INTERNATIONALIZATION OF SOFTWARE FIRMS: AN INSTITUTIONAL MODEL (SUMMARY)

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SUMMARY

INTERNATIONALIZATION OF SOFTWARE FIRMS: 
AN INSTITUTIONAL MODEL

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Principal Topic

Received models of international entrepreneurship tend to emphasize firm-specific and generic environmental factors as key regulators entrepreneurial firm internationalization. They also tend to overlook the fact that the structuring of business opportunities is determined by institutional factors such as the institutional structure of a given business sector (Porac and Thomas, 1994; Spencer & Gomez, 2002; Chesborough, 1999; Acs & Audretsch 1993). Depending on the sector, opportunities for international growth will be differentially structured because of sector-specific institutional structures. We studied the internationalization of software product companies, focusing on the influence of software-specific institutional conditions on the internationalization patterns.

Method

The theoretical model was tested with survey data from 91 Finnish software firms, drawn from the full population of Finnish software product firms (16.4% response rate). Previously tested multi-item scales were used, with external validation. Logistic regression and negative binomial regression were used to analyze the data.

Results and Implication

Results indicate that the extent of cross-border standardization and horizontality of markets hamper the internationalization of software firms that provide infrastructure software or large complex software systems due to increased imitation of core knowledge, decreased switching costs, and increased competition. The effect is reverse for providers of application and simple software. Also, asset specificity in distribution strongly inhibits internationalization performance. Resource slack and fungibility, international resource orientation, and installed base were the main factors facilitating the internationalization of all business models; however, the internationalization of infrastructure software providers was especially enhanced with slack resources and installed base. These findings have implications for software firms designing internationalization strategies.

Three key contributions were achieved. First, we explicated the effect of sector institutional conditions on firm internationalization. Second, we produced specific data on software firm internationalization. Third, demonstrated that institutional conditions matter for firm growth and internationalization.

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