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**A Framework for Exploring the  
International Orientation of  
Entrepreneurial Intention**

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## **A Framework for Exploring the International Orientation of Entrepreneurial Intention**

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### **Abstract**

The study of entrepreneurship has paid particular attention to the entrepreneurial intentions. Such analysis is rich in the literature to the extent to which it explores many aspects that potential entrepreneurs share, and that are characteristics that seem to be inherent to foster entrepreneurship. However, such approach to entrepreneurship is made on a general basis, neglecting the international orientation of such entrepreneurial intention.

The study of international entry is made on a different approach, most of the times based on the process of international entry of firms, or, marginally, seeking to identify the characteristics of CEOs that engage into international processes. The internationalisation of firms does not have to be triggered by firms or CEOs in particular. It seems that there is room for the entrepreneur to be willing to enter international projects of entrepreneurship, and thus to create 'born global' firms.

The aim of this paper is to bring together two distinct analysis of the international orientation of entrepreneurial intention. The expected result is a theoretical framework to support the analysis of the international entrepreneurship of business intentions. Such a framework will allow seeking for the characteristics that individuals who are willing to enter international business ventures share. It is expected to contribute with the basis for the construction of a research tool allowing unveiling particular characteristics of young people that potentiate the international entry of potential entrepreneurs.

**Keywords:** International Orientation; Entrepreneurial Intention; Entrepreneurship Education

## **Introduction**

The interest of entrepreneurial intentions has been, for a long time, a matter of deep investigation. However, such research has neglected the international dimension of entrepreneurship in general and of entrepreneurial intentions in particular.

Within the post global crisis world context, the international entry of firms and the growing predominance of the 'born global' firms, it seems critical that the international orientation of the entrepreneurial intention deserves a special attention from the academia and of research in particular.

This paper explores the theories that may contribute to the study of the international orientation of entrepreneurial intentions. Our aim is to set up a framework and research agenda able to attract researchers to engage into a collaborative projects aimed at understanding the mechanisms associated to the international orientation of the entrepreneurial intention. Therefore, the results of this paper are, to some extent, heterodox, as they do not reflect empirical results from a previous investigation, but rather they raise issues whotrwhile investigating. With this paper it is aimed to develop a framework and to build a research tool that allows a better understanding of international orientation of the entrepreneurial intention at an international level, in order to capture potential cultural differences determining different behaviours.

For a long period of time, many countries' industries based their business on a low cost advantage, which, has now been replaced by the necessity of entering foreign markets as means to improve their market dimension. The particular contemporaneous conditions of the world economy, with a substantially low real disposable income (as a consequence of the global crisis) has led many firms to seek international markets although, in many cases, the lack of international experience can be seen as discouraging. Such domestic demand conditions have an impact on the expectations of economic agents, both in terms of the feasibility of entering business for the domestic market and on the graduates' expectations to enter the labour market. In light with such changes one would expect that the entrepreneurial intentions would change, with particular regards to the international orientation of such intentions.

This research paper is, to some extent, subsequent to the Entrepreneurship Education Project. In our previous approach, entrepreneurial intentions were analysed from a general perspective. However, given the gap in the literature on entrepreneurial intentions focused on international entry, this project seeks to explore such dimension. One of the most important outcomes of this research is that it will launch the basis for international comparisons by, potentially, replicating this theoretical framework in empirically based research across different countries. With this aim in mind, this paper is also expected to contribute for the development of a methodological approach to support international collection of data.

Therefore, the expected methodological approach combines the collection of data through a survey amongst university students and, after some preliminary results, to explore, in depth, issues that need better development

thought interviews. This theoretical framework is expected to contribute for different methodologies and analysis (e.g. factorial and cluster analysis; Structural Equation Modelling; Agent-Based Modelling; and qualitative analysis).

The possibility of significant cultural (regional) effects on the explanation of the international orientation of entrepreneurial intention is another important dimension of our argument. The cultural differences, history and path dependence are important determinants of entrepreneurial behaviour that, definitely affect the entrepreneurial intentions and the selection of the countries and entry mode on international ventures.

