Chapter 8

Transnational Entrepreneurs and Their Global Market Entry Modes

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ABSTRACT

This chapter presents an exploration into the market entry modes of transnational entrepreneurs. It focusses on the effects of knowledge acquisition and learning to the process. Specifically, it addresses the role of the transnational entrepreneur in acquiring knowledge that results in market entry. The empirical data consists of transnational entrepreneurs from three industries namely, food manufacturing, agriculture and information technology who are engaged in international activities. The research is qualitative using case study. The data collection tool is semi-structured interviews with the data analysed using thematic and content analysis. The findings suggest that transnational entrepreneurs adopt mostly the network or in some cases, the international new venture (born-global) market entry strategy rather than the stage by stage approach. They also reveal that transnational entrepreneurs adopt a self-learn approach that makes them more proactive with their knowledge acquisition resulting in market entry. The implications for the study are also discussed.

INTRODUCTION

Transnational entrepreneurs are migrants and their descendants who are engaged in entrepreneurial activities that span the national business environments of their countries of origin and countries of residence (Riddle et al., 2010). Transnational entrepreneurs play a role in supporting the development of their countries of origin via remittances, but also as investors and institutional change agents, not just in ethnic enclaves but globally (Vaaler, 2013; Riddle & Brinkerhoff, 2011). However, the entrepreneurial and societal roles of transnational entrepreneurs are often intertwined and blurred. Consequently, the discussion on these roles in the global context is mainly without a clear-cut conceptualization, in comparison to other concepts like social entrepreneurship (Jokela & Elo, 2015).

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Globalization has led to a shift in the marketplace for goods and services. In today’s market, customers are no longer classified as geographically different or dispersed. According to Knight (2000) the boundaries between domestic and international markets are becoming irrelevant. Firms are faced with rapidly changing and fast-paced environments that are characterised by hyper competition, knowledge-based competition and demographic changes (Dess et al, 1997). Consequently, firms are forced to seek ways to navigate in this dynamic environment.

Numela et al. (2004) argue that the driving forces of globalization have influenced the internationalization of transnational entrepreneurs. Equally, Osland et al., (2001, p. 153) state ‘the rapid globalisation of business in the last two decades has prompted an increasing number of firms to develop strategies to enter and expand into markets outside their home locations’. Further, Westhead et al., (2001) infer that engaging in export activities by transnational entrepreneurs is essential for growth, survival and performance. Thus, participation in foreign markets is considered a necessity for transnational entrepreneurs.

The process of exploring international opportunities as a means of seeking new customers to serve, expanding existing client base, diversification and / or acquisition of resources can be quite difficult for transnational entrepreneurs when compared to SMEs or Multinational Enterprises (MNEs) (Knight, 2001). This is because transnational entrepreneurs are faced with limited resources, lack of management capabilities, market intelligence and power (Numela et al, 2004). Osland et al. (2001) recommend that expanding in a foreign market (internationalisation) is a crucial strategic decision that a firm has to make especially as this could lead to competitive advantage. Therefore, to achieve global success, the formulation and implementation of strategy are important (Dess et al., 1997; Knight, 2000; Chetty & Campbell-hunt, 2004; Kuratko & Audrestsch, 2009).

Internationalisation is a synonym for the geographical expansion of economic activities over a national country’s border (Ruzzier et al., 2006). It points out the behaviour firm exhibits when engaging in international activities (Andersson, 2003). Traditional theories on internationalization suggest that a firm’s engagement in international activities occurs in stages (Johanson & Widersheim-Paul, 1975; Johanson & Vahlne, 1977; Bilkey & Tesar, 1977, Johanson & Vahlne, 2001). That is, it is the process in which the enterprise gradually increases its international involvement (Johanson & Vahlne, 2001).

These stage models point out that market entry is gradual and incremental. Markets are selected once the barriers to market entry (psychic distance) are reduced as a result of knowledge acquisition, experience and commitment. Johanson and Vahlne (2001) suggest that psychic distance consists of differences in language, culture and political systems which disturb the flow of information between a firm and the market.

As a result, firms target neighbouring, or ‘psychically close’ countries first, before entering foreign markets with larger ‘psychic distance’. Underpinning this incremental increase into new markets is knowledge and commitment (Child & Wong, 2003). What this means is that these firms are committed to the chosen market and so ensure that they achieve success. Within this process, these firms learn from their experience and apply this when entering into another market as part of its expansion strategy (Ellis, 2008). What is more, the decision to explore foreign markets rests with the entrepreneur. They determine which market to enter based on market intelligence, experience as well as their willingness to explore international opportunities as part of the firm’s strategy (Zhang et al., 2014).

However, the rise of globalization has resulted in new internationalization theories. These theories posit that there are firms that do not go through stages to internationalize (Zhang et al., 2014). These organizations tend to be more innovative, knowledgeable, and flexible, offer unique products and services, and have international experience and an entrepreneurial orientation, resulting in quicker internationaliza-
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