

THE ROLE OF ENTREPRENEURIAL ORIENTATION IN OVERCOMING KNOWN AND UNKNOWN BARRIERS TO ENTRY IN FOREIGN MARKETS

William E. Baker, University of Akron, USA
Amir Grinstein, Ben Gurion University of the Negev, Israel
Nukhet Harmancioglu, Koç University, Turkey

ABSTRACT

It is often recommended for multinational corporations (MNCs) to adopt an Entrepreneurial Orientation (EO) as this can be valuable for effective foreign entries. In this research, however, we assert that the role of EO in the success of foreign entries is contingent on the entry situation, especially the type of entry barrier the MNC is facing. In this study we look at two types of entry barriers, those that are known prior to entry and those that are unknown. Prior research has typically focused on known barriers, those that are expected prior to entry, such as cultural distance, economic distance or competition in the foreign market. The topic of unknown, unexpected barriers has been understudied. Our key contribution therefore is the study of both known vs. unknown barriers of entry as moderators to the EO-foreign entry success relationship.

The known barrier we study is cultural distance. Since cultural barriers are known and can be planned for ahead of time, a stronger EO is expected to facilitate the ability of MNCs to correctly identify and assess the best opportunities in countries with high cultural distance, having a direct effect on foreign entry success. The unknown barrier we study is encountering unanticipated events during entry. In this situation, we expect the capability of firms to adapt marketing programs to the new market to be more important than EO.

Based on a study of 248 U.S. MNCs we offer three findings: (1) when cultural barriers are known, a stronger EO has a direct effect on foreign entry success. (2) This effect diminishes when there is cultural proximity between home and foreign countries as the benefits of EO are less likely to matter. (3) Following unanticipated events we find that EO no longer has a direct effect on foreign entry success. In this situation, EO's impact on foreign entry success is mediated by the capability of firms to adapt their marketing activity (MNC adaptation) to the new unexpected conditions.

References Available on Request.