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The Impact of Entrepreneurial Orientation on Foreign Market Entry: the Roles of Marketing Program Adaptation, Cultural Distance, and Unanticipated Events

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Abstract
Scholars assert that firms with a strong entrepreneurial orientation (EO) should enjoy an advantage in foreign market entry. However, extant theory, particularly the dominant logic and adaptation frameworks, as well as supporting empirical research outside the domain of foreign market entry, suggests that the positive impact of a strong EO on foreign market entry is likely to be situational. Per the dynamic capabilities perspective, the authors first propose that marketing program adaptation (MPA) is a mediator of the EO-foreign market entry relationship. They further propose two moderators of the EO-MPA relationship, both of which are related to foreign market uncertainty: cultural distance (which increases uncertainty but is known prior to entry) and unanticipated events (which increases uncertainty but by definition are not known prior to entry). A study of 245 US MNCs supports the thesis that MPA is strongly related to foreign market entry success and that EO is an important contributor to foreign entry success when cultural distance is high and unanticipated events occur during launch but is less relevant in the opposite scenarios. There are important implications for firms entering foreign markets.

Resumen
Los académicos sostienen que las empresas con una fuerte orientación emprendedora (EO) deberían disfrutar de una ventaja en la entrada en mercados exteriores. Sin embargo, la teoría, en particular la lógica dominante y los marcos conceptuales de adaptación, así como el apoyo a la investigación empírica fuera del ámbito de la entrada en mercados exteriores, sugiere que es probable que el impacto positivo de una fuerte EO en la entrada en mercados exteriores sea circunstancial. Desde la perspectiva de capacidades dinámicas, los autores proponen que la adaptación de los programas de marketing (MPA) es una variable mediadora de la relación entre EO y entrada en mercados exteriores. Además, proponen dos moderadores de la relación entre EO y MPA, ambos relacionados con la incertidumbre del mercado exterior: la distancia cultural (que aumenta la incertidumbre, pero se conoce antes de la entrada) y los acontecimientos imprevistos (que aumentan la incertidumbre, pero que por definición no se conocen antes de la entrada). Un estudio de 245 multinacionales estadounidenses respalda la tesis de que la MPA está fuertemente relacionada con el éxito de la entrada

en mercados exteriores y que la EO es un factor importante para el éxito de la entrada en el extranjero cuando la distancia cultural es alta y ocurren acontecimientos imprevistos durante el lanzamiento, pero es menos relevante en los escenarios opuestos. Los resultados del trabajo tienen implicaciones importantes para las empresas que ingresan en mercados exteriores.

Keywords Entrepreneurial orientation · Marketing program adaptation · Foreign market entry · Dominant logic · Cultural distance · Unanticipated events

Palabras clave orientación emprendedora · adaptación de programas de marketing · entrada en mercado exteriores · lógica dominante · distancia cultural · acontecimientos imprevistos

Summary highlights *Contributions*: We first assert and demonstrate a conditional relationship of Entrepreneurial Orientation (EO) with Marketing Program Adaptation (MPA) and foreign market entry success such that EO positively impacts both, but only when cultural distance is high and/or an unanticipated event occurs during market entry. Second, we build on previous findings by demonstrating a positive MPA-foreign market entry success relationship among US-based, medium and large firms. These contributions are important because they fill gaps in the literature regarding the role of EO in achieving foreign market entry success. In so doing, this research helps to establish boundary conditions as to when EO will and will not positively impact foreign entry success (Fig. 1).

Research questions/purpose: Is there a generalizable relationship between EO and foreign market entry across environmental conditions or is the strength of the EO-

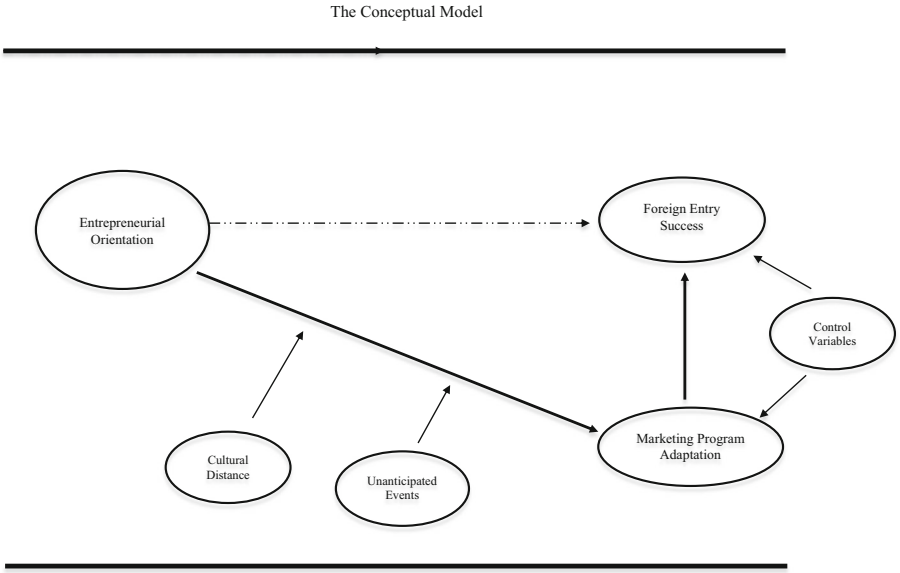

Fig. 1 The conceptual model

foreign entry success relationship moderated by environmental circumstances at the time of entry?

Theoretical or conceptual framework: We employed the dynamic capability (Teece et al. 1997), dominant logic (Prahalad and Bettis 1986), and adaptation (Chakravarthy 1982) frameworks.

Basic methods and information/data: A survey of 245 US MNCs was conducted. All hypotheses were verified with procedures based on multiple regression analysis, applying the PROCESS macro for SPSS proposed by Hayes (2013) which estimates ordinary least square regressions to test for moderation, mediation, and moderated mediation effects (Hayes 2015).

Results/findings: MPA is strongly related to foreign market entry success. EO is an important contributor to foreign entry success when cultural distance is high and unanticipated events occur during launch but is less relevant in the opposite scenarios.

Limitations (if there is any): As most survey-based methodologies studying the EO-firm performance relationship, the data is cross-sectional rather than longitudinal and key constructs, except for cultural distance, were measured subjectively.

Theoretical implications and recommendations: This research is consistent with a broad literature studying the situational impact of EO, the EO-performance relationship being stronger when the business environment is characterized by uncertainty. It also reinforces the importance of MPA when entering foreign markets.

Practical implications and recommendations: Firms with strong EO have a competitive advantage in foreign markets that are culturally distant from the home market and which are more likely to encounter unexpected events, but not in markets that are culturally similar and generally more predictable in their response to marketing mix actions. While all firms can benefit from local expertise, these partnerships are more a mandatory for conservative firms attempting to enter markets that are culturally distant and volatile.

Future research suggestions: Cultural distance is part of the CAGE framework. Future work should study other measures of home-host country—economic, geographic, and administrative. Which unexpected environmental events—competitor, economic, customer, or regulatory—are most detrimental to foreign entry success? Likewise, what is the different impact of pricing, product, distribution or promotion related unanticipated events on foreign entry success? How does the severity of an unanticipated event influence the importance of a strong EO?

Introduction

Leading scholars have characterized entrepreneurial orientation (EO) as "the processes, practices and decision-making activities that lead to new entry" (Lumpkin and Dess 1996, p. 136). More recently, Covin and Miller (2014) wrote, "As a practical matter, we argue that the assessment of acts of new entry as indicators (versus consequences/effects) of EO is not a problem" (p. 16). Authors assert that global business activities offer an attractive setting in which to study EO because any attempt to enter a foreign market can be described as an entrepreneurial decision (Ripollés-Meliá et al. 2007; Miller 2011).

