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Trindade, Nathália Rigui; Scherer, Flavia Luciane; Nunes, Maíra Piveta; Lopes, Luis Felipe Dias; Soares, Soraya de Souza

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Research Article

Propensity for Internationalization in Emerging Economies: Is The Key to Success in Strategic Orientations and Institutional Factors?

Nathália Rigui Trindade[1], Flavia Luciane Scherer[1], Maíra Piveta Nunes[1], Luis Felipe Dias Lopes[1], Soraya de Souza Soares[1]

[1] Universidade Federal de Santa Maria, Santa Maria, RS, Brazil

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ABSTRACT

Objective: This study aims to analyze the mediation of institutional factors in the relationship between strategic orientations and the propensity of companies, particularly technology-based companies (TBCs), to internationalize in emerging economies. **Method:** This quantitative, descriptive, cross-sectional survey was conducted with a population and sample of 137 Brazilian TBCs. The data were analyzed through correlational and multivariate analysis using the structural equation modeling technique. **Results:** The findings indicate that institutional factors positively influence the propensity for internationalization of the investigated TBCs. Additionally, these institutional factors mediate the relationship between entrepreneurial strategic orientations and international growth orientation. In other words, entrepreneurship can enhance the international expansion capacity of TBCs, and the institutional environment of the target market often influences the success of this expansion. **Conclusion:** The presence of mediation, even when there is a strong entrepreneurial orientation, suggests that TBCs do not operate in isolation. Rather, their success is deeply connected to the institutional contexts in which they operate. For an effective international growth strategy, TBCs must focus on their internal capacities and orientations and remain attentive and adaptable to the nuances and demands of the institutional environment.

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Corresponding author:
Soraya de Souza Soares
Universidade Federal de Santa Maria
Av. Roraima, n. 1000, Camobi, CEP 97105-900,
Santa Maria, RS, Brazil

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INTRODUCTION

In a turbulent business environment, companies from emerging economies aiming to enter international markets must recognize that successful internationalization requires adopting new business approaches and appropriate strategic orientations (Liu et al., 2011; Mathews, 2006). Therefore, this study seeks to examine strategic orientations and institutional factors in relation to the intention of companies, particularly technology-based companies (TBCs), from emerging economies to internationalize their operations.

The importance of institutional factors as drivers of a company's choice of strategic postures is reinforced by the constant changes occurring in emerging markets (Liu et al., 2011). Investigating internationalization motivation and the internationalization process itself considers the home government's role, the host country's political risk, and other institutional factors as significant variables. Home country institutions can offer advantages through tax and financial incentives. However, they can also pose barriers to international success through regulatory uncertainty, increasing planning costs, global execution, and global operations management (Luo & Zhang, 2016).

According to Yoon et al. (2018), internationalization is the outcome of a strategic choice influenced by institutional factors and the specific strategic orientations of individual firms. These factors impact decisions regarding initiating international activities and achieving global objectives in emerging market companies (Liu et al., 2011). Given the various possibilities in this area, this study recognizes that there are different paths for developing strategic orientations (Frishammar & Andersson, 2008). Therefore, strategic behavior could involve adopting and maintaining a market orientation (MO), becoming more entrepreneurially oriented through entrepreneurial orientation (EO), or acquiring and utilizing diverse knowledge, indicating a learning orientation (LO).

Liu et al. (2011) argue that although marketing studies have shown the importance of strategic orientations for the success of companies in emerging markets, there is still a lack of understanding regarding the specific roles of different types of orientations in companies' internationalization process, as well as the effects of EO, MO, and LO on internationalization behavior. Previous literature examining the role of strategic orientations has mainly focused on the association between these orientations and the international performance of companies that are already involved in overseas activities (Baum et al., 2015; Dimitratos et al., 2015; Ferraresi et al., 2012; Gerschewski et al., 2018; Knight, 2000).

When investigating the inclination toward internationalization through the international growth orientation (IGO), it is important to acknowledge that research in this area is relatively new. Nummela et al. (2005) stated that international growth poses unique challenges for companies and, therefore, requires a different approach, considering the factors contributing to international growth, which may differ from those related to overall company growth. It is also worth noting that there are limited studies that examine the likelihood of companies operating internationally based on IGO (Baum et al., 2015; Knight et al., 2020; Kuuluvainen & Paavilainen-Mäntymäki, 2011; Sundqvist & Kuivalainen, 2009; Nummela et al., 2005, 2009; Torkelli et al., 2021; Tuppura et al., 2008).

Furthermore, this study identifies research gaps in the internationalization analysis among small and medium-sized companies, specifically TBCs, in emerging economies such as Brazil. Ribeiro (2016) conducted a bibliometric study and found that Brazilian academic research on internationalization has predominantly concentrated on multinational companies, innovation, technology, and export performance in the past 15 years. Given the potential to advance the field, the overall objective of this study is to examine the mediation of institutional factors in the relationship between strategic orientations and the likelihood of internationalization among companies in an emerging economy, with a specific focus on TBCs. Hence, this study sought to address a significant research gap regarding the influence of strategic orientations and institutional factors on the propensity for TBCs to internationalize. While institutional factors concerning company internationalization have been extensively studied, exploring different strategic orientations can provide valuable insights into the distinct strategic behaviors of companies inclined toward internationalization.

LITERATURE REVIEW

Strategic guidelines

The concept of strategic orientation has gained increasing attention in management studies, particularly in strategy and marketing. This focus reflects the strategic behaviors organizations adopt to achieve continuous superior performance (Gatignon & Xuereb, 1997). Strategic orientations can be defined as a set of ingrained values that guide corporate strategic decisions (Liu et al., 2011).

The study of strategic orientations originated from the literature on market orientation, initially developed by Kohli and Jaworski (1990) and Narver and Slater (1990), as contextualized by Zhou and Li (2007). Subsequently, the concept was further refined by Gatignon and Xuereb (1997), Noble et al. (2002), Zhou et al. (2005), and others. This line of research expanded to include other orientations, including technology orientation, entrepreneur-

ship orientation, production orientation, and sales orientation (Zhou & Li, 2007). Nevertheless, recent studies have focused primarily on EO, MO, and LO (Schweiger et al., 2019).

