*Working Paper*

# The impact of the CEO's entrepreneurial orientation on internationalization: the moderating role of the CEO's legal literacy


Maren Forier, Ph.D. Candidate, Hasselt University

+3211268897 – maren.forier@uhasselt.be

Prof. Dr. Nadine Lybaert, Hasselt University

Prof. Dr. Maarten Corten, Hasselt University

Prof. Dr. Niels Appermont, Hasselt University

Prof. Dr. Tensie Steijvers, Hasselt University



CEO's Legal Knowledge, International Legal Knowledge, Internationalization, Resource Based View, Entrepreneurial Orientation, Individual Entrepreneurial Orientation, Legal Advisor


## Introduction

Over the last few decades, internationalization has been researched intensively in several research domains, ranging from marketing, strategic management, international management to small business research (e.g. Autio, Sapienza, & Almeida, 2000; Čater & Pučko, 2010; Hoang, 1998; Manolova, Manev, & Gyoshev, 2010; Omerzel & Antončič, 2008; Reuber & Fischer, 1997). International expansion provides firms with the opportunity for growth (Chao & Kumar, 2010). To achieve this growth, research has focused on the possible drivers of internationalization. Key firm-level drivers that have already been examined in the context of internationalization include the firm's financial resources, product diversification and firm-specific assets, such as exceptional talent and relational capital to expand abroad or exceptional R&D (for reviews, see Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Li, 2007), but also the firm's level of entrepreneurial orientation (EO). EO, the firm's disposition to entrepreneurship, has been demonstrated several times as a key element in firms' internationalization process, since firms with a high degree of EO continuously seek out new opportunities and efficiently exploit them, which is necessary in a dynamic (international) business environment where future profit streams are uncertain (Jantunen, Puumalainen, Saarenketo, & Kyläheiko, 2005; Javalgi & Todd, 2011; Liu, Li, & Xue, 2011; Ripollés-Meliá, Menguzzato-Boulard, & Sánchez-Peinado, 2007).

While several firm-level determinants are considered to be good predictors for internationalization, the decision and extent of internationalization is made by the managers within the firm (Vermeulen & Barkema, 2002). Following the Upper Echelons theory, it is therefore important to examine the people that drive these decisions. According this theory, within SMEs, the main decision maker is generally the CEO because the organizational structure of these firms is less hierarchical and less constrained by organizational inertia (Hambrick & Mason, 1984). Therefore, we will examine the individual role of the CEO in the context of internationalization. As EO (reflecting the willingness to innovate, take risks and be proactive) was a strong firm-level driver of internationalization, the EO of the CEO may also be a strong individual-level driver because especially for small firms, the relevant resources often lie with only one person, namely the CEO of the small firm. Therefore, this study aims to address this research gap by focusing on the CEO's individual EO.

However, although entrepreneurial intentions are often a good predictor for (international) entrepreneurial activity, intentions will not always lead to expected action (Gieure, del Mar Benavides-Espinosa, & Roig-Dobón, 2020; Godin, Conner, & Sheeran, 2005). More specifically, according to The Resource-Based View (RBV), successful international involvement of a firm requires more specialized and higher quality resource types as well as higher quantities of certain types (human, financial, and organizational) (Casillas & Moreno-Menéndez, 2014; De Clercq, Sapienza, Yavuz, & Zhou, 2012). Key resources such as the CEO having access to an international network or his/her international experience have already been empirically examined in the context of internationalization (Hsu, Chen, & Cheng, 2013). In addition, the knowledge possessed by the CEO is also a very important resource in the entire internationalization process. Previous studies on the internationalization of new and small firms state that the CEO's international or foreign market knowledge benefits the internationalization process (Eriksson, Johanson, Majkgård, & Sharma, 2015; Westhead, Wright, & Ucbasaran, 2001; Zhou, 2007). However, in our opinion, the internationalization research field is missing the importance of the CEO's (international) legal knowledge or legal literacy. Given the complex legal reality todays businesses have to face (both domestically and internationally), a CEO should also possess a minimum level of (international) legal literacy (Chardon, 2011; De Groote, 2010; Judo, 2009). In previous literature, researchers theorise that a lack of legal literacy could complicate the process of strategic business decisions (like the internationalization of a firm), as it may cause stress and anxiety when making decisions (Freudenberg, 2017). However, these studies never empirically examine the potential impact of the CEO's level of legal literacy. Therefore, in this study we fill this gap by empirically examining the moderating impact of the CEO's level of international legal literacy on the relationship between the CEO's EO and internationalization. More specifically, taking into account the RBV, we expect that the CEO's lack of international legal literacy will negatively influence the relationship between the CEO's EO and internationalization, in such a way that it can be a barrier in the process of the willingness to internationalise and effectively conducting (more) international activities. In addition, we also examine the role of an external (legal) advisor in this context, as we expect that hiring an external (legal) advisor may compensate for the CEO’s lack of international legal knowledge, and therefore will also weaken the moderating effect of the CEO’s international legal literacy.

