LIABILITIES OF FOREIGNNESS AND INTERNATIONAL GROWTH: EXAMINATION OF IP-BASED AND PRODUCT-BASED STRATEGIES (INTERACTIVE PAPER)

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Principal Topic

Thus far, most of the empirical work on “liabilities of foreignness” has focused on foreign subsidiaries of multinational enterprises relative to domestic firms, while largely ignoring the context of new ventures (Buckley & Casson, 1998; Mezias, 2002; Zaheer & Mosakowski, 1997). In this paper we study the liability of foreignness (LoF) in the context of new ventures. It is our objective in this paper to examine: (1) how liabilities of foreignness affect new ventures; and (2) whether these liabilities similarly affect all new firms regardless of their chosen strategy for foreign market entry.

Method

We use the longitudinal panel provided by the Kauffman Firm Survey, which tracks nearly 5,000 US start-ups in their first six years of operation.

Results and Implications

We find that the liability of foreignness is significantly greater for product-based than for IP-based commercialization strategies. In addition, leveraging the Internet for export sales alleviates some liabilities of foreignness associated with a ‘market for products’ strategy, thereby enhancing internationalization performance. We distinguish between two types of liabilities of foreignness: LoF as an operator and LoF as a source.

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