In addition, this research paper is also expected to provide a contribution to the academia in different forms. On one hand, if this theoretical approach results in the collection of real data and on empirical analysis, it will provide important insights on the determinants of the international orientation of entrepreneurial intentions. On the other hand, it provides a summary of relevant theories for both the analysis of international orientation and entry and on the entrepreneurship intentions. For such reasons, this may create the basis for providing insights that can be used in the entrepreneurship education, in order to adapt university curricula in entrepreneurship to international standards.

Our theoretical research is constructed in order to allow the collection of based on individual data rather than aggregate data, which, as according to Coviello and Jones (2004) allows capturing complex processes within international entrepreneurship. In addition, these authors also suggest that only a combination of different methodological techniques is adequate to properly address the issues within the field.

The entry in international markets (the process of selecting target countries, and the entry form) is, very often, determined by the industry in which firms operate. Particular industries impose certain forms of international business. Therefore, the examination of the internationalisation process is strongly affected by the data collected from firms operating in certain industries. The approach suggested in this research is able to eliminate such industry effect as the determinants of international entry are approached from the perspective of potential entrepreneurs. This represents an important contribution to the literature as, traditionally, studies focus on firms rather than on entrepreneurs or potential entrepreneurs.

## **Literature Review**

### *Entrepreneurial Intentions*

Entrepreneurship intentions have been approached from two main theories: the social cognitive career theory and the theory of planned behaviour.

The Theory of Planned Behaviour (TPB) has inspired many studies on the entrepreneurial intention (EI) (Paço et al., 2011).

This theory seems to be very adequate to explore how entrepreneurship education is able to enhance and develop students' skills that are strongly associated with business success, therefore this theory is a relevant tool to model the development of EI through pedagogical processes and learning contexts (Paço et al., 2011). The TBP considers that EI is affected by personal attitudes, subjective norms, and perceived behaviour control (the constructs of the theory) (Marques et al., 2012). However, despite the contribution of this theory to EI, its constructs may also contribute to the explanation of different business phenomena, such as, for example, ecological purchase behaviour (Nejati, Salamzadeh, and Salamzadeh, 2011)

The approach of EI based on data collected from students seems to be a very popular and effective measure. In addition to the Entrepreneurship Education Project, where this has been assessed from University students, other contributions have been found where secondary students were also the unit of analysis (Paço et al., 2011; Marques et al., 2012).

EI is strongly associated to business entry, as the latter is a consequence of the former. Luiz and Marriotti (2011) have investigated the factors that mostly contribute to entrepreneurship and have identified several key variables: the respect for entrepreneurs; gender and race; degree of study, parental income, student work and financial experience, and thus both individual and social characteristics seem to impact on EI. Paço et al. (2011) refers that EI is strongly affected by personal attitudes; needs, values, wants and beliefs; and innovativeness, autonomy, and entrepreneurial orientation. In addition, the family is also an important aspect of entrepreneurship, as research has shown that, in certain cases the family is an important provider of key resources for starting up a business, both financial and physical (Braga and Andreosso-O'Callaghan, 2010).

A different dichotomy to entrepreneurship is offered by Vanevenhoven et al. (2011) who mention that entrepreneurship is influenced by both internal and external factors. The external resources refer to social relationships; physical or functional assets. The internal resources refer to experiences, credentials, knowledge, and certifications. This approach is also coherent with the resource-based theory, which is traditionally used to explain the growth and development of firms, but also provides a contribution to the understanding of business intentions (Ferreira and Azevedo, 2008; Braga and Andreosso-O'Callaghan, 2010; And Braga, 2007). In addition, EI can also be approached from the perspective of institutional economics that, to some extent, contribute to one fundamental constructs of the TBP: Social norms. Furthermore, given that there are particular skills that are necessary for successful business ventures, and therefore to entrepreneurship, EI and education are strongly related (Winkel, 2013)

The approach to EI based on the data collected from students and the relationship between EI and education is also explained by the Social Cognitive Carrer Theory. This theory show that EI is a good predictive indicator of action in the presence of a temporal displacement, as is the case with career options (Marques et al., 2011; and Vanevenhoven et al., 2011) also

refer to the importance of cognitive factors on the explanation of EI and entrepreneurial processes in order to isolate the factors that mold the capability to generate new opportunities through superior knowledge. It is important, however, to acknowledge of other models of EI, as it is the case, for example, of Shapero's model of the entrepreneurial event (Krueger, Reilly, and Carsrud, 2000)

Apart from the EI, this research is particularly aimed to approach international entry of business. The literature reviewed so far (on EI) does not approach the international entry processes or intentions and, to that extent, this project is aimed at filling up a gap on the existent research. However, there is a significant amount of literature devoted to explore international business entry, although mostly based on the firms' strategies.

