

**CITY UNIVERSITY OF HONG KONG**

香港城市大學

**Motives and Factors Affecting the Firm Internationalization:**

**Evidence from Hong Kong Engineering Companies**

企業國際化的動機及影響因素：以香港工程公司為例

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## **ABSTRACT**

Entrepreneurial orientation is considered as a firm's critical culture and resources that provide sustainable competitive advantage (Lumpkin & Dess, 1996) and commonly defined at the firm level to gauge the top management's willingness to take calculated risks, be innovative and demonstrate strategic proactive behavior when chasing new opportunities (Covin & Slevin, 1989). On the other hand, there has been growing interest in explaining the firm internationalization from the perspective of entrepreneurship and strategic management (Radulovich, 2008; Foss, 2011; Zhang et al., 2012), it is however still unclear if the empirical findings based on experience of manufacturing and service companies can be used to explain the internationalization of companies of different business model located in small scale economy which are normally of small to medium size. To address these empirical gaps, this study proposes a theoretical framework to integrate the perspective of entrepreneurship and resource-based view for examining the motives and factors affecting the internationalization outcomes.

Hong Kong is a small, open economy and has continuously been rated as the top free-trade city in the World for many years. For this reason, many local engineering companies in the construction industry of Hong Kong are used to encountering fierce competition from large international contractors. To compete and maintain growth, the senior management of local engineering companies need to address a few reflective strategic questions: why, when and how to diversify their businesses outside Hong Kong?

While these strategic questions have been widely addressed in the literature on the internationalization of different industries, mostly in the manufacturing industry and service sector, studies relating to the construction industry, particularly for engineering companies are rather limited (Chen, 2005 & 2008). As the construction industry has unique characteristics that the direct application of concepts and theories from the manufacturing or service sector may not be appropriate, there is a need for developing new concepts and frameworks for explaining the internationalization of engineering companies in the construction industry.

To address the research objectives, a mixed method research strategy is adopted. The study has firstly examined through quantitative approach in terms of the influence of entrepreneurial orientation, social capital and technological capability on a firm's degree of internationalization by using data from 67 Hong Kong engineering companies in the construction industry. Regression results showed that the three dimensions of entrepreneurial orientation are important predictors of a firm's degree of internationalization. Apart from that, several interactive terms between social capital and technological capability will also have a statistically significant influence on the firm's degree of internationalization. It is noted that they moderate positively the relationship between the main effect of entrepreneurial orientation and degree of internationalization.

The findings obtained from qualitative phase of this study highlight the importance of decision maker's characteristics, social capital and technological capability behind the successful engineering companies which have expanded their businesses outside Hong Kong. They also serve as reference for the international business academia and the stakeholders of engineering firms in the construction industry.

**Keywords: engineering firm, construction industry, entrepreneurial orientation, resource based view, social capital, technological capability, degree of internationalization**