

Foreign Market Entry Mode and Performance: Vietnam's Small and Medium Enterprises as a Case for Building Conceptual Framework for Future Research

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Abstract

This research paper aims to investigate the specific relationship between the eclectic model, the chief executive officer (CEO) characteristics, the entry mode choice and organizational performance in a case of Vietnam's small and medium enterprises and it attempts to predict the entry mode of Vietnam's small and medium enterprises by the given factors followed by the explanation of organizational performance resulted from the selected choice of entry mode. As a conceptual paper, this paper reviews a wide range of literature on the selected variables in order to form a conceptual framework. As such the paper proposes 11 propositions that Ownership Advantages attributes (Experiences of firm and Asset specificity), Location Advantages attributes (Investment risk and Market potential) and CEO characteristics attributes (Position tenure of CEO, Functional background of CEO and International experience of CEO) could have a positive association with entry mode and have a positive association with organizational performance attributes (Financial and Non-financial). The contribution of this paper is to encourage the decision making of choice of foreign market entry mode of Vietnam's small and medium enterprises.

Keywords: Foreign market entry mode, small and medium enterprises

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บทคัดย่อ

งานวิจัยนี้มุ่งสำรวจความสัมพันธ์เฉพาะระหว่างทฤษฎีการลงทุนทางตรงต่างประเทศอย่างสมบูรณ์ คุณลักษณะของประธานเจ้าหน้าที่บริหาร การเข้าสู่ตลาดต่างประเทศ และการดำเนินงานขององค์กรในกรณีศึกษาของธุรกิจขนาดกลางและขนาดย่อมของเวียดนาม และพยายามที่จะพยากรณ์การเข้าสู่ตลาดต่างประเทศของธุรกิจขนาดกลางและขนาดย่อมของเวียดนามจากตัวแปรที่ศึกษา ตามด้วยการอธิบายการดำเนินงานขององค์กรอันเป็นผลมาจากตัวเลือกในการเข้าสู่ตลาดต่างประเทศ ในลักษณะของเอกสารเชิงแนวคิด งานวิจัยนี้ได้ทำการทบทวนวรรณกรรมที่หลากหลายในตัวแปรที่ศึกษาเพื่อสร้างกรอบแนวคิด ด้วยเหตุนี้ได้นำเสนอ 11 ข้อเสนอ ได้แก่ องค์ประกอบด้านความได้เปรียบในความเป็นเจ้าของ (ประสิทธิภาพของธุรกิจและข้อได้เปรียบจากการเป็นเจ้าของทรัพย์สินบางประการ) องค์ประกอบด้านความได้เปรียบของแหล่งที่ตั้ง (ความเสี่ยงด้านการลงทุน ศักยภาพของตลาด) และองค์ประกอบด้านลักษณะของ CEO (ลักษณะการดำรงตำแหน่ง CEO ภูมิหลังหน้าที่ของ CEO และประสบการณ์ด้านต่างประเทศของ CEO) มีความสัมพันธ์ทางบวกกับการเข้าสู่ตลาดต่างประเทศและมีความสัมพันธ์ทางบวกกับองค์ประกอบการดำเนินงานขององค์กร (ที่เป็นตัวเงินและไม่เป็นตัวเงิน) งานวิจัยนี้จะสนับสนุนการตัดสินใจในเรื่องตัวเลือกในการเข้าสู่ตลาดต่างประเทศของธุรกิจขนาดกลางและขนาดย่อมของเวียดนาม

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Introduction

Introduction to the Study

Vietnam is the country that is attractive by several countries, for instance, Japanese investors are most interested in Vietnam compared to the other countries in CLMV or Cambodia, Laos, Myanmar group because of its infrastructure, the size of domestic market, and the cost of labor which are more advantaged than Cambodia, Laos, Myanmar. Moreover, Phan, Nguyen, Mai, and Le (2015) claimed that 97 percent of the total number of Vietnamese's enterprises is the small and medium enterprises and these enterprises have operated and gained the profit not only by domestic market but also from the international market (Phan et al., 2015). Hence, Vietnam's small and medium enterprises play an important role in generating revenue in the domestic market and the international countries. Furthermore, Vietnam's small and medium enterprises must be realized the critical strategic move to decide the foreign entry mode choice appropriately in order to increase the performance, and Lu (2002) claimed that the entry mode choice is the first requirement that a firm must understand before considering an increase in a firm's performance.

Interestingly, foreign market entry mode has so far been interested by several scholars who attempted to describe the method to enter into the foreign markets. The attention has not only paid to the large firm but also to the small and medium enterprises context. (e.g., Brouthers & Nakos, 2004; Chien & Tu, 2012; Pinho, 2007).

