

## **From Export Entry to De-internationalisation through Entrepreneurial Attributes**

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## Abstract

**Purpose:** This study examines export behaviour from a broad perspective considering the influence of entrepreneurial attributes on export entry, export sustainability and de-internationalisation in Romanian small and medium-sized enterprises (SMEs).

**Design/methodology/approach:** Based on theoretical underpinnings from the Resource-Based View (RBV) of the firm and the Institutional Economics (IE) framework, the proposed hypotheses are tested with a rich survey dataset of 319 Romanian SMEs. The data are analysed by means of a multinomial logit regression.

**Findings:** The study reveals that exporting is not a single event and that variables commonly used to study export propensity linked to the entrepreneurial attributes have a differential influence over the export decisions. More concretely, export entry is positively impacted by the presence of management studies and an entrepreneurial team while sustainment in the international arena is strongly and positively influenced by decision-makers' prior labour experience. De-internationalisation is explained by the entrepreneurs' fear of business failure. The conclusions of this study point towards a holistic view of export policy-making revealing relevant implications for SMEs' internationalisation.

**Originality/value:** This study enriches the international business literature by simultaneously examining different export decisions, namely export initiation, sustainability and de-internationalisation, at the SMEs' level in a Central and Eastern European (CEE) emerging market. The paper also highlights the dynamic character of entrepreneurial resources and suggests that at distinct stages in the international development of a SME, different entrepreneurial attributes may play a significant role.

**Keywords:** Export entry, export sustainability, de-internationalisation, entrepreneurial attributes; SMEs.

**Paper type:** Research paper

# **From Export Entry to De-internationalisation through Entrepreneurial Attributes**

## **1. Introduction**

This study analyses export behaviour from a comprehensive perspective by examining the entrepreneurial factors that influence international entry, sustainability and de-internationalisation of small and medium-sized enterprises (SMEs). The justification of this research is based on the growing interest of academics and policy makers in SMEs' international strategy and the potential benefits derived from internationalisation in terms of market competition, employment and technology implementation (European Commission, 2010, 2011; Manolova *et al.*, 2010; Fletcher and Prashantham, 2011; Lamb *et al.*, 2011; Prashantham, 2011). Although SMEs increasingly engage in higher-commitment entry modes (Dimitratos *et al.*, 2010; Prashantham, 2011), exporting remains the most common mechanism chosen by SMEs to enter in international markets (Morgan *et al.*, 2012). Exporting is especially appealing to SMEs as it represents a lower-commitment entry mode and therefore, the economic cost and risk borne by the entrepreneur are lower compared to alternative foreign entry modes.

Internationally active SMEs in the European Union (EU) show significantly higher average returns and employment levels, as well as greater innovation rates compared to their non-internationalised counterparts (European Commission, 2010). It is thus fundamental for Europe to increase the capacity and effective internationalisation of SMEs (European Commission, 2011).

Although previous research demonstrates that exporting is a valid mechanism to improve SMEs' performance, these companies generally have limited resources and capabilities at their disposal and this diminishes their capacity of getting involved in and sustaining export operations (Manolova *et al.*, 2010). To date, most research tends to analyse exporting from a static perspective focusing mainly on export propensity and/or export performance (Leonidou *et al.*, 1998; Manolova *et al.*, 2002; Sousa *et al.*, 2008; Wheeler *et al.*, 2008).

But do these arguments imply that export-based internationalisation is a sustainable strategy for SMEs? Is the decision to export and its continuity linked to the presence of specific factors that condition the different export-based internationalisation choices? Yet, given the complexity and increased dynamism of the international

business environment entrepreneurs may perceive that their already existing export operations do not represent a viable and profitable strategy anymore. In this scenario incentives to withdraw from foreign operations rise and the exit from international markets can become the desired objective.

For the empirical analysis, we use a rich dataset of Romanian SMEs for the year 2008. While existing evidence suggests that Central and Eastern European (CEE) based small firms started venturing in the international arena (e.g.: Ruzzier *et al.*, 2007; Malo and Norus, 2009; Manolova *et al.*, 2010; Miocevic and Crnjak-Karanovic, 2011), most of the limited existent literature on emerging market companies is centred on the analysis of the international behaviour of large multinationals (Yamakawa *et al.*, 2008). International business and marketing scholars highlighted the internationalisation of small firms from emerging economies as a fruitful research avenue (Manolova *et al.*, 2010; Zou and Ghauri, 2010).

