



Publicly funded business advisory services and entrepreneurial internationalization

**Douglas Cumming, Eileen Fischer
and Theodore Peridis**

York University, Canada

Abstract

This article examines whether and how publicly sponsored advisory services can encourage small and medium-sized firms to increase their degree of internationalization. We argue that professional advisors have an impact upon the knowledge and skills firms develop to enhance internationalization. The data examined are drawn from a publicly funded organization providing advisory services to entrepreneurial firms; they show a significant relationship between receipt of advice and the development of internationalization-related knowledge and competences. Knowledge, competences, and advice are all significant predictors that firms will adopt strategies conducive to initiating or expanding internationalization. Moreover, the results suggest that various forms of advisory services should be explicitly considered in assessing the factors which contribute to dynamic capabilities. However, pertinent public policy initiatives should incorporate performance metrics that capture the impact of such advisory services in enhancing the internationalization capabilities of entrepreneurial firms.

Keywords

entrepreneurship, hubs, internationalization, public advisory services

Introduction

Globally governments are attempting to encourage and stimulate business startup and the development of small and medium-sized enterprises (SMEs) on the premise that they contribute to overall growth in regional and national economies (e.g. Acs, 2005, 2006; Ahmad and Hoffman, 2007). It is recognized promoting the internationalization of such firms is particularly efficacious in this respect (e.g. Francis and Collins-Dodd, 2004; Wilkinson and Brouters, 2006). The case for promoting internationalization arises from the notion that if such firms are encouraged to export

Corresponding author:

Douglas Cumming, Schulich School of Business, York University, 4700 Keele Street, Toronto, ON, M3J 1P3, Canada.

Email: dcumming@schulich.yorku.ca

earlier, rather than later, and/or to export more intensively, they will be more competitive and so contribute toward a sustained increase in balance of foreign trade (Ahmad and Hoffman, 2007; Fischer and Reuber, 2008).

The benefits of internationalization have been explored in both the practitioner and academic literatures (Knight and Cavusgil, 2004; McKinsey & Company, 1999). Such work focuses on the trajectory and pace of SME internationalization, as well as on the exploration of the capabilities that lead to internationalization (Taylor and Jack, 2013; Weerawardena et al., 2007). The independent variables employed often relate to the drive and vision of the entrepreneur rather than external factors, such as history or industry membership. Research has also identified correlations between constraints in local market size and propensity to internationalize (Bell et al., 2004; Moen, 2002). The literature has not, as of yet, analyzed the role of external influences upon the drive for internationalization; these might be government incentives, external advisors, family ties and so on.

One common form of support for internationalization is fully, or partially, publicly funded advisory services. By advisory services, we refer to the provision of specific advice tailored to the challenges unique to a specific firm at a given time; as such, a form of customized coaching (Hjalmarsson and Johansson, 2003; Organisation for Economic Co-operation and Development (OECD), 1995). Very early stage small firms, in general, cannot afford professional advice, and hence, receive most of their support and coaching from informal sources such as family and friends. But such advice reflects local realities and is seldom directed at internationalization. In part, to fill this void, governments have initiated publicly funded advisory services. However, SMEs are often unable, or unwilling, to pay for the private provision of such advisory services; thus, partially or fully publicly funded advisory services are provided in nearly every developed country (Cumming and Fischer, 2012; Hjalmarsson and Johansson, 2003; OECD, 1995). Advisory services aimed at fostering or increasing internationalization are, therefore, part of a larger set of government-supported forms of assistance. Strikingly, studies that have attempted to gauge the impact of advisory services per se have yielded mixed results (Hjalmarsson and Johansson, 2003; Storey, 2000). Thus, we need a better understanding of whether advisory services, in which public monies are invested, can actually have an impact on capabilities and actions related to internationalization.

Accordingly, the purpose of this article is to shed light upon the question of whether and how advisory services may be conducive to fostering internationalization-related capabilities and behaviors by entrepreneurial firms. To pursue this goal, we review extant research on publicly funded export support programs in general and in particular on advisory services related to internationalization. We then draw on theories of dynamic capabilities to develop hypotheses about the process through which advisory services may have an impact upon the internationalization behaviors of new firms and SMEs. We argue that controlling for other factors that should explain variance, receiving advice from advisory services is positively and significantly related to developing capabilities required for internationalization. We consider further whether receiving advisory services is both directly and indirectly related to firm behaviors conducive to internationalization capabilities, given that such capabilities partially mediate the relationship between receipt of advisory services and the propensity to engage in internationalization behaviors. Our findings contribute to the literature and understanding of the development of dynamic capabilities by entrepreneurial firms, especially those capabilities associated with internationalization; they illuminate how such capabilities are enhanced in part through external interventions. Moreover, the findings suggest that such interventions should be treated in a more nuanced manner as they are shown to have both direct and mediating effects.

