Why Do New Ventures Internationalise? A Review of the Literature of Factors that Influence New Venture Internationalisation

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ABSTRACT

This paper presents a review of the literature on internationalisation of new ventures, with particular focus on the factors explaining why new ventures internationalise at inception. The paper draws together findings from the most-cited publications most closely associated with factors explaining new venture internationalisation across various industry sectors. The paper draws on theoretical push and pull constructs to organise and classify the most recurrent findings across extant studies driving the early and rapid internationalisation of new firms. What emerges as central to understanding these firms is the role of the entrepreneur, who can act as a pivotal force in the decision-making process and who also represents an intermediating factor between push and pull forces in a new firm's decision to internationalise.

Key Words: international new ventures; international entrepreneurship; literature review

INTRODUCTION

The international landscape, once regarded as off-limits for new firms, is now becoming not only an option for some firms, but also a strategic route for survival (McDougall et al., 1994). The rapidly changing global business environment, global economic integration and advances in technology and communications have created unprecedented opportunities for small firms looking to extend their sales activities beyond the domestic market. This has been reflected not only in the large number of small- to medium-sized enterprises (SMEs) that have availed of international expansion in recent times but also in the number of firms – more commonly referred to as international new ventures (INVs) – that have

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internationalised and have engaged in international business from their inception (Autio et al., 2000; Oviatt and McDougall, 2005). Many recent studies (Aspelund et al., 2007; Mudambi and Zahra, 2007) have used Oviatt and McDougall's (1994: 49) definition, describing INVs as 'firms that seek internationalisation and derive at least 25% of their total sales from foreign markets in the first few years of operation'. Knight and Cavusgil (1996: 11) conceptualise INVs as being 'small, technology-oriented companies that operate in international markets from the earliest days of their establishment'. It has been well documented in the empirical research that an increasing number of firms can be classified as INVs according to the above definitions. The most common denominator of all these various definitions in the literature is that the firm acquires significant export involvement early in its life cycle. An increasing number of firms can be classified as INVs, and although many researchers have given such firms many titles,[1] in essence they refer to the same thing. The name INV has been adopted in this review.

There exist three published and comprehensive literature reviews on INVs; these are by Keupp and Gassmann (2009), Aspelund et al. (2007) and Rialp et al. (2005). Building on these works, this inquiry is more specific in its review. The focus of this research is to identify and review the factors influencing the firms' decision to internationalise at or near inception. Although noting the value of Oviatt and McDougall's (2005) paper, this review does not seek to measure the factors that regulate the speed of entrepreneurial internationalisation and country scope. Instead, it aims to synthesise findings from key published studies on INVs, specifically pertaining to factors influencing a new firm's decision to internationalise. Secondly, this review draws on constructs of push, pull and mediating forces of the entrepreneurial mindset (Etemad, 2004) to organise and underpin the key findings on extant INVs. The paper concludes by identifying some avenues for further research.

SYNTHESIS OF LITERATURE

An interesting and relevant research question is 'Why do some new firms choose to go international within a few years of starting up rather than to purely focus their efforts on home markets?' Many researchers have conducted studies within this field and have found several factors driving new firms to internationalise. Table 1 presents findings from key studies on INVs operating across both high and low technology sectors.

From a review of key published studies in the INV literature (Table 1), some initial observations can be made. Firstly, there exists much consensus and overlap of factors in the literature that warrant a framework categorisation. Secondly, most of the studies reveal that a key factor leading to early firm internationalisation is industry related. In particular, the dynamic nature of high-technology industries characterised by technological and short product life cycles coupled with high research and development (R&D) costs lead to early and rapid internationalisation (Johnson, 2004). Thus, it may be no coincidence that the INV firm has been studied in predominately high-technology and knowledge-intensive sectors, whereas a limited number of studies exist in traditional sectors: the crafts industry (McAuley, 1999; Fillis, 2001), the seafood sector (Evers, 2010; Knight et al., 2001), the wine

Table 1: Previous Key Studies Identifying Factors of Early Firm Internationalisation

Author/ Year	Objective of Study	Factors Influencing Early Firm Internationalisation
Bell (1995)	To analyse the relevance of the stages theory in the initial export decision and internationalisation process of small firms belonging to high-technology and service-intensive sectors	Client followership abroad triggered internationalisation
Oviatt and McDougall (1995)	Six key driving forces to determine whether the business being considered should be a global or a domestic start-up	1. A global vision exists from inception 2. Managers are internationally experienced 3. Global entrepreneurs have strong international business networks
Coviello and Munro (1995)	To examine the entrepreneurial high-technology ventures' approach to international market development, focusing on their use of network relationships to pursue foreign market opportunities and conduct international marketing activities; empirical, exploratory research; case-study approach	1. Limited domestic demand 2. Network partners 3. International nature of industry led to short product life

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Table 1: (*Continued*)

Author/ Year	Objective of Study	Factors Influencing Early Firm Internationalisation
Knight and Cavusgil (1996)	1. To review traditional internationalisation theory and criticisms thereof 2. To describe the recent emergence and characteristics of INV firms 3. To propose factors that may have given rise to their emergence 4. To suggest implications that INVs may hold for management at smaller companies 5. To offer possible approaches for conducting research on these firms	1. New market conditions – the increasing role of niche markets 2. Recent advances in process technologies 3. Recent advances in communications technology 4. Inherent advantages of SMEs (flexibility, adaptability, etc.) 5. The means of internationalisation much more accessible to all firms 6. Global networks Six factors supported by: Bell and McNaughton (2000); Madsen and Servais (1997); Madsen et al. (2000); Knight et al. (2001)
Bloodgood et al. (1996)	To examine the antecedents (strategic and structural characteristics) and outcomes (subsequent performance in terms of sales growth and profitability) of the extent of internationalisation of new, highly potential ventures based in the US and still relatively young at the time of the initial public offering (IPO). Empirical and quantitative research	1. Early internationalisation is directly related to the use of product differentiation as a source of competitive advantage and the international work experience of the board of directors 2. Early internationalisation is finally contingent upon the industry and resource conditions faced by the firm at founding and soon thereafter

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Table 1: (*Continued*)

