

**10<sup>th</sup> Vaasa Conference on International Business**

## **Teams and nets in international new ventures – New roles of the entrepreneur**

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## Outline

What is International Entrepreneurship? How to define the firms?  
Where do they operate – different types?  
What is so special about international firms?  
Who is the founder(s)?  
How to understand these firm?



## International Entrepreneurship

The merger of two research traditions:

Internationalization:

Classical models – incremental development

Rapid international firms - Born Globals (establishment and expansion)

Focus on the behavior of firm (strategy)

Entrepreneurship:

The founding process of INV's

Focus on the person – the entrepreneur

How to use networks, relationships and social capital in the founding process



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## Types of International New Ventures

” a business organization that, from inception, seeks to derive significant competitive advantages from the use of resources and the sale of outputs in multiple countries”

(Oviatt & McDougall, 1994)

	Number of Countries involved	
	Few	Many
<b>Few value chain activities coordinated across countries</b>	<i>Export/Import start-up</i>	<i>Multinational trader</i>
<b>Many value chain activities coordinated across countries</b>	<i>Geographically focused Start-up</i>	<i>Global Start-up</i>



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## What is Global?

“Our suggestion is to use the proportion of foreign activities outside the firm’s own continent as a more valid measure of the firm’s international or global scope. Considering today’s market conditions involving easy and inexpensive transportation as well as communication, many firms sell products or source input from neighboring countries, at least. A new Belgian firm sourcing input from France and selling its product in the Netherlands is probably more the rule rather than the exception. “

(Madsen & Knudsen, 2004)



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## Suggested Typology

Label	Sourcing	Sales
Born Local Firm	<i>No foreign sourcing within three years after inception</i>	<i>No foreign sales within three years after inception</i>
Born International Sourcer	<i>Less than 25% of foreign sourcing outside own continent within three years</i>	<i>No foreign sales within three years after inception</i>
Born International Seller	<i>No foreign sourcing within three years after inception.</i>	<i>Less than 25% of foreign sales outside own continent within three years</i>
Born Regional Firm	<i>Less than 25% of foreign sourcing outside own continent within three years</i>	<i>Less than 25% of foreign sales outside own continent within three years</i>
Born Global Firm	<i>More than 25% of foreign sourcing outside own continent within three years</i>	<i>More than 25% of foreign sales outside own continent within three years</i>



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## Problems in INV research

- What is 'international'?  
Exporting? Sourcing? Number of countries/customers? Percentage of foreign sales/sourcing (Modes, Products, Countries)?
- What is 'inception'?  
First time of planning? Legal entity formation? Occasion of first international sales? New ownership? New technology?
- What is 'new'?  
0 years? 3 years? 6 years? Novelty to whom?
- Very problematic with the size definition (micro firms needs to be included!)
- too preoccupied with the international aspect? the role of the home market and the function that the domestic market plays?



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## The disappearance of the "home-market"

<i>Type of New Venture:</i>	<i>Reliance of markets:</i>			
	Domestic market	Regional markets	International markets	Global markets
Global New Venture	-	-	√	√
International New Venture	√	√	√	-
Regional New Venture	√	√	-	-
Domestic New Venture	√	-	-	-

*Legend: - = void, √=important*

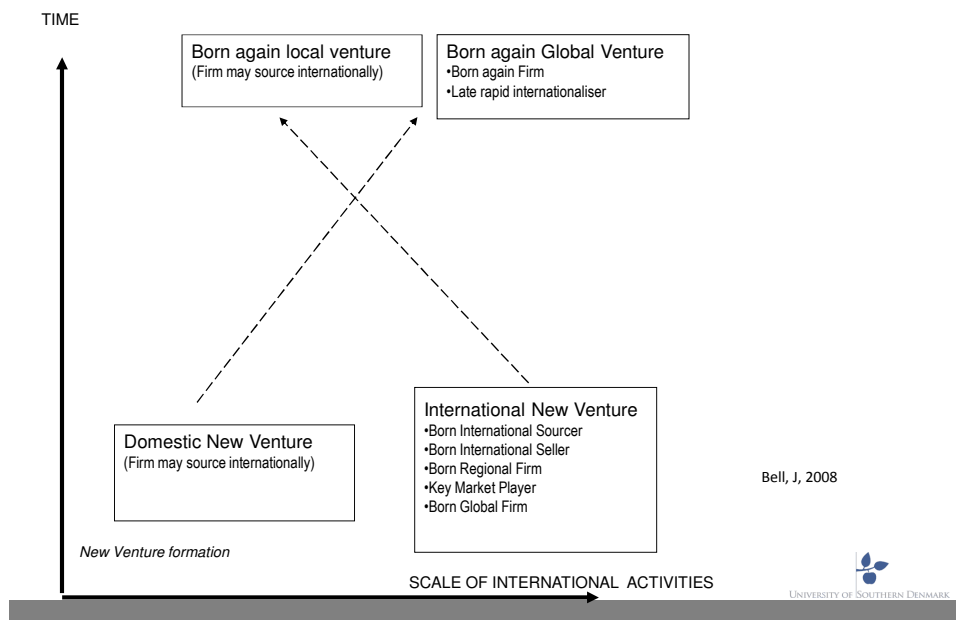
Some definitions;  
 Domestic market;           the national domestic market,  
 Regional markets;         surrounding national markets,  
 International markets;    other markets on own continent,  
 Global Markets;           markets outside own continent.



