

Challenges for Internationalization Process Theory: The Case of International New Ventures

Author(s): Benjamin M. Oviatt and Patricia Phillips McDougall

Source: *MIR: Management International Review*, Vol. 37, Internationalization Processes — New Perspectives for a Classical Field of International Management (1997), pp. 85-99

Published by: [Springer](#)

Stable URL: <http://www.jstor.org/stable/40228434>

Accessed: 28-04-2015 19:27 UTC

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at

<http://www.jstor.org/page/info/about/policies/terms.jsp>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.



Springer is collaborating with JSTOR to digitize, preserve and extend access to *MIR: Management International Review*.

<http://www.jstor.org>

المنارة للاستشارات

Benjamin M. Oviatt/Patricia Phillips McDougall

Challenges for Internationalization Process Theory: The Case of International New Ventures

Abstract

- This article explores the significant challenge of international new ventures – firms that are international from inception – to existing internationalization process theory.
- A growing number of firms are experiencing accelerated internationalization. The risk-averse and incremental nature of internationalization described by traditional process theory may inadequately explain this historical change.

Key Results

- The article delineates research questions related to that challenge, explains some emerging empirical dilemmas, and suggests empirical directions and methods.

Authors

Benjamin M. Oviatt, Associate Professor, Georgia State University, Atlanta, Georgia, U.S.A.
Patricia Phillips McDougall, Associate Professor, Georgia Institute of Technology, Atlanta, Georgia, U.S.A.

Introduction

Theories explaining the process of firm internationalization are, by their nature, dynamic and serve as important complements to the static equilibrium-based theories that explain why multinational firms exist (Johanson/Vahlne 1990). Yet, contrary to the latter theories, internationalization process theories appear to be more undermined than undergirded by recent research. Andersen (1993) even questioned their adequacy as good theories when he criticized their ambiguity on key issues and missing statements regarding assumptions. Furthermore, while empirical research conducted a number of years ago seemed to support the internationalization process theories (Johanson/Vahlne 1990), in recent years, increasing numbers of studies appear to cast doubt on their applicability (Turnbull 1987, Sullivan/Bauerschmidt 1990, Andersen 1993). Two recent multi-nation studies by the United Nations and the Organisation for Economic Co-operation and Development (OECD) have noted that, although most firms still appear to internationalize in an incremental way, the speed and complexity of firm internationalization is increasing around the world, and a small but increasing number of firms are international at founding (UNCTAD 1993, OECD 1997). Our work has focused on this latter group of firms, which we have called international new ventures (INVs) (McDougall/Shane/Oviatt 1994, Oviatt/McDougall 1994, Oviatt/McDougall 1995). In summary, there is evidence that the traditional view of risk-averse, incremental firm internationalization may be theoretically and empirically weak and that changing market conditions may be challenging its relevance.

The purpose of this article is to explore the significant challenge of INVs to existing internationalization process theory, to delineate research questions related to that challenge, to explain some emerging empirical dilemmas, and to suggest empirical directions and methods that will answer the questions and resolve the dilemmas. We believe the products of the research suggested here are very likely to enrich understanding and theory development about the firm internationalization process.

Existing Internationalization Theories

Several stage models of early firm internationalization have appeared (e.g. Bilkey/Tesar 1977, Reid 1981, Czinkota 1982), and have been rather comprehensively evaluated in at least two studies (Andersen 1993, Leonidou/Katsikeas 1996). These models describe the adoption of exporting by small and medium sized firms through a number of stages from “uninterested” to “committed in-

volvement” in exporting. A large group of influences is said to push or pull these firms from one stage to the next. Because movement from one stage to another resembles Rogers’ (1962) diffusion of innovation and because the models are quite similar they have been collectively referred to as innovation models of internationalization (Andersen 1993), a nomenclature that we also adopt here.

A more general and perhaps more popular description of internationalization is the Uppsala model. It emerged from the research of a group of scholars at the University of Uppsala in Sweden (e.g. Johanson/Wiedersheim-Paul 1975, Johanson/Vahlne 1977, 1990). It is more general than the innovation models because it may be applicable to a wider variety of business sizes and foreign activities; that is, it is not explicitly focused on exporting by small and medium sized businesses. Perhaps the possibility of such broader applicability has contributed to its popularity.