Furthermore, the various researchers attempted to add the new factors to predict the entry mode. For instance, Wulff (2014) studied an empirical research on the foreign market entry mode, Rasheed (2005) investigated the relationship between foreign entry mode and performance while considering the effect of environment as the moderator. Therefore, the entry mode is the well-known factor which could be predicted by several predictors variables. Despite, the several researchers have studied the determinant factors which affected or predicted the entry mode, but few scholars considered the entry mode choice and organizational performance together.

Organizational performance has been the major concern by several researchers, for instance, Richard et al. (2009) defined the components of financial performance related to the profits including return on assets and return on investment, and the product market performance such as sales and market share, and shareholder return including total shareholder return and economic value added. Likewise, Brouthers and Nakos (2004) divided the organizational performance into two main perspectives including financial performance for instance, sales growth, sales level, and profitability, and non-financial performance such as market share, marketing, distribution, reputation, and market access. Besides, Brouthers and Nakos (2004) studied the entry mode choice selected by small and

medium enterprise and performance in the transaction cost perspective, and Wulff (2014) examined the entry mode choice and performance based on 250 Norwegian, Danish, and Swedish firms. Hence, it would be more educative to investigate the entry mode and performance of the firm because the entry mode of foreign entry has been proved to have a significant impact on the firm performance.

According to previous scholars, Pinho (2007) investigated the impact of ownership including location-specific advantages and managerial characteristics on the small and medium enterprises in terms of the choice of foreign entry mode. The study however did not mention about the firms' performance. Chien and Tu (2012) specifically investigated the entry mode of multinational enterprises in Vietnam thought the eclectic model to predict the only the equity mode. Forlani, Parthasarathy and Keaveney (2008) examined the managerial risk perceptions of international entry mode strategies. It however did not concern the performance of firm. Quer, Claver, and Rienda, (2007) investigated the impact of country risk and cultural distance on entry mode choice that excluded the ownership advantage and location advantage to predict the entry mode as well as the performance factor. Moreover, Herrmann and Datta (2002) examined the chief executive officer (CEO) successor characteristics and the foreign market entry mode. It overly emphasized on demographic factors of decision makers of the firm. Similarly, Laufs, Bembom, and Schwens, (2016) investigated the chief executive officer (CEO) and the entry mode choice. Obviously, investigation between the entry mode choice and performance should be improved and fulfilled because these scholars avoided to investigate either entry mode choice by integration among the ownership advantage, location advantage, and internalization or foreign mode choice toward the performance of the firm,

Consequently, this investigation concerned the choice of foreign market entry mode of Vietnam's small and medium enterprises by using the eclectic theory which included the ownership advantages, location advantages, internalization, and the chief executive officer (CEO) characteristics to predict the choice of foreign market entry mode of Vietnam's small and medium enterprises. Moreover, the performance of organizational management could be explained by entry model which integrated between the eclectic model and the chief executive officer (CEO) characteristics to cover the content from upstream to downstream logically through literature review. Therefore, it would be meaningful to understand the result of the choice of foreign market entry mode that would be chosen by Vietnam's small and medium firms regarding the selected independent variables which could finally lead to firm performance. The research framework can also form a logic sense for Vietnamese small and medium business entrepreneurs in selecting an appropriate choice of foreign market entry mode.

Statement of the Problem

Over the four decades, Dunning's eclectic theory considered to be the dominated study which the effect of international factors on entry mode choice have been the main focus of the study. Nevertheless, few researchers and practitioners investigated the effect of the selected foreign market choice on performance involving the eclectic model and the chief executive officer (CEO) characteristics, especially in the small and medium enterprises of developing countries context. It is obvious that Vietnam is among developing countries that have been expected to be the major player in driving Asian region economy. Vietnam's small and medium enterprises must thus increase their performance and readiness in dealing with the intense competition in the international markets by developing the model that described their performance regarding their choice of foreign market entry mode through statistics or quantitative research (Phan et al., 2015).

For that reason, this study aims to investigate the specific link between the eclectic model, the chief executive officer (CEO) characteristics, the entry mode choice and organizational performance in a case of Vietnam's small and medium enterprises. In doing so, this research paper starts with an intensive review on the eclectic theory, chief executive officer (CEO) characteristics concept, and the organizational performance by focusing a wide range of related literature especially in the field of small and medium businesses. This intensive review will finally lead to the conceptual framework for understanding the effect of the eclectic theory, chief executive officer (CEO) characteristics concept on the organizational performance particularly in a case of Vietnam's small and medium enterprises.