Is there a generalizable relationship between EO and foreign market entry across environmental conditions or is the strength of the EO-foreign entry success relationship moderated by environmental circumstances at the time of entry (Brouthers et al. 2015; Pehrsson 2015; Wiklund and Shepherd 2005)? In this research, we argue that characterizing all foreign market entry as benefitting from a strong EO may be too broad an assertion. The bulk of literature outside the context of foreign market entry supports the notion that the positive impact of an EO is contingent on the environment in which firms are operating, most notably that a strong EO is most effective when firms are navigating uncertain environments with an intent to exploit new opportunity (Pérez-Luño et al. 2011; Wiklund and Shepherd 2005; Dess et al. 1997).

Based on theoretical roots anchored in the notion of matching firms' strategic orientation, traits and capabilities with those required by the environment in which they operate, we use the dominant logic (Prahalad and Bettis 1986) and adaptation (Chakravarthy 1982) frameworks, to propose that the effectiveness of EO in foreign market entry depends on the degree to which the traits that reflect a strong EO are beneficial to the entry. Furthermore, the notion that a strong EO imbues firms with a greater capacity to modify their capabilities and better align them with the market is consistent with the premise that EO is a dynamic capability (Jantunen et al. 2005; Pehrsson 2019).

One important capability linked to foreign entry success is marketing program adaptation (MPA). Marketing programs are the means by which firms interface with customers, directly, e.g., personal selling and client services, and indirectly, e.g., advertising and public relations. The adaptation of marketing programs is a means by which firms use their capabilities to better align their firm with the needs and wants of customer. Albaum and Tse (2001) argue that adaptation of some kind is inevitable in the process of international market entry. More recent research supports this assertion (e.g., Navarro et al. 2010; Wang and Lestari 2013; Tan and Sousa 2013; Westjohn and Magnusson 2017). Given these findings, we feature MPA as an important mediator of the EO-foreign entry success relationship.

Two potential moderators of the EO-MPA relationship that are significant factors related to uncertainty in foreign market entry are cultural distance and unanticipated events. Cultural distance is known, expected and can be prepared for prior to entry (Ghemawat 2001; Makino and Tsang 2011). Unanticipated events during the course of the launch of the market entry are unknown, less expected, and harder to prepare for (Lampel et al. 2009; Lee and Makhija 2009). Uncertainty created by cultural distance and unanticipated events may not have the same impact on the EO-foreign market entry success relationship as other causes of uncertainty, e.g., market dynamism, technological turbulence, and market hostility (Rauch et al. 2009). As a result, each unique cause of uncertainty in foreign market entry needs to be addressed independently.

Our contribution is twofold. First, employing the dynamic capability, dominant logic, and adaptation frameworks, we assert and demonstrate a conditional relationship of EO with MPA and foreign market entry success such that EO positively impacts both, but only when cultural distance is high and/or an unanticipated event occurs during market entry. Second, we build on previous findings by demonstrating a positive MPA-foreign market entry success relationship among US-based firms with at least 100 employees. Prior research on this relationship has focused on SMEs, often in China (Lu et al. 2010; Wang and Lestari 2013; Zeng et al. 2009). These contributions are

important because they fill gaps in the literature regarding the role of EO in achieving foreign market entry success. In so doing, this research helps to establish boundary conditions as to when EO will and will not positively impact foreign entry success.

The paper is organized as follows. First, we employ the dynamic capabilities framework to assert a relationship between EO and MPA. Second, we discuss the role of MPA in successful foreign market entries. Third, we employ the dominant logic and adaptation frameworks to identify the general environmental situations in which an EO is most (and least likely) to impact foreign entry success through MPA. Third, we posit cultural distance and unanticipated events during the entry process as moderating variables that impact the level of uncertainty that firms encounter when entering foreign markets. Next, we report our empirical study of 245 US MNCs. We conclude with a discussion of our findings, implications for research and practice, the study's limitations, and suggestions for future research.

Conceptual development and study hypotheses

EO as a dynamic capability that impacts marketing program adaptation

EO reflects a strong disposition to aggressively pursue untapped opportunity (Baker and Sinkula 2009). It manifests itself in proactive, innovative, and risk-taking behaviors in pursuit of such opportunity (Covin and Slevin 1991; Miller 1983). Proactiveness refers to addressing opportunity ahead of competitors, even in the face of significant uncertainty; innovativeness refers to addressing opportunity through the configuration or reconfiguration of resources and capabilities to enable innovations in processes, products, and practices. Risk-taking refers to the willingness to address opportunity in bold ways with the potential of high returns, but also the possibility of failure. Entrepreneurial firms are willing to act as first movers to address opportunity and to commit resources and capabilities to situations whose outcomes are unknown. A strong EO is the product of top management. If properly inculcated in the organization, it can be viewed as an element of organizational culture that guides the thought processes and behaviors of employees across the firm (Covin and Lumpkin 2011).

In order to seize opportunities in a dynamic and changing global world, firms, especially multinational corporations (MNCs), are posited to benefit from EO (Jantunen et al. 2005; Yang 2018). There are several conceptualizations of international entrepreneurial orientation (IEO), but most employ the Covin and Slevin (1989) measure unadjusted or slightly adjusted for international environments. In their review of IEO, Covin and Miller (2014) conclude that neither using the traditional measure of EO or those tailored to international environments is an inherently superior approach. The authors acknowledged McDougall and Oviatt's (2000) definition of IEO, "…a combination of innovative, proactive and risk seeking behavior that crosses national borders and is intended to create value in organizations" (p. 903) as among the most typical, most cited and most consistent with the general definition of EO. Since we agree with the perspective that IEO is more or less the application of an EO in an international environment and we use a traditional operationalization of EO, we will use the term EO rather than IEO throughout the paper.

Dynamic capabilities (DC) are an extension of the resource-based view (RBV) of the firm (Barney 1991). The RBV posits that competitive advantage may be achieved by firms with rare, valuable, and inimitable bundles of resources and capabilities. The RBV assumes that resources and capabilities are heterogeneously distributed across firms and that such heterogeneity may persist over time. However, the RBV does not explain how firms maintain competitive advantage in changing environments or develop competitive advantage in uncertain markets. The DC framework was developed to fill that gap (Teece 2007).

Building on his and his research team's earlier definitions of DC (e.g., Teece et al. 1997), Teece (2007) defines DC as "…the capacity (a) to sense and shape opportunities and threats, (b) to seize opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and when necessary, reconfiguring the business enterprise's and tangible assets" (p. 1319). There is a clear shared emphasis between EO and DC on the identification and pursuit of opportunity. There is also a shared emphasis on reconfiguring resources to address opportunity. There are several other commonalities between EO and DC implied by their definition and traits, which indicate that EO is a dynamic capability (Jantunen et al. 2005; Pehrsson 2019), as we will now outline.

First, DC are defined as a process, not an outcome. They are not conceptualized as specific resources such as labor or capital, or as specific capabilities such as manufacturing, R&D or new product development. Instead they are seen as change agents that affect firms' means to coordinate, modify, and reconfigure more tangible resources and capabilities (Zahra et al. 2006). Without DC, a firm's returns may be short lived if the environment exhibits any significant change. The value of DC derives from their outcomes, i.e., the creation of a new set of valuable resources and capabilities (Ambrosini and Bowman 2009).

Second, DC are at least one step removed from tangible capabilities and at least two steps removed from the customer interface. As such, DC do not directly impact firm performance or competitive advantage. Their effects are mediated by intermediate consequences (e.g., Ambrosini and Bowman 2009), one of which is learning (Kale and Singh 2007). In this research, we chose MPA as the intermediate consequence because it reflects a range of tangible capabilities linked to innovating marketing activity. Since innovation is a primary outcome of a strong EO (Baker and Sinkula 2009), the relationship is both logical and consistent with the notion that EO is a dynamic capability that impacts the development and operation of more tangible capabilities.

Third, seminal writings of Teece and colleagues associate the optimal effectiveness of DC are in markets characterized by uncertainty (Teece et al. 1997; Teece 2007).

Fourth, both EO and DC are associated with the identification of new opportunity and its realization through innovation. Scholars assert that DC must not only have the capacity to reconfigure resources, but they must do it before competitors to impact competitive advantage (Collis 1994). Innovativeness is a core trait of EO (Miller 1983).