To test our hypotheses, we aim to rely on a unique sample of the CEOs of private SMEs that are willing to internationalize or are already internationally active. Furthermore, we will employ a questionnaire survey approach to collect data. Next, since no scale exists yet to measure the CEO's international legal knowledge, we develop our own scale to capture the CEO's international legal knowledge, making it one of the main contributions of this study.

The present paper also makes a fundamental contribution to both the entrepreneurship and internationalization literature and to practice. First, it contributes to the theory of SMEs’ internationalization by evaluating the role of the CEO’s EO on the internationalization process. Traditionally, one looks at the impact of the total EO present in the firm. But for small firms, and given the upper echelons theory, the CEO’s individual EO is more likely to determine the willingness to internationalise (Hambrick & Mason, 1984). Next, this study also contributes to the RBV perspective, by examining whether the CEO's international legal knowledge can be a catalyst (or a barrier in case the knowledge is lacking) to move towards (more) successful internationalization. In addition, the few studies on the importance of legal literacy are purely theoretical and thus have never examined it empirically. This study makes a fundamental contribution to these studies by empirically examining the impact of the CEO’s international legal literacy on the relationship between the CEO’s EO and internationalization. Lastly, this study also provides practical implications. More specifically, our results will inform SMEs’ CEOs and policy makers about the importance of international legal literacy, allowing both parties to take initiatives to increase this knowledge in the entrepreneurial world.

## Literature Review and Hypothesis Development

### *The impact of the CEO's entrepreneurial orientation on Internationalization*

Expansion into new geographic markets presents an important opportunity for firm growth and value creation. However, the implementation of such a strategy involves high costs and many challenges (Hsu et al., 2013). For this reason, previous research has focused on what firm-level factors drive successful internationalization of firms. Knight and Cavusgil (2004) examined general firm-level capabilities that firms leverage for achieving superior performance in international markets. They found evidence that the firm's technological competence, the firm's R&D (which supports the opening of new markets and reinvention of the firm's operations to serve), the firm's knowledge (which provides advantages that facilitate foreign market entry and operations), the firm's unique products and a strong quality focus, will lead to improved international performance. But also marketing skills, superior positioned products and leveraging strong distributors are emerged as important capabilities for successful internationalization (Knight & Cavusgil, 2004). Zhou (2007) adds that also the firm's level of entrepreneurial orientation (EO) is an important firm-level driver of successful internationalization. EO has emerged as an important concept in the internationalization and entrepreneurship literature over the past two decades (Huang, 2009; Ibeh & Young, 2001). Originally proposed by Miller (1983), EO involves an organization's willingness to innovate and renew its market offerings (innovativeness); to take risks by trying out new and uncertain products and services (risk taking); and to be more proactive than its competitors in seeking out new marketplace opportunities (proactiveness). Miller (1983), therefore, considers an entrepreneurial act to be one that participates in product market innovation, undertakes risky ventures and develops proactive innovations ahead of competitors (Baker & Sinkula, 2009; Runyan, Droge, & Swinney, 2008).

A growing number of scholars view internationalization as an entrepreneurial act (Ibeh & Young, 2001). More specifically, it is said that internationalization is an entrepreneurial activity which is being increasingly observed in SMEs (Sapienza, Autio, George, & Zahra, 2006). Oviatt and McDougall (2005) define internationalization as a ‘combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in firms. In addition, Knight and Cavusgil (2004) have argued that EO should be instrumental to the development and enactment of key organizational routines to succeed in international markets. In this regard, research has also shown that SMEs with a high EO have had more internationalization than firms with low EO (Alayo, Maseda, Iturralde, & Arzubiaga, 2019; Felzensztein, Ciravegna, Robson, & Amorós, 2015; Wach, Glodowska, & Maciejewski, 2018)

Previous studies on EO almost exclusively examined EO at the organisational level. However, one can also define an organisation, and particularly a small firm, as the result of individuals’ behaviour, making it of benefit to also look at the individual entrepreneurial orientation (IEO) rather than organisations (Bolton & Lane, 2012). Moreover, we know from the upper echelons theory that SMEs are a reflection of their leaders, their CEO (Hambrick & Mason, 1984). More specifically, according this theory, the role of CEOs in SMEs strategic decisions is substantially higher than in large firms (Hambrick & Mason, 1984), since the organizational structure of small firms is less hierarchical and less constrained by organizational inertia, making the CEO generally the main decision maker here. For this reason, in this study we focus on the relationship between the CEO’s individual EO and internationalization rather than investigating the effect of the firm’s overall EO on internationalization, as done in previous research, to address the existing research gap.

Given the fact that internationalization behaviour may be described as an entrepreneurial act in that it is innovative, proactive and risk-taking, and that EO is often discussed as an attribute of the international entrepreneur that drives him or her to engage in international (new entry) activity (Covin & Miller, 2014), we expect that the CEO's individual entrepreneurial orientation can positively influence the international activity of the firm. This brings us to our first baseline hypothesis:

*Hypothesis 1 (H1)*: There is a positive association between the CEO's entrepreneurial orientation and internationalization.