The article is organized as follows: we commence with a review of the empirical literature examining the relationship between government support services and internationalization-related

behaviors. We then draw on theory regarding dynamic capabilities to develop hypotheses about the direct and mediated impact of receiving advice related to internationalization; this is followed by a description of the empirical study used to test the hypotheses, and report the results. We conclude with a discussion of implications for practice and future research.

Prior research on publicly funded services and SME internationalization

Internationalization has been viewed as an imperative to global competitiveness; thus, the internationalization of small and entrepreneurial firms has been promoted as critical to their own and broader national success (Hilmersson, 2014). ‘Born global’ describes the phenomenon of start-ups that have quickly internationalized their activities, developing business models incorporating home and foreign markets (Taylor and Jack, 2013). Scholars have sought to identify the characteristics that lead SMEs to internationalize early and measure the strategic capabilities necessary for internationalization (Raymond and St-Pierre, 2013). Governments have provided a plethora of assistance intended to help new firms and SMEs increase their internationalization prospects and propensity ranging from supporting trade missions, sponsoring trade show participation, providing bidding assistance, assisting with the formation of consortia, financing exports, and offering support through foreign offices (e.g. Francis and Collins-Dodd, 2004; Moini, 1998; Shamsuddoha et al., 2009).

Evaluating the efficacy of such services has been attempted. For example, Francis and Collins-Dodd (2004) examine how the number of government programs used by high-tech SMEs affects the achievements of export objectives and export expansion strategies. It was found that firms with less export experience benefit more from partaking of a greater number of programs than do more experienced firms who derive most of their incomes from exporting. Others have attempted to assess how firms using particular types of export services may be affected; so, for instance, Shamsuddoha et al. (2009) find that Bangladeshi SMEs in export-oriented industries using market-development-related government assistance report direct and indirect effects on internationalization, while those that use finance- and guarantee-related assistance report only indirect effects.

Although valuable, these studies have limitations in terms of effectively illustrating whether publicly funded advisory services can help SMEs develop internationalization capabilities or take behavioral steps toward increased internationalization. There has been little direct assessment of the impact of advisory services *per se*; instead, they have either focused on the impact of other forms of government support (e.g. Shamsuddoha et al., 2009) or have explored the aggregate effect of multiple types of support programs (e.g. Francis and Collins-Dodd, 2004). In work by Moini (1998), advisory services were among those for which specific impact measures were included; however, the impact measurement was of ‘expected benefits’, rather than a measure of capabilities or of actual behaviors related to internationalization. The broader literature assessing the impact of advisory services suggests that using such measures is of limited value in determining the extent to which such services actually impact firm-level characteristics and behaviors (e.g. Storey, 2000).

An additional limitation of the evaluation literature relates to theorization. Although many articles have made references to the learning, competences, or capabilities (e.g. Francis and Collins-Dodd, 2004) that result when firms are exposed to various support programs, there has been limited direct articulation of the theoretical mechanisms that link exposure to a particular kind of support program (such as advisory services) to particular outcomes. In the next section, we draw on dynamic capability theory to specify the process by which we might expect receipt of advising services to link to the development of capabilities and to behaviors conducive to internationalization.

Advising and the development of dynamic capabilities

Theory regarding the nature, development, and impact of dynamic capabilities can be traced to Nelson and Winter's (1982) view of organizations as sets of interdependent operational and administrative routines which evolve on the basis of performance. In addition, Teece et al. (1997) argue that for firms to compete effectively, they must develop the capabilities required to compete in dynamic environments (see also Teece and Pisano, 1994). Firm-level capabilities, in general, have been conceptualized as the ability of the firm to efficiently combine a number of resources so as to engage in productive activity and attain a certain objective (Amit and Schoemaker, 1993).

Zollo and Winter (2002) helpfully contribute to theory regarding the origins and the outcomes of dynamic capabilities; they argue that capabilities can be acquired through deliberate learning efforts. Conceptual arguments are developed to suggest that dynamic capabilities emerge through experience accumulation and/or through efforts to articulate and codify relevant knowledge. Thus, the outcome of the development of dynamic capabilities is the evolution of behavioral routines that will enable them to achieve relevant objectives.