Research Objectives

The purpose of this paper is to investigate the association between the eclectic model, the chief executive officer (CEO) characteristics, the entry mode choice and organizational performance in a case of Vietnam's small and medium enterprises. As a conceptual paper, a range of literature on the relationship between eclectic model, the chief executive officer (CEO), the entry mode choice and performance from a variety of research settings are reviewed in order to form the conceptual framework.

Literature Review

In this section, the paper begins with a review on the eclectic theory, chief executive officer (CEO) characteristics concept, and the organizational performance. Moreover, this provides the relationship among variables from previous researchers which are able to create the set of propositions and conceptual framework to explain the effect of ownership, location, internalization, and the chief executive officer (CEO) characteristics on the entry mode choice, and this would lead to the prediction of performance in a case of Vietnam's small and medium enterprises.

The Eclectic Theory (OLI Model)

The eclectic theory or OLI model was developed by John Dunning in 1977. This theory can be used to understand foreign direct investment (FDI) activities. Besides, the eclectic framework was accepted by several scholars when it comes to investigate the entry mode choice of the firm in a wide range of firm sizes (e.g., Brouthers & Nakos, 2004; Chien & Tu, 2012; Pinho, 2007). The eclectic or OLI model included three perspectives which assisted the consideration of the firm when decides to enter an international market consisting of ownership (O), location (L), and internalization (I) (Dunning, 2000).

Ownership (O) perspective represented the specific advantage determinants of the firm including (1) the size of the firm, (2) international experience of the firm, and (3) innovation of the firm in terms of ability to create the new organizational and administrative process as well as the new technologies to enhance the uniqueness of the firm or firm's specific advantages (Chien & Tu, 2012; Dunning, 1980; Pinho, 2007)

Location (L) perspective signified the advantages of the place which firm desires to operate in the international market. Furthermore, Chien and Tu (2012), Dunning (1980), and Pinho (2007) concluded two sub-determinants including (1) the market potential of foreign country in terms of gross domestic product (GDP) growth, and (2) the investment risks which reflected to the risk of politics, economic, and the governmental condition of local.

Internalization (I) perspective implied the advantages of the operation cost in foreign country and differences of culture between host country and foreign country. Besides, the internalization perspective included (1) the operating costs which related to the marketing activity, and (2) the power of cultural distance between host country and foreign country. (Chien & Tu, 2012; Dunning, 1980; Pinho, 2007)

Furthermore, Reinert et al. (2009) claimed the eclectic theory can assist the firm to answer the three specific questions when desire to enter into an international market such as why, where, and how in different perspectives including ownership perspective, location perspective, and internalization perspective respectively.

Therefore, the eclectic or OLI theory have been accepted by several researchers over the four decades, and this theory would be more appropriate to investigate small and medium enterprises which intend to enter the international markets. Furthermore, it would present the way to encourage the decision of entry mode choice toward the foreign country. Additionally, the eclectic theory would shape fundamental answers of three important questions of why, where, and how in which firms have to be able to answer before participating in foreign markets.

Chief Executive Officer (CEO) Characteristics

Several researchers have considered the chief executive officer (CEO) characteristics issue as a determinant factor to investigate the mode of entry. For instance, Herrmann and Datta (2002) studied the relationship between the chief executive officer (CEO) successor characteristics and the entry modes, and Laufs, Bembom, and Schwens (2016) investigated the chief executive officer (CEO) characteristics and entry modes in case of the small and medium enterprises. CEO makes any decisions on how to enter foreign markets based on their characteristics and these decisions would eventually lead to the organizational effectiveness (Herrmann & Datta, 2002; Laufs et al., 2016). While, Herrmann and Datta (2002) mentioned the CEO's characteristics in terms of age, tenure and international experience which had impacted the choice of foreign entry mode, Laufs et al. (2016) included the CEO's characteristics in terms of position tenure, educational level, functional background, and international experience. Accordingly, Herrmann and Datta (2002) and Laufs et al. (2016) employed these characteristics of the chief executive officer (CEO) to empirically investigate the prediction of the foreign entry mode.

Consequently, the foreign entry modes choice could be explained by characteristics of the chief executive officer because their characteristics would account for creating the foreign policies and conducting the directions of the firm. The CEO's characteristics could thus be adjusted not only in the large firms but also in the small and medium businesses.

The Entry Modes

According to Pan and Tse (2000) provided the hierarchical model of market entry modes to describe the situation of managers who make decisions toward the choice of entry to the foreign country. They also explained the entry modes by systematically grouping the factors which related to entry modes choice into two groups including the equity approach and non-equity approach. The former group included the choice between wholly owned subsidiaries and equity joint ventures. The latter group consisted of the choice between contractual agreements and export. The studies found that these two groups could significantly be influenced by a certain set of factors.

