International Entrepreneurship: A Review of Existing Literature
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Abstract

This paper reviews the existing international entrepreneurship research literature, paying specific attention to theoretical foundations and methodological issues. The review suggests that resource-based theory has been the largest contributor to the emergence of international entrepreneurship research, and that cross-border activity is best viewed as a function of entrepreneurial cognition and entrepreneurial orientation. It is further suggested that the creation of new value should be at the heart of international entrepreneurship studies. The paper concludes by proposing an enhanced definition of international entrepreneurship based on the reviewed literature. Thus, international entrepreneurship is a combination of innovative, risk-taking, proactive, and competitively aggressive behaviour that crosses national borders and is intended to create new value in organizations.
International Entrepreneurship: A Review of Existing Literature

INTRODUCTION

The two starting points of the review are: firstly McDougall and Oviatt’ (2000: 903) definition of international entrepreneurship (IE) that is defined as ‘a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations’, and secondly, the empirical articles (Table 1) derived from Coviello and Jones (2002).  

Table 1. The list of reviewed articles

<table>
<thead>
<tr>
<th>Andersson 2000</th>
<th>Ibeh and Young 2001</th>
<th>McNaughton 2000</th>
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<tr>
<td>Bell et al. 2001</td>
<td>Jones 1999</td>
<td>Reuber and Fischer 1997</td>
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<td>Burgel and Murray 2000</td>
<td>Knight 2000</td>
<td>Vatne 1995</td>
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<tr>
<td>Coviello and Munro 1995</td>
<td>Knight 2001</td>
<td>Westhead et al. 2001</td>
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<td>Crick et al. 2001</td>
<td>Kuehmerle 2002</td>
<td>Yeoh 2000</td>
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<tr>
<td>Crick and Jones 2000</td>
<td>Litvak 1990</td>
<td>Yli-Renko et al. 2002</td>
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<td>Francis and Collins-Dodd 2000</td>
<td>Manolova et al. 2002</td>
<td>Zahra and Garvis 2000</td>
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<td>Glas et al. 1999</td>
<td>McAuley 1999</td>
<td>Zahra et al. 2000</td>
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<td>Harveston et al. 2000</td>
<td>McDougall 1989</td>
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</table>

Each article was reviewed with the focus on the cross-fertilization of theoretical foundations of cross-border and entrepreneurship research paths (McDougall and Oviatt, 2000), and on sampling issues related to firms’ size, sector, and age. The paper proceeds with the review of internationalization research path. Attention will turn then to the emerging thrusts within the entrepreneurship research path. Next methodological issues will be discussed and an enhanced definition of IE will be developed.
CROSS–BORDER RESEARCH PATH

Two theoretical views have emerged within IE research, namely behavioral-based view and economics-based view (Benito and Welch, 1994). Within each, three schools of thought were identified respectively, i.e. international new venture, stage, and network approaches, and transaction cost, international production, and resource-based theories.

Behavioral-Based View

International New Venture Approach

Drawing from transaction cost, international production, and resource based theories, Oviatt and McDougall (1994) defined international new ventures as business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. One of the key questions addressed by IE researchers is how some small firms can succeed abroad rapidly without e.g. going through different stages suggested by stage models (Peng, 2001). As the above mentioned theories also formed the basis of IE research and will be discussed later in the paper, the focus of this section will be on the findings related to the importance of temporal dimension and inward and outward internationalization of value chain activities to the international growth of a (new) venture.

In general, IE research has not sufficiently distinguished between two closely related but distinct issues: (i) time-span, i.e. the time that elapsed between the founding of a firm and commencing of its first international operation and (ii) time-rate, i.e. the rate of a firm’s subsequent international growth (Autio et al, 2000). Addressing this criticism, McNaughton (2000), for example, studied the influence of firm, market, product, and management characteristics on the time-span to foreign market entry; Reuber and Fischer (1997) examined the impact of management experience on
the time-span (delay) in obtaining foreign sales after the start-up; and Coviello and Munro (1995) asserted that time-span to the acquisition of necessary/lacking resources is crucial to the international success of a small firm. As regards the time-rate, Autio et al (2000) and Yli-Renko et al (2002) studied international growth of small high-technology firms over four year time period in order to understand primarily the influence of social capital and knowledge intensity on firm’s performance; Lu and Beamish (2001) compiled 12-year panel of data to explore the effects of internationalization (entry mode) strategy on the performance of small and medium enterprises; whereas Westhead et al (2001) studied the internationalization process of small firms over a seven year period to understand the change patterns in their exporting behavior.