Fifth, both EO and DC resist the formation of core rigidities that foster inertia and stifle innovation, including adaptive innovations (Ambrosini and Bowman 2009; Sinkula 1994). Core rigidities are the antithesis of valuable, rare, and inimitable resources: they are resources that used to be valuable but have become obsolete and

inhibit the development of the firm. In other words, core rigidities are resources that have not been well adapted, renewed, or restructured.

The EO-MPA link is important because it connects the ability to aggressively identify international market opportunities with the capabilities required to align the firm's marketing programs with the needs and wants of identified markets. As such, EO is a dynamic capability and MPA reflects a set of functional capabilities that realize the potential of the dynamic capability.

Typically, potential mediators of the EO-performance relationship studied in the extant literature are internal to the firm and involve firm capabilities like networking (Stam and Elfring 2006), innovativeness (Helm et al. 2010; Kollmann and Stöckmann 2014), learning (Alegre and Chiva 2013; Wang 2008), or knowledge creation (Li et al. 2009). In the current study, we propose examining the role of MPA—another relevant internal firm capability. Specifically, we argue that EO motivates opportunity seeking for new product/market opportunities and that MPA is acting on opportunity by using marketing capabilities to better align the firms' marketing program with the demand of the market.

Marketing program adaptation and foreign market entry

Globalization has led to greater homogeneity in world markets. It also, however, remains the case that the characteristics and needs of customers as well as the structure of competition vary across markets. A basic tenant of marketing is marketing programs need to be adapted to accommodate different customers and different market dynamics. Organizations must continually innovate to improve the value of their assets as customers and competitors change (Boso et al. 2012). As such, MPA during the process of foreign market entry represents the adaptations that firms make to better align their capabilities with market conditions.

Schmid and Kotulla (2011) conclude that the decision to adapt must be based on maximizing the fit between the capabilities of the firm and the environmental situation in which it is entering. Engelen et al. (2015), citing institutional theory research, similarly concludes that firms must adopt behaviors that are consistent with the requirements of the environments in which they compete. These assertions of the need for fit between firm capabilities and environmental requirements are consistent with much broader theorizing regarding market driven organizations (Day 1994) and the key tenants of DC in strategic management (Wang and Ahmed 2007).

Marketing capabilities are strongly associated with foreign entry success. Lu et al. (2010) reported adaptive marketing capabilities to mediate the relationship between firms' resources and international success. Zeng et al. (2009) found innovation capacity and brand building marketing capabilities to be related to international performance. Likewise, Knight and Kim (2009) found international marketing skills, innovativeness and international market orientation to all be related to international success. Wang and Lestari (2013) found marketing competency. i.e., distribution, promotion, branding and information, to be the strongest predictor of foreign market entry success. Given these findings, we feature MPA as an important, mediator of the EO-foreign entry success relationship.

The adaptation of marketing programs refers to changes in any element of the marketing mix and the processes that support them. Albaum and Tse (2001) argue that

when conceptualized in this manner, adaptation of some kind is inevitable when new markets are entered. Indeed, Navarro et al. (2010) found it to be positively related to the development of competitive advantage in established export markets. The authors urged scholars not to frame the issue in terms of extreme positions regarding standardization or adaption, but to recognize that "the degree of adaptation versus standardization is a function of product's characteristics, industry, market organization, and environmental characteristics…" (p. 50). This view fits with the perspective of Steenkamp (2017) that MPA in global contexts—which is more than just product adaptation—represents a broader flexible operational mindset for firms, which given global brand and local market considerations is key for success. It is our view that MPA represents a set of tangible capabilities that are created or modified to increase the alignment between the demands of the marketplace and the capabilities of the firm. Overall, we hypothesize:

H1: There is a positive relationship between marketing program adaptation and foreign market entry success.

Moderators of the EO-MPA relationship

Dominant logic theory describes the pattern of behaviors that a firm is likely to prioritize based on the mental models that guide its theory-in use (Prahalad and Bettis 1986). Adaptation theory identifies the type of environments in which firms are likely to succeed based on their dominant logic (Chakravarthy 1982). A dominant logic works as the lens through which managers evaluate the environments in which they compete. It also provides a learned, problem solving template embedded in organizational routines (Sinkula 1994).

Internal and external events are perceived and interpreted through knowledge and belief systems that make up firms' dominant logic. As Prahalad and Bettis (1986) note, "Schemas permit managers to categorize an event, assess its consequences, and consider appropriate actions (including doing nothing), and to do so rapidly and often efficiently. Without schemas, a manager and ultimately the organizations with which he/she is associated, would become paralyzed by the need to analyze 'scientifically' an enormous number of ambiguous and uncertain situations" (Prahalad and Bettis 1986, p. 489).

The range of firms' responses to any situation is limited by their dominant logic. The logic provides a template for interpreting environments and managing behavior. It is difficult to modify once in place. The dominant logic of firms defines appropriate and inappropriate responses to new environments. "Appropriateness" is determined by past behaviors rather than present circumstances. Thus, the extent to which a dominant logic is appropriate to a new situation depends on the fit between the past reactions to environments and the requirements of the new environment. Central to dominant logic is the idea that if a situation does not fit a firm's dominant logic, then that logic may be irrelevant to success in that situation, or may even deter it. Covin and Lumpkin (2011) embraced dominant logic theory and the concept of an entrepreneurial dominant logic as a means to better understand why firms facing the same environmental situation are likely to respond to it differently. They wrote, "As described by Meyer and Heppard

(2000, p. 2), an entrepreneurial dominant logic leads a firm and its members to constantly search and filter information for new product ideas and process innovations that will lead to greater profitability." Evidence suggests that an entrepreneurial dominant logic both facilitates firm amenability to transformation (e.g., Dixon and Day 2007) and contributes to firm performance through encouraging experimentation with new entrepreneurial initiatives" (e.g., Obloj et al. 2010, p. 861).

New markets, domestic or foreign, can range from very low to very high similarity with firms' current markets. Dissimilar markets increase uncertainty as to how customers and competitors will respond to firm actions. To thrive in changing or dissimilar markets, firms must be able to continually adapt/innovate products, processes, and practices (Jaworski and Kohli 1993). According to the dominant logic framework, the ability to thrive in such markets requires a dominant logic aligned with functioning in such markets, i.e., a strong EO.

According to the adaptation framework, the primary purpose of strategic management is adaptation (Chakravarthy 1982). The dominant logic of a firm will determine the extent to which it proactively adapts to the environment ahead of competitors, adapts to the environment but follows competitors or avoids environment driven adaptation altogether. In the latter case, instead of interacting with the environment, decisions are made by accessing organizational memory and relying on managerial judgment (Baker and Sinkula 2009).

An entrepreneurial dominant logic is designed to lead customers and competitors with innovation designed to address uncertain opportunity by reconfiguring capabilities and resources to address the opportunity. Firms with strong EO are skilled at exploratory learning. These skills lead to (1) higher than average absorptive capacity, i.e., the ability to efficiently integrate new information into organizational decision-making and routines; (2) strong learning orientations, i.e., the ability to surface and discard obsolete mental models and theory-in-use; and (3) competency trap avoidance, i.e., the ability not to over rely on established routines and practices at the expense of developing the competencies required to maintain success in evolving markets (Levinthal and March 1993; Slater and Narver 1995).

Conversely, and importantly, an entrepreneurial dominant logic does not have an advantage over other firms in stable, well understood environments that offer little unidentified opportunity or high levels of uncertainty. In this situation the defining traits of an entrepreneurial dominant logic, i.e., strong EO, are not needed. Thus, a firm entering a foreign market that is similar to an existing market should not benefit from a strong EO as the special capabilities of these firms are not designed to outperform in such environments.

Moderators of the EO-MPA relationship

Cultural distance Typically, entry barriers involve differences between host and home countries, as well as characteristics of the host country or entering firm (Harzing 2003). One popular framework for studying such differences is the CAGE framework that includes culture, economic, geographic, and administrative distance (Ghemawat 2001; Malhotra et al. 2009). Johnson and Tellis (2008) identified cultural distance, the difference between two societies on their shared values and meanings, as an important barrier to foreign market entry due to the uncertainty it creates. National culture reflects

country characteristics related to consumption (e.g., buying power, product availability, competitive intensity, customer preference, customer shopping behavior, etc.) (Malhotra et al. 2009; Tihanyi et al. 2005).