According to equity approach, wholly owned subsidiary is the form of foreign entry modes indicating that the firms in host country are able to have a substantial control over and management of their own operations in foreign country (Doh & Luthans, 2015) and Pan and Tse (2000) focused on the Greenfield and acquisition practices within wholly owned subsidiary. Moreover, the equity joint ventures is another form of equity-based foreign entry mode which can be separated into minority equity joint venture, fifty percent share equity joint venture, and majority equity joint venture (Doh & Luthans, 2015).

Non-equity based modes of foreign entry included the exporting and contractual agreements activities. The former is considered by several firms especially the new ventures to be one of appropriate choices when they desired to extend their products in the foreign country (Doh & Luthans, 2015). Moreover, Pan and Tse (2000) termed direct export and indirect export within the exporting activity. Accordingly, the direct export indicated the activity of the firm exporting toward customer directly or without intermediaries, while the indirect export implied the exporting activity which related to the intermediaries or trading firm (Hessels & Terjesen, 2007; Peng & York, 2001). The latter is contractual agreements activities which included the licensing contract, R&D contract, and alliances contract (Pan & Tse, 2000).

Therefore, the several researchers employed the hierarchical model of market entry modes that developed by Pan and Tse (2000) to encourage the understanding of the host firm when making the decision to entry in the foreign country not only in the large firm, but also the small and medium enterprise (e.g., Brouthers & Nakos, 2004; Nakos & Brouthers, 2002; Ripolles et al., 2010).

Organizational Performance

Organizational performance referred to the ability of firm to achieve the objective and goal effectively and efficiently (Eltinay & Masri, 2014). Moreover, the organizational performance included the three aspects of firm outcomes including financial performance, product market performance, and shareholder return (Richard et al., 2009). Besides, Richard et al. (2009) defined the components of financial performance which referred to the profits, return on assets, return on investment, while the product market performance included sales and market share, and shareholder return included total shareholder return and economic value added. Likewise, Brouthers and Nakos (2004) divided the organizational performance into two main perspectives including financial performance such as, sales growth, sales level, and profitability, and non-financial performance such as market share, marketing, distribution, reputation, and market access.

Hence, the organizational performance can be represented in terms of the financial performance and non-financial performance, and the determinants of financial performance and non-financial performance often considered to be appropriate measurements of the firm's performance as well. Furthermore, this investigation followed the definition of Brouthers and Nakos (2004) because the framework is appropriate to examine in the small and medium context rather than Richard et al. (2009) focused primarily on the large firms.

The Eclectic Theory (OLI Model) and the Entry Modes

According to Dunning (2000), he provided the three mainly components including the ownership (O), location (L), and internalization (I) investigation of the international activities of the firm. Furthermore, the three determinants can predict the entry modes as following:

Ownership (O) and the Entry Modes

Several researchers have focused on empirical studies of the ownership factors to predict and describe the foreign entry modes. For instance, Pinho (2007) investigated the impact of ownership including location-specific advantages and managerial characteristics of the small and medium entrepreneurs towards foreign entry mode choices. Moreover, Pinho (2007) provided the three sub determinants within the ownership factors including an international experience of the small and medium enterprise, the ability of small and medium entrepreneurs to create the new things in terms of an organizational and administrative process, and the market potential for growth and market-specific knowledge. Similarly, Chien and Tu (2012) examined the entry mode of multinational enterprises in Vietnam by employing eclectic theory to predict the choice between international joint ventures and wholly owned subsidiaries. In doing so, they provided the three sub determinants to represent the ownership advantage included the experiences, asset specificity, and size of firm. Tsai and Cheng (2002) also studied the decision criteria for the ownership control over foreign entry model for Taiwanese manufacturing firms in the United States which contained the asset specificity. It would then predict the entry mode as well.

Pinho (2007) investigated 600 firms of small and medium enterprise in northern Portugal, and conducted the investigation by using mixed methods included questionnaire and an intensive interview with the top-level executives, while Chien and Tu (2012) employed the secondary data of 6603 foreign firms that invested in Vietnam since 1988 to 2010, and Tsai and Cheng (2002) had conducted the questionnaire to collect the 398 firm through mail. Chien and Tu (2012), Pinho (2007), and Tsai and Cheng (2002) used logistic regression analysis and linear function to analyze the data to examine the entry mode. The study found that the international experience ($\beta_2 = 7.043, p < 0.05$) and ability to innovate of the firm ($\beta_3 = 5.940, p < 0.05$) significantly predicted the entry mode, hence, higher international experience of small and medium enterprise, and higher ability to create new innovation preferred to equity-entry modes. Furthermore, Chien and Tu (2012) found that the asset specificity and experience of the firm significantly predicted the entry mode by 2.9 percent ($p < 0.05$) and 25 percent ($p < 0.01$) respectively, and three components of OLI could significantly explained the choice of MNE's foreign entry mode. In additional to Chien and Tu (2012), Tsai and Cheng (2002) founded that the intensity of research and development ($\beta = 114.3008, p < 0.01$) and specialist proportion or skill of human ($\beta = 4.5399, p < 0.05$) significantly predicted the firm's choice of the equity-based foreign entry mode when they were higher asset specificity.

