ABSTRACT

Firms that have both gone abroad from inception and have actively achieved a presence in lead industry markets are called international new ventures (INVs) or born-globals (BGs). The speed and international market presence lie in notably through an international network established by the entrepreneur and his or her team. Based on six in-depth case studies of young firms located in the Rhône-Alpes region of France, our study focuses on the founders' capabilities in detecting opportunities and in creating an international business network. The results clearly show that entrepreneurs build upon their skills and prior professional experience to mobilize international networks during the start-up phase in order to drive the firm's activities.

Keywords: international new ventures; opportunity identification; internationalisation; international entrepreneurship; networks

1. INTRODUCTION

“Born globals” (Rennie, 1993) or “international new ventures» (Oviatt and McDougall, 1994) are considered to be young firms that from inception, or at an early stage in their existence, go abroad. Why? Everything leads us to believe that the pre-existing network relationships and the owner-entrepreneur plays a large part in the accumulation of internationalisation «triggering factors». In this context, the objective of this exploratory research is to better understand to what extent entrepreneurs and their networks contribute to the early international growth of their firms. We first highlight the role of the entrepreneur's personality in the detection of opportunities. We go on to show how the entrepreneur's network merges with that of the young firm to develop business contacts and relationships on foreign markets. The second part outlines our method based on the case study of six technology ventures in the Rhone-Alpes region (France). Finally, we analyse the data collected on the firms' internationalisation process, with particular focus on the role of the entrepreneurs and their networks.
2. THEORETICAL PERSPECTIVES ON THE ROLE OF ENTREPRENEUR IN OPPORTUNITY IDENTIFICATION AND INTERNATIONAL NEW VENTURES

“Why, when, and how do some people and not others discover and exploit opportunities?” (Shane and Venkataraman, 2000, p. 218). Identifying opportunities is an act of perception (Christensen et al. 1989). Cognitive research sheds light on the cognitive activities undertaken by entrepreneurs. Therefore Dimitratos and Jones (2005) show that the scope and the quality of entrepreneur’s social networks are likely to affect the opportunity development. An individual’s network is an important potential source of new ideas if the entrepreneur is located at advantageous positions within a network. However, in order to capitalise on an opportunity entrepreneurs need to possess generic managerial competencies. This is why this section reviews the literature in international entrepreneurship and highlights the relationship between entrepreneurs, their network relationships and the fast internationalisation of their firm linked to opportunity identification.

The influence of the entrepreneurs’ competence on opportunity identification and therefore on the early internationalisation of their firms

One of the characteristics of INV entrepreneurs is their “international spirit” (McDougall et al., 1994) and their ability to develop an international vision of their entrepreneurial project. The entrepreneur's personality and international motivations play a great role in fostering a global vision for the incipient business organisation. This international spirit is supported by the entrepreneur's prior professional experience, which provides him or her with valuable skills in cross-border business operations (Oviatt et McDougall, 1994). Autio et al. (2000) show that international entrepreneurs have a positive attitude towards internationalisation and have a lower perception of foreign market risk than traditional firms. As a result, they are more prone to developing activities across borders.

Thanks to their international vision, entrepreneurs often develop competitive advantages by developing unique skills and resources with high added value or by pursuing global niche market opportunities (Oviatt et McDougall, 1994).

Generally speaking, previous knowledge and experience considerably reduce psychical distance and uncertainty and play a pivotal role in accelerating learning (Chetty et Campbell-Hunt, 2004). Furthermore, McDougall et al. (1994) underline the role of the entrepreneur's prior international business experience in the detection of international opportunities and the new venture internationalisation process.

The influence of entrepreneurs’ network relationships on international opportunities identification.

In entrepreneurship research, two main streams of research focus on the concept of network: inter-organisational or extended networks on the one hand, and personal network relationships on the other. In the present article, we will first focus on the entrepreneur's personal network relationships because as far as INVs are concerned, they merge and enhance one another.

