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INTERACTIVE PAPER

ENTREPRENEURS' DECISIONS TO INTERNATIONALIZE EARLY:
EVIDENCE FROM VERBAL PROTOCOLS

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Principal Topic

Early internationalization is critical for a firm’s growth, maturation, and profit. Yet early internationalization is also risky due to the dual liabilities of newness and foreignness. However, academic findings about early internationalization rest on an important yet untested assumption: that the factors that explain new venture internationalization after the fact influence the entrepreneurs’ decisions before the outcomes are known. To address these limitations, we develop a model of the cognitive processes that drive entrepreneurs’ early internationalization decisions.

We draw from decision-making theory to propose that when entrepreneurs consider whether and when to internationalize their ventures, they make comparisons between potential international opportunities. Contemporary research on similarity judgment highlights three cognitive outputs of the comparison processes: commonalities, alignable differences, and nonalignable differences.

Method

We use verbal protocol techniques to assess whether and to what extent entrepreneurs’ reasoning about new venture internationalization involves these comparison processes. The technique is particularly appropriate for investigating the thought patterns supporting entrepreneurial action (Grégoire, Barr & Shepherd, 2010; Hall & Hofer, 1993; Sarasvathy, 2000).

We conduct the study with a sample of 19 entrepreneurs interesting in taking their new ventures international. Each entrepreneur completes nine decision protocols and a short survey, providing 171 protocols for analysis. We present them with nine different countries and ask them to “think out loud” as they evaluate whether and when to expand to each country. We content analyze the transcripts for evidence of active comparing of potential choices and consideration of the cognitive outputs of the comparison processes predicted by our model.

Results and Implications

We find that, in contrast to other internationalization decisions (e.g., opportunity selection), entrepreneurs rely on a simple heuristic for deciding when to internationalize. Entrepreneurs focus exclusively on commonalities while ignoring differences (alignable and nonalignable) in order to minimize resource commitments through reduction in product and strategy adaptation.

Our research opens the black box of “entrepreneurial actor perceptions” (Oviatt & McDougall, 2005) and draws attention to the reasoning that influences entrepreneurs’ decisions before the facts. In doing so, we help address limitations of past research. Further, we demonstrate how cognitive comparison process shape entrepreneurs’ early internationalization decisions.

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