THE WORLD IS YOUR OYSTER: THE EFFECTS OF KNOWLEDGE, HUMAN CAPITAL, TECHNOLOGY AND ENTRY TIMING ON INTERNATIONAL GROWTH (SUMMARY)

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Principal Topic

The development of theoretical frameworks seeking to formalize thinking about why young, entrepreneurial firms internationalize (Brush, 1992; McDougall, Shane, & Oviatt, 1994; Oviatt & McDougall, 1997) led to an emerging empirical literature seeking to test these theories using real world data (Autio, Sapienza, & Almeida, 2000; Coeurderoy & Murray, 2008; Mudambi & Zahra, 2007; Fernhaber, Gilbert, & McDougall, 2008). We draw on elements of several established theories of internationalization to provide a framework for exploring international market entry and scale of entry measured by number of foreign markets entered for a sample of young, high-tech, firms from the UK and Germany.

Method

Dependent Variable

Number of international markets entered. We studied international market entry over the (average) period 1992-2003, using number of international markets entered as the dependent variable. Number of international markets entered was defined by the survey respondents by naming the countries they derived sales in. This data was then simply counted up to provide a new variable for analysis. Given the nature of the dependent variable the number of international markets entered was estimated using a Poisson model.

Explanatory Variables

Three broad groups of explanatory variables were incorporated into the model. These are; Timing of first international market entry; Knowledge Intensity, and; Imitability. As control variables, we also include industry sector, start-up size, modes of financing and a country dummy variable.

Results and Implications

Our findings show that early international exposure appears fundamental to subsequent international market development and expansion. We also find support for knowledge and learning theories of internationalization, particularly in relation to R&D and human capital measures relating to the founding entrepreneurial team and technical employees. The more complex the relationship between a firm, its product and its customers, the less scope there appears to be for expanding, or diversifying, across international markets. And the ‘window of opportunity’ is so short that the ability to earn supra-normal profits (first mover advantage) does not encourage or deter further international market entry. The finding that internationalizing firms who choose the US as their first international market entry are also those most likely to develop more extensive international market presence offers support for the notion that if a firm can make it there, it can make it anywhere.

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