The Uppsala model portrays internationalization as an incremental process that depends on the firm’s experiential knowledge of foreign markets. According to the implications of the model, the perceived high uncertainty of internationalization causes firms to begin the process with the foreign country “psychically” closest to them and with only small commitments of resources. With increasing foreign commercial experience and, therefore, an improved understanding of foreign markets, firms venture into countries that are increasingly dissimilar to their home, and they are willing to make more investments in foreign countries. For example, Swedish firms would export to Norway and Germany before they would make direct investments in factories in the United States or Japan.

Despite the intuitive appeal of these models and the existence of empirical research that seems to support them (Johanson/Vahlne 1977, 1990), there is much concern about their current utility. Andersen (1993) criticized the Uppsala model on theoretical grounds for, among other things, having no explanation for how the internationalization process actually begins and for not explaining the mechanism by which experiential knowledge of a foreign market affects commitment of resources to that market. He criticized the innovation models for containing unobservable concepts and for having trivial explanations of the internationalization process.

Some important empirical results have failed to support these models. For example, studies conducted to derive the stages of exporting are largely cross-sectional (e.g. Cavusgil 1984), but such studies cannot be used to support a dynamic theory of evolution in firm internationalization (Andersen 1993). Moreover, some empirical studies provide no evidence of an international evolution even where it would be expected. Turnbull (1987) showed that among firms in some British industries, combinations of different sales methods were employed. That is, direct sales by representatives from the home office were often combined with use of an agent and establishment of a foreign sales office in a single foreign country. Such a combination is inconsistent with the expectation that firms progress in a

phased way from the use of the sales method requiring the least resource commitment toward ones requiring more commitment.

Sullivan and Bauerschmidt (1990) found that attitudes of managers about the risks and incentives to internationalize did not differ according to the number of foreign markets in which their firms' operated. Such a result seems to challenge the Uppsala theory, especially, because its central tenant is that managers' should be affected primarily by the amount of their experience in foreign markets. One explanation that Johanson and Vahlne (1990) appear to accept is that, over time, knowledge about foreign markets has been distributed across national borders with increasing efficiency and, therefore, the uncertainty about commercial operations in those markets has diminished.

The Historical Context of Internationalization Theories

If the distribution of knowledge about international business operations has changed significantly over the most recent decades, perhaps we have failed to sufficiently appreciate the historicism of internationalization process theory. Both the Uppsala and innovative theories were developed in the 1970s as an attempt to explain the frequent observation of the time that firms internationalized slowly and incrementally (Johanson/Vahlne 1977). Yet in the period of more than 20 years since those developments, many markets are far more internationally integrated, communication and transportation is cheaper, faster, and better, and international digital commerce, only a dream then, is now a reality. Today, for example, software programs and payments for them are exchanged electronically across national boundaries with increasing frequency and are unaffected by the usual considerations of internationalization theory.

Studies of the electronics industry indicate that internationalization is rapidly becoming a requirement for all competitors, even the smallest and newest ones (Burrill/Almassey 1993). Although recent United Nations and OECD reports indicate that evolutionary internationalization still appears to be the norm around the world for most small and medium sized enterprises, that evolution is accelerating (UNCTAD 1993, OECD 1997). Furthermore, a small (1 to 2 percent, according to the OECD) but growing group of those ventures are global at start-up.

Those INVs have been attracting the attention of both academics and the business press in recent years (Gupta 1989, Mamis 1989, Brokaw 1990, Coviello/Munro 1992, Jolly et al. 1992, *The Economist* 1993, McDougall/Shane/Oviatt 1994, Oviatt/McDougall 1994, 1995, Bloodgood/Sapienza/Almeida 1996). From inception, INVs seek competitive advantage by the use of resources and the sale of outputs in multiple countries (Oviatt/McDougall 1994). The emergence of sig-

nificant numbers of INVs in the 1990s is a sign that important dimensions of the internationalization process may have changed since the 1970s, when much of the currently popular theory was developed.

The Challenge of International New Ventures

We believe that the existence and growth of INVs is the most obvious challenge to the Uppsala and the innovation models of internationalization. The theories are said to apply best to the early stages of firm internationalization (Johanson/Vahlne 1990, Andersen 1993). Thus, new ventures would appear to be the most likely type of firm to begin a path of slow, incremental, risk-averse internationalization, but INVs certainly do not. Moreover, the roughly simultaneous emergence in various countries of INVs and the apparent increase in their numbers suggest that they may not be mere anomalies. Johanson and Vahlne (1990) recognize that such firms do exist and speculate that INVs are a product of an international network of firms. However, their analysis is abbreviated and informal, and we believe by empirically observing the antecedents, associated conditions, and processes of internationalization among INVs, much may be learned about the limits of existing internationalization theory and the requirements for improving it.

