

Examining the Effectiveness of Entry Mode Choice in Driving Small and Medium Enterprises' International Performance from the Home-Host Country Dyads

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Abstract

Though international entry mode choice largely depends on a firm's resource base, host country governments make efforts to promote policy relaxation with incentives in order to attract more FDI inflow. Here, we establish a consolidated framework with the widely used theoretical perspectives of transaction cost economies (TCE), network theory, and institutional theory for small and medium enterprises (SMEs) as a direct response to Laufs and Schwens (2014)'s call to examine the factors that contribute to the effectiveness of entry mode choice in driving their international performance. From home-host country dyads, our study is based on the statistical analysis of 242 surveys given to SMEs that have expanded from a single home country, Taiwan, into various host countries, such as China, Vietnam, Indonesia, Singapore, and India. Our results demonstrate that SMEs' entry mode choice is favorably influenced by the degree of reinforcement of SMEs' commitment to foreign market entry and further establish that the reduction of perceived uncertainty positively impacts international performance. We also found that while network capability was the essential determinant for SMEs' entry mode choice, favorable change to the host institution does matter when SMEs choose greenfield as foreign market entry mode compared with other non-equity modes. Such change to the host institution will also trigger in specific context, such as for Taiwanese SMEs' entry to India.

Keywords: *Small and Medium Enterprises, Network Capability, Home-host Country Dyads, Entry Mode Choice, Performance.*

Introduction

Over the past decades, small and medium enterprises (SMEs) have increased their international activities as a method of boosting economic growth (Miesenböck, 2009). Meanwhile, acceleration of globalization and advancements in technology and communication have also generated more opportunities for SMEs to survive in global value chains (GVCs), resulting in a growing number of SMEs that have created mini-multinational enterprises (MNEs) to expand their business internationally (Solano Acosta, Herrero Crespo & Collado Agudo, 2018; Covin & Miller, 2014). In addition to applying the general theoretical perspective of international entry mode choice on SMEs, scholars have paid attention to their outward movement by considering their specific characteristics and contextual dimensions (Laufs & Schwens, 2014) and exploring new models specific to SMEs with further extension to their international performance.

Observing the specific characteristics of SMEs, scholars have previously concluded that as SMEs lack resources and are sensitive to uncertainty, their ownership structure may influence their foreign market entry mode choice as SME owners have a large say in its subsequent moves (Laufs & Schwens, 2014). Moreover, further assessments of contextual dimensions have been useful in determining the degree of SME-specific characteristics while identifying the gaps in the parallel current literature.

Studies have shown that prior international experience allows SMEs to opt for a higher commitment entry mode (Laufs & Schwens, 2014). As higher commitments are actually determined by means of cost, however, the question of how SMEs can leverage their entry mode to protect their asset specificity and diversify risks from different hosts is an interesting one. Social networks thus become more meaningful for SMEs to graft and exploit resources from their relationship partners, such as customers, suppliers, peers, or even competitors in the same business network or relevant networks. To date, knowledge is still limited about how SMEs employ social capital and their unique firm-specific advantage (FSA) in interaction with institutional challenges arising from the host country. Although these assets could be a critical determinate of an SME's success in its international performance, the literature as yet is still focused on a single aspect at a given time, without accessing the combined determinants of SMEs' entry mode choice and the effectiveness of their decision to evaluate their effect on SMEs' international performance in general and as yet inconclusive.

Therefore, the aim of this study is to analyze the factors of entry mode choice effectiveness on the international performance of SMEs while integrating the approaches of three main theories: transaction cost economies (TCE), network theory, and institutional theory, subject to the research approach suggested by Laufs and Schwens (2014). Furthermore, we apply a contextual dimension of home-host country dyads to examine a single home market, Taiwan, into various host countries. More than 95% of the 1.5 million firms in Taiwan are categorized as SMEs and together, these SMEs employ up to 80% of the Taiwanese work force. Taiwanese SMEs began emerging during the rapid start of industrialization in the 1960s, eventually formed industry clusters within the island of Taiwan and began entering international markets in the 1980s, and finally further accelerated Taiwan's foreign direct investment (FDI) to sustain its competitive advantage in the 2000s. In addition, thanks to trade liberalization, technological advances, and rising GVCs in recent years, easier cross-border coordination has been achieved such that the original Taiwanese SMEs and some newly emergent small and medium-sized digital firms are increasingly willing to consider entering foreign markets. As many Taiwanese firms are highly dependent on China due to their neighboring relationship with less psychic distance, the Taiwanese government sought to help local firms diversify by launching the New Southbound Policy in 2016 to assist Taiwanese firms in transferring or setting up their operational sites in Association of Southeast Asian Nations (ASEAN) member countries and South Asia. Likewise, seeing an opportunity in the current US-China trade war, these new emerging economies have also recently launched support programs for host markets to attract new FDI inflow. Moreover, Taiwan continues to increase its dependence on foreign trade with tight global connectedness with international markets from export and import perspectives. With such a broad domestic base of SMEs, Taiwan is therefore an appropriate subject for our study. In addition, we will investigate how SMEs use social capital to achieve a higher commitment and reduce perceived uncertainty to improve international performance.

Here, we begin our study with a literature review of TCE, network theory, and institutional theory, where we discuss the selected construct for explaining the theoretical basis and the associated hypotheses. We then study the interrelations between the proposed constructs as a complementary approach (Hakala, 2011) in order to propose a consolidated framework for the effectiveness of entry mode choice. Next, we detail the methodology with special attention to the available evidence for SMEs and follow with an explanation of measuring variables, information gathering, and the characteristics of the SME samples used. Afterwards, we review the results to ascertain the strength of the hypotheses relationship among the constructs in the proposed conceptual framework. Finally, we discuss theoretical and managerial implications from our study, its limitations, and future research directions.

Literature Review and Research Hypotheses

Determinants of SMEs' Effectiveness of Foreign Market Entry Mode Choice

To understand SMEs' effective foreign market entry mode choice, we first need to understand what types of organizational structures are involved when firms initially enter a host market. One of the basic distinctions is between equity (greenfield investment or merger & acquisition and joint ventures) and non-equity (licensing and export) entry modes as proposed by Pan and Tse (2000). While equity entry modes offer firms greater closeness to foreign markets and customers by leveraging resources to set up foreign operations, non-equity entry modes require less resources and provide more flexibility (Brouthers & Nakos, 2004) though may be lacking in foreign market closeness. As entry mode decisions are crucial for impending strategic decisions in foreign markets, these decisions also provide considerable performance implications.

We then need to address the resource disadvantages SMEs face compared to large MNEs, because the success of its foreign market entry mode choice depends on a firm's resource commitment to undertake control over foreign market activities (Anderson & Gatignon, 1986). A higher commitment in the foreign market entry mode allows an SME to internalize associated risks in the host market (Laufs & Schwens, 2014). In addition, the better employment of social capital helps an SME learn about host market conditions, facilitating its ability to overcome the challenges that arise from the host markets and increase its international commitment by one level (Prashantham, 2011). We therefore begin this study by investigating how SMEs complement their specific characteristics disadvantage by escalation of investment to achieve the effectiveness of entry mode choice through a literature review of TCE, network theory, and institutional theory for the key determinants. Furthermore, to re-confirm the relationship between SMEs' effectiveness of foreign market entry mode choice and the impact of this decision on the degree of reinforcement of SMEs' commitment to foreign market entry, we posit the research hypothesis below:

Hypothesis 1: SMEs' foreign market entry mode choice is positively associated with the degree of reinforcement of SMEs' commitment to foreign market entry.

