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Institutional and resource configurations associated with different SME foreign market entry modes

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ABSTRACT

This study explores the different configurations of internal and externally sourced resources utilized by SMEs, as well as host and home country institutional influences (hereafter abbreviated to 'internal and external resources', and 'host and home country institutions', respectively) across different foreign market entry modes in a B2B setting. Specifically, this research illustrates the different relative representations of internal vs external resources and host vs home institutions associated with different entry modes, including non-investment/contractual and early-stage investment modes. The different configurations resulting from our study are tentatively explained in the context of prevailing theoretical perspectives, namely, the resource-based view, institutional theory, and SME internationalization. Our research extends the existing literature on SME internationalization by identifying that different resource-institutional configurations are associated with different foreign market entry modes.

1. Introduction

The main theoretical foundations explaining foreign market entry have been well established and extensively studied over time, where the extant literature has focused primarily on higher investment modes of entry of multinational enterprises (MNEs), such as joint ventures (JVs) and wholly-owned subsidiaries, into developed markets. These foundations emphasize the antecedents to market entry choice and draw on transaction cost economics (TCE), the resource-based view of the firm (RBV), and institutional theory, as well as Dunning's eclectic framework of ownership, location and internalization (OLI) advantages (e.g. see Brouthers & Hennart, 2007; Brouthers, 2013). Institutional theoretical approaches (North, 1990), have mainly been used to examine external (usually host country) factors, while the RBV of the firm (Wernerfelt, 1984) has been applied to address internal (firm-specific) resources. Given this relatively substantial literature, it has been well established that (i) firms internalize resources as their investment mode into foreign markets increases (e.g. Buckley & Casson, 2009, 2011), and (ii) firms can better deal with institutional pressure as they gain international experience (e.g. Delios, 2011). Studies focusing on SMEs and their most commonly used entry modes (non-equity and low investment modes) are sparse compared to the large firm literature, although many of the same theoretical foundations have been applied across both contexts (Paul, Parthasarathy, & Gupta, 2017).

Much of this literature is concerned with B2B contexts, and is particularly focused on relationships and networks as drivers of the processes and decision-making involved in internationalization and market entry choices (Okoroafo, 1991). For example, exporters typically rely on relationships with intermediaries, such as distributors, to sell their products in a foreign market (Paul et al., 2017). Similarly, joint venture partners are usually business partners, and when SMEs sell direct to an end-user, it is most often to a business customer. This study is, therefore, relevant to journals such as *Industrial Marketing Management*, which has a rich history of published work on internationalization, some of which explicitly emphasizes the industrial/B2B marketing context. Because our study concerns SMEs and international marketing relationships, where the buyers are organizations and where buyer-seller relationships are a critical aspect of both resource acquisition and securing institutional support (e.g. Calantone, Di Benedetto, & Song, 2010), we feel that it is particularly relevant to an industrial marketing audience, which also has recognized expertise in international marketing.

The aim of this research is to extend existing theory as it relates to SME market entry mode by exploring the utilization of resources and exposure to institutions in a range of non-equity and lower investment modes. Specifically, using a qualitative approach, we examine the different configurations (combinations) of resources (external vs internal) and institutions (host vs home) that are evident in different SME market

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entry modes. Given the established literature, our premise is that SMEs draw differently on external vs internal resources and are exposed differently to host country institutions and home country support with different types of entry mode.

Although there is considerable research on resources and institutions in market entry (e.g. Lu, Zhou, Bruton, & Li, 2010; Niu, Wang, & Dong, 2013), these have only rarely been examined in SMEs (an exception being Brouthers, 2013), and virtually no work has been published in regard to their interactive influences on SME foreign market entry mode (Laufs & Schwens, 2014). Debate continues on whether resource and institutional influences can be explained by existing theoretical perspectives relevant to larger MNEs (Paul et al., 2017; Svetličič, Jaklič, & Burger, 2007), since differences in SMEs have been noted (Brouthers & Hennart, 2007; Coviello & Munro, 1997). For example, it is now well-established that SMEs have different characteristics and drivers for internationalization and entry mode choice (Benito, Petersen, & Welch, 2009; Bradley, Meyer, & Gao, 2006; Brouthers & Nakos, 2004), as well as different needs for information, knowledge and expertise (Seringhaus, 1987) compared to large firms.

Since they lack resources and capabilities, including critical financial resources, internationalizing SMEs rely on accessing resources externally from the market, in order to augment their own. Typically, when resources are lacking, internationalizing SMEs engage in lower investment, non-equity-based modes of foreign market entry (Paul et al., 2017), or in hybrid, rather than hierarchical export channels (He, Brouthers, & Filatotchev, 2013). However, much of the research on SME entry mode focuses on international joint venture partners (Lu & Beamish, 2006) as providers of these resources, suggesting that SMEs should pursue a JV entry mode in order to gain resource access. Arguably, the resource issue is at least, if not more, pressing for SMEs pursuing non-investment modes, where they must rely largely on their intermediaries (Hamill, 1997), or network partners (Tang, 2011; Zhou, Wu, & Luo, 2007) in the host market for providing or facilitating resource access. Intermediaries, such as distributors, have often been viewed in the literature as opportunistic (Cavusgil, Deligonul, & Zhang, 2004), more than as a repository of resources or facilitators to resource access. In comparison with JVs, relatively little research has considered this resource-providing role of intermediaries. We, therefore, base our research on SMEs following a range of non-equity, or low investment modes of entry: direct exporting (no intermediaries, direct business-to-business - B2B), the use of intermediaries in a B2B relationship, a host country-based representative office, as well as the equity-based mode of JVs with B2B partners, in order to examine how SMEs configure the utilization of their own internal resources relative to externally-accessed resources.

Entry mode studies also report on the role of institutional factors, mostly regarding these as an antecedent to entry mode choice (Brouthers, 2002), or influencing export performance (He et al., 2013). In institutionally distant host countries, firms must deal with institutional factors with which they are unfamiliar. This is especially problematic for SMEs, which may not have the networks, knowledge, experience, or other resources to deal with them (Hilmersson & Jansson, 2012a, 2012b). SMEs also generally face liabilities of smallness (Maekelburger, Schwens, & Kabst, 2012), foreignness (Qian, Li, & Rugman, 2013; Zhou & Guillén, 2015) and outsiderness (Johanson & Vahlne, 2009), which reflect resource constraints and the need for legitimacy-building in a host market.

SMEs, therefore, face particularly challenging circumstances in institutionally distant host markets, both in terms of exposure to host country institutional pressures, and resource constraints. Home country institutions can often help an SME to overcome some of these pressures in the host market (Schwens, Eiche, & Kabst, 2011). For example, government assistance may provide resources (financial, advisory etc.) to internationalizing SMEs either at home or in the host country, or training (relating to aspects such as the regulatory environment or cultural factors). Understanding how an SME's exposure to host country institutional pressures and its use of institutional support from home country institutions interact will help to better define these respective institutional roles. Because internationalizing SMEs learn experientially, whether gradually (Johanson & Vahlne, 2009), or by accumulating experience in other ways before internationalizing (e.g. from the SME's earlier international experience, or by recruiting international talent (Crick & Spence, 2005), or from network partners (Coviello, 2006), they will be more, or less, well equipped to deal with institutional pressures on their own. This will also be reflected in the extent to which they draw on home country institutional support when facing institutional pressures in a host country.

Both the RBV and institutional theory offer theoretical perspectives that can be applied to SME entry in foreign markets. As already outlined, a number of studies have utilized these approaches (e.g. Lu et al., 2010), although, with very few exceptions (Brouthers, 2013; He et al., 2013), seldom together, despite calls for such research (Paul et al., 2017). Brouthers and Hennart (2007) note that entry mode research could definitely benefit from research that explores how resource-based, institutional, and transaction cost theoretical perspectives influence each other. Brouthers (2013) emphasizes the need to look at the interactive manner in which institutional factors influence resources (and transaction costs) in entry mode decisions, as well as the interaction between home and host country institutions, not only on the entry mode decision, but also on what happens after entry. Brouthers (2013) also suggests that more nuanced studies can help to elucidate the interactions between internal and external influences on mode choice. Addressing how SMEs optimize their access to, and use of, external vs. internal resources, and the extent to which they are influenced by home vs. host institutions in their adoption of different entry modes, presents intriguing questions. These are important to understand because these firms generally face challenges relating to both limited resources and institutional pressures at the same time, and the extent to which these are mutually influential is unclear.

