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International Entrepreneurship and the Resource-Based View of the Firm

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Abstract

The purpose of the present paper is threefold: (i) to review the theoretical foundations of emerging international entrepreneurship (IE) literature, (ii) to synthesize the findings from literature intersecting the IE and resource based-view (RBV) domains, and (iii) to discuss how these findings can support future development of the IE field. Empirical studies, chosen for the review from recent top-tier publications, were those explicitly integrating theory and concepts from both the cross border and entrepreneurship research paths. On the basis of selected criteria, a total of 36 articles were reviewed. Key findings of the review are as follows: (i) the conceptualization of IE research is dominated by the theoretical approaches of the international business (IB) field, and (ii) although implicitly, RBV has been the largest contributor to the emergence of IE research. The paper concludes by proposing a definition of IE as a process of discovering and exploiting international venture ideas that are intended to create new values in organizations and in the marketplace.

Keywords: International Entrepreneurship, Resource-Based View, Theoretical Foundations.
INTRODUCTION

As a body of literature develops, it is occasionally useful to stop, consider cumulative contributions of research, and identify new directions and challenges for the future (Low and MacMillan, 1988). This kind of a milestone is certainly beneficial for a young discipline such as international entrepreneurship (IE). The purpose of the paper is threefold: (i) to review the theoretical foundations of the emerging IE literature, (ii) to synthesize the findings from the intersection of the IE and resource based-view (RBV) fields, and (iii) to discuss how these findings can enhance future development of the IE field. The two starting points of the review were: firstly, the definition of IE defined by McDougall and Oviatt (2000) as ‘a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations’, and secondly, this paper builds on recent reviews of methodological issues in IE (Coviello and Jones, 2004) and on the current status of IE research (Zahra and George, 2002). The authors did a cross-check analysis of the reviewed articles from these two papers adopting eligible criteria developed by Coviello and Jones (2004). The authors included a total of 36 articles in the present review (see Table 1).

Initially, following the citation-based approach applied by Peng (2001, pp. 804) in its review of the extent to which the RBV has diffused to International Business (IB) research, the authors looked into how many journals selected for the present review cited two key RBV papers, i.e. Barney (1991) and/or Wernerfelt (1984). Out of 36 articles, (i) only 3 articles cited Barney (1991) (Andersson, 2000;
Autio et al., 2000; Westhead et al., 2001); (ii) only 1 article cited Wernerfelt (1994) (Preece et al., 1998); and (iii) only 2 articles cited both authors (Bloodgood et al., 1996; Rhee, 2002). Using the same citation-based approach, the authors searched for the two key articles in the papers published in Journal of International Entrepreneurship that was recently established to specifically address the issues of IE research. Out of 20 articles published in its first four issues, only 2 articles cited Barney (1991) (Andersson and Wictor, 2003; Zahra et al., 2003), and only 1 article cited both authors (Bell et al., 2003). Based on the above findings, one would conclude similar to Peng that the influence of RBV literature on IE, measured by the number of articles, seems to be still in its infancy (2001, pp. 815). Therefore, as a next step, in order to corroborate or refute the above findings, the authors performed a content analysis of each article identified for the review (see Table 1) with the focus on the cross-fertilization of theoretical foundations of cross-border and entrepreneurship research paths.

The paper proceeds with the review of internationalization research path. Attention will then turn to the emerging thrusts within the entrepreneurship research path. Next, the findings from the intersection of the RBV and IE fields are synthesized. Future directions and challenges to the development of the IE field will conclude the paper.

