FAST-GROWTH COMPANIES ON DEVELOPED AND DEVELOPING ECONOMICS: A COMPARITIVE STUDY ON ENTREPRENEURIAL AND INTERNATIONAL DIVERSIFICATION STRATEGIES (SUMMARY)

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SUMMARY

FAST-GROWTH COMPANIES ON DEVELOPED AND DEVELOPING ECONOMICS:
A COMPARITIVE STUDY ON ENTREPRENEURIAL AND INTERNATIONAL
DIVERSIFICATION STRATEGIES

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Principal Topic

Fast-growth companies are our subject of study. We look at corporate entrepreneurship initiatives towards
diversification into new businesses also referred to corporate venturing. Therefore, we study the
relationship between growth and business diversification.

We compare a developed country, Spain, to a developing one, Mexico. Our sample includes 171
multinational industrial companies of which 118 are Spanish and 53 are Mexican. Indeed we cover 855
observations. Multinational means at least one productive facility abroad. Also, at least 51% of the
property is in the hands of local investors and the head office is located in the country of origin. Most of
them are family businesses, ranging from first to third generation of entrepreneurs.

Our results show that in developed economies there seems to be a Double-U model that explains better
the growth-diversification relationship. An initial explanation is that there might be two different
strategies. One that engages on the exploitation of current capabilities which is cornerstone to most of the
strategy thinking. Another one that engages on exploration of new business opportunities beyond current
capabilities and resources which is cornerstone to the field of entrepreneurship. In the case of developing
economies the inverted-U model reflects better the growth-diversification relationship. An initial
explanation is that diversification generates opportunities for exploiting adjacent business opportunities.
However, exploration activities, entrepreneurship into arenas seem more difficult due to the adverse
context generated by the lack of institutions such as venture financing activities, among others.

At least two implications arise of our results. First, that companies in developing countries diversify to
neutralize the adverse environment and find growth opportunities. Their entrepreneurial capability is
limited by the adverse environment. Second, in developed economies related diversification is driven
mainly by the search of exploitation opportunities of existing resources and capabilities. Notwithstanding,
the favorable institutional context allows the companies to engage into the exploitation of new
opportunities in new businesses mirrored in unrelated diversification. In developed economies strategy
and entrepreneurship could be brought closer when conceived as two possibilities viable to any company.
Companies have the option to remain conservative or become entrepreneurial.

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