Author/ Year	Objective of Study	Factors Influencing Early Firm Internationalisation
Roberts and Senturia (1996)	Development of an integrated model of globalisation that combines a cluster of other influences with elements of two traditional models of global expansion: 1. Vernon's specific product cycle model 2. The more generic internationalisation process models	1. Nature of the industry 2. Unique aspects of one emerging high-tech industry 3. External environmental forces also affect globalisation of high-tech products and firms
Madsen and Servais (1997)	Driving forces and theoretical approaches of the phenomenon of INVs Theoretical links to the U-Model, the (international) network approach, and the evolutionary approach.	1. New market conditions 2. Limited demand for niche product at home 3. Technology 4. Founder's experience and capabilities
Reuber and Fischer (1997)	To explore the role of top management teams (TMTs) in SME internationalisation	Top management team experience led to early firm internationalisation
Oviatt and McDougall (1999)	Aim to develop a framework for developing a dynamic theory explaining accelerated international entrepreneurship (involving breadth and modes of internationalisation, and the role of emerging businesses)	1. Technology innovation 2. Foreign growth opportunities 3. Political economy 4. Industry conditions 5. Firm size/strategy 6. TMT
Burgel and Murray (2000)	To examine the choice of entry modes of INVs using theoretical frameworks of transaction cost theory and organisational capability perspectives; INVs in high-tech sector in UK	1. High-quality innovative products in the form of high-tech offerings 2. Product customisation

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Table 1: (*Continued*)

Author/ Year	Objective of Study	Factors Influencing Early Firm Internationalisation
Madsen et al. (2000)	Brief description of the main driving forces behind the recent rise of INVs based upon other authors' contributions	Supports findings by Knight and Cavusgil (1996)
Servais and Rasmussen (2000)	Review of external driving forces as preconditions for the rise of typical Danish INVs which mostly operate in non-high-tech industries	1. New markets 2. Technology production 3. Entrepreneur's international mindset 4. Possession of networks, both on the local and global markets, is important for the majority of these firms
Autio et al. (2000)	A knowledge- and learning-based framework is developed to examine the effects of the age of a firm at first international sales, its knowledge intensity and the limitability of its core technology on its subsequent international growth	1. Knowledge-intensive product 2. International work experience of entrepreneur
Bell and McNaugton (2000)	To expound the challenge that the growing emergence of INV (knowledge-/service-intensive or knowledge-based) firms represent to public policy in support of SME internationalisation. Thus, new policy directions and recommendations in support of these firms are provided and widely justified	Supports six factors of Knight and Cavusgil (1996) 1. Production technologies – due to a significant breakthrough in process or technology 2. Offer high-value-added products

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Table 1: (*Continued*)

Author/ Year	Objective of Study	Factors Influencing Early Firm Internationalisation
Wickramasekera and Bamberry (2001)	To ascertain if the phenomenon of INVs exists within the Australian SMEs wine industry, the factors associated with being an INV, and the challenges this poses to traditional theory	1. Management experience in the industry 2. International market knowledge 3. Overseas contacts (networks), coupled with management commitment
Rasmussen et al. (2001)	To see how the founder of an INV has reduced the equivocality in relation to others, especially international actors, through two major activities in the founding process: sense making though enactment and networking Empirical, case-oriented qualitative study with data from Danish and Australian born global firms	1. Industry conditions/degree of internationalisation of industry 2. Immediate internationalisation was necessary 3. The existence of a network at the founding of the INV was not as important as expected.
Moen (2002)	To develop further understanding of the INV phenomenon by studying the differences existing between INVs and those exporting firms not classified as born globals in terms of competitive advantages, export strategy, global orientation and environmental situation	1. The decision maker's global orientation 2. Market conditions
Johnson (2004)	Examines factors influencing new ventures to internationalise; uses a comparative study of US and UK high-tech firms	1. Rapid technological product developments 2. Short life cycles in the industry
Evers (2010)	To explore factors influencing internationalisation of three case firms of export start-ups operating in the Irish seafood industry	1. Market conditions 2. Creation of new industry 3. Niche market 4. Prior industry experience (only local) 5. Trade shows 6. Social networks identifying foreign market opportunities

industry (Wickramasekera and Bamberry, 2001) and the manufacturing sector (Zucchella, 2002).

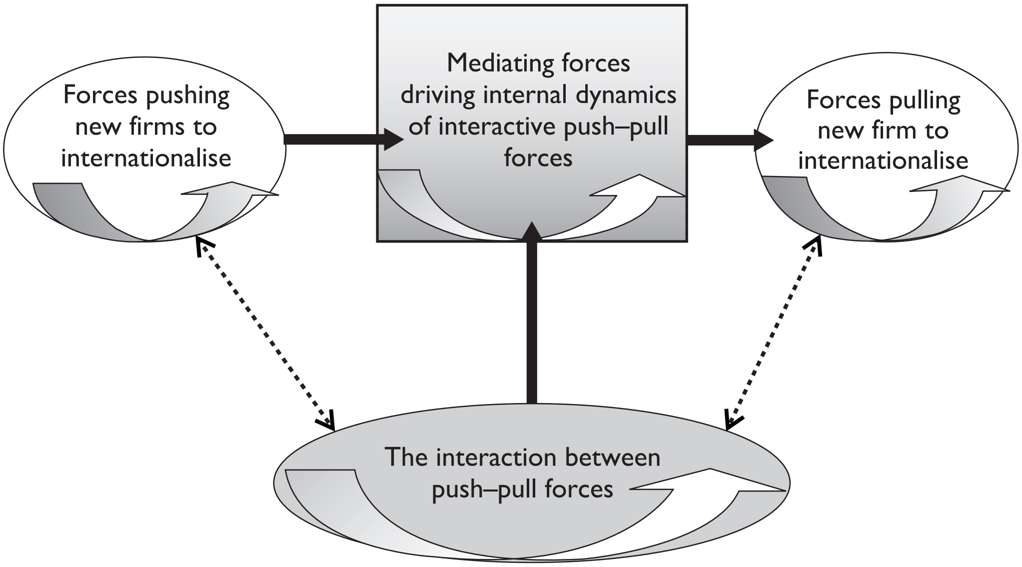
Thirdly, a dominant view in the literature is that INVs are typically led and managed by internationally experienced founders and/or top management teams (TMTs) with a wealth of international contacts (McDougall et al., 2003). In addition to an innovative high-tech offering, a key impetus for early firm internationalisation has mainly centred on the entrepreneur's or TMT's experience, contacts and prior foreign market knowledge. However, the literature on INV firms has been quite vague and some of the factors have only been superficially explored as to why new firms internationalise (Rialp et al., 2005). For instance, little distinction has been made between the founder's international experience, industry experience and the personal ties acquired prior to start-up. International ties of the founder have been commonly associated with the founder's industry and management experience and have been found to be predominantly of a business nature, e.g. clients, suppliers and economic-based partners (Larimo, 2001; Madsen and Servais, 1997; Moen, 2002; Pulkkininen and Larimo, 2002; Wickramasekera and Bamberry, 2001). More recently, social ties have only begun to receive attention as important in driving early internationalisation of the firm (see Ellis and Pecotich, 2001; Evers and O'Gorman, 2011; Kiss and Danis, 2009; Zhou et al., 2007). Social ties, often referred to as informal business relationships, are defined as relationships that consist mainly of social exchanges where no economic exchange exists (e.g. family friends, community groups and informal acquaintances) (see Evers and O'Gorman, 2011).

