Insights into International New Ventures: Reflections on the Global Business Accelerator

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Introduction

An international new venture has been defined by as “a business organization that from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 1994, p. 49). In this study, we make a distinction between international start-up ventures and international new ventures. The international start-up venture is “born international” which means that resources critical to the creation of the venture are drawn from more than one country and that the firm intends to do business in at least two countries. The international new venture include international start-up ventures and firms that within their first eight years and seek to create or sustain a competitive advantage from the use of resources acquired from and/or sales made in multiple countries.

The challenge for scholars looking at these kinds of new ventures has been to delineate the new venture development from internationalization processes. Is international new venture development essentially about the new venture development process with some international components? If yes, is the “new venture development” component or the “internationalization” component more important? Or is the key issue about the degree of internationalization of the new venture development process? Alternatively, is it about the degree and quality of entrepreneurship exercised in any internationalization process? This study seeks to address these and related issues. The vehicle used is first hand experience with eleven aspiring international new ventures.

In May 1999, the Global Business Accelerator (hereafter GBA) was created as a spin-off of the Austin Technology Incubator (ATI) at the University of Texas at Austin. Between that time and the summer of 2001, seven member companies and four affiliated companies were part of the GBA portfolio. These companies and their experience form the basis of this study.

In the emerging field of international entrepreneurship empirical research has been drawn from U.S. ventures and not enough non-U.S. ventures. The companies came from Mexico (2), France, Finland, Germany, Slovakia, UAE, New Zealand, and the United States (3). One of the U.S. companies had R&D nodes in India, California, New York, and Russia and its targeted point of market entry was Singapore and Malaysia while its long-term market was limited to South and Southeast Asia. The residence of its two key officers was Austin. A second U.S. venture was a local ISP (Internet Service Provider) whose new CEO sought to reposition the firm as supplier of infrastructure for wireless telecommunication at the enterprise and venue or building level. The third U.S. venture was inspired by the director of the University’s Robotics Institute who identified two of his best graduate students and his associate director to create a venture that would be the commercial affirmation of a productive engineering and academic career. He had a global vision for the intended spin-off venture and the two key entrepreneurs came from India and Canada.

How We Know What We Know About International New Ventures

Methodology

In their seminal review of the field of entrepreneurship, Low and MacMillan (1988) emphasized the need for more longitudinal entrepreneurship research to chart the development of ventures over time. Chandler and Lyon (2001) found that only seven percent of subsequent studies in the field were longitudinal studies with data collected at two or more points in time, frequent interviewing, or multi-year analysis of data.

Empirical Basis of Study

In addition to initial screening, the author helped all but one of the firms with their business plan and in varying degrees engaged the entrepreneurs and teams with regard to their business strategy, marketing, and the pursuit of resources, e.g., equity capital. The substantive conversations with the entrepreneurs and teams ranged from 30 minutes to four hours in length and the number of such conversations ranged from about four to over fifty per venture. In approximately half of the cases, the author was like a team member. Thus, observations in this study are based on fairly close and intense interactions with the entrepreneur and/or management team.

The information on which this essay is based that of an observer-near participant. The methodology is grounded. There are variations of this strategy that have been used in the scholarly literature. Most recently, O'Connor (2002) describes how she spent 25 hours per week over a ten-month period with the founder of an e-commerce start-up venture in Silicon Valley. She accompanied the founder to meetings with prospective and actual investors, employees, partners, and customers. The founder related narrative accounts in order to justify the existence of the company, convince others to devote funds and other resources to the company, and build the tangible and intangible value of the company. O'Connor used observation of the entrepreneur's "storytelling in the founding and building of a business."

> For instance, the founder was regularly asked to render accounts as to why and how he founded his company, what he wanted to accomplish, how he would go about doing so, and why anyone should believe him. (O'Connor, 2002, p. 3 Pro Quest version)

In this study, we helped coach a set of eleven founders and teams to clarify and articulate why they founded the company, what they wanted to accomplish internationally, and how they were going to do it. There was relatively little strategic input by the author to these ventures except one, the robotics spin-off from a University of Texas research institute. Primary emphasis was on listening, coaching, introducing the founders to potential allies, and helping the founders and teams make sense of the reactions from prospective alliance partners, customers, and investors to their story. In one case, the author successfully mediated a conflict between a team and a local law firm and in two cases of team conflict the author listened respectfully to both sides. In one such conflict, we remained neutral although closer to one side than the other reflecting the flow of communication before the conflict. In the other case, the robotics spin-off venture, the author supported the entrepreneurial team once they defined the venture on their terms not the terms of the institute director, a powerful and charismatic visionary. But it was up to them to come to that point of independence and strategic intent.

The author's role during the time frame of this study was not that of a researcher but the director of an international business incubator. That role evolved based on intuition, international business and international entrepreneurial experience, and the precedents set by the operations of the Austin Technology Incubator.

What distinguishes this study from O'Connor and others is the intent to identify phenomena relevant to the international entrepreneurship process and judge how well the companies performed. It is evaluative. The field of international entrepreneurship has seen a number of good descriptive case studies. There is relatively little need for more unless they explore unexamined issues and processes. A good pre-theory requires empirically grounded judgments about the quality of inputs and their impact on the process and outcomes in order to formulate a richer set of hypotheses. The method by which we get to this point is unique. Most business studies use self-reported measures of inputs and test them statistically against measures of short-term performance. The statistical results then drive judgments about the efficacy of one input over another. In a sense, this study turns the process around and judges the efficacy of inputs directly. The potential bias inherent in this process is not the judgments per se but the fact that the author knows the outcome in eight of the eleven cases.

