

Navigating global waters: CEO's legal literacy as a moderator of the SME's internationalization process

Abstract

This study investigates how the CEO's level of legal literacy influences the relationship between the CEO's International Entrepreneurial Orientation (IEO) and the internationalization of SMEs, addressing a current research gap. Our findings, based on data from 209 Belgian SMEs reveal that the CEO's level of legal literacy enhances the relationship between the CEO's IEO and the SME's internationalization (measured by the number of countries to which the firm exports its products or the firm's export scope). This suggests that the CEO's level of legal literacy can play a pivotal role in effectively translating the CEO's IEO, representing the CEO's intentions to expand internationally into actual internationalization of the SME. This study contributes to the internationalization literature by empirically examining how the CEO's level of legal literacy benefits the process of turning the CEO's international intentions into (more) SME internationalization, offering practical insights for SME CEOs and policymakers to prioritize and enhance CEOs' level of legal literacy within the international entrepreneurial community.

Topics/Keywords:

CEO's Legal Literacy, Internationalization, Export scope, International Entrepreneurial Orientation, Theory of Planned Behaviour, Resource Based View

1. 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). In these studies, the importance of internationalization for the growth of small and medium-sized firms (SMEs) has been emphasized multiple times and is been considered as central to their competitiveness (Johanson & Vahlne, 1977, 2009; Knight & Cavusgil, 2004). Internationalization not only allows SMEs to generate extra value through economies of scope, but also offers a mechanism for risk diversification (Aulakh, Kotabe, & Teegen, 2011; Patel, Pieper, & Hair Jr, 2012). However, many SMEs still encounter difficulties in pursuing cross-border activities, due to a lack of resources (McDougall, Oviatt, & Shrader, 2003; Sommer, 2010; Weerawardena, Mort, Liesch, & Knight, 2007).

In an SME context, the key resources of the firm's internationalization primarily lie within the CEOs of the SMEs, given their central position as the brains behind the firm's strategic direction (Contractor, Foss, Kundu, & Lahiri, 2019; Hambrick & Mason, 1984; Miller, 1983). Consequently, there has been a growing interest in exploring the various characteristics and resources of the CEO that may influence the SME's internationalization (Chetty & Hamilton, 1996; Herrmann & Datta, 2006; Krueger, Reilly, & Carsrud, 2000; McDougall & Oviatt, 2000; Sommer, 2010; Sousa, Martínez-López, & Coelho, 2008). Among these factors, one of the most important drivers is the CEO's (international) intentions or international entrepreneurial orientation (hereafter referred to as: IEO) (Felzensztein, Ciravegna, Robson, & Amorós, 2015; Jantunen, Puumalainen, Saarenketo, & Kyläheiko, 2005; Javalgi & Todd, 2011; Karami, Ojala, & Saarenketo, 2023; Liu, Li, & Xue, 2011; Ripollés-Meliá, Menguzzato-Boulard, & Sánchez-Peinado, 2007; Thanos, Dimitratos, & Sapouna, 2017; Yoon, Kim, &

Dedahanov, 2018). The CEO's IEO or the CEO's international intentions play a significant role in the firm's internationalization as explained by the Theory of Planned Behaviour. This theory states that (international) intentions drive actions (Ajzen, 1991), and thus eventually (international) behaviour.

However, despite international intentions, obstacles often hinder achieving the expected action, creating a gap between intentions and actions (Godin, Conner, & Sheeran, 2005; Gollwitzer & Sheeran, 2006; Mintzberg & Waters, 1985). Within SMEs, especially resource limitations can impede the translation of the CEO's internationalization intentions into actual internationalization (Carmack & Heiss, 2018; Dasí, Iborra, & Safón, 2015; McDougall et al., 2003; Weerawardena et al., 2007). More specifically, according to the Resource-Based View (RBV), selling products and services to multiple countries is challenging and requires more specialized and higher quality resource types as well as higher quantities of certain types (human, financial, and organizational) to cope with the entry barriers of new foreign markets (Casillas & Moreno-Menéndez, 2014; De Clercq, Sapienza, Yavuz, & Zhou, 2012; George, Wiklund, & Zahra, 2005). Key resources such as the CEO participating in foreign market alliances or the CEO's networking capability have already been empirically examined as contingency factors in the relationship between the CEO's intentions and SMEs' internationalization (Brouthers, Nakos, & Dimitratos, 2015; Karami & Tang, 2019).

In addition, the knowledge possessed by the CEO is regarded as one of the most important resources in a firm's dynamic internationalization process; i.e. translating international intentions into actions (Autio et al., 2000; Johanson & Vahlne, 2017; Oviatt & McDougall, 2005). In this regard, Eriksson's (1997) detailed foreign market knowledge, including the CEO's understanding of foreign business laws and regulations, has already been shown to be a potential obstructing factor in translating international intentions into actions (Zhou, 2007). However, Eriksson et al. (1997) also warned that this knowledge is highly

comprehensive and detailed, suggesting that it may be perceived more as a “knowledge acquired through experience”, making it rather unlikely for CEOs of SMEs with little to no international experience to possess. Therefore, we argue that, especially in an SME context, the actual catalyst of driving a CEO’s international intentions into actions is not necessarily related to his/her detailed knowledge about international laws and markets, but mainly to his/her level of basic legal literacy, so the level to which they have an introductory or base understanding of legal issues within their professional domain.

More specifically, the process of turning international intentions into international actions is characterized by legal complexities (Zhou, 2007). These complexities may hinder the process when lacking the necessary resources (Carmack & Heiss, 2018; Dasí et al., 2015; McDougall et al., 2003; Weerawardena et al., 2007) such as a basic grasp of legal matters, potentially resulting in a gap between international intentions and actions. Therefore, we expect that the CEOs’ level of basic legal literacy will boost the process of turning international intentions into international firm actions, and will enable them to better recognize and address legal issues, seek appropriate advice, and implement it effectively in their firm. Previous literature already suggested that a lack of legal literacy could complicate strategic business decisions, such as the internationalization of a firm, potentially leading to increased stress and uncertainty during the decision-making process (De Groote, 2010; Freudenberg, 2017; Judo, 2009). However, despite recognizing its theoretical importance, empirical studies have yet to confirm the potential impact of the CEO’s legal literacy. Therefore, in this study, we aim to bridge this gap by empirically investigating the moderating effect of the CEO’s level of legal literacy on the relationship between the CEO’s IEO and the SME’s internationalization. More specifically, we expect that the CEO’s level of legal literacy will positively influence the relationship between the CEO’s IEO and the firm’s internationalization, in such way that it can

be a catalyst in the endeavour to effectively translate the CEO's IEO, being the CEO's intentions to internationalize, into the SME's internationalization.

To test our hypotheses, we rely on questionnaire data using a unique sample of 209 CEOs of private Belgian SMEs. Next, since no generally accepted measure exists yet to measure the CEO's legal literacy, we develop our own measure to capture the CEO's level of legal literacy. The empirical results confirm that the CEO's level of IEO positively affects the SME's internationalization. Moreover, our results also indicate that the CEO's level of legal literacy forms a catalyst in the endeavour to effectively translate the CEO's IEO into the SME's internationalization.