**CROSS–BORDER RESEARCH PATH**

Theoretical views that have emerged within the cross-border research path can be grouped into two categories, namely behavioral theory-based view and economics-based view. Within both of these, the authors identified three schools of thought respectively, i.e. international new venture, stage, and network approaches, and transaction cost, international production, and resource-based theories.
Behavioral Theory-Based View

The International New Venture Approach

Oviatt and McDougall (1994, pp. 49) defined international new venture (INV) ‘… as 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.’ Having witnessed the existence of these firms that demonstrate early and rapid internationalization, the attention of the researchers turned to the need of developing a theoretical framework to understand and explain that phenomenon (McDougal et al., 1994; Oviatt and McDougall, 1994; Knight and Cavusgil, 1996; Madsen and Servais, 1997). For example, Oviatt and McDougall (1994) based their theoretical framework of multinational new ventures on transaction cost, international production, and resource based theories. Madsen and Servais (1997), drawing on stage and network approaches, and McDougal et al. (1994), drawing on the resource-based view, argue that an entrepreneur’s human and social capital are the key factors underlying new venture internationalization. While the above theories will be discussed later in the paper, the focus of this section alternatively will be on the findings related to the importance of temporal dimension (e.g. Kutschker et al., 1997; Oesterle, 1997) and inward and outward internationalization of value chain activities (Korhonen et al., 1996; Jones, 1999) to the international growth of a new venture.

Although all phenomena exist in and through time, researchers often ignore, treat implicitly, or treat explicitly but in an inadequate manner the duration and rates of time (George and Jones, 2000). Furthermore, as one of the most important (boundary) assumptions in theory building (Andersen, 1993), time is seldom positioned as the central construct (Jones and Coviello, 2002), and therefore should play a much more significant role in this process (George and Jones, 2000).
As identified by Coviello and Jones (2004), the bulk of IE research is static; it does not incorporate time-dependent variables or time, and therefore makes it difficult to reveal the process over time. Overall, 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 early criticism of the lack of studies that explain in detail the relation between the time-span a firm needs or can afford to enter foreign markets and the availability of competitive advantages (e.g. Oesterle, 1997), McNaughton (2000) studied the influence of firm, market, product, and management characteristics on the time-span to foreign market entry. Although implicitly, Reuber and Fischer (1997) examined the impact of management experience on the time-span (delay) in obtaining foreign sales after the start-up. Whereas, Coviello and Munro (1995) assert that time-span to the acquisition of necessary/lacking resources is crucial to the international success of a small firm. Here it should be stressed that it is not the resource itself that is important, but the timing of its acquisition.

As the review findings indicate, the IE studies could be easily projected on the positive direction of time. However, in order to allow for reverse behavior (e.g. de-internationalization) to happen, 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, 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.
For example, in Westhead et al.’s (2001) longitudinal sample, approximately 12 percent failed and of the remaining sample, 74 percent were found to be non-exporters.

The Stages Approach

The stages approach to internationalization dominates contemporary research on the internationalization of small firms (for a comprehensive review, see Coviello and McAuley, 1999). It 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 (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977).

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 (McDougal et al., 1994; Oviatt and McDougall, 1994; Knight and Cavusgil, 1996; Madsen and Servais, 1997). Overall, present review findings suggest that stage approach is less valid in explaining instant internationalization of new, especially high technology, ventures (e.g. Boter and Holmquist, 1996; Jones, 1999; Burgel and Murray, 2000; Harveston et al., 2000; Bell et al., 2001).

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 the knowledge-based view of the firm, Autio et al. (2000) and Yli-Renko et al. (2002) viewed the stage approach and the international new venture approach as complementary, rather than contradictory.
views. 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 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.

The Network Approach

The network approach has received a lot of attention and recognition in the process of explaining the internationalization of small firms (recent examples include Anderson et al., 1994; Coviello and Munro, 1997; Tikkanen, 1998). 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). 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). Johanson and Mattsson (1988) argue that the success in new foreign market development is rooted in a firm’s relationships in current markets, whether these be domestic or foreign, rather than in the identification and analysis of foreign market characteristics and the development of tailored market strategy. The biggest criticism of network approach comes from its failure to adequately address concepts such as efficiency and effectiveness (Jones and Coviello, 2002).

