fifth, our data were based on the responses from only one person in each firm. Although we looked for the most experienced and knowledgeable person regarding the export operations of the firm and we split the data collection at two different times, the use of multiple respondents may help assure that the data collected does not suffer from common methods or other biases. Identifying sources of secondary data (as we did for the institutional measures) also help reduce any chance of bias affecting results.

Sixth, while we found some support for the moderating impact of institutional distance, our results were disappointing. It could be that our measures of the normative and cognitive components of the institutional environment are not appropriate for exporting operations. Future research could make an important contribution by building on this area and developing more export-specific measures of the institutional environment.

Seventh, we advance knowledge of export channel choice by examining how it is related to market-specific performance, instead of overall firm performance thus overcoming an issue encountered in past export studies (Cavusgil & Zou, 1994; Keupp & Gassmann, 2009). But our performance regression, while significant, does not explain a large portion of the variance in market-specific performance. It seems that there are other factors, not captured in our study that need to be considered. Despite the volume of research looking at export performance, we appear to need additional research to examine more fully the factors that impact market-specific export performance as many studies actually look at firm actions that influence exporting in one specific market and hence will have only a minimal impact of overall firm export performance.

In addition, we tested market-specific performance differences between firms using the theoretically predicted export channel and firms using other export channels. This raises a question about why firms might use a non-optimal export channel. There are many reasons firms might not select the best performing export channel. For example, past history (past export channel experience) might bias firms to choose one channel over another. Through inertia firms might select the same export channel in each foreign market. While we try to control for such contingencies, these still do not completely explain why firms make non-optimal choices. Future research might want to develop and test theory to explain why firms choose export channels other than those determined by theories like TCE.

Finally, we collected cross-sectional data, which is an appropriate method to analyze what is happening at a certain moment in time. However, there might be dynamic interactions between the development of EO, export channel selection, and performance. EO may only provide an advantage to the firm early in the export operation; over time firms with lower EO might adjust to the export market and reduce or eliminate any EO disadvantage they initially possessed. Hence, future research could employ longitudinal data and explore the relation between EO, export channel choice, and export performance over time.

**5.2 Conclusion**

SMEs continue to use exporting to expand abroad (European Commission, 2018), so understanding how best to structure these export operations is critically important. Our study helps advance knowledge and overcome a problem with past research concerning value creation in exporting SMEs. We add an entrepreneurship perspective to existing transaction cost research and develop new theory to explain how the level of EO a firm possesses impacts the export channel decision and consequently export performance. Building on insights from institutional theory, we also develop a unique perspective to explain how institutional differences influence the value a firm can generate from its EO when expanding abroad and how this interaction influences export channel choice and export performance. Accordingly, our study makes several contributes; suggesting that firms can create more successful export operation by not only considering transaction cost factors but also the level of EO of the firm, contingent on the institutional distance of the export market. Hence, our paper helps advance our understanding of international entrepreneurship and exporting by developing and testing new theory that overcomes a short-coming with past research, to explain value creation as firms internationalize.