TCE is currently one of the most widely used theoretical perspectives in the study of international entry mode choice (Brouthers & Hennart, 2007; Laufs & Schwens, 2014) as it guides the firm to choose the optimal corporate structure given that such a market-based mode can benefit from the scale of economies of the market place. It takes into consideration the costs of finding, negotiating, and monitoring and hence can control the influence of potential stakeholders on entry mode choice. In order to avoid unnecessary opportunistic behaviors with the associated investment risk, SMEs are willing to internalize their own asset specificity which represents higher commitment entry modes. While asset specificity for large MNEs encompasses a combination of complex business models and scale economies, the asset specificity of an SME is more difficult to imitate as it involves international entrepreneurship, which requires an integration of entrepreneurial and strategic thinking (Hitt et al., 2001). This approach further reforms or revolutionizes the pattern of production by exploiting a yet-to-explore technology for commercializing products or producing in a disruptive way. Furthermore, SMEs are by definition small compared to large MNEs, and hence they have more flexibility to tolerate the individual-specific resources proposed by entrepreneurs or generated by intrapreneurs that assemble the resources for venture (Alvarez & Busenitz, 2001). The perspective of international entrepreneurship has been further ascertained by Ripollés, Blesa and Monferrer (2012), who state that entrepreneurial orientation acts as an antecedent to the development of an international market orientation and is also a key aspect for International New Venture (INV)-type of SMEs to choose to involve a higher commitment of resources. When faced with external uncertainties arising from the host market environments and the associated psychic distance, SME's prior international experience becomes their TCE-based relationship (Laufs & Schwens, 2014). Such international experience dictates the ability of SMEs to further innovate and generate growth and market-specific knowledge for choosing an adequate entry mode (Pinho, 2007). Taken together, we conclude that international

entrepreneurship and international experience are essential factors in TCE-based SMEs' FSA to influence their commitment to foreign market entry mode choice according to the previously established theoretical rationale. We thus propose the following research hypothesis:

Hypothesis 2: TCE-based SMEs' FSA is positively associated with the degree of reinforcement of SMEs' commitment to foreign market entry.

Network theory describes a network relationship that not only limits the opportunistic behaviors of the network partners but further grants firms the ability to gain access to various resources held by other actors upstream and downstream of the business network relationship. In addition, it allows the firm to obtain complementary knowledge and resources from the environment through the creation of alliances and social ties for their applications in international markets. Indeed, network theory represents a dynamic capability that equips the firm to continue learning, building trust, and making commitments (Pyndt & Pedersen, 2006) such that it may spot opportunities and act quickly to capture business wins (Solano Acosta, Herrero Crespo & Collado Agudo, 2018). Several scholars have integrated network theory and the evolutionary concept of dynamic capability into the larger concept of network capability to manage the different abilities from various dimensions with other organizations and network partners. Walter, Auer, and Ritter (2006) have proposed four phases of network capability: coordination, relational skills, partner knowledge, and internal communication. Of these four, relational skills can be the most useful as they allow SMEs to connect the other three phases as a means to communicate, provide extroversion to participate in the network, and enhance their capacity for handling conflict, emotional stability, self-reflection, sense of justice, and cooperativity (Marshall, Goebel & Moncrief, 2003). Together with the dynamic change of business environment, a firm may be successful in its relationship commitment in more than one network as the insider (Johanson & Vahlne, 2009). Therefore, it is becoming increasingly important to determine whether an SME can rely on its network relationship to further expand to new networks which support the firm's agenda of resource-seeking or even leapfrogging to acquire knowledge about foreign businesses via strategic-asset seeking mode (Meyer & Thaijongrak, 2013). If an SME does not have a position in a relevant network, it will be viewed as an outsider, suffering the liability of outsidership and foreignness (Johanson & Vahlne, 2009). The SME might then not have alternative resources to supplement its own deficiencies, as it has no social capital or network relationship to leverage which might encourage it to embark on a higher commitment mode. According to this evidence, we propose the following research hypothesis:

Hypothesis 3: Network capability is positively associated with the degree of reinforcement of SMEs' commitment to foreign market entry.

Institutional theory describes the institutional environment that affects the firms' scope of actions, given that formal and informal institutions adopt certain patterns of behaviors from policy, legal, economic, and cultural dimensions (Peng, 2000). Legitimacy is paramount in determining whether the firm may survive its choice of foreign market entry mode (Chan & Makino, 2007). Several studies have revealed that most of the challenges which stress the resource base of a firm actually arise from the host market context, which particularly impact the foreign market entry mode choice of SMEs (Schwens, Eiche & Kabst, 2011). As SMEs are very sensitive to external uncertainties, they will try to respond to any detected institutional pressure from the home market by expanding to the international market earlier (Cheng & Yu, 2008). On the other hand, if the host market can create a friendly investment environment by promoting incentive programs (in the form of public subsidies, regulation relaxation, and tax-saving benefits) or launching infrastructure improvement projects (such as transportation, industrial parks, and support agencies in the domestic markets), the ability of SMEs to deal with the institutional challenges arising from the host markets is greatly improved (Brouthers & Nakos, 2004). Such favorable change of host institution can enable SMEs to overlook their limited resources and to lessen their concerns regarding the risk of host market conditions by increasing the degree of involvement and choosing a higher commitment mode accordingly. In addition, the reduction of host institutional uncertainty may also be associated with

proactive promotional activities conducted by the host market's government or by relying on contractual terms to deal with risks as opposed to informal and cognitive mechanisms (Lu et al., 2014). Based on the aforementioned analyses, we posit our fourth research hypothesis:

Hypothesis 4: Favorable change of host institution is positively associated with the degree of reinforcement of SMEs' commitment to foreign market entry.

Degree of reinforcement, perceived uncertainty, and international performance

To determine the SMEs' effectiveness of foreign market entry mode choice, we need to take into consideration the finding that SMEs are highly sensitive to external uncertainty (Laufs & Schwens, 2014). Given that rising protectionism and political, technological, and institutional environments of international markets all contribute to the unpredictability of the global business environment, these external challenges make it difficult for SMEs to find an appropriate entry mode to deal with host markets effectively or even to convert the entry mode choice into international performance. Because TCE-based FSA allow SMEs to utilize prior international experience and leverage their specific network relationship, opportunistic behavior in foreign market activities is expected to be controlled. Furthermore, the social capital that an SME has generated from its business network relationship also aids it in reducing external uncertainties associated as contractual hazards and further minimizes the barriers of internationalization (Prashantham, 2011). As such, we propose to use commitment and social capital to examine the impact on the degree of reinforcement of SMEs' foreign market entry mode choice and presume that the perceived uncertainties arising from the host markets can be controlled accordingly with the following research hypothesis:

Hypothesis 5: The higher degree of reinforcement is positively associated with the reduction of perceived uncertainty.