The uncertainty associated with foreign market entry increases with cultural distance (Malhotra et al. 2009). Multiple studies show how such distance increases various dimensions on uncertainty like negotiation (Malik and Yazar 2016) and managing expatriates (Shin et al. 2017). As cultural distance with the home market increases, market similarity and, hence, predictability decrease, which creates the potential need to adapt marketing programs in ways unfamiliar to current company operations. Such adaptation not only requires efficient learning mechanisms, but also the willingness and ability to experiment and engage in trial and error behaviors and reconfigure capabilities to better align with host countries' market structure and regulations (Mitra and Golder 2002; Pedersen and Petersen 2004). For example, Azar and Drogendijk's (2016) find that the more distant the culture the more MNCs interact and integrate with the market environment. This includes producing and adopting innovations to processes and products and to organizational strategy, structure, and administrative procedures to cope with the new environment and overcome uncertainties.

Given that cultural distance increases uncertainty, it follows per the dominant logic and adaptation theory that when cultural distance is high there should be a significant relationship between EO and MPA as EO promotes successful adaptive behavior in conditions of uncertainty. However, when cultural distance is low, the traits of strong EO firms are not expected to lead to any more adaptation then that produced by weak EO firms because the traits of strong EO firms are not required in this scenario.

Unanticipated events Prior research has typically understudied unanticipated entry barriers, which, by definition, are not known prior to the onset of the entry process. MNCs' success in international markets is significantly influenced by their ability to effectively deal with unanticipated events (Lee and Makhija 2009; Wang and Bansal 2005). Such events are common in today's global economy, and the international activity of MNCs makes them especially vulnerable to unexpected volatilities.

Unanticipated events include "organizational crises," which can severely affect firms' behavior and performance (Lampel et al. 2009; Lee and Makhija 2009). An organizational crisis suggests a "high-impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution" (Pearson and Clair 1998: p. 60). We do not wish to limit our study to crises nor do we wish to limit ourselves to unique events—"events that occur outside the everyday experience of an organization and, as such are frequently portrayed as unique, unprecedented, or even as uncategorizable" (Christianson et al. 2009: p. 846). Both crises and rare events are subjective, difficult to delineate and difficult to capture in significant numbers in broad-based empirical research (e.g., what constitutes a crisis? how does one define rare?).

Instead, we wish to focus on events that are unaccounted for during initial launch planning and, hence, are "unanticipated" and may influence performance without necessarily creating a "do or die" scenario that may not be repairable. "Unanticipated event" is a deliberately general term that can capture a wide array of events that are not considered during market entry planning including currency devaluations, government regulations, competitor response, inaccurate market intelligence, supplier or distributor

disruptions, etc. (Pedersen and Petersen 2004; Wang and Bansal 2005). The key dilemma with regard to unanticipated events is the lack of foreknowledge to address the situation effectively (Lee and Makhija 2009).

A firm with the flexibility to respond advantageously to unanticipated situations is better off than a firm locked into a single course of action (Lee and Makhija 2009) driven by its dominant logic. Denrell et al. (2003) argue that success in implementing business opportunities is often contingent on organizational flexibility. Li et al. (2008) expand on this theme by attributing the ability of entrepreneurial-oriented firms to successfully innovate in highly uncertain environments to unusually strong flexibility. Flexibility is related to firm adaptability and, ultimately, the ability to successfully compete in the foreign market (Calantone et al. 2004).

We offer the following hypotheses regarding the impact of EO on MPA and foreign market entry success as moderated by two factors related to uncertainty: cultural distance and unanticipated events:

H2: EO has a stronger relationship with marketing program adaptation in foreign entry markets characterized by (a) high cultural distance as opposed to low cultural distance and (b) one or more unanticipated events during the market entry process.

H3: The indirect relationship between EO and foreign entry success mediated by marketing program adaptation is stronger when (a) cultural distance is high as opposed to when it is low and (b) foreign entry markets are characterized by one or more unanticipated events during the market entry process.

Methods

Sample and data collection

Data were collected from a commercially acquired sample of US business executives. The sample was selected to represent a cross-section of industries, executives, and executive function. A total of 12,500 invitations were sent through the opt-in online research panel of a professional market research firm to a nationally representative sample of individuals pre-identified to be full time employees working in US-based firms with a title of manager or higher. A total of 4,628 completed surveys were returned over a 2-day period. Among these responses, 830 respondents did not meet the company rank criterion (i.e., were not part of their firm's management). This left 3,798 complete surveys from qualified respondents, an effective response rate of 30.3%. An objective of the sampling was to gather responses relevant to multiple research projects. These projects required executives from micro firms (10 or fewer employees) through larger firms (250 or more employees). They also required responses related to domestic operations and foreign initiatives, the latter being this study.

Two within-survey screening mechanisms were applied to the complete respondent base to identify qualified respondents for this study. First, given our focus on MNCs,

executives were screened for employment in firms with more than 100 employees. Second, executives were screened for their firm's participation in at least one foreign market entry in the past 5 years. Regarding the latter, they were asked, "Has your firm/business unit introduced or attempted to introduce products or services into a foreign country in the past five years?" If "yes," they were asked, "Are you familiar with at least one such introduction?" If "yes," they were asked to select one of the entries with which they were familiar and to answer all questions in the context of that entry. Finally, firms which entered foreign markets through ecommerce only were removed from the sample. Within the full sample, 245 cleared all screens.

The final sample represented a broad cross-section of executive rank, experience, and function. Half of the sample was either members of the top management team (14.2%) or senior managers (31.8%); 35% had been with their current employer for more than 10 years. The top five functions, general management, marketing or sales, operations, information technology, and human resources, accounted for 67% of respondents. It also represented a broad cross-section of firm types. Forty-five percent of executives worked in manufacturing industries, 55% in service industries. Firms' primary customers were split between B2B (59%) and B2C (41%). Entry into a total of 45 different foreign markets (countries) were registered. About the firm's sizes, 17.6% had 101 to 250 employees, 11.4% had 251 to 500 employees, 11.4% had 501 to 1000 employees, and 59.6% had more than 1000 employees.

Measures

All primary measures in the study were based on existing scales in the literature. A discussion of the study's independent, dependent, and control variables follows. Please refer to Table 2 for the specific wording of the items measuring key constructs.

Entrepreneurial orientation Scholars have largely adopted variants of a scale whose elements reflect the conceptualization of Miller (1983) and the operationalization of Covin and Slevin (1989). The 9-item scale has been criticized for including a combination of behavioral and dispositional items as (Wiklund 1999; Covin and Miller 2014). The behavioral measures in the scale (i.e., the number of innovations produced, the minor or dramatic nature of innovations, whether the innovations were first mover) could potentially impact the discriminant validity of the scale when dependent measures are tied to acts of innovation or innovation outcomes. As such, in this study, the three measures of past innovation behavior were omitted from the scales, leaving six measure assessing the predisposition of firms to act entrepreneurial. It is also worth noting that the EO scale was completed while subjects were completing firm level questions about the company and its overall performance and priorities. These were prior to questions on foreign market entry behaviors. As such, the EO measure assessed the dominant logic of the firm with regard to entrepreneurial behavior.

Cultural distance All the sampled firms were US-based. Each respondent answered questions pertaining to one foreign market entry experience. An objective measure of cultural distance was employed using Kogut and Singh's (1988) cultural distance formula:

$$CD_j = \sum_{i=1}^{4} \left\{ (I_{ij} - I_{iu})^2 / V_i \right\}$$

Using Hofstede's indices, a composite index was based on each country's deviation from the USA along the four key cultural dimensions (i.e., power distance, uncertainty avoidance, masculinity/femininity, and individualism). In the formula, I_{ij} stands for the index for the *i*th cultural dimension in the *j*th country, V_i is the variance of the index on the *i*th dimension; *u* indicates the USA and CDj is the cultural distance of the *j*th country from the USA. To be used later in our multi-group analysis we divided this variable to close vs. distant cultures, imposing a limit, rather than taking the median split. Using this approach, Australia (0.02) was most similar to the USA; the two most frequently cited low cultural distance nations were Canada (0.12) and the UK (0.08). Malaysia (3.97) was the nation least similar to the USA, China (2.87), Japan (2.55), and Mexico (2.98) were the most frequently mentioned high cultural distance nations.

