

A model of entrepreneurial internationalisation in uncertain foreign environments: Smaller firms and the global niche strategy

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PAPER SUPPLEMENTARY MATERIALS

A. QUESTIONNAIRE

Q1 Who should complete the questionnaire? The person who will respond to the questionnaire should be someone who has decision-making power in the company (e.g. CEO or managing director, owner, general manager, an area manager) and knows the history of the company's internationalisation and/or its future plans for approaching foreign markets. In answering the questions, please think about your company's future internationalisation plans, and, more specifically, the strategies the firm will use to cope with complex and/or uncertain overseas environments.

Number of employees (1)

Turnover in 2013 in millions of AUD (2)

Year of establishment (3)

Year of the first international activity (if your firm is not internationalised yet, select 0) (4)

% of Foreign sales/Total sales in 2013 (5)

Industry (6)

Products (7)

Services (if any) (8)

Q2 Is your firm a family business?

Yes (1)

No (2)

Q3 Tick whether your company is private or public.

Private (1)

Public (2)

If Public Is Selected, then skip to the next question to tick whether your company is listed on the stock exchange

Q3a Tick whether your company is listed on the stock exchange or not.

Listed (1)

Not listed (2)

Q4 Were you partially or wholly responsible for your firm's internationalisation in the past?

Yes (1)

No (2)

Q5 Will you be partially or wholly responsible for your firm's internationalisation plans in the future?

Yes (1)

No (2)

Q6 Section 2: Uncertainty in the process of internationalisation As a decision maker for the future internationalisation plans of your firm, uncertainty in the process of internationalisation means that: (rate the following statements on a scale where 1=strongly disagree; 5=strongly agree)

	1 Strongly disagree (1)	2 (2)	3 (3)	4 (4)	5 Strongly agree (5)
I cannot predict some of the characteristics of the market (1)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I cannot predict the alternative outcomes that might arise as I approach the market (2)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q7 Nominate the 2 most uncertain countries your firm plans to enter in the future. (FROM NOW ON WE WILL REFER TO THESE COUNTRIES as YOUR TARGET COUNTRIES).

Country 1 (1)

Country 2 (2)

Q8 List the 3 most prominent sources of concern your firm will face in approaching these target countries.

Source 1 (1)

Source 2 (3)

Source 3 (4)

Q9 Rate the relevance of the above sources of concern on a scale where 1 = the source involves low risk, and 4 = the source involves high uncertainty. For each source, 1, 2, and 3, tick just one box.

	1. Low risk (1)	2. High risk (2)	3. Low uncertainty (3)	4. High uncertainty (4)
Source 1 (1)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Source 2 (2)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Source 3 (3)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q10 Section 3: Strategies to cope with uncertainty. Please think about the two target countries you originally nominated. In this section we would like you to rate which of the following strategy/ies your firm will pursue in order to cope with uncertainty in approaching those target countries. Rate your agreement with each strategy on a scale where 1=strongly disagree, 5=strongly agree.

Seek more information (1)

Do not increase the amount of information (2)

Integrate backwards and/or forwards in the value chain (3)

Engage in governmental lobbies (4)

Increase flexibility (5)

Increase the ability to predict market characteristics (6)

Concentrate production in successful lines (7)

Adapt to the foreign environment (8)

Do nothing, because uncertainty is a source of opportunities (9)

Take time to analyse the environment, postponing entering markets (10)

- Follow the moves made by the leader firm in my industry (11)
- Partner with local firms in foreign markets (12)
- Network with local firms in foreign markets (13)
- Rely on local personal contacts (14)
- Rely on local distributors (15)

Q11 Control of technology. We would like you to think about the process of internationalisation in your target countries. Rate the following statements on a scale where 1=strongly disagree, 5=strongly agree.

We will keep production processes at home without relying on external providers or alliances with other firms in our home country (1)

We will keep production processes at home as a deliberate decision overriding cost-efficient advantages in relocating production abroad (2)

The two above allow us to carry out better industrial processes and component performance (3)

Q12 Control of superior manufacturing and technological capabilities. We would like you to think about the process of internationalisation in your target countries. Rate how your managerial action is oriented towards understanding and reducing sources of unwanted instability in:

1. Constantly applying technology excellently (1)

2. Constantly improving production processes (2)

3. Appointing highly qualified human resources (3)

4. Accumulating expertise in managing process and tacit-know how (4)

5. Monitoring customers' needs and developing technological improvements (5)

Q13 Rate your company's performance in foreign operations for each of the following items on a 5-point scale where 1 = your firm rates amongst the lowest 20% of firms in your industry, and 5 = your firm rates amongst the top 20% of firms in your industry.