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TABLE 1

**MEAN, STANDARD DEVIATIONS, AND CORRELATIONS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Construct | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| Mean | 0.46 | 60.49 | 22.57 | 21.93 | 2.62 | 0.18 | 0.18 | 0.07 | 0.07 | 0.06 | 0.06 | 0.05 | 9.11 | 6.44 | 14.88 | 37.43 | 0.00 | 0.00 | 1.45 | 3.60 | 0.37 | 13.58 |
| S.D. | 0.50 | 247.56 | 25.24 | 47.70 | 1.30 | 0.39 | 0.39 | 0.26 | 0,.6 | 0.24 | 0.23 | 0.22 | 12.01 | 14.72 | 4.53 | 25.21 | 6.00 | 1.00 | 1.02 | 1.10 | 0.48 | 4.13 |
| 1.Nationality | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2.Firm size | .11\* | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3.International experience | .26\*\* | .03 | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 4.Export channel experience | -.26\*\* | .01 | .06 | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 5.Number of countries | .01 | .08 | .23\*\* | .66\*\* | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 6. NACE\_28 | .09 | .12\* | .04 | .05 | .15\*\* | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 7. NACE\_25 | .05 | -.04 | -.05 | -.08 | -.17\*\* | -.22\*\* | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 8. NACE\_23 | -.10 | -.04 | -.02 | -.10 | -.04 | -.13\*\* | -.13\*\* | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9. NACE\_10 | .10\* | .01 | .03 | .01 | .04 | -.13\*\* | -.13\*\* | -.08 | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10. NACE\_32 | -.03 | -.02 | -.03 | .11\* | .12\* | -.12\* | -.12\* | -.07 | -.07 | 1 |  |  |  |  |  |  |  |  |  |  |  |  |
| 11. NACE\_31 | -.08 | -.03 | -.06 | .08 | -.11\* | -.12\* | -.11\* | -.07 | -.07 | -.06 | 1 |  |  |  |  |  |  |  |  |  |  |  |
| 12. NACE\_22 | .08 | -.02 | -.03 | -.07 | -.05 | -.11\* | -.11\* | -.07 | -.06 | -.06 | -.06 | 1 |  |  |  |  |  |  |  |  |  |  |
| 13. Asset specificity (R&D) | -.03 | .00 | -.07 | .14\*\* | .17\*\* | .09 | -.07 | -.12\* | -.12\* | .05 | -.06 | .05 | 1 |  |  |  |  |  |  |  |  |  |
| 14. Internal uncertainty | -.20\*\* | .02 | -.01 | -.01 | -.00 | -.04 | .10 | .02 | -.06 | -.04 | -.04 | -.04 | .00 | 1 |  |  |  |  |  |  |  |  |
| 15. External uncertainty | -.09 | -.07 | -.07 | .04 | -.07 | .05 | .04 | -.01 | -.09 | .00 | .07 | -.04 | .03 | -0.2 | 1 |  |  |  |  |  |  |  |
| 16. Frequency | -.27\*\* | -.05 | -.12\* | .03 | -.11\* | -.02 | .01 | .03 | -.08 | -.04 | .09 | .02 | .04 | -.03 | .10 | 1 |  |  |  |  |  |  |
| 17. Regulative distance | .00 | .02 | -.04 | .00 | -.05 | -.13\* | .00 | -.04 | .15\*\* | -.07 | .07 | .04 | -.11\* | .04 | .05 | .06 | 1 |  |  |  |  |  |
| 18. Normative distance | .00 | -.04 | .01 | -.05 | -.07 | .08 | -.07 | -.01 | .04 | .00 | .02 | -.10 | .02 | .05 | .05 | -.08 | -.34\*\* | 1 |  |  |  |  |
| 19. Cultural distance | .43\*\* | .05 | .28\*\* | -.13\* | .04 | .10 | .09 | -.17\*\* | -.02 | -.04 | -.08 | .09 | .05 | -.10 | -.06 | -.13\* | -.27\*\* | -.04 | 1 |  |  |  |
| 20. Entrepreneurial Orientation (EO) | .43\*\* | .06 | .10\* | -.08 | .14\*\* | .02 | .02 | -.23\*\* | -.02 | -.02 | -.07 | .09 | .21\*\* | -.06 | -.11\* | -.01 | -.06 | -.03 | .23\*\* | 1 |  |  |
| 21. Export channel | 1.11\* | ,06 | ,04 | -,01 | ,08 | ,08 | -,12\* | ,02 | -,09 | ,15\*\* | ,10 | -,08 | ,09 | ,00 | ,10 | -,02 | ,00 | -,02 | ,08 | ,05 | 1 |  |
| 22. Export performance | -,31\*\* | -,06 | -,14\*\* | ,05 | -,06 | -,04 | -,00 | ,12\* | -,04 | ,08 | ,06 | -,06 | -,05 | ,09 | ,21\*\* | ,00 | -,05 | ,09 | -,18\*\* | -,22\*\* | .15\* | 1 |
| *Note*: \* p<0.05, \*\* p<0.01, n=265 |  |  |