As may be noticed, the above IE studies could be easily projected on the positive direction of time. However, in order to allow for reverse behaviour (e.g. de-internationalization) to occur, it is necessary to project the firm growth also on the direction in time, i.e. regard firm’s cross-border activity as a cyclical phenomenon (Hurmerinta-Peltomaki, 2001; Jones and Coviello, 2002; Turcan, 2003). When the importance of direction in time is acknowledged, the narrow scope of the extant IE research comes into fore. That is, all IE studies, without exception, designed their research on the basis of firms that were successful despite the fact that during their research they encountered evidence of firms that either failed or withdrew along the way. Also, IE research tends to focus on the outward rather than inward patterns of activity paying little or no attention to the importance of inward-outward activities (with few exceptions, e.g., Jones, 1999; 2001).

Stage Approach

The stage approach to internationalization (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975) suggests that each stage involves an increased commitment to international activities and that the process of internationalization is the consequence of the acquisition of experiential
knowledge, in particular, market specific knowledge, and of uncertainty associated with the decision to internationalize.

Recently, a unique challenge to stage models has come from within IE literature that has focused predominantly on ventures that have demonstrated early and rapid internationalization (Knight and Cavusgil, 1996; Madsen and Servais, 1997; McDougal et al, 1994; Oviatt and McDougal, 1994). Overall, the present findings suggest that stage approach is less valid in explaining instant internationalization of new, especially high technology, ventures (e.g. Bell et al, 2001; Boter and Holmquist, 1996; Burgel and Murray, 2000; Harveston et al, 2000; Jones, 1999).

However, regardless of the above, several IE studies actually applied stage approach to explain the internationalization process of the firm. For example, low-tech manufacturing firms (Boter and Holmquist, 1996) in mature trade sectors (Crick et al, 2001), as well as firms in transition economies (Glas et al, 1999) tend to adopt incremental stepwise approach to internationalization. Building on knowledge-based theory, Autio et al (2000) and Yli-Renko et al (2002) viewed stage approach and international new venture approach to internationalization as complementary, rather than contradictory. Autio et al (2000) found that the earlier in their development that firms ventured into international competition and the greater their knowledge intensity, the more rapidly they grew internationally; Yli-Renko et al (2002) found positive relationships between foreign market knowledge and international growth, on the one hand, and between knowledge intensity and international growth, on the other. As argued by Yli-Renko et al (2002) these findings could contribute to the development of a richer theory of internationalization, one that explicitly addresses both the regulating and enabling roles of knowledge.

Network Approach
Embeddedness, connectivity, and reciprocity form the key conceptual underpinnings of the network approach (Powell and Smith-Doerr, 1994) on the basic assumption that the individual firm is dependent on resources controlled by the other firms (Axelsson and Easton, 1992; Johanson and Mattsson, 1988). As regards international efforts, a firm internationalizes by establishing and developing positions in the (foreign) network through international extension, penetration, and international integration (Johanson and Mattsson 1988: 309).

In IE literature, network approach, as in traditional internationalization and strategic management literature, offers a valuable approach when applied to explain the internationalization behaviour of new ventures. The present findings suggest that foreign market selection and entry modes (Jones, 1999; 2001; Fontes and Coombs, 1997) emanate from opportunities created through network contacts, rather solely from the strategic decision of managers in the firm (Coviello and Munro, 1995). Furthermore, the entrepreneurial embeddedness in social networks influence firms’ ability to identify and acquire external resources needed to internationalize successfully (Coviello and Munro, 1995; Reuber and Fischer, 1997; Vatne, 1995; Westhead et al, 2001;), and positively influence and facilitate the acquisition and creation of knowledge (see also Yli-Renko et al, 2001) that is regarded as a key resource driving the international growth of new technology-based firms.

From the above findings it can be concluded that by and large, higher level of embeddedness facilitates internationalization of new ventures and is associated with higher international growth. However, it is not clear to what extent such embeddedness that also may constrain actions and dictate the rules provides continuous competitive advantage.

