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Profiling the International New Venture -A literature review of the empirical evidence

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Abstract

International New Ventures (INVs) are defined as "business organisations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (McDougall et al., 1994: 470). Globalisation, the dismantling of trade barriers, and the pervasive impact of new technologies have created unprecedented opportunities for young firms to go international early in their life cycle. This is also evidenced by the large number of long established firms that have recently internationalised. In light of these global trends, size of the firm is no longer a key determinant of internationalisation as it once was - the INVs are clear evidence of this.

This paper presents a critical review of the empirical findings popular in the current INV literature, with the objective of developing a profile of INVs which includes the basic characteristics, such as the competitive strategies, products and choice of market entry modes. There are certainly enough similarities in the empirical studies to generate a more comprehensive profile of the INV than exists in the literature already. A review of theoretical contributions on the INV is equally of interest but is outside the scope of this paper. The first section of the paper describes the emergence of the INV firm, which has challenged traditional theories of internationalization. The second section identifies some of the key driving forces behind the firms. Then, drawing on empirical findings, a profile of the INV is drawn up. Finally, noting the consensus in the literature, a conclusion is reached. This is followed by observations from the author and the recognition of research avenues, which may warrant further investigation.

Introduction

There exists a limited amount of theory building and empirical investigations on the early internationalisation of young entrepreneurial firms. The phenomenon of the International New Venture (INV) as a form of international entrepreneurship is still an unexplored area of research in entrepreneurship and international business literature. International business literature has tended to focus on large multinationals and long-established SMEs which have already gained maturity in their home market prior to internationalisation, whereas research on entrepreneurship has primarily focused on venture creation and on the management of SMEs within a domestic context.

Zahra & George (2000:11) broadly define International Entrepreneurship as "the process of creatively discovering and exploiting opportunities that lie outside a firm's domestic markets in the pursuit of competitive advantage". McDougall & Oviatt (2000: 903) go further and add risk to the definition: "(International Entrepreneurship is) a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organisations". INVs constitute a new form of entrepreneurship, as they are entrepreneurial from the outset with a strong international orientation. This combination of International Business and Entrepreneurship seems to naturally encompass the INVs. McDougall and Oviatt's (1994) theory on *New Venture Internationalisation* has been the closest yet to theorising on this concept. They describe INVs as firms having "an international vision (…) from inception, an innovative product or service marketed through a strong network, and a tightly managed organisation focused on international sales growth" (Oviatt and McDougall, 1997:47).

From the empirical standpoint, it has been only in the last decade that INVs have received a lot of attention in research. An abundance of empirical evidence has emerged revealing that an increasing number of firms are following this pattern of internationalisation in the US and western European economies (McDougall & Oviatt, 1994;1997; Bell, 1997; McKinsey &Co, 1993; Lindmark et al 1994; Preece et al 1999; Christensen ad Jacobsen 1996; Waago et al 1993; Madsen & Per Servais, 1997;Larimo 2002; Bell 1995). However, according to Knight & Cavusgil (1996), INVs have been around since the late 1970s. This claim is based on documented examples of internationalisation patterns similar to such INVs in different countries.
On titling the INV, Rialp et al (2002) argue that the "denomination given to this specific phenomenon has been rather diverse and somewhat confusing, because not always synonymous labels have been used to describe those firms that decide to internationalize from inception" (pp20). Researchers have given such firms many titles but in essence they refer to the same thing. The term "Born Globals" has been the most popular (Rennie, 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997; Bell and McNaughton, 2000; Madsen et al., 2000; Rasmussen et al., 2001; Larimo, 2001; Aspelund and Moen, 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. The name INV has been adopted in this review.

