RESOURCES MOBILITY AND EARLY INTERNATIONALIZATION OF NEW VENTURES (SUMMARY)

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Recommended Citation
Yavuz, R. Isil and Zaheer, Sri (2013) "RESOURCE MOBILITY AND EARLY INTERNATIONALIZATION OF NEW VENTURES (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 33 : Iss. 15 , Article 6. 
Available at: https://digitalknowledge.babson.edu/fer/vol33/iss15/6

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SUMMARY

RESOURCE MOBILITY AND EARLY INTERNATIONALIZATION OF NEW VENTURES

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Principal Topics

While much research has emphasized the importance of firm resources for early internationalization, very few studies have theorized and empirically tested the effect of resource characteristics on early internationalization (Keupp & Gassmann, 2009). Moreover, most of these studies have pointed out the importance of resource availability (or the existence of slack resources), and largely overlooked the importance of the configurations of existing resources to the internationalization process. These studies have argued that slack resources buffer organizations from external shocks, and provide flexibility (Hannan, 1998). However, given the limited slack resources new ventures almost always have, we focus on the mobility or the flexibility of the available resources, not on the amount of resources. We specifically ask: whether and how does the mobility of available resources affect early internationalization of new ventures?

Methods/Key Propositions

For new ventures with little slack resources, mobile configurations of the available resources become crucial to adapt to take advantage of international opportunities. New ventures with more mobile resource configurations may be able to shift their resources to different uses faster and at lower costs relative to new ventures with less mobile resources (Sapienza, Autio, George & Zahra, 2006). This flexibility, in turn, increases their responsiveness to international opportunities, and increases the likelihood of early internationalization. On the other hand, new ventures with less mobile resources may not be able to adapt their resources for alternative uses quickly. That is, less mobile resource configurations hampers the flexibility of new ventures to move their resources to exploit opportunities outside of their local markets rapidly. This leads to the following hypothesis:

Hypothesis 1: The mobility of available resources has a positive effect on the likelihood of early internationalization of new ventures.

We use Kaufmann Firm Survey (KFS) to test our hypothesis. KFS is a large panel data set of new ventures that are all founded in 2004 in the US. Because KFS follows the same cohort of firms over time (for five years), it helps address the methodological problems of past cross-sectional studies.

Results/Implications:

Preliminary results from 705 high technology new ventures suggests that the mobility of firm resources (measured as the proportion of liquid assets to total assets) has a positive and significant effect on early internationalization with $z=1.094$, $p<0.085$.

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