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## YOUNG FIRM SURVIVAL AND GROWTH AFTER EARLY INTERNATIONALIZATION: A TEST FROM A CAPABILITIES PERSPECTIVE (SUMMARY)

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## SUMMARY

### YOUNG FIRM SURVIVAL AND GROWTH AFTER EARLY INTERNATIONALIZATION: A TEST FROM A CAPABILITIES PERSPECTIVE

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#### Principal Topic

The decision for a young firm to initiate internationalization activities early in its life cycle has many potential advantages and pitfalls (Zahra & George, 2002). Two principal theoretical frameworks provide perspectives regarding this internationalization decision. On the one hand, a process theory approach outlined by Johanson and Vahlne (1977, 1990) suggests that the decision to internationalize is a function of firm-level characteristics and experience. In contrast, the new venture internationalization viewpoint suggests that the decision by young firms to enter foreign markets is a proactive function of that firm's desire for growth (Oviatt & McDougall, 1994).

A recent theoretical model has suggested that the process and new venture internationalization views are complementary, and that young firm survival and growth outcomes related to foreign market entry can be examined from a capabilities standpoint (Sapienza, Autio, George, & Zahra, 2006). This paper seeks to test four hypotheses proposed by Sapienza et al. (2006) in their model. We hypothesize that the initiation of international entry is negatively related to a firm's survival but positively related to growth. Additionally, we hypothesize these main effects are moderated by firm age.

#### Method

Our initial data consists of 802 randomly sampled firms identified in Compustat for the years 1995-1999. To successfully create the sampling frame for the analysis, data were followed up for five years subsequent to identification, to ensure that the same sampling frame was applied to each firm selected. To test the survival hypotheses Cox regression was used with firm age as a moderating variable, in addition to the control variables. To test the firm growth hypotheses, linear regression was used with firm age as the moderating variable as well.

#### Results and Implications

Results have been supportive; by using a survival analysis approach we can provide a longitudinal examination of the firm's survival, and further strengthen the arguments made by Sapienza et al. (2006). The results offer insights into the role of capabilities in new ventures' survival, especially in international markets. With the growing participation of these companies in global industries, these results can give entrepreneurs guidance on the types of capabilities to build.

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