Drawing on these key premises of the dynamic capabilities perspective, we argue that advisory services related to internationalization can be regarded as facilitating the articulation and codification of knowledge related to internationalization for SMEs.¹ Therefore, we regard learning resulting from the receipt of advisory services as conducive to the development of capabilities related to internationalization. Those who have studied advisory services in general offer similar arguments that the development of capabilities is the likely result of the receipt of advisory services. For example, those such as Fuller (1996), Chrisman and McMullan (2004), Chrisman et al. (2005), Dyer and Ross (2007), Audretsch et al. (2011), Lahti (2012), Soriano et al. (2002) argue that skilled advisory support can provide new firms and SMEs with knowledge, allowing the development of new organizational capabilities.

Consistent with Zollo and Winter's (2002) theoretical arguments, we also expect that accumulation of experience in international markets will be conducive to internationalization capabilities. This theoretical perspective is supported by empirical evidence documenting that prior managerial and firm-level experience is related to capabilities relevant for internationalization by new firms and SMEs (e.g. Fernhaber et al., 2008; Reuber and Fischer, 1997; Rialp et al., 2005). Thus, we argue that while prior experience with internationalization will contribute to the development of capabilities related to internationalization, receiving advisory services can contribute further to the development of such capabilities. Formally, we state the following hypothesis:

H1: Learning from advice related to internationalization will be positively related to a firm's internationalization capabilities, holding constant the international experience of the firm.

Furthermore, drawing on theory developed by Zollo and Winter (2002), we anticipate that the internationalization capabilities firms develop partly in response to international advisory services will ultimately affect the behavioral routines and practices of the company related to internationalization. That is, we would expect that the impact of advisory services on behaviors related to internationalization would be mediated by existing capabilities. For firms without capabilities to develop sales in foreign markets, generate new business leads, and compete with existing firms in foreign markets to meet customer needs, additional internationalization advice will not be effective. By contrast, firms that have these skills, but are missing complementary knowledge to take advantage of them, will benefit greatly from advice (Zollo and Winter, 2002). Formally, we suggest,

H2: The relationship between receipt of advisory services related to internationalization and behaviors conducive to internationalization will be mediated by the firm's internationalization capabilities.

We now describe the study undertaken to test these hypotheses and report the results and analysis.

Methods

Sample

In order to test the hypotheses, it was desirable to have a sample of entrepreneurial firms that had all used advisory services, but that varied in terms of whether they had specifically sought out advice on internationalization. The logic behind this choice is that it enabled comparisons among those who were open to advice, but varied in terms of what support taught them about internationalization.

The data were drawn from a random sample of recent clients of the Innovation Synergy Centre in Markham, Ontario, Canada (ISC). The ISC was founded in 2003 with goal of a providing a 'one-stop' center, operating on a non-profit basis, where senior managers of established businesses could gain access to the advisory services of experienced consultants and business professionals. It works as a coordinating 'couple' (Mole and Keogh, 2009) or advisory hub that coordinates, but does not deliver, advisory services. In such models, the couple or hub promotes the advisory services and other programs offered to potential clients. The staff of the couple evaluate potential clients to determine their needs and then pair them with advisors (also referred to as consultants or mentors) who are coordinated, evaluated, and partially subsidized by the Centre (Lambrecht and Pirnay, 2005; Mole and Keogh, 2009). As of 2009, the ISC as a whole had coordinated advisory services for over 1400 firms (<http://www.iscm.ca/about.htm>).

Access to the client list was provided by the Centre, and a random sample of clients was contacted by phone by a team of trained research assistants. Assistants were instructed to contact the CEO of the firms to ask them to complete a survey either on the telephone or in person. In total, interviewers attempted to contact 800 clients; of these, the phone numbers for 51 firms proved to be out of service or incorrect. Of the remaining 749, no direct contact could be made despite leaving up to three voice messages for an additional 185 clients. Of the 564 clients who were eventually reached, 464 either declined to participate or indicated willingness to participate but were unavailable during the time frame of the study. This resulted in a final sample of 100 completed surveys. The effective response rate for this study, calculated as the percentage of those who were reached but who did not participate, is 17%. The effective response rate compares favorably with similar research exploring the internationalization of SMEs that ranges from 14% to 17% (Baum et al., 2013). To assess non-response bias, the profiles of those who refused to participate were compared to those who agreed, using data from the database provided by Innovation Synergy Centre Markham (ISCM). There were no statistically significant differences between the two groups in terms of either their company size (number of employees) or age. Other comparisons were not possible given the data available, but this provides at least some indication that non-response bias was not a critical concern in the study.