To the extent that the new venture creation process is usually characterised by significant resource needs, the entrepreneur's network represents the best way to access specific assets and necessary resources (Oviatt et McDougall, 1994). For Johannisson (1996), entrepreneurs build personal networks that combine social and business aspects. Some authors (Johannisson, 1987) even argue that the availability of personal networks may explain why some people start businesses while others do not. The importance of local networks of friends and acquaintances (strong and weak ties) has also been shown to facilitate access to valuable information and knowledge for the venturing process (Johannisson, 1987). Others (Ostgaard and Birley, 1994) hold the view that the owner-entrepreneur's personal network is the most significant resource in his or her pursuit of opportunities.

Networking is a useful tool in accessing international resources without owning them. McDougall et al. (1994) show how network relationships help founders identify international business opportunities and
how they impact the choice of the targeted markets more than issues of psychical distance. International opportunities and the firm's trajectory often depend on previously existing or newly developed linkages with, notably, the firm's customers and suppliers. Oviatt et McDougall (1995) identify strong international business networks as one of the seven success characteristics of global start-ups. The orientation and development of the firms' international activities depend largely on the opportunities emanating from the firm's (including the founding team) network relationships. These foreign market opportunities may emerge before the actual establishment of the new venture.

3. METHODOLOGY: DATA COLLECTION AND ANALYSIS

In the previous part, we showed how entrepreneurs' network relationships impact their firm's internationalisation process at or even before inception. In this regard, it is interesting to examine the INV phenomenon in the real-life context of the firm's start-up phase.

As our investigation is both descriptive and interpretative, we have opted for the case study method. Drawing on Eisenhardt (1989) and Yin (1994), we chose to perform a multiple case study because of the exploratory nature of this paper. We interviewed six new venture creation experts and four members of export facilitation agencies to locate Rhone-Alpes firms involved in international activities at an early stage of their existence. We thus indentified 25 firms in the Rhone-Alpes area which met the following requirements: having developed a technological product, being involved in international business activities in the first six years of their existence (Oviatt and McDougall, 1997), and having been set up ex nihilo by a person after 1996.

We selected six firms out of the original sample of 25. The six selected firms, all of different sizes, operate in various sectors (traditional industry, software development, high technology) and all have in common the development of a new technology. They seek to derive significant competitive advantage from the use of global resources and the sale of outputs in multiple countries, thus corresponding to Oviatt and McDougall's definition of INVs (1994).

We created a theme-based interview guide and we held a series of semi-directed interviews on each site. For each company, we organised interviews with both the founder and the export manager (when the latter was not a member of the founding team). In parallel, the examination of enterprise documents and archival data offered a systematic view into the international activities of investigated firms over time and served to confirm (or not) the evidence selected from the interviews. Four themes were identified: the new venture creation process, the organisation, the internationalisation process and the network. These themes served as a basis for the interview guide. The data was then sorted by firm and date. In order to compare the firms, we used a multi-site matrix based around the concept of network. We present below some of our findings about the internationalisation process, the entrepreneurs' characteristics, and their network.

4. FINDINGS AND DISCUSSION: THE ROLE OF ENTREPRENEURS' NETWORK RELATIONSHIPS ON THE INTERNATIONALISATION PROCESS OF NEW VENTURES

Firms investigated and their rapid international development

We can observe that four firms started operating internationally from inception (cf table 1). For all the firms concerned, the will to go international appeared simultaneously with the idea of starting the business. As early as their first year of activity, four firms made more than 50% of their turnover from export sales. In 2002, all the firms' revenues were derived from international sales. All the firms proactively act on international opportunities, as opposed to reactively (i.e. to respond to an unexpected order).
In all cases, from the very beginning the entrepreneurs committed important resources (financial, human, time) in order to enter and develop international markets. There is generally no trial (and-error) period. Exporting is the most common entry mode, directly or via distributors and agents. According to the nature of their product or technology, some firms establish patent agreements (DS, TR).