In a more general context, scholars to describe and understand specific business processes have used narrative analysis. This functionalist approach to narrative analysis has used stories told in business meetings (Boje, 1991) or elicited in researcher-led interviews (Martin et al., 1983) to understand socialization (Brown, 1985), control (Wilkins, 1983), and change (Feldman, 1990). Narrative studies have also been used in anthropology, psychology, and the practice of business communication (Perkins & Blyer, 1999).

The primary goal for using narrative sense making and stories in international entrepreneurship research is to highlight key aspects the new venture development and internationalization processes. How do we know what we know about entrepreneurs? It might be argued that the "shadowing entrepreneurs" or "peripheral participation" methods are fairly intense, generating relatively frequent observations, and grounded in a personal and direct form of knowing. Case studies are the most common variant of this stream of research in international entrepreneurship. In contrast, the mailed questionnaire, which dominates research in the field of entrepreneurship, is a detached, impersonal, and highly structured form of knowing.

The limitation of mailed surveys in international and comparative research is that the very structure of questions imposes through the use of language and categories the mental frame-of-reference of the researcher on the subject. The narrative approaches begin with the cognitions and conceptualizations of the subject and attempt to explain them in terms intelligible to fellow scholars. Surveys begin with the cognitions and conceptualizations of researchers and hope that subjects will find them sufficiently coherent and compelling to respond to the survey and when they do respond, the meaning they attach to a particular item and category is equivalent to that intended by the researcher. The potential observer bias of narrative research is replaced by a small but largely unexplored bias of meaning in survey research.

The question is not what approach is better but rather which approach is most appropriate to the lifecycle of a sub-field like international entrepreneurship and which is most appropriate for the goals of a particular study. Narrative studies based on more intense, frequent, and personal methods are particular useful in the development of pre-theory. Compared to mailed surveys, observations are more human and grounded in the lives and professional activities of subjects. However, narrative research is slower, time intensive, costly and more overtly subject to observer bias. Samples are small making difficult to generalize and reducing the approach to what might describe as "antidotal sense making." The descriptions are non-quantitative. In contrast, mailed surveys facilitate larger samples and more cost effective collection of mostly ordinal data that is subject to analysis by sophisticated statistical software. The primary benefit is the ability to test hypotheses.

Setting of the Study

Since the late 1990s, entrepreneurship, in general, high tech and Internet-based entrepreneurship, in particular, have been subject to an environment that has been highly volatile. It is important to make explicit the setting of this study.

Time Frame

The time frame of this study is mid-1999 to mid-2001. When GBA began its formal planning, ATI was the incubator option in Austin. Consequently, it could be selective at that time in its choice of clients. Within next eighteen months, four other incubators opened Austin. 1999 and 2000 was the heyday for incubators and GBA competed with both visible and invisible competitors. This affected our selection process.

Institutional Setting and Selection Process

The Austin Technology Incubator (ATI) has formal selection and rigorous selection criteria. Since there was institutional pressure on GBA to reach breakeven as soon as possible, the selection process was thorough but ultimately we accepted each venture that demonstrated a commitment to join us. The intent was to become more selective after program breakeven had been achieved.

Our selection process was a liability in terms of quality but actually an advantage in terms of the intent of this essay. The GBA founding director was part of all presentations and often interacted with the lead entrepreneurs and teams several times before their acceptance. The outgoing and incoming director of ATI sat in on the first few presentations. Later, a full-time administrative assistant (a recent University of Texas graduate from Belgrade, Yugoslavia) sat in presentations along with a few others. As entrepreneurs went through the screening process, intuitive judgments about the entrepreneur, opportunity, and venture prospects were made. These judgments didn’t affect the entrance decision but subsequent events often verified first impressions and helped clarify some of the key issues in the international new venture development process. The experience was like a theory-in-use development process.

Place

Our competition was not other countries but other destinations and incubators in the United States. The key to recruiting member companies was (1) our location in Austin, Texas, a dynamic, rapidly growing center of high technology, (2) the reputation of our parent and sister institutions – the University of Texas at Austin, the IC2 Institute and the Austin Technology Incubator, and (3) our service offering and business model. We recruited our first company in

September 1999 and another four companies by end of the year. In total, we recruited eight companies and two others that were spin-off ventures from the initiative. There was an eleventh venture that was an intended spin-off of the University's Robotics Institute with which the author worked closely for over a year. It was informally attached to the Global Business Accelerator as a special project of the IC2 Institute. For purposes of this essay, the sample will be treated as eleven companies.

Industry Focus

There has also been a call to conduct studies within a single industry or otherwise control for variation by industry. All of the companies were part of the digital economy. All but three ventures were software and Internet based and those three dealt with wireless technology and software.

Methodology

This study seeks to bridge the chasm between observation and stories, on one hand, and a systematic empirical analysis, on the other hand. It does by generating categories and scaled data based on the stories and behavior of the subjects instead of asking the subjects to place themselves in various categories and point along a scale. Two measurement strategies are employed in order to construct this bridge. The first is what is called "scalogram" introduce in 1944 by the sociologist Louis Guttman (ODL, 1999). These are based on a nominal level of measure where the researcher observes only whether a particular attributes exists (assigned a value of "1") or not (assigned a value of "0"). These judgments are then recorded and the resulting table is rearranged so as to identify response patterns in search of "single personal characteristics." (ODL, 1999). Scalograms were first used in educational testing but have been applied in various fields including public opinion research, psychology, sociology, civil engineering, geological sciences and physics.