PUSH, PULL AND INTERMEDIATING FORCES

Similar to the approach to extant INV reviews (Keupp and Gassmann, 2009; Rialp et al., 2005), this review does not adopt a theoretical framework per se. However, drawing on Etemad's SME internationalisation framework (2004), this review integrates three constructs – push, pull and mediating forces – as a framework tool to organise and classify the key findings from the INV literature and to illustrate the dynamics of new venture internationalisation. Figure 1 depicts a simplified framework of the constructs. Pull factors that influence a new firm's decision to internationalise can include both internal and external incentives which pull the firm to engage in international business; for example, international market opportunities for wealth creation. Pull factors provide rich incentives for the entrepreneur to seek out foreign customers as part of their overall business strategy (Etemad, 2004). Push factors are a set of forces (or drivers) that are mainly internal to the firm and exert pressure on the firm (from the inside) to internationalise. The push factors tend to be entrepreneurial in nature and follow the Schumpterian quest for 'creating' opportunities, especially when the firm has 'innovative combinations' (e.g. innovative products, new to the economy) and the wherewithal to realise them (Etemad, 2004).

Consistent with Kirznerian views of entrepreneurs and entrepreneurial firms, INVs can display a response to large international 'opportunities' (Kirzner, 1973), such as unfulfilled market demand abroad. For example, the manifestation of push and pull factors may accelerate new venture internationalisation processes, especially when domestic market

Figure 1: Simplified Depiction of the Dynamics of Push–Pull and Mediating Forces in New Venture Internationalisation



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inertia may have been encumbering their efforts (Bloodgood et al., 1996). For example, a small home market and large demand abroad render internationalisation a necessity rather than a choice for survival (Evers, 2010). Enquiries conducted amongst smaller knowledge-intensive firms also found that some firms ignore their domestic markets from the outset and target 'led' markets by focusing on highly specialised global niches (Bell, 1995; Boter and Holmquist, 1996; Coviello and Munro, 1995, 1997; Madsen and Servais, 1997). New firms can be pulled to world markets by more favourable conditions than those found domestically (Evers, 2010; Thai and Chong, 2008).

Essentially, push and pull forces direct the firm's strategy towards internationalisation. This view is reinforced by the firm's perception that it may possess the capability of matching suppliers with the unique resources to meet the market demands abroad. This enhanced perception of a firm's resources and capabilities is due to the favourable contributions from both push and pull factors abroad. Also, the availability of resources in the form of knowledge and experience, as well as capital resources, can also be significant in the decision to exploit such opportunities for new firms. Hence, forces that push the firm out can be the unique capabilities and competencies of the firm to overcome barriers such as shortage of finance (Etemad, 2004) and multinational enterprise adversaries.

A third construct in this framework are 'mediating forces', also referred to by Bell, McNaughton, Young and Crick (2003) as the mental model of the mindset of the entrepreneur, which can act as an intermediating force between push and pull factors. The mental model of the firm's founder can be characterised by his/her propensity to take risks and his/her international outlook and orientation in exploiting foreign opportunities. The manager's perception of his/her external environment also impacts on the mindset in international decision making and founder characteristics are particularly relevant for the manifestation of internationalisation at inception (Kundu and Katz, 2003). The mediating factors refer to those forces that result from the interaction between dynamics of the push and pull forces bearing influence on the firm. It is a mediated impact, inasmuch as the entrepreneur's mindset vis-à-vis opportunity influences the true course of a firm's internationalisation (Etemad, 2004).

Furthermore, the combined impact of push and pull forces is also intermediated by the firm's assessment of its internal resources and capabilities at inception; in the case of new firms it is the entrepreneur as key decision maker which renders him/her as a core intermediating force. Many researchers, including Rennie (1993), Hakansson and Snehota (1989), Gulati (1995) and Huber (1991) have acknowledged the possibility of such interactions and mediations. This review considers the entrepreneur as a pivotal force in the decision-making process of the firm; their mental model and mindset represent the intermediating forces at play with push and pull factors. Each key finding is discussed below.

Pull Forces

Global Dynamics of the Industry

It has been argued that the nature of the industry (see Table 2) has been influential in accelerating the internationalisation process of firms (Johnson, 2004). The nature of the industry, or the environment in which the firm operates, can have a significant 'pull' effect on the decision to internationalise for new ventures (Oviatt and McDougall, 1997; Porter, 1980). Coviello and Munro's (1997) study on New Zealand INVs found that patterns of firm internationalisation did not follow the traditional stages model (Johanson and Vahlne, 1977, 1990). Early internationalisation was influenced by the nature of the industry the firms were operating in, predominately a highly competitive high-tech sector, which features relatively short product life cycles. The degree of internationalisation of the sector that INVs operate in has been found to also add to our understanding of INVs in low-tech sectors. Studies on INVs have found that the decision to internationalise was reactive, in response to industry and market conditions (Bell, 1995; Evers, 2010). In a recent study of Irish INVs in the aquaculture industry, findings showed that early internationalisation was very much about survival, rather than the need to exploit proprietary knowledge and gain first-mover product advantage (Evers, 2010). New firms may go international immediately in certain sectors where there is already a pre-existing high degree of internationalisation and global integration in the sector (Evers, 2010).