International business entry is also been addressed in the literature on the side of the host countries. For example, one of the most acknowledged theoretical contributions – the Uppsala School of thought – refers that international entry is based on a process where firms enter, firstly, markets that are culturally closer, and choose the less risky forms of entry. Luiz and Charalambous (2009) also approaches international entry from the perspective of the target markets, referring that there are key elements on the selection of foreign direct investment, such as political and economic stability and the profitability and long-term sustainability of its specific markets. At the individual level, the literature has also produced some knowledge in terms of the characteristics of the entrepreneurs or managers (the CEOs) and the probability of entering international markets. In light with such approach Todo and Sato (2011) refer that firms are more likely to enter international markets when the CEOs are more risk tolerant, forward-looking, and internationally experienced. However, as previously mentioned, this analysis is based on experienced managers, strongly influenced by their experience and by the industry in which their firms operate and, thus, are not bias-free. For such reason, this proposal contributes with a new approach to international business entrepreneurship intention.

### *International Entry*

There is a large number of theories approaching the international business, both devoted to exploring the entry forms and the selection of countries. This theories can be divided into three types: economic theories; behavioral theories; and strategic theories.

Within the economic theories of international entry there are a number of contributions that are worthwhile to mention. Hymer (1976) sees the process of international entry as a process for gaining market share and this process involves gaining market share in the domestic market and such a market power, allowing greater profits, fund the international venture into new countries. In these new countries, the process takes place in a similar manner, exploring the market and gaining progressively market share. A second theory is the transaction costs economics developed by Coase (1937) and Williamson, (1981). According to this view, the process of entering in international markets

is made in order to avoid the costs incurred from taking operations in the markets, and thus firms internalize such transaction costs. Buckley and Casson (1976) also contribute with an internalization perspective for understanding entering international markets. Their theory is an application of the transaction costs economics to the international business. Finally, a very popular approach to the international entry process is the Dunning (1988) theory, mentioned as the Eclectic theory or the OLI Paradigm. This author explains the process of international entry based on three paradigms: Ownership, Location; and Internalization. This approach explains the entry in foreign markets in order to exploit advantages related to Ownership, Location; and Internalization owned by firms.

In what regards the behavioral theories of international business, there are three main models: The Uppsala Model; the network theory; and the international entrepreneurship approach. The Uppsala theory is one of the most commonly cited theories to explain international entry. This model is based on the seminal work from Johanson and Vahlne (1970) who explain the international entry as a gradual model of commitment where firms enter international markets through the easiest forms of entry modes (evolving to more complex forms) and entry firstly the countries where there is a smaller cultural distance, evolving to more culturally distant countries. Another approach is the network theory, where the international entry is made through networks of firms sharing similar goals, with different competences that may compliment each other. This theory is particularly important for the case of SMEs where, usually, the financial funds for entering the international venture are not sufficient, or that may display difficulties on taking the risk. Such an approach enables firms to share risks and firms may be more confident in entering the international ventures. Finally, the international entrepreneurship sees the international entry as an entrepreneurial process (similar to the business start-up) where entrepreneurship skills are necessary to engage into the international venture.

Finally, the strategic theories for international entry are based into two main models: the Resource-Based Theory (RBT) and the International market approach. The RBT sees the international entry process where the focus is on the existing internal resources of the firm (Zhara, Hayton and Salvato, 2004). The theory explains the competitive advantage of firms in terms of the resources that are crucial for the success of the international entry. The international marketing approach is mainly concerned with the cultural cross-country differences for approaching international markets. This theory is more useful for exploring the approach to international markets rather than on the explanation of whether to enter foreign markets and on the forms this entry takes.

### **Developing a Methodological Approach**

The methodological approach emerging from this research is based on a combination of data collection instruments. The research plan includes collection of data via a survey administered to higher education students, aiming to gain insights about the entrepreneurial intentions and on the factors that determine that such intentions have an international orientation. To some extent, this research instrument can be used to generate a very large cross-country database. With this aim in mind, the construction of the survey must be inspired in the theories previously presented, but adapted to highlight the international orientation of potential future entrepreneurs, and to follow the constructs identified on the literature review.