Entrepreneurial orientation refers to the level of entrepreneurial activity within a company. The concept itself originated from the works of Miller (1983), Covin and Slevin (1989), and later Lumpkin and Dess (1996). According to Miller (1983), simply imitating competitors and changing technology or product lines is not enough for a company to be considered entrepreneurial. In addition to innovation, a company must take risks and demonstrate proactivity. Taking risks through high financial leverage alone, without involvement in the product market or technological innovation, is also insufficient. Therefore, in order for a company to possess EO, it must actively pursue technological and product innovation, adopt an aggressive competitive stance, and have a strong willingness to take risks (Covin & Slevin, 1989). In summary, Lumpkin and Dess (1996) argue that EO involves entrepreneurial intentions and actions in a dynamic generative process to develop new ventures, encompassing five factors: autonomy, innovation, risk-taking, proactivity, and competitive aggressiveness.

In support of this, Knight (2000) provides empirical evidence that EO, in an international context, is significantly and positively associated with preparation for internationalization, which, in turn, is positively related to company performance. Additionally, Acosta et al. (2018) suggest that small and medium-sized enterprises' (SME) performance in international markets would be enhanced if they were innovative, proactive, and willing to take risks. In other words, in international markets where customers have unique needs and demands and the competitive environment differs, accepting risks, taking a proactive approach, and innovating in strategy development becomes crucial for achieving superior performance (Yoon et al., 2018).

Moving on to 'market orientation', it is worth noting that it is linked to an emphasis on meeting customers' expressed and latent needs (Narver & Slater, 1990). During the 1990s, there was a significant increase in studies focused on investigating MO, mainly due to the interest in implementing business strategies to gain a sustainable competitive advantage, with a specific focus on consumers, competitors, and markets (Day, 1994; Deshpandé et al., 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990). According to Day (1994), companies that are best equipped to respond to market needs and anticipate changes are most likely to achieve sustained competitive advantage, as MO brings companies and consumers closer together. MO has also been examined in an international context.

Acosta et al. (2018) asserted that its significance lies in domestic and international markets. Internationalization necessitates companies to cater to the needs and expectations of unfamiliar consumers and distinct competitors, who may not be present in other markets and employ different strategies and positions. This complexity in foreign markets, as recognized by He and Wei (2011), stemming from technological, economic, political, cultural, and social disparities, results in an augmented demand for the generation, dissemination, and response capacity of market intelligence.

Moreover, Dimitratos et al. (2015) shed light on their research conducted with high-performing internationalized SMEs in knowledge-intensive sectors. They established that in conjunction with risk attitude and propensity to network, MO serves as a crucial factor in all dimensions of internationalization for companies. Soniewicki (2017) conducted a study involving over 1,200 micro, small, and medium-sized enterprises, affirming the significance of MO in the internationalization process.

The ability to generate, acquire, and utilize knowledge characterizes learning orientation (LO). Gerschewski et al. (2015) attribute LO to organizational learning theory, which perceives companies as learning entities. In this sense, organizational learning necessitates behavioral changes in response to change (Swieringa & Wierdsma, 1995). Although the concept of LO has initially been associated with OM, Baker and Sinkula (1999) emphasized that LO extends beyond market focus. It influences a company's inclination to generate and apply various forms of knowledge, not exclusively market-based knowledge derived from customers and competitors.

Numerous studies have underscored the role of learning in the internationalization process, a dimension that has been extensively debated and acknowledged since the publication of Johanson and Vahlne's works in 1977. Additionally, Jantunen et al. (2008) found evidence supporting the importance of strategic orientations, which are closely linked to the international performance of companies. Succeeding in international markets requires companies to foster entrepreneurial characteristics and learning capabilities.

In addition, a study conducted by Baum et al. (2015) found a link between strategic orientations and internationalization patterns, showing that EO promotes traditional internationalization. Gerschewski et al. (2018) investigated the role of LO in the post-entry performance of new ventures. They emphasized the importance of LO in internationalization strategies and post-entry performance, as it facilitates the continuous development of knowledge bases through interaction with network partners and the utilization of opportunities in international markets.

Institutional factors

Institutional arrangements are a significant factor in shaping the strategic management of the internationalization process in emerging markets (Peng et al., 2009). Su et al. (2016) argue that institutions impact strategy in two ways. Firstly, they affect the functioning of market mechanisms, such as the prevalence of unfair competition due to institutional voids and weak enforcement of laws and regulations in emerging economies. Secondly, they shape the structure of the market, influencing the development of specific industries, products, and technologies. Several studies also recognize the multiple and intense influences institutions have on company internationalization (Ahmed & Brennan, 2019; Bailey, 2017; Cui et al., 2011; Gao et al., 2010; Li et al., 2006; Luo & Zhang, 2016; Yamakawa et al., 2008; Yan et al., 2018).

Regarding the relationship between institutions and strategic orientations, Luo and Zhang (2016) pointed out that institutional factors, such as the country of origin's government, political risk in the host country, and institutional vacuum, are important variables for understanding companies' motivation and internationalization process. The authors highlighted two perspectives explaining how institutions influence this phenomenon: institutional flight and arbitrage. With regard to the institutional flight view, one can argue that companies seek internationalization to avoid institutional gaps and imperfections in their domestic economy that are no longer sufficient to generate a competitive advantage. Nevertheless, the institutional arbitrage view argues that companies benefit from identifying weaknesses in institutions and seek to enter those environments to gain a competitive advantage. Furthermore, it is noted that government support can both stimulate foreign markets through tax incentives and financing and hinder them through regulatory uncertainty, increasing the costs of global planning, execution, and management of foreign operations (Luo & Zhang, 2016).

Wu and Deng (2020) suggested that many existing government policies in emerging markets only favor state-owned enterprises, which may be one of the main reasons and pressures driving private companies to seek opportunities abroad. The authors propose an alternative theoretical approach to understanding domestic institutions' role in SMEs' internationalization process in emerging markets. They introduce the concepts of institutional escape and institutional distance as a framework for understanding the role of institutions in strategic decisions to internationalize.

The institutional flight perspective is a relevant approach to understanding the internationalization of SMEs from emerging markets, as they may be compelled to venture abroad as a strategic means to overcome domestic institutional constraints (Wu & Deng, 2020). However, despite its importance, this topic is often neglected in internationalization studies. The authors attribute this neglect to the fact that institutional flight has primarily been examined through deductive analyses or aggregate data at the country level, lacking investigations at the firm level.