Therefore, the ownership factors included the size of firm, experiences of firm, and the asset specificity considered to be a predictor of the entry mode of small and medium enterprise in Vietnam. However, the size of firm was less impact and did not have a significance to predict the foreign entry mode choice. As such, these literature review could be used to form the propositions 1 and 2 including:

Proposition 1: Higher the experience of Vietnam's small and medium enterprises preferred the equity-entry mode.

Proposition 2: Higher the asset specificity of Vietnam's small and medium enterprises preferred the equity-entry mode.

Location (L) and the Entry Modes

According to Pinho (2007)'s study, this investigation included the examination of the market potential, the perception of risk in the foreign country, operating cost in terms of marketing activities, and power distance in terms of national culture within the location specific advantages in predicting the foreign entry mode choice. Similarly, Chien and Tu (2012) considered the risk of investment and market potential within the location advantage. Forlani, Parthasarathy and Keaveney (2008) also examined the managerial risk perceptions toward an international entry mode strategies of small business managers and owners in the United State of America which extended their businesses to Japan. The study focused on the business functions such as research and development, operation, and marketing function, and the risk factor. However, Dunning (1980) mentioned the advantages of the operation cost in foreign country and differences of culture between home country and foreign country within the international context and the location in the study included only the investment risk and market potential.

Pinho (2007) found that the market potential had the strongest and significant value to predict the foreign entry mode choice (β 3.805=, $p < 0.01$), meaning that the higher in expectation in the market potential led to the choice of the equity entry mode. In additional to this study, Chien and Tu (2012) found that the market potential in terms of gross domestic product (GDP) significantly predicted the entry mode by 50.2 percent ($p < 0.01$) and the risk of investment significantly predicted the entry mode by 10 percent ($p < 0.01$). Similarly, Forlani et al. (2008) employed the causal relationship and ANOVA by repeated method to demonstrate the specific link between entry mode or control and perceived risk, the result of these relationship implied that the foreign mode could be explained by the manager unconcerned the risk of investment in the equity mode though the firm had less capacities of joint-venture risk perceptions and capability ($r = - 0.22$, $p < 0.05$), and full-ownership risk perceptions, and capability ($r = - 0.25$, $p < 0.05$).

Obviously, Chien and Tu (2012), Forlani et al. (2008), Pinho (2007), and Tsai and Cheng (2002) demonstrated that the market potential of firm significantly and positively predicted the equity entry mode choice. Moreover, Chien and Tu (2012), Forlani et al. (2008) and found that the result of the investment risk significantly predicted the foreign entry mode and the owner and manager overlooked the impact of the risk of investment toward the equity mode choice. However, Pinho (2007) indicated the risk of investment had a positive impact toward the equity mode choice. According to the literature reviews, this study could develop the set of propositions 3 and 4 following:

Proposition 3: Higher the market potential of host country, the Vietnam's small and medium enterprises preferred the equity-entry mode.

Proposition 4: Higher the risk of investment of host country, the Vietnam's small and medium enterprises preferred the equity-entry mode.

Internalization (I) and the Entry Modes

Pinho (2007) demonstrated the operating cost regarding to marketing activities, and power distance in terms of national culture which rejected the hypotheses, because the small and medium enterprise could not be affected by the entry mode of choice in the foreign country, operating cost in terms of marketing activities, and power distance in terms of national culture. Conversely, Forlani et al. (2008) demonstrated the regression result which indicated the controlling of marketing function had significant impact to predict the equity-entry mode ($\beta = 2.42, p < 0.05$). Moreover, Chien and Tu (2012) studied the culture distance and currency risk within the internalization factor. The result presented that the culture distance had less impact to predict the equity-entry mode by 0.3 percent, while the currency risk had significant impact to predict the equity-entry mode by 5 percent. Quer, Claver and Rienda (2007) examined the impact of country risk and cultural distance factors on the entry mode choice. They also employed the correlations and the ordered logistic regression to investigate the 471 Spanish firms between 1999 and 2004, and the result found that the currency risk had significantly and negatively impacted toward the equity-entry mode by 16.3 percent ($p < 0.05$), and the culture distance between Europe and Latin America had positive impact toward the equity mode choice by 46.1 percent and 62.9 percent respectively. Quer et al. (2007) concluded the higher of currency risk and cultural distance, the firm tended to choose the non-equity mode.

