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ENTREPRENEURS’ DECISIONS TO INTERNATIONALIZE EARLY OR LATE: A CHOICE EXPERIMENT

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Principal Topic
Research on the early internationalization of new ventures has challenged prevailing theories of when and how firms extend their activities abroad. Despite all this interest however, little is known about the specific considerations that entrepreneurs mobilize when making decisions about international entry. Although a number of studies have considered the motivations of entrepreneurs to do business abroad, prior research provides ambiguous evidence regarding entrepreneurs’ distinctive consideration of decision criteria that should increase the costs and risks of internationalization opportunities, by contrast to decision criteria that should increase the revenues and returns of such opportunities. Furthermore, the use of retrospective accounts or firm-level data cannot tell us whether entrepreneurs’ effectively consider tradeoffs and synergies between different criteria when they make decisions about future international opportunities.

Methods
To explore these questions, we conducted a choice experiment with 141 entrepreneurs for whom the decision to internationalize early is directly relevant. More concretely, we presented participants with 25 choices between internationalization opportunities with different combinations of four strategic considerations highlighted in past research:

1) The psychic distance between the domestic market and the international opportunity;
2) The market size of the international opportunity;
3) The competitive superiority of the firm’s products/services;
4) The fungibility of the firm’s current resources for pursuing the international opportunity.

We use hierarchical linear modeling to examine the influence of these criteria on participants’ choice of internationalization opportunities, and on the magnitude of the investments they would make towards such opportunities. As such, our analyses allow us to distinguish the effects of external and internal considerations, as well as that of risk- vs revenue-enhancing criteria.

Results and Implications
Our results show that on average, entrepreneurs’ are most influenced by market size considerations and psychic distance (two external considerations). But these average results mask important distinctions. For instance, we observe that the influence of internal criteria like competitive superiority and resources fungibility increase with international experience. We also observe that few entrepreneurs consider tradeoffs and synergies between criteria. As such, our findings inform the design of policy programs and pedagogical means to foster more comprehensive decisions for early internationalization success.

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