In contrast, the concept of institutional distance proposed by Wu and Deng (2020) stems from the logic of institutional flight. It suggests that SMEs have a greater inclination to 'flee' to markets with greater institutional distance to avoid environments that are similar to their domestic ones and benefit from differential institutional arrangements. Therefore, strategic decisions regarding these companies' internationalization process should be influenced by the differences in the institutional environment between the home and foreign markets (Wu & Deng, 2020).

Internationalization as a strategy for international growth

This study defines internationalization as a form of company growth focused on expanding into international markets, known as international growth orientation, as proposed by Nummela et al. (2005). The authors aim to differentiate companies based on their motivation to pursue growth in international markets and identify the factors behind their chosen growth strategies. Tuppura et al. (2008) argue that IGO involves both internal factors, such as management attitude and global mindset, and external pressures, such as perceived risks in foreign operations.

Nummela et al. (2005) develop a specific measure for IGO in knowledge-intensive SMEs, given that many of these companies face pressures for rapid internationalization due to the nature of their sector. Their research demonstrates that companies with high IGO exhibit greater levels of internationalization, including higher international sales, a larger foreign customer base, and expansion into more target countries. Based on the empirical findings of the study (Nummela et al., 2005), it is evident that what sets companies with IGO apart from those without this orientation is often related to attitudes. Additionally, contextual barriers, such as product characteristics or the nature of the business, can hinder effective growth in international markets. In other words, while all companies with IGO strive for international growth, not all achieve significant expansion into foreign markets, which can be attributed to limited resources or contingency factors.

Jantunen et al. (2008) suggested that companies with IGO demonstrate a willingness to invest resources in international activities and actively seek new methods and

approaches to enter the market, enabling them to expand into promising international markets. The findings imply that high strategic orientations, particularly entrepreneurial and learning orientations, in conjunction with IGO, appear to be prerequisites for becoming globally successful. Therefore, companies aiming to succeed in international markets should develop their entrepreneurial characteristics and learning capabilities. In addition, the authors asserted a lack of empirical research on the theme. This finding remains relevant today, as a search in the Scopus database using the keyword 'international growth orientation' in the title, abstract, and keywords from all the years up to January 21, 2020, resulted in only nine papers. This evidence suggests that studies on IGO are still recent and could significantly contribute to the development of internationalization research by providing insights into strategic decision-making.

Research model

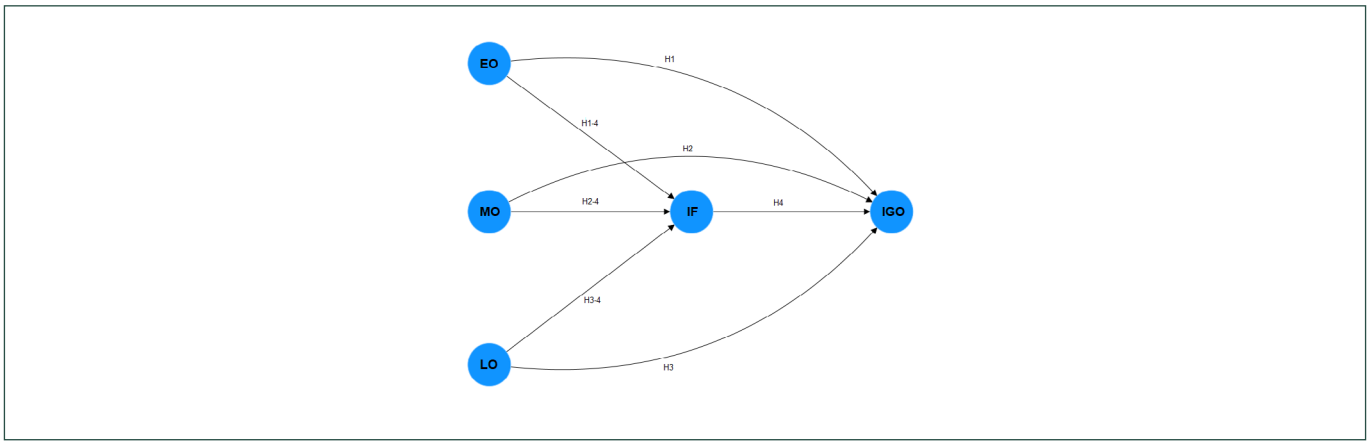
Based on the literature review, we present the hypothetical structure for the mediation model to be investigated in this study, which examines the mediation of institutional factors (IF) in the relationship between entrepreneurial orientation (EO), learning orientation (LO), and market orientation (MO) with the international growth orientation (IGO) of TBCs (Figure 1).

TBCs are organizations that heavily rely on scientific and technological knowledge in their products, services, or processes. These companies often operate in highly innovative and competitive sectors, and their survival and success depend on their ability to innovate, learn, and respond to market demands (Cantarello et al., 2012; Roncalio & Richartz, 2021). Internationalization is often a key strategy for TBCs since technology markets are global, and reaching larger scales is essential to capitalize on investments in research and development (Zahra & Garvis, 2000).

Companies with a strong entrepreneurial orientation are more likely to explore international opportunities due to their inclination for innovation, proactivity, and risk-taking (Wales et al., 2023). Conversely, companies prioritizing learning are better equipped to understand and adapt to new international markets, given their ability to absorb new knowledge and adapt to different contexts (Surdu et al., 2021). Market orientation drives TBCs to seek opportunities in international markets to meet customers' needs in various geographical locations (Ismail et al., 2023).

Local regulations and incentives play a significant role in a TBC's decision to venture into international markets. International collaborations, research and development cooperation agreements, or policies supporting talent training and mobility can facilitate a TBC's learning process when entering new markets. Trade agreements, import/export regulations, and intellectual property protections can also influence a TBC's orientation toward international markets.

In summary, institutional factors can act as a mediator between EO, MO, LO, and IGO in TBCs (Das et al., 2020). If institutional factors are favorable, they can enhance the ability and willingness of TBCs to expand internationally. However, restrictive or unfavorable institutional factors can act as barriers. Therefore, it is crucial for TBCs to not only develop their internal capabilities (EO, MO, LO) but also to understand and navigate the institutional environment when considering international expansion.