**The moderating role of the CEO's international legal knowledge**

EO reflects the willingness to innovate, take risks and be proactive. In other words, and applied to the context of internationalization, EO indicates the intention and thus the willingness to internationalise. Although entrepreneurial intentions are often a good predictor for entrepreneurial activity, intentions will not always lead to expected action (Gieure et al., 2020; Godin et al., 2005). And so, applied to internationalization, the link between internationalization intentions and effective internationalization will therefore not always be straightforward. According to the Resource-Based View (RBV), the necessary resources are required to internationalise effectively (J. B. Barney, 2001; Esteve-Pérez & Mañez-Castillejo, 2008; G. Knight, 2000). Furthermore, this theory considers every firm as unique with regard to the human and physical resources it controls. It assumes that the specific internal characteristics and competencies of firms determine why firms make distinct strategic and operative choices that lead to different performances. Which resources exactly matter answers J. Barney (1991) through the VRIO lens, arguing that resources that are valuable (V), rare (R), inimitable (I), and organizationally (O) embedded are the ones that can confer competitive advantage (like internationalization). One of the main, and empirically demonstrated resources that meets the above conditions and that has a fundamental impact on a firm's internationalization is the knowledge possessed by the CEO of the firm (Casillas & Moreno-Menéndez, 2014; De Clercq et al., 2012). More specifically, knowledge is regarded as the most important resource in a firm's internationalization process. (Autio et al., 2000; Johanson & Vahlne, 2017; Oviatt & McDougall, 2005). Furthermore, since entering foreign markets entails a great deal of knowledge, a lack of such knowledge, makes successful foreign market entries unlikely (Peng, 2001). Previous studies on the internationalization of new and small firms state that the CEO's international or foreign market knowledge benefits the internationalization process (Eriksson et al., 2015; Westhead et al., 2001; Zhou, 2007). Eriksson et al. (2015) identified three types of foreign market knowledge: foreign institutional knowledge, foreign business knowledge and internationalization knowledge. Foreign institutional knowledge refers to the experiential knowledge of government, institutional framework, norms and values. Foreign business knowledge means the experimental knowledge of clients, the market and competitors, while internationalization knowledge represents the accumulated internationalization experience gained by a firm in its international operations (Eriksson et al., 2015).

However, what is currently missing in the literature of internationalization is the importance of the CEO's legal knowledge, and more specifically in the context of internationalization, the CEO's international legal knowledge. Today, almost any decision taken by a CEO will (directly or indirectly) have some legal dimension (Cartan & Vilkinas, 1990; Freudenberg, 2017). Logically, a CEO should thus possess a minimum level of legal knowledge, and especially when conducting foreign activities, as these activities also have different, new legal implications than from conducting domestic activities. Using the definition of Taylor (1996), having legal literacy means that business CEOs have an introductory or base understanding of legal issues in their work. Similar to financial literacy, the notion of legal literacy is not just about knowledge but also capability and confidence. Legal capability refers to the “characteristics or competencies (knowledge, skills, psychological, resources)” of a person to allow them to effectively resolve legal issues that they may encounter. In addition, it takes confidence to put legal knowledge into action (Freudenberg, 2017; Hannah, 2010).

As already stated, we know from the RBV that knowledge is regarded as the most important resource in a firm’s internationalization process (Autio et al., 2000; Johanson & Vahlne, 2017; Oviatt & McDougall, 2005). On top of that, the internationalization process of a firm is characterized as legally complex (Zhou, 2007). The combination of these factors leads us to expect that the CEO's international legal knowledge may be an important catalyst or barrier in a firm's internationalization process. Indeed, internationalization often involves a range of legal challenges, including international trade laws, regulations of countries where business is conducted, intellectual property law, taxes, contracts, and so on. We expect that a CEO who is well-versed in the legal aspects of the internationalization process can have a clear and realistic view of the challenges facing the firm when entering new (foreign) markets. However, a CEO who lacks the international legal knowledge may, in our opinion, face significant challenges in solving legal issues that arise during the internationalization process. Moreover, in our opinion, it is important to realize that each country has its own laws and regulations, which may differ from those of the firm's home country. A CEO familiar with foreign regulations and laws can help understand these differences and anticipate potential problems, while a CEO without this knowledge may struggle to understand and navigate them.

Taking into account the fact EO indicates the willingness to internationalise, but that the right resources are needed to convert the willingness to internationalise into successful international actions, we expect that the CEO’s international legal knowledge may be a catalyst to convert internationalization intentions to action or, in other words, the lack of the CEO’s international legal knowledge may be a barrier to moving to successful international actions. This brings us to the next hypothesis:

*Hypothesis 2 (H2)*: The CEO's lack of legal knowledge weakens the positive association between the CEO's entrepreneurial orientation and internationalization.