With the exception of one entrepreneur, all had prior experience in the sector concerned (five cases out of six). Concerning the entrepreneurs' experience of foreign markets, all entrepreneurs were internationally experienced. Entrepreneurs use their prior international experience mainly to extend their network of international business contacts before inception. Drawing on their experience, they can develop their network on various foreign markets and guide the first steps of their company overseas.

The entrepreneurs had an international spirit, a «global vision» (Oviatt and McDougall, 1995) for their new venture concept and later for their company project, and this global vision is strongly linked to the detection of opportunity.

"We used to work for a large group, so international relations were just part of the job, it was all very natural, we already had the experience” (founders of GD).

In all six cases, the firms chose a name that sounded international and would not reveal its French nationality (an English-sounding or a Latin-sounding name). The global vision can also be found in the range of products developed, resolutely international-oriented. The firms' outputs integrate intrinsic technological aspects that require little adaptation for foreign markets (RA case).

All in all, these practises show that the international orientation is part of an integrated approach from the initial stages of the new venture creation project. It is the entrepreneurs who commit themselves personally to the international growth of the company, by devoting time and resources. The whole organisation therefore relies on the entrepreneur's personal network to manage and drive its international business activities.

Our firms are very small (8 to 24 employees) and all entrepreneurs started their project as a team (2 or 3 founders). They started their business in the same sector in which they had prior experience or in a close market segment. When they do not have hands-on sales experience in the sector, entrepreneurs rely on their technical knowledge and their combined personal and professional international experience to drive their firm's international growth.

The entrepreneurs who did not have the necessary business contacts upon inception capitalised on the prior international experience of one of the founders to quickly establish relationships with potential business partners abroad. Those who had extensive international experience of the sector used their knowledge and contacts to start and develop the internationalisation of the firm during the start-up phase and after.

**Mobilizing the network in order to go international**

Entrepreneurs who benefit from both international experience and experience of the sector (which are linked in most cases) already have contacts abroad. This network, built and developed prior to the firm's inception, can be leveraged to obtain information about foreign markets. The contacts may be used as intermediaries to reach future customers or potential prospects. The capacity of entrepreneurs to build and develop contacts and form knowledge-yielding relationships is crucial even before the start of operations ; for example DS's founder had a strong personal network and great aptitudes for networking. He made his first international sales through a financial partner. He then sent one of his friends to England to find prospects, and used his first contact in Asia to gain access to the Russian market and other former Soviet states. The same goes for the founders of TI who knew many customers and suppliers abroad. Conversely, TR's founder, despite his international experience, did not...
have any business contacts. The entrepreneur hired at an early stage of the project a Danish sales executive. This sales executive brought his network relationships and international contacts in Nordic countries in parallel sectors.

Our data shows that the nature of the ties can be economic or social (personal or linked with the entrepreneur's prior professional experience). Entrepreneurs develop international economic ties that may, over time, take on more of a «social» nature. As for Harris and Wheeler (2005), the nature of the relationships established with international partners is directly linked with the functions they fulfill. Finally, the shape of the firms' international network depends strongly on the nature of the targeted countries and expands with every new market targeted by the firm. International contacts are also useful in creating networks of distributors or agents who can liaise between the firm and new markets or specific geographical areas. These modes of entry require a low commitment and little control from the entrepreneurs. Adequate maintenance and management of the network enables the firm to access markets and specific information about them all at a low cost. In view of these firms' limited resources, it is all the more crucial to develop and expand their networks, while strengthening existing relationships.