Learning from advising on internationalization measure

As noted above, all respondents received advisory services from the Centre that provided us with contact information; however, not every firm received advice related to internationalization.

Moreover, not every firm would necessarily learn from such advice and some – that had not sought advice specifically related to internationalization – might, nonetheless, have learned something relevant to internationalization. For these reasons, we chose to measure ‘advice’ using an item that reflects not whether internationalization advice was received, but rather whether learning resulted from this process. The wording was as follows: ‘To what extent did the assistance you received through ISCM increase your knowledge of internationalization?’ This item was measured on a five-point Likert scale anchored with the terms ‘not at all’ and ‘very much’. The mean value for this measure was 1.4, and the range, 1–5. A total of 79 firms responded with 1; six responded 2; nine responded 4; and two responded 5. Overall, this suggests that advisory services in the sample have not, on average, helped a significant number of firms, but did significantly help a select number. In our conclusion and discussion below, we reflect on the overall scope and quality of internationalization advice among the service provider in view of the other empirical findings herein.

Internationalization capability measures

In order to create a measurement of capabilities related to advising, we adapted Wilkinson and Brouthers’ (2006) measures of barriers to internationalization. Since our focus was upon capabilities that help firms overcome barriers, a subset of relevant items was selected with wording adapted to reflect capabilities rather than perceived barriers. Five-point Likert-type scales anchored with ‘not at all true’ and ‘completely true’ were used. The following four items were included: ‘My firm can develop the required knowledge to build more sales in foreign markets we want to target’; ‘My firm has the ability to generate new business leads in foreign markets where we want to grow sales’; ‘My firm can compete with existing firms already serving foreign markets where we want to grow sales’; and ‘My firm can effectively serve customers in foreign markets where we want to grow sales’. We combined these to create a four-item scale; the Cronbach’s α for this measure was 0.945, suggesting the scale has high reliability. The minimum score was 0, the maximum was 16, and the mean was 8.3.

International experience measures

Experience was assessed using a simple binary measure of whether, to date, the firm had made any exports. Of the 100 firms, 53 had never exported. Since the study focuses on capabilities’ development rather than actual internationalization activities, it is imperative that we include a measure of international experience to ascertain whether capabilities were built as a result of advice or were already present. International experience provides a way to measure whether the firm already had international activities, and whether, by extension, these activities have already contributed to the building of pertinent capabilities, as opposed to the role of advice in assisting internationalization capability development. In short, experience refers to prior actions, which is distinct from capabilities (Zollo and Winter, 2002). Moreover, it is important to control for experience, as distinct from capability, in view of potential self-selection. Most of the respondent firms described themselves as having some capability to internationalize, even if they had not done so. Hence, self-selection bias is not present among the firms that have previously internationalized.

Behaviors conducive to internationalization measure

Given the heterogeneity of this sample in terms of experience with exporting, behaviors conducive to internationalization were measured as follows. We reviewed the literature on barriers to internationalization (e.g. Wilkinson and Brouthers, 2006) from which behavioral items, corresponding to

having overcome specific barriers, were created. Specifically, respondents were asked whether or not, within the last 12 months, their firm had (1) trained any current employee(s) to develop sales in foreign markets, (2) hired new employee(s) to develop sales in foreign markets, (3) formed any new partnerships to develop sales in foreign markets, (4) formed any new network contacts to develop sales in foreign markets, (5) gathered data on any foreign markets, (6) inquired about financing related to developing sales in foreign markets, (7) contacted any government foreign trade official for assistance in developing sales in foreign markets, and (8) investigated trade regulations in foreign countries. The responses were compiled to create a scale with a possible range from 0 to 8. The mean value for this sample was 2.7, and the range was from 0 to 8.

Control variables

Two control variables used in the analysis were firm age and firm size. It is expected that older, larger firms would have greater levels of internationalization knowledge/competencies. It is also possible that age or size might be related to the likelihood of engaging in behaviors conducive to internationalization (Fischer and Reuber, 2008). Firm age ranged from less than 12 months to 36 years, the mean age being 9.61 years; the mean size was 10 full-time employees with a range from 0 to 75. The final control variable recognized that firms and industries vary considerably in the extent to which competition is international. Thus, firms facing highly internationalized competition might have greater knowledge and capabilities, or a greater propensity to internationalize. To assess this, respondents were asked to think of the four companies they would consider their closest competitors, in that their offerings were most comparable, and then asked: 'Of these competitors, how many are Canadian?' The mean number of Canadian competitors was 2.29; the range was from 0 to 4.