Following recommendations from other studies, as noted earlier, we draw on the RBV and institutional theory to explore resources and institutions in the market entry modes of SMEs. In a departure from most of the existing literature, which focuses mainly on host country institutions, we consider the roles of both home country and host country institutions (Brouthers & Hennart, 2007). Home country institutions are especially important to SMEs internationalizing; for example, in terms of government assistance (Crick & Lindsay, 2015; Durmuşoğlu, Apfelthaler, Nayir, Alvarez, & Mughan, 2012) or in how relationships with home country industrial suppliers shape SME internationalization and growth processes (Tunisini & Bocconcelli, 2009). In parallel to examining home and host country institutional influences, we also investigate the use of internal vs external resources by SMEs internationalizing, thus aiming to explore how these four dimensions interact. In so doing, we respond, in part, to calls for not only more entry mode research in general (Hennart & Slangen, 2015), but also for the integration of different theoretical perspectives in SME market entry mode research (Lepine & Wilcox-King, 2010; Okhuysen & Bonardi, 2011). In particular, we respond to calls for more use of RBV and institutional theory in exporting research (He et al., 2013). Incorporating both perspectives allows for the consideration of internal and external factors (Paul et al., 2017), as well as the firm and its context (He et al., 2013). We focus, not on the SME's *choice* of entry mode, but rather on identifying the relative configurations of resources and institutional influences observed in different entry modes. Using a qualitative research approach, we explore these configurations and illustrate how the characteristics of a particular entry mode (i.e. availability of external resources and the level of institutional pressure) may help or hinder the SME's ability to address their resource deficiency and institutional exposure, and the extent to which these interact.

Our paper is organized as follows. First, we review the relevant literature. Since the constructs, resources, institutional influences, and entry mode have been reviewed extensively across the strategic management and international business/marketing literatures, we do not present an in-depth review of each of these areas, but, rather, seek an understanding from these literatures on their interplay in an SME exporting context. The literature review is followed by a description of the methodology, which draws on qualitative data derived from in-depth interviews with managers of New Zealand SMEs that had entered India via a range of entry modes at the time of the study. We then present and discuss our findings and insights into the resource and institutional configurations observed across the different SME entry modes adopted. Following this, we present our conclusions and contributions, and propose some managerial implications arising from the study. We conclude with a discussion of the limitations of the study and tentative avenues for future research.

2. Literature review

Our review of the literature first considers the broader research conducted on SME and market entry mode. We then look specifically at resources and institutions and market entry mode, and finally, the literature that has examined these two perspectives together.

2.1. SME market entry mode

Drawing on a number of theoretical perspectives describing the choice of foreign market entry mode, a rich literature has developed describing the circumstances under which firms might consider indirect or direct exporting, contractual modes, joint ventures or wholly-owned foreign operations (see Brouthers & Hennart, 2007; Johnson & Tellis, 2008 for comprehensive reviews). Primarily, the decision as to which entry mode to employ involves assessments of: a) cost as a resource commitment; b) control and level of ownership; and c) risk related to resource commitment and environmental complexity in the target market (Chen & Mujtaba, 2007). These will be more, or less, influential according to whether the firm is involved in manufacturing or service provision (Blomstermo, Sharma, & Sallis, 2006; Sanchez-Peinado, Pla-Barber, & Hébert, 2007). A need for maximum control, a willingness to make maximum commitment and assume maximum risk would be reflected in a wholly-owned foreign operation as a mode of entry (Brouthers & Hennart, 2007), with these reflected correspondingly less in lower invest and non-equity modes, such as in the use of intermediaries. A range of factors have been shown to influence foreign market entry mode choice including firm level resources (Delios & Beamish, 1999), and country level institutions (Ojala & Tyrväinen, 2007, 2008). Following traditional stages approaches to internationalization, sequential market entry modes involves a gradual learning process based on a gradual exposure to foreign markets, which includes exposure to market uncertainties, and an accumulation of experience in resource utilization decisions and outcomes (Johanson & Vahlne, 1977). Other internationalization approaches, such as the network approach (Coviello, 2006) and born global approach (Knight & Cavusgil, 1996, 2005) assume that firms can acquire experience and resources in a non-incremental manner, depending on their current and past connectedness, access to resources, and experience.

In order to enter foreign markets, SMEs need to gain institutional experience and acquire resources, whether incrementally or via alternative means. However, it is well established that, in comparison to MNEs, SMEs are resource-poor and less able to contend with external environmental uncertainty (Brouthers & Nakos, 2004). Yet, there has been far less research attempting to elucidate how SMEs adapt to overcome these limitations in particular market entry modes. Lewis, Massey, and Harris (2007) note the relative 'youth' of the SME research paradigm and the fact that there are few substantive works specifically pertaining to 'good practice' research in the area of SMEs. Coviello and McAuley (1999) and Coviello and Martin (1999) note that SME internationalization and market entry mode decisions are best appreciated through an integration of transaction cost economics, stage models, and network theoretical frameworks with more recent research incorporating entrepreneurship theory (Coviello, 2006; Perks, 2009; Wright, Westhead, & Ucbasaran, 2007). The importance of relationships and a network perspective in business-to-business SME internationalization has also been acknowledged (Ibeh & Kasem, 2011), along with the role of an entrepreneurial orientation (Thanos, Dimitratos, & Sapouna, 2016) of the SME, with inter-organizational networks being an important source of knowledge and other resources in inter-organizational networks (Chetty & Agndal, 2008).

2.2. Resources and SME market entry mode

In the context of market entry, resources have generally been considered from the perspective of MNEs transferring resources to the host country (Meyer, Wright, & Pruthi, 2009), or from the perspective of balancing resource allocation (e.g., R & D versus marketing) in internationalization efforts (Chen & Hsu, 2010). In these cases, the focus is on the associated benefits accruing to the host country (for example, via technology spillovers), or on the characteristics of the investing MNE (Anderson & Gatigon, 1986). However, by considering the resource needs of the foreign firm, rather than the resources that it can transfer to the market, the RBV can help to explain entry mode choice (Meyer, Wright, et al., 2009) and entry mode characteristics that support that choice.

The original concept of the RBV includes capabilities as resources (Barney, 1991). For SMEs entering and developing in foreign markets, capabilities might reside in local contacts, such as intermediaries, and could include capabilities to acquire and manage local labor, as well as build and maintain government relationships and networks, which are particularly relevant in emerging markets (Meyer, Estrin, Bhaumik, & Peng, 2009). It is evident from the literature that SMEs rely, sometimes heavily, on external resources and capabilities for successful entry and development in foreign markets, since they lack the internal resources to compete on equal terms with large (both home-based and foreign) enterprises (Laanti, Gabrielsson, & Gabrielsson, 2007). In culturally and psychically distant large emerging markets, where SMEs generally experience liabilities of smallness and foreignness, this reliance will be stronger than for more familiar markets (Kontinen & Ojala, 2010). Where institutional distance is high, managers are less likely to have the resources necessary to undertake transactions with local firms (customers) in the market. Further, smaller firms often lack necessary organizational structures for managing international operations (Fabian, Molina, & Labianca, 2009), needing to internalize facilitating technologies and business know-how over time (Schulz, Borghoff, & Kraus, 2009).

As noted by Meyer, Wright, et al. (2009), firms entering emerging markets, compared with developed markets, are more likely to need 'context specific' resources in order to perform effectively. Context-specific resources include access to channel partners and advice on intellectual property rights or legal requirements (Peng & Heath, 1996), as well as tangible and intangible assets (Monaghan, Gunnigle, & Lavelle, 2014). Tangible assets may include a physical representative office, networks and relationships with agents, distributors and government agencies, while intangible assets include information and local knowledge, as well as reputation and brand (Brouthers & Hennart, 2007). These assets enable access to skills relevant to the firm's business, which may reside inside or outside the organization. Information asymmetry, asset specificity and tacitness of knowledge are three features of intangible assets that primarily influence the entry mode and mode development decisions of SMEs by impacting access to, or utilization of, resources (Zhu, Hitt, & Tihanyi, 2006). Intangible assets can have positive or negative consequences for firms, depending on the resources and capabilities they have available to leverage them. SMEs are poorly resourced and are likely to encounter greater information asymmetries than MNEs because they have fewer resources available to seek information. Further, because SMEs tend to rely on relatively few specific transactions, which may be resource-intensive, the risks associated with asset specificity are likely to be higher (Brouthers & Nakos, 2004). They also have fewer resources available to support a permanent market presence and engage in tacit knowledge transfer, and thus struggle to gain or leverage intangible assets in the host market.