H1: Entrepreneurial orientation is related to international growth orientation. H2: Market orientation is related to international growth orientation. H3: Learning orientation is related to international growth orientation. H4: Institutional factors are related to international growth orientation. H1-4: Institutional factors mediate the relationship between entrepreneurial orientation and international growth orientation. H2-4: Institutional factors mediate the relationship between market orientation and international growth orientation. H3-4: Institutional factors mediate the relationship between learning orientation and international growth orientation.

Figure 1. presents the hypotheses.

METHOD

Characterization

Based on the proposed theme and objective — to analyze the mediation of institutional factors in the relationship between strategic orientations and the propensity for internationalization of companies in an emerging economy, particularly technology-based companies —, this study can be defined as a descriptive study. The study adopts a quantitative research method and utilizes a cross-sectional survey as a research strategy (Gil, 2011; Hair et al., 2005a).

Population and sample

It is important to note that this study's target audience and sample consisted of Brazilian TBCs operating in innovation environments, with the managers of these organizations serving as the research subjects. Due to the challenges of accessing all Brazilian TBCs, a non-probability convenience sample was used. In this type of sample, the probability of selecting a component of the population is unknown, and the selection of sample elements is based on the individuals who are most available to participate in the study and can provide the required information (Hair et al., 2005b).

Given the absence of a comprehensive register providing information on the number of Brazilian TBCs, identifying and accessing these companies posed significant difficulties. To locate the companies included in the survey, we relied on technology park and incubator registries, as well as the StartupBase database. It is important to highlight the challenges encountered during the sample selection process. Firstly, in addition to the lack of a single register for TBCs, not all the registries used were up to date, resulting in a number of companies that had already ceased operations. The context of the COVID-19 pandemic added an extra challenge to data collection, particularly in terms of entrepreneurs' willingness to participate in the survey, given the numerous demands faced by companies and the limitations on face-to-face access for data collection.

To overcome these challenges, individual text, audio, and image messages were sent to the social networks of the companies and their managers, which helped increase the response rate. As a result, 137 participants were included in the study, which proved to be sufficient for conducting the required statistical tests and achieving the research objectives.

Data collection

Questionnaire

The questionnaire was developed using scales that have already been validated in the existing academic literature. As mentioned earlier, the research model in this study incorporates the strategic orientations of entrepreneurial orientation, market orientation, and learning orientation, for which measurement scales have already been validated in the Brazilian context through previous studies. The EO scale used in this study follows the model proposed by Reis (2018) and incorporates scales and variables used by Miller and Friesen (1982), Covin and Slevin (1989), Naman and Slevin (1993), Miles et al. (2000), Fernandes and Santos (2008), among others.

The EO scale consists of eight items that are divided into three dimensions: innovation (three items), proactivity (two items), and risk-taking (three items). Respondents indicate their level of agreement on a five-point Likert scale, where one represents 'totally disagree' and five represents 'totally agree.' According to Reis (2018), higher scores indicate higher levels of EO within the company. Regarding the operationalization of MO, the MORTN scale, originally proposed by Deshpandé and Farley (1998), was adopted. Viola (2006) and Vala (2013) have previously used this scale in the Brazilian context. Therefore, the operationalization of MO in this study combined the scales used by Viola (2006) and Vala (2013), resulting in a ten-item scale with three dimensions: customer focus (four items), the importance of information (four items), and cross-functional coordination (two items). Participants rated their agreement with each item on a five-point Likert scale, ranging from one (totally disagree) to five (totally agree). To assess LO, the scale developed by Sinkula et al. (1997) was used. This scale has been validated in the Brazilian context by Espinoza (2017). The LO scale consists of three dimensions: commitment to learning (five items), shared vision (four items), and open-mindedness (three items).

As for IF, the scale developed by Wu and Deng (2020) was employed. This scale consists of two dimensions: institutional escape (three items) and institutional distance (three items). The authors developed three items to measure institutional escape based on the institutional restrictions associated with national business systems (Witt & Lewin, 2007). Participants used a five-point Likert scale, ranging from one (strongly disagree) to five (strongly agree), to rate their agreement with each item. To measure institutional distance, the authors used three items related to political systems, legal systems, and regulations (Child et al., 2009), again using a five-point Likert scale. The propensity to internationalize was operationalized using the IGO scale developed by Nummela et al. (2009). This scale consists of six items, and participants rated their agreement with each item on a five-point Likert scale, ranging from one (strongly disagree) to five (strongly agree).

It is important to note that the scales for propensity to internationalize (IGO) and IF were not previously validated in the Brazilian context. Therefore, a process of translation, adaptation, and validation was conducted, including stages such as translation into the new language, synthesis of translated versions, evaluation by experts, evaluation by the target audience, back-translation, and a pilot study (Borsa et al., 2012). Table 1 provides an overview of the scales used in the study, the dimensions analyzed for each component construct, and the main authors associated with developing the research model.

Table 1. Scales used in the survey instrument.

Scale	Dimensions	Authors
EO	Innovation Proactivity Risk-taking	Covin and Slevin (1989); Miller (1983); Reis (2018)
MO	Customer focus The importance of information Cross-functional coordination	Deshpandé and Farley (1998); Vala (2013); Viola (2006)
LO	Commitment to learning Shared vision Open-mindedness	Espinoza (2017); Sinkula et al. (1997)
IF	Institutional escape Institutional distance	Wu and Deng (2020)
IGO	One-dimensional	Nummela et al. (2005)

Note. Prepared by the authors.

Data collection for this study was conducted through a self-administered survey using the online platform Google Forms. The survey was available from August 2021 to January 2022.

Data analysis

The statistical software used for conducting the structural equation modeling was Smart PLS version 4.0.9.4 (Ringle et al., 2015). The selected method for this analysis was partial least squares, which is appropriate for modeling complex relationships involving multiple dependent and independent latent variables (Nascimento & Macedo, 2016). To enhance the accuracy of the model, a systematic evaluation was performed. This evaluation included assessing internal consistency using Cronbach's alpha (α), composite reliability (ρc), and convergent validity using the average variance extracted (AVE) and discriminant validity (Fornell-Larcker and HTMT criteria). Additionally, the structural model was evaluated for multicollinearity (VIF), significance and relevance of relationships, coefficient of determination (R^2), and predictive relevance Q^2 (Hair et al., 2017). The hypotheses were validated based on the significance of the structural coefficients using the bootstrapping technique with 5,000 subsamples.