In the IE literature, network approach, as in traditional internationalization and strategic management literature, offers a valuable approach when applied to explain the internationalization
behavior of new ventures. The present findings suggest that foreign market selection and entry modes
(Fontes and Coombs, 1997; Jones, 1999; Jones, 2001) 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; Vatne, 1995; Reuber and Fischer, 1997; 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. By and large, higher level
of embeddedness seems to facilitate internationalization of new ventures and to be 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*

Transaction cost theory, emerged from the dissatisfaction of theorists with the ideas of perfect
competition that could not explain the existence of the firms on the assumption that the direction of
resources (efficiency) is directly dependent on the price mechanisms. 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 (Williamson, 1975). According to
Williamson (1975), the choice of the governance structure is a function of transaction efficiency that in
turn is influenced by people’s opportunistic behavior, bounded rationality, and asset specificity. Buckley
and Casson (1976) further advanced the internalization concept to explain the existence of multinational
enterprises (MNEs). They envisaged the firm as an internalized bundle of resources which can be allocated between firm’s value chain, and between national markets. Transaction cost (Williamson, 1975) and internalization (Buckley and Casson, 1976) perspectives are both concerned with the minimization of the transaction costs and the conditions underlying market failure.

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 (Vatne, 1995; Burgel and Murray, 2000). 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 states that tacit knowledge is difficult and costly to transfer to external partners, i.e. firms should avoid collaborations in such situations. The question then 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 internationalization in large organizations.

The Theory of International Production

Dunning (1980) combined together location specific factors together with ownership and internalization factors in an eclectic paradigm of international production, known also as OLI paradigm, to explain the foreign direct investment of MNEs (e.g. Agarwal and Ramaswami, 1992; Tse et al., 1997). Fore more
than two decades, the OLI paradigm has remained the dominant analytical framework for accommodating a variety of operationally testable economic theories of the determinants of FDI and the foreign activities of MNEs (Dunning, 2000).

However, as in traditional small firm internationalization research (Coviello and McAuley, 1999), the contribution of OLI paradigm to IE field is ‘severely’ limited (McAuley, 1999, pp. 69). Only one article (Lu and Beamish, 2001) just compares the effects of exporting and foreign direct investment strategies on small firms’ performance. The non-presence of the eclectic paradigm within the 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.

The Resource-Based View of the Firm

It is the resources of the firm which limit the choice of markets it may enter, and the levels of profits it may expect (Wernerfelt, 1989). According to Barney (1991, pp. 105), in order for a firm to sustain its competitive advantage in those markets, its resources must be: (i) valuable; (ii) rare; (iii) imperfectly imitable; and (iv) non-substitutable. All in all, entrepreneur’s human and social capital, his/her entrepreneurial cognition and orientation, newness of new international economic activity created and/or of new value generated they all could be regarded as the sources of non-substitutability that ultimately supply the genetics of firm heterogeneity (Mahoney and Pandian, 1992).

At the aggregate level, the IE research has acknowledged the importance of social capital, human capital, various physical resources, as well as industry structure and strategic positioning to firms’
international diversity and intensity has been widely acknowledged. For example, there was found a positive and significant relationship between the entrepreneur’s international work experience and the degree of new venture internationalization (e.g. Bloodgood *et al.*, 1997; Reuber and Fischer, 1997; Burgel and Murray, 2000; Harveston *et al.*, 2000; Westhead *et al.*, 2001; Manolova *et al.*, 2002). As argued by Reuber and Fischer (1997), the higher the international experience of the top management team, the earlier the small company ventured into foreign market. Furthermore, foreign market knowledge (Yli-Renko *et al.*, 2002) acquired through a greater information search (Yeoh, 2000) had also a positive impact on international growth of small firms. 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 especially on early firm internationalization has entrepreneur’s social capital (e.g. Litvak, 1990; Coviello and Munro, 1995; Vatne, 1995; Boter and Holmquist, 1996; Fontes and Coombs, 1997; McAuley, 1999; Jones, 1999; 2001; Westhead *et al.*, 2001; Yli-Renko *et al.*, 2002). Probably most importantly, it is perceived as a key source of international opportunities (e.g. Coviello and Munro, 1995; McAuley, 1999). At the same time, it provides new small (low- and high-tech) firms with necessary resources that are of vital importance to their existence. For example, social capital has a significant impact on the development of the knowledge base of small high-technology firms Yli-Renko *et al.* (2002), and on early internationalization decisions even of small low-tech firms (McAuley, 1999). Broadly speaking, value chain activities are one of the main reasons why small firms get involved in networking (Vatne, 1995), i.e. in inward and outward activities (Jones, 1999; 2001). Viewing early small firm internationalization as a holistic process, Jones (1999; 2001) questions whether internationalization should be a strategy in itself for small firm development, and contends that it is not so
much the individual type of cross-border link that is important, but the contribution it makes, alone or in conjunction with other modes of activity, to the business as a whole.