Current understanding of INVs is, with a few exceptions, based on case studies. Therefore, few general statements about them can be made with great confidence. Nevertheless, some findings and their implications for internationalization theory are worth highlighting. INVs appear to require some highly valuable resource at the least cost possible (often human resources) wherever in the world that resource is, to employ a strategy of serving globalizing niche markets with unique products and services, to be founded by internationally experienced entrepreneurs with very aggressive growth goals, and to have tightly coordinated organizational processes (Jolly et al. 1992, McDougall/Shane/Oviatt 1994, Oviatt/McDougall 1995). Such findings have important implications for theory. Under such conditions and with such founders, perhaps the inevitability of international operations is so obvious and the experiential knowledge of foreign markets is sufficiently present among entrepreneurs that the incremental steps emphasized in traditional internationalization theory are unnecessary or may even be detrimental to firm performance. That is, in a rapidly changing, internationally integrated industry, rapid firm action may be required for satisfactory performance or even for survival.

At least some INVs rely heavily on cross-border alliances to conduct business (Coviello/Munro 1992). In addition, multinational enterprises of all sizes often simultaneously employ multiple methods of managing cross-border transactions,

such as exporting, licensing, and direct investment (UNCTAD 1993, OECD 1997). These observations undermine the practical relevance of any theory that proposes a discrete progression of international involvement from indirect exporting to direct investments.

Successful INVs have been shown to make measurable trade-offs among the risks inherent in the countries entered, the entry modes chosen, and the degree of foreign market dependence (Shrader 1996). Such behavior may mean, contrary to the Uppsala and innovation models, that to a significant degree, international entrepreneurs enact the foreign environments their ventures face rather than passively accept the risks as exogenous.

All the statements in this section are tentative conclusions or speculative deductions, and are, therefore, in need of confirmation beyond the cases and samples from which they emerged. Published efforts to integrate our understanding of INVs into internationalization theory have so far done little more than establish a reason for their existence (Oviatt/McDougall 1994). Thus, much interesting research remains.

Research Issues

We have conducted enough research to identify some issues that will be important in implementing a successful program of research on the internationalization process of new ventures. The remainder of the article identifies research questions, specifies empirical problems, and makes suggestions for the resolution of these issues.

The Prevalence of International New Ventures

As noted earlier, the world is enjoying improved communication, new digital technologies, and low-cost transportation. Those changes have contributed to increasingly global demand in many markets which forces firms, regardless of age, to adopt an international perspective (Ohmae 1990, UNCTAD 1993). Such conditions appear to be contributing to the emergence of increasing numbers of INVs in many countries around the world (Oviatt/McDougall 1994, OECD 1997). Nevertheless, their numbers appear to be small at this time, and it is argued that the internationalization of most firms remains incremental (OECD 1997). Thus, the influence of INVs is unmeasured and sometimes discounted (e.g. Dunning 1995).

To have a tangible effect on theory rather than being viewed as an anomaly, the existence of significant numbers of INVs, rapid growth in their number, or

both must be shown to be an empirical fact. Thus, the number, size, geographic distribution, industry representation, and economic impact of INVs must be traced over time by empirical studies in many different countries.

The research required to establish the prevalence and growth rate of INVs will encounter two distinctive obstacles. First, we do not believe any national government keeps records that would allow researchers to track both the ages of firms based within its borders and the number of firms by age that are conducting business across those borders. Absent the initiation of government funding for such statistics, the research to count INVs will be done through large-sample surveys, perhaps beginning with the most comprehensive government or commercial lists of enterprises and their locations. Since it will be necessary to track INVs in multiple countries, this effort will likely require a multinational team of researchers, such as the Society of Associated Researchers of International Entrepreneurship (SARIE). The SARIE database contains data on entrepreneurship in 15 countries (McDougall/Oviatt 1997).