Table 2: Factors Pulling New Ventures to Internationalise

Pull Forces/Reactive Motives	Key Studies
Dynamics of the industry	Jolly et al., 1992; Bloodgood et al., 1996; Boter and Holmquist, 1996; Roberts and Senturia, 1996; Coviello and McAuley, 1999; Oviatt and McDougall, 1999; Shrader et al., 2000; Rasmussen et al., 2001; Knight et al., 2001; Johnson, 2004; Evers, 2010
Global integration of the industry	McDougall, 1989; McAuley, 1999; Shrader et al., 2000; Fernhaber et al., 2007; Evers, 2010
Opportunity in global homogenous niche markets	Jolly et al., 1992; Oviatt and McDougall, 1994; Bloodgood et al., 1996; Knight and Cavusgil, 1996; Madsen and Servais, 1997; Madsen et al., 2000; Knight et al., 2001; Servais and Rasmussen, 2000; Larimo, 2001; Moen, 2002; Zucchella, 2002
Business networks	Coviello and Munro, 1995; McDougall et al., 1994; Larimo, 2001; Evers and O'Gorman, 2011; Erramilli and Roa, 1990; Bell, 1995; Hellman, 1996; Abouzeedan and Busler, 2007
Antecedent social ties	Kiss and Danis, 2009; Ellis and Pecotich, 2001; Zhou et al., 2007; Evers and O'Gorman, 2011

Global Homogenous Niche Markets

Deeper and wider global economic integration and the synchronisation and greater centralisation of economic activities have led to great market homogeneity across many industry sectors (Bloodgood et al., 1996; Knight et al., 2001; Madsen and Servais, 1997). McDougall et al.'s (2003) research has shown that INVs are common in globally integrated industries and are frequently found in international markets, which are fairly homogeneous worldwide. The nature of the industry directly influences the product offering and vice versa. The result of these market changes is that products can spread much more easily to markets all over the world than they could before. The fact that the needs and wants of the buyers have also become more homogeneous makes it easier for the sellers to use the same product and marketing in different countries. These new market conditions encourage firms to enter many new markets at a rapid pace.

However, there appears to be some disagreement in the literature in relation to the degree of product customisation. Mainstream research states that INVs are customer orientated and that they engage in product specialisation according to client requirements (Burgel and Murray, 2002; McKinsey & Company, 1993). This view has been challenged by findings which suggest that high-tech start-ups choose a business area with homogenous customers, because this involves minimal adaptation in the marketing mix as a means of lowering costs and achieving economies of scale globally (Jolly et al., 1992). This means that firms offer standard products to global niche markets where a minimal amount of customisation occurs. This point is further supported by a study of a traditional manufacturing sector (Zucchella, 2002) and the seafood sector (Evers, 2006), where, in the former case, Italian INVs adopted this global niche strategy by offering standard luxury goods without incurring costs of localisation. In the latter case, Irish seafood producers were found to offer standardised products as ingredients to international food processors. New firms in traditional sectors thus have been able to respond to global, homogenous niche opportunities facilitated by product and process technology. Despite some mixed findings, the emergence of global niche markets can provide opportunities for new firms to internationalise.

Business Networks

The 'increasing role of global networks and alliances' (Knight and Cavusgil, 1996: 56) means that SMEs are often pulled into their business network and forced to become international just to defend their position in the network (Johanson and Mattsson, 1988). If their clients go abroad, they may be obliged to follow their clients and engage in the clients' networks (Bell, 1995; Coviello and Munro, 1995). Many service firms have been forced to internationalise by following their customers when they entered foreign business networks, for example, insurance and advertising (Erramilli and Roa, 1990; Hellman, 1996). The fact that the customers of the firm are connected aboard, or are international, can also explain how the firm selects and enters the market. Bell (1995) found that client followership caused firms to internationalise early and rapidly in their life cycle, and thus is one of the reasons why firms internationalise early. Evidence of client followership, together with indications that some firms initiated exporting because of contacts with foreign suppliers, offers a plausible explanation as to how and why software firms with such networks internationalise (Bell, 1995). Roberts and Senturia (1996) also found that domestic and international clients of the firm exerted a pull towards early internationalisation.

Further developing the client network pull, the network theory of internationalisation suggests that firms can get pulled into a network. Coviello and Munro (1995) found that their case firms were able to internationalise quickly by linking themselves to extensive and established networks. Their decision to link into such networks is their decision to internationalise; that is to say, the firms did not set out with the deliberate intention of internationalising early. An unsolicited network can drag a domestic firm into foreign markets early in its life cycle, and thus can constitute a pull factor in the framework.

Some small suppliers can be part of a global business network from inception, and this automatically requires them to operate as international firms. These firms can engage in indirect internationalisation, although they may regard themselves as domestic entities embedded in local networks. Their clients would be directly linked to this global supply network, and this can indirectly impact on the supplier in terms of competitor and business (Holmlund and Kock, 1998).

Antecedent Social Ties
One of the factors required to start internationalisation is an awareness of a particular market opportunity (Reid, 1981). Initial awareness of foreign market opportunities is often acquired through social ties (Komulainen et al., 2006; Lamont et al., 2000). This is because information is not spread evenly across actors, and access to it may well be dependent on former social contacts of entrepreneurs (Granovetter, 1985). The key actor in the internationalisation process of a small firm is commonly the entrepreneur (Ellis, 2000), as he or she often initiates the internationalisation, and it is through the entrepreneur's personal contacts that information is generally acquired (Holmlund and Kock, 1998). Alertness to foreign opportunities acquired through the antecedent social contacts of firms' founders has been found to increase initial resource commitment abroad and shorten the time gap between knowledge acquisition and the decision to enter the market (Evers and O'Gorman, 2011). Firms that are new in terms of the length of their establishment as legal entities are often much 'older' in terms of the length and variety of experiences of their owners and/or managers and the external network ties they tap into (Madsen and Servais, 1997; Welch and Luostarinen, 1988; Wickramasekera and Bamberry, 2001).

Social networks have been found to be particularly important to new ventures seeking to internationalise because emerging organisations typically lack established business ties (Aldrich and Zimmer, 1986; Greve and Salaff, 2003) and because the entrepreneur is not part of a structured international business network as suggested by previous studies (Bell, 1995; Chetty and Blankenburg-Holm, 2000; Coviello and Munro, 1997; Johanson and Mattsson, 1988; Holmlund and Kock, 1998). Antecedent ties of the founder may be a cluster of close, strong and personal informal ties and may be of a business or purely social nature (McDougall et al., 1994; Oviatt and McDougall, 1994). Weak ties were found to be important for the initial internationalisation of the INV firms (Sharma and Blomstermo, 2003). In contrast, and similar to Uzzi's support for the importance of strong ties for entrepreneurs (1997), other studies found that close social ties were key enablers and mitigators in influencing the new venture internationalisation process by identifying initial opportunities and customers and rendering the transition to foreign business at start-up easier (see Evers and O'Gorman, 2011; Zhou et al., 2007).