**Economic-Based View**

*Transaction Cost Theory*
According to transaction cost theory (TCT) (Williamson, 1975) or internalization theory (Buckley and Casson, 1976), firms exist to minimize the cost of making transactions through either hierarchy governance structures, i.e. within the boundaries of the firm, or through market governance structures, i.e. in the open market.

The present review of IE empirical research identified only two articles that to different extent applied transaction cost theory to explain small (high-technology) firm internationalization (Burgel and Murray, 2000; Vatne, 1995). Vatne (1995) used transaction cost logic along to explain the use of external resources by SMEs in their international efforts by emphasizing on the importance of individual dialogue, mutual trust, and openness to the development of innovative, long-lasting, and profitable interfirm relationships.

Burgel and Murray (2000) employed transaction cost theory to explain the choice among small firms between direct exporting and exporting through intermediaries. They found, inter alia, that transactions involving products that incorporated more innovative technology (and therefore embodied a higher degree of tacit knowledge) had a higher chance of being dealt with through collaborative arrangements rather than being exporting. This finding contradicts to the transaction cost reasoning that sates that tacit knowledge is difficult and costly to transfer to external partners, i.e. firms should avoid collaborations in such situations. Hence, the question appears, whether transaction cost theory, if employed to explain the internationalization efforts of small firms, works in the same but opposite direction as to the explanation of MNEs internationalization.

**International Production Theory**

Dunning (1988) combined together ownership (O), location specific (L), and internalization (I) factors in an eclectic paradigm of international production, known also as OLI paradigm, to explain the foreign direct investment of MNEs. As in traditional small firm internationalization research
(Coviello and McAuley, 1999), the contribution of OLI paradigm to IE field is limited ‘severely’ McAuley (1999). Only one article (Lu and Beamish, 2001) just compares the effects of exporting and foreign direct investment strategies on small firms’ performance. Non presence of the eclectic paradigm within IE literature could be explained by the narrow scope of IE field to date, i.e. new ventures that predominantly start their international activity through exporting, and by the assumptions the eclectic paradigm is built upon, i.e. that there is an economic man who has access to perfect information and who will make rational decisions.

Resource-Based Theory

The resource-based theory is based on the assumptions that in order for a firm to sustain its competitive advantage its resources must be heterogeneous and immobile (Barney, 1991). The review findings clearly show that the resource-based theory (RBT) has one of the biggest impacts on the emergence of IE research. Taking into account that all discussed above internationalization perspectives have either explicit or implicit roots in RBT (see Table 2 below), it can be inferred that RBT is the main contributor to the development of IE field. Furthermore, this specific contribution of RBT to IE field corresponds to the overall consolidation of resource-based theory within the entrepreneurship research (see e.g. Gregoire et al, 2001) as well.

Table 2. Impact of the resource-based theory on IE research

<table>
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<tr>
<th>Stage Approach</th>
<th>Network Approach</th>
<th>TCT</th>
<th>OLI Theory</th>
<th>INV Approach</th>
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As expected, a positive relationship between entrepreneur’s human and social capital and internationalization of new ventures was found. For example, as regards human capital, the findings suggest a positive and significant relationship between entrepreneur’s international work experience (e.g. Bloodgood et al, 1997; Burgel and Murray, 2000; Harveston et al, 2000; Manolova et al, 2002; Reuber and Fischer, 1997; Westhead et al, 2001), foreign market knowledge (Yli-Renko et al, 2002), and the degree of new venture internationalization. However, general human capital did not significantly predict the subsequent propensity to internationalize (Westhead et al 2001) and eventually did not differentiate between internationalized and non-internationalized firms (Manolova et al, 2002). Greater impact on early firm internationalization has entrepreneur’s social capital (Boter and Holmquist, 1996; Coviello and Munro, 1995; Fontes and Coombs, 1997; Jones, 1999; 2001; Litvak, 1990; McAuley, 1999; Vatne, 1995; Westhead et al, 2001; Yli-Renko et al, 2002) that is perceived primarily as a key source of international opportunities, and of necessary resources.