Nonetheless, TCE-based FSA enables SMEs to adopt prior international experience to reduce perceived uncertainty when entering foreign markets and network relationships and facilitate the success of SMEs by identifying new market opportunities and contributing to knowledge building (Chetty & Holm, 2000; Laufs & Schwens, 2014). While the interrelation between the SMEs' FSA and international performance has been established from various theoretical approaches, one critical finding has been that SMEs may obtain a competitive advantage to establish its abilities by managing relations with the value chains' partners (Solano Acosta, Herrero Crespo & Collado Agudo, 2018). Therefore, internationalization of SMEs is also viewed as an entrepreneurial process which constitutes an institutional and social network that provides the firms with information process capabilities to access capital, finance, technology, and human resource as well as other aspects. As such, further drawing from the framework of entrepreneurship theory, SMEs' specific network capability is positively associated with international performance (Walter, Auer & Ritter, 2006). We hence put forward the following research hypothesis based on this evidence and the theoretical rationale established previously:

Hypothesis 6: The reduction of perceived uncertainty is positively associated with the SMEs' improved international performance.

Out of several research efforts conducted in the area of international entry mode choice, several theoretical and context variables have been observed that include empirical evidence that international preparations have a positive association on the firms' performance (Brouthers, 2013; Makino & Neupert, 2000). The consideration given to international performance only began more than a decade ago, even though some studies have examined performance against different types of entry modes, such as wholly owned mode, joint ventures (JV), licensing, and export. As Shaver (1998) commented that international performance ignores the general characteristics of the entry mode choice decision, Brouthers (2013), in his award-winning paper, built upon the work to ascertain that entry mode choice does allow significantly improved performance according to the extended TCE model. This echoes previous findings that mode choice and

mode performance may be closely related by application of TCE to SMEs' entry mode choice (Brouthers & Nakos, 2004). Furthermore, such high commitment has been shown to improve the ability of SMEs to deal with institutional challenges arising from the host market (Brouthers & Nakos, 2004; Knight & Cavusgil, 2004). In other words, if the host institution becomes more environment- and investment-friendly, then it can become a pull factor to attract more SMEs. Lastly, network capability shares SMEs' risk with their partners by managing relations, where such competitive advantage can substitute the lack of resources and eliminate external uncertainty from host markets (Prashantham, 2011). According to this evidence, the performance of SMEs is presumed to be better given that they are able to be proactive in tolerating acceptable risk and be innovative in developing new strategies for different host market environments based on host markets' internal and external customers with specific asks and demands. Collectively, we take the abovementioned determinants as SMEs' effectiveness of foreign market entry mode choice. In addition, given that we have proposed to revisit the relationship between SMEs' foreign market entry mode choice and their degree of reinforcement under Hypothesis 1, here we simply posit the research hypothesis based on the previously detailed empirical evidence:

Hypothesis 7: The higher degree of reinforcement is positively associated with improved international performance of SMEs.

Through the literature review of TCE, network theory, and institutional theory as it applies to international entry mode choice, the research hypotheses we have proposed gives rise to an exploratory framework of the effect of TCE-based FSA, network capability, and favorable change of host institution as the determinants of SMEs' entry mode choice and their degree of reinforcement with further extension to exploit their relationship between perceived uncertainty and international performance according to the characteristics of SMEs. The conceptual framework is represented in Figure 1.

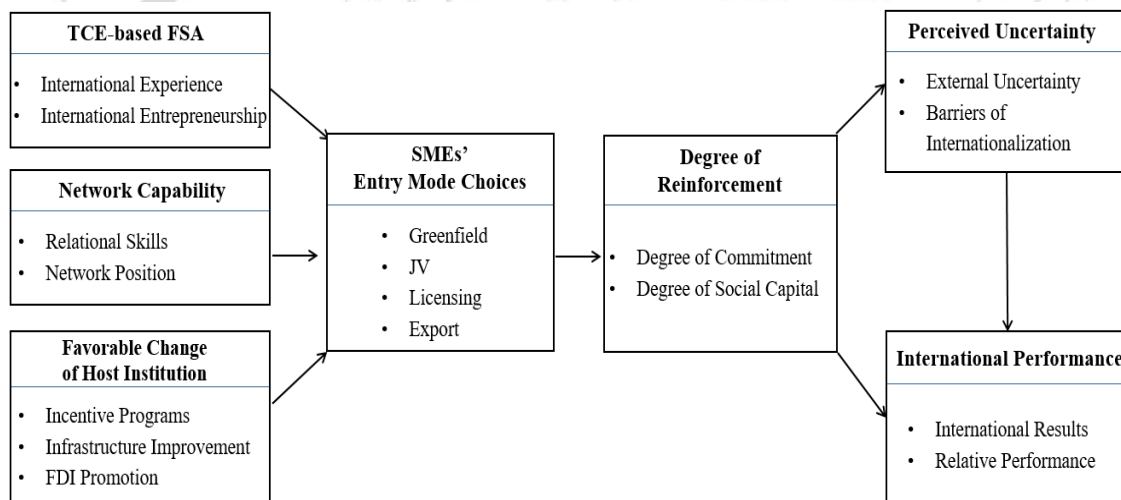


Figure 1 Conceptual framework

Research Method

Data collection

Our sample pool for this research consisted of SMEs headquartered in Taiwan with foreign investments as greenfield, JV, licensing, or export businesses to China, Vietnam, Indonesia, Singapore, or India. Taiwan is widely regarded as a country that relies heavily on SMEs for its business infrastructure. Together with the rise of emerging economies, Taiwanese SMEs have also harnessed GVCs to explore foreign market entry.

In addition to maximizing the leverage cost advantage of neighboring country China, Taiwanese SMEs are also explored other countries in the ASEAN since the 1980s and South Asia since the 2000s to seize opportunities when those host markets began implementing reform and open policies. The Taiwanese SMEs we selected for our research are representative of appropriate domains of study according to the registered list from the Small and Medium Enterprise Administration of the Ministry of Economic Affairs (MOEA) of Taiwan. Due to our lack of complete access to the updated census of SMEs, however, we decided to use a more convenient sampling approach by leveraging the Taiwanese government’s New Southbound Policy, such that we contacted firms that had participated in the 2019 Annual Southbound Summit on 30th May, organized by the Bureau of Foreign Trade of the MOEA and the Office of Trade Negotiations of the Executive Yuan of Taiwan (R.O.C.). Our data was obtained from a questionnaire survey given to owners and/or senior executives from each SME contacted, using electronic devices (tablets) or a scanning QR code to allow completion of the questionnaire survey online to facilitate the gathering of information. Out of 724 participants to the Summit, 242 valid surveys were obtained after eliminating non-SMEs (large corporates or MNEs), SMEs without overseas exposure, and responses with error inputs. Our final response rate was hence 33.4% and these 242 usable responses were used in the following analyses.

Questionnaire design and variables

In our survey, questions regarding each variable were designed according to previous studies on this topic or developed from concepts that are discussed in the existing literature as listed in Table 1. In addition, the questionnaire’s survey items were reviewed by two SME owners, one government officer each from the Small and Medium Enterprise Administration and the Bureau of Trade of the MOEA, and one professor from the field of International Business. We then conducted a pre-test using five subjects to finalize the questionnaire’s survey items in two languages, Mandarin and English. Lastly, we included a brief set of guidelines at the beginning of the questionnaire to ask respondents to answer survey items from the perspective of SMEs based on their most recent experience of foreign entry mode choice in the past three years rather than from their personal viewpoints in order to eliminate the risk of social desirability bias. All survey items were measured on a five-point Likert scale, ranging from 1 (disagree), 2 (somewhat disagree), 3 (neutral), 4 (somewhat agree), to 5 (agree).

Table1 Definitions and questions for each variable.