The dimensions were classified based on respondents' scores using the score standardization technique proposed by Lopes (2018). This technique helps determine the level achieved by a set of indicators (dimensions). Consequently, ordinal scales were transformed into a ratio scale, resulting in three categories: low (0.00 to 33.33%), moderate (33.34 to 66.67%), and high (66.68 to 100.00%).

RESULTS

The survey results revealed that most participating companies (70.8% of the sample) do not engage in any international activities. Among those that do have international activities, several types were identified, including licensing of brands, products, technologies, or processes to foreign companies (7.3%); e-commerce, involving product sales and export or customer access to services via the company's website (6.6%); and joint ventures or strategic alliances established with foreign companies, universities, or research institutes (5.1%).

The managerial profile of the survey respondents indicates that 81.8% are male, primarily aged between 31 and 40 (48.2%), and hold a 'graduate degree (specialization/MBA)' (35%). In addition, 53.3% of the respondents are both partners and managers in their companies. These findings align with the Brazilian startup ecosystem, as revealed in the Mapping of the Brazilian Startup Ecosystem conducted in 2021, which highlighted that startup founders mostly act as CEOs. Furthermore, the majority of founders is male and self-declared as being white, fall within the age range of 31-35, and have specialized education (ABStartups, 2021). After verifying the sociodemographic and professional profile of the sample, this section will discuss the stages and results of the structural equation modeling using PLS-SEM.

Specification of the structural model

This stage involves constructing the measurement model, which represents the relationships between the dimensions (first- and second-order latent variables) and their corresponding indicators (observed variables) (Hair et

al., 2017; Lopes et al., 2020). The measurement model is based on theory, which is crucial for obtaining meaningful results from PLS-SEM. Hypothesis tests regarding structural relationships can only be reliable and valid if the measurement model explains how the dimensions are measured. To construct the measurement model, the latent variables (LVs) and their respective coded observed variables (OVs) are first introduced, and their assumptions are assessed through internal consistency analysis (Lopes et al., 2020).

The initial path diagram consists of four scales (second-order dimensions) with their associated dimensions and questions (36 indicators), as well as an IGO dimension (six indicators). The measurement diagram and its relationships between endogenous and exogenous LVs are presented in Figure 2.

Evaluation of the measurement model

Initially, we decided to exclude certain indicators with factor loadings (λ) below 0.6 because the AVE was less than 0.5. These indicators include EO (innovation) (EOI_01; λ = 0.508), LO (commitment to learning) (LOLC_04; λ = 0.310), open-mindedness (LOOM_03; λ = 0.410), and IGO (IGO_05; λ = -0.217; IGO_06; λ = -0.445). This treatment of the variables resulted in improved values of Cronbach's alpha (α) and composite reliability (ρc), ranging from 0.7 to 0.95, as well as enhanced convergent validity of the model, as measured by the AVE (>0.5) (Table 2).

Table 2. Average variance extracted, Cronbach's alpha, and composite reliability for the model.

Dimensions	Cronbach's α	Composite reliability (ρ_c)	Average variance extracted (AVE)
Institutional factors — second order (IF2)	0.751	0.836	0.512
Learning orientation — second order (LO2)	0.838	0.879	0.512
Entrepreneurial orientation — second order (OE2)	0.748	0.835	0.509
Market orientation — second order (MO2)	0.847	0.885	0.504
International growth orientation (IGO)	0.911	0.934	0.781

Note. SmartPLS software® v. 4.0.9.4. Ringle, C. M., Wende, S., Becker, J. M. (2022). SmartPLS4. Oststeinbek: SmartPLS GmbH. https://www.smartpls.com.

The Fornell-Larcker and HTMT (heterotrait-monotrait ratio) criteria were employed to assess the discriminant validity of the model. Discriminant validity is defined as an indicator demonstrating the extent to which a dimension is truly distinct from other dimensions based on empirical standards (Hair et al., 2017). There are two methods for analyzing discriminant validity: (1) the Fornell-Larcker criterion, which compares the square root values of the AVE with the correlations between LVs, with the requirement that the square roots of the AVEs exceed the correlations between variables (Fornell & Larcker, 1981); and (2) the heterotrait-homotrait ratio (HTMT) criterion proposed by Henseler et al. (2015), which estimates the true correlations between dimensions in the model (Hair et al., 2017). It was found that both criteria were met, as the smallest square root of the AVE (0.710) exceeded the largest correlation (MO2 x LO2 – r = 0.549). Additionally, the upper limits of the estimated HTMT values were below 1.0 (Hair et al., 2017).

Table 3. The Fornell-Lacker and HTMT criteria for assessing the discriminant validity of the proposed model.

Dimensions	√AVE	Pearson's correlation matrix				
		IF2	LO2	IGO	EO2	MO2
IF2	0.715	1.000				
LO2	0.716	0.061	1.000			
IGO	0.884	0.132	0.019	1.000		
EO2	0.713	0.213	0.269	0.088	1.000	
MO2	**0.710**	-0.005	**0.549**	0.042	0.344	1.000
				Upper Limit $(HTMT)_{97.5\%}$		
LO2		0.360				
IGO		0.375	0.256			
EO2		0.522	0.575	0.302		
MO2		0.415	**0.821**	0.261	0.618	

Note. SmartPLS software® v. 4.0.9.6. Ringle, C. M., Wende, S., Becker, J. M. (2022). SmartPLS4. Oststeinbek: SmartPLS GmbH. https://www.smartpls.com

Evaluation of the structural model

Subsequently, the structural model, represented by the underlying theories of the path model, will be evaluated to analyze its predictive capability and potential relationships between dimensions. The systematic approach to evaluating the structural model, as outlined by Hair et al. (2017) and Lopes et al. (2020), involves the following steps: (a) assessing collinearity in the structural model using the variance inflation factor (VIF); (b) evaluating the level of R^2; (c) assessing the predictive relevance of the Q^2 model; and (d) evaluating the significance and relevance of the relationships in the structural model by testing the hypotheses through the validation of β coefficients.