INVs are "a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt and McDougall, 1994, p. 49; McDougall et al., 1994, p. 470). Similarly, Knight and Cavusgil (1996, p. 11) conceptualize INV firms as being "small, technology-oriented companies that operate in international markets from the earliest days of their establishment". Knight (1997:1) defined INV firms as "a company which, from or near its founding, seeks to derive a substantial proportion of its revenue from the sale of its products in international markets". The various definitions in the literature agree that these firms acquire significant export involvement early in their life cycle. An increasing number of firms can be classified as INVs according to the Knight & Cavusgil (1996) definition. The accelerated process of internationalisation constitutes an increasingly distinctive pattern of the internationalisation process of some SMEs when seen in comparison to other types of businesses (Rennie, 1993; Madsen et al., 2000; Servais and Rasmussen, 2000; Aspelund and Moen, 2001; Larimo, 2001; Moen, 2002; Lindmark et al; Munro & Coviello 1994; Bell, 1995; Moen 2001; Waago et al 1993).

Many authors (McDougall & Oviatt 1994; Knight & Cavusgil 1996; Madsen & Servais 1997; Larimo 2001; Moen 2002) have discussed the difficulties of explaining the development of INVs through the traditional "stages" or "Uppsala" model (Johanson & Vahlne, 1977, Johanson & Vahlne 1990; Johanson & Wiedersheim-Paul 1975), and the Innovation-Related Internationalisation Model (Cavusgil 1980). In their scholarly publication, Knight & Cavusgil (1996) discuss the term "INV" at length for the first time. They identified an increasing number of firms that do not follow a slow gradualist approach when internationalising. Findings from their case study research in developed economies have revealed that some firms 'leapfrog' stages found in the traditional process models and go international immediately or within two years of their inception. Welch & Loustarinen (1988) discussed reports of small English firms, Australian start-ups, and established Swedish firms that skipped important stages and quickly engaged in foreign direct investment (FDI). In another cross-country comparative study, Bell (1995) looked at the internationalisation of small computer firms in Ireland, the UK and Finland. He discovered that these firms leapfrogged the stages model of internationalisation, thus reconfirming the inadequacy of traditional theory explaining the process of INV internationalisation. McKinsey &Co (1993) identified many INVs whose management viewed the world as their marketplace right from birth.

In spite of the growing evidence to suggest that the traditional approach does not fully explain the internationalisation process of INVs, there has been a paucity of theoretical contributions attempting to explain the growing phenomenon (Madsen & Servais 1997). McDougall et al (1994) state that these traditional theories are invalid for INVs, for a number of reasons. Firstly, these theories assume that firms become incrementally international long after they have been formed, as the bias within international literature is to study mature large firms and long established SMEs. That the formation process of INVs appears largely inconsistent with traditional stages theories has been well documented by many authors (McDougall et al., 1994, 1999; Knight and Cavusgil, 1996; Roberts and Senturia, 1996; Oviatt and McDougall, 1997; Madsen et al., 2000; Moen, 2002). Secondly, these theories, they argue, focus too much on the firm level and ignore the individual and small group level of analysis (i.e. the entrepreneur and their network of business alliances and contacts). They propose that Entrepreneurship theory (Kirzner, 1973) and the Strategic Management theories can better explain the phenomenon.

Driving Forces behind INVs

A starting point in the literature on INVs has been to propose reasons which may explain the emergence of this type of firm. Knight & Cavusgil (1996) present several recent trends, these are as follows:

1. there is the increasing role of niche markets, compelling small entrepreneurial firms to be competitive by delivering to niche markets across multiple foreign markets;
2. there are the advances in process technology;
3. there are the advances in communication technology;
4. there are the inherent advantages of the small company - quicker response time, flexibility, adaptability, and so on.
5. A fifth factor is the means of internationalisation - knowledge, technology, tools, facilitating institutions and so forth.
6. then is the growing importance of global networks and alliances.

According to many authors, (Knight and Cavusgil, 1996; Madsen and Servais, 1997; Servais and Rasmussen, 2000; Moen, 2002) four of the trends proposed by Knight & Cavusgil (1996), are of most importance: 1) new market conditions in many sectors of economic activity (including the increasing importance of niche markets for SMEs worldwide); 2) technological developments in the areas of production, transportation and communication (IT); 3) the increased importance of global networks and alliances; and 4) more elaborate capabilities of people, including those of the founder/entrepreneur who starts the born global/INV. These factors are interrelated. So far, these different driving forces have been only superficially explored, and they are not easily integrated in most of the theoretical frameworks of reference (Rialp et al 2002). Furthermore, it can be expected that such trends will be even stronger in the next years, thus making the phenomenon of INVs more widespread in the future.