A number of other control variables were considered and are available on request. For example, we considered industry variables (as dummy variables, as well as industry market/book values), and the countries where the firms internationalized. The firms comprised a number of different industries, as indicated in Table 1; likewise, the countries to which the firms internationalized are also indicated in Table 1. We considered dummy variables by country, as well as legal index variables from the World Bank doingbusiness.org webpage, Hofstede's cultural indices, and a count variable for the number of countries. These variables, among others, are not included as they were not statistically significant and/or they did not impact upon the main focus of the study. For example, the industry market/book variable was insignificant in regressions for both of our dependent variables. Similarly, Taylor and Jack (2013) found no significant variation across industries in the internationalization capabilities and the drive to internationalize SMEs, thereby bolstering our confidence in these data. The variable for the number of countries was positive and significant for our second dependent variable, but its inclusion did not affect the other variables of interest. We do not include this because it is arguably endogenous relative to our outcome variables. We have likewise considered interaction variables, such as learning and capability with industry market/book and number of countries. However, these variables do not affect the main variables of interest, and were generally insignificant. Alternative specifications are available on request.

Analysis and results

In Table 2, we report the summary statistics and the correlations among all variables included in our analysis. As expected, the research variables are correlated. There are also significant correlations between one of the control variables (proportion of competitors from Canada) and all of the research variables. As well, the control variables firm age and firm size are correlated with export

Table 1. Industries and countries represented in the data set.

Aerospace	1	Argentina	1	Korea	1
Biotechnology	1	Asia	1	Lebanon	1
Communications	8	Australia	4	Malaysia	1
Computer hardware	8	Bahamas	1	Mexico	1
Education	7	Barbados	1	Middle East	5
Environment	7	Belgium	1	New Zealand	4
Fashion	3	Brazil	1	Peru	2
Financial	2	China	4	Russia	1
Health	6	Continental Europe	8	Saudi Arabia	1
Industrial	1	Columbia	1	Singapore	1
Internet	6	Dubai	1	South Africa	6
Manufacturing	13	Egypt	1	South America	4
Mining	2	France	1	Spain	1
Publishing	3	Holland	1	Taiwan	2
Real estate	2	India	1	Turkey	2
Restaurant	1	Ireland	1	United Kingdom	11
Retail	4	Jamaica	1	United States	41
Services	13	Japan	4		
Software	15				

The sum of industries and the sum of countries does not add to 100, the number of firms in the data set, since one firm indicated more than one industry, and many firms internationalized to more than one country.

experience; firm size is also significantly correlated with internationalization capabilities. As Table 2 indicates, the focal independent variable – learning from advice – is not significantly correlated with the experience variables, age or size. It is significantly and negatively correlated with the proportion of the top four competitors being Canadian. We tested multicollinearity by examining the Tolerance statistics of an ordinary least squares (OLS) regression that predicted internationalization capabilities using the control variables and the research variables and another that predicted behaviors conducive to internationalization using the research and control variables. Menard (1995: 66) states that Tolerance statistic of less than 0.20 is cause for concern. None of our predictor variables violates this criterion, so we concluded that multicollinearity did not pose a serious threat to the validity of our analysis.

To test Hypothesis 1, two regressions were run, with the dependent variable in both cases being the measure reflecting internationalization capabilities. Results are reported in Table 3. These regressions indicate that the inclusion of the advising variable in the regression results in significantly more explained variance than in models including only the control and experience variables (F -change = 4.05, p = 0.048). In the first equation, including only control and experience variables, the significant predictors of internationalization-related competence are the portion of the closest four competitors who are Canadian and the international experience variable. In the second equation, the competitor and experience variables remain significant as does the advice variable. Taken together, these equations suggest that Hypothesis 1 cannot be rejected.

The findings are statistically significant and economically large. The economic significance is such that a 1-standard-deviation increase in the independent variable Canadian competition is associated with approximately (based on Model 1 in Table 3) a 11.3% increase in the dependent variable, behaviors conducive to internationalization, relative to its average value. Similarly, a 1-standard-deviation increase in the independent variable international experience is associated

Table 2. Correlations among research and control variables.