**The moderating moderation effect of the use of an external (legal) advisor**

Following the second hypothesis, we argue that when the CEO has little (international) legal knowledge, (s)he will be less able to successfully translate the willingness to internationalise into effective international activities. However, this knowledge gap can be overcome by an external (legal) advisor. More specifically, the resource-based view explains that due to limited inhouse knowledge, capabilities and competencies of smaller firms, it is essential for them to obtain resources from external advisors who guide them in managing their business (Bennett & Robson, 2005; Carey & Tanewski, 2016). For instance, accounting and tax requirements are often perceived as complex (Blackburn & Jarvis, 2010), and require a thorough knowledge and understanding of the accounting rules and tax legislation, which often results in the use of an external accountant, who, among other things, has knowledge of the appropriate regulations the firm needs to comply with (Marriott & Marriott, 2000). Applied to the internationalization context, an external (legal) advisor can also be of great importance. As already mentioned, operating internationally often involves complex legal issues (Zhou, 2007). Hiring an external (legal) advisor who is familiar with the laws and regulations in different countries, can help the firm bring its operations into compliance with the relevant laws and regulations. In addition, an external (legal) advisor can help reduce legal risks and prevent costly legal disputes.

As international legal knowledge and necessary skills are not always internally available in small firms, external (legal) advisors (like an external accountant or lawyer) are consulted for their expertise on (international) legal business issues (Everaert, Sarens, & Rommel, 2007). More specifically, by hiring an external (legal) advisor, the CEO can compensate for his/her lack of international legal knowledge and ensure that the firm operates internationally in a safe and legal manner. Therefore, we expect that the use of an external (legal) advisor weakens the previously argued negative moderating effect of the CEO’s international legal knowledge on internationalization, as the external (legal) advisor may compensate for the CEO's individual lack of legal knowledge. This brings us to the third hypothesis:

*Hypothesis 3 (H3)*: The use of an external (legal) advisor positively moderates the negative moderating effect of the CEO’s lack of international legal knowledge on the positive association between the CEO’s entrepreneurial orientation and internationalization.

Following these hypotheses, Figure 1 depicts our research model.

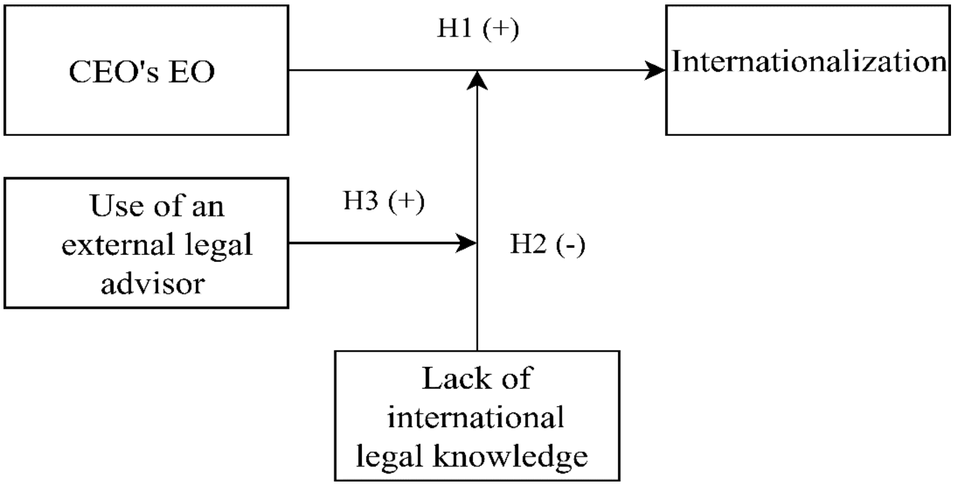


Figure 1: Conceptual framework: a moderated moderation model

**Methodology**

**Sample and Data Collection**

This study will focus on the CEOs of private Flemish SMEs. We focus on the CEOs of SMEs since we know from the upper echelons theory that organizations (and especially small firms) are a reflection of their leaders, their CEO. More specifically, according this theory, the role of CEOs in SMEs strategic decisions is substantially higher than in large firms (Hambrick & Mason, 1984). First, the organizational structure of small firms is less hierarchical and less constrained by organizational inertia, therefore the CEO is generally the main decision maker here. Second, small firms will not have a legal department from which they obtain legal advice, instead they have greater difficulty penetrating foreign markets because they lack the necessary skills and resources, and therefore tend to rely more on the CEO to access foreign markets (Saeed & Ziaulhaq, 2019). Next, since this study focuses on Flemish CEOs, and they mainly trade with neighbouring countries or within the European Union (Flanders Investment & Trade, 2022), we choose to test their knowledge on international laws and regulations, focusing on European regulations Furthermore, we will employ a survey approach to collect data. This survey will be sent out via e-mail, containing a link to the online survey in Qualtrics, to X (tbd.) CEO's.