The second obstacle is the problem of operational definition. There is a constant debate over what constitutes a satisfactory operational definition of the term "international" (e.g. Sullivan 1994, 1996, Ramaswamy/Kroeck/Renforth 1996). Clearly, it is a multidimensional concept, potentially including the amount of sales revenue derived from foreign countries, which and how many countries are involved, the mode of investment used, organizational structures employed (Welch/Luostarinen 1988), attitudes of managers (Perlmutter 1969), foreign inputs (OECD 1997) and other issues. However, few researchers have the resources to measure many of them simultaneously, and, of course, the dimensions of interest depend most importantly on the theoretical focus of the research.

In the case of INVs, we believe that the existence of a significant percent of sales coming from foreign countries is the key defining dimension (Oviatt/McDougall, 1994) because, for a new venture, obtaining significant foreign sales is more difficult and distinctive than obtaining foreign inputs and because several of the other international dimensions are associated in some way with the initiation of foreign sales. While these other dimensions may be of interest for some research questions, they are not of *defining* interest for INVs.

Another defining problem is that INVs are said to be international from inception. Unfortunately, there is no general resolution to the ambiguity concerning the point at which a venture is considered formed (Katz/Gartner 1988, Vesper 1990, Reynolds/Miller 1992). Perhaps it is when the first serious planning for the business occurs, or when it is declared open for business, or the point when revenue is first earned. Again, alternative research questions will rightfully dictate different assumptions, but to have replicable research, one should be able to point to some observable resource commitments that signify inception (Oviatt/McDougall 1994).

In addition to the problem of establishing when business formation has occurred, INVs, by theoretic definition, must also be international at inception. That

is a strict research criterion. Scholars are rarely present to observe inception, and many of them will be reluctant to trust the memories of founders about whether internationalization was a significant consideration at inception. One solution is to operationally define an INV as a firm that makes observable foreign commitments (e.g., sales efforts, investments) within a conventionally accepted short period after formation. Researchers have deemed a venture to be new if it is eight years old or less (e.g. Biggadike 1979, Miller/Camp 1985, McDougall et al. 1994), seven years or less (Jolly et al. 1992), and six years or less (Kunkel 1991, Brush 1992, *The State of Small Business* 1992, Robinson 1995, Shrader 1996). While the selection of any particular period is somewhat arbitrary, the first six years appear to be a crucial period in which firm survival is determined for the majority of companies (*The State of Small Business* 1989), and if internationalization occurs during that period it is likely to have occurred during the venture's formative stage. The six-year convention has the added value that many recent studies appear to have adopted that standard, and its continued use will enhance our ability to make comparisons among the results of different studies.

The Role of International New Ventures

Dunning (1995) acknowledges the increasing participation of small and new firms in the recently globalizing economy. He suggests that this change is occurring primarily because large multinational enterprises (MNEs) are divesting themselves of activities that were previously integrated into their managerial hierarchies and replacing those hierarchical relationships with keiretsu-style alliances in which small firms are quite dependent on a single large MNE. Existing research suggests that such alliances do, indeed, exist among the INVs studied, but it is not clear that they are the predominant explanation for the formation of INVs (McDougall/Shane/Oviatt 1994, Shrader 1996). Thus, in addition to their prevalence, the economic and social role that INVs play must be understood in order to have better informed theories of internationalization.

If the situation is largely as Dunning (1995) describes it, then the entrepreneurial act of starting a new firm actually resides within the already internationally experienced MNE. Such INVs would be rather dependent new ventures. However, a significant number of the INVs that have been studied so far show no evidence of being part of a keiretsu-like structure, but instead are rather independent new ventures (McDougall/Shane/Oviatt 1994, Shrader 1996). For example, Technomed International, a manufacturer and marketer of medical equipment based in Lyon, France, opened for business in 1985 with foreign offices in Italy, Japan, Germany, and the United States. It did not appear to be dependent on any single established enterprise and it competed against some large MNEs, but by its second fiscal year of existence Technomed was profitable (Mamis 1989, Oviatt/McDougall 1995).

Dunning (1995) and Johanson and Vahlne (1990) also acknowledge that some entrepreneurial start-ups may be located in subnational geographic clusters or networks that enable economies and internationalization for all participants. Perhaps the most well known examples are Silicon Valley in California and the industrial districts of northern Italy. INVs participating in them might be accurately described as interdependent.

Even if the large-sample surveys of INVs, mentioned in the previous section, establish INVs as pervasive, we must learn whether they are truly independent new ventures, primarily dependent on large MNEs, or interdependent members of a network of small and new ventures. Understanding those economic roles will enrich internationalization theory and our understanding of INVs, and it will enable us to provide informed advice to entrepreneurs and policy makers.