Unanticipated event The source of an unanticipated event may be in the market to be entered, i.e., economic, political, regulatory, cultural, competitive, etc., or it may be a reaction to firms' actions in that market, i.e., distribution problems, insufficient staffing, communication problems, etc. A number of questions were asked to cue respondent memory of unanticipated events in the foreign market during the course of the entry (e.g., Frishammar and Horte 2005). First, they were asked about the detection of unanticipated events through the tracking of internal firm behaviors, i.e., cross-functional management teams, R&D and/or production contingencies, IT coordination, and regular progress monitoring. Next, they were asked about the detection of unanticipated events through tracking external sources, i.e., distributor and supplier, customers and competitors, and laws and regulations. After these queries, respondents were asked: "Did your firm/business unit experience one or more significant unanticipated events in the course of the foreign entry we are discussing?" This question created the dichotomous, "no" (value 0) or "yes" (value 1), unanticipated event variable. We opted to keep the "event" open ended to capture a wide array of internal and external situations and to recognize as Pearson and Clair (1998) noted that unexpected events can be difficult to categorize. A significant effect using this approach allows the greatest degree of generalizability.

Marketing program adaptation The construct was measured using the work of Lages and Montgomery (2004) and Zou et al. (1997). It was designed to capture a range of marketing related capabilities that are associated with each element of the marketing mix. Executives were asked, "To what extent was each of the following elements of the marketing program adapted to the foreign entry prior to the launch or within 12 months of the launch?" On a 7-point scale anchored by "no adaptation at all" and "extensive adaptation," executives rated the degree of adaptation to the size of product/service line, product/process design, product positioning, brand name and/or packaging, price, advertising and/or sales promotion, sales force structure and management, downstream supply chain (wholesalers, retailers), and customer service. The measure consisted of nine items corresponding to the marketing capabilities just listed.

Foreign entry success Despite the large literature, there is not an agreed upon definition of foreign entry success. As Johnson and Tellis (2008) noted, "Perhaps the most contentious issue in studying success and failure of international market entry is to define and measure it (p. 6)." Interestingly after making this observation, the authors balked at providing their own definition and instead focused on the measure, which like most measures, includes a mixture of performance (sales, market share, profitability) and management perception (expectations, frustrations). More recently, Wang and Lestari (2013) reiterated the lack of a consistent definition and measure and relied primarily on management perception of success. We employ the criteria first suggested by Cavusgil and Kirpalani (1993): (1) were management expectations met, (2) sales volume and market share, and (3) profitability. Executives were guided to think about a market entry that took place in the 5 years.

Using a 7-point scale, the study's dependent measure asked executives to "indicate the degree to which the entry exceeded, met or fell below expectations" on four dimensions of performance: sales revenue, profitability, market share, and management satisfaction. Measures of export market performance increasingly rely on including a measure of management satisfaction along with performance measures to assess the extent to which performance met or exceeded expectations (Navarro et al. 2010; Shoham 1999). Composite measures of performance are well established in the literature (e.g., Jaworski and Kohli 1993; Venaik et al. 2005) and although subjective measures of performance are not ideal, there is a strong correlation between executive's subjective perceptions and objective financial measures (Morgan et al. 2004).

Control variables A number of variables known to be related to performance were used in the analysis to control alternative explanations of any observed effects (Henard and Szymanski 2001; Jaworski and Kohli 1993). Some of those variables, i.e., age, size and firm/business unit's total sales, are known to influence the internationalization process (Sapienza et al. 2006). Firm's age was coded in four categories (1–less than 5 years of existence; 2–6 to 10 years; 3–11–20 years; 4–more than 20 years). The firm's size was measured by the number of employees originally with seven categories (1—fewer than 10 employees; 2—11 to 50, 3—51 to 100, 4—101 to 250, 5—251 to 500, 6—501 to 1000, and 7—more than 1000. As we targeted MNCs firms coded from 1 to 3 (less than 101 employees) were then excluded from the final sample. Firm/business unit's total sales was measure by a seven-category scale (from "less than $10 million" to "more than $1 billion"). Both EO and other strategic orientations, most notably market orientation, motivate market learning behaviors (Baker and Sinkula 2009; Wang 2008). To help assure that any effects of EO found in the study could be attributable to the core traits of a strong EO (i.e., proactiveness, innovativeness and risk-taking), two firm level learning measures, market information acquisition and market information dissemination, were measured by five statements each, based on Kohli et al. (1993). The instruction applied for the statements was "indicate how much you agree or disagree with each of the following statements about the acquisition (distribution) of market information" using a 7-point Likert scale. Industry level covariates were also considered to control possible interferences in the foreign entry process and decisions regarding to the environment of target markets (Davis et al. 2000). Therefore, executives were questioned about

the "characteristics of the product and geographic market(s) in which the firm competes" in terms of sales relative to largest competitor, industry sales growth rate, and the rate of change of production/service technology in the market. The three items were measured with a 7-point scale (from "very low" to "very high").

Measure validation

The means, standard deviations, coefficient alpha (α), average variance extracted (AVE), construct reliability (CR), and inter-construct correlations of all variables involved in the hypotheses related analyses are provided in Table 1. Key inter-construct correlations ranged from .39 to .53, which is considered a moderate level (Rowntree 1981). Since, however, data were collected from a single source common method variance was a potential explanation for observed construct relationships. Therefore, we conducted two procedures to test the extent of common method bias, following Podsakoff et al. (2003). First, Harman's single factor test was conducted with CFA approach. The model fit indices obtained were very poor ($\chi^2 = 1160.828$ [df = 135], normed fit index = .606, comparative fit index = .630, root mean square error of approximation = .176). Second, we examined the effects of an unmeasured latent method factor in our empirical model (MacKenzie et al. 1993; Podsakoff et al. 2003). The hypothesized relationships in the model were not affected by the inclusion of a single factor in the structural model. Furthermore, none of the path coefficients between the single source factor and the construct indicators were significant. Therefore, we concluded that common method variance had not biased our measures.

As mentioned, per Table 1, the high coefficient alpha and average variance extracted scores for each construct was supportive of unidimensionality. To test for convergent validity, a CFA of the study's measurement model was conducted. The model fit indices were very acceptable ($\chi^2 = 567.354$ [df = 340], incremental fit index = .951, comparative fit index = .951, root mean square error of approximation = .052). Table 2 provides factor loadings and t values for all constructs involved in the hypotheses related analyses. All item loadings on each construct were highly significant ($p < .001$). To assess discriminant validity, we contrasted the squared correlation of each factor pair with the variance extracted from each factor (Fornell and Larcker 1981). In each case, the average variance extracted exceeded the squared correlation, supporting discriminant validity. In summary, we found evidence of unidimensionality, convergent validity, discriminant validity, and measurement invariance for our measurement model.