	Mean	Median	Standard deviation	Minimum	Maximum	(1)	(2)	(3)	(4)	(5)	(6)
(1) Learning from advising	1.47	1	0.97	1	5	1					
(2) International experience	0.47	0	0.50	0	1	0.369**	1				
(3) International capability	3.07	3.25	1.47	1	5	0.339**	0.631**	1			
(4) Behaviors conducive to internationalization	2.7	2	2.77	0	8	0.498**	0.560**	0.630**	1		
(5) Firm age	9.61	7	8.95	0	36	-0.130	0.399**	0.141	0.104	1	
(6) Firm size	9.13	3	15.14	0	75	0.002	0.232*	0.289**	0.217*	0.398**	1
(7) Proportion of close competitors from Canada	2.29	2	1.66	0	4	-0.426**	-0.471**	-0.514**	-0.433**	-0.039	-0.065

**p < 0.001; *p < 0.01; *p < 0.05.

Table 3. Predictors of internationalization capabilities (standardized coefficients, t-statistics in parentheses).

Variables	Model 1	Model 2
	Control and experience variables	Control, experience, and learning from advising variable
Firm age	-0.14 (1.50)	-0.12 (-1.34)
Firm size	0.17 (1.96*)	0.18 (2.08*)
Canadian competition	0.21 (2.58*)	0.19 (2.43*)
International experience	0.58 (6.47***)	0.56 (6.45***)
Learning from internationalization-related advising		0.17 (1.96*)
N	95	95
Adjusted R ²	0.43	0.47
F	16.62***	18.24***
R ² change		0.03
F change		4.05*

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$.

with a 9.4% increase in the dependent variable relative to its average. A 1-standard-deviation increase in the independent variable learning from internationalization-related advice is associated with a 5.4% increase in the dependent variable international capabilities relative to its average.

The tests for the mediating relationship specified in Hypothesis 2 are shown in the Table 4. Baron and Kenny (1986) propose that four tests are required to establish mediation. One step establishes that the independent variable predicts the mediator. From the second equation reported in Table 3, we established that learning from international advising is positively and significantly related with the proposed mediating variable, internationalization capabilities. Thus, the first requirement for mediation is met. A second step, specified by Baron and Kenny (1986), establishes that the independent variable is related to the ultimate dependent variable. The first column of Table 4 shows that learning from advice is positively and significantly associated with the dependent variable (i.e. behaviors conducive to internationalization) and indicates that the second requirement for mediation is met. The economic significance is larger than that in Table 3, such that a 1-standard deviation increase in learning from advice is associated with a 8.8% increase in behaviors conducive to internationalization.

A third step, in the Baron and Kenny approach, requires demonstrating that the mediator is positively associated with the dependent variable when the focal independent variable is not part of the regression model. The second column of Table 4 shows that the internationalization capabilities variable is positively and significantly associated with behaviors conducive to internationalization. A 1-standard deviation increase in internationalization-related capability is associated with (based on Model 2 in Table 4) a 20.0% increase in the dependent variable relative to its average. Thus, the third requirement is met. The final step, in the Baron and Kenny approach, specifies that when both the mediator and the focal independent variable are entered into a regression equation, the relationship between the focal independent variable and the dependent variable should be non-significant. As the third column of Table 4 indicates, however, when both learning from internationalization-related advice and internationalization capabilities are included in the same regression, both remain significant. The economic significance of the variables is slightly smaller than that in Models 1 and 2 whereby, in Model 3 a

Table 4. Predictors of operating routines conducive to internationalization (standardized coefficients, t-statistics in parentheses).

Variables	Model 1	Model 2	Model 3
	Including control, experience, and learning from advising variables	Including control, experience, and internationalization-related capabilities	Including all research and control variables
Firm age	-0.10 (-1.08)	-0.10 (-1.08)	-0.090 (-0.98)
Firm size	0.16 (1.89)	0.14 (1.59)	0.159 (1.84)
Canadian competition	0.22 (2.65***)	0.17 (2.08*)	0.167 (2.04*)
International experience	0.48 (5.35***)	0.27 (2.45*)	0.269 (2.53*)
Learning from internationalization-related advising	0.246 (3.138***)		0.194 (2.51*)
Internationalization-related capability		0.367 (3.44***)	0.309 (2.91**)
N	95	94	94
Adjusted R ²	0.43	0.45	0.48
F	15.68***)	16.63***)	15.72***)

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$.