Push Forces
Limited Home Market
INV literature has also looked at the size of the home market, or the possibility of home market saturation, when explaining why firms go abroad (see Table 3). A number of studies on INVs have identified adverse home market conditions as a factor contributing to early internationalisation, particularly in small, open domestic economies, where limited

Table 3: Factors Pushing New Ventures to Internationalise

Push Forces/Proactive Motives	Key Studies
Limited home market	Miesenböck, 1988; Aaby and Slater, 1989; Coviello and Munro, 1995; Moen, 2002; Madsen and Servais, 1997; Bell, 1995; Zou and Stan, 1998; Coviello and McAuley, 1999; Knight et al., 2001; Evers, 2010
Superior high-tech market offering	Jolly et al., 1992; McKinsey & Company, 1993; Bell, 1995; Oviatt and McDougall, 1995; Bloodgood et al., 1996; Reuber and Fischer, 1997; Larimo, 2001; Moen, 2002; Johnson, 2004; Autio et al., 2000
Internet and ICT technologies	Hamill and Gregory, 1997; Kotha et al., 2001; Berry and Brock, 2004; Loane et al., 2004; Mostafa et al., 2005; Loane, 2006; Knight and Cavusgil, 1996; Madsen and Servais, 1997; Oviatt and McDougall, 1995, 1999; Autio et al., 2000; Madsen et al., 2000; Bell and McNaughton, 2000; Larimo, 2001; McDougall et al., 2003
Advancements in production/process technology	Rennie, 1993; Bell and McNaughton, 2000; Knight et al., 2001
The profile of founder(s):	
International orientation	Jolly et al., 1992; McKinsey & Company, 1993; Oviatt and McDougall, 1994, 1995; Knight and Cavusgil, 1996; Eriksson et al., 1997; Harveston et al., 2000; Servais and Rasmussen, 2000; Larimo, 2001; Moen, 2002; McDougall et al., 2003; Etemad, 2004
International work experience of entrepreneur and TMTs	Oviatt and McDougall, 1994; McDougall et al., 1994; Shrader and Simon, 1997; Coviello and Munro, 1995; Bloodgood et al., 1996; Reuber and Fischer, 1997; Larimo, 2001; Kuemmerle, 2002; Harveston et al., 2000
Prior industry experience	Welch and Luostarinen, 1988; Reuber and Fischer, 1997; Rasmussen et al., 2001; Wickramasekera and Bamberry, 2001

opportunities may also be a driver to internationalisation (Bell, McNaughton, Young and Crick, 2003). Unattractive home markets validate immediate internationalisation (Bell, 1995). Equally, most firms recognise that this decision is a necessity more than an option (Zucchella et al., 2005) due to the saturation of domestic markets, the need to react to global competition, the need to reach a feasible market size in niche productions and the necessity of following the market (Etemad, 2004; Zucchella and Maccarini, 1999). Also, domestic market limitations drove these firms to go abroad. Bell's (1995) cross-national study into the export behaviour of small computer software firms in Finland, Ireland and Norway featured small, open economies, limited domestic markets and small firm bases. These countries provide a good basis for a comparative study. These firms became highly export-dependent, despite being geographically isolated from their principle export markets.

Adverse domestic market conditions and niche product opportunities can lead new firms to become internationally proactive at start-up. Bell, McNaughton, Young and Crick (2003) found that the impetus to internationalise came from necessity (i.e. adverse domestic conditions and the need to generate revenues) rather from any proactive aspirations on the part of management. According to Zou and Stan's (1998) literature review, the relative attractiveness of the home and foreign market environments has received little attention in research. They found that most studies did not find a significant link between export market attractiveness and export performance. On the other hand, however, Aaby and Slater (1989) stated that an unfavourable domestic home market may create the incentive to go abroad. Few studies on INVs have confirmed that a small market base has been a key factor in stimulating the firm's interest to go abroad (Bell, 1995; Coviello and McAuley, 1999; Evers, 2010).

In light of the above discussion, it has been found that adverse domestic market conditions (in terms of small market size from limited demand and saturation) motivate firms to seek foreign markets early in their life cycle (Bell, McNaughton and Young, 2003; Moen, 2002). In these studies, however, this finding is primarily coupled with other more important factors, such as unique product opportunities, as noted earlier. Knight (1997) refers to triggers of internationalisation which may explain why a firm experiences both export pull and export push as well as the product/market conditions that necessitate early international involvement. However, his discussion does not offer more insight into this factor of demand and supply conditions. This point, however, appears to be one of the least examined factors pushing firms abroad. In the INV literature, there has been little reference to the nature of home and foreign market conditions (see Evers, 2010). For example, the market for Irish shellfish produce is international and thus necessitates Irish producers to export at start-up to satisfy the demand of greater seafood consumption levels abroad compared to miniscule levels in Ireland. Similarly, Bell (1995) found that the (small) home market size led Finnish specialised software suppliers of hotel management systems to chase revenues in their global niche hotel markets. Hence, studies of both low- and high-tech sectors have validated the idea that the external market environment is a pivotal factor in driving early firm internationalisation. Therefore, the interaction of small home market and home supply (push) and large foreign demand abroad (pull) can itself trigger immediate internationalisation (particularly for low-technology firms) (Bell, McNaughton, Young and Crick, 2003; Evers, 2010; Zucchella and Maccarini, 1999).

Superior High-Tech Market Offering

Probably the most common factor enabling these firms to internationalise early and quickly is the technological capability embedded in their products, production processes and know-how. A venture may seek a global presence in order to capitalise on its unique set of resources, such as its management team and experience, and new product technologies. Early internationalisation is directly related to the use of product differentiation as a source of competitive advantage, especially when the product is perceived by management to be unique, it prompts early internationalisation (Bloodgood et al., 1996; Roberts and Senturia, 1996).

A strong motivating factor is the need to swiftly exploit proprietary knowledge as the main source of competitive advantage (Bloodgood et al., 1996; Crick and Jones, 2000; Oviatt and McDougall, 1994), particularly in sectors where rapid technological change, coupled with the difficulty of protecting intellectual capital and patents, contributes to narrow windows of commercial opportunity. The accelerated progress of INVs to international markets is driven by a desire to gain first-mover advantage and to lock in new customers. New firms must move quickly in the international markets because the result is dependent on getting to the market before competitors copy and undercut the firm. Once a knowledge-intensive product has been introduced, competitors will seek to uncover the embedded knowledge or to produce equivalent alternative knowledge. The INV literature suggests that INVs pursue narrowly focused niche strategies. Niche differentiation has been shown by high-tech firms, which differentiate on technological attributes (Coviello and Munro, 1995; Johnson, 2004).