In particular, our data allowed us to distinguish between firms that have exported since 2006 or started exporting in 2008 and SMEs that stopped exporting in 2008. The Romanian context is attractive since this CEE country has undergone a profound restructuring process that led to a radical shift from a centrally planned towards a market-oriented economy. One of the most important challenges faced by Romania relates to the development of competitive SMEs (Smallbone and Rogut, 2005). This is especially evident when looking at the international performance of Romanian SMEs. The statistics made available by the European Commission (2010) indicate that 18% of Romanian SMEs export, a rate that is below the European average (25%). This signals that in terms of internationalisation Romanian SMEs are in a weaker position relative to their European counterparts.

Thus, Romania represents a fertile ground for researching the emergent international behaviour showed by local firms with little experience in competitive economic settings (Meyer and Gelbuda, 2006). In addition, few empirical studies focus on the international behaviour of the CEE firms (Smallbone *et al.*, 1998; Ruzzier *et al.*, 2007; Manolova *et al.*, 2010; Miocevic and Crnjak-Karanovic, 2011). The dearth of research specifically addressing Romanian SMEs' international involvement gives further relevance to the analysis proposed here.

This study contributes to the international business and management literatures. Based on the Resource-Based View (RBV) and the Institutional Economics (IE), the paper proposes that exporting should not be regarded as an isolated event and

recognises the importance of simultaneously analysing SMEs' export involvement and export sustainability.

The remainder of this study is organised as follows. Section 2 is dedicated to the theoretical background of the study. A literature review focused on the entrepreneurial determinants of export behaviour is presented in section 3. Next, section 4 describes the data and the methodological approach adopted. The empirical results are presented in section 5 and discussed in section 6. The final conclusions and implications are displayed in section 7.

## **2. Theoretical underpinnings**

To be successful, businesses ought to have the appropriate resources for international expansion (Dhanaraj and Beamish, 2003; Hitt *et al.*, 2006). Internationalisation scholars have lately started relying on one of the dominant theoretical perspectives in business strategy literature, the Resource-Based View for explaining firm internationalisation (Peng, 2001; Tolstoy and Agndal, 2010; Evers, 2011).

According to the RBV, businesses are conceived as bundles of different resources which they use to gain and maintain a competitive market position. These resources are broadly defined as entrepreneurial, organisational and technological (Penrose, 1959). Resources are heterogeneously distributed across firms and the capacity to create specific combinations conditions the adoption and effectiveness of strategies (Barney, 1991; 2001). Bloodgood *et al.* (1996) relate the above to international expansion arguing that those firms which present unique bundles and combinations of resources' stocks might have a higher proclivity towards internationalisation. Considering that successful internationalisation of SMEs relies on mitigating liabilities of smallness and foreignness, the RBV gains increased relevance and applicability for studying and understanding these companies' international behaviour (Dhanaraj and Beamish, 2003; Loane and Bell, 2006; Ruzzier *et al.*, 2007).

In particular, SMEs from transitional economies are in many cases less resource-endowed compared to their counterparts in more developed markets (Manolova *et al.*, 2010) and have to undergo higher costs of internationalisation due to institutional void. While in the long run, the fundamental economic and political reforms implemented set the basis of a market-oriented economy, they brought alongside, in the short run, an elevated degree of uncertainty and regulatory vacuum which deterred access to

resources, such as financial and technological capital and therefore, restricted the growth opportunities of newly created entrepreneurial firms (Kelemen, 1999; Meyer and Peng, 2005; Meyer and Gelbuda, 2006; Mano and Norus, 2009). For example, credit constraints were reported to have been a major impediment for small firms' growth in the CEE countries during the early transition stages (Pissarides, 1999; Cottarelli *et al.*, 2005). As a natural consequence, these firms may rely upon inherent, intangible resources that often are present in SMEs by default.

Drawing on the RBV's insight, firms' decision-makers may represent some of the most valuable, unique and difficult to imitate resources (Castanias and Helfat, 2001; Peng, 2001; Dhanaraj and Beamish, 2003; Evers, 2011). The international business literature acknowledges entrepreneur's capital as a valuable asset that can foster SMEs' international activity, often acting as a substitute for tangible resource scarcity and hence, constituting a potential source of differential advantage for the internationalised small firm (Leonidou *et al.*, 1998; Manolova *et al.*, 2002; Wheeler *et al.*, 2008; Liesch *et al.*, 2011).