With regard to 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. E.g. 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). As argued by Autio et al. (2000), the earlier in their development that firms venture into international competition, the more rapidly they grow internationally.

ENTREPRENEURSHIP RESEARCH PATH

Two distinct, although interrelated, perspectives have emerged within the entrepreneurship path that are trying to shed light onto the international entrepreneurial behavior of firms; these are entrepreneurial cognition and entrepreneurial orientation perspectives (Krueger et al., 2000; Lumpkin and Dess, 2001).

Entrepreneurial Cognition

In the context of entrepreneurship paradigm, the entrepreneurial cognition has been defined as the extensive use of individual heuristics and beliefs that impact decision-making (Alvarez and Busenitz, 2001). As argued by Busenitz and Barney (1997), under conditions of environmental uncertainty and
complexity, without the use of biases and heuristics many entrepreneurial decisions would never be made. Hence, central to the entrepreneurial cognition research is to understand how entrepreneurs identify overlooked opportunities and make decisions to pursue them. Specifically, for example, what biases and heuristics may lower the risk perception or may inhibit the decision-making process of starting a new venture? As argued by Krueger and Brazeal (1994), entrepreneurial potential requires potential entrepreneurs.

With regard to existing IE research, the importance of the entrepreneurial cognition process to the firm internationalization is also acknowledged (e.g. McAuley, 1999; Autio et al., 2000; Crick and Jones, 2000). For example, McAuley (1999) argues that self-perception of the entrepreneur about her or his business attitude is one of the key attribute that influences the entrepreneur’s decision to instantly internationalize. Autio et al. (2000) studied, inter alia, the cognitive impediments to learning and introduced the concept of “learning advantages of newness.” They suggest that as firms get older, they develop learning impediments that hamper their ability to successfully grow in new environments and that the relative flexibility of newer firms allows them to rapidly learn the competences necessary to pursue continued growth in foreign markets. Crick and Jones (2000) in their study of the internationalization of small high-technology firm allowed for the perceptions of costs, risks, and potential of entry modes and foreign markets to be accounted for. It is, however, interesting to notice that 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. Jones, 1999; Andersson, 2000; 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 of entrepreneurship researchers in EO is its influence on the performance of the firm. All in all, entrepreneurship researchers suggest that firm-level EO leads to improved firm performance (e.g. Lyon et al., 2000), and the extant empirical evidence supports the above proposition (e.g. Brown and Kirchhoff, 1997; Lumpkin and Dess, 2001).

To a lesser extent, the existing IE research also acknowledges the importance of EO to firm’s international performance. For example, Ibeh and Young (2001) applied three EO dimensions, i.e. innovativeness, proactiveness, and risk propensity, to explain the difference between high and low export-entrepreneurial firms. They 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) studied the impact of proactive and conservative orientation dimensions on firms’ export performance. Their findings suggest that stronger proactive orientation is associated with, whereas greater use of conservative orientation is detrimental to, firms’ export success. In general, the following characteristics of firms seem to be strongly associated with higher internationalization intensity: 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). Furthermore, Yeoh (2000) found that EO is positively related to the intensity of information search and is also associated with the use of personal information sources and quasi-government sources in firms’ international efforts.
THEORETICAL FOUNDATIONS OF IE: A SYNTHESIS