The present paper makes a fundamental contribution to both the entrepreneurship and internationalization literature and to practice. First, it contributes to the literature on international entrepreneurship. By further building on the Theory of Planned Behaviour of Ajzen (1991) our results indicate that the CEO's level of basic legal literacy intensifies the relationship between international intentions and international actions. This is important since previous studies indicate that a lack of necessary resources may potentially lead to an intention-action gap (Carmack & Heiss, 2018; Dasí et al., 2015; McDougall et al., 2003; Weerawardena et al., 2007). Furthermore, this study also contributes to the RBV perspective, by examining whether the CEO's level of legal literacy can be a catalyst to move towards (more) internationalization. The few studies on the importance of legal literacy are purely theoretical and thus have never empirically examined its role and importance (De Groote, 2010; Freudenberg, 2017; Judo, 2009). This study makes a fundamental contribution to the theoretical insights of these studies by empirically examining the impact of the CEO's level of legal literacy on the relationship between the CEO's IEO and the firm's internationalization. In addition, the impact of the CEO's IEO on SME's internationalization is still an important and much disputed aspect of small firm internationalization (Dimitratos, Plakoyiannaki, Pitsoulaki,

& Tüselmann, 2010; Felzensztein et al., 2015; Robson, Akuetteh, Westhead, & Wright, 2012). Understanding this relationship, along with the important catalysing effect of the CEO's level of legal literacy on it can provide important insights for entrepreneurs that are choosing their internationalization strategies, as well as for the institutions that may support them, such as internationalization promotion agencies and trade associations. Therefore, this study also provides practical implications. More specifically, by recognizing the importance of a CEO's level of legal literacy and taking proactive measures to increase it, both SME leaders and policymakers can contribute to the growth and sustainability of SMEs in the global marketplace.

2. Literature Review and Hypothesis Development

2.1 General firm-level and individual-level drivers of SME internationalization

In recent decades, internationalization has been examined from various perspectives and viewpoints. While the initial focus was primarily on large firms, there has been a growing interest in the internationalization behaviour of small and medium-sized enterprises (SMEs) in recent years (Ruzzier, Hisrich, & Antoncic, 2006). A possible reason for this trend is that international expansion is becoming increasingly important for SMEs due to the limited size of their domestic market (Karami et al., 2023). More specifically, internationalization offers access to new markets, revenue streams, and growth opportunities, while also mitigating risks associated with dependency on a single market (Sommer, 2010). Although SMEs would like to become more international, entering (more) international markets is often very difficult for them (Wakkee, Van Der Veen, & Eurlings, 2015).

Therefore, research started focussing on identifying possible drivers of SMEs' internationalization. Sousa et al. (2008) highlight that most of these drivers are related to broader firm-level characteristics such as size, age, market orientation, industry sector, product

type, organizational culture, and ownership structure. In addition to general firm-level factors, other studies have delved deeper into specific aspects of firms, including their structure (such as family versus nonfamily ownership), organizational factors (like strategic planning, resource availability, risk management, and knowledge management), and innovation processes (Ciravegna, Majano, & Zhan, 2014; Crick & Crick, 2014; Francioni, Pagano, & Castellani, 2016; Knight & Cavusgil, 2004; Leonidou, 1998; Steinhäuser, Paula, & de Macedo-Soares, 2021).

Although the exploration of firm-level drivers of SMEs' internationalization led to interesting findings, it is important to recognize that it is not the firms themselves that decide to internationalize, but rather the individuals within them (Contractor et al., 2019; Miller, 1983; Ruzzier et al., 2006). This is especially true in the case of SMEs, since we know from the upper echelons theory that SMEs reflect their leaders, and especially their CEO (Hambrick & Mason, 1984). According this theory, the role of CEOs in SMEs' strategic decisions is substantially higher than in large firms, 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 (Contractor et al., 2019; Hambrick & Mason, 1984; Miller, 1983). Various general individual-level characteristics have been found to impact the internationalization of firms, like demographic attributes, such as age, gender, educational background, or general situational factors like employment status (Krueger et al., 2000; McDougall & Oviatt, 2000; Milevoj, Beleska-Spasova, & Bommer, 2021; Ramón-Llorens, García-Meca, & Duréndez, 2017; Saeed & Ziaulhaq, 2019; Sommer, 2010; Sousa et al., 2008).

2.2 EO and IEO as drivers of SME internationalization

While general characteristics of the CEO and the SME are important in determining the SME's internationalization, in recent years research has shifted to recognize that internationalization is not just a result of various general individual-level and firm-level factors, but also driven by strategic intentions, leading to entrepreneurial orientation (hereafter referred to as EO) being considered as a key driver of internationalization (Alayo, Maseda, Iturralde, & Arzubiaga, 2019; Felzensztein et al., 2015; Javalgi & Todd, 2011; P. Taylor, 2013; Zhou, 2007). The EO concept is widely used in entrepreneurship literature to explain different outcomes of the entrepreneurial process (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).

A growing number of scholars also view internationalization from an entrepreneurial perspective (Ibeh & Young, 2001). 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 the context of SME internationalization, EO is regarded as the CEO's personal characteristic or cognitive perspective, driving the SME's internationalization (Andersson, Danilovic, & Hanjun, 2015; Evers, 2011; Forcadell & Ubeda, 2022; Joardar & Wu, 2011; Weerawardena et al., 2007). In other words, in an SME context, the effect of EO on the SME's internationalization is examined at the level of the CEO, recognizing that SMEs reflect their leaders, and thus their CEO (Felzensztein et al., 2015; Hambrick & Mason, 1984; Jantunen et al., 2005; Javalgi & Todd, 2011; Karami et al., 2023; Liu et al., 2011; Ripollés-Meliá et al.,

2007; Thanos et al., 2017; Yoon et al., 2018). Furthermore, when examining how the CEO's intentions, such as EO, affect the SME's internationalization, the Theory of Planned Behaviour (TPB) of Ajzen (1991) provides valuable insights. This theory posits that intentions drive actions, where stronger intentions to engage, or not engage, in a behaviour are more likely to result in the actual performance of that behaviour. This is because intentions serve as a proximal determinant of behaviour, shaping the individual's motivation and readiness to act. In other words, intentions serve as the motivating force behind one's actions. The stronger the intention to perform specific behaviour, the more likely one is to follow through and take action (Ajzen, 1991).

Since internationalization typically requires strategic planning and proactive efforts to enter foreign markets, it is exactly the type of planned behaviour for which the Theory of Planned Behaviour could be applied (Ruzzier, Douglas, Ruzzier, & Hojnik, 2020). For this reason, several conceptual and empirical studies recognized the importance of employing the Theory of Planned Behaviour as a framework to clarify the impact of the CEO's intentions (EO) on a firm's internationalization. Scholars such as Mainela, Puhakka, and Servais (2014), Muzychenko and Liesch (2015) and Ruzzier et al. (2020) acknowledge the importance of this framework, while empirical research of Acedo and Galán (2011) and Hanifzadeh, Talebi, and Sajadi (2018) utilize this approach to explain the positive effect of the CEO's EO on the SME's internationalization.