The choice of the RBV for articulating the theoretical underpinnings of this study is also motivated by its appropriateness for the analysis of export involvement and sustainability. More concretely, the competitive advantage a firm may enjoy at one time does not necessarily 'last forever', as the business environment and resulting challenges businesses are subject to, are constantly changing (Barney, 1991). Drawing on Bloodgood *et al.* (1996), SMEs which may benefit from a unique resources' combination that facilitates the attainment of a competitive advantage on international markets (e.g. specific entrepreneurial knowledge or skills), may at a later date find themselves in the situation where this resources' bundle does not represent a competitive advantage anymore. So, it is relevant to consider resources and capabilities from a dynamic perspective, keeping in mind that they may change, substitute each other and be combined in various ways during firm's existence.

Given the above considerations, this paper focuses on certain attributes of the entrepreneur that we consider relevant in the Romanian context in order to explain the international involvement and maintenance of Romanian SMEs.

Considering that this study adopts entrepreneurial specific attributes (resources) that have been recognised as relevant by the international business literature for explaining the export behaviour and contextualises them to the Romanian context the theoretical framework of this research relies not only on the RBV of the firm but also on

underpinnings from the Institutional Economics. The integration of both approaches provides a theoretical base for understanding how, in emerging markets, environmental factors and resources/capabilities of firms explain internationalisation decisions.

We believe that the context surrounding the firm has a direct effect on how resources as well as capabilities can be developed. In other words: the way in which the resource-based perspective can explain internationalisation decisions depends mostly on the empirical context of the application itself. That is the reason why, from our perspective, the integration of the IE and the RBV provides our research with a robust framework, which takes into account the environmental context, the role of formal and informal institutions in the economic and social development, and the resources and capabilities of firms for understanding the strategic decisions the entrepreneurs may take in their respective SMEs.

Recently, the IE framework that develops a very wide concept of “institutions” (Lafuente *et al.*, 2007), has been utilised for studying different topics related to entrepreneurship (Vaillant and Lafuente, 2007; Stephen *et al.*, 2009). This framework focuses on understanding the role of the evolutionary process and that of institutions in shaping economic behaviour. With its antecedents in Veblen’s work, the IE emphasises a broader study of institutions and views markets as a result of the complex interactions of these various institutions (e.g. individuals, firms, states, social norms). The general idea that could be derived from studies adopting the IE as a theoretical framework is that institutions affect the structure of incentives and opportunities perceived by entrepreneurs and consequently, their decisions.

North (1990: 3) points out that “institutions are the rules of the game in a society, or more formally, institutions are the constraints that shape human interaction”. Therefore, by establishing a stable structure for human interaction, institutions reduce uncertainty and also, as recognised by different authors (North, 1990, 2005; Lafuente *et al.*, 2011), strongly influence the goals and beliefs of individuals, groups and organisations. Similarly, firms, teams and entrepreneurs, can take advantage from the opportunities and limitations provided through the institutional framework for developing different activities and competitive strategies.

Likewise, North (1990) also distinguishes between formal and informal institutions and considers that formal institutions are subordinate to informal ones. For understanding this subordination it is important to note that formal institutions are referred to regulations, normatives, contracts, etc.; while informal institutions are

referred to attitudes, values or codes of conduct among others. In this sense, “informal institutions come from socially transmitted information and are a part of the heritage that we call culture” (North, 1990: 37). Thus, formal institutions structure the interactions of a society in line with the cultural guidelines that constitute its informal institutions. As a consequence of the previous considerations, we could say that the IE allows us to consider the environment conditions that fix the rules of the game where firms operate.

### **3. Literature review and hypotheses development**

Based on previous specific literature which has identified entrepreneurial/managerial attributes as truly relevant for explaining firms’ internationalisation behaviour (Leonidou *et al.*, 1998; Manolova *et al.*, 2002; Loane *et al.*, 2007; Sousa *et al.*, 2008; Wheeler *et al.*, 2008) we selected the entrepreneurial attributes that we expect to influence the export behaviour of small Romanian firms keeping in mind the idiosyncrasy of its transitional context. For this reason, we focused on the decision-makers’ attributes which required and consequently, experienced a shift (when compared to the communist regime business mechanisms) for allowing the newly created entrepreneurial firms to successfully operate in a transitional economy and beyond (Ellman, 1994; Kelemen, 1999; Uhlenbruck *et al.*, 2003; Brown *et al.*, 2005; Lafuente and Rabetino, 2011) such as: managerial studies, labour experience, the presence of an entrepreneurial team and finally perceived fear of business failure.