As regards the theoretical foundations of IE field, it can be noticed from the above review that the conceptualization of IE research is overshadowed by the theoretical approaches of the international business (IB) field; thus creating an imbalance in knowledge contribution (Coviello and Jones, 2004). This tendency might be explained by the following. The first, and probably the most important factor, is that there is little or no co-operation between scholars who have their primary focus on only the IB field or on the entrepreneurship field. For example, the majority of IE papers view international opportunities as being given and internationalization per se as already existing entrepreneurial potential (see, e.g. Jones, 1999; Andersson, 2000, Lu and Beamish, 2001). Second, as the focus of IE research is geared towards studying rapid internationalization of new ventures (Zahra and George, 2002; Coviello and Jones, 2004), IE research is predominately associated with the ‘born-global’ (international new venture) phenomenon, thus ignoring the fact that entrepreneurial activities represent an ongoing process that unfolds over time (Zahra and George, 2002). This narrow-in-scope relationship is also evident in several recent publications in Journal of International Entrepreneurship. For example, Young et al. (2003, pp. 32) associate IE with international new ventures; Johanson and Vahlne (2003, pp. 84) with born-globals. Third, none of the reviewed papers (with one exception: Andersson, 2000) made an attempt to define entrepreneurship and its domain of research. As a result, none of the papers actually conceptualized IE as the intersection of cross-border and entrepreneurship research paths.

Based on the above findings, it can be argued, similarly to comments of Davidsson (2003), that knowledge about IE is best developed if deep familiarity with the phenomenon is combined with disciplinary knowledge and standards, i.e. with both entrepreneurship and cross-border phenomena.
This could be achieved when researchers who focus their research more or less exclusively on IE and researchers who occasionally apply their knowledge to IE learn more about theory bases and methods from both cross-border and entrepreneurship research streams before going about their research process.

Furthermore, we advance the view that implicitly ideas that are founded on a resource-based logic have been largest contributors to the emergence of IE research. More precisely would be to argue that it is the firm resources and competitive advantage concepts of RBV (Barney, 1991) that actually played a pivotal part in the materialization of the IE research. At the aggregate level, the importance of social capital (e.g., Fontes and Coombs, 1997; McAuley, 1999; Jones, 2001), human capital (e.g., Harveston et al., 2000; Shrader et al., 2000; Fillis, 2002), various physical resources (Litvak, 1990; Bloodgood et al., 1996; Rhee, 2002), as well as industry structure and strategic positioning to firms’ international diversity and intensity (e.g., McDougall, 1989; Andersson, 2000; Crick and Jones, 2000) has been widely acknowledged. Although to a lesser extent, the importance of entrepreneurial cognition and orientation to firms’ international expansion has been acknowledged as well (Jolly et al., 1992; Zahra et al., 1997; Francis and Collins-Dodd, 2000; Manolova et al., 2002; Moen and Servais, 2002). However, comparatively little or no attention has been given to the third concept of RBV, i.e. sustained competitive advantage.

The non-explicit and partial diffusion of the RBV to the IE domain might be due to the following reasons. First, as IE research to date is chiefly influenced by scholars who have their primary focus on IB research, the role of the RBV in regard to IE has been influenced by a very well established position of the RBV in strategic management (Kor and Mahoney, 2000), international business (Peng, 2001), and other disciplines (Barney et al., 2001). Consequently, the existence of convergence of the RBV and
entrepreneurship research has not received much attention from IE researchers. For example, Gregoire et al. (2001) analyzed 13,593 references cited in the 752 papers published in the Frontiers of Entrepreneurship Research Proceedings of the Babson Entrepreneurship Conference – between 1981 and 1999. They observed that in the period between 1996 and 1999, there was a convergence in the entrepreneurship research drawing from a resource-based perspective.