Internet and ICT Technologies

Capitalising on the rapid developments in information, communication and digitised technologies, many new ventures of the 1990s were found to be early internationals (Hamill and Gregory, 1997; Knight and Cavusgil, 1996; Oviatt and McDougall, 1994, 1995). With greater advancements in information and communication technologies (ICT) since then, more studies on INVs have identified internet-based technologies as a key driver of new venture internationalisation, with the internet itself constituting a new mode of foreign market entry for knowledge-based products and services, e.g. Amazon, Google, Daft and many more. Berry and Brock (2004) identified the founder's prior internet experience as a critical factor driving the internationalisation activities of small high-technology firms. Loane et al. (2004) found start-ups in Europe and North America were embracing internet technologies from the outset and adopting an e-business format to be global from inception. Furthermore, internet-enabled firms were also found to be led by founders with a global focus at the outset (consistent with push forces), resulting in internationalisation from inception (Loane, 2006). Etemad (2004: 13) posits that 'Expanding fields of information systems and technologies empower internationally-orientated entrepreneurs to reach remote markets of the world much easier and faster than their traditional counterparts, in spite of time and resource constraints.'

Advancements in Process and Production Technologies

Other early internationalisation factors found in the literature include the advent of increased specialisation spurred by production and process technologies, which in turn led to niche markets (McKinsey & Company, 1993; Rennie, 1993). The emergence of new market conditions, in the form of niche markets, has been driven by technological developments in the areas of production and communication. New production process technology means that small-scale operations may also be economically sound; therefore specialisation, customisation and niche production are more viable alternatives in today's markets.

Knight et al. (2001) recognise a number of recent trends and echo those identified by Knight and Cavusgil (1996) earlier in the article. Such trends are the increasing role of niche markets and technological improvements, which result in the possibility of low-scale production of advanced products. Small firms also have an inherent advantage in terms of quicker response time, flexibility and adaptability, and are therefore more likely to become an INV. Highlighting the importance of technological advancements, Bell and McNaughton (2000) suggest that INVs offer high-value-added products due to a significant breakthrough in process or technology. Research on New Zealand firms has shown that production technologies are an important factor in their internationalisation processes (Knight et al., 2001). For some traditional sectors, such as seafood, the strategy of first-mover advantage through innovative high-technology products does not apply. However, technology has been found to be a critical enabler for some sectors, such as INV seafood processors, in terms of production automation processes and advanced logistics technologies. Evers (forthcoming) found that advanced R&D in logistics developed by one Irish firm in collaboration with Trinity College Dublin allowed Irish live seafood exporters to avail of this technology and deliver their product into lucrative Asian markets.

The Profile of the INV Founder/Entrepreneur

Researchers of international entrepreneurship argue that some firms become international because of entrepreneur specific capabilities (Knight and Cavusgil, 1996; Bloodgood et al., 1996). The role of the entrepreneur has become a central force in explaining why a firm decides to internationalise early rather than later (Bell, McNaughton, Young and Crick, 2003; Larimo, 2001; Madsen and Servais, 1997; Oviatt and McDougall, 1994). These will be examined below.

<u>International Orientation of the Entrepreneur(s) (Push Factor):</u>

> The most distinguishing feature of INVs is that they tend to be managed by entrepreneurial visionaries, who view the world as a single, borderless marketplace from the time of the firm's founding (Knight and Cavusgil, 1996: 12).

Unsurprisingly, a global orientation and entrepreneurial vision have been the two most prominent characteristics of INVs, based on previous studies (see Table 2). This is especially clear when INVs are compared with locally based and/or traditional exporting firms that have been long established prior to exporting (Moen, 2002). There exists substantial evidence to support the assertion that INVs have internationally orientated managers/founders, which leads to the outcome of early rather than late internationalisation. Findings also suggest that a distinguishing factor between global and locally based non-exporting firms was that the former had a stronger global orientation; this was suggested as a key factor explaining why some firms remain in their home market: the absence of a global orientation (Moen, 2002).

According to Knight (1997), a firm with 'international orientation' has global vision, proactiveness and customer orientation enacted by the founder/manager. Knight's definition has been used as the main reference in the empirical studies of Larimo (2001), Pulkkininen and Larimo (2002) and Moen (2002), which have investigated management orientation in internationalisation. Geocentrism (global orientation) is linked to the ability of INVs to make their own opportunities in the international marketplace (Knight and Cavusgil, 1996). However, managers of gradually globalising firms have been found to have more ethno-centric mindsets and only act when they are able to detect the opportunities and reduce the uncertainties of going abroad. In contrast, managers of INV firms are expected to have more geocentric mindsets with more positive attitudes toward internationalisation (Eriksson et al., 1997; Harveston et al., 2000). The international orientation of the founding entrepreneur has been important in shaping the future orientation of the firm and ties in with McDougall and Oviatt's (2000: 903) definition of international entrepreneurship: 'A combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organisations.'

The reasons for a firm's international orientation towards foreign markets have been strongly connected with founder's possession of prior international work experience (McDougall et al., 1994). Global orientation stems from the prior international knowledge and experience of the founder. In other words, international work experience must exist in order for the founder to become internationally oriented.

<u>Prior International Experience of the Entrepreneur and TMTs:</u> As shown in Table 3, previous work (McDougall et al., 1994; Bloodgood et al., 1996: Nummela et al., 2004) postulates that managers with prior international work experience are more likely to be aware of the potential challenges and international profit opportunities. This assumption that international work experience is a prerequisite for early internationalisation and international orientation has been unanimously supported, suggesting that those enterprises with it are more likely to internationalise early than those without (McDougall et al., 2003). Furthermore, findings from a study on Spanish manufacturing firms experiencing rapid internationalisation suggest that international experience is a critical factor to be considered by entrepreneurs/managers when starting internationalisation (Bello-Martinez, 2006).