Variables		Definitions	Questions		References
SMEs (S)	Foreign Market Entry Mode Choices (S1)	It means the initial types of organization structure involved when a SME enter a foreign market.	S11	We enter a new foreign market in the form of greenfield.	Pan & Tse, 2000
			S12	We enter a new foreign market in the form of joint ventures.	
			S13	We enter a new foreign market through licensing	
			S14	We enter a new foreign market via export.	
Reinforceme nt (R)	Degree of Reinforcemen t (R1)	The higher degree of reinforcement is the escalation of investment allows SMEs to quickly learn about host market	R11	Our executives’ commitment to the new foreign market is high.	Anderson & Gatignon, 1986; Laufs et al., 2014; Prashantha
			R12	Our executives have shared vision to tolerate the foreign market risks.	

		conditions and overcome the associated risk with higher level commitment.	R13 R14	Our executives have good social connections in the new foreign market. Our executives leverage the social capital to evaluate the opportunities that entail some risk abroad.	m, 2011
TCE-based FSA (T)	International Experience (T1)	It refers to SMEs' capability to further generate growth and market-specific knowledge for an adequate entry mode.	T11 T12 T13	Our executives have experience to deal with business abroad. Our executives have regularly attended international trade fairs. Our executives have adopted suppliers and customers from the international markets.	Pinho, 2007
	International Entrepreneurship (T2)	Its entrepreneurship acts as antecedents to the development of an international market orientation.	T21 T22 T23	Our executives are very open to innovative forms in order to exploit opportunities in international markets. Our executives continue to seek new foreign markets and explore potential suppliers or customers abroad. Our executives believe that greater opportunity in the international markets than the one in the domestic markets.	Ripollés & Monferrer, 2012; Zhou et al., 2010
Network Capability (N)	Relational Skills (N1)	It is SMEs' crucial ability to connect in order to communicate, extroversion to participate the network and their capacities.	N11 N12 N13	We are available to build good personal relations with relevant business partners. We have feasibility to negotiate with the business partners. We can almost solve problems with business partners in constructive way	Marshall, Goebel & Moncrief, 2003; Walter & Ritter, 2006
	Network Position (N2)	It demonstrates SMEs' network relationship to bridge new network for seeking opportunities.	N21 N22 N23	We are an insider of the belonging networks. We learn about goals, capacities and strategies from the network partners. We are able to leverage the network for knowledge-seeking, resource-seeking or strategic asset-seeking.	Johanson et al., 2009; Meyer & Thaijongrak, 2013
Favorable Change of	Incentive Programs	It means host market	H11	The new foreign market we selected has public subsidy.	Brouthers et al., 2004;

Host Institution (H)	(H1)	government to proactively initiate friendly investment environment.	H12	The new foreign market we selected has tax-saving benefits.	Lu et al., 2014
			H13	The new foreign market we selected has relaxation on FDI regulation recently.	
Infrastructure Improvement (H2)		It helps SMEs can adapt quickly to the host market.	H21	The new foreign market we selected has supporting agencies to accommodate our initial business arrangement.	Brouters et al., 2004
			H22	The new foreign market we selected has industrial parks or clusters for our location choice of operation site/office.	
			H23	The new foreign market we selected has no concern on transportation.	
FDI Promotion (H3)		It is host market government's proactive promotional activities to attract FDI.	H31	We have attended the events with host market government's participants for FDI.	He et al., 2013; Lu et al., 2014
			H32	We have attended the events hosted by host market government with regard to FDI.	
			H33	Host market government has sent officers to visit our company in home/or host country.	
Perceived Uncertainty (P)	External Uncertainty (P1)	It refers SMEs are highly sensitive to external challenges arising from the global environment.	P11	We have concern about international markets' political and technological environment.	Laufs et al., 2014; Schwens, Eiche & Kabst, 2011
			P12	We have concern about host institutional environment.	
			P13	We have concern about trade war.	
Barriers of Internationalization (P2)		It means opportunistic behavior and contractual hazard in the foreign market activities	P21	We have concern about business partners in the selected foreign market.	Prashantha m, 2011
			P22	We know little about the rule of game in the selected foreign market.	
			P23	We have concern when signing contracts in the selected foreign market.	
International Performance (I)	International Result (I1)	It is related to a SMEs' competitive	I11	Share of wallet (percentage of total sales turnover) in the international market.	Knight & Cavusgil, 2004

	position in the international markets.	I12	Sales growth in the international market.	
		I13	Operating profits before tax in the international market.	
Relative Performance (I2)	It means SMEs' international performance compared to other its home market and competitors.	I21	Compared to your home market, return on investment from the international market.	Knight & Cavusgil, 2004
		I22	Compared to your main competitor, sales growth in the international market.	

Statistical Methods

Initially, we used one-way ANOVA to examine SMEs' foreign market entry mode choice and its relationship to the degree of reinforcement of SMEs' commitment to foreign market entry for Hypothesis 1. We then applied the structural equation modeling (SEM) method to evaluate the strength of the rest of hypotheses relationship among the constructs in this conceptual framework built upon the theoretical foundations and our proposed model. Such model construction consists of a two-stage process (Hoyle & Panter, 1995), where the measurement models are tested before testing the structural model.

Our study follows the general SEM formulation set, where the explicit variables x and y are defined as consisting of the model, $y = \alpha + By + \Gamma x + \zeta$. In this formula, y is a dependent variable (endogenous), x is an independent variable (exogenous), α is a dimensional parameter vector, and B is a parameter matrix of slopes for regressions of latent variables on the other latent variable. In addition, Γ is a slope parameter matrix for regressions of the latent variables on the independent variables, while ζ is a vector of residuals.

Furthermore, we tried another multinomial logistic regression to compare the choices of SMEs' entry mode (greenfield, JV, licensing and export) against the determinants of Hypothesis 2 (TCE-based FSA), Hypothesis 3 (Network Capability), and Hypothesis 4 (Favorable Change of Host Institution).

Lastly, we adopted additional binary logistic regression to explore the home-host country dyads and to test which determinants were most relevant for the effectiveness of entry mode choice in determining why the current host country was chosen by the Taiwanese SMEs and where they plan to go.

Results

Descriptive Statistics

Our empirical data were collected from questionnaire surveys to the Taiwanese SMEs who participated in 2019 Annual Southbound Summit. Table 2 presents descriptive statistics. Our survey collected 242 usable responses; 61.6% of the respondents were male, 38.4% were female; 27.8% of respondents were the owners and up to 70% of respondents were in their roles as senior executives in the SMEs' management team. Of the respondents, the types of industry were aligned with Small and Medium Enterprise Administration, MOEA of Taiwan as 66.9% from manufacturing (of which 47.9% were from industrial and 19.0% from the IT industry), 20.7% from wholesales & retail, 12.4% from services and other industries respectively.

Table 2 Descriptive characteristics.