The (multi)collinearity analysis is determined using the VIF, which measures how much the standard error has increased due to collinearity among dimensions (Hair et al., 2017). VIF values less than five indicate the absence of collinearity issues. Table 4 presents the VIF, R^2, and Q^2 values for the dimensions of the model. All VIF values relating the endogenous dimension to the other exogenous dimensions were below five, indicating that (multi)collinearity does not reach critical levels in terms of the relationships and does not pose a problem during model estimation. The R2 values were moderate for IGO (R^2 < 0.225) and significant (Cohen, 1988; Lopes et al., 2020). Regarding the Q^2 value, based on the results of the blindfolding procedure, the model demonstrated significant predictive relevance for the dimensions, with a weak magnitude (Q^2 < 0.075) for IGO.

Table 4. VIF, R^2, and Q^2 values for the proposed relationships in the model.

Exogenous dimensions	Endogenous dimensions	
	IF2	IGO
IF2		1.059
LO2	1.446	
EO2	1.146	
MO2	1.521	
R^2	---	0.222 (0.041)
Q^2	---	0.038

Note. SmartPLS software® v. 4.0.9.6. Ringle, C. M., Wende, S., Becker, J. M. (2022).SmartPLS4. Oststeinbek: SmartPLS GmbH. https://www.smartpls.com

Evaluation of the hypotheses in the structural model

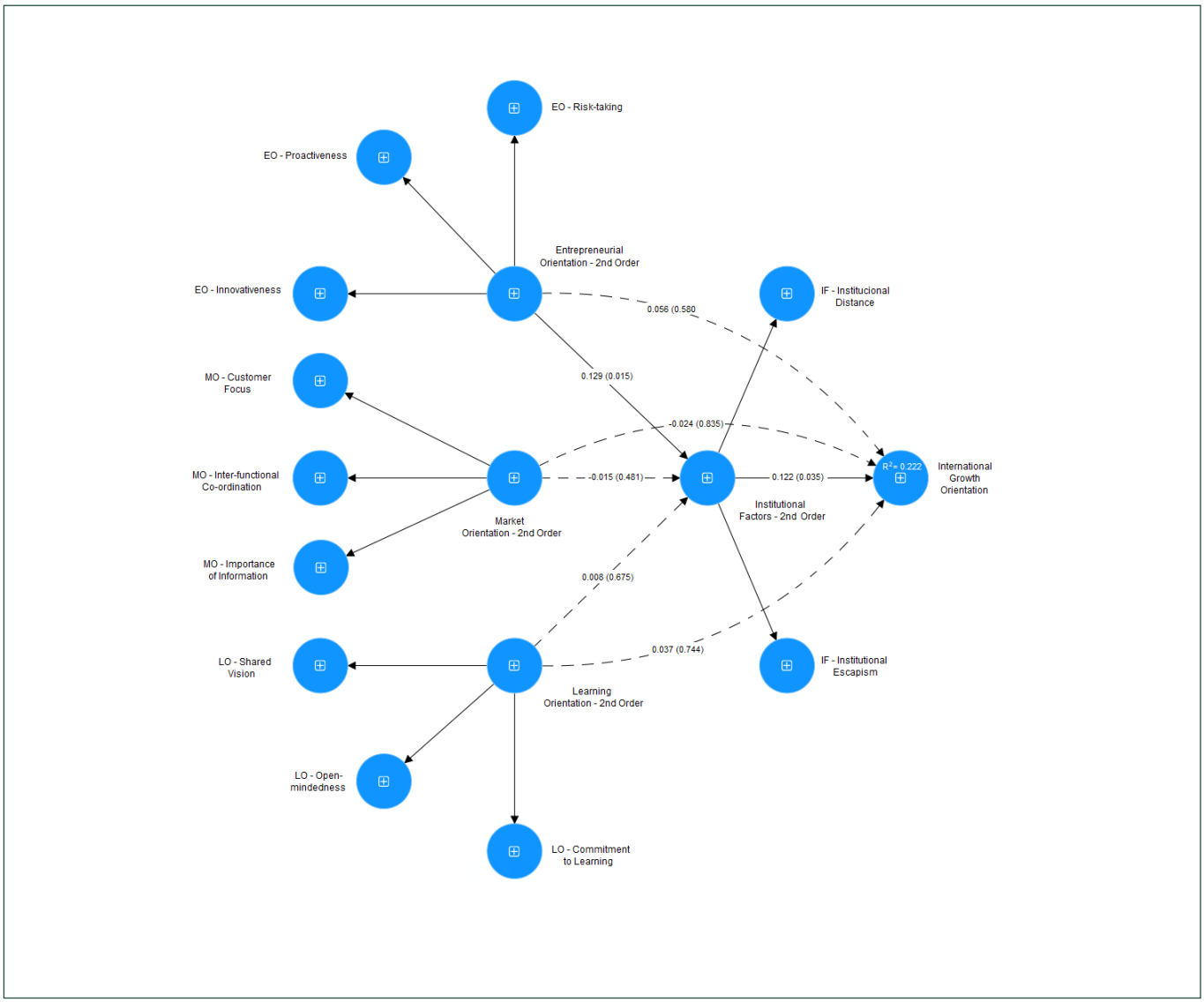
The next step involves assessing the significance of the structural coefficients. Following the approach suggested by Ringle et al. (2014), the relationships in the model are tested against the null hypothesis (H_0: β = 0). The proposed hypotheses are rejected when the p-value is less than 0.05, indicating that the path coefficient is statistically different from zero. Table 5 presents the values of the direct and indirect relationships between the exogenous and endogenous dimensions, including the original sample, standard deviation, t-statistic, and β values.

Table 5 and Figure 2 illustrate that institutional factors are significantly related to international growth (H_4), while the other relationships have non-significant coefficients (p > 0.05). Regarding the indirect relationships, specifically the mediation effect, we observed that institutional factors mediate the relationship between entrepreneurial orientation and international growth ($H_{1\text{-}4}$) (p < 0.05). However, no significant relationships were found for the other mediations (p > 0.05).