This instrument of data collection needs to be administered in Higher Education Institutions in countries across the world. The selection of the participant institutions was made in order to meet the aims of this project and to enable gathering data for testing some of the research hypothesis. Therefore, one needs to include universities and polytechnic institutes in the sample. This strategy aims to test whether there are significant differences between polytechnic and university teaching and competences. It is also necessary to include both rural and urban areas based HEI. This strategy allows comparing different approaches to entrepreneurship and international orientation of urban and rural located students. It is important to assess if some of the students may travel from home to attend the university, but this is an issue to have in consideration in the survey design. Within the data collection process, it will also be sought to include students from different academic backgrounds and attending to different types of degrees (both undergraduate and postgraduate). The aim of this presentation is to attract other institutions to participate in this stage of the data collection.

This survey design and data collection strategy is expected to contribute with different factors that may explain different entrepreneurial intentions of international orientation.

The research tool also needs to include a part aimed at identifying how do potential international entrepreneurs select their target markets and their expectation on the advantages and barriers in entering international ventures.

The subsequent process after the data collection is obtaining preliminary results. These results are expected to contribute with areas of interest of this research, unveiling issues that need to be addressed more carefully. In order to gain in-depth into the international orientation of entrepreneurship intention, the subsequent stage of the data collection would consist in face-to-face and/or telephone interviews. The interview guide needs to be based on the preliminary results of the survey data analysis and it is expected to contribute with deeper knowledge on the motivations and other issues, difficult to be explored by surveys. Moreover, this strategy allows comparing results from a quantitative and a qualitative data collection. The analysis of the interviews is very time consuming, but it adds a very significant amount of detail into the research. However, this process is vital for an accurate definition of the key and

emerging issues on international orientation of entrepreneurship intention, given the lack of validated instruments of data collection for the study of international orientation of entrepreneurial intention.

As a consequence of the research instruments, two types of data will be available for analysis. The quantitative data will be analysed through multivariate analysis techniques. These techniques include ANOVA analysis, factor analysis; cluster analysis; and discriminant analysis.

Anova Analysis: allows comparing differences between groups in terms of the entrepreneurial intentions

Factor analysis: Allows grouping variables for the explanation of the international orientation of entrepreneurial intentions; this technique is expected to provide a small number of factors that can be used to identify the structural relationships between the entrepreneurial intention; international orientation; and the particular characteristics of the respondents (Braga and Braga, 2013; Ferreira, Marques, and Fernandes, 2010).

Cluster analysis: This is a multivariate procedure that identifies homogeneous groups in the data. This statistic procedure aims at organising a number of cases in homogeneous groups in a way that cases belonging to the same group are very similar and very different from the cases in different groups (Estevão, Ferreira, and Braga, 2010 and Ferreira, Azevedo, and Raposo, 2009).

Discriminant analysis: provides the opportunity to measure the contribution of certain variables to entrepreneurial intentions and to international orientation.

In addition, structural equations will also be used to gain insights on the bi-directional relationships established between factors explaining the international orientation of EI (Marques et al, 2011).

The qualitative data will allow exploring the motivations, mechanisms, and expectations of students regarding the process of entering international markets and of their EI. This methodological approach enjoys certain advantages, such as allowing greater depth in the analysis; exploring emergent issues and a greater interaction with the respondents (Braga, 2007)

## **Discussion and Conclusions**

This research strategy enjoys of different advantages in relation to previous studies in many forms. On one hand, related to the topic this research, it explores an emergent issue in the EI by analysing the international dimension, and examining the extent to which university students' propensity to create new business is international. On the other hand, this paper proposes different methodological angles to approach EI, while most of previous studies are based on a single methodological approach. Both the methodology and the combination of two different branches of literature are two aspects that consist in an upgrade of the traditional approaches to EI.

In addition to launching the basis for a potentially large international project under the same topic, this chapter is also aimed to produce other results. The potential research and the associated the findings of the future empirical research work will also produce interesting instights that may contribute for developing the curricula of entrepreneurship education, more focused on international ventures.

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