5. DISCUSSION

McDougall et al. (1994) explain that networks help the founders of INVs (or «born-globals») to identify international opportunities. They facilitate the early internationalisation process of these new ventures (Oviatt et McDougall, 1994; Coviello et Munro, 1995). To better understand INVs networks, Coviello (2006) suggests that research should include pre-internationalisation and pre-inception phases. In some cases, the internationalisation process is the result of relationships established very early in the company life cycle. Our results thus support Coviello's (2006) in showing that, in order to better understand international transactions, it is necessary to consider a period of time that integrates the pre-internationalisation and pre-inception phases. Before the establishment of the firm, relationships and linkages are built across borders. The origin of these ties is linked, in some cases, to the entrepreneur's prior experience of the sector and/or of international business. These international relationships are only possible if the entrepreneur think and act global from the outset (Oviatt and McDougall, 1995) and if the entrepreneur has the capacity to identify opportunities. According to Muzychenko (2008) « the success in international opportunity identification will be directly correlated with the level of ESE » ; Entrepreneurial Self-Efficacy is defined as « the strength of a person’s belief that he or she is capable of successfully performing the various roles and tasks of entrepreneurship” (p. 371). Our results appear to concur on this point and highlight the importance of entrepreneur’s personality and cross-cultural entrepreneurial competence that allows him not only to identify opportunities but also to build his international network.

By choosing to make their firms operate internationally, entrepreneurs mobilize their resources to build networks across foreign borders and thus develop an international spirit within their firms, conducive to expansion on international markets. According to Oviatt and McDougall (1994) and Madsen and Servais (1997), entrepreneurs have a global vision from the conception phase of their project. Andersson and Evangelista (2006) show the existence of a positive correlation between entrepreneurs’ global vision and the success of their international firm. Our results appear to concur on this point and highlight the role of entrepreneurs and their previously existing networks in the internationalisation of their new venture. Our results also support Coviello and Munro's (1995, 1997) and Sharma and Blomstermo's (2003) conclusions that stress the importance of the early international network relationships for the development of new ventures. Given the diversity of our cases, it seems not easy to elaborate a model of firm’ international development. However, we can postulate that some dimensions such as contextual elements, entrepreneur experience and networks play a role. More studies focusing on the dynamic of the network configurations of both the entrepreneur and her/his emerging organization are needed to bring some light to the internationalization of young firms. Moreover, it seems useful to pay some attention to the network structuration phenomenon based on the interactions between the entrepreneur and her/his nascent enterprise.
6. CONCLUSION

This study contributes to the field of entrepreneurship by highlighting the role of entrepreneurs and their international networks before and during inception. Through the creation and development of an international network built on the entrepreneur's prior experience, the internationalisation process starts before the firm starts operating. At the managerial level, our results show that entrepreneurs must have a global vision from a very early stage in order to quickly operate on foreign markets. Another important aspect of these international networks is sustainability. At the beginning, entrepreneurs and their teams use their business contacts and build on their previous international experience to establish a network that keeps on developing and expanding during and after the start-up phase. Our results need to be qualified and limitations must be considered here. First of all, our research is exploratory, based on a case study of six technological firms, and as these firms belong to various sectors, we do not have studied the role of environment and business characteristics on these firm’s internationalisation processes. Results from multi-case qualitative studies can rarely be generalised. Finally, we did not include in our analysis the firm's performance. These limitations should open interesting paths for new research on the various dimensions of new ventures' international networks. Increasing the number of case studies and considering the case firms' various contexts could provide interesting research opportunities. Longitudinal studies are also important to provide a more global view of the international process, by using a time-based approach of phenomenon. From a theoretical point of view, it is useful to integrate part of the literature focusing on entrepreneurship networks to study the influence of the entrepreneur’s network on the internationalization of young enterprises or even on global smaller firm.

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NOTES

1The concept of psychical distance (as opposed to culture closeness) refers to a set of factors such as linguistic and cultural differences, different business practices, etc., which may interfere the information flow between the firm and its market (Johanson and Vahlne, 1990).