SMEs must utilize resources in the market to compensate for their own resource deficiencies and overcome the challenges posed by such deficiencies. Resource constrained SMEs might be inclined, or obliged, to establish collaborative relationships with intermediaries or other channel members to gain access to resources (including capabilities and assets) they do not have. These issues are especially salient for SMEs in emerging markets, where relationship development can take time and be fraught with difficulties. As a result, they may need to rely on their local contacts to provide a proxy mechanism of 'internalization', a process recommended to deal with these challenges (Meyer, Wright, et al., 2009).

2.3. Institutions and SME market entry mode

Among the different theoretical perspectives for explaining firm strategies for entering and engaging with foreign markets, institutional theory has been shown to be the most relevant, especially in an emerging market context (Meyer & Peng, 2005; Peng, Wang, & Jiang, 2008). Institutions constitute those external factors and influences that impact on the functioning of the market mechanism. They have an important role in ensuring that firms can engage in market transactions, without "incurring undue costs or risks." (North, 1990, *c.f.* Meyer, Wright, et al., 2009, p. 63). Neo-classical institutional theory highlights the role of both formal and informal institutions on the behavior of firms (North, 1990). Formal institutions include social, economic and political systems, and are commonly referred to as the 'rules of law', while informal institutions include culture, relationships, networks and family (Chen, Yang, Hsu, & Wang, 2009). Peng et al. (2008) argue that institutional theory provides an understanding of the context in which firms compete, and note that institutions occupy a much more important role than just the 'background' against which firms operate. The impact of institutions on SMEs has been limited to a small stream of research, notably within the fields of entrepreneurship and international entrepreneurship (see Jones, Coviello, & Tang, 2011, for a comprehensive review).

Institutions are more dominant and visible in emerging economies than in developed economies (Meyer, Wright, et al., 2009). Thus, institutional theory provides an appropriate lens for examining the behavior of firms that have entered these markets (Boehe, Qian, & Peng, 2016; Kiggundu, Jørgensen, & Hafsi, 1983; Peng et al., 2008). Institutions are considered to be 'strong' when they support an effective market mechanism based on voluntary participation and exchange (Meyer, Wright, et al., 2009). Most developed economies enjoy 'strong' institutional environments. Conversely, 'weak' institutions, more commonly associated with emerging countries, are characterized by their failure to support effective market transactions, or even obstruction of the market mechanism through, for example, undue bureaucratic processes or corruption (Ramamurti & Doh, 2004).

2.4. Interaction between resources and institutions across SME market entry modes

The RBV and institutional theory are two well-established theoretical foundations for studying foreign market entry. Drawing largely on these theoretical streams, a considerable amount of research has been conducted on trying to determine how both resources and institutions influence entry mode choice (Delios & Beamish, 1999; Ojala & Tyrväinen, 2007; Sharma & Erramilli, 2004) or performance (Meyer, Estrin, et al., 2009). Thus, in the quest to better understand the influences on foreign market entry mode and mode decisions, the key theoretical perspectives are increasingly becoming entwined in a range of entry mode studies (Brouthers & Hennart, 2007; Lu et al., 2010; Meyer, Estrin, et al., 2009). For example, Brouthers and Nakos (2004) examined the exposure of SMEs to institutional factors in a host market, and the relationship with resources, and others have indicated that a firm's access to external resources may be different in different institutional settings (Brouthers, 2013; Bruton, Ahlstrom, & Li, 2010). Because they lack resources, SMEs have been shown to have more difficulty in managing the negative effects on market mechanisms created by weak institutions (Lu et al., 2010). Brouthers, Brouthers, and Werner (2008) have argued that differences in home and host country institutional environments may influence the applicability of resource-based advantages, and that the moderating influence of institutions on a resource-based theoretical perspective better explains entry mode choice. Further, institutional theory has been complemented with resource-based theories in looking at foreign market entry strategies in an MNE and developed country context (Estrin, Baghdasaryan, & Meyer, 2009). These links between resource availability and the effects of institutions has recently led researchers to argue that more insights can be gained by combining an institution-based view with resource-based views of international business in emerging markets (Meyer, Wright, et al., 2009; Wright, Filatotchev, Hoskisson, & Peng, 2005).

3. Research methodology

3.1. Research approach

The research for this study followed an exploratory qualitative approach, which is considered appropriate for studying phenomena in depth (Cresswell, 2013). Since our objective is to extend existing theory, we used the broad literature on the relevant topics to guide our qualitative approach. We, therefore, drew on some degree of pre-conceptualization (Miles & Huberman, 1994) relating to the topics involved, but followed a largely exploratory, inductive approach, applying reflexivity to help "avoid forcing [our] data into preconceived codes and categories." (Charmaz, 2014, p.155), as we analyzed and interpreted our interviews. This was important, since we wanted to explore *how* resources and institutions interact in different entry modes, including the circumstances and the roles that various actors (e.g. intermediaries) play.

The unit of analysis was the firm, with relevant senior managers in the firms being interviewed as key informants. A two-stage analytical procedure was applied to the data. First, thematic coding (Attride-Stirling, 2001) took place, revealing rich, contextual data that reflected the topics discussed in the interviews, as well our research objective. These findings are reported as descriptive narrative, which is illustrated by relevant quotes; together, these provide insights into the themes of concern. The second stage was concerned specifically with identifying the resource-institution configurations associated with the different entry modes. Following a content analysis procedure (Krippendorff, 2013), we utilized a 'quantizing' (Miles & Huberman, 1994) or 'counting' (Bazeley, 2004) approach, whereby the numbers of references to particular themes and sub-themes were counted and compared. This was not intended to represent a statistical interpretation of the data, but rather to further illustrate the findings in a visual form, and allow a deeper level of interpretation (Bazeley, 2004). The aim of this procedure was to corroborate the findings from the first stage, and also to provide supplementary information, as recommended by Hannah and Lautsch (2011, p.16). As noted by these authors, it is essential that this process reflects an overall analysis that is of the highest quality possible, and does not aim to substitute for the substantive interpretation (from the first stage). Further, contrary to some forms of counting used in content analysis, whereby single words or short phrases are counted, our use of counting included the assignment of text and meaning to counts. This accords with recommendations for providing interpretation and achieving contextual relevance (Krippendorff, 2013, p.211), which is necessary to support the first stage analysis.

We employed established procedures for ensuring the trustworthiness of our methodological approach (Denzin & Lincoln, 1994; Eriksson & Kovalainen, 2008). Face validity of the interview data was ensured by returning the transcripts to the interviewees for review. For all interviews where quotes were utilized, the selected quotes were also returned to the interviewees for verification of the correct use and contextual relevance of our interpretation. Our coding process involved two researchers, each reviewing the transcripts separately, to ensure coding reliability. Sinkovics, Penz, and Ghauri (2008) suggest that the use of computer-assisted qualitative data analysis software (CAQDAS) itself can increase the trustworthiness of qualitative research; they also support the assessment of qualitative research approaches developed by Lincoln and Guba (1985), which draws on four main criteria and provides an alternative view of reliability and validity to that used in quantitative research. These criteria are credibility, transferability, dependability, and confirmability (Eriksson & Kovalainen, 2008). Credibility and conformity were assured in our study, as we utilized existing theoretical perspectives on the topic, and the issues of market entry addressed in the research were of relevance and importance to the participating companies. Transferability was addressed by virtue of the issues under investigation being associated with, and building on, existing research. These issues were also relevant to similar research situations, where the knowledge gained from the study could be utilized. Dependability was achieved through the use of a large number of firms providing the interview data. These data were interpreted through an iterative process between the data, theory and the literature.

3.2. Research context

We chose a developed country (New Zealand) to emerging market (India) context for our study, not in order to explore differences or focus on market entry into emerging markets per se, but, rather, to provide a context where institutions and firm resources could be more explicitly examined. Since there is a large institutional distance between New Zealand and India (Xu & Shenkar, 2002), the role that institutions play in market entry may become more significant. For example, although they share a common legal system, the broad regulatory environment in India is more bureaucratic compared to that in New Zealand. In addition, the business environment is vastly different, with many large family businesses acting as B2B customers in India, compared to very few large family firms in New Zealand. Socio-cultural differences are also very evident between the two countries.

Where large institutional distances occur (as in New Zealand and India), institutional pressures would be expected to be higher than in institutionally close countries, since aspects of economic, geographic, cultural and psychic distance impact SME internationalization efforts (Brock, Johnson, & Zhou, 2011). By extension, SMEs may pay greater attention to resources in contexts where large institutional distances and associated uncertainties are evident. This relates particularly to knowledge-based and information resources. Such firms may, therefore, rely more on accessing these resources externally if internal resources are limited or not suitable for the institutional context concerned (Brouthers, 2013).