A scalogram is a multivariate matrix where observations seen to identify patterns by listing all cases down the left side and relevant factors across the top. It is a useful device in "pre-theory" contexts. "Pre-theory" is an environment where there is a wide range of views and interpretations, lots of anecdotal evidence, but little or no consensus on theory. The goal is twofold. First, a scalogram is a method of transforming qualitative data to empirical data not unlike a binary number systems transforms bits of information to “1” and “0”. Once converted, it is possible to recognize patterns and apply various quantitative tools (citations). Second, there is a capacity to be surprised not by the behavior of the firms being studied but by patterns that would not necessarily be recognized by narrative accounts.

In this study, we used an Excel spread sheets to record observations. We have also modified the basic scalogram concept to make the judgments ordinal (rank ordered). The reason for this is that the frequency and duration of the interactions with the ventures seems to justify a higher level of measurement than simple nominal distinctions.

A Model of International Entrepreneurship

The value of qualitative research is that it creates a different perspective on theory building. In this section, an effort will be made to put the rich observations of eleven ventures into a meaningful conceptual and theoretical context. Description and case studies can be rich and valuable but it is also an efficient, even ponderous, tool with which to share and communicate findings with others.[1] The model will provide a framework the share observations with an audience is less interested in the descriptive details of these ventures than what it means for international entrepreneurship.

In one of their more recent iterations of international entrepreneurship, Oviatt and McDougall (2005: 540) define the phenomena as the “discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services.” Reflecting a renewed focus on “opportunity” as the core of entrepreneurship (Shane & Venkataraman, 2000), this moved substantially from their earlier definition that

> International entrepreneurship is a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations (McDougall & Oviatt, 2000)

[1]The author would like to thank three anonymous reviewers of earlier drafts for making this point clearly and one reviewer in particular.

While not discounting the central role of an "opportunity" in new venture development whether domestic or international, one compelling conclusion for close observation and interaction with the Global Business Accelerator ventures is that the quality of the entrepreneur and team is central and cuts across both the domestic and international ambitions and vision of the venture.

The Speed of Internationalization

An up-close and personal interaction with this small cohort of international entrepreneurs does not suggest that the speed of internationalization is particularly important. Oviatt and McDougall (2005) note that an important topic within international entrepreneurship involves explaining is "accelerated internationalization." They note that "no model of the forces influencing the *speed* of internationalization exists" (2005, p. 538, italics added) and propose a model intended to guide empirical research concern the speed of entrepreneurial internationalization. This may be misguided on two grounds. First, it misconstrues what distinguishes "born internationals" or international new ventures from the classic stage model of small business exports. It isn't about speed per se but the *timing* of when international business activity is initiated and the *modes* of business utilized. The small business export literature focused on established even mature small business firms and examined the deliberate steps taken to become active exporters and contrasts that to non-exported small and medium enterprise. The focus was entirely on exports and other modes of business, joint ventures, foreign direct investment, licensing, franchising, and contract manufacturing were largely ignored. Second, Oviatt and McDougall's view implicitly assumes that the internationalization process is fairly automatic once it begins. The window on international entrepreneurship from the perspective of an international technology incubator is that the process of highly problematic, fraught with risks and perils, and survival is the real issue. Survivors may be fast but that may be a variable dependent on a wide variety of variables and we can measure their speed because they are among the survivors.

The Model

The model proposed here emerges from the factors that seem most important in explaining the survival (success or failure) of the Global Business Accelerator ventures.

Success and Failure in International Entrepreneurship

It has been argued that we do not know enough about firms that fail (Aldrich and Martinez, 2000) and that important insights may be derived from study failure (McGrath, 1999). How effectively did the eleven ventures in this study address the elements of the model? Was there a relationship between addressing the elements of the model and the general promise and ultimate outcome of the ventures? Since the outcomes are known, it might argued that the analysis is circular, e.g., those elements that explain the single "harvest event" venture were selected so as to suggest the validity of the model. This is not the case. First, the model was developed to reorganize the manuscript in a more streamline fashion that reduced the amount of narrative description.[2] Second, most of the categories in the model were part of a more descriptive version of the manuscript. Third, categories added in this version of the manuscript resulted from reflections on the study and further explorations the literature on and related to international entrepreneurship. Even if the model were constructed consciously in light of the observations, there is clear precedent for this in the decisions of venture capitalists and the social sciences.

Using a methodology analogous to what venture capitalists do, e.g., rate entrepreneurs and ventures subjectively may be more objective than their self-perceptions. The bias is not the subjective judgment but knowing in the current status of eight of the eleven cases. This bias does not really distort the observations as it potentially shifts the focus of analysis from prediction to ex post facto analysis. There is utility in ex post facto analysis in the sense that it allows us to see with better clarity. The technique is used in econometric based economic forecasting improving the accuracy of models if the inputs – known with complete accuracy only after the fact – are precise. It is also a technique for cultivating strategic thinking and forecasting in business. For example, what might we have predicted about the environment of business in 2002 knowing what we know in 2007? As a tool of theory building, it is a legitimate tool.