Profiling the INV based on empirical findings

Many authors have attempted to characterise these firms based on empirical evidence and past literature (McKinsey & Co 1993; Knight, 1997 and Rialp et al 2002). Now, at this stage in the literature, a profile of the attributes of INVs may be established with little controversy.

The first piece of pioneering empirical work was carried out by McKinsey & Co (1993) on a group of small Australian exporters. Based on their findings, the report outlined the key characteristics of INVs. As will be discussed below, the results of several later studies have supported most of these characteristics:

- Management views the world as its marketplace from the outset of the firm's founding. Unlike traditional companies, they do not see foreign markets as simple adjuncts to the domestic market.
- INVs begin exporting one or several products within two years of their establishment and tend to export at least 25% of total production.
- They tend to be small manufacturers, with average annual sales usually not exceeding $100 million.
- The majority of INVs are formed by active entrepreneurs and tend to emerge as a result of some significant breakthrough in process or technology.
- They may apply cutting edge technology to developing a unique product idea or to a new way of doing business.
- The products that INVs sell typically involve substantial value adding; the majority of such products may be intended for industrial uses.

So, the INV firm often possesses a knowledge-based competitive advantage that enables them to offer value-added products and services (McKinsey & Co., 1993). These characteristics have been widely accepted amongst scholars as these are quite generic and can be easily applied to most INVs. Larimo (2001) sums up the nature of these firms following his research on Finnish INVs, which are focused on niche, high-tech fields and base their competitiveness on high quality, technological innovation, close relationships with customers, and networking. Equally, in Jolly et al (1992), case study research on four high tech start-ups also emphasised the importance of having niche focus in foreign markets, global vision from the outset, and special emphasis on customer value and product quality at the heart of their strategy.

Empirical research carried out in the Northern European countries also demonstrates the prevalence of the INV phenomenon. Building upon a definition along the criteria suggested by Knight (1997), Madsen, Rasmussen, and Servais (2000), suggest that Danish INVs have a quite distinct profile when compared with other type of exporters in terms of product and market characteristics, geographical markets served, entry modes, and control of marketing activities. According to the study, the INVs do not follow the stages approach and do not set up sales or production subsidiaries abroad. Instead, they appear to be comfortable with operating at arms length through different types of collaborative arrangements with foreign partners (agents, distributors, suppliers, etc). They do build on experiential knowledge but they use this to gradually internationalise. Also, INVs have a unique profile compared with all other groups of exporters. For instance, they do not focus on a specific geographical region in their most important export market: rather they seem to target a narrow customer segment which may be allocated in different geographical places: this niche strategy is consistent with other studies of INVs (Zuchealla, 2002; Moen, 2002)

In relation to export channels, INVs rely much more on foreign distributors and less on direct sales, compared to other firms who engage in more FDI via established subsidiaries. This export strategy is consistent with firms with the same low resources of INVs given their small size and age at internationalisation. Thus network patterns, collaborative arrangements, and hybrid structures have appeared to be a more productive and cost effective route to take for the INVs. There are, however, similarities between large International firms and INVs in terms of using specialised production as part of their competitive strategy and strong global orientation. (Rasmussen, Madsen & Servais 2000)

McDougall et al (1994), from extensive case study research, found that the success of INVs was primarily due to an international vision from inception, an innovative product or service marketed through a strong network, and a tightly managed organisation focused on international sales growth (Jolly et all 1992; McDougall, Shane and Oviatt, 1994). Based on the literature, the most important and reccurring attributes and characteristics of INVs are identified and expounded upon below. They are:

- Global orientation and entrepreneurial vision
- Experiential knowledge prior to start-up initiation
- Niche-focused and customer orientation
- High levels of product customisation
- Networks and business relationships
- Technological superiority as the source of competitive advantage
- Focus on high technology sector
- Export strategy