Case studies of independent, dependent, and interdependent INVs will aid in understanding the detailed processes, relationships, and cultures involved in each of these roles. However, it is also hoped that the large-sample surveys of INVs discussed in the previous section would also include specific questions about the number, size, and location of competitors, buyers, suppliers and owners. Such information would reveal the degree to which INVs are dependent on large MNEs and networks of small firms for survival.

International Business Experience

The literature on the innovation model of the internationalization process is not specific about what motivates a change in commitment to foreign markets, and the empirical literature associated with that model often tests a host of potential influences, including managers' international experience (Leonidou/Katsikeas 1996). In the Uppsala internationalization model, the primary influence that reduces uncertainty and propels firms to increase their commitments to foreign markets is tacit commercial experience in those markets (Johanson/Vahlne 1977, 1990). The authors of the model are not specific, however, about whose experience they mean. They refer quite generally to "knowledge . . . vested in the decision making system" (Johanson/Vahlne 1977, p. 26), which could mean the firm as a whole, a subunit, or an ad hoc group, but they do not consider the individual. It is clear from their references to the organization decision literature (i.e. Cyert/March 1963) that they believe the collection of international business experience present in an organization influences and is embedded in organizational routines and that the decision making process resulting in a change of commitment to a foreign market is a thoroughly political one. Thus, in some firms, layers of managers and standard operating procedures may deflect top managers' intentions.

Although the survival of new ventures through their formative years depends on their developing some effective and efficient organizational routines, they are

not likely to be as elaborate and institutionalized as the standard procedures in long-established firms. In fact, one of the important competitive advantages that small and new ventures have over large, established firms in foreign markets are their flexible operating procedures (OECD 1997). Often the chief executive, principal owner, or founder of a new venture will meet personally with potential customers in new markets. A chief executive has sufficient understanding of the business and the authority to make adjustments to common organizational practices on the spot. Thus, the foreign market commitments of INVs are less likely to be determined by organizational routines and internal politics than in established firms.

We conclude, therefore, that the international business experiences most likely to influence the international commitment decisions of an INV are those of its top managers. That may be operationalized in empirical research by identifying the founders or the members of the top management coalition and summing or calculating the mean years of international business experience among those managers. The top management coalition may be identified in small samples by asking the managers with the most prestigious titles who is responsible for most of the strategic decisions. In larger samples, the researcher may be forced to choose some arbitrary small number of founders and top officers. In publicly held INVs, the top officers may be identified by the annual report or by other documents.

Industry Influences on Internationalization

Johanson and Vahlne (1990) admit that the Uppsala model's focus on tacit knowledge of foreign markets provides only a partial explanation of the firm internationalization process. They admit that many relevant influences are deliberately excluded because they want to highlight an influence that they believe still remains largely unnoticed. Nonetheless, Andersen (1993) criticizes their dependence on a single influence as an insufficient theory. In addition, however, he criticizes the innovation models for not being specific about which of a large group of potential influences are most important. We agree with these criticisms of traditional internationalization theory. We believe that the recent acceleration of firm internationalization and the emergence of INVs around the world (UNCTAD 1993, OECD 1997) is evidence that a new combination of forces is affecting the process. In the late 1990s, researchers would be wise to search neither for a single pervasive influence nor for a plethora of possibilities, but rather for some small number of critical forces that largely determine the process of a firm's internationalization.

The fact that accelerated internationalization now seems to be a worldwide phenomenon suggests that much about the internationalization process is systemic rather than unique to a firm. Broad and largely exogenous technological and so-

cial changes have tended to internationalize competition in many industries, and an industry's internationalization increases the pressure on all firms within it to move into foreign markets (Ohmae 1990, Porter 1990). Thus, industry forces may be especially potent influences on firm internationalization. Indeed, it appears that many INVs are in high technology industries where opportunities for international trade and investment may be most obvious (UNCTAD 1993, McDougall/Shane/Oviatt 1994).

Interviews with entrepreneurs indicate that if a large number of a venture's customers are international or if foreign competitors are entering a previously domestic venture's territory, the venture's managers are more likely to consider entry into foreign markets (Oviatt/McDougall 1995). In such cases, the fear of losing customers to competitors may overcome any uncertainty created by possibly inadequate foreign business experience, an uncertainty which is emphasized by Johanson and Vahlne (1977, 1990).