1-standard-deviation increase in learning from internationalization is associated with a 7.0% increase in international routines, and a 1-standard-deviation increase in internationalization capability is associated with a 16.8% increase in international routines. Hence, the fourth requirement for full mediation is not met. It appears that internationalization capabilities only partially mediate the relationship between learning from advice and developing behaviors conducive to internationalization.

Limitations and extensions

Before discussing our findings and their implications, we briefly acknowledge some limitations of our study. Given the single source, self-reported nature of much of the data, we cannot rule out the possibility that our findings are, to some extent, accounted for by the manner in which the measures of key constructs were obtained. The response rate in the survey, while not inconsistent with what has been reported elsewhere (e.g. Baum et al., 2013; Wilkinson and Brouthers, 2006) using survey methodology, is also a factor that should lead results to be interpreted with caution. Furthermore, there are additional details that we did not obtain, such as the potential importance of owner’s personal characteristics. Further research may explore such traits subject to data availability.

The cross-sectional nature of the data is also worth noting. Given that all measures were collected at the same time, any inferences about causal relationships between variables must be drawn with caution. Future research, with longitudinal data, is required to confirm such relationships. Finally, the study does not investigate the relative effectiveness of advisory services as compared to alternative modes of support from public sources; a future research effort that succeeds in capturing, quantifying, and comparing the diverse interventions could possibly shed light on this equally important question.

Conclusion

Overall, this article offers support for the general proposition that receiving advice related to internationalization can help firms to develop their capabilities related to internationalization. Reflecting the literature on capabilities, the article complements the current discourse on capabilities of SMEs, such as by Raymond and St-Pierre (2013) who argue for different configurations of capabilities for internationalization. Similarly, Baum et al. (2013) examine how an entrepreneur's growth orientation serves to moderate the role of perceived barriers to internationalization. Moreover, prior international experience and knowledge intensity are shown to have a complex positive role in how barriers moderate the propensity to internationalize. Our analysis also demonstrates that related capabilities are built from among several factors, including advisory services, and that entrepreneurs utilize these and other sources of knowledge to develop the requisite capabilities for internationalization. Accordingly, entrepreneurs acquire more knowledge and build capabilities for internationalization irrespective of their existing knowledge and experience base. In essence, there are accrued benefits from the advisory relationship, above and beyond whatever already exists within the capabilities of the entrepreneurial firm.

We recognize that the study has explored building capabilities toward internationalization, rather than actual internationalization performance. However, the findings suggest that there may be a direct relationship between advice and implementing behaviors conducive to internationalization. This may be because advisors specifically counseled recipients to implement practices and procedures that are included in our measure of behaviors conducive to internationalization. While the data are drawn from publicly funded advisory services and the conclusions should notionally be restricted to those situations, there is nothing in the relationships studied, nor in the anecdotal conversations with clients of the advisory services center, to suggest that only publicly funded advisory services have the hypothesized impact. Nonetheless, we make the case for the legitimacy and benefits of such public policy to provide funded advisory services for new firms and SMEs.

A significant implication of our study relates to the benefits of learning from advice; these are not restricted to firms that lack international experience. Here, even when experience is taken into account, there is a consistent relationship between receipt of advisory services and internationalization-related capabilities and behaviors. This helps to reinforce the point made in the literature on new firm internationalization (Fernhaber et al., 2009) that external knowledge sources, such as advice, can be a supplement when a firm lacks foreign market experience, or can be complementary, when a firm is already trading internationally. As such, our findings accord with work recognizing the moderating role of perceived barriers to internationalization (Baum et al., 2013), suggesting the need for an active role for public support for firms to enhance their network and other capabilities as promoters and facilitators of internationalization.

This article offers further support for the theoretical premise of dynamic capabilities, that is, that firms can acquire such capabilities both through experience and through deliberate attempts to engage in learning during which relevant knowledge is articulated and codified (Zollo and Winter, 2002). It also supports the contention that the capabilities developed may affect behavioral routines that can ultimately lead to an enhanced likelihood of achieving the organizational objectives for which that knowledge is relevant. However, our research suggests that the effects of deliberate knowledge acquisition may be only partially mediated by the development of capabilities, rather than fully mediated, as is suggested by Zollo and Winter (2002); rather, it is more consistent with Nonaka and Takeuchi's (1995) knowledge creating processes. Our study suggests that, at least in contexts similar to that under consideration, learning may affect behavioral routines directly, as well as indirectly, through capabilities. Consistent with Teece's work we suggest that capabilities are the source of corporate agility in the sense of creating the capacity and ability,

as well as explicitly guiding behavior (Teece, 2007; Teece et al., 1997). Indeed, the respondents reflected upon the firm's abilities across a number of dimensions of internationalization and their perceived abilities to build upon these aspects. As such, this article demonstrates how advisory services enhance these behaviors both directly and through the building of internationalization capabilities.