Second, IE researchers have yet to overcome the existing conflict between RBV that tends to focus on heterogeneity of resources and entrepreneurship that tends to focus on heterogeneity in beliefs about the value of resources (Alvarez and Busenitz, 2001). Alvarez and Busenitz (2001) suggest that this conflict between the two approaches could be resolved if the beliefs themselves about the value of resources are recognized as resources, thus considering heterogeneity as a common attribute of both RBV and entrepreneurship theories. In this respect, Brown and Kirchhoff (1997) studied the effects of resource availability and entrepreneurial orientation on firm growth. They contended that perceived environmental munificence, i.e. the extent to which critical resources exist in the environment, and resource acquisition self-efficacy, i.e. perception about a person’s ability to gather the required resources, positively influence entrepreneurial orientation that in turn has a positive impact on the small firm growth. Recently, examining the differences in personal factors between internationalized and non-internationalized small firms, from an IE perspective, Manolova et al. (2002) found that environmental perceptions are consistent differentiators with respect to internationalization, and suggested that environmental perceptions are important general predictors of internationalization. It might be argued therefore that cross-border activity can be best viewed as a function of entrepreneurial cognition and entrepreneurial orientation. Thus, for IE researchers, this convergence of the RBV with entrepreneurship theories provides an opportunity to advance IE research by studying questions such as how do
entrepreneurs’ perceptions of resource availability affect (i) the development of international entrepreneurial dynamic capabilities over time, (ii) the creation of new resource configurations, and (iii) the sustainability of competitive advantage.

Third, existing IE research has focused primarily on studying the internationalization of new ventures thus ignoring the fact that entrepreneurial activities are an ongoing process over time (Zahra and George, 2002). It is also characterized by the use of inconsistent definitions and measures as far as firm’s age is concerned (Coviello and Jones, 2004). Hence, there is no clear consensus over what new international venture is, how it behaves and changes over time, what its key indicators are, how old is old, whether there is a continued entrepreneurship beyond start-up, etc.

INTERNATIONAL ENTREPRENEURSHIP: AN ENHANCED DEFINITION

The above findings raise the question whether or not the definition of IE of McDougall and Oviatt (2000), currently employed by many top papers, provides a holistic enough view on the IE phenomenon. It is authors’ viewpoint that the current definition of IE by McDougall and Oviatt needs to be revised so that to incorporate recent developments in both entrepreneurship and IB research fields. This would allow achieving a balance in knowledge contribution.

McDougall and Oviatt (2000) defined IE as a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations. As it may be noticed, three key constructs form the above definition, them being (i) entrepreneurial orientation (EO), that is made of risk taking, innovativeness, and proactiveness dimensions; (ii) the cross-border construct; and (iii) the creation of value in organizations.
In terms of EO dimensions, McDougall and Oviatt definition does not include the competitive aggressiveness construct (Lumpkin and Dess, 1996). However, from the entrepreneurship research stream perspective, it might be argued that the inclusion of competitive aggressiveness in the definition of IE is important as it will allow researchers on continued international entrepreneurship to capture through competitive aggressiveness dimensions for example what Davidsson et al. (2003) call less-than-perfect measure of the amount of entrepreneurship that a particular instance of new economic activity represents, e.g. organic (international) growth in volume. With regard to cross-border construct, it encompasses very well both in-ward and out-ward activities, as well as both internationalization and de-internationalization processes. As to the creation of value in organizations, the creation of new value is seen at the heart of entrepreneurship studies (Bruyat and Julien, 2000; Davidsson andWiklund, 2001). For example, entirely new markets or an activity that is new to an existing market might emerge, or it is an independent start-up, i.e. a new firm emerges as a result, or it is an internal new venture, i.e. the activity is new to the firm (Davidsson, 2003). Hence, it might be argued that the same should be true for IE as well, i.e. the creation of new value shall be at the heart of IE studies.

Furthermore, McDougall and Oviatt’s definition does not emphasize the importance of the nature of cognitive factors for IE, i.e. the notions of discovery and exploitation of international venture ideas. Recently, several definitions of IE have been suggested by various authors. For example, Zahra and George (2002) arguing that IE is at the intersection of entrepreneurship and internationalization paths, 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. Dimitratos and Plakoyiannaki (2003) proposed to define IE as an organization-wide process which is embedded in
the organizational culture of the firm and which seeks through the exploitation of opportunities
in the international marketplace to generate value.