In reflecting on the strengths of these ventures, what stands out is that in some cases, the strengths of the team also contain the seeds of their weakness. For example, the brilliance of the Internet travel industry software team also became their greatest weakness. They would describe

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[2]This was the key recommendation of the anonymous reviewers of an earlier version of this manuscript.

their venture's strategy on a 4'x 10' chalkboard with upwards to 100 variables over a several hour period. The conceptual and empirical grasp of the industry, the depth of their knowledge and insight, and complexity and ingenuity of their strategy was nothing less than stunning. Then we'd go through the same exercise several months later and it would be equally stunning and substantially changed. They worked long hours with more intensity than any of the other GBA or ATI companies. But they had trouble getting from the chalkboard to doing business. Brilliant strategic analysis was nearly a substitute for purposeful and simple entrepreneurial action.

The question of strategic effectiveness is especially important in international entrepreneurship because of the interaction between entrepreneurial and internationalization. Effectiveness depends on at least these factors:

- The fit between the new venture development and internationalization strategy.
- The readiness of the firm to begin international business activity.
- The commitment to an international strategy.
- The competency to implement its international initiatives.

In the United States it is widely believed that entrepreneurship is the pursuit of opportunity without regard for resources currently under control. This is a very ethnocentric perspective. Japanese, Chinese and Vietnamese entrepreneurs are strongly oriented towards balancing initiatives, pace of growth and international expansion with resources under control. Those ventures that pursued internationalization without regard to the resources of their firm, the global competitiveness of their product, and the organizational capacity of their firm did not prosper. In at least two cases, an imbalance between global vision and the organizational capacity of an existing firm put the survival of the firm at stake. It is not enough to have a global vision and little more.

Strategy is overlap of vision and reality. When reality is unremitting, vision needs to adapt; but revolutionary companies do transform (move) reality. Five ventures only wanted access to the U.S. market, one targeted Southeast and South Asia, four ventures were bi-national straddling the U.S. and a home market, one local venture, pursued an unsolicited initiative in Southeast Asia after encountering barriers in the U.S. and the other local venture team rejected a global vision after having one imposed on them. This reinforces the concept that there are few global (marketing) firms and most firms are, at best, regional in scope (Rugman, 2000)

Profiles of Firms

Table 1

#	Venture	Home Country	Status @ Entry	Target Market/s	Product Status
1	Game Software for cell phones	Finland	1 year old venture that grew to 30+ employees	US and Japan	Proprietary technology
2	Wireless	Austin, TX but R&D in California, Russia, India, and Singapore	Impressive but incomplete team with multiple pending alliances	Singapore & Malaysia and South Asia	Contingent license on state of art wireless technology
3	Document	Slovakia	Incomplete team with sales in Central Europe	U.S.	Proprietary technology
4	Kiosks	Mexico	Complete team and market research, ready to launch	U.S. & Mexico as interdependent market	Modular product from diverse OEMs
5	Latin Portal	Mexico	Complete team who had harvest event in related venture	Mexico and Latin America	Regional application of tested business model
6	Travel SW	UAE	Core development team	U.S. and beyond	Evolving business model with IT development to be outsourced to India
7	Portal SW	Germany	Profitable if young venture	U.S. and Asia	Proprietary product that was being used by major U.S. technology company
8	ISP/Wireless	U.S.	Successful small local business with basic team	U.S. and Southeast Asia	Non-proprietary but fairly unique competencies
9	Online Antiques	France	Incomplete team	U.S.	Website

10	NZ Wireless	New Zealand	Partnership between leading R&D company and incomplete U.S. team	U.S. and beyond	Proprietary wireless LAN technology
11	Robotics	U.S.	Strong technical team with business acumen	U.S. and beyond	Proprietary software and unique competencies

The nature of the firms' organizational status should be noted. Organization does not play is significant role in this study because all but three of these firms could be classified as "pre-organizational." By that we mean there was only a team and the ventures had neither a need nor the resources for an organization. The three cases where organizations of more than twenty employees existed were from Finland, Germany, and Slovakia and there was no opportunity to observe or study the domestic operations of these companies. The question this raises is how important is organization to successful internationalization? The importance of organization to an international start-up venture may become obvious below and it raises an important issue about the conflicting pressures of new venture development and internationalization.

Findings and Observations: Exploration of the Model

Quality of the Entrepreneur and Team

Part of the folklore of venture capital is that investors prefer an A team with a B opportunity over an A opportunity with a B team. There is nothing to suggest that this is reversed with internationalization, however, a great product and/or opportunity may be a precondition to international success even it is not sufficient. A model of international entrepreneurship must begin the entrepreneur and team as the starting point.

If we are thinking in terms of a dynamic model, this might be described as the key actor and initial conditions. The early literature on international entrepreneurship placed emphasis on the entrepreneur (McDougall, 1989; McDougall, Shane and Oviatt, 1994; Oviatt and McDougall, 1994; and Oviatt and McDougall, 1995), that has eroded and now more emphasis is put on the firm. That reflects a shift away from the international new venture and towards international entrepreneurship in large multinational corporations (McDougall and Oviatt, 2000; Zahra and George, 2001). All of the teams in this study had teams that were quite intelligent and sometimes brilliant. They were also likeable teams but intelligence and likeability does not necessarily equate with effective entrepreneurial teams.

Table 2 attempts to summarize these teams in terms of four variables: a brief overview of the team, the nature of the external team, the most memorable attribute of the team as perceived by the author, and significant events that impacted on the new venture development and/or internationalization process. Events will be examined more thoroughly below.