Table 5. β values for the proposed model

Hypotheses	Exogenous → Endogenous	β	Standard deviation	t-statistics	p-value
H_1	EO2 → IGO	0.056	0.102	0.553	0.580
H_2	LO2 → IGO	-0.024	0.116	0.209	0.835
H_3	MO2 → IGO	0.037	0.113	0.327	0.744
H_4	IF2 → IGO	0.122	0.058	2.103	0.035
Exogenous → Mediator → Endogenous					
$H_{1\text{-}4}$	EO2 → IF2 → IGO	0.129	0.058	2.224	0.015
$H_{2\text{-}4}$	LO2 → IF2 → IGO	0.008	0.019	0.419	0.675
$H_{3\text{-}4}$	MO2 → IF2 → IGO	-0.015	0.021	0.704	0.481

Note. SmartPLS software® v. 4.0.9.6. Ringle, C. M., Wende, S., Becker, J. M. (2022). SmartPLS4. Oststeinbek: SmartPLS GmbH. https://www.smartpls.com



Source: SmartPLS software® v. 4.0.9.6. Ringle, C. M., Wende, S., Becker, J. M. (2022). SmartPLS4. Oststeinbek: SmartPLS GmbH. https://www.smartpls.com

Figure 2. Final path model.

By presenting the final model of the initially proposed relationships, it becomes evident that there were deviations from the expected results in the sample of Brazilian TBCs analyzed. Table 6 summarizes the hypotheses that were accepted and rejected based on the data analysis.

Table 6. Summary of the accepted and rejected hypotheses.

	Hypotheses	Result
H_1	Entrepreneurial orientation is related to international growth orientation	Rejected
H_2	Market orientation is related to international growth orientation	Rejected
H_3	Learning orientation is related to international growth orientation	Rejected
H_4	Institutional factors are related to international growth orientation	Accepted
H_{1-4}	Institutional factors mediate entrepreneurial orientation with international growth orientation	Accepted
H_{2-4}	Institutional factors mediate market orientation with international growth orientation	Rejected
H_{3-4}	Institutional factors mediate learning orientation with international growth orientation	Rejected

Note. Prepared by the authors.

In summary, the proposed model demonstrates good internal consistency, with alpha values exceeding 0.7 and convergent validity, as indicated by AVE values exceeding 0.5. The Fornell-Larcker and HTMT criteria for convergent validity were also met, and no multicollinearity issues were observed in the second-order dimensions. However, in terms of the structural model, the explanatory power was found to be moderate ($0.075 < R^2 \leq 0.225$) and the predictive relevance was weak ($Q^2 \leq 0.075$) (Lopes et al., 2020).

Indicators of strategic orientations and propensity to internationalize

In order to enhance the findings, the scores were standardized using the technique proposed by Lopes (2018), resulting in indicators of EO, MO, LO, and internationalization orientation (IO) of the investigated TBCs. The majority of the companies studied exhibited a high level of EO (74.45%), followed by companies with a moderate level (23.36%) and a small percentage with a low level (2.19%). Entrepreneurial orientation is associated with adopting proactive, innovative, and aggressive strategies in pursuit of business opportunities. Additionally, most companies demonstrated high MO (83.94%), focusing on satisfying customer needs and delivering superior value compared to competitors. Companies with a high MO tend to develop effective marketing strategies and respond efficiently to market demands.

Regarding LO, most companies (94.16%) displayed a high level of this orientation. LO is linked to a company's ability to unlearn outdated practices and acquire new knowledge and skills. This strategic orientation complements other orientations, such as MO, and enhances the quality of information used in strategic planning. The results regarding IO showed considerable variation. Roughly 40.88% of the companies exhibited a low propensity to internationalize, 29.93% displayed a moderate level, and 29.20% had a high level. Companies with a high IO are willing to take substantial risks in order to explore growth opportunities in foreign markets.

In summary, the research findings indicate that the majority of the analyzed companies possess a high entrepreneurial orientation and high market orientation. Learning orientation is also prevalent. However, there is significant variation in the propensity to internationalize. These strategic orientations can greatly influence the approach companies adopt toward growth and business opportunities, both domestically and internationally.

DISCUSSION

Based on the presented results, one can conclude that two of the initially proposed hypotheses were supported. Specifically, institutional factors were found to be related to international growth orientation and mediate the relationship between entrepreneurial orientation and international growth orientation. Nonetheless, the other hypotheses, which proposed a direct positive influence of strategic orientations (entrepreneurial, market-oriented, and learning-oriented) on the international growth orientation of the investigated TBCs, were not supported.

By exploring the relationship between institutional factors in the model, we determined that they are positively influenced by EO and LO while being negatively influenced by MO. Furthermore, institutional factors serve as a mediator in the relationship between EO and IGO. These results highlight the significant role that institutional factors play in examining strategic orientations and their impact on the propensity for the internationalization of entrepreneurial businesses in an emerging economy.

In summary, this research examines the connections between strategic orientations (EO, MO, and SO) and IF in relation to the propensity for internationalization (IGO). Given this context, two main conclusions can be drawn from this study. Firstly, we found that IF is positively associated with IGO, suggesting that the decision to internationalize depends on the influence of institutions on strategic choices related to internationalization. This implies that the perception of diverse national institutions creates opportunities for institutional arbitrage, thus increasing the likelihood of entrepreneurial businesses using internationalization as a strategic approach to access institutional environments that are better aligned with their needs.

Secondly, the study reveals that IF serves as a mediator between entrepreneurial orientation and international growth, indicating that a stronger focus on entrepreneurship and learning is associated with greater international growth facilitated by institutional factors. This is because entrepreneurial businesses are more inclined to take risks, be proactive, and adopt innovative approaches, leveraging their ability to create, acquire, and utilize knowledge. It is worth noting that IF plays a central role in the study's findings, underscoring the significance of institutional escapism within the realm of institutional theory. This finding is particularly relevant to studying the propensity for internationalization among entrepreneurial businesses in emerging markets, as suggested by Wu and Deng (2020).

Haddoud et al. (2018) emphasized that a high level of entrepreneurial orientation leads to proactive and risk-taking behavior, as well as innovation in seeking opportunities in international markets. The authors further suggested that the challenges faced in emerging economies act as triggers for opportunistic strategies,

whereby the hostile and limited opportunities act as pressure factors motivating companies to adopt an opportunistic mindset and pursue international opportunities. In order to do so, SMEs must develop and strengthen their ability to capitalize on these institutional advantages through arbitrage, which is contingent upon the strategic orientations they adopt.