TABLE 2

**LOGISTIC REGRESSION OF EXPORT CHANNEL CHOICE**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | *Model 1* | *Model 2* | *Model 3* | *Model 4* | *Model 5* | *Model 6* |
| *Control variables* |  |  |  |  |  |  |
| Nationality | -.93\*\*\*(.36) | -1.18\*\*\*(.38) | -1.46\*\*\*(.42) | -1.44\*\*\*(.42) | -1.40\*\*\*(.41) | -1.42\*\*\*(.42) |
| Firm size | .00(.00) | .00(.00) | .00(.00) | .00(.00) | .00(.00) | .00(.00) |
| International experience | .01(.01) | .01(.01) | .01(.01) | .01(.01) | .01(.01) | .01(.01) |
| Export channel experience | -.02\*\*\*(.01) | -.02\*\*(.01) | -.02\*\*(.01) | -.02\*\*(.01) | -.01\*\*(.01) | -.01\*(-.01) |
| Number of countries | .38\*\*(.19) | .30(.20) | .23(.20) | .25(.20) | .27(.20) | .21(.20) |
| NACE 28 | .22(.41) | .30(.41) | .34(.43) | .33(.42) | .34(.42) | .40(.43) |
| NACE 25 | -.36(.42) | -.35(.435) | -.34(.43) | -.37(43) | -.41(.43) | -.37(.44) |
| NACE 23 | -.32(.61) | -.05(063) | .09(.66) | .13(.67) | .17(.67) | .31(.68) |
| NACE 10 | -1.03(.64) | -.95(.64) | -.87(.66) | -.92(.66) | -.98(.66) | -.85(.66) |
| NACE 32 | 1.53\*\*(.67) | 1.56\*\*(.67) | 1.71\*\*(.69) | 1.68\*\*(.69) | 1.70\*\*(.68) | 1.67\*\*(.69) |
| NACE 31 | .57(.69) | .63(.70) | .82(.71) | .82(.72) | .73(.72) | .92(.73) |
| NACE 22 | -1.50\*(.84) | -1.53\*(.84) | -1.54\*(.87) | -1.70\*(.88) | -1.69\*(.87) | -1.71\*(.90) |
| Asset specificity (R&D) | .02\*(.01) | .02(.01) | .02(.01) | .02(.01) | .02(.01) | .02(.01) |
| Internal uncertainty | -.12(.09) | -.14(.09) | -.13(.09) | -.15(.09) | -.16\*(.09) | -.15(.09) |
| External uncertainty | .05(.03) | .06\*(.04) | .05(.04) | .06\*(.04) | .06\*(0.4) | .06(.04) |
| Frequency | -.02\*\*(.01) | -.02\*\*\*(.01) | -.02\*\*(.01) | -.02\*\*(.01) | -.02\*\*(.01) | -.02\*\*(.01) |
| *Predictor variables* |  |  |  |  |  |  |
| Enterpreneurial Orientation (EO) |  | .31\*\*(.16) | .31\*(.16) | .35\*\*(.16) | .45\*\*(.23) | .58\*\*(.24) |
| Regulative distance |  |  | .02(.03) | .02(.03) | .01(.03) | .02(.03) |
| Normative Distance |  |  | -.16(.17) | -.19(.19) | -.12(.16) | -.20(.19) |
| Cultural distance |  |  | .28(.18) | .31\*(.18) | .31\*(.18) | .32\*(.18) |
|  |  |  |  |  |  |  |
| *Interactions* |  |  |  |  |  |  |
| Regulative Distance \* EO |  |  | -.05\*\*(.03) |  |  | -.06\*(.03) |
| Normative Distance \* EO |  |  |  | .33\*(.20) |  | .13(.22) |
| Cultural Distance \* EO |  |  |  |  | -.10(.12) | -.21(.13) |
| Constant | .16(.93) | -.47(1.00) | -.30(1.03) | -.59(1.01) | -.98(1.20) | -1.39(1.24) |
| Chi square | 44.27\*\*\* | 48.33\*\*\* | 56.49\*\*\* | 55.16\*\*\* | 52.81\*\*\* | 59.67\*\*\* |
| Chi square change from Model 1 |  | 4.07\*\* |  |  |  |  |
| Chi square change from Model 2 |  |  | 8.16\*\*\* | 6.83\* | 4.47 | 11.34\*\*\* |
| Nagelkerke R2 | .21 | .23 | .27 | .26 | .25 | .28 |
| *Note*: \* p<0.1, \*\* p<0.05, \*\*\* p<0.01 Standard errors in parenthesis, Cooperative export channel=1, n=265 |