3.3. Sample of participating firms

Thirty-six New Zealand firms were purposively selected for the study, based on the following criteria. They were characterized as small to medium sized (< 10–250 employees) according to the OECD categorization of firm size (OECD, 2005), had prior international experience in other markets before entering India, and were involved in a range of both service-intensive manufacturing and traditional service industries; these included architecture (n = 1), education (n = 12), agricultural services (n = 2), engineering (n = 1), software (n = 8), healthcare technology (n = 1), fashion (n = 1), aviation services (n = 3), tourism (n = 5), banking services (n = 1) and legal services (n = 1). Trade from New Zealand to India is still developing beyond primary products into technology and service areas, and there are relatively few SMEs in the latter category. Our final sample represented approximately half of the population of suitable firms of which we were aware from various databases and government department records. Consequently, the number of firms in some of the categories of entry mode was also small compared with other entry modes (e.g. JVs compared with agents and distributors). This supports the need for qualitative exploration, rather than a quantitative survey-based study (Cresswell, 2013). In addition, all firms had internationalized into India and represented predominantly non-investment and lower investment entry modes; specifically, direct exporting, use of agents and/or distributors, a representative office, and joint ventures.

We chose service-infused (Kowalkowski, Witell, & Gustafsson, 2013) manufacturing companies engaged in B2B marketing, since we aimed to draw out entry mode issues relating more to advanced, knowledge-based products and services; these were expected to involve more complex and interactive processes than would be required for basic manufactured products, and, thus, be better aligned with our research objectives. For example, issues relating to intellectual property, tacit knowledge, asset specificity and acquisition of information would likely incur stronger demands on the firm for institutional conformity and advanced resource acquisition in the host market (Brouthers & Hennart, 2007).

3.4. Data collection and analysis

A semi-structured questionnaire was prepared, guided by key concepts identified from the literature. These included factors relating to both institutions and firm-level resources. Open-ended questions predominated, allowing us to gain deeper insights into the phenomena being investigated (Crouch & McKenzie, 2006), as well as additional information that may be relevant. Data were collected using face-to-face interviews with the key informants (CEO/Managing Director, and/or International Marketing Manager) in each firm. Two interviewers were present during each 1–2 h interview; interviews were audiotaped and later transcribed.

Analysis of the transcribed data was carried out using the CAQDAS program, NVivo10. For the purposes of analysis, each interview was treated as a 'case' (Miles & Huberman, 1994). The use of NVivo10 enabled a logical path of data coding and interpretation to be followed (Auld et al., 2007; Yin, 2004), using both within-case and cross-case analyses (Miles & Huberman, 1994). Following a thematic approach, and guided by the initial pre-conceptualization derived from the reviewed literature, interview data were first coded using open coding, and then grouped into within-case and cross-case themes and patterns using an axial coding procedure; this helps to identify the key factors and their patterns of interaction within and between the cases (Miles & Huberman, 1994; Strauss & Corbin, 1998). Further iteration and sub-coding took place using selective coding, where the case data revealed specific aspects relating to the core themes involved. Pattern-matching (Miles & Huberman, 1994) was used to compare patterns and themes across cases. Finally, in a process of 'system closure' (Miles & Huberman, 1994), relationships between codes ('nodes' in NVivo) were identified, as informed by the interview data. Exploring the rich contextual information from the interviews in this way provided the opportunity to propose some tentative explanations of how and why particular effects and behaviors were evident regarding resources and institutions, with the potential for these to contribute further insights to the literature (Auld et al., 2007). Data not directly associated with the constructs noted in the literature were coded in the usual way, and were scrutinized for patterns or associations with other codes that were relevant.

In order for the subsequent analysis (counting) to be conducted, all the cases were used, but only the themes and sub-themes relating to resources and institutions were included in this part of the analysis, since we were interested only in exploring the resources-institutions configurations and comparing these across different entry modes. Specifically, as coded in the first part of the analysis, interview participants' references to resources (both internal and external) largely captured narrative around resource access; references to institutions (both home and host) mainly comprised narrative concerning institutional influences on the firms' operations in India.

3.4.1. Coding structure and 'counting' process

Consistent with established qualitative data analytical procedures, data were interpreted by examining quotes relating to the nodes in the coding structure, and considering these in the context of the entire case (within case analysis), as well as across the cases in the same mode category (cross-case analysis), while also bearing in mind relevant concepts from the literature. In the coding process, the NVivo node, 'Resources' was split into two sub-nodes, 'External' and 'Internal' Resources, with each containing coded data on the relative representation of such resources by the firms concerned. Similarly, the node, 'Institutions', contained sub-nodes reflecting 'Home' and 'Host' Institutions, into which relevant data were coded. A further finer-grained level of coding was included for each of the four sub-nodes. After coding for interview content relating to resources and institutions, four categories of entry mode adopted by the firms were assigned, using the 'Attributes' function in NVivo10. Each category thus contained data from the constituent firms relating to their utilization of resources and exposure to institutions. The categories and number of constituent firms are shown in Table 1. These data provided the in-depth thematic analysis and interpretation from the interviews, constituting the first stage of the analytical process.

The second stage of analysis involved 'counting' of responses within each category (entry mode) following established procedures (Bazeley, 2004; Krippendorff, 2013; Miles & Huberman, 1994). The counted data represented the number of references coded to each sub-node from the firms in their respective category. In order to provide a basis for comparison between the mode type categories, which contained different numbers of firms, percentage figures were calculated i.e. percentage of the combined references attributed to external and internal resources, and percentage of the combined references attributed to home and host county institutions for each mode category. The findings for both thematic analysis and the counting process are presented and discussed in the following section.

4. Results and discussion

Selected quotes from the cases are shown in Table 2, which allows each of the categories and the role of resources (internal and external) and institutions (home and host) to be viewed together.

The results for the counting of the data capture the number of references (#), also presented as percentages (%) relating to resources and institutions for each entry mode; these are shown in the tables and graphs in Figs. 1 and 2, for resources and institutions, respectively. Keeping in mind that internal resources refer to those that the firm has and external resources refer to those to which it requires access, and that home institutions include those operating in the host country, as well as domestically, these figures illustrate snapshots of the different configurations of resources and institutions across the different entry modes shown. Details of the data analysis and interpretation, combining the thematic analysis and counting are presented in the following sections.

4.1. Resources

Fig. 1 shows a graphical representation of the relative representation and configuration of external vs. internal resources for each of the mode categories. For illustrative purposes, the results are presented in order of increasing commitment and investment, from direct exporting (left) to investment mode in the form of joint venture (right). The figure shows clearly that there is a change in emphasis between external and internal resources across the different mode types. As indicated, for direct exporting, the use of external, relative to internal, resources are very low; with the agent/distributor mode, the use of external resources is much higher than internal resources; for both the representative office and JV modes, the use of external resources is lower than internal resources (more so for JV). Our findings show a pattern between the entry modes, where the relationships between external and internal resources use changes with each mode. These findings are discussed further in the following sections, which also present illustrative quotes extracted from the thematic analysis of the interviews; additional quotes are shown in a thematic analysis matrix (Table 2).

Direct exporting does not involve any intermediary in the foreign market (Burgel & Murray, 2000); in our study, the sale is from the exporting New Zealand firms direct to the customers, which, in all cases, were B2B. Without having connections, such as agents or distributors, in the foreign marketplace, a firm would find it difficult to access external resources, and would, therefore, rely strongly on its own internal resources to service its customers in the export market (Coviello & Munro, 1997). The findings provide strong support for this, with over 90% of the firms' references to resource utilization referring to their own, internal, resources. Managers noted the large amount of effort and commitment of time and resources inside the firm that were needed to facilitate this mode of entry. Examples included assigning a dedicated manager in the home market to oversee the market transactions, and frequent visits to their customers in India, in order to maintain the relationship and deal with problems that may have arisen. This situation is illustrated by the following comments from a manager whose firm relied heavily on frequent visits to maintain contact and relationships with their customers in India.

> "*So we travel up to India on a regular basis anyway; so that's one of the key requirements. You've got to be in country and you've got to be knocking on their doors and you've got to be continually revisiting them on a regular basis.*"
>
> (Agricultural consulting)

Rather than drawing on external resources to provide the full product and service delivery that is provided for the home market, some firms exported only the intellectual property for their customers to then develop as they wished, as noted in the following quote:

> "*The first thing we've concluded is that it is very large, and, you know, we don't have the resources to be able to deliver everything they need. So the model would have to be, and this is the same in China, it would have to*

Table 1
Description of mode categories and numbers of firms.