Global orientation and entrepreneurial vision

"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 & Cavusgil, 1996:12). Unsurprisingly, a global orientation and entrepreneurial vision have been the two most prominent characteristics of INVs based on empirical findings, especially when compared to locally-based and traditional exporting firms, which have been long established prior to exporting. Prior to McKinsey's report, a number of case studies had emerged in the 1980s documenting the existence of firms that were internationally oriented from birth. Ganitsky (1989) referred to these as innate exporters, which were more agile and more internationally focused from a management perspective. Jolly (1992) used a number of case studies of high-tech firms labelled technological start-ups. One of the characteristics of these firms was a founding entrepreneur who possessed a wealth of international experience and followed a strategy towards international niche markets, serving them with standardised products. Their findings concluded that these firms had a global vision from the start, and confirmed from their cases that the "the founders were able to inculcate their global vision throughout their organisations" (1992:74). Individual traits of the founding entrepreneur were important in shaping the future orientation of the firm. These attributes tie in with McDougall & Oviatt's definition of International Entrepreneurship (2000).

The global orientation of the manager has been a key factor related to the export performance of the firm (Moen 2001;Zou & Stan 1998). A strong global orientation has been more readily associated with INVs. Moen's research (2001; 2002) on Norwegian and French INVs showed that these firms possessed characteristics of global orientation from the start at founding, and that decisions made at founding influence the future path dependency of the firm which would ultimately play a key determinant in whether a firm would be an INV or a Local New Venture. Moen (2001) interprets global orientation to include international vision, proactiveness and customer orientation. This definition also extends to knowledge of customers' markets and the use of information and communication technologies (ICT) to facilitate the business activities. He found that a distinguishing factor between global and locally based non-exporting firms was the former had a stronger global orientation (customer, vision and commitment /knowledge) and this was suggested as a key factor explaining why some firms remain in their home market ... the absence of a global orientation. Moen (2002) also found that both Norwegian and French INVs view the world as their marketplace, communicate the importance of their export activities to all employees, and focus on developing resources for their export activities.

The study concludes that a firm is either an INV or Local New Venture based on the vision of the firm at start-up.

Similarly, based on their case studies of INVs, McDougall & Oviatt (1994) have highlighted the importance of international vision from inception, an innovative product or service marketed through a strong network, and a tightly managed organisation focused on international sales growth. Moreover, the INVs are led by alert entrepreneurs, who are able to link resources from multiple countries to meet different international markets. These people are individuals who see opportunities from establishing ventures that operate internationally from inception.

Experiential knowledge prior to start-up initiation

Other studies have shown that the founders career background and industry knowledge are key enablers for early internationalisation (Madsen & Servais, 1997; Moen, 2001; Larimo 2001; Larimo & Pulkinen, 2002). These assets allow them to combine a particular set of resources across national borders rather than just on their home markets, thereby forming an INV.
Christensen and Jacobsen's (1996) study of Danish INVs report that the firms use "established contacts and knowledge acquired prior to the initiated new business"(p 7). So, the entrepreneur's market knowledge, his personal network of international contacts and the experience transmitted from former occupation, are important factors. Harveston et al (2001) pay strong attention to entrepreneurial orientation and international entrepreneurial ventures. Based on their findings on UK high-tech entrepreneurial firms, international entrepreneurial orientation was highly important in terms of risk taking, and the proactiveness of the founder. Wickramasekera & Bamberry's (2001) study of Australian wineries found that accelerated internationalisation is brought about by management experience in the industry, international market knowledge, and overseas contacts (networks). Thus, whereas a firm may be new in terms of legal foundation, it may be much older in terms of the length and variety of the management experiences and the access to external networks embodied in their managers. (Welch & Loustarinen, 1988; Madsen & Servais, 1997).

Niche-focused and customer orientation

The literature suggests that most INV strategies have tended to adopt an international niche-focused strategy, serving narrow global segments with highly specialised products combined with a strong customer orientation (Moen 2002; Larimo 2001; Aspelund and Moen, 2001; Bell 1995;). Moen 2002 showed that, based on a sample of Norwegian firms, small firms were more likely to follow niche-focused strategies than larger firms. In Bell's (1995) transnational study of small computer firms, sectoral targeting and specialised niche-focused strategies featured as highly characteristic of firms in Finland, Ireland and Norway. More recent research on Finnish INVs (Larimo 2001) also found these firms to be focused on niche markets or high-tech fields and the firms had based their competitiveness on quality, technological innovativeness, and close relationship (customer orientation) networking. Online technologies have made closer customer relationships easier to manage worldwide.

