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The Importance of International Experience for Accelerated Internationalization in New Ventures

Principal Topics
The speed of internationalization is an emerging topic within the study of international entrepreneurship. For more than a decade, scholars have studied international new ventures in an effort to explain their historically accelerated internationalization and entrepreneurial behavior. Among other things, we have learned that accelerated internationalization seems to be associated with firm-level technological learning (Zahra, Ireland, & Hitt, 2000), with an aggressive entrepreneurial strategy of product innovation (McDougall, Oviatt, & Shrader, 2003), and with higher venture growth (Autio, Sapienza, & Almeida, 2000). Thus, early internationalization seems to have potential benefits for new ventures.

Several factors, including firm size (Cavusgil, 1984), technological level (Autio et al., 2000), and networks (McDougall, 1994) have been associated with firm internationalization. In recent years, a handful of papers have appeared examining the effects of technology level (Zahra, Matherne, & Carleton, 2003; Autio et al., 2000) and networks (Garcia-Canal et al., 2002) on the speed of internationalization, or the time between firm founding and its first international sale. In a sample of Canadian software firms, Reuber and Fischer (1997) found international experience among business owners was associated with faster internationalization. But they had data from 1994 on only 49 firms averaging 11 years old, and the authors called for replication and extension. We believe it is appropriate to test that relationship in a new decade and in a different industry with newer ventures headquartered in a different country. We also respond to their call to understand that international experience in greater detail.

In this paper we consider two research questions: Does entrepreneur and management team international experience influence the speed of new venture internationalization? What type of international experiences matter? We control for the affect of the venture’s technology and alliance networks to determine the unique contribution of top management team international experience.

Hypotheses
H1: Collective international experience of the top management team will be positively related to the speed of new venture internationalization.

H2: Favorable international experience of the top management team will be positively related to the speed of internationalization.

H3: Diverse international experience of the top management team will be positively related to the speed of new venture internationalization.

H4: More extensive international experience of the top management team will be positively related to the speed of new venture internationalization.
Methods
A sample of U.S. headquartered biotech new ventures (less than 6 years of age) will be drawn from Recombinant Capital (Recap), one of the largest and most detailed biotech firm databases. We focus on biotechnology firms for several reasons. First, keeping the industry constant limits extraneous variables in the study. Second, focusing on US-based firms removes effects of different legal and cultural issues. Third, biotechnology firms, as high-technology firms, tend to internationalize due to industry pressures, which ensures that the sample will include a significant number of firms that have experienced internationalization. Finally, there is a large amount of secondary data available on biotechnology firms through Recap, SEC filings, and other sources.

We are currently in the process of identifying a sample of public and privately held new ventures. For the public firms, we estimate approximately 160 firms for the sample and expect to extract a similar number of privately held biotech firms. We will use secondary sources, to obtain data for the control variables for publicly held firms, and primary data collection to obtain control variables for privately held firms. For all firms, information on the top management team’s prior international experience will be obtained through phone, mail and/or email surveys.

Our control variables will include firm size, measured as the natural logarithm of the number of employees, technology level, measured by the cumulative number of patents from founding to the year before the firm’s first international sale, age of the firm during the year in which its first international sale was made, number of partners, and the number of products the venture has on the market by the time it internationalized. The measures of international experience will be collected via survey items. We are currently searching the literature to determine whether pre-existing scales exist that could be adapted for our purposes. If none are found, our survey instrument will include questions on the number of years in which the management team engaged in international experiences (collective), positive impressions from international experience (favorable), the number of different countries with which the team members have experience (diversity) and the type of experiences they encountered, such as living abroad short term, living abroad long term, working for an international subsidiary, and traveling abroad (extensive).

Implications
The link between the speed of internationalization and new venture performance suggests it is important to understand why some firms internationalize quickly, some slowly, and others more moderately. This paper will help us understand the extent to which international experience enables ventures to internationalize quickly, and if so, what type of international experience matters. It will also enable us to determine whether its importance outweighs the technological and network factors previously found to influence internationalization.