The first analysed characteristic of the entrepreneur relates to education on business management. Formal education represents an investment in human capital and it enhances entrepreneurs’ knowledge, problem-solving ability, discipline and the capacity to introduce practices within the firm that may enhance business success. Previous research shows that more educated entrepreneurs are associated with internationalisation (Cavusgil and Naor, 1987; Ibeh, 2004). This factor is especially relevant in the case of Romania as under the centrally planned system education was biased towards hard sciences and engineering, in part neglecting social sciences, law and market-oriented studies (Uhlenbruck *et al.*, 2003; Brown *et al.*, 2005; Lafuente and Rabetino, 2011). Moreover, knowledge of conducting businesses in foreign markets was very limited, as international trade was carried out via state-owned intermediaries (Meyer and Gelbuda, 2006). Consequently, one of the challenges faced by Romanian SMEs particularly prevalent at the beginning of the ‘90s related to developing



knowledge, skills and know-how of running businesses in the emergent market economy. In this sense, management studies intensively promoted and pursued by Romanian universities during the transition period represent a way to alleviate potential resources' shortages and enhance international business activity. Therefore, we hypothesise that:

H1: The completion of managerial studies by the entrepreneur a) increases the probability of export entry and b) increases the probability of export sustainability.

The international business literature associates the professional experience of the decision-maker with exporting (Leonidou *et al.*, 1998; Wheeler *et al.*, 2008; Evers, 2011). Work experience provides entrepreneurs with specific knowledge and managerial capabilities that may help them develop more successful international strategies. Bell *et al.* (2004) observe that decision-makers' knowledge and understanding of the industry leads to a high level of international commitment. In Romania, the transition from a centrally planned to a market-oriented economy represented a fundamental shift of the role played by firms in the society and hence, their aims and responsibilities. Before 1990 international trade was controlled by branch ministries (Kelemen, 1999) and this centralisation limited managers' capacity to know their international customers and discouraged initiatives such as searching for foreign customers and suppliers (Meyer and Gelbuda, 2006). During the past two decades, progressive reforms helped consolidating the new governance system and represented the threshold beyond which the accumulation of market-oriented work experience started. Furthermore, the greater exposure to international competitors in the domestic market enhanced business experience and the international involvement of Romanian SMEs (Meyer and Gelbuda, 2006). Considering the above, we expect labour experience gained during the transition stage to act as stimulus for international operation. Thus, we propose:

H2: Labour experience a) increases the probability of export entry and b) increases the probability of export sustainability.

Increased attention has been paid to the role played by entrepreneurial teams in the international business literature for attaining business success in the international arena (Reuber and Fisher, 2002; Nielsen, 2010). Empirical findings by Loane *et al.* (2007) suggest that firms formed and/or managed by teams attain superior results in terms of internationalisation speed, market spread and export intensity. These authors further explain that collectively, teams generally comprise more knowledge while their combined contact network is likely to be superior to that of a single decision-maker. Previous analyses of the CEE economies highlight that entrepreneurial teams equal to the sum of the resources and abilities of their members (Uhlenbruck *et al.*, 2003). The knowledge embedded in the entrepreneurial team may improve decision-making processes, firm credibility and the identification of business opportunities. Furthermore, according to the above study, the heterogeneity provided by top management teams enhances management effectiveness and this is expected to provide a stronger capacity to develop, integrate and apply new knowledge and resources. From these arguments we propose the following hypothesis:

H3: The presence of an entrepreneurial team a) increases the probability of export entry and b) increases the probability of export sustainability.

Explanations of firm internationalisation as well as international entrepreneurship literature have generally relied on risk and uncertainty perceptions as a relevant determinant of international involvement (Liesch *et al.*, 2011). Risk tolerance plays a significant role for export propensity (Leonidou *et al.*, 1998) as well as for further international enhancement, as a variety of risks can hinder SMEs' internationalisation (Ruzzier *et al.*, 2007). The centrally planned system rewarded plan attainment and suppressed risk taking initiatives breeding instead habits of obedience and 'playing it safe' behaviour (Ellman, 1994). It is therefore expected that some reminiscence of the former regime would persist during the transition towards a market-driven economy. Moreover, governments during transition do not provide the necessary incentives for entrepreneurs to take high risks of failure. Public administrations are directly or indirectly accountable for: not assuring a competitive environment and coherent strategy to support entrepreneurial activities; contradictory laws and regulations; administrative discretion; the repressive state of taxation; and high short-term interest rates (Luthans *et al.*, 2000). Drawing from the above arguments, the Romanian context represents an

interesting economic setting for studying the influence of risk aversion on SMEs' international behaviour, due to their socialist heritage and current transitional identity. Thus, we hypothesise:

H4: A higher level of perceived risk a) decreases the probability of foreign market entry and b) decreases the probability of export sustainability.