As regards the other resources, it was found for example that greater knowledge intensity (Autio et al, 2000; Burgel and Murray, 2000), the pursuit of differentiation (Bloodgood et al, 1997), and the imitability of resources (Autio et al, 2000) are all strongly and positively associated with higher degree of internationalization and faster international growth. So is the active search for and acquisition of the information (Yeoh, 2000). On the other hand, the impact of firm’s size and age on the internationalization process is not clear.

ENTREPRENEURSHIP RESEARCH PATH
Two distinct, although very interrelated, levels of enquiry have emerged within the entrepreneurship path that are trying to shed light onto firm’s international entrepreneurial behaviour, namely entrepreneurial cognition and entrepreneurial orientation.

**Entrepreneurial Cognition**

Basic research on human cognition suggests that cognitive processes are far from totally rational. In fact, process of thinking is often influenced by a number of sources of potential bias and error (Baron, 1998) that under conditions of environmental uncertainty and complexity could be an efficient and effective guide to decision-making (Busenitz and Barney, 1997).

The focus of extant IE research is primarily on the entrepreneurs’ perceptions e.g. about her or his business attitude as one of the key attributes that influences entrepreneur’s decision to internationalize instantly (McAuley, 1999); of costs, risks, and potential of entry modes and foreign markets (Crick and Jones, 2000); of resources (Preece et al, 1998); of the environment as strong candidate for a general predictor of internationalization (Manolova et al, 2002), and cognitive impediments to learning (Autio et al, 2000). As such, cross-border activity of small firm could be regarded as a function of entrepreneurial cognition.

Interestingly, however, none of the studies directly investigate how entrepreneurs’ biases and heuristics are used to identify international opportunities and make decisions in the pursuit of those opportunities; instead, international opportunities are regarded as being given. This might be explained by the fact that IE researchers regard internationalization as already existing entrepreneurial potential, i.e. as an entrepreneurial strategy (e.g. Andersson, 2000; Jones, 1999; Lu and Beamish, 2001).

**Entrepreneurial Orientation**
Entrepreneurial orientation (EO) is a process that reflects methods, practices, and decision-making styles of managers use to act entrepreneurially (Lumpkin and Dess, 1996). The ultimate interest in EO is its influence on the performance of the firm. The extant IE research also acknowledges the importance of EO to firm’s international performance. For example, Ibeh and Young (2001) found that high export-entrepreneurial firms are typically more innovative in developing exporting, less averse to exporting risks, and have more proactive motivations for exporting. Francis and Collins-Dodd (2000) suggest that stronger proactive orientation is associated with, whereas greater use of conservative orientation is detrimental to, firm’s export success.

Furthermore, Yeoh (2000) found that EO is positively related to the intensity of information search Knight (2000; 2001), arguing that firms with a strong EO appear to be more inclined to leverage marketing strategies for entering new product markets and coping with more complex environment. In general, proactiveness, in the form of product differentiation (Bloodgood et al, 1997); managers’ geocentric mindsets (Harveston et al, 2000); management’s attitude toward internationalization (Preece et al, 1998)\(^5\), seem to be strongly associated with greater internationalization.

**METHODOLOGICAL ISSUES**

The focus of the following section is on one of the key quality research criteria, i.e. representativeness. Specifically, a special attention will be paid to the importance of firm’s age and maturity cut-off periods to further the development of IE field\(^6\).

As regards the firm’s age, the bulk of IE research has focused on studying the internationalization of new ventures. In this respect, Zahra and George (2002) argue that this focus limits the scope of IE research as e.g. it ignores the fact that entrepreneurial activities are ongoing
process over time. Moreover, as identified by Coviello and Jones (2002), the extant IE research is characterized, inter alia, by the use of inconsistent definitions and measures as far as firm’s age is concerned. Both conceptual and empirical studies should be encouraged in order to resolve this firm’s age definitional ambiguity (Oviatt and McDougall, 1994). At the end of the day, the development of firm’s maturity definition will help researchers to develop representative sampling criteria and provide generalizable results.

Prior to starting the discourse on firm’s maturity, it is pivotal to comply with the audiatur et altera pars principle, i.e. the assumptions of an argument should be always stated explicitly. In this respect, it is suggested that IE researchers should not be concerned with e.g. when start-up occurs (Oviatt and McDougall, 1994), but how long it lasts. Thus, instead of regarding start-up as a point in time, the following discussion will regard start-up as a process in time. For the purpose of this study, the discourse will be between start-up firms and adolescent firms. Figure 1 below presents the eclectic view of start-up and adolescence processes over time that will be discussed in what follows.

