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International new ventures: The cross-border nexus of individuals and opportunities

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Abstract

We draw on entrepreneurship research to present a framework for international new ventures as the cross-border nexus of individuals and opportunities. Opportunities may be associated with cross-border combinations of resources and/or markets and therefore vary along these two dimensions. This framework accounts for the emergence of firms whose very existence stems from opportunities to engage in the cross-border combination of resources and/or markets. This perspective has important implications for whether internationalization follows competitive advantage or vice versa and also helps explain how the identification and exploitation of opportunities to create international new ventures may contribute to economic development.

Keywords: International new ventures; Entrepreneurship; Opportunity

Alibaba.com was founded in 1999 in China by the Chinese entrepreneur Jack Ma following a business trip to the United States with financial and strategic support from partners in the United States, Japan and Europe (Economist, 2000). The company was created to provide opportunities for linking international companies with Chinese suppliers. It has since expanded into a global B2B marketplace (http://www.alibaba.com). Immediately upon establishment, Alibaba.com became a clear example of an international new venture: the company received revenue from multiple countries, and the resources enabling the Alibaba business model were derived from multiple countries. Yet prevailing models for analyzing international new ventures, which emphasize the internationalization process and related issues such as speed to internationalization of sales, appear inadequate for analyzing this international new venture. For Alibaba.com, expanding into foreign markets was not an internationalization strategy but rather a raison d'être. The venture did not seek to overcome the liability of its being foreign (Zaheer, 1995); rather, its foreignness was a core asset and source of competitive advantage. International revenue sources are important for the company, but the company's ability to create value by combining resources internationally is of equal or greater importance. Furthermore, the company's novel mechanisms for connecting small suppliers in China and elsewhere to global markets have contributed to regional economic development.

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Scarcely more than a decade has passed since attention was first drawn to firms that become highly international in scope upon inception or within a few years of founding (McDougall, 1989; Rennie, 1993). Within this brief period, research seeking to explain the existence, evolution and performance of international new ventures (INVs) has become the centerpiece of a growing research stream in international entrepreneurship (Acs, Dana, & Jones, 2003; Dimitratos & Jones, 2005). In a recent review of the first decade of research on international new ventures, Rialp, Rialp, and Knight (2005) identified a broad range of theoretical frameworks that have been utilized to explain the emergence of international new ventures, including resource-based theory, network theory, internationalization process models, evolutionary theory, transaction cost theory, knowledge and learning, and risk management.

Ironically, one important stream of research that was excluded in their review and in most of the cited work is entrepreneurship research. The link between international new ventures and entrepreneurship has been acknowledged (e.g., Oviatt & McDougall, 1994), and recent research has addressed this link more explicitly (Autio, 2005; Oviatt & McDougall, 2005; Zahra, 2005; Zahra & George, 2002). Yet there remain numerous unexplored opportunities to draw on entrepreneurship literature to shed light on international new ventures. Two such opportunities include looking beyond new ventures that sell internationally to also considering new ventures that rely on international combinations of resources (e.g., via importing, offshoring, staffing, and/or international financing), and identifying the impact that INV creation, as a form of entrepreneurship, has on markets and economic development.

At the same time that research into international new ventures was emerging, there has been a surge of research in the broader field of entrepreneurship. In particular, Shane and colleagues (Eckhardt & Shane, 2003; Shane, 2003; Shane & Venkataraman, 2000) developed a framework for conceptualizing entrepreneurial action as the nexus of individuals and opportunities. According to this framework, entrepreneurship entails the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously had not existed (Shane & Venkataraman, 2000). These authors build on the work of Schumpeter and Austrian economics, for which entrepreneurial activity drives the market process and economic development by moving markets away from or toward equilibrium, while creating and resolving differences in knowledge and resources across time and space. Following Schumpeter (1934), entrepreneurs create value that contributes to economic development by engaging in novel combinations of resources. In line with Austrian economics, the knowledge gained through the discovery of entrepreneurial opportunities by individuals makes markets more efficient.

The primary purpose of this paper is to initiate the process of applying insights from entrepreneurship research to explain the existence of international new ventures and their consequences for economic development, shifting the focus from the process and timing of the internationalization of sales to the discovery, evaluation and exploitation of international entrepreneurial opportunities. The emergence of international new ventures is explained by the geographic dispersion of the key elements in the entrepreneurial process: individuals, the experience and other resources that individuals control, and opportunities for new international combinations of resources and/or markets. A new venture may be considered international in scope if it experiences early international sales, which is how international new ventures have generally been viewed in prior research. Alternatively, a new venture may also be international in scope by combining tangible or intangible resources across borders, even if sales remain exclusively limited to a single, domestic market. These resource combinations will often precede the formal establishment of the firm and play an integral role in enabling profitable opportunities for new venture creation. Finally, international new ventures may exhibit internationalization upon inception in the form of the cross-border combination of both resources and markets. We present brief case studies of firms that represent two distinct forms of international new ventures, one of which is explained by existing theory and another, which is explained only by the introduction of new theory. We then address the implications of this framework for theory and practice, and we explain how by producing novel cross-border combinations of resources and/or markets, international new ventures may contribute to economic development.

1. International new ventures: entrepreneurship via cross-border combinations

An international new venture has been defined as a ‘‘business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries’’ (Oviatt & McDougall, 1994: 49). While this early definition incorporates international new ventures that