## **4. Data and method**

### *4.1 Data*

The dataset used in this study is derived from the Romanian Centre for Entrepreneurship and Business Research (CEBR). The CEBR is an organisation which promotes and develops research in the fields of entrepreneurship and international business in Romania. The data were collected in February-April 2009 by means of a survey, designed to provide information about selected performance and organisational characteristics of Romanian SMEs, as well as of their corresponding entrepreneurs. Data collection relied on a structured questionnaire where entrepreneurs were asked to answer essentially closed questions. The questionnaire was subject to a pre-test in order to correct potentially misleading or confusing questions. Previous empirical evidence using the CEBR datasets can be found in Lafuente and Rabetino (2011).

The survey was directed to a population of 852 Romanian SMEs in manufacturing, retail and service sectors. A total number of 402 observations were obtained. Given the purpose of the study and in the interest of following a rigorous methodology, we carried out a sampling procedure aiming to ensure the robustness of our results. First, we included in our final sample only those observations for which a complete dataset of the dependent and independent variables could be constructed. We are also aware that self-employment can be used by businesses as a contractual basis for labour relations. Therefore, in a second step, we considered in the final sample only those individuals who created a company with at least one employee in the first year of operations. After this sampling process, our final sample comprises information for 319 Romanian SMEs, of at most 100 employees, representing an effective response rate of 37.44% (Table 1).

--- Insert Table 1 about here ---

Following the NUTS criteria established by EUROSTAT (1999), we observe that our sample demonstrates an appropriate geographical spread throughout Romania, where nearly 18% of firms are located in Bucharest and a significant representation of SMEs can also be found in the South-East (17.24%) and the South-West regions (16.61%).

#### 4.2 Variable definition

The dependent variable used to test our hypotheses is export behaviour and it is measured through a variable that considers the three mutually exclusive actions related to exporting. Under the concept of ‘movement in-and-out of exporting’ we capture the effects that the selected independent variables have upon the three possible strategic choices that firms can take in terms of export activity. Facing these scenarios, we constructed the dependent variable by recording the different types of export behaviour as ‘zero-nonzero’ values where a zero indicates that the firm is not involved in export activities and a positive value otherwise. The final positive value depends on the type of export behaviour. We first identified those firms that started exporting in 2008 and a value of one is assigned to these cases. Next, we identified from the remaining observations those with continuous exports. Here, a SME is deemed a continuous exporter if the business exports since 2006 or earlier and in this case the variable takes the value of two. Finally, we searched in the remaining data those firms that stopped exporting in 2008 and a value of three is assigned to them. The population of exporting SMEs in our sample includes 45 regular exporters (average export intensity of 56.6%) and ten firms that started exporting in 2008 (average initial export intensity of 43.50%). Also, five firms in our sample de-internationalised in 2008 (average export intensity of 13.60% in 2007).

We use a set of independent variables commonly found in models centred on export behaviour (Leonidou *et al.*, 1998; Manolova *et al.*, 2002; Loane *et al.*, 2007; Sousa *et al.*, 2008; Wheeler *et al.*, 2008) related to the entrepreneur’s human capital; the descriptive statistics are presented in Table 2. Here we considered a dichotomous variable related to the completion of business management studies, labour experience expressed in years and a count variable that represents the number of founding members, where values greater than one indicate the presence of an entrepreneurial team. In the case of the risk perception, we created a dichotomous variable taking the value of one if the entrepreneur asserts that he/she perceives fear of business failure and

zero otherwise. At this point, an important consideration is taken into account. We are aware that individual perceptions not only change over time, but also are affected by cognitive bias that results from increased knowledge, experience or due to the exposure to specific events (Simon *et al.*, 2000). Business experience and international experience may alter perceptions and affect the accuracy of the parameter estimates related to the perception variable. To further corroborate the presence of such bias, we carried out a Wilcoxon signed-rank test to examine whether entrepreneurs' perceptions experienced a significant change between 2007 and 2008. The result indicates that the proportion of individuals affected by the presence of a fear of business failure (Z-value: 5.769) is significantly different at the 1% level between these years. Consequently, to correct for this potential bias among the sampled entrepreneurs, the variable related to the risk perception is introduced as a lagged term.

--- Insert Table 2 about here ---

In this study, control variables refer to entrepreneurial characteristics frequently addressed in previous research, namely, gender and age (Manolova *et al.*, 2010). As for business features, we consider firm size which is measured as the number of employees and firm age, expressed in years (Westhead *et al.*, 2001; Majocchi *et al.*, 2005). In addition, we have generated a set of dichotomous control variables linked to the industry sector (dummy variables to distinguish firms in manufacturing, retail and service industries) and to the geographic region.