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## Dynamics of rapidly Internationalising SME's



“Our current working definition is: International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services”

Oviatt & McDougall (2005)

## TOWARD NEW DEFINITIONS

## The Founder/Entrepreneur

Logitech, a Swiss-based producer of desktop aids for PCs, was founded in 1982. Seven years later, more than 70% of the total sales originated from sales outside Europe. Moreover, it manufactures and engineers its products in the US, the Far East and in Europe. The firm was founded by a Swiss citizen and an Italian citizen who met while studying at Stanford University. Later on, a third person joined the group after a career in Olivetti and IBM. Physically, the firm was located both in Switzerland and Palo Alto in the US, but the main part of R&D was soon moved to Silicon Valley. Manufacturing was initially done on both locations, but when volume increased a new facility was set up in Taiwan. (Jolly *et al.* 1992)



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## The Team

Lasa Industries are established in both Europe and the US and produces systems for application software; it is heavily dependent on access to resources on a global scale. Four of the founders were US citizens; one was Swiss and one French. The operational HQ was placed in the US together with the R&D department, the marketing function was placed in France and finance in Switzerland but production was set up in Scotland due to attractive regional grants and the availability of suitable workforce. (Jolly *et al.* 1992)

Early internationalizing firms exist in most industries and are likely to be formed by entrepreneurs with a strong international outlook who emphasize focus and differentiation strategies and offer products/services of high quality. Managers tends to see the world as their marketplace. (Knight, Madsen & Servais, 2004)



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## Types and number of founders

Type of Firm N=247	One Founder	More than one Founder
Born Local Firm	64%	36%
Born International Sourcer	55%	45%
Born International Seller	34%	66%
Born European Firm	41%	59%
Born Global Firm	32%	68%

## The group/clan

The team of founders or co-entrepreneurs seems to be important in the creation of the international firm.

The Managerial team plays an important role in the formation of the firm (Reuber, 1997).

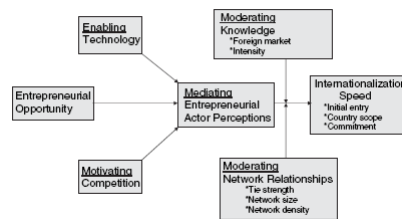
Corporate governance structure – boards are presumed to play an important role, like more informal groups

How can the study the different roles, impact, influence etc. in and between the different groups associated with the firm?

## How to understand the process

A model is presented of how the speed of entrepreneurial internationalization is influenced by various forces. The model begins with an entrepreneurial opportunity and depicts the enabling forces of technology, the motivating forces of competition, the mediating perceptions of entrepreneurs, and the moderating forces of knowledge and networks that collectively determine the speed of internationalization. (Oviatt & McDougall, 2005)

A Model of Forces Influencing Internationalization Speed



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## Theoretical Foundations

To the extent we can control the future, we do not need to predict it  
 - Entrepreneurial opportunities (Sarasvathy, 2001).  
 Opportunity seeking behavior not a causal process

- A larger proportion of the population become entrepreneurs
- More firms get founded
- Failing firms fail at a lower level of investment
- Networking (e.g. Aldrich & Zimmer, 1984)

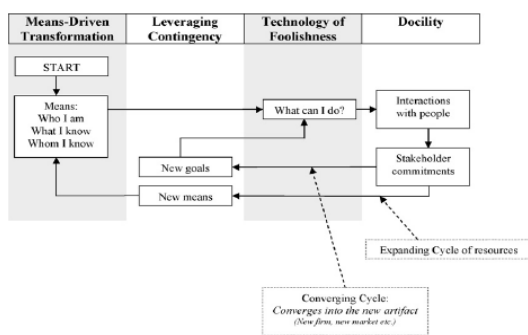


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Sarasvathy (2001):

Categories of Differentiation	Causation Processes	Effectuation Processes
Givens	Effect is given	Only some means or tools are given
Decision-making selection criteria	Help choose between means to achieve the given effect Selection criteria based on expected return Effect dependent: Choice of means is driven by characteristics of the effect the decision maker wants to create and his or her knowledge of possible means	Help choose between possible effects that can be created with given means Selection criteria based on affordable loss or acceptable risk Actor dependent: Given specific means, choice of effect is driven by characteristics of the actor and his or her ability to discover and use contingencies
Competencies employed	Excellent at exploiting knowledge	Excellent at exploiting contingencies
Context of relevance	More ubiquitous in nature  More useful in static, linear, and independent environments	More ubiquitous in human action  Explicit <i>assumption</i> of dynamic, nonlinear, and ecological environments
Nature of unknowns	Focus on the predictable aspects of an uncertain future	Focus on the controllable aspects of an unpredictable future
Underlying logic	To the extent we can predict future, we can control it	To the extent we can control future, we do not need to predict it
Outcomes	Market share in existent markets through competitive strategies	New markets created through alliances and other cooperative strategies

## Expanding Effectuation



Dew, N et al. Journal of Economic Behavior & Organization (2008)

## Shifting theories

.. the internationalization processes of firms may be interpreted and described very well using the network approach and evolutionary reasoning in general. Both companies build very strongly on prior experience and networks in the industry quite similar to the one of the Late Starter; they build on routines and capabilities learned through prior experience. The three last examples are more difficult to analyze and understand; both traditional and network approaches fail to grasp the processes seen. Probably the birth and development of these firms can be better understood by drawing on the literature of entrepreneurship. Yet, more economic explanations of their internationalization processes may be relevant as such firms grow and become less dependent of the personal competences of the founder.

(Madsen & Servais, 1996)



## Domain of INV research