Many empirical studies on INVs (Bloodgood et al., 1996; Eisenhardt and Schoonhoven, 1990; Hambrick and Mason, 1984) have found that entrepreneurial teams have replaced the individual entrepreneur in the creating, leading and management of the INV. Many authors (Bloodgood et al., 1996; McDougall et al., 2003) have supported the assumption that TMTs make more appropriate subjects than founders themselves. In a more recent study led by McDougall et al. (2003), when distinguishing between INVs and domestic new ventures (DNVs), the authors adopt the position that TMTs are a critical resource for the venture. 'In making strategic decisions, ventures will rely on [the] experience of the entire top management team, as opposed to the single entrepreneur' (McDougall et al., 2003: 61). This finding suggests that internationalisation is related to the international work experience of the entire TMT (a finding reflected in Bloodgood et al.'s (1996) study of US-based INVs). Furthermore, Reuber and Fischer (1997) found that many INVs were founded and managed by TMTs. Thus, managers of INV firms are likely to have higher levels of international experience than managers of gradual globalising firms, and they are more likely to perceive opportunities in an international arena.

<u>Prior Industry Experience of the Entrepreneur(s):</u> The ability to identify the opportunity is also embedded in the entrepreneur's possession of knowledge of the industry. Alertness to new business opportunities is influenced by previous experience in the industry (Casson, 1987). Actual, specific, local industry experience as a separate category has received less attention in the INV literature, as the main emphasis has been on experience solely of an international nature. However, studies have found that the founder's market knowledge and the work experience transmitted from former occupations are important factors (Larimo, 2001; Madsen and Servais, 1997; Moen, 2002; Pulkkininen and Larimo, 2002; Wickramasekera and Bamberry, 2001). The prior industry experience and background of the founders provided them with knowledge of the industry and their products from development right through to commercialisation (Cooper and Dunkelberg, 1986). This study reprioritises the founders' prior industry experience as an important source of industry and product knowledge in both high- and low-tech sectors, which influences the decision to go international at start-up (Evers, 2010; Larimo, 2001; Welch and Luostarinen, 1988; Wickramasekera and Bamberry, 2001).

The influence of the above forces is intermediated by the firm's internal dynamics in terms of the entrepreneur-founder mindset, behaviour and international orientation as discussed in the next section.

The Mental Model Entrepreneur (Key Mediating Force)

Gartner (1990) refers to entrepreneurs as individuals with unique personality characteristics and abilities. They are characterised as being risk-taking, the locus of control, autonomous (perseverant) and committed to vision creation. Also, studies have shown that entrepreneurship has a positive influence on the firm in exploiting opportunities and innovating for market requirements (Covin, 1991; Venkataraman, 1997). The majority of studies emphasise the role of alert founders who capitalise on market imperfections by linking resources around the world (Oviatt and McDougall, 1994). In SME internationalisation, Miesenböck's (1988) literature on the export behaviour of firms notes that it is generally agreed that an individual decision maker within the firm makes the decision to export and has influence on the foreign market orientation of the firm. However, most research has considered the individual decision to be at managerial level rather than at the level of the entrepreneurial founder. More recently, authors on international entrepreneurship argue that some firms become international because of entrepreneur specific capabilities (Knight and Cavusgil, 1996). The importance of entrepreneurs has been highlighted in many studies on international firms and a positive relationship has been identified between the entrepreneur's international attitude, orientation experience and network, and the firm's international development (Ibeh and Young, 2001; Kuemmerle, 2002; Preece et al., 1999; Westhead et al., 2001). Below are examined those personal attributes that are found important in the literature for international entrepreneurial pursuit: *mindset*, *behaviour* and *alertness*.

Mindset

More attention and greater examination of the entrepreneur and managerial characteristics have been called for in international entrepreneurship research (McDougall et al., 1994). At the managerial level, the attitudes and mindset of the management team play an important role in determining the extent to which a firm engages in international activities. The managerial international mindset can be defined as the propensity of managers to engage in proactive and visionary behaviours in order to achieve strategic objectives in international markets (Harveston et al., 2000). Bartlett and Ghoshal (1989) argue that managers' cognitive processes affect the international strategic capabilities of the firm. Put more simply, the mindset of the entrepreneur and the top management team affects the firm's expansion into international markets. It has been argued in the literature that a global mindset is a prerequisite for INVs. Several studies have indicated that INV founders are characterised by a strong international orientation and global mindset. The managers are growth-oriented, entrepreneurial, proactive and committed to foreign markets (Nummela et al., 2004; Rennie, 1993).

Behaviour

In the context of the INV, the common denominator is the importance of the entrepreneur and entrepreneurial behaviour (McAuley, 1999; Knight and Cavusgil, 1996; Madsen and Servais, 1997; Madsen et al., 2000; Oviatt and McDougall, 1994; McDougall et al., 1994; Rennie, 1993; Zahra and George, 2002). These studies point out that analysis at the individual level is important in understanding firms' international behaviour. Rasmussen et al. (2001) try to incorporate the entrepreneurship literature in examining the founding process of the INV, stressing the interaction between the founder and his/her environment through two interconnected processes: sense making and networking. The role of the founder in terms of background, experience, knowledge, network ties and particularly entrepreneurial vision has been a prevalent theme in the empirical studies on INVs. Theory building has put the entrepreneur as the dominant determinant of the INV (McAuley, 1999; Knight, 2000; Madsen and Servais, 1997; Oviatt and McDougall, 1994).

Alertness

Opportunities and opportunity recognition are essential to entrepreneurship, which has been defined as 'a process by which individuals – either on their own or inside organisations – pursue opportunities without regard to the resources they currently control'

(Stevenson and Jarillo, 1990: 19). Cooper (1981) suggests that entrepreneurs intuitively perceive market opportunities. Barreto (1989: 9) states, 'They are people who are alert to information about potentially profitable resource combinations, when others are not.' Alertness is included in the mental model of the entrepreneur construct, and it represents a regulating force in our framework (see Figure 1 and Table 4). Entrepreneurial alertness is essential in identifying international opportunities abroad and further reinforces the argument for examining the role of the entrepreneur as the key decision maker in the internationalisation process of new ventures.