Category/entry mode	Description	Number of firms
Direct exporting	The firms sell directly to the end-customer (B2B), without the use of an intermediary (e.g. agent or distributor)	6
Agents or distributors	Contractual mode, using an intermediary	19
Representative office	Low investment mode: minimal investment, with some ongoing utilization of distributors	8
Joint venture	Investment mode	3

Table 2
Thematic matrix: resources and institutions in different entry modes.

	Direct entry	Agents/distributors	Representative office	Joint venture/alliance
Internal resources	I took him there and I think he's relished taking responsibility for India. And it's taken a lot of load off me and I have another colleague which wants to take it over as well and he's very hard working and will do whatever's needed. (Architecture)	We've provided training. We've trained up about 25 of their developers on how to use [our product] and we've signed an agreement that lets them resell [the product] because that's a huge market in India. (Software 1)	We have an office which we pay for, staff which we pay for and the manager's objective is to continually visit agents. We ensure that we've got the right ones and they're doing the right thing, deal with problems and such like. (Education 5)	We've moved some of our Kiwi people across to India to work in the JV and make it a very exciting experience and a novel experience for them and brought Indian teams across here. (Healthcare Technology)
External resources	There's a New Zealand stand at Singapore show in February so to be able to invite all of the senior Indian people that we met to come onto the New Zealand stand in Singapore from my viewpoint it's another touch point. (Aviation Services 1)	"… so [we have] people who can sell our products in India, in a distributor network. And we've have been extremely selective, you know, in picking people to represent us. (Software 3)	At the same time [our agent] is highly skilled in areas of software etc. and you know dollar for dollar it's certainly viable to bring some of those Indian skills into our company be it short term or basically outsource development as well. (Software 2)	The commitment to our product line - so [our JV partner] has essentially built an entire business around our product line… And they employ like 300 people in India now and they run all sorts of value added services around our product line that we don't even offer ourselves back in NZ you know. (Software 6)
Home institutions	But we've got NZTE involved in India right now because we're having some problems there (Aviation Services 2)	The weight of the NZ government representation is a particularly important part of the relationship building. So if you get anything organized through an official channel it helps you do business. (Education 4)	I think NZ Inc. does work quite well in both these environments in terms of fostering private sector participation and helping them to find opportunities and connecting them with networks in going to actually do new business. (Tourism 2)	So we work with them - New Zealand government agencies - obviously from a business procurement perspective in India (a) as part of their programs and (b) helping with specific issues on the ground in India. The thing they try to do is get New Zealand customers into the right level of organizations in India. (Software 7)
Host institutions	You can go up there they speak English, they have English law, and they are passionate about cricket so you've got a common base to talk about things. (Agricultural Services)	You've got the British common law system in India. It's made a huge, big difference. (Software 5)	Their laws are, you know obviously common law so we're all from the same stock which is great. But there are a lot of regional and state differences so you have to be reasonably careful (Legal Services)	The process that you need to go through to get that product sold into that organization relative to doing it in Australia and New Zealand or the UK and the US is a much longer and more torturous process. (Software 7)

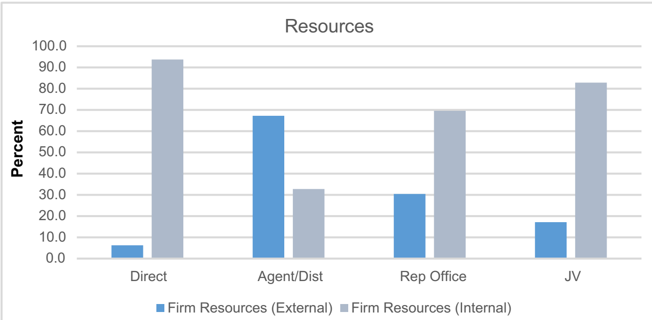

Fig. 1. External and internal resources with different entry modes.

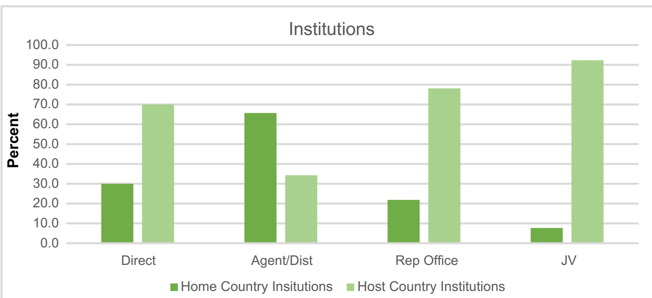

Fig. 2. Home and host country institutions with different entry modes.

be around providing IP for local or conglomerates to multiply."

(Aviation services 1)

In contrast to direct exporting, many firms preferred to engage an intermediary in the market; most commonly an agent or distributor. The use of an *agent/distributor* is associated with a relatively higher use of external resources, compared with internal resources. This finding can be interpreted from the viewpoint of resource-based views of market entry (Brouthers & Hennart, 2007), internationalization process (Johanson & Vahlne, 1977), and the SME literature. Internationalizing SMEs are known to be resource-constrained (Coviello & Munro, 1997; Leonidou, 2004), and thus rely heavily on intermediaries and/or network links in the host market to access resources (Ciravegna, Lopez, & Kundu, 2014; Ciravegna, Majano, & Zhan, 2014). The findings support this view, showing a high percentage of references (67.2%) to external, as opposed to internal, resources for the Agent/Distributor entry mode. Our interview data highlight the importance of the intermediary in providing access to these resources, as the following quote illustrates:

"*I think we underestimated the importance of agents in these markets, even though we've had a history of many years with working with education agents. Just in terms of the support of agents and realizing the critical support of agents, and how significant they are to the business.*"

(Education 1)

Particularly interesting is the finding that the resources acquired via the agent or distributor tended to be intangible and advanced, rather than basic; for example, market knowledge, information on technical and regulatory specifications and procedures, and socio-cultural knowledge and understanding. This suggests that the intermediaries played an important role in helping the SMEs overcome issues associated with access to resources and intangible assets, such as information asymmetry, where market and customer information might otherwise be difficult to acquire (Zhu et al., 2006), especially in institutionally distant markets. Many of the respondents indicated the need for ownership of a minimal portfolio of basic resources before even considering market entry to India. They also noted how they benefitted from the local experience and networks of their intermediaries in India to provide or help them access advanced resources in the market, in accordance with existing research (e.g. Monaghan et al., 2014). The following example illustrates the benefit to the New Zealand firm of using advanced resources from its agent in India, not only to help develop the Indian market, but also, in this case, to fill a resource need in New Zealand.

"*The other aspect I haven't mentioned is that we did last year bring in eight Indian developers to work here which was completely a secondary thing. The objective in the relationship has always been to sell stuff in India but we actually had a shortage of staff last year or you know at the end of the year before. And so we contracted in eight developers from [distributor in India] to come and work here for us.*"

(Software 3)

Our findings also show that firms leveraged access to these advanced resources from the market to build credibility and legitimacy and to conduct their business in India effectively. Their agent or distributor either provided resource access directly, or played a brokerage role with other resource providers in the market (e.g. government agencies, or suppliers).

Firms generally established a *representative office* after an initial period of working with an intermediary in the market, which is consistent with process theories of internationalization (Coviello & Munro, 1997; Johanson & Vahlne, 1977). In some cases, however, the representative office was the first entry mode used, highlighting the perceived importance of having a physical presence in the Indian market. This was highlighted by the manager of a software firm that first entered the India market with a representative office.

"*Being located in India in the representative office is important, because then the people can put a face to the business. So then they know that there's somebody there and there's somebody reliable they can deal with on a day to day basis.*"

(Software 5)

Having a representative office was considered important to signal commitment to customers and government regulatory agencies, as well as to enable easier access to important players in the market and to government bureaucratic procedures. This aligns with the notion of gaining a greater level of 'insiderness' by establishing local network linkages (Johanson & Vahlne, 2009). Representative office staff could also oversee and monitor local sellers/retailers, and directly gather market intelligence. By investing in a physical office in the market, and having a small contingent of personnel (usually only one or two people), these firms were able to draw more fully on their own (internal) resources. Overall, 69.6% of the references for this group of firms were to the use of internal resources. Apart from using their own financial resources to set up or support a local office, they also internalized many of the external (advanced) resources that would otherwise be provided by, or accessed via, an agent or distributor. For example, one manager noted the importance of employing people locally, who had relevant contacts and good knowledge of the market.