As it can be noticed, there are also three key constructs that make the core of Zahra and
George’s and Dimitratos and Plakoyiannaki’s definitions, i.e. (i) entrepreneurial cognition; (ii)
internationalization; and (iii) value creation (in Zahra and George’s definition value creation is implicitly
contained in the pursuit of competitive advantage construct). Overall, both definitions could be regarded
more as a complimentary rather an alternative to McDougall and Oviatt’s. For example, Zahra and
George’s (2002) definition emphasizes the importance of entrepreneurial cognition and of creating,
acquiring, and leveraging resources. Dimitratos and Plakoyiannaki’s (2003) definition acknowledges the
importance of exploiting opportunities, but it does not explicitly state the importance of opportunities’
discovery. However, as regards the cross-border activity construct, both definitions exclude de-
internationalization process that is part of cross-border phenomenon (Benito and Welch, 1997; Turcan,
2003) and thus a necessary dimension of IE research.

Based on the above discourse, we put forward an enhanced definition of IE. We redefine
international entrepreneurship as a process of discovering and exploiting international venture ideas
that are intended to create new values in organizations and in the marketplace. The benefits of
applying this definition are manifold.

First, the definition acknowledges that IE is a process, thus allows inter alia to study the problem
of emergence. For example, it acknowledges that international venture ideas initially discovered are often
not the ones that subsequently are being exploited (Sjolander and Magnusson, 2001), that
entrepreneurs’ intentions might change (Krueger, 2000), or that entrepreneurs might be susceptible to
the escalation of commitment (Baron, 1998) e.g. to the failing course of action.
Second, the process of *discovery* captures the entrepreneurial process of cognition thus recognizing heterogeneity that is one of the cornerstones of entrepreneurship domain of research and it refers to the initial conception and future development of a venture idea (Davidsson, 2003). For example, it acknowledges that entrepreneurs are heterogeneous (Barney *et al.*, 2001) and that they have heterogeneous beliefs about the value and availability of resources (Brown and Kirchhoff, 1997).

Third, the process of *exploitation* acknowledges the ultimate interest of entrepreneurship researchers in EO (Lumpkin and Dess, 1996) as important factors to the performance of the firm Brown and Kirchhoff, 1997; Lyon *et al.*, 2000; Lumpkin and Dess, 2001), and it refers to the decision to act upon a venture idea, and the behaviours that are undertaken to achieve its realization (Davidsson, 2003).

Fourth, *international* (but not ‘internationalization’) construct captures inward and outward patterns (Korhonen *et al.*, 1996), and internationalization and de-internationalization processes (Benito and Welch, 1997; Turcan, 2003) of a cross-border phenomenon.

Fifth, although McDougall and Oviatt’s definition of IE does not include the opportunity concept, the author suggests using the term “venture idea” instead of “opportunity” in the proposed definition. According to Davidsson (2003) there are two major problems with the opportunity concept. The first problem is that the term ‘opportunity’ that is known to be profitable is fundamentally opposed to acknowledging *uncertainty* as an inescapable aspect of the environment of the emerging activity. The second problem of the opportunity concept is the question whether opportunities objectively exist or if the actor creates them, i.e. it clashes with *heterogeneity* assumption of entrepreneurship research as scholarly domain. Davidsson (2003) defined venture idea as creations of individuals’ minds. Whether these reflect opportunity or not can only be known afterward and only when the outcomes were
successful. That is, the term ‘venture idea’ will allow accounting for phenomena usually perceived as negative, e.g. de-internationalization.

Finally, as the creation of new value is seen at the heart of entrepreneurship studies (Bruyat and Julien, 2000; Davidsson and Wiklund, 2001), as previously argued, the same might be true for IE. For example, entirely new markets or an activity that is new to an existing market might emerge, or it is an independent start-up, i.e. a new firm emerges as a result, or it is an internal new venture, i.e. the activity is new to the firm (Davidsson, 2003). At the same time, as the above discussed constructs (e.g. discovery and exploitation) demarcate the scholarly domain of entrepreneurship (Davidsson, 2003), the new value construct defines entrepreneurship as societal phenomenon that consists of the competitive behaviours that drive the market process towards more effective and efficient use of resources.