Results

All hypotheses were verified with procedures based on multiple regression analysis, applying the PROCESS macro for SPSS proposed by Hayes (2013), which estimates ordinary least square regressions to test for moderation, mediation and moderated mediation effects (Hayes 2015). Such procedure allows the estimation of the direct, conditional direct and indirect effects, besides an index

Table 1 Model and control construct statistics

Variables	Mean	S.D.	Items	α	CR	1	2	3	4	5	6	7	8	10	11	12
1. Entrepreneurial orientation	4.64	1.17	5	.83	.83	*.70*										
2. Marketing program adaptation	4.74	1.30	9	.94	.93	.393**	*.77*									
3. MNC foreign entry success	4.74	1.31	4	.94	.94	.417**	.503**	*.89*								
4. Business unit age	–	–	1	–	–	.000	− .106	.009	–							
5. Number of employees	–	–	1	–	–	.020	005	.080	.224**	–						
6. Total sales	–	–	1	–	–	.112	056	.149*	.264**	.580**	–					
7. Sales relative to largest competitor	5.34	1.36	1	–	–	.375**	.436**	.390**	− .046	.107	.134*	–				
8. Growth rate of sales in industry	5.10	1.41	1	–	–	.415**	.394**	.311**	− .122	.014	.011	.461**	–			
9. Rate of change of technology	5.16	1.53	1	–	–	.460**	.425**	.249**	− .140*	− .040	.034	.412**	.561**	–		
10. Market information acquisition	5.45	1.19	5	.89	.89	.394**	.316**	.326**	.026	.118	.163*	.344**	.326**	.251**	*.79*	
11. Market information dissemination	5.06	1.37	5	.92	.92	.463**	.399**	.377**	− .005	.007	.071	.356**	.367**	.355**	.649**	*.84*

Diagonal elements (in italics) are the square root of the average variance extracted (AVE)

*$p < 0.05$

**$p < 0.01$

Table 2 Model confirmatory factor analysis

Scale	Standardized factor loadings	*t* value
Entrepreneurial orientation		
Market new to the market products and services	0.60	8.581
Innovate products or services before others even if that means some will fail	0.72	10.272
Initiate actions to which competitors respond	0.74	10.502
Pursue new opportunities even if that requires developing new customers and markets	0.71	10.117
Engage in bold, wide ranging acts to pursue new opportunities	0.73[a]	
Marketing program adaptation		
Size of product/service line	0.82	12.737
Product/process design	0.78	12.105
Product positioning	0.78	12.079
Brand name and/or packaging	0.77	11.814
Price	0.81	12.450
Advertising and/or sales promotion	0.74[a]	
Sales force structure and management	0.75	11.494
Downstream supply chain	0.76	11.625
Customer service	0.76	11.736
MNC foreign entry success		
Sales revenue	0.93	
Profitability	0.92	24.567
Market share	0.84	19.326
Management satisfaction	0.87	21.073
Market information acquisition		
We regularly conduct research with our customers to assess the performance of our products and services.	0.74[a]	
Intelligence on our competitors is frequently collected.	0.77	11.942
Intelligence on our distribution network is frequently collected.	0.79	12.322
We frequently review the likely effect of changes in our business environment on customers.	0.88	13.703
We frequently collect and evaluate general macroeconomic information that might affect our business.	0.78	12.030
Market information dissemination		
Marketing personnel in our firm/business unit frequently spend time discussing customers' preferences and behavior with other functional departments.	0.81[a]	
Our firm/business unit regularly circulates information about our market and customers.	0.79	13.986
We frequently have cross-functional meetings to discuss market trends and developments.	0.89	16.572
We regularly have interdepartmental meetings to update our knowledge of the business environment.	0.88	16.189
New customer or market information usually disseminates quickly throughout are firm/business unit.	0.81	14.362

of moderated mediation,[1] using bootstrap analyses (5,000 samples) and bias-corrected 95% confidence intervals. Due to the relatively small sample size and the requirements for applying the PROCESS macro, we used item parceling following the total aggregation procedure suggested by Bagozzi and Heatherton (1994) for all the first order constructs—EO, MPA, foreign entry success, market information acquisition, and market information dissemination. This procedure allowed us to gain more parsimony and reduce sources of sampling error (MacCallum et al. 1999). Multicollinearity was assessed by variance inflation factor (VIF). Regression equation with the interaction terms and control variables showed low VIF values (VIF < 2.1) indicating the absence of multicollinearity problem (O'Brien 2007).

Initially, the analysis was performed applying PROCESS macro "model 76" (Hayes 2013) with the following conditions: (a) EO as the independent variable; (b) MPA as the mediating variable; (c) foreign entry success as the dependent variable; (d) cultural distance and unanticipated event simultaneously as moderators for the three main relationships (EO → MPA, EO → foreign entry success, MPA → foreign entry success); and (e) the above related control variables. The results of direct and conditional direct effects are presented in Table 3.

H1 predicts a positive impact of MPA on foreign market entry success. The correlation among the constructs (see Table 1) is strong and positive ($r = .503$, $p < .01$). Also, the regression analysis (Table 3, model 2 shows a direct and positive effect of MPA on foreign market entry success ($B = .32$; $p < .01$) in the presence of EO and the control variables. These conditions support H1.

The moderating effects of cultural distance (H2a) and unanticipated events (H2b) on the EO-MPA relationship were tested by the inclusion of interaction terms in the regression analysis (Hayes 2013). Variables were mean centered before the computation of the interaction terms regarding to the main independent variable—EO, and the moderators—cultural distance and unanticipated events. Cultural distance was applied as a continuous moderator and unanticipated event as a dichotomous moderator. Table 3 (model 1) shows the results from PROCESS macro (Hayes 2013). Both cultural distance and unanticipated events interaction terms with EO registered positive and significant effects on the EO → MPA ($B = .12$; $p < .05$; $B = .46$; $p < .01$; $R^2 = .375$; $p < .01$, respectively). Consistent with the theoretical model, cultural distance and unanticipated events presented non-significant effects on the other relationships (Table 3, model 2): EO → foreign entry success ($B = .07$; $p > .05$; $B = .10$; $p > .05$; $R^2 = .381$; $p < .01$), or MPA → foreign entry success ($B = .01$; $p > .05$; $B = .21$; $p > .05$; $R^2 = .381$; $p < .01$). Results thus support H2a and H2b.

The moderating effects of cultural distance (H3a) and unanticipated events (H3b) on the mediating effect of MPA were tested simultaneously by the index of moderated mediation. Due to the abovementioned results, we applied PROCESS macro "model 9" (Hayes 2013, 2015), which considered the moderation effects of cultural distance and unanticipated event only on EO → MPA relationship. The results are presented in

[1] According to Hayes (2015; p. 2), "although the method is discussed in the context of continuous moderators, it generalizes to models with a dichotomous moderator. The heart of the test is a quantification of the association between an indirect effect and a moderator—an "index of moderated mediation"—followed by an inference as to whether this index is different from zero." Statistical significance of it is indicated by Bias-corrected 95% confidence intervals excluding zero at the .05 level.

Table 3 Results of regression and conditional direct effects analysis

	Marketing program adaptation		MNC foreign entry success	
	Model 1		Model 2	
Relationship	Coeff.	95% CI	Coeff.	95% CI
Entrepreneurial orientation	.07	−.08, .21	.17*	.02, .32
Marketing program adaptation (H1)			.32**	.19, .46
Business unit age	−.10	−.30, .11	.04	−.16, .25
Number of employees	−.06	−.20, .08	−.01	−.16, .13
Total sales	.03	−.06, .11	.05	−.04, .14
Sales relative to largest competitor	.21**	.09, .33	.15*	.03, .28
Growth rate of sales in industry	.06	−.06, .19	.06	−.07, .18
Rate of change of technology	.14*	.02, .25	−.09	−.21, .02
Market information acquisition	.08	−.08, .24	.06	−.10, .22
Market information dissemination	.13	−.01, .27	.08	−.07, .22
Cultural distance	−.05	−.16, .06	.02	−.09, .13
Unanticipated events	−.05	−.33, .24	−.25	−.54, .03
Entrepreneurial orientation × cultural distance (H2a)	.12*	.02, .22	.07	−.04, .18
Entrepreneurial orientation × unanticipated events (H2b)	.46**	.23, .70	.10	−.18, .38
Marketing program adaptation × cultural distance			.01	−.09, .10
Marketing program adaptation × unanticipated events			.21	−.04, .46
R^2	.375		.381	
F	10.643**		8.776**	
Conditional direct effects of EO on MNC foreign entry success at values of the moderator				
Cultural distance	Unanticipated event	Conditional direct effect	SE	95% CI
−1SD	Without	.05	.12	−.20, .29
Mean	Without	.13	.10	−.06, .32
+1SD	Without	.21	.11	−.01, .43
−1SD	With	.15	.12	−.10, .39
Mean	With	.23*	.11	.01, .45
+1SD	With	.31*	.14	.04, .58

These analyses were based on PROCESS macro "model 76" for SPSS proposed by Hayes (2013). Depicted are the unstandardized regression coefficients with confidence intervals for the regression analysis and the conditional direct effects of EO on MNC foreign entry success. The number of bootstrap samples for the bias-corrected interval is 5,000. Variables involved in the product term were mean-centered. *CI* confidence interval, *SE* standard error

*$p < 0.05$

**$p < 0.01$

Table 4. Significant differences were registered in the conditional indirect effects of EO on foreign entry success through MPA for distinct levels of cultural distance (*index of moderated mediation* = .04; CI 95% = .01, .09) and for the absence/presence of unanticipated events (*index of moderated mediation* = .16; CI 95% = .07, .31). Likewise, mediation effects of MPA are significant only on middle levels of cultural distance and with the occurrence of unanticipated events (*conditional indirect effect* = .12; CI 95% = .04, .24) and on high levels of cultural distance and with the occurrence of unanticipated events (*conditional indirect effect* = .17; CI 95% = .07, .32). Therefore, H3a and H3b are supported.