"*So the criteria therefore was to put a footprint there and to have a visible presence so that the people could actually go and they were talking to somebody who was perceived as a specific person with the right expertise.*"

(Education 6)

Overall, firms with a local representative office were more embedded in the market, having developed some local networks, and having a reasonable level of local knowledge, compared with those firms using purely contractual modes. Given that a representative office reflects an early-stage investment mode, these findings are consistent with the expectation that many of the necessary resources would be internalized (Buckley & Casson, 2009). However, the firms maintained a requirement for certain external resources, particularly those focusing on local knowledge and contacts, which their employees were not always to acquire. The following quote from a manager in the apparel industry illustrates this point.

> "*But the local person knows the people, knows the landlords, knows the local environment, knows how to drive the business and they know global fashion.*"
>
> (Fashion)

The last column in Fig. 1 illustrates the percentage of internal and external resources for firms in the JV mode category. Although the number of firms in this category was small, they provided some interesting data that clearly differentiated them from the other categories. According to traditional internationalization and internalization theories, firms with this level of commitment and investment would be expected to have internalized most of the necessary resources (Buckley & Casson, 2009, 2011). Our findings support this, showing over 80% of references by this group of firms to internal resources. The following quote illustrates how the internalization of partner resources, made possible by the JV relationship, provided considerable market opportunity.

> "*Our JV partner employs like 300 people in India now and they run all sorts of value added services around our product line. Together, we've built an entire business around our products in the Indian market.*"
>
> (Software 7)

Notwithstanding the heavy emphasis on internal resources, the JV firms still relied on external resources to some extent, particularly those that could be accessed by their JV partners, such as high-level contacts, or specialized knowledge. The following quote illustrates this point.

> "*So it's really the access to good talent and experienced talent you know … access to good people … so the availability of resources that this organization can access is important.*"
>
> (Healthcare Technology)

For two of the JVs, new product development and new market development became part of the JV partnership, drawing on the internal resources of both firms. This illustrates the mutual advantages gained from a cooperative international JV arrangement (Nakos, Brouthers, & Dimitratos, 2014). In one example, the partnership resulted in the development of a new product for the New Zealand market, leveraging from the home-based resources (market knowledge, networks etc.) of the New Zealand partner, as well as resources from the Indian partner.

4.2. Institutions

Fig. 2 shows the results relating to the varying configurations between home and host country institutions for the different entry mode categories. As with resources, the relative importance of home vs. host country institutions changed as mode type changed. The results show that a pattern of increasing exposure to host country institutions is evident for all modes except for direct exporting, where such exposure is similar to that experienced by representative offices. This partly contradicts existing literature, which suggests that, particularly for service firms, increasing exposure to host country environmental uncertainty and risk tends towards higher investment modes of entry (Brouthers, Brouthers, & Werner, 2002).

However, having no intermediary in the foreign market, *direct exporters* are likely to be considerably exposed to the host country institutions in their foreign markets, even though they have no physical presence there. Our findings show this to be the case, with 70% of the firms' references referring to their exposure to host country (Indian) institutions. This applied to both formal and informal institutions. In other words, the institutional pressures were still apparent, but had to be managed by the SME, and from a distance. The following quote highlights this, making reference to bureaucracy resulting from regulatory and bureaucratic procedures.

> "*The gestation period to try to develop the business can take, you know can take a year at least, because of the bureaucracy.*"
>
> (Agricultural consultancy)

Informal institutions also played a role in terms of the New Zealand firms' exposure to India's institutional environment, as the following quote illustrates.

> "*I think we understand better some of the cultural issues and how to deal with that now.*"
>
> (Aviation services 2)

However, these direct exporters were able to draw on home country institutions to facilitate their exporting activity, mainly in the form of access to market information, government agency advice, and support to attend trade fairs. Interestingly, this was more often gained from New Zealand institutions located in India, than from these institutions in the home country. The manager of one of the firms noted.

> "*We're actually, we're engaging with NZTE right now to help us with some of the payment issues in India which we struggle with.*"
>
> (Aviation services 2)

The reverse configuration occurred for firms using *agents/distributors*. Drawing on the literature on institutions, it seems likely that firms entering a country that is institutionally distant, such as India, will lack knowledge of, and skills in dealing with, institutions, both formal and informal (Chen et al., 2009). As one of the managers in our study indicated,

> "*It's a different market, a different model, different philosophies, different ideologies, different business ethics. It's quite difficult.*"
>
> (Software 2)

Firms in our study utilized the local knowledge and connections of their agent or distributor to provide or broker the necessary relationships with regulatory authorities, as well as provide guidance in aspects relating to culture, society and language. By virtue of this role of the agent/distributor, New Zealand firms were less directly exposed to host country institutions (34.3% of references) than their direct exporting counterparts, since their intermediaries facilitated interactions with them. At the same time, these firms still drew on support from home country institutions, as the following quote highlights:

> "*They are fantastic when we are there and when they provide us, if you like, for want of a better word, the inside oil on what's happening within the local market or within in the local economy, within the local community. I mean they really are our eyes and ears.*"
>
> (Education 3)

This is in keeping with the literature highlighting the role of government assistance to exporters (e.g. Durmuşoğlu et al., 2012). As our findings illustrate, the firms using agents and distributors utilized home country institutional support both in the home country (e.g. market information and advice) and in the host country (e.g. local knowledge and brokering connections). However, like the direct exporters, they utilized New Zealand institutions in India much more than in New Zealand. This is possibly because home country institutions based at home tend to focus on pre-and early-entry firms (Crick & Lindsay, 2015); whereas all the firms in our study were reasonably well-established in their business with/in India, in all entry mode categories. Home country institutions operating primarily in the host country included the trade commission and diplomatic offices, responsible for the provision of trade offices, trade fairs, market networks, diplomatic events in the host country, as well as diplomatic staff involved in high-level country-country negotiations that favored trade relations and provided high-level political and commercial legitimacy for New Zealand firms operating in India. An example of this kind of home country institutional representation is evident in the following quote:

"*So we'd have the, you know we'd have the trade commissioner, the education manager, immigration New Zealand - always at the education fairs you know*."

(Education 2)

Firms having established a *representative office* in a foreign market are subject to local regulations and bureaucracy, and to the local socio-cultural norms (Erramilli & Rao, 1993). They tend to have a high exposure to host country institutions, such as regulatory bodies, since having a physical presence and staff in the marketplace requires conformity with a range of regulatory and socio-cultural influences that would be less of a concern were they not located in the market. The following quote illustrates this.

"*In India, whilst they may be slow, there is a rule of law that we are used to and, therefore, whilst it may be slow and cumbersome it establishes a process that is mutually understood by both sides*."

(Finance)

Another manager discussed the difficulty of dealing with an underdeveloped infrastructure in India.

"*But it's a difficult place to do business. The infrastructure is dreadful and also the supply chain is really, really tough. Moving product around be it by truck or by train takes an extremely long time and is very expensive*."

(Fashion)

Some firms in the study adapted to the requirements and environment by employing local personnel, who could provide local institutional knowledge and important connections. In many cases, firms were able to utilize Indian staff who had spent time in New Zealand, as for example, a student or employee of the firm. These staff were able to provide both local and New Zealand knowledge and experience. This supports the concept of the 'immigrant effect' noted by Tung (2008), whereby firms employing knowledgeable immigrants in decision-making roles in the domestic market were more likely to engage in higher investment modes in the immigrant's home country, especially when those immigrants returned home to manage the operations. In our study, the extent to which these firms effectively managed the host county institutional relationships appeared to be instrumental in their performance and longevity in the market. Many managers noted that, without a physical presence in India, they would be overlooked by customers and perceived as lacking commitment to doing business in the market. A representative office signaled an intent to develop and maintain a long-term market relationship and presence. While the influence of home country institutions was far less for the firms with a representative office (only 22% of references), these still played a role, particularly those located in the Indian market, as the following quote indicates.

"*I mean, we're in good proximity to both NZ Inc. and Foreign Affairs in India. In Mumbai, we are looking at trying to co-locate particularly with Immigration New Zealand*."

(Tourism)

For firms involved in the higher-investment, higher-commitment mode of *joint venture*, the host country institutions predominated (92% of references), when compared with home-country institutions, for similar, though more extensive, reasons to those for firms with a representative office. These firms drew on their earlier internationalization experiences, either from lower investment modes, or from international experience gained in other markets. They also directly utilized the knowledge and experience of their local partners to help respond to the uncertainties of the institutional environment in India, as also noted in other studies (e.g. Brouthers et al., 2002). The following quote illustrates this point.

"*One of the challenges you have working across border management is cultural differences, language differences, communication challenges and we have worked very hard to combat those*."

