

Introduction: the emergence of international entrepreneurship (IE) and its agents – selected issues

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The popular emergence of the concepts ‘Born Global’ and ‘International New Ventures’ can be traced back to business and consulting reports in the late 1980s and early 1990s. In the decade of the 1980s, the richness, diversity and appeal of international markets to smaller and younger firms became apparent and the report of their efforts appeared in the popular business press. For example, the business press featured articles on smaller American firms surging ahead in international markets or small firms and big exports in the early 1990s (Loane 2005). A consulting study for the Australian Manufacturing Council (McKinsey & Co. 1993) pointed to a pattern of systemic international activities of a large number of smaller Australian exporters and Rennie (1993) reported on a large number of smaller Australian firms that had engaged in substantive exporting in the early stages of their lifespan and called them ‘Born Globals’, which is viewed as a conceptual milestone. In an editorial piece, Cavusgil (1994) referred to the ‘Born Global’ phenomenon as a ‘quiet revolution’ in scholarly international business. The early contributions of Oviatt and McDougall (1994), Knight and Cavusgil (1996) and Knight (1997) introduced and examined some aspects of the emerging phenomenon of smaller firms’ internationalization.

These early reports indicated that smaller firms had been expanding abroad rather than growing in the home market in the early stages of their lifespan; although they did not report on the distribution of age, size and speed or scope of these firms’ internationalization. Early internationalization by smaller and younger firms was already a substantive conceptual and also a practical deviation from the state of received theory of international business at the time, at least in the following aspects:

1. many of the internationalizing firms were relatively young and small firms (that is, aspects of age and size);

2. they had internationalized substantially beyond the chance occurrence of unsolicited orders from international sources (that is, the extent, scope and pace of internationalization);
3. they had targeted international markets for attaining growth and access to resources rather than penetrating the familiar home markets for early growth;
4. they would have explicitly considered the trade-offs between growth at home or internationally; and
5. they may have taken advantage of the positive interaction between international and home markets to gain incremental competitiveness to grow even faster than activity in only one of the markets.

The conventional theory had posited that smaller and younger firms were resource-poor and inexperienced and thus presumed them as not prepared to deal with the adversities of 'foreignness' (Hymer 1976), 'outsidership' (Johanson and Vahlne 2009), 'newness' (Stinchcombe 1965) and of international environment (Weick 1993) that could combine to deter from, if not paralyze, a smaller firm's internationalization efforts early on. Smaller and younger firms were expected to grow at home first in order to gain size, resources, experience and maturity in terms of accumulating experiential knowledge, reputation (for example, brand equity) and gain competitiveness before attempting international markets. Similarly, international markets were presumed to require more resources than domestic markets, much beyond the smaller firm's own resource to support the firm's internationalization. Similarly, exposure to higher operational risks of international markets was posed as perilous to the smaller and younger firms.

CHALLENGES TO THE CONVENTIONAL THEORY

Oviatt and McDougall's (1994) empirical evidence for International New Ventures (INVs) complemented Rennie's (1993) 'Born Globals'; thus triggering a re-examination of the prevailing theory in the mid-1990s. Scholarly research has already addressed many issues already; but many issues remain uncovered yet or not fully examined in this emerging field. This introductory chapter highlights a selected list of broad issues and this volume addresses some aspect of them.

INVs were defined as a 'business organization, that from inception, seeks to derive significant competitive advantage from the use resources and sale of outputs in multiple countries' at or near inception (Oviatt and McDougall 1994). Two explicit aspects of this definition are noteworthy:

(1) that INVs were relatively smaller firms that internationalized earlier, if not from inception, and (2) that they derived significant advantage from multiple international markets. These aspects suggest that:

1. INVs may have suffered from the 'poverty of resource'; but their use of different governance structure, combined with advantages of international markets, enabled them to gain significant international revenues at or near inception.
2. These firms deviated substantially in resources and knowledge from resource-rich MNEs and did not follow the conventional path of international expansion through the stage-wise, slow, methodical and evolutionary path of learning local 'experiential knowledge' (Johanson and Vahlne 1977) by establishing local presence and following the concept of 'psychic distance'.
3. They did not exploit their home-grown competitive advantage, used first at home (mainly advanced and industrialized countries) before entering international markets. Rather, they used international markets to 'derive significant advantage' to be used everywhere, including at the home market.
4. These firms leveraged the potentials of international market advantage to compensate for their possible adversities of home environment impacting these firms negatively (for example, smaller market size, inefficient institutions, restrictive regulations, and so on, especially in the emerging economies).

Within the above context, one can think of the much larger size of the international markets generating correspondingly large-scale economies than most domestic markets, thus further enabling firms to grow faster.