In terms of managerial implications, the study indicates that a stronger entrepreneurial orientation is associated with a greater inclination toward internationalization, particularly when accounting for perceived institutional constraints. Companies that can identify deficiencies in domestic institutions and adopt an entrepreneurial strategy characterized by innovation, proactivity, and risk-taking are more likely to pursue opportunities in foreign markets. These findings offer new insights for managers regarding the role of entrepreneurial attitude in identifying international opportunities while taking into consideration the institutional context.

Furthermore, identifying indicators of strategic orientation in the companies under investigation contributes to a better understanding of managers involved in international strategies. This understanding can lead to improved business activities and enhanced performance in international competition. Thus, these insights offer valuable support for business management and can serve as decision-making tools for entrepreneurs currently engaged in or aspiring to enter foreign trade.

With regard to public policies aimed at promoting foreign trade activities, the responsible agencies can allocate resources and provide support to programs that assist emerging market companies in recognizing international opportunities, conducting market and institutional analysis of foreign markets, and fostering a learning orientation and market orientation to better comprehend foreign markets. In response to the initial question — "Propensity for internationalization in emerging economies: Is the key to success in strategic orientations and institutional factors?" —, this study concludes that the propensity for internationalization in emerging economies depends on the strategic orientations adopted by companies and the institutional factors that shape their decisions. The findings indicate that institutional factors positively impact the propensity to internationalize, while strategic orientations (entrepreneurial, market, or learning) do not directly influence this aspect. Additionally, institutional factors mediate the relationship between strategic orientations and the propensity for international growth. These results emphasize the significance of considering both strategic orientations and institutional factors when pursuing success in internationalizing companies in emerging economies.

CONCLUSIONS

This study examined the mediating role of institutional factors in the relationship between strategic orientations and the propensity for internationalization of technology-based companies in an emerging market. Firstly, it contributes to the field of international business in Brazil by introducing the concept of propensity for internationalization from the perspective of international growth orientation. This highlights the need for further theoretical development in order to incorporate the unique antecedents of international growth, which differ from those related to domestic growth and performance (Nummela et al., 2005).

Secondly, while previous studies have explored the impact of strategic orientation on the international performance of companies, the investigation of these strategic orientations and their influence on the intention to internationalize is particularly important in an emerging economy like Brazil, which has limited integration into global trade and a relatively small number of companies with international operations (Oliveira, 2016; UNCTAD, 2019). Therefore, this study contributes to the literature by clarifying that strategic orientations do not directly influence the intention to internationalize technology-based companies in an emerging economy. In addition, this study contributes to the understanding of the relationship between entrepreneurial orientation, institutional escapism, and propensity to internationalize. By examining the institutional factors at the company level, proposed by Wu and Deng (2020), the study sheds light on both the direct and mediating influence of institutional escapism on the propensity to internationalize. The authors emphasize the importance of this logic of institutional escapism in emerging market contexts, which has been overlooked in developed studies. The results align with the concept of institutional arbitrage, where companies strategically choose to venture abroad as a response to domestic institutional imperfections while also seeking suitable institutional conditions abroad based on their strategic entrepreneurial orientation (Wu & Deng, 2020).

Furthermore, our findings revealed the influence of strategic orientations (entrepreneurial orientation, organizational learning orientation, and market orientation) on institutional factors. This finding contributes to the existing literature on the institutional lens, particularly in understanding the motivations behind institutional escapism. Deng and Zhang (2020) emphasized that this phenomenon varies across different places, regions, and nations, and studying it in emerging mar-

ket contexts advances both institution-based theory and international business research. Nevertheless, it is important to note the theoretical limitation of this study in the scarcity of research on the influencers of a company's propensity to internationalize, particularly in relation to international growth orientation (Nummela et al., 2005). This limitation hinders the comparison of results with similar studies.

For future research, we suggest that this study be extended to other contexts, although specific differences between Brazil and other emerging economies may restrict the generalizability of the findings. Hence, it is recommended that this study be conducted in other emerging market scenarios, such as Latin American countries. Additionally, further research should explore the nature of the relationships highlighted in this study, such as the positive influence of the institutional factors of entrepreneurial orientation and organizational learning orientation and the negative influence of market orientation.

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Authors

Nathália Rigui Trindade
Universidade Federal de Santa Maria
Av. Roraima n. 1000, Camobi, CEP 97105-900, Santa Maria, RS, Brazil
nathaliariguitrindade@gmail.com

Flavia Luciane Scherer
Universidade Federal de Santa Maria
Av. Roraima n. 1000, Camobi, CEP 97105-900, Santa Maria, RS, Brazil
flavia.scherer@ufsm.br

Maíra Nunes Piveta
Universidade Federal de Santa Maria
Av. Roraima n. 1000, Camobi, CEP 97105-900, Santa Maria, RS, Brazil
mairanpiveta@gmail.com

Luis Felipe Dias Lopes
Universidade Federal de Santa Maria
Av. Roraima n. 1000, Camobi, CEP 97105-900, Santa Maria, RS, Brazil
lflopes67@yahoo.com.br

Soraya de Souza Soares
Universidade Federal de Santa Maria
Av. Roraima n. 1000, Camobi, CEP 97105-900, Santa Maria, RS, Brazil
soraya.soares@acad.ufsm.br

Authors' contributions

1st author: conceptualization (lead), data curation (lead),formal analysis (lead), funding acquisition (lead), investigation (lead), methodology (lead), project administration (lead), resources (lead), software (lead), supervision (lead), validation (lead), visualization (lead), writing – original draft (lead), writing – review & editing (lead).

2nd author: conceptualization (lead), data curation (lead), formal analysis (lead), funding acquisition (lead), investigation (lead), methodology (lead), project administration (lead), resources (lead), software (lead), supervision (lead), validation (lead), visualization (lead), writing – original draft (lead), writing – review & editing (lead).

3rd author: conceptualization (supporting), data curation (equal), investigation (equal), project administration (supporting), visualization (supporting)

4th author: data curation (supporting), methodology (supporting), validation (supporting), writing – review & editing (supporting).

5th author: conceptualization (supporting), project administration (supporting), visualization (supporting), writing – review & editing (supporting).