It is also interesting to notice that similarly the conditional direct relationship of EO with foreign entry success (Table 3) is significant only at middle levels of cultural distance and with the occurrence of unanticipated events (*conditional direct effect* = .23; CI 95% = .01, .45) and on high levels of cultural distance and with the occurrence of unanticipated events (*conditional direct effect* = .31; CI 95% = .04, .58). Figure 2 graphically depicts the EO → foreign entry success relationship in different conditions of environmental uncertainty by a scatterplot diagram. To do so, we categorized the cultural distance variable to low and high levels based on the median. It is visually clear that EO has no impact in environments where cultural distance is low and no unanticipated events occurred. Conversely, the strongest effect of EO noticeably is present in situations of high cultural distance and when unanticipated events occur.

Finally, it is worth reporting the positive impact of two covariates—sales relative to largest competitor and rate of technology change. The former showed positive influence on both MPA and foreign entry success. The latter, only on MPA.

Discussion

Our results provide a more complex and hopefully more complete portrait of the impact of EO on foreign market entry success. In this paper, the key theoretical mechanism through which EO impacts foreign entry success is marketing program adaptation—MPA. Despite the long-standing debate on the role of adaptation in foreign market entry (Theodosiou and Leonidas 2003), both previous research (Lu et al. 2010; Wang and Lestari 2013; Zeng et al. 2009) and macro theoretical perspectives in strategic marketing (Day 1994) and strategic management (Barney 1991) reinforce the role of adaptation in market entry, foreign or otherwise. Both literatures have long asserted that competitive advantage is related to the ability of firms to successfully align their resources and capabilities with the demands of the environment in which they compete. These broader theoretical narratives presume that different configurations of the marketing mix must be aligned with the situational characteristics of the environment.

Table 4 Results of moderated mediation analysis

Mediator	Cultural distance	Unanticipated event	Conditional indirect effect	Boot SE	95% CI
Marketing program adaptation	−1SD	Without	−.09	.05	−.20, −.01
Marketing program adaptation	Mean	Without	−.04	.03	−.11, .02
Marketing program adaptation	+1SD	Without	.01	.04	−.06, .08
Marketing program adaptation	−1SD	With	.07	.05	−.01, .19
Marketing program adaptation	Mean	With	.12	.05	.04, .24
Marketing program adaptation	+1SD	With	.17	.06	.07, .32
Mediator	Moderator		Index of partial moderated mediation	Boot SE	95% CI
Marketing program adaptation (H3a)	Cultural distance		.04	.06	.01, .09
Marketing program adaptation (H3b)	Unanticipated event		.16	.02	.07, .31

These analyses were based on PROCESS macro "model 9" for SPSS proposed by Hayes (2013), using 5,000 bootstrap samples. Described values are the conditional indirect effects of EO on MNC foreign entry success through Marketing program adaptation at low (−1 SD), mean, and high (+1 SD) levels of cultural distance and in the absence/occurrence of unanticipated events simultaneously. Bias-corrected 95% confidence intervals excluding zero indicate statistical significance at the .05 level. We also tested intermediate models with each moderator at a time and the result patterns remained the same. *CI* confidence interval. *Boot SE* bootstrapping standard error

The study of EO in domestic settings conforms to these expectations as effects of EO have been shown to be stronger in markets characterized by greater uncertainty (Li et al. 2008; Pérez-Luño et al. 2011; Wiklund and Shepherd 2005). This research reinforces prior empirical results and extant theory by demonstrating an MPA-foreign market entry success relationship regardless of cultural distance or the unanticipated events. This reinforces the importance of MPA in foreign market entry among SMEs and large firms based in the USA. The current study, then, reinforces the findings of other studies on the role of MPA and helps to generalize the robustness of these effects across both firm size and industry.

In our view, more importantly, this study found, as predicted, a situationally dependent role of EO in the foreign market entry process. When cultural distance was low and/or unanticipated events in the process of entry did not occur, there was no indirect effect of EO on entry success mediated by MPA. However, when cultural distance was high and/or there were unanticipated events during the launch process, the indirect effect through MPA was statistically significant. Likewise, although not hypothesized as it was not the focus of this research, there was no direct relationship between EO on entry success when cultural distance was low and unanticipated events did not occur. These results are consistent with the body of research that reports a

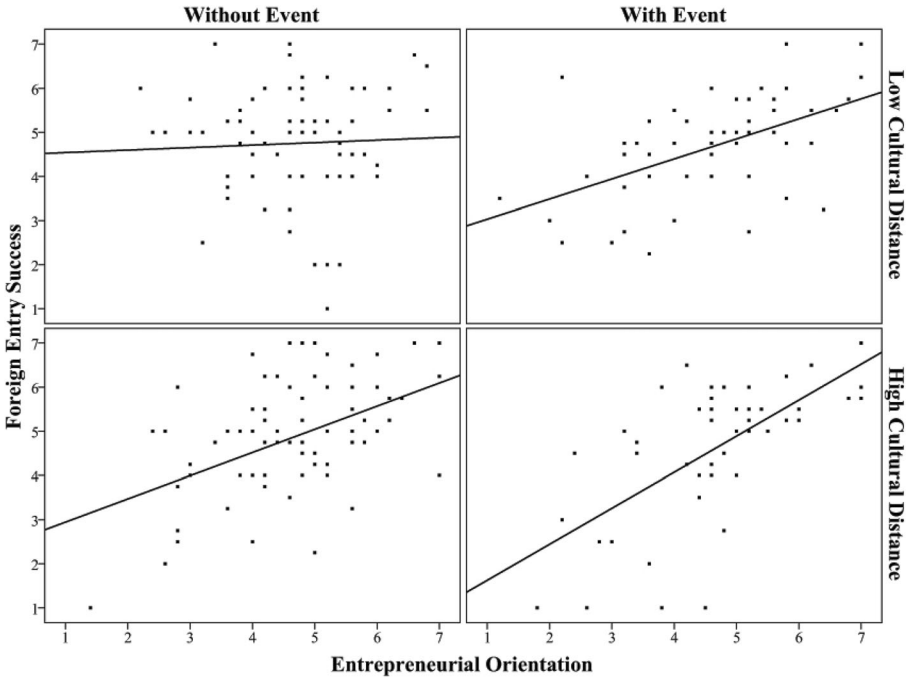

Fig. 2 EO and foreign entry success relationship under environment conditions

positive interaction between EO and uncertainty on firm performance (Rauch et al. 2009). The inclusion in the study sample of market entries in 45 different countries across North and South America, Europe, and Asia bolsters the generalizability of the results. However, it is important to note that the home nation for all entries was the USA.