#### 4.3 Method

To correctly test the proposed hypotheses and identify the factors that affect the probability that the sampled Romanian entrepreneurs adopt different decisions related to export behaviour, we have chosen the multinomial logit regression as a methodological tool. We identified from the dataset three mutually exclusive actions linked to export behaviour (entry, sustainability and de-internationalisation). The values assigned to every type of export behaviour only reflect different categories and the ordinal value has no further meaning. The multinomial logit is estimated by the maximum likelihood method (Greene, 2003) and for the purposes of this paper it takes the form

$$\Pr(Y_i = k) = \frac{e^{\beta_j X_i}}{\sum_{j=0}^3 e^{\beta_j X_i}}, \text{ where } k \text{ (} k = 0, 1, 2, 3 \text{) refers to the different choices}$$

under analysis namely, no export activities and the three types of decisions linked to export behaviour, respectively. The full model to be estimated follows:

$$\begin{aligned} &\text{Export} \\ &\text{behaviour}_i = \beta_0 + \beta_1 \text{Entrepreneur's human capital and perception}_i + \beta_2 \text{Control variables}_i + \varepsilon_i \end{aligned} \quad (1)$$

In the equation (1)  $\beta_0$  is the constant term,  $\beta_j$  refers to the vector of parameter estimates for the  $j$ th independent variables and  $\varepsilon_i$  is the logistic distributed disturbance term for the  $i$ th observation. The variables related to the entrepreneur's human capital and perception refer to the completion of management studies, the labour experience, the presence of entrepreneurial teams and the perception of a fear of business failure. The control variables correspond to the entrepreneur's gender and age, firm size and age, industry dummies (distinguishing between manufacturing, retail and service firms) and regional dummies.

## 5. Results

This section presents the results of the empirical analysis based on the equation (1). Table 3 displays the empirical findings when the dependent variable comprises the different decisions linked to exporting. We estimated different model specifications for ensuring the consistency of the parameters. The coefficients from regressions that only consider entrepreneur's attributes do not qualitatively vary with respect to the full model presented in Table 3. As an additional robustness check, we carried out the Independence of Irrelevant Alternatives test (IIA) to verify whether omitting categories in the dependent variable yields more consistent and efficient parameter estimates (Hausman and McFadden, 1984). The results of the IIA test indicate that the export entry alternative is independent from the sustainable export alternative (chi2: 38.91 and  $p < 0.10$ ). The de-internationalisation alternative is not irrelevant and its exclusion leads to inefficient coefficients, especially in the case of the export entry choice (chi2: 951.35 and  $p < 0.01$ ). These results confirm the presence of specific factors affecting the different export choices and consequently, validate our approach to export behaviour.

--- Insert Table 3 about here ---

As for the key results of the study, from Table 3 we observe that completion of management studies increases the probability to engage in exporting supporting Hypothesis 1a. However, this variable shows as not significant in the case of regular exporters. Thus, Hypothesis 1b which proposes a positive relationship between the completion of management studies and export sustainability is not supported. In the case of labour experience, we observed that this coefficient is not statistically significant in relationship to export entry, failing to support Hypothesis 2a. To the contrary, the results report a strong positive relationship between labour experience and export sustainability. Therefore, Hypothesis 2b is supported. Our empirical findings are in accordance with Hypothesis 3a as they reveal that the presence of an entrepreneurial team is a relevant factor explaining export initiation. Yet, the parameter estimate for this variable is not statistically significant in the case of the export sustainability category, providing no support to Hypothesis 3b. Finally, the variable linked to the entrepreneurial fear of business failure does not explain export entry or export sustainability, so our hypotheses 4a and 4b are not supported. Nevertheless, it is worth noting that this factor significantly increases the probability of SMEs' de-internationalisation.

## **6. Discussion**

The empirical findings in Table 3 indicate that the analysed export decisions are driven by specific factors and the observed differences in these behavioural paths require a more comprehensive analysis of the emerging profiles identified: new exporters, sustainable exporters and de-internationalisers. To provide further robustness to the analysis from a statistical point of view, this section is complemented by the results of Wald tests that examine whether the coefficients associated to the analysed variables exhibit significant differences across the different export decisions.