Table 4: Key Factors Mediating between Push–Pull Force and Firm's Propensity to Internationalise

Key Mediating Force	Key Studies
The founder's/founders'	
International orientation and global mindset	Bell, McNaughton, Young and Crick, 2003; Harveston et al., 2000; Loane et al., 2004
Alertness to international opportunities	Oviatt and McDougall, 2005; Oviatt and McDougall, 1994; Kuemmerle, 2002; Larimo, 2001; Rialp et al., 2005; Aspelund et al., 2007; Keupp and Gassmann, 2009

As part of the opportunity recognition process, entrepreneurs may also be aware of the value of the information that they come across. When entrepreneurs identify and exploit opportunities, there is a great deal of learning involved. Not all of them possess the same information or have access to the same information; neither do all of them possess the capacity and talent to recognise and interpret valuable information. The entrepreneur uses this superior information to create profit-making opportunities before others perceive them. Their attention is focused only on data deemed relevant according to their knowledge structure:

> Information is filtered through their subjective knowledge structure, which is built on personal experience and enables them to scan environments selectively (Prahalad and Bettis, 1986: 489).

This selectivity may also result in some opportunities going unrecognised. Prior international exposure changes knowledge structures so that information related to internationalisation is deemed relevant and the value of that information is recognised. Many studies suggest that the founder's *alertness* to foreign market opportunities is due to international orientation and mindset, prior international experience and background (Harveston et al., 2000; McDougall et al., 1994; Moen, 2002). Thus, entrepreneurial vision and the initial resource endowment of the firm are key enablers of early internationalisation.

CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

This paper draws a number of conclusions from the review and identifies areas for future research. Firstly, across the studies no one factor alone would be deemed to lead to the decision to internationalise early in the firm's life cycle. However, the entrepreneur or entrepreneurial team would be considered the central plank on which all other factors rest. The centrality of the entrepreneur's traits, knowledge base, networks and alertness emerge as important factors in the early and rapid internationalisation of the firm; and this may help explain why the entrepreneur decides to drive an early international start-up as opposed to a domestic-market-based venture.

Secondly, a key contrast in findings in the literature brings about two types of orientated firms: the predominantly internationally proactive firm and the predominately internationally reactive firm. Research has focused on the high-tech sectors, reflecting the knowledge-intensive nature of the product and the short life cycle as the main thrusters motivating the firm's decision to capitalise on its unique product by going abroad initially. The majority of studies on INVs have mainly found that these firms are highly internationally proactive towards foreign markets. Prior international work experience of the founder-entrepreneurs and their international proactiveness and orientation, and alertness to opportunities, are key distinguishing factors for INVs. Studies have coupled the TMT's experience with a unique knowledge-intensive product as one of the main factors influencing the decision to internationalise early. On the other hand, the INV literature has accepted that small firm internationalisation can come about in a reactionary way, through the pulling effect of the firm's network ties (Bell, 1995; Coviello and Munro, 1995); these network ties appear to be acquired after the young firm has established itself at home, and before it internationalises.

Thirdly, previous studies have suggested that entrepreneurs go abroad as a result of acquiring knowledge of foreign markets from their former international networks. Research on the role of antecedent business and social network ties in the decision to go abroad at inception has been limited. The role of industrial clusters in the INV's domestic market constitutes a platform for resource and network creation and building at local level. On this point, this research prompts further investigation into the role of purely locally based business and social ties in the internationalisation of new ventures.

Fourthly, much research has been paid to market and industry dynamics in the empirical studies on INVs. Studies in this review have confirmed that some firms ignored their domestic markets from the outset and targeted lead markets by focusing on global niches. INVs are prevalent in computer, high-tech and R&D knowledge-intensive businesses with short life cycles, and hence their orientation can be contingent on industry conditions. However, the supply and demand conditions in the home and foreign markets alone have been identified to be sufficient factors to create the environment for early firm internationalisation in more traditional sectors. Supply of product may exceed home demand, and firms in this situation will be forced to seek out foreign markets. Equally, some foreign markets may have a huge demand base for certain INV products, and therefore may be willing to pay higher prices, thereby achieving economies of scale for the producer. For

INVs in traditional sectors, the dynamics and level of internationalisation and integration of the industry can also be useful perspectives to examine INVs in other low and medium sectors – a less-researched context in international entrepreneurship.

Fifthly, INVs are mainly associated with the high-tech context, in terms of technology embedded in the market offering and the use of ICT to enable the transfer of knowledge assets. However, studies in traditionally based INVs have pointed to product and transport technologies as being critical in enabling early internationalisation. It has been noted that advancements in transportation and logistics have had a key influence on the decision by seafood firms in New Zealand and Ireland to internationalise.

Sixthly, successfully internationalising new ventures have been the primary focus of extant research, with no published research on INVs that fail to internationalise. Given the considerable amount of research conducted on domestic failed start-up firms, factors that impede new venture internationalisation would be an interesting avenue for further investigation.

Seventhly, there exists much consensus in the literature in this area that warranted this study and thus we were able to identify the most important reasons bringing out early firm internationalisation. There is clear evidence to suggest that push factors – internal, firm-specific factors, such as entrepreneurial attributes – combined with favourable pull factors – external environmental conditions for internationalisation, such as supply and conditions at home and a global niche market opportunity – lead to early and dedicated internationalisation. The strategic management theories of the resource-based view and the knowledge-based view of the firm may present useful frameworks to enable deeper insight into the internal dynamics of new venture internationalisation.

Finally, in an attempt to build a framework explaining the early internationalisation of small firms, this paper concludes that the confluence of push and pull forces (Etemad, 2004) can explain, to a large degree, a new venture's decision to internationalise early, with a key mediating force being the mental model of the founder. The new firm's response to these forces will not materialise (i.e. become an international firm) if the founder(s) does (do) not embody an entrepreneurial mindset, behaviour and alertness. The entrepreneur is a pivotal force in the decision-making process; his/her mental model and mindset represent the intermediating forces at play with dynamic push and pull factors. This research suggests that the decision to internationalise is process-driven and dynamically encompasses many factors other than just a good high-tech product. By using this proposed interactive framework, a deeper and more holistic understanding of new venture internationalisation is required.

NOTES

[1] The term 'born global' has been the most popular (Rennie, 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997; Bell and McNaughton, 2000; Rasmussen, Madsen and Evangelista, 2001; Larimo, 2001; Moen, 2002). Other names, such as 'global start-ups' (Oviatt and McDougall, 1995), 'high technology start-ups' (Burgel and Murray, 2000), 'global high-tech firms' (Roberts and Senturia, 1996), 'instant internationals' (Fillis, 2001)

and 'international new ventures' (INVs) (Oviatt and McDougall, 1994; McDougall et al., 1994; Oviatt and McDougall, 1997; Servais and Rasmussen, 2000), have also been used for designating these firms.

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