Table 2: Profiles of Teams

#	Venture	Team Overview	External Team	Memorable Attribute	Events
1	Game	Husband and wife; bicultural; he earned doctoral in electrical engineering at U. Texas	Strong U.S. advisory board; strong full-time local team	Somewhat xenophobic & cold to outsiders but very focused and task-oriented	
2	Wireless	Indian Ph.D. in electrical engineering & former U.S. ambassador at large	Political connections not translated into effective team building	Found ways to avoid team building	Indian co-founder died at relatively young age leaving only "the ambassador"
3	Document	Ph.D. and former director of one of largest R&D institutes in Eastern Europe and his sons	Relatively weak but fellow Slovaks in U.S. took special interest in venture	Sons and their friends were far more entrepreneurial and Westernized	Didn't fellow up on hot leads; poor communications when in Slovakia
4	Kiosks	3 recent MBAs & a MS in Computer Science from MIT	Strong family support and network building skills	Exceptional team	9-11 affected money transport part of product offering
5	Latin Portal	Talented team with prior entrepreneurial experience and a harvest event	Strong family support	Comparable but not as driven as other team from Mexico	Caught tale end of the electronic commerce bubble
6	Travel SW	Lead entrepreneur invested over $1 million of his own money and former partner in one of Europe's top consulting firms	Not apparent	Brilliant strategic thinker who had trouble moving to action; over-strategized and intellectualized the new venture	9-11 affected new venture being launched by two Arabs from Middle East

				process	
7	Portal SW	Bright & charismatic entrepreneur with successful firm in Germany	Hired full-time U.S. assistant with experienced in Texas Export Agency	Wasted time & money on monthly trips to U.S. and local manager not focused or empowered	Ineffectual U.S. market entry create financial crisis at home office
8	ISP/Wireless	Good functional balance but poor "chemistry"	Not apparent	No consensus on goals and lack of team trust	Team disintegrated and lawsuits filed
9	Online Antiques	Team had technical and entrepreneurial talent but no passion for venture	Not apparent	Hobby venture hoping for lightning to strike	
10	NZ Wireless	Alliance between New Zealand corporate sponsor of GBA & former CEO of ISP venture	Connections not effectively leveraged	Lack of time and resource commitment on part of NZ partner	Caught downturn in venture funding in 2001-02
11	Robotics	University spin-off venture initially led by an Institute Director; inhibited talent young team	Extensive through Institute Director; good by team	Highly talented team	Key member of team graduated with MS degree and took high paying job killing the venture

All of the teams had the technical talent appropriate to the nature of the opportunity and venture. Five of the eleven teams had world-class talent and the others had enough talent to create the targeted products. The concept of the "nascent entrepreneur" and "entrepreneurial cycles" emphasizes that most aspiring entrepreneurs never succeed in actually creating viable ventures (Reynolds & White, 1997). In various ways, the concept fits this sample.

What really distinguished this set of entrepreneurs was the huge gap between their talent and credentials, on papers, and the level of their entrepreneurial performance. The limitation of these teams was managerial not technical. In descending order of importance, these teams could not resolve conflicts about goals and operations, complete the team building process, make a sustained commitment to internationalization, or effectively handle the culture issues raised by international entrepreneurship. Four of the eleven the ventures failed on several of these counts.

Table 3. Team Flaws

Flaw	Teams
Fatal team conflict (N = 3)	#8 ISP/Wireless, #10 NZ wireless LAN technology,

	and #11 Robotics spin-off venture
Fatal incomplete team (N = 4)	#2 Wireless telecom technology, #9 French online gallery, #8 ISP/Wireless integrator, and #7 German portal software
Fatal absence of sustained commitment and effort (N = 5)	#2 Wireless telecom technology, #9 French online gallery, #8 ISP/Wireless, #7 German portal, and #11 Robotics spin-off venture
Serious but non-fatal cultural misunderstandings (N = 5)	# 2 Wireless telecom technology, #3 Document authenticity, #6 Internet travel software, #7 German portal technology, and #10 NZ wireless technology

Only three of the eleven ventures did not have some significant flaw in their team make-up including #1 the cell phone game software company from Finland, #4 the Internet enabled kiosks from Mexico, and #5 the Mexican Internet portal venture. Four other firms might have survived their team flaws if other issues had not intervened. These include the software for Internet-based travel firms (UAE), the document authenticity company (Slovakia), the New Zealand wireless technology, and the robotics project. Each of the ventures in this second group had proprietary technology and teams with highly talented individuals. What is noteworthy is that about half of the sample, were pretty much "dead in the water" before they began despite smart and talented teams. Was there any one thing that stood out about these "dead duck" ventures? While stretching the boundaries of observation and knowing, it seems that rigidity was the source of the problems. Their founders could not recognize or acknowledge problems and when they did at an intellectual level, they lacked the flexibility to make the necessary changes.