According to the results we observe that those entrepreneurs who decide to engage in exporting benefit from greater levels of human capital. In particular, the Wald test indicates that the completion of management studies is an important factor that explains differences between new exporters and de-internationalisers ( $\chi^2: 4.25, p < 0.05$ ). As previously emphasised by studies

undergone in the CEE markets (Fogel and Zapalska, 2001; Malo and Norus, 2009) formal business education on behalf of the entrepreneur increases the international propensity of SMEs. It is thus reasonable to argue that the completion of higher education in management studies enlarges business horizons and enhances the ability of identifying and pursuing business opportunities beyond the national border. The findings suggest the presence of a substitution effect between labour experience and entrepreneurial teams. Among new exporters, the existence of an entrepreneurial team raises the probability of entering foreign markets. The coefficient linked to this variable for new exporters is significantly higher than that obtained for sustainable exporters and de-internationalisers (chi2: 3.33,  $p < 0.10$  and chi2: 2.85,  $p < 0.10$ , respectively).

This key finding could signal that, to overcome their relatively lower labour experience, entrepreneurs who decide to start selling overseas rely on entrepreneurial partners to benefit from a greater pool of human and social capital (Uhlenbruck *et al.*, 2003; Loane *et al.*, 2007).

Concerning the second group of exporting firms, sustainable exporters, the results in Table 3 demonstrate that labour experience by the entrepreneur has a significant positive effect over export sustainability. This result is corroborated by the Wald test which confirms that the positive impact of labour experience on export sustainability is significantly greater than the impact of labour experience over de-internationalisation (chi2: 12.53,  $p < 0.01$ ). This is consistent with the observations by Leonidou *et al.* (1998), Bell *et al.* (2004), Wheeler *et al.* (2008) and Evers (2011) that professional experience of the entrepreneur influences export behaviour and may ultimately lead to increased international commitment. The empirical findings also reveal that younger entrepreneurs run businesses with regular international activity. It is important to remark, considering the idiosyncrasy of the Romanian context, that the labour experience gained by the entrepreneurs in the transitional environment (average labour experience reported is of 13 years) has a powerful positive impact on their commitment and effort to sustain export activities.

Our results suggest that once a SME exports the presence of specific risks increases the perception of business failure and hampers export continuity. This finding is similar to Manolova *et al.* (2002) and Ruzzier *et al.* (2007) who report that less risk-averse entrepreneurs are more involved in exporting. Arguably over enthusiastic entrepreneurs, once eager to get involved in exporting, may be overwhelmed by the



complexity of operations in the international arena. Ultimately, they may succumb to fear of failure and opt to exit the export markets. However, we highlight that this is not necessarily linked to business failure, as by discontinuing exporting a firm may free resources that can be later on re-invested in more profitable markets (Welch and Benito, 1996; Fletcher, 2008).

## **7. Conclusions, implications and future research directions**

In this study we attempted to bridge the gap in the SMEs' internationalisation field regarding the multidimensional nature of exporting. In doing so, we propose that the presence of specific resources related to the entrepreneur may help overcome resources' shortage across SMEs and explain the adoption of the different decisions related to exporting: entry, sustainability and de-internationalisation. Hence, the significance of this research not only flows from a particular empirical design that simultaneously evaluates the different export choices, but also from the recognition that international activities by small businesses are a crucial component necessary to consolidate the market economy in the CEE countries.

This paper enriches the international business literature dealing with export determinants of SMEs in transition economies. To the best of the authors' knowledge, this is the first attempt to simultaneously examine the different export decisions, namely export initiation, sustainability and de-internationalisation, in the CEE SMEs' context. Our findings reveal that exporting is not a single event and that variables commonly used to study export propensity, linked to the entrepreneur factors, have a differential influence over the different export decisions. Export entry and sustainability are driven by the presence of entrepreneurial resources. Among the sampled entrepreneurs, engagement in export activities is a function of specific investments in entrepreneurial capital that facilitate the access to a larger market, such as managerial education and labour experience. To the contrary, de-internationalisation decisions are a consequence of a greater fear of business failure perceived by the entrepreneur.

The results of this study bring about important implications for policy makers and practitioners. The consolidation of SMEs' international activities is a policy priority in Europe (European Commission, 2011) and support policies must encourage entrepreneurial capital formation to effectively achieve this goal. We found a significant relationship between management studies and export entry. This result suggests that these policies should also target the educational system, training as well as technical

assistance programs. A more active involvement of universities is necessary to increase the internationalisation background among entrepreneurs, as well as to enhance the skills and motivations of entrepreneurs. Training and technical assistance programs should stimulate the interaction between exporting enterprises and entrepreneurs with exporting intention in order to provide the latter with experience which can be critical for the development of more successful export-based international strategies. Furthermore, the promotion of entrepreneurial teams is another issue that should be considered by Romanian policy makers. Specific actions oriented towards the international involvement of SMEs should foster the connection between entrepreneurs as well as between individuals interested in entrepreneurial activities and support agencies. These policies could also include specific programs that require individuals to work in teams and/or organise meeting places where to make contacts and find business partners.