Measure	Item	Frequency	%
Gender	Male	149	61.6
	Female	93	38.4
Age	30-40	40	16.5
	40-50	141	58.3
	50-60	46	19.0
	60 or older	15	6.2
Position	Owner	67	27.8
	Senior executive (family)	71	29.5
	Senior executive (non-family)	98	40.6
	Others	5	2.1
Firm size	1-50	67	27.7
	50-100	104	43.0
	100-200	71	29.3
Annual turnover	NTD 10-20 million	7	2.9
	NTD 20-50 million	20	8.3
	NTD 50-100 million	84	34.7
	NTD 100 million or above	131	54.1
Industry	Industrial manufacturing	116	47.9
	IT	46	19.0
	Wholesale & retail	50	20.7
	Service & others	30	12.4

One-way ANOVA

In order to reconfirm the relationship between SMEs’ foreign market entry mode choice and their degree of reinforcement regarding SMEs’ commitment, we ran a one-way ANOVA and obtained a significant F-statistic ($p < 0.001$). Table 3 contained the result of these analyses pertaining to Hypothesis 1 (SMEs’ foreign market entry mode choice is positively associated with the degree of reinforcement of SMEs’ commitment to foreign market entry). Out of the four major entry modes, the degree of reinforcement for greenfield ($M = 17.81$) was significantly higher than JV ($M = 14.55$), export ($M = 10.87$), and licensing ($M = 10.30$). In addition, JV was again significantly more effective than export and licensing, demonstrating that the equity modes (greenfield or JV) did drive better commitment for SMEs’ foreign expansion than the non-equity modes (export or licensing). Thus, we determined that SMEs’ selection of entry mode choice defines the degree of reinforcement about how SMEs are willing to get closer to foreign markets and customers by leveraging their own or networking resources to establish foreign operations.

Table 3 Result of one-way ANOVA.

Dependent Variable	SMEs' Entry Mode Choices	N	M	SD	F	Scheffe Post-hoc Test
Degree of Reinforcement	(1) Greenfield	72	17.81	1.33	168.10***	(1) > (2) > (3), (4)
	(2) JV	78	14.55	1.66		
	(3) Licensing	37	10.30	2.32		
	(4) Export	55	10.87	2.94		

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Confirmatory Factory Analysis and Validity

Though our study’s measures were developed based on previous literature on the related issues, we asked for expert feedback from government officers, SME owners, and a professor in academia, and then conducted confirmatory factory analysis (CFA) in order to confirm the validity of the proposed structural equation modeling (SEM)-based framework. Because the initial CFA test didn’t reach an ideal goodness-of-fit index (GFI), we adjusted this measurement model by deleting the questions without exceeding the acceptable factor loading of 0.50 (Hair et al., 2009) and the questions with relatively higher value of modification index (MI).

As shown in Table 4, the finalized measurement model revealed that all construct reliability of the latent variables of our study ranged from 0.81 to 0.94, surpassing the acceptable value of 0.70 (Hair et al., 2009). The average variance extracted for all variables, in the range of 0.52 to 0.79, also exceeded the benchmark of 0.50 (Fornell & Larcker, 1981). Taken together, we can confirm that the scale designed for this SEM-based model demonstrated acceptable convergent validity.

Table 4: Convergent validity.

Latent Variable	Observed Variables	Factor Loading	CR	AVE (%)
Degree of Reinforcement (R)	R11	0.87	0.93	0.76
	R12	0.90		
	R13	0.89		
	R14	0.84		
TCE-based FSA (T)	T11	0.74	0.81	0.52
	T12	0.67		
	T22	0.78		
	T23	0.70		
Network Capability (N)	N11	0.75	0.89	0.68
	N12	0.84		
	N21	0.86		
	N23	0.84		
Favorable Change of Host Institution (H)	H12	0.77	0.87	0.58
	H22	0.75		
	H31	0.67		
	H32	0.80		
Perceived Uncertainty (P)	H33	0.80	0.94	0.79
	P11	0.91		
	P12	0.94		
	P13	0.92		
International Performance (I)	P21	0.79	0.82	0.53
	I12	0.75		
	I13	0.75		
	I21	0.70		
	I22	0.71		

CR = construct reliability; AVE = average variance extracted Structural model

We started by testing the overall fit of path model in order to evaluate the correspondence of the observed inputs. Both GFI and normed fit index (NFI) were very close to the recommended cut-off value of 0.90, and the other fit indices also indicated reasonable fit values with no substantive differences as presented in

Table 5. Therefore, the path diagram for the proposed framework was sufficient to represent the entire set of the causal relationships.

Table 5: Fit indices for the structural model.

Fit Index	Recommended Cut-off Value	Values
Absolute fit index		
χ^2	-	510.13***
<i>Df</i>	-	266
Likelihood-Ratio χ^2/df	< 3	1.92
GFI	> 0.90	0.85
RMSEA	< 0.08	0.06
SRMR	< 0.08	0.05
Incremental fit index		
NFI	> 0.90	0.90
NNFI	> 0.90	0.94
CFI	> 0.90	0.95

GFI = goodness-of-fit index; RMSEA = root mean square error or approximation; SRMR = standardized root mean square residual; NFI = normed fit index; NNFI = non-normed fit index; CFI = comparative fit index
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Next, we examined the coefficients of the causal relationships between variables that validated the remaining hypotheses. Figure 2 demonstrated the coefficients of each variable and the estimated path coefficients and their significance in the structural model. While all of the path coefficients were greater than 0.05, it ascertained the appropriateness to examine the significance of the paths in association with the proposed variables.

The results stated in Figure 2 illustrate the determinants of SMEs' foreign market entry mode choice. Although the empirical results supported Hypothesis 2 (TCE-based SMEs' FSA is positively associated with the degree of reinforcement of SMEs' commitment to foreign market entry), our prediction was not supported by the path coefficient of -0.179 ($p > 0.05$); that is, it is not necessary for Taiwanese SMEs to have prior international experience to alleviate anxiety when exploring specific knowledge of the next foreign market with an adequate entry mode. Moreover, SMEs' entrepreneurial orientation is not a must-required antecedent to the development of international business by exploring new foreign markets. This can be explained by the fact that SMEs usually have more flexibility to respond quickly to capture new business opportunities regardless of capacities to cumulate international experience or international entrepreneurship to drive business growth to the next level, compared to large MNEs.

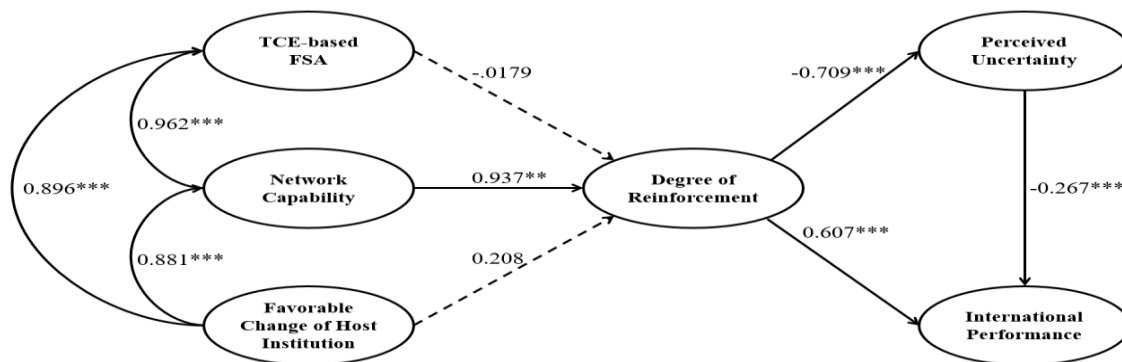


Figure 2 Result of structural model

In accordance with the path coefficient of 0.937 for network capability ($p < 0.01$), Hypothesis 3 (network capability is positively associated with the degree of reinforcement of SMEs' commitment to foreign market entry) is supported. Thus, network does provide SMEs the reason for internationalization. This further establishes the importance of network capability and the importance of relational skills to SMEs to build up connections with different business partners in multiple simultaneously progressing alliances. Moreover, it states the importance for SMEs to connect firms, entrepreneurs, and knowledge through network, to leverage network for overcoming entry barriers, and to bridge other business opportunities in another relevant network. It not only echoes the prior scholars' interpretation of SMEs from stage models of internationalization including both the Uppsala model and innovation-related model (Ruzzier, Hisrich & Antoncic, 2006) with the possibility of knowledge-seeking, resource-seeking, or even strategic asset-seeking, but also responds to the co-evolutionary trend of ecosystem to take all relevant stakeholders from open communities into consideration.