Obviously, Pinho (2007) could not prove the impact of the operating cost in terms of marketing activities, and power distance in terms of national culture because these factors had less impact toward the prediction of entry mode choice, though the operating cost in terms of marketing activities ($r = 0.25, p = < 0.05$) and less power distance in terms of national culture ($r = 0.33$) had significant positive relation to the equity entry mode. Nevertheless, Chien and Tu (2012),

Forlani et al. (2008), and Quer et al. (2007) implied the controlling of the marketing function, cultural distance, and currency risk of host country had significantly impacted to predict the foreign entry mode. As such, the literature review could develop the set of propositions 5, 6, and 7 including:

Proposition 5: Higher the controlling of marketing function of host country, the Vietnam's small and medium enterprises preferred the equity-entry mode.

Proposition 6: Higher the perception of the low cultural distance, the Vietnam's small and medium enterprises preferred the equity-entry mode.

Proposition 7: Higher the perception of the low currency risk of host country, the Vietnam's small and medium enterprises preferred the equity-entry mode.

Chief Executive Officer (CEO) Characteristics and the Entry Mode

Herrmann and Datta (2002) investigated the relationship between the chief executive officer (CEO) successor characteristics and the entry modes considered the chief executive officer (CEO) position tenure, educational level, functional background, and an international experience of the chief executive officer (CEO) to predict the entry modes. Similarly, Laufs et al. (2016) investigated the chief executive officer (CEO) characteristics and small and medium enterprise toward the entry mode choice. It concluded that the age of the chief executive officer (CEO), the chief executive officer (CEO) position tenure, and an international experience of the chief executive officer (CEO) could predict the entry mode choices.

Herrmann and Datta (2002) set the chief executive officer (CEO) position tenure, educational level, functional background, and an international experience of the chief executive officer (CEO) as the independent variables, and the entry mode as dependent variable. Additionally, Herrmann and Datta (2002) and Laufs et al. (2016) employed the logistic regression to predict the entry mode by the chief executive officer (CEO) characteristic. The findings shown that the chief executive officer (CEO) position tenure ($\beta = 38.8, p < 0.05$), the functional background of chief executive officer (CEO) ($\beta = 168.5, p < 0.001$), and the international experience of chief executive officer ($\beta = 6.9, p < 0.05$) had significantly and negatively predicted the choice of entry mode, while the educational level of chief executive officer did not have significant impact to predict the entry mode choice (Herrmann & Datta, 2002).

Furthermore, Laufs et al. (2016) indicated the chief executive officer (CEO) position tenure had significantly positive relationship with the equity entry mode ($r = .613, p < 0.001$), and the chief executive officer (CEO) position tenure had significantly impact when moderated by the experience of

the firm and the political risk of host country ($\beta = 63.6, p < 0.05$). Hence, Herrmann and Datta (2002) demonstrated that the higher chief executive officer (CEO) position tenure, the higher experience of functional background, and higher an international experience of the chief executive officer (CEO) had significantly positive links toward firm to decision on the equity entry mode. However, Laufs et al. (2016) demonstrated the age of chief executive officer (CEO) and the international experience of chief executive officer (CEO) had positive sign with no significant value, and Pinho (2007) indicated the age of the decision maker and education level had less impact to predict and not significant relation to the entry mode choice. Therefore, the literature review led to the set of propositions 8, 9 and 10 including:

Proposition 8: Higher the position tenure of chief executive officer (CEO), the Vietnam's small and medium enterprises preferred the equity-entry mode.

Proposition 9: Higher the functional background of chief executive officer (CEO), the Vietnam's small and medium enterprises preferred the equity-entry mode.

Proposition 10: Higher the international experience of chief executive officer (CEO), the Vietnam's small and medium enterprises preferred the equity-entry mode.

The Entry Mode and Organizational Performance

Brouthers and Nakos (2004) studied the entry mode choice of small and medium enterprise and performance focusing on the transaction cost perspective. They considered the equity entry mode and non-equity entry mode as the foreign entry mode of small and medium enterprises, and the organizational performance was described by the financial performance and non-financial performance. Furthermore, the study was conducted by collecting the data from 450 Greek and 419 Dutch companies since 1997 to 1998 by the questionnaire through the mail. Similarly, Rasheed (2005) investigated the foreign entry mode and performance by considered the environment as the moderator variable. The research collected data from 123 small and medium enterprise based on the manufacturing in the United State of America. Furthermore, Wulff (2014) examined the entry mode choice and performance based on 250 Norwegian, Danish, and Swedish firms.