Product customisation

There appears some disagreement in the literature in relation to the degree of product customisation. Mainstream research states INVs are customer orientated and engage in product specialisation according to client requirements. Similarly, McKinsey & Rennie (1993) suggested that INVs tend to customise their products according to customer requirements in international markets. This view has been challenged by findings which suggest that high-tech start-ups choose a business area with homogenous customers which means minimal adaptation in the marketing mix as a means to lower costs and achieve economies of scale globally. Further, Jolly et al (1992) found that their firms offered standard products to global niche markets where a minimal amount of customisation occurred. This is further supported by a study on Italian INVs which identified firms that adopted this global niche strategy by offering standard but luxury goods without incurring costs of localisation. Although this warrants further investigation, it is true that advancements in technology have enabled small entrepreneurial firms to engage in product customisation through flexible manufacturing.

Networks and business relationships

McDougall & Oviatt, following extensive case study research (1994), found their firms preferred to use hybrid governance structures for their international activities to conserve resources during the cash-draining formation process. They found obvious differences between established firms and INVs in relation to resource base, and claimed that the INV entrepreneur must rely on hybrid structures for controlling sales, distribution and marketing activities abroad. Rasmussen and Servais's (2000) findings elaborate further on network, identifying three types of networks used by INVs. The first is the personal network, established by the founder prior to firm founding; the second is the network established through sales cooperation with distributors, agents, etc; and third is the network in development, both for production and sales, created through canvassing, participating in trade fairs, etc.

Research on INVs in Italy (Zuchella, 2002) revealed that one of the critical success factors for firm survival is the ability of the firm to build up international network alliances of a predominantly non-equity nature. Networking was perceived to be a strategic option as a way to expand geographically. Networking was shown to be vital for firms of small size with related resource constraints to compete internationally. Further, Burgel and Murray (1999) found that their firms were inclined to engage in collaborative relationships with intermediaries to conduct sales abroad as a means to gain access to resources and capabilities that they do not possess. Zuchella (2002) also noticed that the location of the INVs in industrial clusters created a lever for internationalisation not present for firms in non-industrial districts. A further feature that has emerged in the literature is the role of *Industrial Clusters* as a growth environment for INVs. Moen (2001) concludes that INVs often operate in highly international industrial sectors, with firms that were likewise born in an industrial cluster located in the same geographic area (i.e. Italian case) with a tradition of servicing customers worldwide (pg 170). Rasmussen & Servais (2000) found that their Danish INVs relied on resources in a industrial district during their founding process. Some of the other firms were tied to an industrial district abroad. Evidence appears to be growing about the role industrial districts play is supporting INVs, particularly in terms of access to resources during the founding process. The importance of industrial districts have been a recent finding in INV research and an interesting addition to the profile of INVs (Andersson & Wictor, 2000).

Technological superiority as the source of competitive advantage

Competitive advantage literature has mainly focused on product or technology and price marketing advantages (Porter 1980). Most studies have favoured technology as the main source of competitive advantage for INVs (Rennie 1993; Moen 2002; Bell 1995; Knight, 1997; Larimo 2001). Rennie (1993) describes INVs as competing on quality and value created through innovative technology and product design. Moen (1999; 2002) also found that INVs were stronger in product technology than local (non-INV) firms. Aspelund and Moen (2001) recently identified three generations of small exporters according to their year of establishment: the traditional exporters, the flexible specialists, and the INV generation (comprised of the 36 firms in the sample which were established in or post 1989). Building upon a sample of 213 Norwegian exporters, these three generations of exporting firms were then compared using competitive advantage, manager orientation, market/environment features, and export strategy. The results showed that the various generations of exporting firms had different export performance antecedents, the INVs being those which were found to have technological advantage and niche focus combined with strong customer orientation as the key factors in determining export performance.