***Measures***

*Dependent Variable: Internationalization*

All dependent variables were measured following the prior literature. However, no broadly accepted measurement exists to measure the dependent variable, the degree of internationalization. The ratio of export sales, which refers to the scale of firms' international sales, is commonly used in SME research as a representative measure of firms' internationalization (Katsikeas, Leonidou, & Morgan, 2000; Majocchi, Bacchiocchi, & Mayrhofer, 2005; Santoro, Mazzoleni, Quaglia, & Solima, 2021; Villar, Alegre, & Pla-Barber, 2014). Exporting is considered the most common entry mode for internationalization in this firm type, since SMEs do not usually have subsidiaries abroad. However, internationalization constitutes more than exports, and thus more comprehensive measures should be used (Mitter, Duller, Feldbauer-Durstmüller, & Kraus, 2014). According to Sullivan (1994), measuring the degree of internationalization using multiple items is recommended. Therefore, we also include in our survey the number of foreign countries in which the firm operates, which refers to the scope of foreign activities, as well as a reflective measurement of internationalization, following other studies in the field (Lisboa, Skarmeas, & Lages, 2011). Our reliance on subjective measures of performance is justified as previous studies show a strong correlation between subjective assessments and international performance (Dess & Robinson Jr, 1984). Five items will be considered in order to measure subjective international performance: growth in export market sales revenue, export profit, export market's share of growth, return on sales and return on export investments (Pinho & Prange, 2016). Finally, each item of the construct will be measured using a five-point Likert scale ranging from 1 – "extremely negative" to 5 – "extremely positive".

*Independent Variable: CEO's entrepreneurial orientation*

In measuring the CEO's EO, we will consider it as a three-dimension construct consisting of innovativeness, proactiveness and risk-taking, based on Bolton and Lane (2012). In the survey, respondents will be asked, "Please indicate to what extent the following statements apply to you as an entrepreneur." We will use a five-point Likert scale where 1 means the CEO strongly disagrees with the statement, and 5 strongly agrees. Below is the scale of individual entrepreneurial orientation:

*The CEO's level of entrepreneurial orientation:*

1) *I like to take bold action by venturing into the unknown.*
2) *I am willing to invest a lot of time and/or money on something that might yield a high return.*
3) *I tend to act "boldly" in situations where risk is involved.*
4) *I often like to try new and unusual activities that are not typical but not necessarily risky.*
5) *In general, I prefer a strong emphasis in projects on unique, one-of-a-kind approaches rather than revisiting tried and true approaches used before.*
6) *I prefer to try my own unique way when learning new things rather than doing it like everyone else does.*
7) *I favour experimentation and original approaches to problem solving rather than using methods others generally use for solving their problems.*
8) *I usually act in anticipation of future problems, needs or changes.*
9) *I tend to plan ahead on projects.*
10) *I prefer to "step-up" and get things going on projects rather than sit and wait for someone else to do it.*

*Moderator Variable: The CEO's level of international legal literacy*

We create our own scale to measure the CEO's level of international legal literacy. Since the bulk of Flemish entrepreneurs trade with nearby countries and within the European Union (Flanders Investment & Trade, 2022), our scale focuses on regulations that apply to trading with neighbouring countries and by extension the European Union. The initial pool of items were generated by drawing inspiration from the studies of Donnell (1968), Elliott and Wolfe (1981), Klayman and Nesser (1984) and Moore and Gillen (1985). Next, the content validity was inspired by that of Tian, Bearden, and Hunter (2001). The items were assessed by six "judges", being six law professors from the most important Flemish universities. They were given the definition of international legal knowledge, and each judge was asked to rate each statement as being clearly representative, somewhat representative, or not representative of the dimension. Items evaluated as worse than somewhat representative were removed or modified based on the feedback of the judge in question. Below is the scale of the CEO's level of international legal literacy (note that the statements will be presented in Dutch to the respondents):

*The CEO's level of international legal literacy:*

1) *You can incorporate a company under Belgian law in any country, and it will always be recognised in that country.*
2) *Within the European Union Belgian companies are in in principle free to operate across national borders trade.*
3) *Within the European Economic Area (EEA), Belgian companies are in principle free to operate across national borders trade.*
4) *When a Belgian company has its registered office in Luxembourg but is actually managed from Belgium, it has the choice of where it will pay corporate tax.*
5) *When you, as a Belgian company, have goods transported abroad, the risk of loss due to force majeure always passes to the buyer from the moment the goods cross the Belgian land border.*
6) *When a Belgian company has a shop in the Netherlands, profits relating to that shop will be taxed at Belgian corporate tax rate.*
7) *If you are a Belgian company advertising in a German newspaper, the German court will have jurisdiction when the company has a dispute with a German consumer.*

8) *If a Belgian company offers a Spanish-language version website, and indicate on it that you can deliver the products in Spain, then in the event of a dispute with a Spanish consumer, the Spanish court will have jurisdiction.*
9) *When a Belgian company enters into a contract with a French company, they are in principle free to choose whether Belgian or French law applies to this contract.*
10) *A company incorporated in Belgium, under Belgian law, will only be able to be declared bankrupt in Belgium.*

*Moderated moderation variable: the use of an external (legal) advisor:*

In measuring the use of an external (legal) advisor we ask our respondents in the survey "to what extent they use an external (legal) advisor, when they require legal advice regarding their internationalization activities". We will use a five-point Likert scale where 1 means the CEO never uses an external (legal) advisor, when in need of legal advice regarding his/her internationalisation activities, and 5 means always.

