International entrepreneurship research

PATRICIA McDOUGALL is the associate dean of faculty and research and the William L. Haerberle Professor of Entrepreneurship at Indiana University’s Kelley School of Business. She helped pioneer the growing field of international entrepreneurship. The co-editor of four books, her research has been published in a variety of professional journals and business publications: Academy of Management Journal, Journal of Business Venturing, Entrepreneurship Theory and Practice, Inc. Magazine, USA Today, and The Wall Street Journal. In addition, her business cases appear in more than twenty-five books, McDougall holds a PhD in Strategy from the University of South Carolina.

It used to be that before a company ventured onto foreign shores it established a solid footing in domestic markets, said Patricia McDougall in outlining the evolution of international entrepreneurship in her presentation to the FDIE.

This is no longer the case. Thanks to the technology that has made communication instantaneous and transportation cheaper and faster, firms no longer have to develop in stages as they acquire the knowledge and capital to enter foreign markets.

“Tried and tested global marketing strategies – joint ventures, outsourcing, exporting, networks of global business associates – are enabling factors in an entrepreneurial firm’s ability to be international from the outset,” she said.

In her 1989 study that laid the groundwork for academic research on international entrepreneurship, McDougall introduced the term International New Ventures or INVs to more accurately describe a company’s business strategy.

“An INV is a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries,” said McDougall. “Internationalization is a multidimensional variable. A company’s level of internationalization is more than just their percentage of international sales. For example, a US company selling in Canada is not as international as a US company selling on multiple continents.”

INVs are also known as “born globals” and “global startups.”

Teaching IB from an entrepreneurial perspective

MANUEL SERAPIO is associate professor of international business and management at the University of Colorado Denver, director of the Master of Science in International Business program, and faculty director of the University of Colorado Denver (UCD) CIBER. He has designed and conducted dozens of international business and development programs for various universities and multinational companies. Serapio holds a PhD in international business from the University of Hawaii, an MBA from the University of Hawaii, and a BA in economics from Ateneo de Manila University.

Entrepreneurship is as much about knowing how to go after low-hanging fruit as it is knowing how to optimize profits, said Manuel Serapio in his address to the FDIE. Of course, one doesn’t preclude the other, but “an entrepreneur just starting out needs to look for the low-hanging fruit and then take steps to reach for it,” said Serapio. This is a practical approach that can produce quick success and open more opportunities in the process, he said.

As an example, Serapio cited Starbucks. “Their first two stores were in Seattle; their third was in Vancouver. Why did they open a store in Vancouver and not in the US?”

True, Serapio said, “Vancouver was a good market and in close proximity to Seattle. But the major reason was that Starbucks had plans to go public and they wanted to show traders that the company’s potential was not limited to Seattle or the United States.

“That was the low-hanging fruit for Starbucks, and the market gave them a nice premium for exporting their business model across the border.”

Serapio invites international dealmakers to his class in ‘International Business - An Entrepreneurial Perspective.’ “They talk about the challenges they’ve faced and how they’ve dealt with them.”

It’s the “how” that Serapio emphasizes in class:
• How do you create an environment for international business opportunities and deals?
• How do you identify and select from alternative international business deals (product/service selection, country/market options)?

So does it matter where a firm is located if it’s an INV?

“We found that geographical location does matter when you consider internationalization, but it matters up to a point,” said McDougall. That point pertains to locations in industry clusters such as biomedical in Denver or technology in California’s Silicon Valley. While clusters provide economic benefits due to concentrations of vendors and suppliers, “there is a point where too much clustering may result in resource scarcity and intense competition for what remains.”

At what age is an INV no longer considered New? “The operational definition of New tends to be six years old or less,” said McDougall. “Some scholars use up to eight years old or less and a few scholars use ten years old. I don’t think you can defend anything beyond ten.”

McDougall cited numerous research papers in her presentation and said choices for further research on international entrepreneurship were plentiful. Among the topics she suggested: “What is distinctive about IE? What are its theories? Are its boundaries too fuzzy?” And perhaps the most thought-provoking: “Is IE a field?”

INSTITUTE FOR INTERNATIONAL BUSINESS - GLOBAL FORUM REPORT • WINTER 2009 13