While the impact of the CEO's general EO on the SME's internationalization is relevant and significant, an increasing number of researchers emphasize the importance of considering the construct of the CEO's International Entrepreneurial Orientation (IEO) rather than the CEO's general EO when focusing on possible drivers of SMEs' internationalization. They state that focusing on the IEO construct instead of the general EO allows for a more targeted understanding of the CEO's strategic mindset and decision-making processes specifically

tailored to operating in foreign markets (Ruzzier et al., 2020; Satyanarayana, Chandrashekar, Sukumar, & Jafari-Sadeghi, 2022). As stated by Covin and Miller (2014), IEO is not treated as a construct distinct from EO, instead ‘international’ is simply a context in which the EO phenomenon is explored. IEO, thus like EO, describes organizational willingness and indicates a firm’s strategic mindset and behavioural orientation towards international activities. It encompasses the willingness and readiness of a firm to (further) expand its operations beyond domestic borders and pursue opportunities in international markets (Wales, Gupta, Marino, & Shirokova, 2019).

Given the focus of this study on the international context, we will therefore centre our attention on the CEO's IEO rather than on the CEO’s general EO. Moreover, the recent study of Karami et al. (2023) on the impact of the CEO’s EO on SMEs’ internationalization suggests that future studies on the impact of the CEO’s intentions on SME’s internationalization should rather focus on the IEO construct instead of the general EO. Considering the Theory of Planned Behaviour, which emphasizes that intentions drive actions (Ajzen, 1991), we expect that the CEO’s international intentions, or the CEO’s IEO, will positively influence the SME’s internationalization, which is in line with the results of Felzensztein et al. (2015) and Thanos et al. (2017). This brings us to our first baseline hypothesis:

Hypothesis 1 (H1): There is a positive association between the CEO’s level of IEO and the SME’s internationalization.

2.3 The moderating role of the CEO’s level of legal literacy

Although there appears to be general agreement among psychologists that intentions are a good predictor for the expected behaviour, there are many factors that can obstruct the intention-

action relation (Gieure, del Mar Benavides-Espinosa, & Roig-Dobón, 2020; Godin et al., 2005). The majority of human actions are oriented towards achieving goals (e.g., Heider, 2013). However, merely having the intention to act is only a first step of goal fulfilment, as individuals frequently encounter obstacles along the way (Gollwitzer & Sheeran, 2006; Mintzberg & Waters, 1985). It follows that when intentions are not (fully) realized, a ‘gap’ abounds between intentions and actions (Godin et al., 2005). And so, applied to internationalization, the link between the CEO’s internationalization intentions (IEO) and the SME’s actual internationalization will therefore not always be straightforward.

Possible obstacles that prevent CEOs' international intentions from translating into the SME’s actual internationalization can be related to a lack of resources (McDougall et al., 2003; Weerawardena et al., 2007). More specifically, the study of Carmack and Heiss (2018) states that while people may have the intention to engage in a specific behaviour, they might ‘get derailed’ (Gollwitzer & Sheeran, 2006) if they lack sufficient control or resources to carry out the intended behaviour. The study of Dasí et al. (2015) further clarifies this by stating that an SME’s resource availability may prevent or enhance the transformation of an individual’s intention to participate in a proactive internationalization strategy. More specifically, building on the Resource-Based View (RBV), translating the CEO’s IEO into SMEs’ internationalization requires more competent and dedicated resources to manage the various international complexities (Barney, 2001; Chen & Lin, 2016; Esteve-Pérez & Mañez-Castillejo, 2008; Hashai, 2011; Knight, 2000; Kumar, 2009).

The RBV 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 individuals determine why firms make distinct strategic and operative choices that lead to different performances (Barney, 2001). One of the main, and empirically demonstrated resources that has a fundamental impact on a firm’s internationalization process; i.e. translating

international actions into international behaviour, 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 dynamic 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, may hinder the process of turning international intentions into international firm behaviour (Peng, 2001). Previous studies on the internationalization of new and small firms state that international or foreign market knowledge is an obstructing factor in translating the CEO's international intentions into the SME's internationalization (Eriksson et al., 1997; Westhead, Wright, & Ucbasaran, 2001; Zhou, 2007). Eriksson et al. (1997) 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., 1997). While foreign market knowledge, including familiarity with foreign business laws and regulations, is valuable for a firm's internationalization, it seems improbable for a CEO of an SME to possess comprehensive expertise in all international legal rules and norms. Therefore, Eriksson et al. (1997) emphasized that the accumulation of all components of foreign market knowledge is mostly incremental and requires durable and on-going interaction, making it impossible for the SME's CEO with for example little to no international experience to possess this extensive foreign market knowledge.

Therefore, we argue that, especially in an SME context, the actual catalyst of driving a CEO's international intentions into actions is not necessarily related to his/her detailed

knowledge about international laws and markets, but mainly to his/her level of basic legal literacy. We strictly adhere to the definition of legal literacy of Taylor (1996), which states that having legal literacy means that CEOs have an introductory or base understanding of legal issues in their work. Similar to how research on financial literacy emphasizes the importance of having a foundational or basic understanding of financial concepts to develop advanced skills like effective money or debt management (Remund, 2010; G. Tian, Zhou, & Hsu, 2020), we anticipate that a basic grasp of legal matters will promote the process of translating the CEO's international intentions into firm internationalization. Certainly, since turning international intentions into international actions often involves various legal issues (Zhou, 2007). These complexities may in turn hinder the process, when lacking the critical resources to manage these complexities (Carmack & Heiss, 2018; Dasí et al., 2015; McDougall et al., 2003; Weerawardena et al., 2007) such as the CEO's level of basic legal literacy. Therefore, we expect that CEO's with a foundational level of legal literacy will be able to manage these legal complexities, benefit the transformation of international intentions into international actions. Furthermore, we believe that the CEO's level of legal literacy will promote the CEO's responsiveness to opportunities and threats in foreign markets. Therefore, we contend that it's the CEO's level of legal literacy that will determine their ability to navigate complex international legal contexts, thereby facilitating the process of turning international intentions into (more) firm internationalization.

Previous literature already suggested that a lack of legal literacy could complicate strategic business decisions, such as the internationalization of a firm, as it may cause stress and anxiety when making decisions (De Groote, 2010; Freudenberg, 2017; Judo, 2009). However, despite recognizing this theoretical importance, empirical studies have yet to examine the potential moderating impact of the CEO's level of legal literacy. We fill in the existing research gap by empirically investigating the moderating impact of the CEO's level of legal

literacy on the relationship between the CEO's IEO and the SME's internationalization. This brings us to the next hypothesis:

Hypothesis 2 (H2): The CEO's level of legal literacy positively moderates the positive association between the CEO's level of IEO and the SME's internationalization.

Following these hypotheses, Figure 1 depicts our research model.