THE EXTERNAL IMPACT AND FIRM DYNAMICS

The above scale-related advantage holds the potential for the smaller younger firms aspiring to attain further growth to focus their attention and resources on the international market early on in their lifespan, if not from inception, to achieve them earlier than later. However, this enabling factor could clearly favor higher and possibly faster growth (O'Farrell and Hitchins 1988) in international markets for, and gains in, the requisite competitiveness, regardless of their home-country's conditions, which would counter the implications of the traditional theory's lessons (for example, to grow at home first).

THE FIRM'S INTERNAL DESIRE FOR HIGHER INTERNATIONALIZATION SPEEDS TO COUNTER EXTERNAL PRESSURES

The international market advantage not only would allow firms based in relatively difficult environments (for example, developing markets) to internationalize to reduce the adverse impact of the home environment, it could empower them to do so as early and as fast as possible to avoid the undesired consequences of, for example, entering the market later than competitors, facing entrenched competitors, not gaining a market share fast enough or facing the higher threat of being taken over due to their smaller size. These implications resonate well with Etemad's suggestion (for example, in Chapter 1 of this volume) and elsewhere (Etemad 2007, 2013; also see Dutta et al. 1998) that early internationalization is in part related to firms' growth objectives and strategies and in part related to the temporal issue, when firms view internationalization as a vehicle to achieve growth (O'Farrell and Hitchens 1988) within a targeted timespan.

THE GOVERNANCE STRUCTURE

Oviatt and McDougall (1994) suggested that INVs would use governance structures different from those of conventional organizations (for example multinational enterprises (MNEs)) for accessing and deploying, for example, the necessary resources, including information and knowledge of local foreign markets. Such tacit knowledge is held by the foreign local personnel in general, and in the distribution-channel members in particular. The literature of International Marketing (for example, Bilkey and Tesar 1977; Cavusgil 1980, 1984b; Loane and Bell 2006) had pointed to the advantages of exports (Cavusgil et al. 1979; Cavusgil and Naor 1987) and especially 'indirect exports' through foreign local intermediaries much before the emergence of INVs and Born Global concepts and their subsequent evolution (Madsen and Servais 1997; Etemad et al. 2001; Moen and Servais 2002; Knight and Cavusgil 2004). With their strong knowledge of foreign local markets and with local contact, these intermediaries are in a better position to establish a local presence at higher speeds and at lower financial and temporal costs for their smaller foreign clients' early internationalization and thus provide for faster international expansion at no additional costs at or near inception (without requiring the firm to acquire such resources slowly over time). This implicitly points to the critical importance of how resources are deployed – for example, the use of network resources in contrast to acquisition for deployment as

suggested by conventional theories. However, such network-based strategies involving a trade-off between ‘independent’ and ‘interdependent’ operations (for example, inter-relations in network configurations – see, for example, Cavusgil (1984a), Holstein and Kelly (1992), Dana and Etemad (2001), Dutta and Biren (2001), Dana et al. (2001a), Etemad et al. (2010), Acs and Terjesen (2012), Reijonen et al. (2012)) – have not been fully examined from growth and speed perspectives. One can ask: would the INV phenomenon be in part due to the firms seeking to attain high growth by, for example, deploying a combination of network resources and temporally-efficient strategic options, including more efficient pre-internationalization processes for saving time (for example, shorter, faster and more effective pre-export activities – see, for example, Moen and Servais, 2002), or would early international expansion be due to the firms’ tight coordination between the internal and external capabilities and resources? The nascent nature of the theory of INVs and Born Globals are such that we do not yet know whether the INV phenomena was initially due to more potent strategies or patently different sets of forces were at work, including changes in the environmental, informational, technological and managerial forces. However, these factors may have infused over time and are also used in combination gradually as firms have learned how to combine and use them to grow and evolve.

TECHNOLOGICAL AND ENVIRONMENTAL FACTORS

Previously, Jolly et al. (1992) had identified technologically oriented start-ups that were competing globally successfully and attributed their global success to their superior technological capabilities. Similarly, Knight and Cavusgil (1996) viewed Born Globals’ pattern of internationalization due in part to firms’ technological-orientation as they defined these firms as ‘small technology-oriented companies that operate in international markets from the earliest days of their establishment’ (p.11). The incremental impact of firms’ technological capabilities and orientation (for example, Knight and Cavusgil 2004) accorded well with the massive technological change ushered by innovative firms (for example, those in the Silicon Valley and Boston’s Interstate-128 region) in the decades of the 1980s and 1990s, including the pervasive use of micro-chips and micro-processors in almost all aspects of management and production leading to a better use of information and communication technologies (ICTs) for easier accumulation of the requisite knowledge for faster and broader organizational learning (Nonaka 1994 and Etemad 2013).