*Control Variables*

Potential control variables for this research include firm size (operationalized as sales turnover), firm age, the CEO's age, the CEO's gender, the CEO's level of education, the CEO's tenure, the CEO's international experience, the CEO's foreign languages (measured as the number of foreign languages spoken), the CEO's foreign market knowledge, the firm's industry type,... Prior research has shown that these factors can affect the internationalization of a firm (Alayo et al., 2019; Felzensztein et al., 2015; Hsu et al., 2013; Musteen, Francis, & Datta, 2010; Wach et al., 2018; Zhou, 2007).

## Results

To be determined once the data-collection process is finished.

## Discussion and Conclusions

### *General conclusion*

In this study, we examine the moderating impact of the CEO's level of international legal literacy on the relationship between the CEO's EO and internationalization. The CEO's international EO indicates the willingness to internationalise. Although intentions are often a good predictor for international entrepreneurial activity, intentions will not always lead to expected action (Gieure et al., 2020; Godin et al., 2005). According to the Resource-Based View (RBV), the necessary resources are required to internationalise effectively (J. B. Barney, 2001; Esteve-Pérez & Mañez-Castillejo, 2008; G. Knight, 2000). Taking into account the RBV, and the fact that an internationalization process is a legally complex phenome, we expect that the limited (international) legal knowledge on the part of the CEO is often a barrier to moving to (more) internationalization. In addition, we also identify the role of an external (legal) advisor in this context, as we expect that hiring an external (legal) advisor will compensate for the CEO's lack of international legal knowledge, and therefore will also weaken the moderating effect of the CEO's international legal literacy. In doing this, we aim to rely on a unique sample of the CEOs of private SMEs and we will send out a questionnaire in order to collect data.

This study contributes to the literature and practice in several ways. First, to date there is no generally accepted scale for measuring an individual's (international) legal literacy. As a result, we had to develop our own scale to measure this concept, making it one of the fundamental contributions of this study. Next, this study makes significant contributions to the theory of SME internationalization by evaluating the impact of the CEO's entrepreneurial orientation (EO) on the internationalization process. Traditionally, studies have looked at the overall EO of the firm, but for small firms, the CEO's individual EO is more likely to determine their willingness to go international. Additionally, this study contributes to the Resource-Based View by investigating whether the CEO's international legal knowledge can facilitate successful internationalization, or act as a barrier if such knowledge is lacking. While previous research on legal literacy has been theoretical, this study offers empirical evidence on the impact of the CEO's international legal literacy on the relationship between EO and internationalization. Lastly, the practical implications of this study will inform SME CEOs and policymakers about the importance of international legal literacy, encouraging them to take measures to increase such knowledge in the entrepreneurial community.

This study also contains some limitations and future research suggestions. While using a single-country analysis has several advantages, investigating this topic in other institutional contexts may also be a valuable path for future research, since it may be interesting to investigate the impact of the CEO’s legal literacy on the internationalization process in other geographic and political regions. Therefore, we consider investigating the topic of this study using a cross-country dataset to be a highly valuable opportunity for future research as well.

## References:


Alayo, M., Maseda, A., Iturralde, T., & Arzubiaga, U. (2019). Internationalization and entrepreneurial orientation of family SMEs: The influence of the family character. *International Business Review, 28*(1), 48-59.

Autio, E., Sapienza, H. J., & Almeida, J. G. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of management journal, 43*(5), 909-924.

Baker, W. E., & Sinkula, J. M. (2009). The complementary effects of market orientation and entrepreneurial orientation on profitability in small businesses. *Journal of Small Business Management, 47*(4), 443-464.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management, 17*(1), 99-120.

Barney, J. B. (2001). Is the resource-based "view" a useful perspective for strategic management research? Yes. *Academy of Management Review, 26*(1), 41-56.

Bennett, R. J., & Robson, P. J. (2005). The advisor-SMF client relationship: Impact, satisfaction and commitment. *Small Business Economics, 25*(3), 255-271.

Blackburn, R., & Jarvis, R. (2010). The role of small and medium practices in providing business support to small-and medium-sized enterprises.

Bolton, D. L., & Lane, M. D. (2012). Individual entrepreneurial orientation: Development of a measurement instrument. *Education+ Training*.

Carey, P., & Tanewski, G. (2016). The provision of business advice to SMEs by external accountants. *Managerial Auditing Journal*.

Cartan, G., & Vilkinas, T. (1990). Legal literacy for managers: The role of the educator. *The Law Teacher, 24*(3), 246-257.

Casillas, J. C., & Moreno-Menéndez, A. M. (2014). Speed of the internationalization process: The role of diversity and depth in experiential learning. *Journal of international business studies, 45*(1), 85-101.

Čater, T., & Pučko, D. (2010). Factors of effective strategy implementation: Empirical evidence from Slovenian business practice. *Journal for east european Management Studies*, 207-236.

Chao, M. C.-H., & Kumar, V. (2010). The impact of institutional distance on the international diversity–performance relationship. *Journal of World Business, 45*(1), 93-103.

Chardon, T. (2011). Weathering the storm: tax as a component of financial capability. *Australasian Accounting, Business and Finance Journal, 5*(2), 53-68.