(Healthcare Technology)

On the other hand, even though cultural differences were noted, some of the cultural features of India to which the JV firms there were exposed were considered similar to those in New Zealand, and beneficial to their broader business relationships within India. A manager of one of these firms illustrates this point:

"*Obviously you know in India we have this huge advantage around both the commonwealth and around cricket. And you just cannot underestimate the impact of cricket in India*."

(Software 7)

Further, for most of these firms, the JV partner in India helped to bestow local legitimacy for the New Zealand firm within India's regulatory and business environment. In one case, by leveraging from the local JV partner's networks, the JV entity was able to substantially reduce the time taken to gain local regulatory approvals and licenses. This illustrates the move towards 'insidership' though virtue of key network linkages, noted by Johanson and Vahlne (2009). In another case, the JV managed to secure an extremely large contract with a major conglomerate in India with the New Zealand-developed product, which had been localized with the input of their local JV partner. The Indian JV partner's local reputation, legitimacy and connections were essential to achieving this outcome. This JV entity became a significant player in the Indian market by drawing on the internal resources of both partners. Home country institutions (mainly in the Indian market) continued to provide support for the JV firms, though at more a strategic, rather than operational, level. This is captured well by the following quote from one manager.

"*I mean there's always an advantage of you know brand New Zealand - you know, being hosted in the New Zealand embassy in New Delhi or any of the cities, and to give it a level of legitimacy and that's well respected in Asia. You know - where you have the government kind of vetting process and making sure that you're a respectable company that you're putting forth that you should do business. I think it's valued*."

(Healthcare Technology)

4.3. Interplay between resources and institutions

Fig. 3 illustrates the findings relating to internal and external resources, alongside those relating to home and host institutions. The purpose of this figure is to show different configurations of resources and institutions across the different market entry modes of firms in the study. This figure combines the findings shown in Figs. 1 and 2, which focus separately on resources and institutions, respectively.

Since our findings indicate that, apart from providing necessary resources for business operations, external resources were also utilized to help the firms adapt, or respond to, local market conditions (institutions), it stands to reason that, without such resources, firms would be more exposed to the uncertainties in the Indian market. Fig. 3 shows that firms utilizing modes where the use of external resources was low (relative to internal resources), did, indeed, experience a stronger influence of host country institutions relative to home country institutions. This is particularly apparent for the representative office and JV mode categories, as well as for direct exporting.

A representative office and a JV are both investment modes of market entry, and would be expected to lean towards internalizing their resources, according to internalization theory (Buckley & Casson, 2009, 2011). Because of their physical presence in the local market, a representative office and a JV are more likely to have direct exposure to host country institutions. However, we suggest that their relatively high endowment of internal resources allows them to mitigate the institutional pressures on their own, since this gives them greater control and

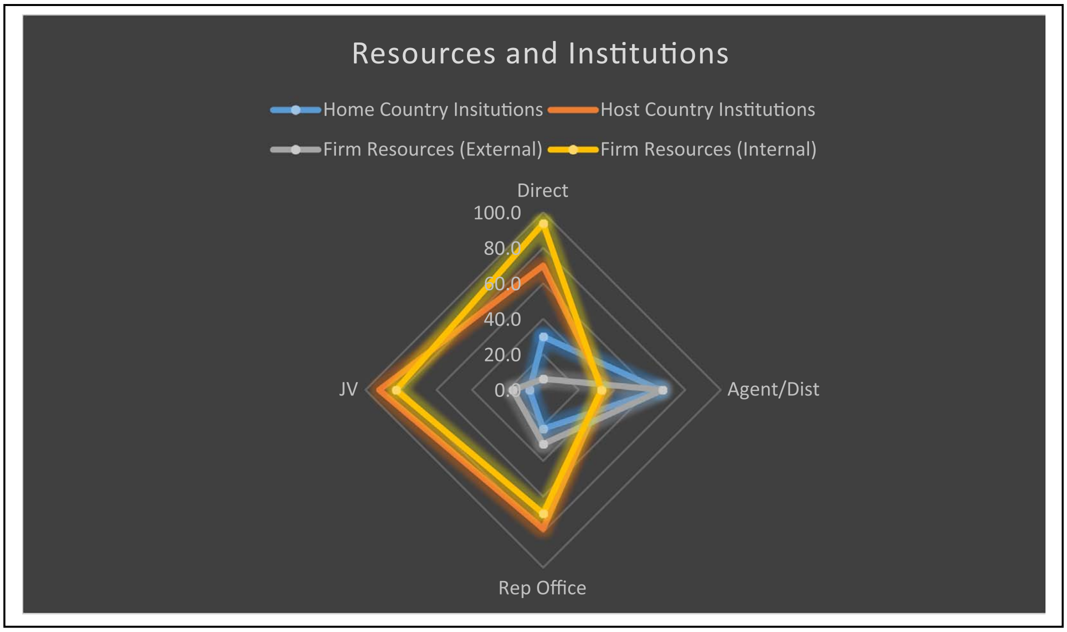

Fig. 3. Interplay between resources and institutions

legitimacy in the host market. Our findings for these two entry mode categories support this, showing that a strong physical presence in the market is accompanied by high exposure to host country institutions, but lower use of home country institutions. The configurations were more evident with JV firms, as would be expected with a higher investment entry mode.

These findings are in contrast to those for the non-investment, contractual mode of agents and distributors, for which firms in our study relied reasonably heavily on external resources and home country institutions to operate effectively. An important role of the firms' agents and distributors was to facilitate their access to external resources in the market and broker relations with host country institutions. This was consistent with their ability to draw on network connections and their network position (Coviello & Munro, 1997). With local regulatory issues largely managed by their intermediaries, the firms were able to focus on leveraging their home country institutions, both in New Zealand and India, to facilitate their business in India. The configuration for this type of entry mode thus reflected a more balanced interplay between external and internal resources and host and home country institutions compared with the other modes, though tending more towards the use of external resources and home country institutions.

The case of direct exporters is somewhat unexpected, but can potentially be explained by the absence of intermediaries, networks, or other key contacts in the market which could provide, or facilitate access to, external resources for these firms. Unlike those firms that use agents and distributors, direct exporters sell directly to their organizational customers in the foreign market. Without the help of an intermediary, their access to external resources is difficult and limited. Similarly, without an intermediary playing a brokering role with institutions in the foreign market, direct exporters are exposed more directly to the host country institutional pressures. In many cases, this combination of low access to external resources and high exposure to institutional pressures would be extremely challenging for a direct exporter. However, the direct exporters in our study had acquired resources and international experience before exporting to India. It follows, therefore, that they would rely much less on accessing external resources than 'early stage' direct exporters, as predicted in internationalization (Johanson & Vahlne, 1977) and internalization theories (Buckley & Casson, 2009). While the direct exporters in our study were not born global firms, the findings lend support for explanations offered by alternative internationalization theoretical approaches to the incremental stages models, such as network approaches (Coviello & Martin, 1999). Even with internal resources, however, the direct exporters in our study still drew on home country institutions to a greater extent than did JVs or firms with representative offices. This suggests that they required assistance from home country institutions to buffer the host country institutional pressures they faced, because they did not have a physical presence in the market or access to local support.

In summary, our findings support the argument that the entry modes used by SMEs are characterized by their levels of exposure to host country institutional pressures (relative to support from home country institutions), and their requirements for external (relative to internal) resources. Specifically, an SME exporting directly to a host country customer will likely be fully exposed to that country's institutions, and have to deal with regulatory matters by itself, or with the support of its home country institutions. It will also lack access to external resources in the host country and rely on its own resources while operating in this entry mode. In contrast, by using an intermediary, such as a distributor, an SME can utilize the local knowledge and contacts of that intermediary to help access external resources, and, to an extent, mitigate some of the institutional pressures, as, too, would home country institutions. Thus, the SME's configuration of host vs home country institutions and internal vs external resources would be different to the configuration associated with direct exporting. The same arguments apply for other entry modes, whereby the different levels of resource constraint and exposure to institutional pressures would result in different configurations, reflective of the entry mode concerned.

5. Conclusions

We have presented an exploratory study of SME internationalization, with a focus on different configurations of resources and institutions in different foreign market entry modes. The most significant contribution that our study makes is in illustrating the interplay within and between resources (external and internal) and institutions (host and home) and highlighting their varying configurations in different types of SME entry mode. The results suggest that the configurations vary according to different SME foreign market entry modes, and that this is not necessarily reliant on a gradual incremental pathway of internationalization. While tentative, our findings suggest a number of novel contributions and also areas for future research.