Dynamic capabilities are posited not to have direct relationships with performance, but to lead to the development of tangible capabilities that are so related (Teece 2007). We assert that the presence of a direct EO-foreign entry relationship is not so much reflective of a direct relationship as it is recognition that (1) MPA mediation of the EO-foreign entry success relationship is not full and, as discussed earlier in the paper, (2) there are multiple mediators of the EO-foreign entry success relationship. Thus, we believe that the conditional direct EO-foreign entry relationship in no way suggests that EO is not a dynamic capability. In the absence of measuring other mediators in this study, a direct relationship should be expected as it is oft reported in studies that do not measure mediators (Rauch et al. 2009). The fact that the "direct" EO-foreign entry success relationship was only significant at at least moderate levels of cultural distance in the presence of an unanticipated event reinforces the thesis that EO effects are strongest in conditions of high uncertainty.

The situationally dependent effects of EO found in this study bring to issue whether all foreign market entry is inherently entrepreneurial, as postulated by leading scholars (Lumpkin and Dess 1996; Covin and Miller 2014). When 'entrepreneurial' refers to corporate entrepreneurship reflected by risk-taking, proactive and innovative behaviors, i.e., an EO, this research suggests that the answer is no. This is an important finding

because it informs firms with strong EO of the host market conditions that are most suited to their strategic orientation. Firms with a strong EO can best utilize this orientation in host countries characterized by high cultural distance and a high potential for unanticipated issues in the launch process. In host markets more similar to the home country, i.e., low cultural distance, conservative, i.e., low EO, firms are more likely to successfully compete as strong EO firms lose their advantage and per the dominant logic (Prahalad and Bettis 1986) and adaption (Chakravarthy 1982) theoretical perspectives, may actually be at a disadvantage.

A key means of achieving a firm-environment alignment is through the innovation of the marketing capabilities and programs that interface with the environment. Such an alignment does not necessarily require a strong EO (Miller 1983). If foreign markets are similar to the home market (or other entered foreign markets) and are relatively stable, then managerial discretion or other strategic orientations such as a strong market orientation are more likely to successfully guide entry (Atuahene-Gima and Ko 2001). A market orientation is related more to profitability, while a strong EO is more directly related to innovation (Baker and Sinkula 2009). If home and host countries are culturally similar, then adaptation requiring significant innovation in the face of uncertainty is less likely required and fine tuning driven by a market orientation is more likely to be sufficient. However, when the characteristics of new markets differ or are changing rapidly, then adaptation is more likely to require innovations across the marketing mix that benefit from the traits associated with a strong EO (Slater and Narver 1995).

Known barriers such as cultural distance can be assessed well in advance of foreign entry. The entry barriers identified by Johnson and Tellis (2008)—cultural distance, firm size, economic distance, country risk, and country openness—may all be categorized as known. Unknown barriers refer to potentially destabilizing events that take place in the time period of the foreign entry and, hence, cannot be explicitly planned for until they occur. In both cases, EO as predicted impacted foreign entry success through MPA. In these scenarios, EO brings a range of behaviors that coalesce around an orientation that is amenable to flexibility, experimentation, trial and error, change, and risk tolerance. Simply put, the mindset of strong EO firms allows them to be more successful in uncertain situations because EO is a strategic posture designed to enable firms to outperform competitors under conditions of uncertainty.

There is no way for firms to fully prepare for unanticipated events that occur during foreign entry. For this reason, it behooves weaker EO firms to protect themselves from unanticipated events by importing the flexibility and proactiveness they do not inherently possess. While this type of expertise is also likely to benefit stronger EO firms (Frost 2001), it is likely to be essential to weaker EO firms. The ability to utilize local resources to mitigate risk represents a viable option for these firms (Knight 2000). Weaker EO firms should plan for their limitations and employ those resources that will help them deal with unanticipated challenges that require the type of flexibility that they do not possess. A significant issue for weaker EO firms is to know when to avoid markets that require a level of challenge that may exceed their comfort zone and capabilities.

Weaker EO firms are most likely to thrive in situations in which they can transfer existing knowledge and capabilities with adaptation that does not require significant innovation, e.g., modest changes in product configurations as opposed to wholly new

products, choosing new suppliers as opposed to developing a new type of supply chain, modifying promotion content as opposed to employing promotion tools never before used. Thus, the prescription for firms with weaker EO is to (1) avoid being a category first mover into new markets with high cultural distance, or a high degree of uncertainty created by other factors and (2) employ local resources that are more likely to be able to anticipate and react to unplanned events. The adaptation limits of low EO firms is an important issue for future research.

Limitations and future research

This and other research have reported a positive relationship between MPA and foreign market entry success. It cannot speak to the strength of this relationship relative to other success factors for foreign market entry not included in this study including entry mode, economic distance, lack of regulatory obstacles, management strength and market orientation (Johnson and Tellis 2008; Lu et al. 2010; Zeng et al. 2009). Nor can it speak to the strength of MPA as a mediator of the EO-foreign entry success relative to other mediators including network capability, learning capabilities and knowledge, innovation intensity, and market orientation (Alegre and Chiva 2013; Li et al. 2009; Stam and Elfring 2006). A priority of future research should be to assess the relative importance and complementarity of these constructs.

Forty percent of the firms in this sample experienced one or more "significant unanticipated events" during the foreign entry process. Past research has focused mostly on the role played by barriers which can be planned for ahead of time. Do factors that create uncertainty about foreign entry success also increase the likelihood of unanticipated events? We did not address the correlation between known and unknown barriers conceptually or methodologically in this research. We need to better understand this relationship in order to capture its implications. For example, long-term planning that takes known barriers into account may reduce the likelihood that unanticipated events will occur during entry, but we need to know how much the threat of unanticipated events can be reduced through advanced planning.

A prominent known barrier to foreign entry, cultural distance, was chosen for this research. Follow-up research needs to generalize findings to other known barriers to entry identified in the literature (Johnson and Tellis 2008). In the context of unknown entry barriers, we decided to focus in this study on the most preliminary/fundamental point of view: whether the firm encountered, or not, an unexpected event during foreign entry. This is a good starting point for research in this area. There is a need, however, to dive deeper into this issue. One approach would be to identify and classify unknown barriers and their consequences. For example, do unanticipated internal, firm-related events have a different impact than environment-related events? Which unexpected environmental events—competitor, economic, customer, or regulatory—are most impactful? Or looking at it in a different way, what is the different impact of pricing, product, distribution or promotion related unanticipated events? Likewise, our results should be extended by looking at how the severity of the event influences the role of EO or the type of product/service that enters the market. Finally, cultural distance is part of the CAGE framework and future work can study other measures of home-host country distance based on this framework—economic, geographic, and administrative distance (Ghemawat 2001; Harzing 2003; Malhotra et al. 2009).

A strong EO may be viewed as a competitive advantage. In an international context, this competitive advantage, as suggested by our results, is likely to be most potent in markets dissimilar from the home market. There was no relationship between EO and foreign entry success in markets with low cultural distance, but can we be sure this means that firms with stronger EO should deliberately put a lower priority on these markets or do these markets represent "low hanging fruit" that should not be ignored? We suggest that this is the case, but the answer is complicated when unpredictable markets offer strong EO firms higher potential returns than more compatible markets that firms with weaker EO are also likely to be able to successfully enter.

Another issue is whether strong EO firms better succeed in unpredictable markets because they have the internal capabilities to make the necessary adaptations or because they are more willing to give up control to local market partners? This is still not clear although some researchers (e.g., Frost 2001) have found that EO-driven MNCs often benefit from relatively autonomous subsidiaries, making it possible for these companies to take advantage of the adaptation capabilities of their local representatives.

Conclusion

This research helps to clarify the roles of MPA and EO in foreign entry success. We found that MPA has a direct effect on foreign entry success that is not influenced by cultural distance or unanticipated events. We found that EO is most likely, through MPA, to relate to foreign market entry success when the uncertainty level attached to the entry process demands the types of traits associated with a strong EO. Two barriers to entry that can influence uncertainty are cultural distance and unanticipated events during foreign entry. The former is known prior to entry and can be anticipated in planning activities. The latter is not known prior to entry and, hence, cannot be anticipated prior to the entry. As expected, both cultural distance and unanticipated events moderated the indirect effect of EO on foreign entry success. In conclusion, the findings of this research support the role of MPA in foreign market entry and indicate that EO is not always a prerequisite to foreign market entry success.

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