Therefore, we believe that firm internationalization process theory and our understanding of INVs may be significantly enriched by incorporating the influence of changes in industry internationalization on the firm. Neither the Uppsala nor the innovation models highlight such considerations. One way of operationalizing the concept is the amount of inter- and intra-firm foreign trade that occurs within the industries in which a firm competes (Kobrin 1991).

Managing International Risks

Concern about foreign market risk is the central inhibiting factor affecting the internationalization process of organizations, according to traditional management theories of internationalization. The Uppsala theory, of course, emphasizes that tacit knowledge about foreign markets will relieve the concern. We have argued above that, especially in recent years, an increase in the level of industry internationalization may even overcome venture managers' inexperience in foreign markets. But in addition to tacit knowledge and industry affects there is evidence of yet another important influence on the risks of internationalization, and that is firm strategy.

Shrader (1996) has shown that the level of international risk can be managed. High performing INVs managed international risks by balancing the threats to which they were exposed. The percentage of revenue derived from a foreign country was measurably traded off against the riskiness of the country's political economy, and the mode of entry used. That is, if a high-risk country were entered, the venture would use a low risk entry mode, such as exporting, and would not depend on the country for a large portion of its total revenue. Thus, there is evidence that a well chosen strategy can lower the uncertainties of internationalizing.

Additional questions about risk and uncertainty have emerged from that research. How are the risks of internationalization perceived by the strategic managers of different ventures? Do the managers of poorly performing ventures perceive international risks in a different way than the managers of the ventures that Shrader (1996) studied, which were quite successful and very internationally committed. Are the risks of internationalization positively associated with the financial returns from internationalizing, as would be expected from economic theory, or does the ability to manage international risk mean that such risks and returns have no direct association? Research aimed at answering such questions would add to our understanding of INVs and of the internationalization process.

Accelerated Internationalization

The focus of this article is on understanding one extreme type of firm, the INV, in order to improve internationalization process theory. However, the acceleration of the internationalization process in firms worldwide appears to be a more pervasive phenomenon than INVs (OECD 1997), and the acceleration process itself is deserving of study (Leonidou/Katsikeas 1996, Oesterle 1996). The decreasing age at which most firms seem to sell outputs in foreign markets may be explained by the influences highlighted already: increasing cultural homogeneity, industry forces, firm strategy, and the foreign market experience of entrepreneurs. If entrepreneurs generally have more foreign market experience than in earlier periods of history, as some scholars believe (Hedlund/Kverneland 1985), and if increased experience is the predominant explanation of accelerated moves into foreign markets, then the Uppsala model is reinforced. If the basis for explanation is otherwise, the need for new formulations of international process theory is reinforced.

Inward and Outward Internationalization of Value Chain Activities

We noted earlier that internationalization is a multidimensional concept. Thus, accelerated internationalization may occur along multiple dimensions. The overwhelming majority of research on the internationalization process has focused on the internationalization of outputs, or sales, most frequently operationalized as the percentage of foreign-to-total firm sales (Sullivan 1994). But, of course, the internationalization of each of the various organizational inputs and outputs is very likely to begin at different points in the history of a firm and to progress or even digress at different speeds.

Thus, a comprehensive understanding of the internationalization process may be enhanced by viewing a venture as a value chain of distinct input and output ac-

tivities (Porter 1985). For example, a firm's component procurement and manufacturing operations may take place in foreign countries long before sales. Moreover, the internationalization of one activity may be linked to another. Indeed, as entrepreneurs gain exposure to foreign markets via the "inward" internationalization of value chain activities, such as outsourcing and technology transfer, the way is prepared for "outward" internationalization (Welch/Luostarinen 1993). That is one way a venture's early foreign sales may be encouraged and the geographic location of those sales determined. While study of the internationalization of distinct value chain activities holds promise for improving our understanding of the process of internationalization, little empirical knowledge has yet been developed about these issues, especially with regard to new and small ventures.

Conclusions

This article has highlighted recent challenges to traditional internationalization theories, especially focusing on the apparently increased significance of international new ventures and, more generally, the accelerated speed of internationalization. While the traditional Uppsala and innovation theories have historical relevance, recent technological, economic, and social conditions appear to have changed in ways that point to new research questions and perhaps alternative explanations for the internationalization process of firms as we approach and enter the new millennium.