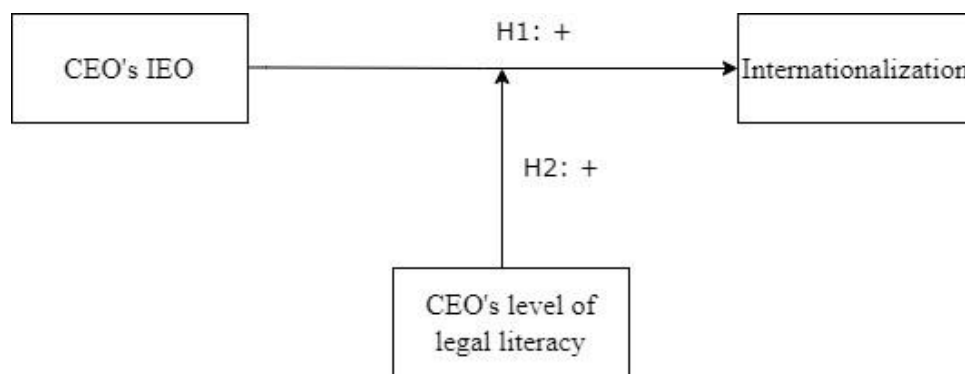


Figure 1: Conceptual framework: a moderation model

3. Methodology

3.1 Sample and Data Collection

The data used in this study were collected via a survey among the CEOs of private SMEs, based in Belgium from May to November 2023. We selected SMEs with a workforce ranging from a minimum of 5 to a maximum of 100 employees, which resulted in 7,656 firms. Subsequently, we exclusively sought CEOs of small firms not affiliated with a group, as we want to assess the internationalization of a small firm that operates independently. The final selection resulted in

3,653 firms. The survey was then distributed via email (containing a link to the online survey in Qualtrics) to the CEOs of the selected firms. A reminder email was subsequently sent, providing the option to complete the questionnaire with the CEO via telephone if preferred. Ultimately, 209 CEOs of SMEs (of which 149 are internationally active) fully completed the questionnaire, representing a response rate of 6.3%. Finally, to complete the dataset with information about the firm (such as the number of employees, the firm's age, and the sector in which the firm operates), we used the Bel-first database (Bureau Van Dijk).

3.2 Measures

Dependent Variable: Internationalization: Export Scope

SME's primary mode of internationalization is exporting (Debellis, Rondi, Plakoyiannaki, & De Massis, 2020; Fernández & Nieto, 2005). Exporting is considered a relatively low-commitment foreign market entry mode, which is particularly suitable for smaller firms that have fewer resources available for internationalization compared to large multinational enterprises and business groups (Kontinen & Ojala, 2012). The geographic scope of exports is considered central to SMEs' competitiveness (Johanson & Vahlne, 1977, 2009; G. A. Knight & S. T. Cavusgil, 2004). Therefore, and in line with the studies of Alayo et al. (2019), Arregle, Naldi, Nordqvist, and Hitt (2012) and Bauweraerts, Sciascia, Naldi, and Mazzola (2019), SME's internationalization is measured based on the SME's export scope, measured by the number of countries to which the firm exports its products.

Independent Variable : CEO's International Entrepreneurial Orientation

We used the validated IEO scale of Knight and Cavusgil (2004), and asked the CEO's perspective for each statement. The measure of IEO is based on 12 items, such as "I tend to see the world, instead of Belgium, as my firm's marketplace", or "In international markets, I have

a proclivity for high-risk projects, with chances for higher returns” (a complete overview of the 12 items is reported in the Appendix). We use a five-point Likert scale where 1 means the CEO strongly disagrees with the statement, and 5 strongly agrees. Since the scale to measure the CEOs' IEO consists of 12 statements, each of which can take a value between 1 and 5, the degree of the CEO's IEO will thus have a value between 12 and 60. The Cronbach's alpha for this 12-item scale is found to be 0.89.

Moderator Variable: The CEO's Level of Legal Literacy

Given the absence of a comprehensive measure of the CEO's level of legal literacy, we developed a measure comprising 10 items for this study. For assessing the CEO's level of legal literacy, we adhere very strictly to the definition of Taylor (1996), who states that having legal literacy means that CEOs have an introductory or base understanding of legal issues in their work.

The items of our measure focus on Belgian Company Law, as this is related to the CEO's own role within the firm and their legal relationship to it, giving the CEO a good incentive to have some knowledge of it. Topics such as the CEO's (personal) liability, his/her role in the event of a bankruptcy, and the CEO's responsibility to consistently pursue the corporate interest are included in our measure. If a CEO is not aware of these fundamental aspects, it is not reasonable to assume familiarity with more complex legal topics (such as internationalization). In other words, in this paper, the CEO's own role within the firm and their legal relationship to it, thus serves as a proxy for the CEO's level of legal literacy.

The measure development started by drawing inspiration from the studies of Donnell (1968), Elliott and Wolfe (1981), Klayman and Nesser (1984) and Moore and Gillen (1985). These conceptual studies emphasize the importance of an individual's legal knowledge (both in

a professional and non-professional context) and provide insights into which legal matters should be known. For example the studies of Donnell (1968), Elliott and Wolfe (1981) and Klayman and Nesser (1984) propose a design of what should be included in the business law curriculum of soon-to-be managers. This led to a set of 13 items that we considered relevant to include in our measure of legal literacy. 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 legal literacy, and each judge was asked to rate each statement as being clearly representative, somewhat representative, or not representative. The three items that were evaluated as not representative were removed or modified based on the feedback of the judge in question. Additionally, we pre-tested our measurement with five legal advisors and three CEOs of SMEs. After making the necessary adjustments to our measurement (based on the feedback from all experts), our measure of the CEO’s level of legal literacy consists of ten items, as seen in Table 1 (note that the statements were presented in Dutch to the respondents). The CEO must respond to each item with either true or false, in order to assess his/her level of legal literacy. Each CEO can achieve a score between 0 and 10 out of 10 indicating his/her level of legal literacy (LEGALL).

Table 1
Items of the CEO's level of legal literacy measure.

The CEO's level of legal literacy	Correct answer
As a director, it is possible to limit your civil and criminal liability by using a management company	False
The CEO is always a director of the firm	False
Within a limited liability company, a director can be held personally liable in the event of the company's bankruptcy	Correct
A director always has the necessary authority to represent the firm and sign contracts on behalf of the firm	False
A non-executive director who plays a passive role can never be held liable for mistakes made by the board	False
In principle, a corporate director may not engage in activities that compete with those conducted by the managed firm	Correct
A director is legally obligated to pursue the corporate interest; (h) a director of a firm does not have to be a shareholder of the firm	Correct
A director of a firm does not have to be a shareholder of the firm	Correct
A director who becomes aware of an opportunity that also concerns the firm may exploit that opportunity for personal gain	False
In the event of bankruptcy, you, as the CEO, continue to lead the firm	False