Although the empirical analysis focused on a sample of Romanian SMEs, the findings could be of interest to firms in other CEE countries. Nevertheless, the readers should exercise caution in attempting to generalise this study's findings to considerably different economic settings. Following Manolova *et al.* (2010), Zou and Ghauri (2010) and Prashantham (2011) we highlight that SMEs' internationalisation from emerging economies deserves further research attention. As future research directions it would be interesting to replicate similar studies in other emerging contexts, either within the CEE or elsewhere, so the results could be compared and ultimately generalised to larger populations. Moreover, future research should not only attempt to explore the observed differences in the impact of entrepreneurial capital on SMEs' internationalisation using longitudinal data, but should also include a greater number of factors related to entrepreneurial attributes and the organisation in order to further build on our analysis.

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## List of Tables

Table 1. Geographic distribution of the sampled firms

<b>Region</b>	<b>Number of firms</b>	<b>Proportion (%)</b>
Bucharest	57	17.87%
Centre	34	10.66%
West	28	8.78%
North West	28	8.78%
North East	21	6.58%
South	43	13.48%
South West	53	16.61%
South East	55	17.24%
<b>Total</b>	<b>319</b>	<b>100.00%</b>

The regional distribution follows the NUTS criteria (EUROSTAT, 1999).

Table 2. Descriptive statistics for the selected independent variables

	Exporter in 2008	Non-exporter	Overall
<b>Entrepreneur's human capital and perception</b>			
Management studies	0.6909 (0.4664)	0.5795 (0.4946)	0.5987 (0.4909)
Labour experience (years)	12.9636 ** (7.7578)	10.3977 (7.6852)	10.8401 (7.7465)
Number of founders (Entrepreneurial team)	1.5818 (0.7121)	1.5076 (0.6754)	1.5204 (0.6813)
Fear of business failure	0.2182 (0.4168)	0.1591 (0.3665)	0.1693 (0.3756)
<b>Control variables</b>			
Entrepreneur's gender (1 for male)	0.7273 (0.4495)	0.6667 (0.4723)	0.6671 (0.4683)
Entrepreneur's age (years)	39.2182 (10.0253)	39.0871 (8.2662)	39.1097 (8.5780)
Firm age (years)	7.0909 ** (5.0269)	6.1136 (5.1769)	6.2821 (5.1569)
Firm size (number of employees)	5.5636 (7.5835)	5.5189 (6.9056)	5.5266 (7.0147)
Manufacturing	0.0364 (0.1889)	0.0341 (0.1818)	0.0345 (0.1828)
Retail	0.3818 (0.4903)	0.3295 (0.4709)	0.3385 (0.4740)
Services	0.5818 (0.4978)	0.6364 (0.4820)	0.6270 (0.4844)
Number of observations	55	264	319

Standard deviation is presented in brackets. \*, \*\*, \*\*\* indicate significance at the 10%, 5% and 1%, respectively (Kruskal-Wallis test).

Table 3. Multinomial Logit: Factors affecting transitions in-and-out of exporting

	New exporter	Regular exporter	De-internationalisation
<b>Entrepreneur's human capital and perception</b>			
Management studies	2.730 (1.602)*	0.296 (0.342)	-1.595 (1.553)
Labour experience (ln years)	0.512 (0.347)	0.800 (0.269)***	0.172 (0.401)
Number of founders (Entrepreneurial team)	0.839 (0.490)*	0.072 (0.269)	-1.043 (1.322)
Fear of business failure	-0.628 (1.001)	0.433 (0.390)	2.575 (1.473)*
<b>Control variables</b>			
Gender of the entrepreneur (1 for male)	1.179 (0.921)	0.301 (0.396)	-0.886 (0.841)
Entrepreneur's age (ln years)	0.792 (1.886)	-1.823 (0.932)**	0.221 (3.067)
Firm size (ln number of employees)	0.408 (0.405)	-0.242 (0.186)	1.004 (0.298)***
Industry dummies	Yes	Yes	Yes
Intercept	-12.426 (6.664)*	2.683 (3.202)	-5.301 (13.416)
<b>Regression statistics</b>			
Pseudo R2	0.1144		
LR (chi2)	3763.20***		
Log likelihood	-174.9076		
Number of observations	319		

Robust standard error is presented in brackets. The omitted industry variable is services and the omitted regional variable is Bucharest. \*, \*\*, \*\*\* indicate significance at the 10%, 5% and 1%, respectively.