Reflecting on the Finnish game software for cell phone venture suggests that cultural variables may be less important than much of the literature in international business would suggest. This team wasn't particularly open or culturally sensitive but they had an ability to build and implement alliances and to do business. There was no wasted motion or effort in this team. They put their effort into relationships that counted. They were highly focused and task oriented. Their internal team chemistry seemed to be very good and a high level of professionalism. Not surprising, they were the only venture with a harvest event

The other really impressive teams both came from Mexico. They both had young, upper or upper middle class entrepreneurs with U.S. MBA and technical education and strong team chemistry that included brothers and close friends. International entrepreneurship in start-up ventures, perhaps in contrast with large establish firms, puts priority on communication and cultural understanding within the team. The Finnish and two Mexican ventures had strong national and ethnic identity operating in both the home and host country. The issue of misunderstanding across national cultures is essentially a team issue in this set of ventures. However, the two U.S. based ventures - #8 the ISP/systems integrator and #11 the university spin-off venture – had U.S. and North American teams and still could not avoid conflict. So national teams does not guarantee an absence of team conflict.

Autio and associates (2000) found that entrepreneurial teams led by founders or management teams who had a greater wealth of personal international knowledge were more likely to exploit entrepreneurial opportunities earlier. They where seen as having a greater absorptive capacity of information about foreign countries, which reduced the uncertainty about operating abroad and increased the likelihood of entering additional countries and increasingly their commitment to internationalization. The international experience of senior managers has been used to predict the scale and scope of international business activities of start-up firms (Bloodgood, Sapienza, and Almeida, 1996; Reuber and Fischer 1997). Ray (1986) found that the level of international study, living, and work experience was strongly associated with the level of exports of the firms they founded.

In this study, international experience did not necessarily have a positive outcome on international entrepreneurial initiatives as summarized in Table 4. Astuteness of international entrepreneurial behavior includes such things as recognizing the importance of social networks and using them, cultivating relationships, knowing the importance of establishing credibility, and knowing when to defer an international initiative (the Robotics venture). Non-astute behavior includes such things as poor management of international business meetings and negotiations, not meeting deadlines, judging others based on national standards or prior international experience, passivity, and not communicating regularly or effectively with international partners.

Table 4. International Experience and International Entrepreneurial Behavior

	Prior International Experience	
International Entrepreneurial Behavior	Substantial	Nil to Marginal
Astute	N = 4: Finnish Game Kiosk Latin Portals Robotics	N = 0
Non-Astute	N = 5: Wireless Document Travel software French Antiques NZ Wireless LAN	N = 2: ISP/System Integrator German software

Why would five ventures including a former ambassador, the director of a major internationally oriented research institute, a leading European consultant, and the international product manager for his countries leading R&D firm not exhibit better, more astute international entrepreneurial behavior? Two factors stands out: lack of entrepreneurial experience and a lack of commitment to the particular venture. International experience, by itself, may not be enough to assure effective and appropriate international entrepreneurial behavior.

Opportunity

The issue of "opportunity" was central to the author's interaction with these ventures and reflecting on their experience in preparing this manuscript. The opportunities in this study all had a superficial appeal. However, upon closer examination some significant vulnerabilities and issues revolved around the opportunities. The sample is just too small to identify any clear patterns although several observations can be made. All of the ventures had high entry barriers except the one venture that had a harvest event. That might be interpreted as acknowledging that entrepreneurship in a relatively confined and stable local environment can be difficult, international entrepreneurship creates more entry barriers even as it expanded the geographic scope of the market opportunity as it clearly did for the Finnish game software company reaching simultaneously into the U.S. and Japanese markets.

Only three of the ventures had what might be described as compelling opportunities (the game software, the document authenticity, and the wireless telecommunication technology) and one of those was licensed from another firm on a time-based contract for two regions of the world (South and Southeast Asia). Other ventures had interesting opportunities but with a lot of “if’s” and contingencies. Even a great opportunity is vulnerable to various types of entrepreneurial and international business mistakes, but the margin of error is reduced significantly and perhaps exponentially as the quality of the opportunity declines.

Table 5 classifies the type of opportunity (global niche, multi-domestic, regional, cross-border, and national (U.S.), the level of competition, entry barriers and a rating. The rating was generated in this fashion. One point was assigned for an affirmative answer to each of the following questions:

- Unique product or service?
- Once in the market, is a market position reasonably sustainable?
- Do the margins appear to be attractive?
- Is there good growth potential?

Table 5. Properties of the Opportunity

Venture	Opportunity	Competition	Entry Barriers	Rating
#1 Game software (Finland)	Global niche	Minimal	Minimal	4
#2 Wireless telecom (global)	Regional niche	High	High	4
#3 Document authenticity software (Slovakia)	Global niche	Moderate	High	4
#4 Paired kiosks (Mexico)	Bi-national ethnic segment	High	High (perceived as $ laundering)	2
#5 Internet portal for Latin America (Mexico)	Regional niche	Moderate (Invisible)	High (low Internet usage)	1
#6 Internet travel industry software (UAE)	U.S. niche	High	High	2
#7 Internet portal technology (Germany)	Global niche	High	High	1
#8 ISP/Wireless infrastructure systems integrator (Austin)	Multi-domestic niche	High (in U.S.)	High	1
#9 Internet sale of French antiques (France)	U.S. perhaps global niche	High (other applications)	High	1
#10 Technology for wireless connectivity within a building	U.S. perhaps global niche	High	High	3

(New Zealand)				
#11 Robotics project (UT)	Multi-domestic niche	High	High	3

Four of the ventures had identified global niches, two had regional niches (South & Southeast Asia and Latin America), four had a U.S. niche (two of which might have had potential global reach with success), and only one was clear a multi-domestic niche. This pattern probably had less impact on the fate of the ventures than the level competition and entry barriers. All but the Finnish game software had either high competition or high entry barriers and eight of eleven a high competition and entry barriers. This hardly dooms a new venture but when engaging intense competition and entry barriers outside one's own culture and national market, it puts a heavily burden on the skills, agility, and cleverness of the venture team.