References

- Andersen, O., On the Internationalization Process of Firms: A Critical Analysis, *Journal of International Business Studies*, 24, 2, 1993, pp. 209–231.
- Biggadike, R. E., The Risky Business of Diversification, *Harvard Business Review*, 57, 3, 1979, pp. 103–111.
- Bilkey, W. J./Tesar, G., The Export Behavior of Smaller Sized Wisconsin Manufacturing Firms, *Journal of International Business Studies*, 8, 1, 1977, pp. 93–98.
- Bloodgood, J. M./Sapienza, H. J./Almeida, J. G., The Internationalization of New High-potential U.S. New Ventures: Antecedents and Outcomes, *Entrepreneurship Theory and Practice*, 20, 4, 1996, pp. 61–76.
- Brokaw, L., *Foreign Affairs, Inc.*, 12, 11, 1990, pp. 92–104.
- Brush, C. G., *Factors Motivating Small Companies to Internationalize: The Effect of Firm Age*, Unpublished Dissertation, Boston University 1992.
- Burrill, G. S./Almassey, S. E., *Electronics '93 The New Global Reality*: Ernst & Young's Fourth Annual Report on the Electronics Industry, San Francisco: Ernst & Young 1993.
- Cavusgil, S. T., Differences Among Exporting Firms Based on Their Degree of Internationalization, *Journal of Business Research*, 12, 1984, pp. 195–208.

- Coviello, N./Munro, H., *Internationalizing the Entrepreneurial Technology-intensive Firm: Growth through Linkage Development*, Paper presented at the Babson Entrepreneurship Research Conference, INSEAD, France 1992.
- Cyert, R. D./March, J. G., *A Behavioral Theory of the Firm*, Englewood Cliffs, NJ: Prentice-Hall 1963.
- Czinkota, M. R., *Export Development Strategies: US Promotion Policies*, New York: Praeger Publishers 1982.
- Dunning, J. H., Reappraising the Eclectic Paradigm in an Age of Alliance Capitalism, *Journal of International Business Studies*, 26, 3, 1995, pp. 461–491.
- The Economist, America's Little Fellows Surge Ahead, *The Economist*, July 3, 1993, pp. 59–60.
- Gupta, U., Small Firms Aren't Waiting to Grow Up to Go Global, *The Wall Street Journal*, December 5, 1989, B2.
- Hedlund, G./Kverneland, A., Are Strategies for Foreign Markets Changing? The Case of Swedish Investment in Japan, *International Studies of Management and Organization*, 15, 2, 1985, pp. 41–59.
- Johanson, J./Vahlne, J.-E., The Internationalization Process of the Firm – A Model of Knowledge Development and Increasing Foreign Market Commitments, *Journal of International Business Studies*, 8, 1, 1977, pp. 23–32.
- Johanson, J./Vahlne, J.-E., The Mechanism of Internationalization, *International Marketing Review*, 7, 4, 1990, pp. 11–24.
- Johanson, J./Wiedersheim-Paul, F., The Internationalization of the Firm – Four Swedish Cases, *Journal of Management Studies*, 12, 3, 1975, pp. 305–322.
- Jolly, V. K./Alahuhta, M./Jeannot, J.-P., Challenging the Incumbents: How High Technology Start-ups Compete Globally, *Journal of Strategic Change*, 1, 1992, pp. 71–82.
- Katz, J./Gartner, W. B., Properties of Emerging Organizations, *Academy of Management Review*, 13, 1988, pp. 429–441.
- Kobrin, S. J., An Empirical Analysis of the Determinants of Global Integration, *Strategic Management Journal*, 12, 1991, pp. 17–31.
- Kunkel, S. W., *The Impact of Strategy and Industry Structure on New Venture Performance*, Unpublished Ph.D. Dissertation, University of Georgia 1991.
- Leonidou, L. C./Katsikeas, C. S., The Export Development Process: An Integrative Review of Empirical Models, *Journal of International Business Studies*, 27, 3, 1996, pp. 517–551.
- Mamis, R. A., Global Start-up, *Inc.*, 11, 8, 1989, pp. 38–47.
- McDougall, P. P. et al., The Effects of Industry Growth and Strategic Breadth on New Venture Performance and Strategy Content, *Strategic Management Journal*, 15, 7, 1994, pp. 537–554.
- McDougall, P. P./Oviatt, B. M., International Entrepreneurship Literature in the 1990s and Directions for Future Research, in Sexton D. L./Smilor R. W. (eds.), *Entrepreneurship 2000*, Chicago: Upstart Publishing 1997.
- McDougall, P. P./Shane, S./Oviatt, B. M., Explaining the Formation of International New Ventures: The Limits of Theories from International Business Research, *Journal of Business Venturing*, 9, 1994, pp. 469–487.
- Miller, A./Camp, B., Exploring Determinants of Success in Corporate Ventures, *Journal of Business Venturing*, 1, 1, 1985, pp. 87–105.
- OECD – Organisation for Economic Co-operation and Development, *Globalisation and Small and Medium Enterprises*, Paris: OECD 1997.
- Oesterle, M.-J., *Internationalization as a Built-in Mechanism of Innovation Based Firms*. Paper presented at the 22nd Annual Conference of the European International Business Academy, Stockholm 1996.
- Ohmae, K., *The Borderless World*, New York: Harper Business 1990.
- Oviatt, B. M./McDougall, P. P., Toward a Theory of International New Ventures, *Journal of International Business Studies*, 25, 1, 1994, pp. 45–64.
- Oviatt, B. M./McDougall, P. P., Global Start-ups: Entrepreneurs on a Worldwide Stage, *Academy of Management Executive*, 9, 2, 1995, pp. 30–44.
- Perlmutter, H. V., The Tortuous Evolution of the Multinational Corporation, *Columbia Journal of World Business*, 14, 1, 1969, pp. 9–18.