Covin, J. G., & Miller, D. (2014). International entrepreneurial orientation: Conceptual considerations, research themes, measurement issues, and future research directions. *Entrepreneurship theory and practice, 38*(1), 11-44.

De Clercq, D., Sapienza, H. J., Yavuz, R. I., & Zhou, L. (2012). Learning and knowledge in early internationalization research: Past accomplishments and future directions. *Journal of Business Venturing, 27*(1), 143-165.

De Groote, B. (2010). Geen juridische geletterdheid zonder toegang tot juridische basisinformatie. *Rechtskundig Weekblad*(7), 302-302.

Dess, G. G., & Robinson Jr, R. B. (1984). Measuring organizational performance in the absence of objective measures: the case of the privately-held firm and conglomerate business unit. *Strategic management journal, 5*(3), 265-273.

Donnell, J. D. (1968). THE BUSINESSMAN AND THE BUSINESS LAW CURRICULUM. *American business law journal, 6*(1), 451-458. doi:10.1111/j.1744-1714.1968.tb01075.x

Elliott, W. G., & Wolfe, A. (1981). The need for legal education by persons in business. *Am. Bus. LJ, 19*, 153.

Eriksson, K., Johanson, J., Majkgård, A., & Sharma, D. D. (2015). Experiential knowledge and cost in the internationalization process. In *Knowledge, networks and power* (pp. 41-63): Springer.

Esteve-Pérez, S., & Mañez-Castillejo, J. A. (2008). The resource-based theory of the firm and firm survival. *Small Business Economics, 30*(3), 231-249.

Everaert, P., Sarens, G., & Rommel, J. (2007). Sourcing strategy of Belgian SMEs: empirical evidence for the accounting services. *Production Planning and Control, 18*(8), 716-725.

Felzensztein, C., Ciravegna, L., Robson, P., & Amorós, J. E. (2015). Networks, entrepreneurial orientation, and internationalization scope: evidence from Chilean small and medium enterprises. *Journal of Small Business Management, 53*, 145-160.

Flanders Investment & Trade. (2022). Vlaanderen exporteert: ontdek hier de cijfers achter de containers…. Retrieved from https://www.flandersinvestmentandtrade.com/export/node/14568

Freudenberg, B. (2017). Beyond Lawyers: Legal literacy for the future. *Australian Business Law Review, 45*(5), 387-404.

Gieure, C., del Mar Benavides-Espinosa, M., & Roig-Dobón, S. (2020). The entrepreneurial process: The link between intentions and behavior. *Journal of Business Research, 112*, 541-548.

Godin, G., Conner, M., & Sheeran, P. (2005). Bridging the intention–behaviour gap: The role of moral norm. *British journal of social psychology, 44*(4), 497-512.

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review, 9*(2), 193-206.

Hannah, M. A. (2010). Legal literacy: Coproducing the law in technical communication. *Technical communication quarterly, 20*(1), 5-24.

Hitt, M. A., Bierman, L., Uhlenbruck, K., & Shimizu, K. (2006). The importance of resources in the internationalization of professional service firms: The good, the bad, and the ugly. *Academy of management journal, 49*(6), 1137-1157.

Hoang, B. P. (1998). A causal study of relationships between firm characteristics, international marketing strategies, and export performance. *MIR: Management International Review*, 73-93.

Hsu, W.-T., Chen, H.-L., & Cheng, C.-Y. (2013). Internationalization and firm performance of SMEs: The moderating effects of CEO attributes. *Journal of World Business, 48*(1), 1-12.

Huang, X. (2009). Strategic decision making in Chinese SMEs. *Chinese Management Studies*.

Ibeh, K. I., & Young, S. (2001). Exporting as an entrepreneurial act-An empirical study of Nigerian firms. *European Journal of Marketing*.

Jantunen, A., Puumalainen, K., Saarenketo, S., & Kyläheiko, K. (2005). Entrepreneurial orientation, dynamic capabilities and international performance. *Journal of international Entrepreneurship, 3*, 223-243.

Javalgi, R. R. G., & Todd, P. R. (2011). Entrepreneurial orientation, management commitment, and human capital: The internationalization of SMEs in India. *Journal of Business Research, 64*(9), 1004-1010.

Johanson, J., & Vahlne, J.-E. (2017). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. In *International business* (pp. 145-154): Routledge.

Judo, F. (2009). Behoefte aan 'juridische geletterdheid'. *Rechtskundig Weekblad*, 942-942.

Katsikeas, C. S., Leonidou, L. C., & Morgan, N. A. (2000). Firm-level export performance assessment: review, evaluation, and development. *Journal of the Academy of Marketing Science, 28*(4), 493-511.

Klayman, E., & Nesser, K. (1984). Eliminating the disparity between the business person's needs and what is taught in the basic business law course. *Am. Bus. LJ, 22*, 41.

Knight, & Cavusgil, S. T. (2004). Innovation, organizational capabilities, and the born-global firm. *Journal of international business studies, 35*(2), 124-141.

Knight, G. (2000). Entrepreneurship and marketing strategy: The SME under globalization. *Journal of international marketing, 8*(2), 12-32.