Control Variables

Based on prior internationalization research, we also added several control variables to our models. First, we control for individual-level control variables, such as the CEO's age. Based on the study of Herrmann and Datta (2002) and Hsu, Chen, and Cheng (2013), we expect that younger CEOs are more likely to internationalize due to their adaptability, familiarity with modern technology, and fresh perspective, enabling them to quickly grasp international market dynamics and make decisions in diverse cultural business environments. Next, we control for the CEO's gender (1 = male, 0 = female), since previous literature shows that female-owned

firms may be less likely to export than male, as woman are generally perceived as more risk-averse compared to men (Sui, Morgan, & Baum, 2022). Furthermore, we expect that the CEO's tenure (measured as the number of years active as a CEO of a firm) may positively affect the firm's export scope, since longer tenure may provide the CEO with valuable experience and knowledge, allowing them to better understand global markets, build relationships with for example international stakeholders, and make informed decisions crucial when venturing into global markets (Hsu et al., 2013). Additionally, we also control for the CEO's level of education (1 = pursued further education, 0 = limited education to high school diploma). We expect that CEO's level of education positively influences the firm's export scope by providing advanced strategic skills, cross-cultural understanding, and broader networks, enhancing the firm's ability to navigate global markets efficiently and effectively, which is in line with the studies of Herrmann and Datta (2002) and Hsu et al. (2013). Next, we added firm-level control variables, identified in previous research to impact a firm's internationalization, such as the firm's age, measured by subtracting the year in which the firm was founded from the year of data collection (2023). The study of Autio et al. (2000) states that young firms without established routines may be more adaptable and willing to experiment in foreign markets, leading to (more) internationalization. They are not hindered by entrenched practices, allowing them to quickly adjust strategies based on feedback and market conditions, giving them a competitive advantage over more established firms that may be slower to adapt (Autio et al., 2000). Furthermore, we control for firm size, since larger firms usually have more resources that can be used in the firm's internationalization (Autio et al., 2000; Steinhäuser et al., 2021). Firm size was measured as the natural logarithm of the number of full-time employees. Finally, in order to control for possible industry-related effects, we also control for the firm's industry type. We include the sectors in which the majority of the firms in our sample are active, namely: manufacturing,

chemistry, construction, transport, consulting and IT. The remaining sectors (in which a maximum of five firms are active) were grouped together as the 'other category'.

Confirmatory Factor Analysis and Common Method Variance

To investigate the construct validity of our key latent variables (IEO and LEGALL), we performed a confirmatory factor analysis using SPSS AMOS 28 and Maximum Likelihood Estimation (MLE). The chi-squared, CFI, TLI, RMSEA and SRMR of our two-factor model show a proper fit for the data: $\chi^2 = 281,89$ (204); $p = 0,000$; CFI = 0,957 and TLI = 0,952 (Brown, 2015; West, Meserve, & Stanovich, 2012). Considering the trade-offs between Type I and Type II error highlighted for the behaviour of fit indices in sample sizes smaller than 250, we adhere to the recommendations of Hu and Bentler (1999) to employ both a root mean square error of approximation (RMSEA) below 0,06 and a standardized root mean square residual (SRMR) under 0.09. In our two-factor model, both RMSEA and SRMR showed an appropriate fit with scores of 0,043 and 0.058 respectively. The two-factor model was subsequently compared to a one-factor model in order to test its discriminant validity.

The one-factor model demonstrated the following model fit statistics: $\chi^2 = 407,13$ (209); $p = 0,000$; CFI = 0,891; TLI = 0,880; RMSEA = 0,068; SRMR = 0,0602. The comparison between alternative models offers support regarding the construct distinctiveness for IEO and LEGALL (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Podsakoff, MacKenzie, & Podsakoff, 2012). Discriminant validity of the constructs can be confirmed as the two-factor model exhibited a better model fit in comparison to the alternative one-factor model.

Next, as some of the variables in our model originate from the same data source, we needed to examine possible common method concerns (Podsakoff et al., 2003; Podsakoff et al., 2012). First, common method bias was assessed using Harman's single-factor test; a single

factor extracts 30,946% of the total variance in the data. Given that this number falls notably below 50%, it can be inferred that there is no evidence of common method bias (Podsakoff et al., 2003). Subsequently, an unmeasured latent factor was evaluated on two variables (IEO and LEGALL), where common method variance could potentially occur (Podsakoff et al., 2003). The results revealed a common method variance of only 0,64% (0.08^2), further mitigating concerns regarding common method bias.

4. Empirical results

Descriptive statistics

After checking for any outliers, the descriptive statistics can be found in Table 2. An average firm in our dataset exports to 9 different countries, is 27 years old and employs 19 people. The average CEO in our sample is 52 years old, has pursued further education (83% of the respondents beyond high school) and has been active as a CEO for 18 to 19 years. As already stated, the degree of the CEO's IEO will have a value between 12 and 60. Table 1 shows that the mean level of the CEO's EO is 35,66; which is comparable to previous research (Calabro, Campopiano, Basco, & Pukall, 2016). Next, the average CEO scores 7.24 out of 10 on the questions regarding their level of legal literacy.

Table 2
Descriptive statistics of the variables.

Variable	Mean	Std. Deviation	Min.	Max.
EXPORT_SCOPE	9	14,735	0	80
CEO_IEO	35,66	9,320	13	57
LEGALL	7,24	1,538	4	10
CEO_AGE	52	9,613	23	80
CEO_GENDER	,14	,351	0	1
CEO_TENURE	18,90	10,918	1	46
LEVELOFEDUCATION	,82	,37850	0	1
FIRM_AGE	27	14,198	1	72
FIRM_SIZE ^a	19	18,010	5	100

a. Natural logarithm used in the regression model.

b. N = 209.

The correlation matrix, presented in Table 3, shows a strong significant positive correlation between the CEO's IEO and the firm's export scope which is in line with H1. The correlation matrix does not show significant correlations higher than 0.8, which indicates the absence of multicollinearity. Additionally, each variable's variance inflation factor (VIF) is lower than the recommended threshold of 10 (the highest VIF being 2.26 in the model) (Alin, 2010). Therefore, we can conclude that multicollinearity is not present in our study.

Table 3
Pairwise correlations.

	1	2	3	4	5	6	7	8	9
1.EXPORT_SCOPE	1	,506***	-,117	,048	-,098	-,099	,156**	,082	,089
2.CEO_IEO		1	-,072	-,051	-,066	-,190***	,123	,038	,186***
3.LEGALL			1	-,054	,082	-,040	-,101	-,050	-,017
4.CEO_AGE				1	-,070	,664***	-,075	,150**	-,138***
5.CEO_GENDER					1	-,027	,041	-,027	,009
6.CEO_TENURE						1	-,292***	,113	-,096
7.LEVELOFEDUCATION							1	,004	,047
8.FIRM_AGE								1	,080
9.FIRM_SIZE ^a									1

*, **, *** correlation significant at the 0.1 level, 0.05 level, 0.01 level (2-tailed).

a. Natural logarithm used in regression model.

b. N = 209.

4.1. Regression results

Our regression results can be found in Table 4. The first model includes all control variables. Regarding the control variables, it can be noted in Model 1 of Table 3 that the CEO's level of education has a significant positive effect on the firm's export scope. This is in line with the study of Herrmann and Datta (2002) and Hsu et al. (2013). Highly internationalized SMEs must navigate diverse cultural and institutional landscapes. CEOs with advanced education levels can conduct thorough decision-making analyses, enhancing their ability to manage internationalization efforts effectively.