Figure 1. The eclectic view of start-up and adolescence processes
Recently, Davidsson et al (2001), arguing that Gartner’s (1988) definition of entrepreneurship does not leave any room for including firm’s growth, suggested to define entrepreneurship as a *creation of new economic activity* (see also Davidsson and Wiklund, 2001). As regards new economic activity, Davidsson et al (2001) suggested that as a minimum new or established firm introduces what internally is a new activity and what appears at the same time as a new imitator in a market. At the high end of the new economic activity continuum, there will be the global introduction of radical innovation. Thus, this view makes it possible to position start-up and adolescent firms within ‘New Venture Creation Area’, and ‘New Activity Creation Area’ respectively (see Fig. 1).

Furthermore, as organizational growth is seen as inherently a dynamic measure of change over time (Weinzimmer et al, 1998) that leads to increased complexity and uncertainty (Arbaugh and Camp, 2000; Covin and Slevin, 1997), it is pivotal to distinguish between the change in start-up and adolescent ventures (see Fig. 1). In this respect, Nicholls-Nixon et al (2000) introduced *strategic experimentation* construct, arguing that in new ventures, changes along dimensions of strategy are less about moving to a new steady state or redirecting an existing strategy as they are about forming and executing a strategy in an effort to reach a steady state for the first time. That is, the emphasis is on creating a coherent competitive approach for the first time. As such, it can be argued that start-up phase ends when strategic experimentation ends. This distinction between the change in start-up and adolescent ventures could be important to study e.g. the transition from the entrepreneurial mode of decision making to adaptive or planning modes (Mintzberg, 1973) (see Figure 1), especially taking into account that that majority of firms fail during their first three and ten years of activities (Storey, 1994).
As regards the contribution of (international) growth in understanding entrepreneurship, Davidsson et al (2001) further argue that early growth, applied to new venture creation, and organic growth, applied to existing organizations, are more likely than later growth and acquisition growth to satisfy criteria set by the above given entrepreneurship definition (see also Davidsson and Wiklund, 2000). This might suggest that early growth could be a reasonable indicator of a start-up behaviour, whereas organic growth – of an adolescent behaviour (see Fig. 1).

Irrespective of the type of growth, there will be a requirement to redefine the type and state of elements in the organizational gestalt. Therefore, for the growth transition to be successful, the entrepreneur must assemble and deploy resources in order to reduce the tension that builds within the gestalt as a consequence of growth (Covin and Slevin, 1997). In this respect, the distinction between start-up and adolescent firms might allow to account for differences in respective firms’ behaviour. For example, during start-up process, small firms, especially with high-technology knowledge bases, might be involved in cross-border activities that exploit firms’ knowledge base rather than in those that augment their knowledge base. Or, as learning curve is expected to change, the entrepreneurs’ attitudes towards e.g. risk, commitment, and failure, and/or perceptions of resource availability may change as well.

Thus, based on the above, it can be inferred that the process of start-up may be defined as the creation of new venture whereby early growth is achieved through strategic experimentation. Start-up process ends where the strategic experimentation ends. The process of adolescence may be viewed as the creation of new activity through organic growth and strategic change. In both processes, the entrepreneur must assemble and deploy resources in order to reduce the tension that builds within the gestalt as a consequence of growth. As regards the time frame, it could be argued that providing high failure rates during their first three and ten years of activity, start-up and
adolescent firms must be given a room to pass the survival (strategic experimentation) stage and implement the strategic change, and achieve early and organic growth respectively. In this respect, firms that are 5 years old or younger could be defined as start-up firms; firms between 6 and 10 years old – adolescent firms (see also Jones and Coviello, 2002; Zahra and Kirchhoff, 2001).

**INTERNATIONAL ENTREPRENEURSHIP: ENHANCED DEFINITION**

As it may be noticed, McDougall and Oviatt’s (2000) definition of IE is based on three key constructs: (i) EO, that is made of risk taking, innovativeness, and proactiveness dimensions; (ii) the cross-border construct that encompasses both in-ward and out-ward activities, as well as both internationalization and de-internationalization processes; and (iii) the creation of value in organizations.