Brouthers and Nakos (2004) and Rasheed (2005) used the dichotomous variable to represent the equity entry mode (1) and non-equity entry mode (0). Brouthers and Nakos (2004) used the correlations to explain the entry mode and organizational performance, the result found that the organizational performance in terms of the financial performance and non-financial performance significantly related to the entry mode choice by R-square equal to 0.182 ($p < 0.01$) and 0.228 ($p < 0.01$) respectively.

Hence, when the transaction theory predicted the equity entry mode performed better than the non-equity entry mode, the small and medium enterprise should employ the equity entry mode based on the regression result (Brouthers & Nakos, 2004). Rasheed (2005) used the hierarchical moderated regression to analyze the entry mode and environment determinants toward organizational performance found that the firm had higher rate of international revenue growth used the non-equity mode, while Wulff (2014) suggested the firm specific advantages (FSA) to predict the entry mode on the organizational performance, the findings found that the entry mode model significantly predicted the performance of the firm ($r\text{-square} = 0.316, p < 0.001$). As such, Wulff (2014) concluded that the mode of entry that predicted by model had higher performance than the firm unconcerned the mode of entry model.

Obviously, Brouthers and Nakos (2004), Rasheed (2005), Wulff (2014) contributed the result and they concluded that the firms used the mode of entry model had higher performance than the firm which unconcerned the model of entry mode, therefore the proposition 11 including:

Proposition 11: Vietnam's small and medium enterprises that used the mode of entry model had higher performance than other small and medium enterprise that unconcerned the model of entry mode.

Conceptual Framework

This part presented the research framework that contained the eleven propositions and the methodology. The following included the explanation and measurement of independent variables, dependent variable, data analysis, and sample of this investigation.

Research Framework

Research framework contained the four concepts included the eclectic model, the chief executive officer (CEO) characteristics, the entry mode, and organizational performance. The entry mode choice was predicted by the eclectic model including the ownership advantages, locations advantages, and internationalization advantages, and the chief executive officer (CEO) characteristics. Furthermore, the entry mode model along with the factors of the eclectic model and the chief executive officer (CEO) characteristics were employed to explain the performance of small and medium enterprise of Vietnam. Besides, the research framework demonstrated the specific links which represented the impact of predictor variables and the dependent variable, and all of these signs based on the literature review. For instance, the propositions presented the positive sign that means the predictor variables had the positive impact toward the equity entry mode, or the firm tended to select the equity entry mode. Conversely, the propositions demonstrated the negative sign

that means the predictor variables had the negative impact toward the equity entry mode, or the firm tended to select the non-equity entry mode. According to this literature review, eleven propositions were used to form the conceptual framework as following:

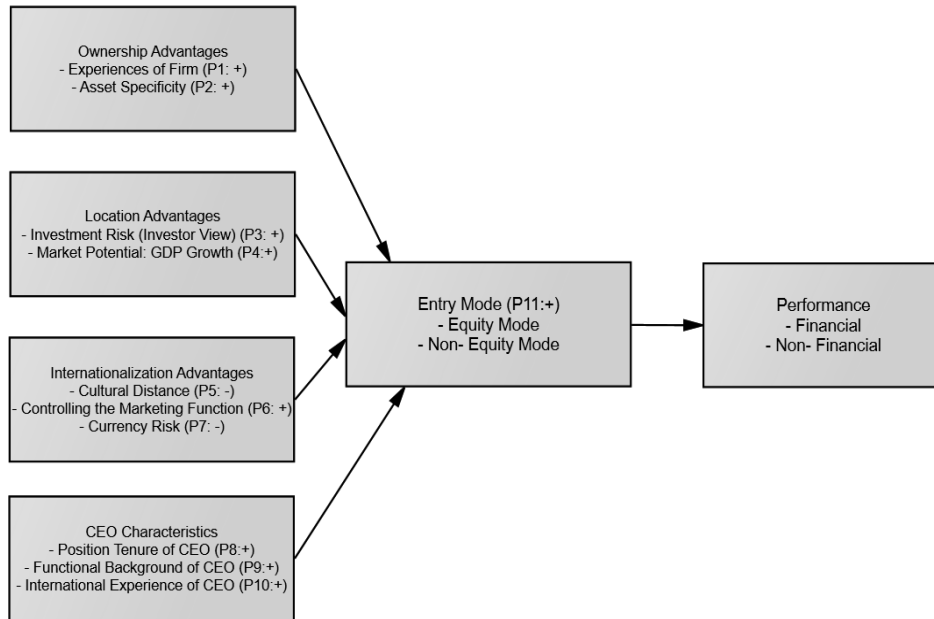


Figure 1. Research Framework.