1. We apply technology excellently (1)

2. We constantly and continuously improve production processes (2)

3. We employ highly qualified human resources (3)

4. We accumulate expertise in managing processes and know-how (4)

5. We monitor customers' needs and, if they change, we develop technological improvements accordingly (5)

Q14 Now we want you to think to what extent your managerial action is oriented toward retaining production processes in your home country in order to maintain better control over the previous 5 items in Q21 (1 = strongly disagree; 5 = strongly agree)

Overall, how much do you think the above 5 factors are important to achieve competitive advantage in your home country? (1)

Overall, how much do you think the above 5 factors are important to achieve competitive advantage in approaching the targeted countries you nominated? (2)

Q15 Concentrating on global clients. We would like you to think about the process of internationalisation in your target countries. Please rate the extent to which your strategy:

Consists in planning in advance which countries to enter based on country-characteristics such as culture, institutions, geographic distance (1)

Focuses on customers that show the same characteristics globally, regardless of their home country (2)

Consists in prioritising countries where there are customers with similar characteristics (3)

- Q16 Creation of market spaces. Rate whether the following statements describe your business in the domestic market (1 = strongly disagree; 5 = strongly agree).
The product is unique compared to our competitors' products (1)
Our product has a higher quality than competing products/services (2)
- Q17 Now think about your product/service and rate the following statements (1 = strongly disagree; 5 = strongly agree):
Our product's technology is constantly refined, both in terms of performance and design (1)
Over time we have been developing a number of related niche businesses that are connected to our technology and competencies (2)
- Q18 Now think about the internationalisation process (1 = strongly disagree; 5 = strongly agree).
Overall, how much do you think the above 4 factors in Q23/24 are important for a competitive advantage in entering these markets (1)
- Q19 Section 4: International performance. Rate your company's performance in its foreign operations for each of the following 4 items on a 5-point scale where 1 = your firm rates amongst the lowest 20% of firms present in your industry, and 5 = your firm rates amongst the top 20% of firms in your industry.
Return on assets (1)
Net profit margins (2)
Return on sales (3)
Return on investment (4)

PAPER SUPPLEMENTARY MATERIALS

B. Operationalisation of key variables

- *GNS strategy*. We operationalised the GNS strategy by splitting it into three sections, according to H1a (control of technology), H1b (control of superior manufacturing capabilities), and H1c (concentrating on horizontal micro-segment of customers), and H1d (creation of market spaces and unique product/services to offer).
 - *Control of technology (CTECH)*: Control of technology is operationalised by employing two different elements: (i) vertical integration of processes (i.e. insourcing); and (ii) geographical concentration (in-shoring). We used a 5-point Likert scale asking the respondent to rate the extent to which his/her company, in the process of entering prospective uncertain markets:
 - Will retain production processes in the home country without relying on external providers or alliances with other firms in the home country.
 - Will retain production process in the home market as a deliberate decision overriding cost-efficient advantages in relocating production abroad.
 - The two above allow us to carry out better industrial processes and component performance.
 - *Control of superior technological and manufacturing capabilities (CAPAI)*. First, we employed a 5-point Likert-scale asking the respondent to think about the process of internationalisation in the target countries and rate how her/his managerial action is oriented towards understanding and reducing sources of unwanted stability in:
 - Constantly applying technology excellently.
 - Constantly improving production processes.
 - Appointing highly qualified human resources.
 - Accumulating expertise in managing process and tacit know-how.

- Monitoring customers' needs and developing technological improvements. Second, we employed a 5-point Likert-scale in comparison to the lowest 20% of firms in the industry, and the top 20% of firms in the industry [Pisano (1996) argues that capabilities are activities that a firm can do better than its competitors] (CAPA2).
- We apply technology with excellence.
- We constantly and continuously improve production processes.
- We employ highly qualified human resources.
- We accumulate expertise in managing processes and tacit know-how.
- Customers' needs are constantly monitored to develop technological improvements.
 - *Concentration on horizontal micro-segments of clients (HORCLI)*. This variable was operationalised through a 5-point Likert-scale assessing the degree of agreement on the three following items.
Please indicate the extent to which your strategy:
 - Consists in planning in advance which countries to enter based on country-characteristics such as culture, institutions, geographic distance.
 - Focuses on customers that share the same characteristics globally, regardless of their home country.
 - Consists in prioritising countries where there are customers with similar characteristics.
 - *Creation of market spaces and unique products/services (NICHEPR)*. We split this variable into two in order to measure the extent of a deep niche strategy and the extent of the creation of *portfolio of niches* (i.e. *widening niche strategy*):
 - *DEEPNICHE*: Indicate how characteristic each of the following statements is in describing your product both in the domestic market and the foreign uncertain markets you have mentioned:
 - o The quality of our product is unique compared to competitors' products.
 - o Our product has a higher quality than competing products/services.
 - o Thanks to our product's uniqueness we face little competition.
 - *WIDENICHE* Indicate how characteristic each of the following statements is in describing your product/services offer:
 - o Our product's technology is constantly refined both in terms of performance and design.
 - o Over time we have been developing a number of related niche businesses that are connected to our technological platform and competencies.
 - *Competition perception (BLUE1)*. In Q22 we used a 5-point Likert scale asking the degree of agreement on the following factors:
 - Overall, how much do you think the above 5 factors (i.e. those mentioned in the previous question) are important to achieve competitive advantage in your home country?
 - Overall, how much do you think the above 5 factors are important to achieve competitive advantage in approaching the targeted countries you nominated?
 - *Competition perception (BLUE2)*. In Q26 we ask to think about internationalisation and rate the degree of agreement on a 5-point Likert scale in relation to the following items:
 - Overall, how much do you think the above 4 factors in Q23-24 are important for a competitive advantage in entering these markets?
 - *Firm internationalisation performance (PERFINT)*. We used a measure of the firm's performance in internationalisation based on previous studies (Carpano, Chrisman, & Roth, 1994; Zahra & Garvis, 2000). Following the literature (ibid), a firm's profitability in international operations is measured based on four items (return on assets, net profit margins, return on sales, and return on investment) with a 5-point scale. Executives rate their company's foreign operations in relation to those of other companies in their industry (1 = lowest 20% in the industry versus 5 = top 20% in the industry).

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