With regard to competition, all of the ventures except for the game software for cell phones had significant competition. Two others ventures, the documentation authenticity system from Slovakia and the Latin American portal venture had limited competition. However, both of those firms confronted especially high entry barriers. The game software firm was, again, the only firm with minimal entry barriers. Within the first months in the U.S. this venture secured the worldwide rights for cell phones of "Trivial Pursuits" and had begun negotiations with major carriers.

A particularly interesting finding is that at least four of the ventures could not have existed without an international component. This included:

- Kiosk venture (The nature of the opportunity required a bi-national venture)
- Travel internet software (The location of customers and nature of the business)
- French antiques (The nature of the opportunity required a bi-national venture)
- New Zealand-US wireless (the technology resided in one place and the vision, market, venture capital and entrepreneurial impetus in another)

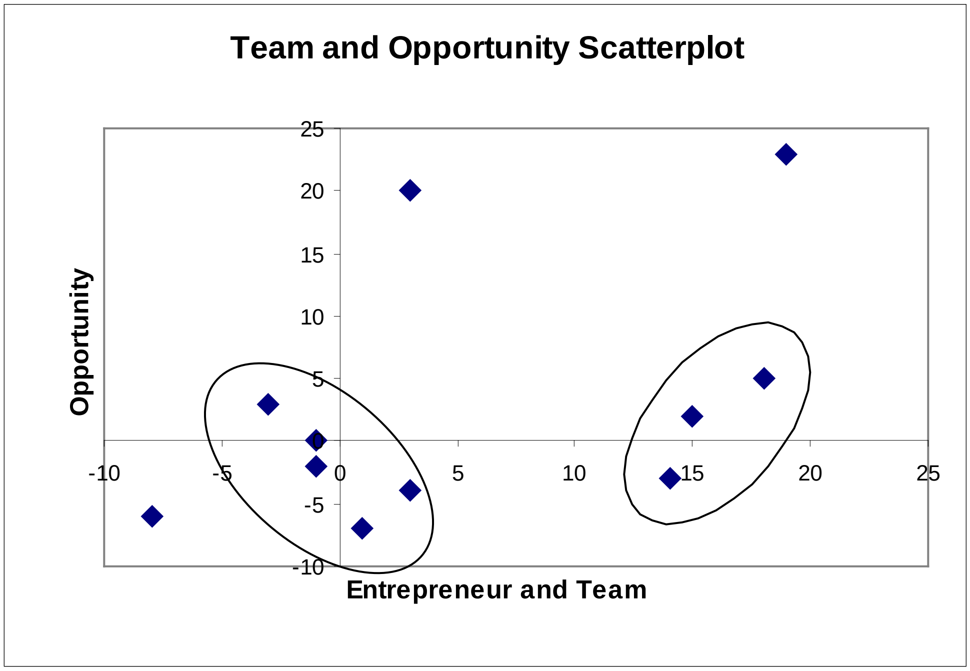
This is significant because it suggests that international entrepreneurship is not just about internationalizing a new venture (an international business process) but it is about the internationalization of the new venture development process (globalization of entrepreneurship). This theme has significant theoretical implications.

Entrepreneur Team and Opportunity

Figure 1 rates the entrepreneurial team and opportunity is powerful and reminds us that in entrepreneurship the entrepreneur and the opportunity are inherently interdependent. It was asserted in the text that international entrepreneurship is more depending than domestic or local entrepreneurship. That is because the venture must grapple with not only the issues of starting a new business but do so across geographic and cultural distance and must address additional issues and complexities such as foreign exchange and at least two political, economic, cultural, and social contexts and perhaps an additional set competitors. While technology and globalization has clearly made international business easier, less expensive, and more accessible to new and small firms, the resource base of a new venture is typically so fragile that the additional demands on management time of the team, cash reserves of the venture, and people of a new venture are burdensome and potentially fatal.

In order to explore the relationship between the entrepreneurial team and the opportunity, the basic methodology of a scalogram is adjusted here to include a 5 point scale ranging from +2 to – 2 with 0 being neutral or representing “unable to judge” because this ordinal system of measure more accurately represents to level of information and insight into the ventures compare to the nominal system of measure upon which classic scalogram analysis rests.

Figure 1



There are five classes of international entrepreneurial ventures in this sample:

- One high potential international venture with a strong team and a strong opportunity.
- A cluster of three "B" to "B+" international entrepreneurs with "C" opportunities.
- One "C" entrepreneur and team with an "A" opportunity.
- A cluster five marginal international entrepreneurial venture teams and marginal opportunities.
- One entrepreneur and team who should "stick their knitting" back home.

How representative is this sample? What does it mean for international entrepreneurship? It is probably fairly representative of most samples of eleven entrepreneurs and teams. Failure rates are considered to be fairly high in new venture development although Shapero provided evidence to suggest that they are lower than commonly expected. Venture capitalists typically achieve one harvest out of every ten companies, which is consistent with the sample. International entrepreneurs and international new ventures must possess a much higher standard than ordinary entrepreneurs, their opportunities or resource strategies. This is seen with the cluster of three ventures with good teams and "C" opportunities. In a local context with local opportunities they would have succeeded. Indeed, one had already achieved a harvest event in their first venture in Mexico. The cluster of five marginal ventures might well have survived. The two lowest rated ventures, had operated between three and five years before re-visioning themselves as international ventures. This underscores that international entrepreneurship is a much more complex and demanding process than simple, locally based new venture development.