More recent evidence on Finnish INVs (Larimo & Pulkinen, 2002) came from a survey of 470 Finnish firms which investigated the concepts of global orientation, competitive advantage and export strategies, and their links with international intensity and age of SMEs. The study attempted to identify the differences between established and newly exporting firms. Competitive advantage was not only stronger in INVs than old and new locally established firms in manufacturing sectors, but technology advantage was the core competency of the INVs and was used to build up a position that enables them to rapidly expand to foreign markets. Similarly, Bloodgood et al's (2000) research findings on 61 high-potential ventures in the US across different industries also found that internationalisation was directly related to the use of product differentiation as a source of competitive advantage, mainly through high technology. Other important factors included the international work experience of the board of directors and the firm size at the time of Initial Public Offering (IPO) (Bloodgood et al, 2000).

Sectoral context

High-tech firms have become the favourite empirical contextual model for research on INVs. Much of the literature has focused on high-technology sectors (Burrill & Almassy, 1993; Burgel & Murray, 1995; Autio et al, 2000; Zahra & al, 2001; Crick & Jones, 2000, Jolly et al, 192; Knight & Cavusgil 1996; Jones, 1999; Larimo 2001). This may have created the false impression that INVs are solely of a high-tech nature, rendering the nature of product and industry a qualifying feature of the INV profile. Following a limited number of empirical studies, INVs do not necessarily operate solely in high-tech fields but also exist across various low-tech industries, such as Services, the crafts industry (McAuley, 1999; Fillis, 2000), the Seafood sector (Bell et al 2001 and McDougall & Oviatt, 1994), and the Wine industry (Wickeraksama & Bambera 2001).

Based on research on the New Zealand seafood industry, Bell et al (2001) show that most seafood firms can embark on a rapid and dedicated internationalisation path from inception. They offer value added products. The study concluded that firms in the New Zealand seafood sector display the attributes of INVs (McDougall & Oviatt) despite the traditional nature of the sector. However, it has been argued that the nature of the industry has been influential in accelerating the international process of firms. In Coveilly and McAuley's (1999) study on New Zealand INVs, they found that patterns of firm internationalisation did not follow the traditional stages model. The authors claimed this behaviour was influenced by the nature of the industry the firms were operating in (Bell 1995) which was associated with relatively short product life cycles, high levels of competition, and a small domestic market, thus driving these firms to go abroad. This view has contributed to the sectoral bias in the literature towards hi-tech sector, as mentioned above.

Many studies have discussed the prevalence of firms that fit the INV definition which come from non hi-tech sectors, but which can also be classified as knowledge-intensive and as adding value to their products. Also, research conducted on Danish firms (Madsen & Servais 1997; Madsen, Rasmussen & Servais 2000) found that INVs were identified in all types of industries in both low and high-tech sectors. Studies on Italian industry sectors have revealed that INVs have emerged in non-high-tech industries (Zucchella, Marcarinni, 1999; Luostrairn & Makeisson, 2002). Thus, the INV does not only operate in high technology sectors. These firms also operate in traditional sectors as pointed out above. This context warrants further empirical investigation.

Export strategy

Despite the little empirical research has been conducted on the foreign entry modes and their determinants for INVs, important findings can still be found from those empirical studies by Linquist (1991), Bell (1995) and Schrader, Oviatt & McDougall (1997), and Rasmussen & Servais (2000). Based on Lindquist's research on Swedish firms (1991), the entry modes preferred were direct exporting and foreign sales through intermediaries. Similarly, in Bell's study (1995) on small computer firms, 70% of sales transactions were carried out by direct exporting or indirect exporting via agent and distributors. Firms with highly customised products relied on exporting directly.

In a more detailed examination on how INVs compared to other small established exporters, Rasmussen & Servais (2000) confirmed that the majority of INVs - young and small international firms - used a distributor in foreign markets. The second most common mode was to sell directly to the end user of the product in foreign markets. Establishing an office abroad appeared a 'no-go' option for small firms. Across a range of different industries, most Danish INVs relied on direct sales or relied heavily on intermediate modes of entry via agents. They did not engage in FDI by opening up a sales office or subsidary. Rasmussen & Servais (2000) concluded that export agents and direct sales were dominant xport mechanisms amongst INVs and other small established exporters operating across many sectors.