Contrary to our study's newly proposed construct of favorable change of host institution, our results yielded a path coefficient of 0.208 ($p > 0.05$) and hence did not support Hypothesis 4 (favorable change of host institution is positively associated with the degree of reinforcement of SMEs' commitment to foreign market entry). Prior scholars have placed much emphasis on the ability of host country's incentive programs and infrastructure improvements to help SMEs improve their ability to deal with host institutional challenges (Brouthers & Nakos, 2004). Nonetheless, in our study, this statistically insignificant result for Taiwanese SMEs could not explain our research derivative regarding the attempts of host country governments to promote policy relaxation. A further extension of our study's scale to SMEs in other countries or via other statistical methods may still be needed before we are able to reconfirm that proactive support programs do significantly reduce SMEs' concerns about the host institution (Lu et al., 2014).

Nonetheless, the empirical results of our study ascertain that there is correlation among the rest of the variables including degree of effectiveness, perceived uncertainty, and international performance, which further supports the last three hypotheses, Hypothesis 5 (the higher degree of reinforcement is positively associated with the reduction of perceived uncertainty) with the path coefficient presented as -0.709 ($p < 0.001$), Hypothesis 6 (the reduction of perceived uncertainty is positively associated with the SMEs' improved international performance) with a path coefficient of -0.267 ($p < 0.001$), and Hypothesis 7 (the higher degree of reinforcement is positively associated with improved international performance of SMEs) with path coefficient of 0.607 ($p < 0.001$). In accordance to such results, the degree of reinforcement of SMEs' commitment to foreign market entry does have a direct positive influence on SMEs' international performance. Indeed, their international performance is indirectly influenced by reducing perceived uncertainty. SMEs' foreign market entry mode choice does entail more uncertainty as compared to large MNEs with sufficient resources on hand. Perceived uncertainty increases perceived external uncertainties from the host market environment as well as global macro-economics, such as trade wars, which reduce SMEs' international performance. Apart from SMEs' own resource and capability, if SMEs have great accessibility of network capability to gain complementary international business strategy by employing social capital, SMEs will feel more confident in their dealings with foreign market entry mode choice. As a result, SMEs will increase their international performance by escalating of investment with higher levels of commitment for entry mode choice and leveraging their social capital for foreign market investments.

Logistic Regression

Given that SMEs can make impactful contributions to host markets, it is crucial to understand the determinants of SMEs' foreign market entry mode choice. In addition to the structural model, we then adopted another multinomial logistic regression to compare SMEs' determinants of entry mode and their choice of greenfield against the other entry modes as JV, licensing, and export, as listed in Table 6. Overall, network capability was one of the most important determinants which was highly significant when comparing greenfield against the entry mode of JV ($B = -3.18$, $p < 0.001$), licensing ($B = -3.84$, $p < 0.001$), and export ($B = -4.47$, $p < 0.001$). This result was aligned with our SEM-based approach to support

Hypothesis 3 (network capability is positively associated with the degree of reinforcement of SMEs' commitment to foreign market entry). Here, we further recognized that favorable change of host institution does matter when SMEs choose greenfield as the foreign market entry mode compared with other entry modes, such as licensing ($B = -3.39, p < 0.001$) and export ($B = -3.53, p < 0.001$). This could explain why host governments still continue investing in measures that drive friendly context of host institution, as it helps SMEs take higher commitments to establish greenfield in the host countries, increases entry mode choice effectiveness, and thereby reduces SMEs' sensitivity to the perceived uncertainty.

Table 6: Result of multinomial logistic regression from greenfield perspective.

Predictors	Greenfield (n=72)											
	JV (n=78)				Licensing (n=37)				Export (n=55)			
	B	S.E.	OR	P	B	S.E.	OR	p	B	S.E.	OR	p
Intercept	17.36	3.27		<0.001***	32.16	4.21		<0.001***	32.52	4.16		<0.001***
T	-0.07	0.62	0.93	0.906	-1.09	0.89	0.34	0.218	-0.43	0.86	0.65	0.614
N	-3.18	0.67	0.04	<0.001***	-3.84	0.94	0.02	<0.001***	-4.47	0.92	0.01	<0.001***
H	-0.83	0.62	0.44	0.178	-3.39	0.84	0.03	<0.001***	-3.53	0.82	0.03	<0.001***

B = regression coefficient; S.E. = standard errors; OR = odds ratio
T = TCE-based FSA; N = Network Capability; H = Favorable Change of Host Institution; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Moreover, to explore how Taiwanese SMEs react in terms of foreign market entry mode choices, we conducted additional binary logistic regression to examine the format of a single home country expanding to various host countries including the neighboring country China and the focal markets aided by the Taiwanese government's New Southbound Policy, such as Vietnam, Indonesia, Singapore and India. For the current host countries chosen by the Taiwanese SMEs, favorable change of host institution was the only positive significant determinant to Taiwanese SMEs' entering into India ($B = 0.62, p < 0.05$). Favorable change of host institution became the negative significant determinant to Taiwanese SMEs' entering into other countries in Asia ($B = -0.80, p < 0.01$) and in America ($B = -0.84, p < 0.01$), however. In order to enhance our understanding of how SMEs' sensitivity to the external challenges arise from the host countries, we further checked where the Taiwanese SMEs plan to go as their next focused country or area. We found that TCE-based FSA ($B = 1.80, p < 0.05$) are positively associated with Taiwanese SMEs' decision to enter other countries in the Asian region, but favorable change of host institution ($B = -1.52, p < 0.05$) is negatively associated with Taiwanese SMEs' determination to Asia.

In summary, the above tests revealed the importance of network capability as the essential determinant for Taiwanese SMEs' effectiveness of foreign market entry mode in eliminating their perceived uncertainty and achieving their international performance. Although the determinants of TCE-based FSA and favorable change of host institution were not significant, it was still sense-making to take an additional step in exploring how they interplay from the perspective of home-host country dyads.

Discussion

Theoretical Implications

Increased trade openness and liberalization have undoubtedly accelerated the internationalization of SMEs. While recent geopolitical unrest, nationalist sentiments, and trade wars have created uncertainties, these events encourage SMEs to leverage their belonging GVCs and serve to drive the development of unprecedented growth of new technology and disruptive innovation towards an industrial revolution. Such revolution has forced firms to redraw the boundaries away from their comfort zones between home market and host markets as well as between industrial networks. Given the current environment where SMEs are being forced to consider how to reposition themselves effectively, our study aptly provides an appropriate angle to examine the important constructs under entry mode choices with special attention to SMEs and

investigates the relationship of entry mode choice to perceived uncertainty and international performance. Though SMEs often lack resources, are sensitive to uncertainty, and place an emphasis on ownership structure, this study is a direct response to the follow-up call by Laufs and Schwens (2014) for scholars to investigate this important research subject. From the domain of SME research, our empirical study applies the most widely used theoretical perspectives in general research on the international entry mode of TCE, network theory, and institutional theory while taking SME-specific characteristics into consideration.