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

In this paper, we aimed to review and assess the existing international entrepreneurship research, paying specific attention to the cross-fertilization of theoretical foundations of cross-border and entrepreneurship research paths. Our review suggests that IE research is overshadowed by the theoretical approaches of the international business (IB) field. This tendency might be explained by the facts that (i) there is little or no co-operation between scholars who have their primary focus on either the IB field only or on the entrepreneurship field only; (ii) IE predominantly has been associated with the ‘born-global’ phenomenon; (iii) there has been little or no attempts by IE researchers to define entrepreneurship and its domain of research, and (iv) the existing definition of IE does not provide a holistic view on IE phenomenon. As a result, none of the reviewed papers actually conceptualized IE as the intersection of cross-border and entrepreneurship research paths.
In terms of theoretical foundations, we found that implicitly, the resource-based view (RBV) has been the largest contributor to the emergence of the international entrepreneurship research; more precisely it is the firm resources and competitive advantage concepts of RBV that actually played a pivotal part in the materialization of IE research; whereas, little or no attention has been given to the importance of sustained competitive advantage. At the aggregate level, the importance of social capital, human capital, various physical resources, as well as industry structure and strategic positioning to firms’ international diversity and intensity has been widely acknowledged. However, the small extent of integration of entrepreneurship theories in IE research lends support to the existence of a conflict between the RBV and entrepreneurship research, and consequently, IE research.

To balance the knowledge contribution, we put forward a view that knowledge about IE is best developed if deep familiarity with the phenomenon is combined with interdisciplinary knowledge and standards, i.e. with both entrepreneurship and cross-border phenomena. This could be achieved when researchers who focus their research more or less exclusively on IE and researchers who occasionally apply their knowledge to IE learn more about theory bases and methods from both cross-border and entrepreneurship research streams before going about their research process. Several benefits in balancing the contribution of knowledge could be identified.

First, it will allow IE researchers to understand tensions, oppositions, and contradictions among explanations of entrepreneurship and IB phenomena. Second, the understanding of the above controversies will allow researchers better understand the intersection of entrepreneurship and IB at various levels of analysis. And third, better understanding of entrepreneurship and IB intersections at various levels of analysis will allow IE researchers to advance theory of IE. To support IE researchers in this process, we define international entrepreneurship as a process of discovering and exploiting
international venture ideas that are intended to create new values in organizations and in the marketplace.

NOTES

1. Studies eligible for review, as defined by Coviello and Jones (2004) were those explicitly integrating theory and concepts from both ‘international business’ and ‘entrepreneurship’. Unfortunately Zahra and George (2002) did not explicitly state the criteria they used to select the articles for their review.

2. The present review is concerned only with entrepreneurial behaviour across international borders, and excludes the research comparing domestic entrepreneurial behaviour in multiple countries defined by McDougall and Oviatt (2000) as another dimension of IE. The reason behind this choice is twofold. First, it is necessary to reflect recent developments in entrepreneurship research. Specifically, to acknowledge the Global Entrepreneurship Monitor (GEM) research program that, based on a harmonized assessment of the level of national entrepreneurial activity for all participating countries, involves exploration of the role of entrepreneurship in national economic growth (http://www.gemconsortium.org). Second, the conceptualization of IE as ‘intersection’ conflicts with conceptualization as ‘comparison’, because former indicates the unit of analysis, whereas the latter the level of analysis. It is our view, that a definition of a phenomenon shall reflect a unit of analysis and can be replicated at various levels of analysis.

3. Here it is important to note that, although not explicitly, Peng associates IE with born globals phenomenon by asking the question: how can some SMEs succeed abroad rapidly without going through different stages suggested by the stage model? (2001, pp. 815).

4. Due to space constrains, the Appendix that details the review findings is not included herein.

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


### Table 1. The list of reviewed articles

<table>
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<tr>
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<th>Name of the Journal</th>
<th>Author(s), Date</th>
<th>Name of the Journal</th>
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<td>Lu and Beamish 2001</td>
<td>Strateg. Manage. J.</td>
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<td>Eur. J. Mark.</td>
<td>Westhead et al. 2001</td>
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Source: Coviello and Jones, 2004