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REFERENCES


Yin, R.K. (1994), Case Study Research: Design and Methods, Sage, Beverly Hills, CA
<table>
<thead>
<tr>
<th>Name of firm</th>
<th>Firm data: Founding year</th>
<th>Network: Reliance on network at inception (customers, business contacts)</th>
<th>Countries: 1st year - first in 2002</th>
<th>Experience: Entrepreneurial CorporateInternational</th>
<th>International spirit</th>
<th>Internationalisation pattern</th>
<th>Existence of international networks prior to entrepreneurial activity</th>
<th>Post-inception development of relationships</th>
</tr>
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<tr>
<td>RA (software)</td>
<td>1999</td>
<td>No, rapid constitution of network (distributors)</td>
<td>1st year: 6 countries (neighbouring European countries + USA)</td>
<td>Yes, international No Yes</td>
<td>English speaker, adaptation of standard product to the market, global mindset, numerous trips abroad</td>
<td>Need to keep regular contact to maintain the relationship</td>
<td>No</td>
<td>Building of new relationships with distributors in new countries</td>
</tr>
<tr>
<td>GD (micronic powders maker and consultant)</td>
<td>2000</td>
<td>Yes, strong, linked to entrepreneurs' expertise and experience</td>
<td>1st year: neighbouring European countries + Asia (consulting activity)</td>
<td>No Yes Yes (in the sector)</td>
<td>Experience, several languages spoken, numerous trips abroad</td>
<td>Reliance on former professional network to establish contacts with multinational companies</td>
<td>Yes</td>
<td>Identification of new product applications by existing customers - Asia</td>
</tr>
<tr>
<td>TI (heating film)</td>
<td>1996</td>
<td>Yes, developed network in this sector</td>
<td>1st year: China + neighbouring European countries 2002: Europe + rest of the world</td>
<td>No Yes extensive Yes (in the sector)</td>
<td>English sounding name, English speaker, numerous trips abroad</td>
<td>Market penetration difficulties, reliance on professional entrepreneurial support networks at first</td>
<td>Yes</td>
<td>Progressive and targeted identification of new contacts, reinforcement of existing distributor network</td>
</tr>
<tr>
<td>DN (surgical implants)</td>
<td>1997</td>
<td>Yes, developed (main players, customers)</td>
<td>1st year: neighbouring European countries 2002: international, mainly in Europe</td>
<td>No Yes Yes (in the sector)</td>
<td>Anglo-Saxon, communication, numerous trips abroad</td>
<td>Reliance on previous professional network to start a customer database; geographical focus</td>
<td>Yes</td>
<td>Geographical network development - capture of opportunities</td>
</tr>
<tr>
<td>TR (composite materials)</td>
<td>2000</td>
<td>No, ongoing process of development (technical knowledge of the sector)</td>
<td>1st year = 2002: Sweden Yes (of the sector) Yes (technical) Yes</td>
<td>Communication in English, Danish sales executive, trips abroad</td>
<td>Existing technical network, reliance on Danish sales executive's network, focus on Nordic countries</td>
<td>No</td>
<td>Locating business prospects, regular contacts + visits to customers</td>
<td></td>
</tr>
<tr>
<td>DS (plastics)</td>
<td>1997 (2001, 100% first sales)</td>
<td>Yes, strong network relationships, financial partners + customers, institutional links 1st year: USA 2002: Europe (products + production site) + Asia + USA Yes Yes Yes (technical) Yes extensive</td>
<td>International vision, trips abroad Strong social network at all levels, aptitude to build international relationships</td>
<td>Yes</td>
<td>Development of partnerships, targeting by zone, mostly in Europe</td>
<td></td>
<td></td>
<td></td>
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</table>

Table 1 – Descriptive data on the early internationalisation of the case firms
The concept of psychical distance (as opposed to culture closeness) refers to a set of factors such as linguistic and cultural differences, different business practices, etc., which may interfere the information flow between the firm and its market (Johanson and Vahlne, 1990).