Model 2 reveals the impact of the CEO's IEO on the firm's export scope while controlling for both CEO and firm characteristics and industry. The results indicate that the CEO's IEO has a positive and significant impact on the firm's export scope ($\beta = 0,840$; $p < 0,01$),

supporting Hypothesis 1. As expected, CEOs who are more willing to be internationally active also appear to be more internationally active effectively (i.e., in multiple countries). Additionally, the R^2 is 39.3%, and the model is significant at $p < 0,01$.

Hypothesis 2 suggests that the CEO's level of legal literacy strengthens the positive association between the CEO's IEO and the firm's export scope. To investigate this, we add the interaction term $CEO_IEO*LEGALL$ to Model 3 of Table 4. This model shows that the interaction term $CEO_IEO*LEGALL$ is significantly positive ($\beta = 0,140$; $p < 0,05$) in the regression analysis, meaning that the CEO's level of legal literacy indeed strengthens the positive association between the CEO's IEO and the firm's export scope. Therefore, we can accept hypothesis 2. To better understand the results obtained in Model 3, we plotted the interaction effect in Figure 2. This figure shows that the positive effect of the CEO's IEO on the firm's export scope will be larger when the CEO possesses a high level of legal literacy.

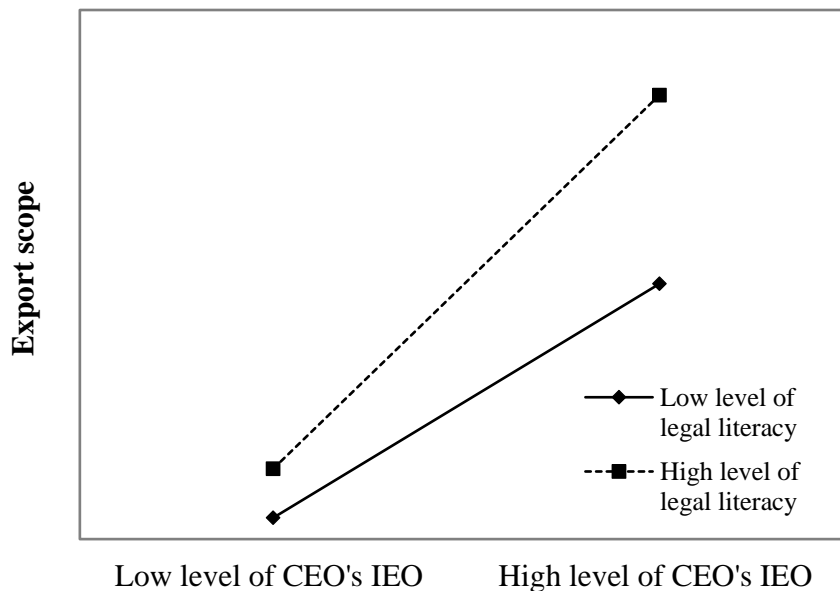


Figure 2: The moderating role of the CEO's level of legal literacy on the relationship between the CEO's IEO and the firm's export scope.

Table 4
Multivariate regressions.

	Model 1 (Control variables)	Model 2 (Independent variables)	Model 3 (Interaction)
Dependent variable	EXPORT_SCOPE	EXPORT_SCOPE	EXPORT_SCOPE
Intercept	-7,516 (7,040)	-29,633*** (6,480)	-34,042*** (7,247)
CEO_IEO		,840*** (,096)	,847*** (,095)
LEGALL			,339 (,555)
CEO_IEO*LEGALL			,140** (,063)
CEO_AGE	,179 (,140)	,131 (,119)	,168 (,119)
CEO_GENDER	-4,617 (2,802)	-3,098 (2,384)	-2,467 (2,385)
CEO_TENURE	-,144 (,129)	-,027 (,111)	-,057 (,111)
LEVELOFEDUCATION	4,806* (2,766)	3,921* (2,349)	3,902* (2,353)
FIRM_AGE	,055 (,074)	,037 (,063)	,047 (,063)
FIRM_SIZE ^a	1,569 (1,333)	-,478 (1,154)	-,419 (1,145)
Industry dummies	Yes	Yes	Yes
R-squared	,15181	,39270	,40946
F-statistic	3,562***	9,699***	8,922***

*p<0.1; **p<0.05; ***p<0.01

a. Natural logarithm used in regression model.

b. N = 209.

4.2. Robustness checks

To examine our results' robustness, we performed several robustness checks. First, we tested our hypotheses using a Tobit regression procedure Greene (2003), since 60 out of the 209 firms in our sample (or 29%) have an export scope equal to zero. Such method is frequently employed in similar research contexts to take into account the censored nature of the dependent variable (Sánchez-Bueno & Usero, 2014; Wiersema & Bowen, 2008). As shown in Table 5a, the results of these analyses are similar to our main findings. Model 2 of Table 4 shows that the CEO's IEO has a positive effect on the firm's export scope ($\beta = 1,592$; $p < 0,01$), confirming the first hypothesis. Furthermore, the third model shows that the interaction term *CEO_IEO*LEGALL* is significantly positive ($\beta = 0,186$; $p < 0,05$), meaning that, as argued in hypothesis 2, the CEO's level of legal literacy strengthens the positive association between the CEO's IEO and the firm's export scope.

Next, we added more control variables to our models. We added the CEO's foreign languages and the CEO's international experience as control variables in our analyses. We controlled for CEO's knowledge of foreign languages (measured as the number of foreign languages spoken), since fluency in foreign languages may positively impact the firm's export scope by facilitating communication, enhancing cultural understanding, and improving negotiation skills with foreign partners (Fernández-Ortiz & Lombardo, 2009; Musteen, Datta, & Butts, 2014; Musteen, Francis, & Datta, 2010). We also controlled for the CEO's international experience (measured as the number of years of international experience) since such experience often entails an established network of contacts and relationships abroad, facilitating market entry and partnership opportunities (Hambrick & Mason, 1984; Hsu et al., 2013). The results of Model 2 and 3 of Table 5b indicate that including these control variables did not alter the results of our main analyses.

Furthermore, to assess the robustness of our measurement of IEO, we conducted our main analyses using two alternative measures of IEO. Firstly, we employed Calabro's (2016) alternative measurement of Knight's (2004) IEO scale. The study of Calabro et al. (2016) measures IEO based on 5 items from the original Knight's (2004) scale (items 1, 2, 3, 5, and 7). Column 1 of Table 5c indicates that the CEO's IEO has a positive effect on the firm's export scope ($\beta = 1,513; p < 0,01$), confirming the first hypothesis. Furthermore, column 2 of Table 5c shows that the interaction term *CEO_IEO*LEGALL* is significantly positive ($\beta = ,235; p < 0,05$), meaning that, as argued in hypothesis 2, the CEO's level of legal literacy strengthens the positive association between the CEO's IEO and the firm's export scope. Additionally, our factor analysis revealed that items 8 and 10 of Knight's (2004) IEO scale load onto a separate factor. Therefore, as a robustness check, we reran the analyses excluding items 8 and 10 from the original IEO scale. Column 3 of Table 5c indicates that the results of these analyses are similar to our main findings.