- Porter, M. E., *Competitive Advantage*, New York: The Free Press 1985.
- Porter, M. E., *The Competitive Advantage of Nations*, New York: The Free Press 1990.
- Ramaswamy, K./Kroeck, K. G./Renforth, W., Measuring the Degree of Internationalization of a Firm: A Comment, *Journal of International Business Studies*, 27, 1, 1996, pp. 167–177.
- Reid, S. D., The Decision-maker and Export Entry and Expansion, *Journal of International Business Studies*, 12, 2, 1981, pp. 101–112.
- Reynolds, P./Miller, B., New Firm Gestation: Conception, Birth, and Implications for Research, *Journal of Business Venturing*, 7, 5, 1992, pp. 405–417.
- Robinson, K. C., *Measures of Entrepreneurial Value Creation*, Unpublished Doctoral Dissertation, University of Georgia 1995.
- Rogers, E. M., *Diffusion of Innovation*, New York: The Free Press 1962.
- Shrader, R., *Influences on and Performance Implications of Internationalization by Publicly Owned U.S. New Ventures: A Risk Taking Perspective*, Unpublished Doctoral Dissertation, Georgia State University 1996.
- The State of Small Business, *Report from the U.S. Small Business Administration*, Washington, D.C.: U.S. Government Printing Office 1989.
- The State of Small Business, *Report from the U.S. Small Business Administration*, Washington, D.C.: U.S. Government Printing Office 1992.
- Sullivan, D., Measuring the Degree of Internationalization of a Firm: A Reply. *Journal of International Business Studies*, 27, 1, 1996, pp. 179–192.
- Sullivan, D., Measuring the Degree of Internationalization of a Firm, *Journal of International Business Studies*, 25, 2, 1994, pp. 325–342.
- Sullivan, D./Bauerschmidt, A., Incremental Internationalization: A Test of Johanson and Vahlne's Thesis, *Management International Review*, 30, 1, 1990, pp. 19–30.
- Turnbull, P. W., A Challenge to the Stages Theory of the Internationalization Process, in Rosson P. J./Reid S. D. (eds.), *Managing Export Entry and Expansion*, New York: Praeger 1987, pp. 21–40.
- United Nations Conference on Trade and Development, *Small and Medium-sized Transnational Corporations*, United Nations: New York 1993.
- Vesper, K. H., *New Venture Strategies*, Revised Edition, Englewood Cliffs NJ: Prentice Hall 1990.
- Welch, L. S./Luostarinen, R., Internationalization: Evolution of a Concept, *Journal of General Management*, 14, 2, 1988, pp. 34–64.
- Welch, L. S./Luostarinen, R., Inward-outward Connections in Internationalization, *Journal of International Marketing*, 1, 1, 1993, pp. 44–56.