Li, L. (2007). Multinationality and performance: A synthetic review and research agenda. *International Journal of Management Reviews, 9*(2), 117-139.

Lisboa, A., Skarmeas, D., & Lages, C. (2011). Entrepreneurial orientation, exploitative and explorative capabilities, and performance outcomes in export markets: A resource-based approach. *Industrial marketing management, 40*(8), 1274-1284.

Liu, Y., Li, Y., & Xue, J. (2011). Ownership, strategic orientation and internationalization in emerging markets. *Journal of World Business, 46*(3), 381-393.

Majocchi, A., Bacchiocchi, E., & Mayrhofer, U. (2005). Firm size, business experience and export intensity in SMEs: A longitudinal approach to complex relationships. *International Business Review, 14*(6), 719-738.

Manolova, T. S., Manev, I. M., & Gyoshev, B. S. (2010). In good company: The role of personal and inter-firm networks for new-venture internationalization in a transition economy. *Journal of World Business, 45*(3), 257-265.

Marriott, N., & Marriott, P. (2000). Professional accountants and the development of a management accounting service for the small firm: barriers and possibilities. *Management accounting research, 11*(4), 475-492.

Miller, D. (1983). The Correlates of Entrepreneurship in Three Types of Firms. *Management science, 29*(7), 770-791. doi:10.1287/mnsc.29.7.770

Mitter, C., Duller, C., Feldbauer-Durstmüller, B., & Kraus, S. (2014). Internationalization of family firms: the effect of ownership and governance. *Review of Managerial Science, 8*, 1-28.

Moore, G. A., & Gillen, S. E. (1985). Managerial competence in law and the business law curriculum: The corporate counsel perspective. *Am. Bus. LJ, 23*, 351.

Musteen, M., Francis, J., & Datta, D. K. (2010). The influence of international networks on internationalization speed and performance: A study of Czech SMEs. *Journal of World Business, 45*(3), 197-205.

Omerzel, D. G., & Antončič, B. (2008). Critical entrepreneur knowledge dimensions for the SME performance. *Industrial Management & Data Systems*.

Oviatt, B. M., & McDougall, P. P. (2005). Toward a theory of international new ventures. *Journal of international business studies, 36*(1), 29-41.

Peng, M. W. (2001). The resource-based view and international business. *Journal of management, 27*(6), 803-829.

Pinho, J. C., & Prange, C. (2016). The effect of social networks and dynamic internationalization capabilities on international performance. *Journal of World Business, 51*(3), 391-403.

Reuber, A., & Fischer, E. (1997). The role of management’s international experience in the internationalization of smaller firms. *Journal of international business studies, 28*(4), 807-825.

Ripollés-Meliá, M., Menguzzato-Boulard, M., & Sánchez-Peinado, L. (2007). Entrepreneurial orientation and international commitment. *Journal of international Entrepreneurship, 5*(3-4), 65-83.

Runyan, R., Droge, C., & Swinney, J. (2008). Entrepreneurial orientation versus small business orientation: what are their relationships to firm performance? *Journal of Small Business Management, 46*(4), 567-588.

Saeed, A., & Ziaulhaq, H. M. (2019). The impact of CEO characteristics on the internationalization of SMEs: Evidence from the UK. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration, 36*(3), 322-335.

Santoro, G., Mazzoleni, A., Quaglia, R., & Solima, L. (2021). Does age matter? The impact of SMEs age on the relationship between knowledge sourcing strategy and internationalization. *Journal of Business Research, 128*, 779-787.

Sapienza, H. J., Autio, E., George, G., & Zahra, S. A. (2006). A capabilities perspective on the effects of early internationalization on firm survival and growth. *Academy of Management Review, 31*(4), 914-933.

Sullivan, D. (1994). Measuring the degree of internationalization of a firm. *Journal of international business studies, 25*, 325-342.

Taylor, T. (1996). Legal literacy and the undergraduate curriculum. *Journal of Business and Technical Communication, 10*(2), 239-250.

Tian, K. T., Bearden, W. O., & Hunter, G. L. (2001). Consumers' need for uniqueness: Scale development and validation. *Journal of consumer research, 28*(1), 50-66.

Vermeulen, F., & Barkema, H. (2002). Pace, rhythm, and scope: Process dependence in building a profitable multinational corporation. *Strategic management journal, 23*(7), 637-653.

Villar, C., Alegre, J., & Pla-Barber, J. (2014). Exploring the role of knowledge management practices on exports: A dynamic capabilities view. *International Business Review, 23*(1), 38-44.

Wach, K., Glodowska, A., & Maciejewski, M. (2018). Entrepreneurial Orientation, Knowledge Utilization and Internationalization of Firms. *Sustainability, 10*(12). doi:10.3390/su10124711

Westhead, P., Wright, M., & Ucbasaran, D. (2001). The internationalization of new and small firms: A resource-based view. *Journal of Business Venturing, 16*(4), 333-358.

Zhou, L. (2007). The effects of entrepreneurial proclivity and foreign market knowledge on early internationalization. *Journal of World Business, 42*(3), 281-293.