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CAPABILITY INTERACTIONS AND RESOURCE-BASED CONSTRAINTS WITHIN INTERNATIONAL ENTREPRENEURSHIP: IS THERE A LOGIC FOR INTERNATIONAL SOURCING? (INTERACTIVE PAPER)

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INTERACTIVE PAPER SESSION

CAPABILITY INTERACTIONS AND RESOURCE-BASED CONSTRAINTS WITHIN INTERNATIONAL ENTREPRENEURSHIP:
IS THERE A LOGIC FOR INTERNATIONAL SOURCING?

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Principal Topic

The growth of new venture internationalization has arisen the inclination to re-examine the "strategic logic" behind entry into international markets (e.g. Oviatt and McDougall 1994, Lu and Beamish 2001). Entrepreneurs are facing the imperative of sourcing internationally in order to achieve the widely promulgated financial and strategic benefits generated by geographically dispersed value chains (McDougall et al. 1994, McGrath and MacMillan 1992). Yet, it is unclear why some of the enterprises of more recent chronology do manage to successfully internationalize their sourcing activities within their value chains whilst others do not. This suggests that we are failing to fully comprehend the underlying "strategic logic" for international sourcing.

Method

To close this research gap, we collected data in conjunction with a survey commissioned by the East of England Development Agency (EEDA), in 2002-2003. Our telephone interviews were aimed at identifying resource and capability gaps related to internationalization of especially smaller and younger enterprises in six UK counties. During the course of the study more than 600 young internationalizers, active in either exporting, global sourcing or foreign direct investment, responded to questions as regards their respective resource constraints and capability development.

Results and Implications

The research contribution of our paper is threefold: First, by taking a resource-based perspective, we focus our research on attempts by which entrepreneurs stretch resources and capabilities (Brush and Chaganti 1999, Lichtenstein and Brush 2001) to internationally source activities in their respective value chains, as competitive forces and changes in the international environment diminish their value. Second, we identify the ways in which major resource-based constraints impact upon young enterprises, paying particular attention to the factors influencing the decision to start international sourcing. We find that individual capability constraints matter more for firms that are engaging in international sourcing as well as international sales, rather than for enterprises that engage in a single mode of internationalization. It is apparent that smaller and younger enterprises do not, unthinkingly, invest in resource-intensive international sourcing activities. Third, specific resources and capabilities drive the active pursuit of international sourcing. The resource-based view, including dynamic capabilities (Teece et al. 1997, Eisenhardt and Martin 2000), thus provides suitable anchors for the analysis of this phenomenon.

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