The introduction of the Internet and massive innovation in ICTs in the 1990s might have had profound effects on the transforming smaller firms (Dutta and Segev 1999; Dana et al. 2001b; Etemad 2003; Knight et al. 2004; Dana et al. 2008; Etemad et al. 2010; Keen and Etemad 2012), especially in those from developing and transitional economies enamored with institutional and environmental adversities (Weick 1993) and experiencing communication inefficiencies. In addition to more effective communication, the possibility of SMEs finding more reliable and current information about: (1) the local environment and local practices in foreign markets on the Internet, supplied by the indigenous institutions and local individuals, (2) outsourcing from other more efficient producers or (3) supplying to global supply chains (Dutta et al. 1998) may have helped SMEs to offset, if not avoid, the additional costs of gaining experiential knowledge in the foreign markets or for conducting international business as compared to home markets (including the costs of establishing a physical presence in local foreign markets).

MASSIVE STRUCTURAL CHANGE IN THE ENVIRONMENT: FREER TRADE AND INVESTMENT REGIMES

The above ICT developments also paralleled the initial waves of free and freer trade regimes as in the Canada–US Free Trade Agreement in 1989, the introduction of the North American Free Trade Agreement (NAFTA) in 1991 and the European Single Market in 1992, among others, facilitating regionalization (for example, in North America and Europe) towards further internationalization. In parallel, rampant globalization had begun to dismantle barriers to trade, investment and mobility that were previously insurmountable for smaller firms. These internal and external changes must have altered the economics of the firm and industry and reduced the costs, risks and difficulties of internationalization processes. They may have also contributed to a faster and broader internationalization of firms in some industries leading to a higher concentration of INVs and Born Globals in particular, and rapidly internationalizing firms (RIFs) (Dutta et al. 1998; Etemad 2007) in those industries in general (for example, in industries with greater high-technology intensity and universal applicability). The implications of internationalization's dynamics, strategy and speed in those firms and industries may be further reviewed at two levels. First, at the firm level, instead of developing home-based competitive advantage first and exploiting it in the international markets later, firms could focus on entering international market for gaining scale econ-

omies for increasing competitiveness incrementally at home and abroad at a faster pace and in a shorter time early in their lifespan, if not from inception. Second at, the industry level, the intra-industry herding behavior, competition, emulation and reactions (Knickerbocker 1973) could force early internationalization strategy across the industry and make other slower strategies inferior. In fact, it may be more advantageous to sell in the larger and richer international markets than in smaller home markets, especially for highly specialized products. Therefore, faster and increasing internationalization of smaller and younger firms to gain international competitiveness to sustain higher growth at home and abroad, sometimes simultaneously, may have already been among the influential factors in generating Born Globals, INVs and RIFs, but this issue has not yet been subjected to empirical verification, although it does merit it.

THE METHODOLOGICAL ISSUES: POPULATION AND SAMPLING CONCERNS

The above arguments suggest that growth and international expansion (that is, internationalization) have become integrally intertwined to the extent that one is necessary for achieving the other. Logically, for a proper study of INVs and Born Globals, one must draw samples from a population of firms that are capable of portraying a clear picture of these firms' internationalization activities and practices. A population of high-growth and rapidly internationalizing firms (RIFs) is more likely to contain a higher proportion of INVs and Born Globals because high-growth-oriented smaller firms, especially in smaller home markets and with highly specialized products (or services), are bound to internationalize earlier, more extensively and at higher speeds and in earlier stages of their lifespan, if not from inception, to remain competitive and survive.

The issues discussed above lead to a number of themes which are outlined in this book. The first theme (Part I) is focused on the subject of how to expand and lead highly international firms, especially through the use of networks.

The next theme (Part II) has its focus on a new subject in the IE/Born Global research: firms from emerging economies. This is done in the form of a meta-analysis of the existing literature and an analysis of firms' institutional perspectives supplemented with the perspective of how to use foreign employees in the development of internationalization.

In Part III, the focus shifts from institutions to individuals and groups with a focus on the entrepreneur, family and gender, supplemented with an analysis of students' entrepreneurial behavior.

In summary, this introductory chapter has aimed to open a window through which the reader can view the complexity, breadth and depth of the internationalization phenomenon in terms of some selected issues that are examined from a variety of perspectives. The team of editors has organized these issues into themes in the book and teams of authors have portrayed their research and scholarly perspectives on one or a combination of issues highlighted in their respective chapters. It is hoped that this volume casts new light on the list of selected issues addressed here to help the reader to develop a clearer view of the selected internationalization issues of interest, if not a higher appreciation of the subject, in this emerging field. It is further hoped that this volume will inspire scholars, managers and policymakers to build upon their respective issues of interest, shed brighter lights on those issues and thus push the field's frontiers forward.

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