Given that previous analyses have linked advisory services to outcomes such as satisfaction but that evidence regarding performance effects of advice is mixed (Hjalmarsson and Johansson, 2003; Storey, 2000), our focus on capabilities and behaviors – as the likely outcomes of learning through advisory services – is worth noting. While this direction might not readily serve those looking for easy arguments either in support or against funding of advisory services by government entities, the attention on internationalization capabilities and their enhancement through government-funded advice is more appropriate and insightful, if not as straightforward, as would have been desired. We suggest that future research attempting to examine the effects of advice and assess its economic effectiveness should include variables such as capabilities and behavioral routines. If advice cannot be linked to improved performance, this may not be related to lack of effect but rather to other factors preventing improved capabilities and behavioral routines from having a positive outcome upon the relevant dimension of firm performance.

We also question other ways in which advisory services, or other forms of external support, impact upon firms; for example, by prompting specific behaviors. We identified positive relationships between specific advice and subsequent enhanced internationalization intentions and activities, such as employing staff to develop internationally, forming international partnerships, or attaining finance to support international sales. This represents a fruitful direction for future theory development and empirical testing. It is worth considering that these behaviors require financial commitments; thus, entrepreneurial firms – that are typically financially constrained – are unlikely to invest in such activities were they not seriously intending to venture into international markets. A longitudinal research project – following such internationalizing strategies – could illuminate these relationships. Richer understanding would also inform pertinent public policy and direct scarce funding toward initiatives which appear most effective.

A question that remains unanswered in this article, so a priority for future research, is to examine whether advisory services can help firms internationalize profitably. Current research suggests that internationalization, per se, is frequently not profitable and can even threaten firm survival (e.g. Mudambi and Zahra, 2007). Thus, it is important from both a theoretical and practical point of view to explore whether targeted advice can help firms develop capabilities and routines enabling them to internationalize profitably and sustainably.

From a public policy point of view, our results suggest that investment in advisory services directed at SMEs is likely to result in enhanced internationalization capabilities and undertaking of more behaviors conducive to internationalization. Although we do not provide empirical evidence that these capabilities and behaviors will increase SME internationalization, it seems plausible. We can surmise that financially challenged SMEs, with limited financial and managerial resources, would not engage in internationalization-conducive behaviors if not seriously contemplating such a course of action. As such, the connections between advising and behaviors and from there to internationalization can be mapped. What needs to be studied more thoroughly is the effectiveness and outcome of these internationalization efforts. We suggest that if a specific policy goal is to increase foreign trade by new firms and SMEs, then investment in skilled advisory services may be warranted. We caution, however, that unless internationalization, enabled via targeted advice, is profitable, such policy intervention is open to question. Thus, we end with a call for future research that addresses this – and the others questions – raised within this article.

Acknowledgements

Earlier versions of this article were presented at the Conference on Public Policy held at the University of Toronto, the Express Conference in Stockholm, the World Bank Conference on New Ideas in Business Growth, the University of Durham, University of Waterloo, EMLYON, and the York University Entrepreneurship Conference.

Funding

We are indebted to the Innovation Synergy Center, Markham, and to the Social Sciences and Humanities Research Council of Canada [grant no. 864-2007-278] for financial support.

Note

1. We note that learning from advising could be regarded as an individual rather than an organizational level phenomenon. In the case of small and medium-sized enterprises (SMEs), where the leader or a top management team member is the recipient of advising, and where very few individuals are involved in operating the firm, it seems reasonable to suggest that individual- and organization-level learning can be regarded as synonymous.

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Author biographies

Douglas Cumming is Professor of Finance and Entrepreneurship and the Ontario Research Chair in Public Policy at the Schulich School of Business, York University. His research spans areas that include entrepreneurial finance, international entrepreneurship, and public policy.

Eileen Fischer is Professor of Marketing and Max and Anne Tanenbaum Chair of Entrepreneurship and Family Enterprise at the Schulich School of Business, York University. Her entrepreneurship research has focused on factors facilitating firm growth.

Theodore Peridis is a Professor of Strategic Management and International Business at the Schulich School of Business, York University, who tries to better understand strategic thinking and strategic mindsets across borders and competitive landscapes.