Here, we first reconfirm the statement that SMEs' entry mode choice assists them in reinforcing high commitments in international markets. In our study, we refer to this combining effect between degree of commitment and degree of social capital as "degree of reinforcement." Second, we examine the proposed factors for the effectiveness of entry mode choice – TCE-based FSA, network capability, and favorable change of host institution – and determine the relationship between network capability and the reduction of perceived uncertainty, where degree of reinforcement demonstrate a mediating effect for Taiwanese SMEs. This not only facilitates SMEs making higher commitments and leverages social capital to gain complementary resource and capabilities in foreign markets, but also assists in driving their international performance. Our empirical results could not provide evidence as to why prior scholars have mentioned that high commitment in entry mode choice allows SMEs to better utilize their TCE-based FSA or to leverage favorable change of host institution for alleviating concerns from the foreign market's formal and informal institutional environment. Nonetheless, our study still shapes a new standpoint on favorable change of host institution from home-host country dyads, given that it is applicable when Taiwanese SMEs' selection of the entry mode of greenfield other than the non-equity modes (export and licensing) and in the specific context of Taiwanese SMEs' investment in India.

Taken together, we find that opportunities for initiating and sustaining the international performance of Taiwanese SMEs is reliant on network capability, which also echoes why they are identified with the characteristics of resource dependency on supply networks and value chains (Surdu, Mellahi & Glaister, 2018). Network itself not only provides SMEs reason for internationalization, but it further helps SMEs to connect global buyers, suppliers, and entrepreneurs as well as the required knowledge through the network (Ruzzier, Hisrich & Antoncic, 2006). In other words, the lack of resources can be compensated by the network to help them acquire resources and create knowledge from the business network relationship, so as to re-position under GVCs. In addition, SMEs could also obtain legitimacy efficiently in dealing with the host institutional challenges by leveraging network partners to overcome entry barriers. As such, network capability itself can bridge the needed capability of SMEs from the perspective of TCE and alleviate SMEs' concerns to adapt themselves to deal with different institutional challenges and to diversify risk by operating in multiple international markets. Eventually, challenges arising from the host markets would no longer be a concern and could help SMEs make high commitments and establish the right to do business in international markets.

Managerial Implications

Our study makes several contributions to the field of international entry strategy. First, this research enhances our understanding of the theoretical foundations of the evolutionary state of SME foreign market entry mode choice research. Based on our literature review and empirical study on the selected construction, we also formed a conceptual framework in order to integrate the antecedents and consequences of an SME's choice of entry mode. This method allowed us to determine the significance level of the combined effects. In addition to the combined effects as valid determinants of SMEs' effectiveness of foreign market entry mode choice, we found network capability to be one of the most critical determinants that allow SMEs' confidence to aim for a higher level of commitment in host markets with actual involvement of fixed assets and investments. By leveraging their social networks along the GVCs, SMEs are also able to bridge new networks in the host markets to seek business opportunities. By employing social capital, SMEs can maintain constant interactions with various counterparties in the host markets to acquire needed resources and the capability for risk evaluation, location choice, and local

adaptation. While TCE-based SMEs' FSA and favorable change of host institution do not demonstrate similar levels of significance in our proposed SEM-based model, this can be explained by Taiwanese SMEs' high dependence on their business network partners and their embeddedness with the GVCs for capturing business opportunities. Both factors inside and outside of the firm, however, are still important to energize the next move of SMEs for foreign investment. Therefore, we would like to call for a future line of study to apply this consolidated framework to SMEs from other home countries.

Second, this study contributes to our understanding of international business and the real business world by taking the home-host country dyads into consideration. As a country-level study, our findings enhance our understanding that several Taiwanese SMEs already expanded foreign operations from the neighboring country of China to other ASEAN countries, even before the US-China trade war. This is in large part due to the aggressive launch of the home market government of Taiwan's New Southbound Policy in 2016 to promote investments in ASEAN and South Asia with several supporting programs to bridge Taiwanese SMEs together with each host market. Our data also determined that favorable change of host institution does attract the attention of SMEs for more investments in India. Though India has been deemed as one of the fastest growing countries in the world demonstrated by more than 7% GDP growth rate, Taiwanese SMEs continue facing distinct liability of foreignness and psychic distance when considering investments in India, due to the fear of incremental costs from unfamiliarity with the host country. Following the "Make in India" initiative launched by the Indian government in 2014, the host market governments have also demonstrated their sincerity to proactively engaging Taiwanese SMEs – our results indicate that it is particularly influential for host market governments, such as India, to visit those firms directly rather than only having discussions at trade fairs. In addition, we were surprised to find that no significant association between TCE-based SMEs' FSA and network capability to the rest of the studied countries, including China, Vietnam, Indonesia, and Singapore. One of the key reasons for this is that several large MNEs and SMEs from Taiwan have been in these markets for more than several decades and now have complete value chains and distributed networks established in China across almost all industries, thereby making it easier for Taiwanese SMEs to view it as the priority foreign market for investment.

As a regional-level study, our results do not specifically echo prior scholars' research which found that network capability does play a crucial role for foreign investment in Asia, including Greater China, and ASEAN (Ling, Ibbs & Chew, 2008). By contrast, Taiwanese SMEs' current operations in Asian and American regions do not require favorable change of host institution. This can be explained by many SMEs starting as contract manufacturers (CM) and original equipment manufacturers (OEM) for America or Asia-based global buyers, such as Apple, Nike, Samsung or Huawei supply chains. Hence, their foreign operations were already set up to support the demand and supply accordingly. Interestingly, our results show that with regard to Taiwanese SMEs' next stop of foreign expansion, there is more willingness to follow their TCE-based FSA to decide the entry mode based on their prior international experience in Asian region.

Third, the results obtained from our empirical study offer practical implications for the management of SMEs' internationalization. From the standpoint of the owners and family-owned senior executives, it evinces the importance of generating a management philosophy to continue the development of network relationships with other GVC partners by upgrading their relationship skills to connect the required resources and capability and to bridge new networks by re-assessing their network position in order to seize the business opportunity at first place. Accordingly, it is essential to promote a corporate culture that embraces innovation and risk-taking with tolerance for failure within the firm and to encourage those non-family executives and professionals to proactively seek new business opportunities from international markets. Furthermore, the owners of SMEs should alter their current top-down mindset and empower foreign managers to make decisions and manage uncertainty when dealing with the dynamic change of business environment under host markets. By doing so, the senior executives can welcome experimenting, support novel ideas, and enter new markets by collaboration with new counterparties. Notably, SMEs must develop their network capability in both domestic and international markets. This entails not only direct

links to strengthen knowledge from the network partners and their activities, but also leverages connectivity channels to enhance further coordination and upgrade the relational skills of SMEs' executives so as to create an internal communication mechanism across all departments within the SMEs.