We also conducted robustness checks on our independent variable by categorizing the CEO's level of legal literacy as either high or low (resulting in a binary variable). Specifically, we classified a CEO's level of legal literacy as "high" (= "1") if their score was equal to or above the average score for the CEO's level of legal literacy (which was 7 out of 10), and "low" (= "0") if their score was below the average. Table 5d shows that the interaction term *CEO_IEO*LEGALL* is significantly positive ($\beta = ,407; p < 0,05$), meaning that the CEO's level of legal literacy strengthens the positive association between the CEO's IEO and the firm's export scope, confirming hypothesis 2. Finally, we measured firm size as the natural logarithm of the firm's total assets, instead of measuring it as the natural logarithm of the number of full-time employees. Including this alternative measure of firm size did not alter the results of our main analyses.

Table 5a
Robustness check: tobit regressions

	Model 1 (Control variables)	Model 2 (Independent variables)	Model 3 (Interaction)
Dependent variable	EXPORT_SCOPE	EXPORT_SCOPE	EXPORT_SCOPE
Constant	-34,082*** (11,70)	-77,44*** (11,49)	-95,22*** (16,15)
CEO_IEO		1,592*** (,160)	1,599*** (,157)
LEGALL			,983 (,829)
CEO_IEO*LEGALL			,186** (,099)
CEO_AGE	,467** (,207)	,417** (,173)	,491*** (,172)
CEO_GENDER	-5,816 (4,198)	-2,561 (3,541)	-1,451 (3,521)
LEVELOFEDUCATION	9,241** (4,228)	8,283** (3,616)	7,707** (3,544)
CEO_TENURE	-,357* (,189)	-,147 (,158)	-,247 (,157)
FIRM_AGE	2,397 (1,948)	-,040 (,092)	-,026 (,091)
FIRM_SIZE ^a	2,523 (1,947)	-1,076 (1,645)	-1,456 (1,622)
Industry dummies	Yes	Yes	Yes
Pseudo R ²	,0271	,0970	,1036
Log Likelihood	-699.085	-646.110	-641.406

*p<0.1; **p<0.05; ***p<0.01

a. Natural logarithm used in regression model.

b. N = 209.

Table 5b
Robustness check: extra control variables: CEO's foreign languages and international experience

	Model 1 (Control variables)	Model 2 (Independent variables)	Model 3 (Interaction)
Dependent variable	EXPORT_SCOPE	EXPORT_SCOPE	EXPORT_SCOPE
Constant	-6,136 (7,731)	-28,97*** (7,341)	-32,804*** (7,842)
CEO_IEO		,816*** (,105)	,824*** (,104)
LEGALL			,372 (,563)
CEO_IEO*LEGALL			,140** (,063)
CEO_AGE	,065 (,140)	,115 (,123)	,151 (,123)
CEO_GENDER	-4,252 (2,735)	-3,089 (2,395)	-2,426 (2,398)
CEO_TENURE	-,156 (,126)	-,032 (,111)	-,064 (,112)
LEVELOFEDUCATION	2,987* (2,799)	3,628 (2,448)	3,730 (2,451)
FIRM_AGE	,035 (,074)	,033 (,065)	,046 (,065)
FIRM_SIZE ^a	1,442 (1,300)	-,437 (1,162)	-,389 (1,152)
FOREIGNLANGUAGES	1,271 (,086)	,271 (1,134)	-,026 (1,133)
INTERNATIONAL EXPERIENCE	,282*** (,086)	,043 (,081)	,048 (,081)
Industry dummies	Yes	Yes	Yes
R-squared	,20244	,39377	,41053
F-statistic	3,517***	8,358***	7,825***

*p<0.1; **p<0.05; ***p<0.01

a. Natural logarithm used in regression model.

b. N = 209.

Table 5c
Robustness check: CEO's IEO based on Calabro et al. (2016) and our factor analyses

Dependent variable	IEO based on Calabro et al. (2016) (Independent variables)	IEO based on Calabro et al. (2016) (Interaction)	IEO based on factor analyses (Independent variables)	IEO based on factor analyses (Interaction)
	EXPORT_SCOPE	EXPORT_SCOPE	EXPORT_SCOPE	EXPORT_SCOPE
Intercept	-22,038 (6,237)	-2,289 (13,172)	-21,610*** (6,268)	4,584 (13,932)
CEO_IEO	1,513*** (,175)	1,537*** (,174)	,766*** (,091)	-,249 (,435)
LEGALL		,235** (,115)		-3,925** (1,910)
CEO_IEO*LEGALL		,235** (,115)		,143** (,060)
CEO_AGE	,124 (,120)	,151 (,119)	,118 (,120)	,153 (,120)
CEO_GENDER	-3,262 (2,396)	-2,639 (2,399)	-3,161 (2,411)	-2,416 (2,410)
CEO_TENURE	-,014 (,111)	-,039 (,111)	-,023 (,112)	-,058 (,112)
LEVELOFEDUCATION	4,037* (2,361)	3,900 (2,368)	3,702 (2,377)	3,706 (2,377)
FIRM_AGE	,059 (,063)	,067 (,063)	,039 (,064)	,050 (,064)
FIRM_SIZE ^a	-,587 (1,164)	-,536 (1,156)	-,628 (1,173)	-,586 (1,161)
Industry dummies	Yes	Yes	Yes	Yes
R-squared	,38594	,40152	,37856	,39812
F-statistic	9,428***	8,632***	9,138***	8,511***

*p<0.1; **p<0.05; ***p<0.01

a. Natural logarithm used in regression model.

b. N = 209.

Table 5d
Robustness check: high versus low level of legal literacy

	Interaction-effect
Dependent variable	EXPORT_SCOPE
Constant	-25,436*** (6,695)
CEO_IEO	,648*** (6,833)
LEGALL	,477 (1,756)
CEO_IEO*LEGALL	,407** (,183)
CEO_AGE	,165** (,119)
CEO_GENDER	-2,948 (2,405)
CEO_TENURE	-,043 (,110)
LEVELOFEDUCATION	4,508* (2,370)
FIRM_AGE	,043 (,063)
FIRM_SIZE ^a	-,339 (1,147)
Industry dummies	Yes
R-squared	,40822
F-statistic	8,876***

*p<0.1; **p<0.05; ***p<0.01

a. Natural logarithm used in regression model.

b. N = 209.

5. Discussion and Conclusion

In this study, we examined the impact of the CEO's level of legal literacy on the relationship between the CEO's IEO and the SME's internationalization (measured as the number of countries to which the firm exports its products, or the firm's export scope). In doing this, we used a unique sample of 209 CEOs of private SMEs.

The Theory of Planned Behaviour of Ajzen (1991) emphasizes the critical role of intentions in guiding actions. When applied in the international context, research has shown that the CEO's international intentions or international entrepreneurial orientation indeed significantly influence SMEs' internationalization (Felzensztein et al., 2015; Jantunen et al., 2005; Javalgi & Todd, 2011; Karami et al., 2023; Liu et al., 2011; Ripollés-Meliá et al., 2007; Thanos et al., 2017; Yoon et al., 2018).