This trend ties in with findings from Burgel and Murray's (2000) empirical analysis of high tech start-ups modes of entry in the US. Direct exporting appeared to be the most attractive amongst start-ups as it consumed less resources than using a distributor. Equally, Schrader, Oviatt & McDougall (1997) argue that different entry modes represent different degrees of resource commitment and their attendant foreign risk to the firm. Many start-ups experience cash flow problems in the early years and may lack the necessary human and financial resources for effective commercialisation of their products. A pattern of entry mode across a wide range of sectors concludes that INVs would opt for the mode using the least resources, mainly direct exporting or indirect using an agent and possibly a distributor.

Country of origin

It is also worth noting the country context of these firms. The Scandinavian nations and the US are well represented in INV literature. The more recent empirical studies have been conducted in the Scandinavian countries of Norway, Finland and Denmark, being as they are the home countries of the researchers. A survey showed, however, that INVs are not very common in Sweden (Anderson & Wictor 2000). Country specific studies are based in the UK (Burgel & Murray, 2000), Finland, Denmark, Italy, and New Zealand. Two studies are based in Australia: first, the pioneering work of McKinsey & Co (1993); and second a sector-specific study on INVs in the Australian wine industry. A number of comparative studies have emerged in recent times: Bell's cross-country study on software INVs in Ireland, Finland and Norway; and Moen's (2002) study comparing exporting firms in France and Norway. The empirical research reflects the greater interest in the small, open, export-oriented economies of Finland, Norway and Denmark, traditionally dominated by SMEs with limited domestic market opportunities. The earlier studies on INVs were based in the US, led by the pioneering work of McDougall & Oviatt global case study research and by Gary Knight (1997) on US INVs. The large economies of Australia and the US remain an important research context for INVs.

Conclusion

This review has been limited to profiling INVs based on empirical evidence popular in the current INV literature. Several observations emerge from this review. There is sufficient consensus in the empirical findings to allow us to draw up a profile of the INV, notwithstanding the slight exceptions stemming from the degree of product customisation. Almost every author has attempted to elaborate on their own list of key success factors characterising INVs. Findings across studies are quite consistent. However, current empirical research is highly context-specific, primarily concentrating on the high-tech sectors. However, although research is limited, we know that INVs do not necessarily operate solely in high-tech fields but also exist across various low-tech industries, such as Services, the crafts industry (McAuley, 1999; Fillis, 2000), the Seafood sector (Bell et al 2001; McDougall & Oviatt, 1994), and the Wine industry (Wickeraksama & Bambera 2001). Further empirical investigation is required in low technology sectors and those that are traditionally low knowledge intensive that have internationalized early in their life cycle.

There is agreement about the rapid pattern of internationalisation which distinguishes these firms from others. They are characterised by their small size and flexibility. They possess an entrepreneurial drive and global vision from the outset. Much of this drive and vision comes from the proactive, experienced and committed managers/entrepreneurs. They tend to follow a niche strategy, enabled by closer customer relationships. They create unique, intangible knowledge-intensive offerings facilitated by technological innovation, usually associated with a greater use of IT. Their limited resource base has forced them to use different governance structures, such as hybrid forms through the strong use of personal and business networks (networking). Also, studies conclude that INVs would opt for the mode using the least resources, mainly direct exporting or indirect exporting: using an agent and possibly a distributor. These appear quite generic characteristics and could well be applied to firms regardless of size or life cycle.

However, some additional comments can be made regarding the profile of the INV. We can add a further characteristic based on the empirical findings of Zuchella (2002) and Rasmussen & Servais (2000). It is this: that the role of industrial clusters may be important breeding grounds for the INV, in terms of providing facilitating local and international network support enabling access to foreign markets. The majority of studies on INVs have been conducted in the high technology, knowledge intensive industries, with a limited amount in traditional industries. The latter context warrants further investigation. Also, concentration of research on hi-tech sectors limits the ability of theorists to apply findings to low-knowledge-intensive industries. Scant attention has been paid to service industries.

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