Limitations and Future Directions

This study is not without limitations. The data we used for our empirical research was collected from participants in a single trade fair event, the 2019 Annual Southbound Summit in Taiwan, thus likely limiting the representativeness of our findings. Moreover, this study is based on surveys given to the owners and senior executives of SMEs which could potentially lead to common method bias, a problem that is commonly seen in research on SMEs (Mackenzie & Podsakoff, 2012). This study investigated the relationship of SMEs' commitment to foreign market entry between degree of reinforcement and perceived uncertainty and its impact on international performance. Future studies might further explore other mediating effects in between or other exploratory variables. While our study only ascertained network capability as the major determinant for Taiwanese SMEs' effectiveness of foreign market entry mode choice, future lines of research should ideally seek to replicate this study in other countries with global connectedness that rely highly on SMEs, such as Mexico, Malaysia, Netherlands, and Israel. Such studies will help to confirm the validity of our proposed determinants of TCE-based FSA, network capability, and favorable change of host institution in driving the effectiveness of SMEs' entry mode choice, so that the findings can be generalized. Finally, it would be meaningful to further apply our consolidated framework by examining specific types of SMEs, such as Born Globals, digital SMEs, or i-business in the digital era.

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Appendices

Appendix 1 Result of multinomial logistic regression from export perspective.

Predictors	Export (n=55)							
	JV (n=78)				Licensing (n=37)			
	B	SE	OR	p	B	SE	OR	p
Intercept	-15.2	2.53		<0.001***	-0.35	1.76		0.841
T	0.36	0.66	1.43	0.587	-0.66	0.59	0.5	0.267
N	1.29	0.67	3.63	0.055	0.63	0.58	1.87	0.283
H	2.7	0.58	14.93	<0.001***	0.14	0.46	1.15	0.76

B = regression coefficient; S.E. = standard errors; OR = odds ratio
T = TCE-based FSA; N = Network Capability; H = Favorable Change of Host Institution; *p <0.05, **p<0.01, ***p<0.001

Appendix 2 Result of multinomial logistic regression from JV perspective.

Predictors	JV (n=78)			
	Licensing (n=37)			
	B	SE	OR	p
Intercept	14.8	2.62		<0.001***
T	-1.02	0.70	0.36	0.146
N	-0.66	0.70	0.52	0.343
H	-2.56	0.61	0.08	<0.001***

B = regression coefficient; S.E. = standard errors; OR = odds ratio
T = TCE-based FSA; N = Network Capability; H = Favorable Change of Host Institution; *p <0.05, **p<0.01, ***p<0.001

Appendix 3 Result of binary logistic regression for the current host countries by Taiwanese SMEs.

Dependent Variable/ Independent Variable	<i>B</i>	S.E.	OR (95% CI)	<i>p</i>
China				
TCE-based FSA	0.34	0.37	1.40 (0.67 - 2.92)	0.368
Network Capability	0.60	0.33	1.83 (0.95 - 3.51)	0.069
Favorable Change of Host Institution	-0.31	0.28	0.74 (0.42 - 1.28)	0.279
Vietnam				
TCE-based FSA	0.17	0.40	1.18 (0.54 - 2.59)	0.675
Network Capability	0.27	0.36	1.31 (0.65 - 2.63)	0.455
Favorable Change of Host Institution	0.16	0.30	1.18 (0.65 - 2.12)	0.585
Indonesia				
TCE-based FSA	-0.11	0.37	0.89 (0.43 - 1.85)	0.763
Network Capability	-0.10	0.33	0.90 (0.47 - 1.72)	0.754
Favorable Change of Host Institution	-0.47	0.28	1.61 (0.92 - 2.79)	0.094
Singapore				
TCE-based FSA	0.17	0.38	1.19 (0.56 - 2.51)	0.650
Network Capability	-0.19	0.34	0.83 (0.43 - 1.61)	0.581
Favorable Change of Host Institution	-0.38	0.90	0.69 (0.39 - 1.20)	0.189
India				
TCE-based FSA	0.14	0.38	1.15 (0.55 - 2.41)	0.708
Network Capability	-0.49	0.33	0.61 (0.32 - 1.18)	0.142
Favorable Change of Host Institution	0.62	0.29	1.85 (1.05 - 3.26)	0.33*
Asia				
TCE-based FSA	0.21	0.39	1.23 (0.58 - 2.64)	0.591
Network Capability	-0.01	0.35	0.99 (0.50 - 1.94)	0.968
Favorable Change of Host Institution	-0.08	0.30	0.45 (0.25 - 0.81)	0.007*
America				
TCE-based FSA	-0.36	0.41	0.70 (0.31 - 1.56)	0.382
Network Capability	0.60	0.37	1.82 (0.88 - 3.78)	0.108
Favorable Change of Host Institution	-0.84	0.32	0.43 (0.23 - 0.81)	0.008*
Europe				
TCE-based FSA	-0.65	0.39	0.52 (0.24 - 1.11)	0.091
Network Capability	0.18	0.34	1.20 (0.61 - 2.35)	0.601
Favorable Change of Host Institution	-0.26	0.29	0.77 (0.44 - 1.36)	0.368

B = regression coefficient; S.E. = standard errors; OR = odds ratio

p* < 0.05, *p* < 0.01, ****p* < 0.001

Appendix 4 Result of binary logistic regression for the future host country by Taiwanese SMEs.

Dependent Variable/ Independent Variable	<i>B</i>	S.E.	OR (95% CI)	<i>P</i>
China				
TCE-based FSA	-0.52	0.49	0.59 (0.23 - 1.57)	0.292
Network Capability	-0.02	0.44	0.98 (0.41 - 2.30)	0.955
Favorable Change of Host Institution	0.48	0.38	1.62 (0.78 - 3.38)	0.198
Vietnam				
TCE-based FSA	-0.33	0.41	0.72 (0.33 - 1.60)	0.423
Network Capability	0.34	0.36	1.40 (0.69 - 2.83)	0.347
Favorable Change of Host Institution	0.24	0.31	1.27 (0.70 - 2.32)	0.434
Indonesia				
TCE-based FSA	0.27	0.46	1.31 (0.53 - 3.23)	0.558
Network Capability	-0.11	0.40	0.90 (0.41 - 1.97)	0.786
Favorable Change of Host Institution	0.06	0.34	1.06 (0.54 - 2.09)	0.864
Singapore				
TCE-based FSA	0.41	0.52	1.51 (0.54 - 4.23)	0.430
Network Capability	-0.32	0.46	0.73 (0.29 - 1.80)	0.489
Favorable Change of Host Institution	-0.53	0.39	0.59 (0.27 - 1.27)	0.174
India				
TCE-based FSA	0.34	0.55	1.41 (0.48 - 4.10)	0.530
Network Capability	-0.70	0.47	0.50 (0.20 - 1.26)	0.139
Favorable Change of Host Institution	0.74	0.41	2.09 (0.93 - 4.70)	0.074
Asia				
TCE-based FSA	1.80	0.92	6.04 (1.00 - 36.39)	0.050*
Network Capability	-0.12	0.76	0.88 (0.20 - 3.88)	0.869
Favorable Change of Host Institution	-1.52	0.70	0.22 (0.06 - 0.86)	0.029*
America				
TCE-based FSA	-1.04	0.84	0.35 (0.07 - 1.82)	0.214
Network Capability	1.19	0.78	3.28 (0.71 - 15.23)	0.129
Favorable Change of Host Institution	0.02	0.66	1.02 (0.28 - 3.73)	0.976
Europe				
TCE-based FSA	0.04	0.71	1.04 (0.26 - 4.17)	0.951
Network Capability	0.66	0.63	1.93 (0.56 - 6.70)	0.299
Favorable Change of Host Institution	-1.03	0.54	0.36 (0.12 - 1.04)	0.059

B = regression coefficient; S.E. = standard errors; OR = odds ratio
p* < 0.05, *p* < 0.01, ****p* < 0.001