Methodology

Independent Variables

As a conceptual paper, the study paid attention on selected variables. The detail could be concluded as follows. Firstly, ownership advantages included the experience of the firm and asset specificity were measured by the amount of year which the business spent or participated with the foreign investor, and the ratio of research and development, and total turnover of subsidiary respectively (Chien & Tu, 2012; Lowen & Pope, 2008).

Secondly, location advantages included the investment risk and market potential. The investment risk was measured by the perception of the risk of host country that the owner of small and medium enterprises of Vietnam, and the market potential was measured by the gross domestic product of the host country which the small and medium enterprises of Vietnam desired to invest (Chien & Tu, 2012).

Next, internalization advantages contained the cultural distance, controlling the marketing function and currency risk. The cultural distance presented by the Hofstede's cultural index of host country that small and medium enterprises of Vietnam desired to internationalize. Besides,

the controlling the marketing function was measured by the number of control over the marketing function with the seven levels of semantic-differential response scales anchored by None and Complete that ranks from 1 to 7 (Forlani et al., 2008), while the risk of currency was measured by comparing fluctuation of exchange rate between Vietnamese Dong (VND) and the host country (Chien & Tu, 2012).

Finally, Chief executive officer (CEO) characteristics included the position tenure, functional background, and international experience of the chief executive officer. The position tenure and the international experience of the chief executive officer were measured by the amount of years that chief executive officer responded in the firm and the average amount of years that the chief executive officer spent abroad during the professional career respectively (Forlani et al., 2008; Herrmann & Datta, 2002). Furthermore, the functional background of chief executive officer was characterized as the number “1” represented the functional background which related to the financial and accounting, production and operation, processing and information systems, and the research and development in terms of process while the number “0” represented the functional background that related to the sales and marketing, the research and development in terms of product (Herrmann & Datta, 2002).

Dependent Variables

According to the first dependent variable, all of selected literature considered the variable as dichotomous variable and entry mode was categorized into two groups included the wholly owned subsidiary and equity joint venture activities and non –equity modes included the exporting and contractual agreements activities, while the organizational performance was measured by rate of performance.

Data Analysis

The investigation of this paper is based on a wide range of literature on the entry mode choice and performance in the eclectic theory and chief executive officer characteristics. As a conceptual paper, the study is conducted in the following steps:

1. A wide range of related literature for the theories of literature on the entry mode choice and performance in the eclectic theory and chief executive officer characteristics are reviewed in order to form a framework of the study.
2. The content analysis is used to analyze the data and the report is drafted and then it is revised followed by finalized.

Conclusion and Limitation

Conclusion

Due to the intensive review of related literature, choosing of foreign market entry modes of Vietnam's small and medium enterprises are predicted by the eclectic theory and chief executive officer (CEO). Moreover, this investigation aimed to explain the performance of the firm through the foreign market entry mode. The research framework was formed according to the eleven propositions which concluded the result as the following: higher the experience and the asset specificity of firm preferred the equity-entry mode, higher the market potential of host country, higher the risk of investment of host country, and higher the controlling of marketing function of host country preferred the equity-entry mode, higher the perception of the low cultural distance and the low currency risk of host country led the firm preferred the equity-entry mode.

Moreover, higher the position tenure, the functional background, the international experience of chief executive officer (CEO) led the firm preferred the equity-entry mode. Besides, Vietnam's small and medium enterprises that used the mode of entry model had higher performance than other small and medium enterprise that unconcerned the model of entry mode. For the above reasons, it would be meaningful to understand causing factors which can affect the dependent variables and the research framework can encourage the decision making on choices of foreign market entry mode especially in case of Vietnam's small and medium enterprises. The main contribution of this study also shed some light on the field of international business especially in a case of Asian regions. However, several limitations need to be concerned and empirical tests should be then examined in order to understand the nature of Vietnamese businesses in selecting the foreign market entry mode and the relationship between the selected choices and the firms' performance.

Limitation of the Study

The aim of this investigation is to review a wide range of literature on the selected variables in order to build the conceptual framework. However, it can only present a part of the eclectic model and chief executive officer (CEO) characteristics. According to the limitation of conceptual paper, methodological issues and empirical testing are not the primary concern of this paper. It would be a fundamental ground for further research.

Another limitation included the primary focus of this study is only on the Vietnam's small and medium enterprises which are not the sole competitor in Asian regions. There are other key players that should be considered in order to expand our understanding of organizational performance especially in internationalization process such as small and medium enterprises in other countries or a specific type of business. Finally, these aspects will allow the researchers and practitioners to compare the differences among industries.

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