**TABLE 3**

**REGRESSION ANALYSIS OF EXPORT PERFORMANCE**

|  |  |  |  |
| --- | --- | --- | --- |
| VARIABLES | *Model 1* | *Model 2* | *Model 3* |
|  |  |  |  |
| Nationality | 2.02\*\*\* | 2.08\*\*\* | 2.06\*\*\* |
|  | (0.71) | (0.74) | (0.64) |
| Firm size | 0.00 | 0.00 | 0.00 |
|  | (0.01) | (0.01) | (0.01) |
| International exper | 0.01 | 0.01 | 0.01 |
|  | (0.01) | (0.01) | (0.01) |
| NACE 28 | -0.10 | -0.18 | -0.03 |
|  | (0.69) | (0.72) | (0.64) |
| NACE 25 | 0.57 | 0.63 | 0.64 |
|  | (0.74) | (0.68) | (0.70) |
| NACE 23 | -1.78 | -1.74 | -1.68 |
|  | (1.21) | (1.20) | (1.29) |
| NACE 10 | 0.39 | 0.49 | 0.48 |
|  | (1.07) | (0.94) | (0.91) |
| NACE 32 | -2.51 | -2.54 | -2.81\*\* |
|  | (1.54) | (1.47) | (1.29) |
| NACE 31 | -0.27 | -0.43 | -0.43 |
|  | (1.69) | (1.69) | (1.59) |
| NACE 22 | 0.73 | 0.84 | 0.77 |
|  | (1.33) | (1.21) | (1.17) |
| Asset specificity  | 0.02 | 0.02 | 0.01 |
| (R&D) | (0.02) | (0.02) | (0.02) |
| External uncertainty | -0.23\*\*\* | -0.23\*\*\* | -0.23\*\*\* |
|  | (0.06) | (0.06) | (0.06) |
| Frequency | 0.03\*\* | 0.03\*\* | 0.03\*\*\* |
|  | (0.01) | (0.01) | (0.01) |
| ***Predicted fit***Inverse Mills ratio - 1 | -4.35 |  |  |
|  | (5.46) |  |  |
|  Fit-controls | 0.62 |  |  |
|  | (0.57) |  |  |
| Inverse Mills ratio - 2 |  | -4.84 |  |
|  |  | (4.68) |  |
| Fit-EO |  | 0.21 |  |
|  |  | (0.57) |  |
|  Inverse Mills ratio - 3 |  |  | -5.69 |
|  |  |  | (3.54) |
|  Fit-EO/Instit. distance |  |  | 1.18\*\* |
|  |  |  | (0.56) |
| Constant | 14.32\*\*\* | 14.85\*\*\* | 14.72\*\*\* |
|  | (3.06) | (2.71) | (2.04) |
|  |  |  |  |
| Observations | 264 | 264 | 264 |
|  |  |  |  |
| Wals chi2  | 51.79\*\*\* | 51.58\*\*\* | 60.19\*\*\* |
|  |  |  |  |
| R-squared | 0.171 | 0.171 | 0.188 |

*Note*: \*\* p<0.05, \*\*\* p<0.01 Standard errors in parentheses

**Figure 1 Theoretical Framework**

Institutional

Distance

Market-specific export performance

TCE and other control variables

Export Channel

Choice

Entrepreneurial

Orientation

**Figure 2: Interaction effect between EO and regulative distance**

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**Figure 3: Interaction effect between EO and normative distance**

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