As regards EO dimensions, the inclusion of competitive aggressiveness (Lumpkin and Dess, 1996) in IE definitions is important as it will allow researchers on continued international entrepreneurship to capture through competitive aggressiveness dimension e.g. what Davidsson et al (2001) call ‘admittedly less-than-perfect’ measure of the ‘amount’ of entrepreneurship that a particular instance of new economic activity represents, i.e. organic (international) growth in volume.

Arguing that IE is at the intersection of entrepreneurship and internationalization paths, Zahra and George (2002) proposed an alternative definition of IE. They defined IE as ‘the process of creatively discovering and exploiting opportunities that lie outside a firm’s domestic markets in the pursuit of competitive advantage’. As it can be noticed, also three constructs that make the core of Zahra and George’s definition of international entrepreneurship could be identified, i.e. entrepreneurial cognition; internationalization; and value creation implicitly contained in the pursuit of competitive advantage construct. Overall, Zahra and George’s definition could be regarded more as
a complimentary rather an alternative to McDougall and Oviatt’s, in that it emphasizes the importance of entrepreneurial cognition and of creating, acquiring, and leveraging resources. However, as regards the cross-border activity construct, Zahra and George’s (2002) definition excludes e.g. de-internationalization phenomenon as a necessary dimension of IE.

As the creation of new economic activity (Davidsson et al, 2001) or as Bruyat and Julien (2000) put it – the creation of new value, is seen at the heart of entrepreneurship studies (Davidson and Wiklund, 2001), it can be argued that the same should be true for IE as well.

Hence, based on the above, McDougall and Oviatt’s (2000) definition could be enhanced by including competitive aggressiveness dimension, and the newness of the value created in the process of crossing national borders. That is, international entrepreneurship is defined as a combination of innovative, risk-taking, proactive, and competitively aggressive behaviour that crosses national borders and is intended to create new value in organizations.

CONCLUSION

This paper aimed to review and assess the extant international entrepreneurship research literature, paying specific attention to the cross-fertilization of theoretical foundations of cross-border and entrepreneurship research paths, and methodological issues. The review suggests that resource-based theory has been the largest contributor to the emergence of international entrepreneurship research, and that cross-border activity is best viewed as a function of entrepreneurial cognition and entrepreneurial orientation. It is further suggested that the creation of new value should be at the heart of international entrepreneurship studies. The paper concluded by proposing an enhanced definition of international entrepreneurship based on the reviewed literature. Thus, international entrepreneurship is a combination of innovative, risk-taking, proactive, and competitively aggressive behaviour.
aggressive behaviour that crosses national borders and is intended to create new value in organizations.

NOTES

1. For eligibility criteria used to select the papers for review see Coviello and Jones (2002); out of forty-eight articles reviewed by Coviello and Jones (2002), the present review is based only on articles that demonstrated entrepreneurial behaviour across international borders.

2. Due to space constrains, the table that details the review findings is not included herein.

3. For example, in Westhead et al’s (2001) longitudinal sample, approximately 12% failed and of the remaining sample, 74% were found to be non-exporters in seven years time.

4. For example, in one case, firm’s size (Bloodgood et al, 1997; Preece et al, 1998) and age (Preece et al, 1998) are found to be positively associated with firm’s internationalization, whereas in another, a negative association was found (Reuber and Fischer, 1997).

5. Careful considerations should be given to this finding as e.g. one of sample selection criteria used by Preece et al (1998) was that selected firms had to have potential to compete in global markets.

6. For detailed review of methodological issues in extant IE research please see Coviello and Jones (2002)

7. It will allow avoiding such situations as e.g. in Fontes and Coombs (1997: 17): ‘… the empirical research is based on interviews … with 26 NTBFs [New Technology-Based Firms] and 5 young technology-based subsidiaries… NTBFs were defined as: young independent firms involved in the development and/or diffusion of new technologies. Thus, the firms studied satisfy the following criteria – newness: between one and fifteen years old…’ Or, as e.g. in Burgel and Murray (2000: 54, 43): ‘Our strongest predictor of the chosen foreign entry mode [of start-up companies in high technology industries] was existing, domestic sales mode of the firm’; ‘… we define a high-tech start-up that is not older than ten years…’

REFERENCES