First, by exploring the different resource and institutions described in our study, we begin to address the much noted need for a more holistic and integrated theoretical approach in market entry mode studies (Lepine & Wilcox-King, 2010), especially for studies that are more nuanced and integrated (Laufs & Schwens, 2014). In considering resources and institutions, we draw on, but do not claim to integrate, two of the key theoretical lenses used in market entry research, the resource-based view and institutional theory. Our study highlights the potential for their further application in the SME context. Second, our study reveals a novel perspective on SMEs' access to different sources of resources (external vs. internal), and exposure to, and use of institutions (host vs. home, respectively) relating to their foreign market entry mode. Research addressing how such resources and institutions interact in different SME market entry modes has been lacking to date.

Our third contribution relates to the pattern of configurations observed across the different entry modes explored. While tentative, the findings relating to direct exporting do not reflect the 'early stage' characteristics predicted by traditional stages theories (Johanson & Vahlne, 1977, 2009) and internalization theory (Buckley & Casson, 2009). These theoretical perspectives would suggest that direct exporting, as one of the early internationalization modes, would rely largely on external resources to internationalize, and be influenced mostly by home country institutions. Our findings indicate the opposite, and that the use of, and interplay between, resources and institutions for direct entry mode follows more closely the pattern of higher-commitment, equity-based entry modes. Given the prior internationalization experience of the direct exporters in our study, this could be explained by more contemporary theories of internationalization, which recognize that the earlier accumulation of resources and experiences of exporters can accelerate the process to higher investment initial entry modes – or, in our case, show a similar pattern to the higher investment modes. However, this does not provide a theoretical explanation as to why the direct exporters in our study did not commit to higher investment modes, such as a JV, suggesting an avenue for further research.

Fourth, we add the important dimension of home country institutions to institutional-based views of market entry strategy and mode. Only relatively recently has the importance of home country institutions been considered in the context of market entry (Descotes, Walliser, Holzmüller, & Guo, 2011; Zhou et al., 2007) or internationalization (Dickson, Weaver, & Vozikis, 2013), although recent calls have been made for such research (Brouthers, 2013). Our study addresses this research gap by illustrating how the exposure of firms to host country institutional pressures may be buffered, to different extents, by the firms' utilization of home country institutions, according to the entry mode being used. Further, we found that SMEs regularly use home country institutional support which is located in the host country. The impact of home country institutions, particularly those operating both domestically *and* in the host country is an area that is still under-researched.

Overall, our study adds to the body of literature on SME internationalization and foreign market entry by focusing on the different configurations of resources and institutions in different entry modes, regardless of the internationalization pathway being followed. The need for further research on these dimensions of SME-specific entry mode has been As highlighted in Laufs and Schwens (2014)'s review of the literature outlining the current state of knowledge regarding theories describing foreign market entry mode choice, there is little research that has examined the resources and institutions in SMEs-specific entry mode. To our knowledge, there is none that examines the configurations of these dimensions and their interactions. We hope that our study provides a stimulus for further research in this area.

6. Managerial implications

The study has a number of implications for managers, particularly those leading small and medium sized enterprises. We contend that SME managers need to recognize the implications of using internal versus externally sourced resources in different entry modes, and their options for obtaining often much needed resources according to the type of entry mode employed. Specifically, SME managers need to acknowledge a reliance largely upon internal resources in direct exporting, representative office, and joint venture entry modes, while being able to access external resources more readily when using agents/distributors. Further, SMEs' exposures to home and host country institutions are differentially reflected in different entry modes. Specifically, direct exporting, the use of a representative office and JV modes are associated with higher exposure to host country institutions, while the use of intermediaries (agents/distributors) reflects less exposure. Understanding this is important for SME managers, since it allows them to more effectively manage the associated environmental uncertainties. These uncertainties are often more severe in institutionally distant markets, where SMEs particularly suffer liabilities of smallness, foreignness, and outsiderness. Because SMEs are generally resource-constrained, they may need to draw on the support of home country institutions to assist in the management of host county institutional pressures, as well as access to external resources, as did many of the firms in our study. Further, the decision-making of SME managers regarding their internationalization process will be assisted if they are better able to reflect on the interplay between access to resources and institutions in the home and host market in different types of entry mode.

7. Limitations and future research directions

This is an exploratory study based on interviews, which, while providing some rich data supporting a deep and nuanced exploration, also limits the findings regarding their generalizability. Our findings highlight the need to further examine the interplay between resources and institutions in the foreign market entry modes of SMEs, in order to better understand the configurations proposed in this study, and the relevance of existing theoretical explanations for these. From a theoretical standpoint, our study raises the important question of theory integration, specifically the integration of RBV and institutional theory, the need for which has been noted earlier by scholars in this field (e.g. Meyer, Wright, et al., 2009). While our study indicates that there are important entry mode related interactions between resources and institutions on a practical level, whether or not this can be explained by an *integration* of existing theories, (notably RBV and institutional theory) would be a worthwhile question for future research.

Further studies, particularly quantitative in nature, could examine the research area further, and enable further development of the initial insights reported in the study. Additional research on the role of intermediaries in foreign market entry mode would also be valuable, especially given the important role of intermediaries in accessing resources and brokering relationships between foreign firms and institutions, as suggested in this study. Recent related work involving networks provide promising areas for future research; these include the role of networks in exporting (e.g. export 'nodes' (Sandberg, 2013), and in boundary spanning roles (Schotter & Abdelzaher, 2013), and in value creation (Kowalkowski et al., 2013; Rod, Lindsay, & Ellis, 2014).

A potentially interesting area not explored is the nature of the product-market strategies of SMEs, which could impact on the resources accessed and the institutional influences. For example, many SMEs implement a niche strategy in international markets (Coviello & Munro, 1997); in these cases, resource needs may be highly specialized and institutional pressures very specific to the niche. This aspect of SME market entry warrants further research. With regard to exploring further the different types of resources (e.g. intangible vs tangible) upon which our study touched in relation to the RBV, it is necessary to note that internationalizing SMEs are often driven by the need to develop their resource endowments quickly in order to establish foreign market entry. It could be argued, therefore, that there is less relevance in differentiating the types of resources involved. Conversely, there is also an opportunity to explore this aspect more deeply, particularly as the resources relate to different institutional settings and market entry modes. There is substantial evidence to show that intangible resources (e.g. social capital, including networks and inter-firm relationships) are more strongly associated with competitive advantage than are tangible resources (Manolova, Manev, & Gyoshev, 2010), so exploring this further in the context of institutions and market entry mode could be a fruitful avenue of research. Further, while we have chosen to draw on RBV and institutions for the reasons presented earlier, we acknowledge that there are a number of theoretical approaches that could be taken to address our study's aims, some of them quite novel to the research area. For example, resource dependency theory (Pfeffer & Salancik, 1978) could help to provide insights into the pressures on SME exporters to seek alternate sources of resources through new relationships or innovation, due to resource scarcity and/or limited flows (Hessels & Terjesen, 2010). Employing a knowledge-based view of the firm and conceptualizing firm knowledge by both stocks and flows (Dierickx & Cool, 1989), could facilitate the examination of how stocks of accumulated organizational knowledge (internal resources) and flows of knowledge into the firm (external resources being internalized) influence foreign market entry. Similarly, how firms use their dynamic capabilities to achieve different resource and capability combinations over time, and as they move between different entry modes, would be a worthwhile avenue to explore using longitudinal approaches. Given that our study has focused on institutional actors and resources, there is also an opportunity to explore the activities component in support of a more IMP-based actors-resources-activities (ARA) theoretical approach (Häkansson & Johanson, 1992; Snehota & Håkansson, 1995).

Regarding the study design, some of the entry mode categories explored in the study, particularly the JV category, had a small number of participating firms; although accompanied by detailed interview data, this potentially limits the reliability of our findings. Another potential limitation relates to our study being conducted in the context of emerging markets, whereby the application of the findings to developed market contexts may be unclear. While it was not the intention to attribute our findings to emerging markets per se, further research comparing emerging with developing foreign market entry destinations of SMEs would be worthwhile. Finally, our study did not look at mode changes of the firms, which is an important element of the process-based approaches to internationalization (e.g. Johanson & Vahlne, 1977); these approaches suggest that SMEs would move between different entry modes following their initial entry into in a foreign market. Timing aspects of market entry are also important to consider (Li, Li, & Cai, 2014). Longitudinal studies would assist in providing a better understanding of the interplay between resources and institutions associated with the timing of different entries and mode changes, as well as the post-entry development of SMEs.

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