6-8-2013

PATH CREATING AND PATH BREAKING: THE EFFECTS OF INITIAL INTERNATIONAL ENTRIES ON VENTURE GROWTH AND PERFORMANCE (SUMMARY)

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Recommended Citation
Williams, David W. and Grégoire, Denis A. (2013) "PATH CREATING AND PATH BREAKING: THE EFFECTS OF INITIAL INTERNATIONAL ENTRIES ON VENTURE GROWTH AND PERFORMANCE (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 33 : Iss. 15 , Article 5.
Available at: https://digitalknowledge.babson.edu/fer/vol33/iss15/5

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PATH CREATING AND PATH BREAKING: THE EFFECTS OF INITIAL INTERNATIONAL ENTRIES ON VENTURE GROWTH AND PERFORMANCE

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Principal Topic
Research has shown that the benefits of internationalization are unevenly distributed (Hitt, Hoskisson, & Kim, 1997; Lu & Beamish, 2001, 2004), and that firms internationalizing early are more likely to grow but also more likely to fail (Sapienza et al., 2006). In spite of these important variations, however, few empirical studies consider the path-dependency relationships between this first entry and subsequent internationalization behavior and performance. Thus, theoretical understanding of the long-lasting effects of early internationalization remains limited.

Key Propositions and Methods
We build on evolutionary economics theory (Nelson & Winter, 1982) and configuration theory (Doty, Glick, & Huber, 1993) to compare the configuration of strategies where, when and how a firm internationalizes. Although the timing of the initial entry varies significantly between early entry and very late entry (Johanson & Vahlne, 1977; Oviatt & McDougall, 1994, 2005; Tuppura et al., 2008), firms exhibit significant differences in how (entry mode) and where (market selection) they chose to internationalize. Our hypotheses center on how the characteristics of the first international entry influence the “path” that a venture takes towards subsequent internationalization efforts, and the impact of the different paths on firm growth and performance.

We collected primary data on ventures’ international entries via an online survey, paired this with secondary data on market characteristics, and analyzed our data using regression and econometric techniques consistent with a configurations approach (cf. Short, Payne, & Ketchen, 2008).

Results and Implications
Early results suggest our sample utilized a wide variety of “paths,” however, relatively few firms (less than 6%) use “extreme” strategic configurations of going to both distant markets and using high commitment entry modes for their initial entry. Although our results indicate a high level of equifinality amongst strategic configurations, not all paths lead to similar outcomes. For example, we found important differences between firms that take very large “steps” but also between firms that take very small “steps” when internationalizing for the first time. Overall, our research points to important observations about how firms leverage high risk/high reward and low risk/low reward strategic configurations to maximize their performance.

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