However, the CEO's intentions do not always translate into the desired SME's actions, for example due to a lack of resources in the SME (Carmack & Heiss, 2018; McDougall et al., 2003; Weerawardena et al., 2007). The RBV therefore argues that in order to translate international intentions into international actions more specialized and higher quality resource types are needed (Casillas & Moreno-Menéndez, 2014; De Clercq et al., 2012; George et al., 2005).

Previous studies mainly focused on the impact of the CEO's detailed international knowledge, including the CEO's understanding of international laws and regulations as an obstructing factor in translating the CEO's intentions into actions (Zhou, 2007). However, it seems rather improbable for a CEO of an SME with little to no international experience to have all this detailed knowledge at hand (Eriksson et al., 1997). Therefore, we argue that, especially in an SME context, and giving the legal complexities of a firm's internationalization (Zhou, 2007), the actual catalyst of driving a CEO's international intentions into actions is not

necessarily related to his/her detailed international knowledge, but mainly to his/her level of basic legal literacy, so the level to which they have an introductory or base understanding of legal issues in their professional domain (Taylor, 1996). Similar to how research on financial literacy emphasizes the importance of having a foundational or basic understanding of financial concepts to develop advanced skills like effective money or debt management (Remund, 2010; G. Tian et al., 2020), we anticipate that a basic grasp of legal matters will promote the process of turning the CEO's international intentions into (more) internationalization. However, despite recognizing this theoretical importance, empirical studies have yet to examine the potential moderating impact of the CEO's legal literacy. Therefore, we empirically investigated the moderating effect of CEO's level of legal literacy on the relationship between the CEO's IEO and the SME's internationalization, addressing the current research gap.

Our empirical results showed that the CEO's level of legal literacy intensifies the positive association between the CEO's IEO and the SME's export scope. In other words, our results indeed indicate that the CEO's level of legal literacy may act as a catalyst to convert internationalization intentions, being the CEO's IEO, into internationalization actions, being the SME's internationalization.

This study contributes to the literature and practice in several ways. First, it further builds on the Theory of Planned Behaviour of Ajzen (1991) by confirming that the CEO's international intentions promote SMEs' internationalization. Additionally, we add to Eriksson's (1997) foreign market knowledge. Eriksson et al. (1997) emphasizes that acquiring all components of foreign market knowledge is typically a gradual process, necessitating continuous and long-term interaction, making it rather impossible for the SME's CEO with for example little to no international experience to acquire comprehensive foreign market knowledge. Adding to this insight, our findings suggest that a basic grasp of legal matters will promote the process of turning the CEO's international intentions into SMEs' (further)

internationalization. Next, this study advances the Resource-Based View. By examining how the CEO's level of legal literacy influences the firm's internationalization process, we provide deeper insights into the underlying resources stimulating the SME's internationalization process. In addition, we empirically confirm the theoretical insights of Freudenberg (2017) and Judo (2009), who already suggested that insufficient legal literacy might complicate strategic business decisions, including the firm's internationalization process. While their studies remained purely theoretical, our study significantly contributes by empirically assessing the relationship between the CEO's level of legal literacy on the relationship between the CEO's IEO and the SME's internationalization. Finally, we used the IEO construct instead of the general EO in examining the effect of international intentions on SME's actions. In this way we respond to recent research calls of among others Karami et al. (2023), to utilize the IEO construct instead of the general EO when testing the effect of international intentions on SME's internationalization.

Furthermore, our results also have important managerial implications for CEOs of SMEs. By indicating that CEOs' level of legal literacy may effectively translate their international intentions into (more) international actions, our findings underscore the importance of investing in legal literacy and capabilities of CEOs. Firstly, our findings indicate that management education should devote more attention to the future manager's level of basic legal literacy. Our results indeed demonstrate that this basic legal literacy can promote the process of translating international intentions into (more) international actions. Furthermore, firms themselves can also make organizational efforts aimed at improving legal literacy among CEOs. According to our results this may have far-reaching benefits for SMEs, enabling them to navigate complex legal landscapes and seize international opportunities. Lastly, our findings also offer some insights for policymakers. Overall, policymakers play a crucial role in creating an enabling environment for SMEs to thrive internationally. Policymakers can support SMEs'

internationalization by investing in tailored legal literacy programs, promoting access to legal resources, offering financial incentives for legal education and training and raising awareness about the importance of CEOs' legal literacy. In other words, by prioritizing legal literacy and providing support mechanisms tailored to SMEs' needs, policymakers can empower SMEs to navigate the complexities of internationalization and contribute to economic growth.

Although this research provides important insights for the literature it also has some limitations. Using a single-country analysis we were able to concentrate on the particular environment in which Belgian firms function and to closely align our measurement of the CEO's level of legal literacy with this context. However, validating these results in other legal contexts may also be a valuable path for future research, since it may be interesting to examine the effect of the CEO's level of legal literacy on the IEO-internationalization relationship in countries where firms operate within a different legal framework (Shapiro, Gedajlovic, & Erdener, 2003; Tsang, 2001). Furthermore, this research is based on cross-sectional data, which captures firms' situations at a particular moment. Future studies could investigate the moderating effect of the CEO's level of legal literacy on the IEO-internationalization relationship over time in a longitudinal study, to provide additional evidence to test whether the findings are sustained over time. Next, measures to capture the financial resources of the SMEs could be included, to see if that also influences the capabilities of the SME to export to multiple countries (Felzensztein et al., 2015). Furthermore, it would be interesting to explore the effects of the CEOs level of legal literacy on the IEO-internationalization relationship, using a different measure of internationalization, instead of export scope. For example, other internationalization choices, e.g. location (Felzensztein et al., 2015) and operating mode (Kano & Verbeke, 2018) may also be interesting to explore. In addition, we considered IEO as a construct and did not consider potential subdimensions. Future research could subdivide IEO into attitudinal and

behavioural elements to better explain the impact of the CEO's IEO on the SME's internationalization.

Appendix A. The measure of the CEO's IEO based on the 12-item scale of Knight and Cavusgil (2004)

The CEO's level of IEO

1. I tend to see the world, instead of just Belgium, as my firm's marketplace
 2. The prevailing organizational culture at my firm (management's collective value system) is conducive to active exploration of new business opportunities abroad
 3. I continuously communicate my mission to succeed in international markets to firm employees
 4. I develop human and other resources for achieving my goals in international markets
 5. I am experienced in international business
 6. Over the past 5 years, my firm has marketed many products in foreign markets
 7. In international markets, I have a proclivity for high-risk projects (with chances for high returns)
 8. When confronted with international decision-making situations, I typically adopt a cautious, 'wait-and-see' posture in order to minimize the chance of making costly mistakes
 9. I communicate information throughout my firm with respect to the successful and unsuccessful customer experiences abroad
 10. I believe that, owing to the nature of the international business environment, it is best to explore it gradually via conservative, incremental steps
 11. I am willing to go to great lengths to make my products succeed in foreign markets
 12. My vision and drive are important in the decision to enter foreign markets
-

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