Resources

The successful pursuit of resources was not as important as expected or as the scholarly literature suggested. As Aldrich and Martinez (2001) write:

> The transition between a "nascent entrepreneur" and a "fledging firm" is not a simple one. In many cases, nascent entrepreneurs' initial ideas fizzle out because their intentions were misguided or they could mobilize needed resources. Many also cannot achieve the level of control necessary for gaining dominion over their organization's boundaries. The founding process often appears chaotic, complex, and compressed in time, due to extremely selection forces. Thus, many organizing attempts fail.

This is an important perspective because it highlights the fragile linkage between the ability to acquire resources and creating a viable venture. It turns on its head the definition of entrepreneurship of twenty some years ago, e.g., "pursuit of opportunity without regard for resources under control." The new aphorism of international entrepreneurship might be "the pursuit of resources internationally to give life to an opportunity."

We might expect that international scope would make it easier to acquire resources. International scope might a priori be assumed to be more attractive to investors. In the Austin environment, there was a belief in the entrepreneurial community that the local venture capitalists discouraged international business initiatives. Whether that is reflected in other entrepreneurial communities is an issue that needs to be researched. It would seem as if global scope exposes a team to much wider range of resource options than local operations. This was the case in only two of the eleven ventures in this study but that might have reflected the quality and aggressiveness of the teams in seeking equity funding.

How do international new ventures fund international operations? While the results from this study have limited utility, self-funding was the primary method of funding these ventures as summarized in Table 6.

Table 6. Funding of the International Entrepreneurial Initiative

Adequacy of Funding	**Source of Funding**		
	VC or Seed Money	Self-Funding	Operations
Sufficient	Game software Wireless telecom	Internal travel software Internet enabled kiosks Latin Internet portals	
Inadequate		Online gallery	ISP/systems integrator
Unclear		Wireless technology (NZ) Robotics	Document authenticity German portal software
Number	N = 2	N = 6	N = 3

What was surprising is how many of these ventures were self-funded. The lead entrepreneur in the Internet travel software venture committed upwards to $1 million of his own money to the start-up while both ventures from Mexico put in considerable amounts of their own money. The Latin Internet portals venture had harvested an earlier Internet venture and that became the basis of their early stage financing. The Internet enabled kiosks for money transfer and videotape communication used a combination of their own money, friends and family money and a small seed investment. The other three self-financed ventures involved minimal amounts of money. The online gallery invested probably no more than a few thousand dollars, the robotics ventures even less but they were willingness to invest upwards to $10,000 each if they had gone forward, and the New Zealand technology firm invested in an incorporation and some travel but left the U.S. partners to bootstrap their expenses until an anticipated VC funding event.

There was no sense that either the two funded or six self-funded ventures experienced problems because of a lack of funding. However, at least two of the firms that funded their international operations through operations did experience financial hardship. The costs of reshaping the ISP into a wireless systems integrator and taking it into international markets was the catalyst to a financial and venture crisis and the costs of monthly trips to the United States was generating tension, if not a crisis, with both financial and managerial implications for the German portal software firm. It is likely that early stage internationalization is likely to precipitate a financial crisis unless the firm is highly profitable in its home market or quickly reaches breakeven or raises venture capital in its targeted international markets.

Since poor implementation played a role in several of these ventures, did that stem from a lack of money? While some team members from one or more of these ventures might have argued that, from the information available to the author, that is not a credible argument. The problems of implementation stemmed not from a lack of cash but from poor work habits. If anything, too much money in two of the ventures might have contributed to a tendency not to move fast enough or with a sufficient sense of desperation.

Capital resources did not appear to be a critical issue for the ventures in this study. Practical “knowledge” in the broadest sense was the main resource deficiency of these nascent entrepreneurs and their ventures. What was lacking most was knowledge of what to do when, how, and a commitment to actually do it.[3] The time for learning was also lacking. In large multinational corporations, knowledge of market entry can be learn from failure and that knowledge can be applied in the target or other markets. In corporate entrepreneurship, an entrepreneur might fail but learn and be positioned to succeed in the future. In international new ventures whether born internationals or early stage internationalization, there is typically one shot at success with a particular venture.

Did internationalization make a difference with regard to the financial situation of the ventures? How internationalization affected the financial welfare of the firm is explored in Table 7.

Table 7. Impact of Internationalization on Finances of International Ventures

		Impact of Internationalization on Venture Finance		
Ability to Attract Equity Capital		Better	Worse	No Impact
	Facilitated	2	2	0
	Detracted	0	2	0
	Don’t Know	0	3	2

[3]This seems to reaffirm one important component of Oviatt and McDougall’s 2005 model

Only two of the ventures were probably better off having pursued internationalization; the more common pattern was that the ventures were worse off for having pursued an international strategy. This underscores the point that internationalization of new ventures expands the range of venture risks and perhaps increases the intensity of risk by increasing the drain on valuable cash flow or burn rate of seed capital. What explained the difference between the two distinct patterns in this sample? Three factors seem to stand out as to why some ventures were better off financially: (1) their opportunity was compelling, (2) the scale of proposed international operations seemed to fit the opportunity, and (3) the teams, at least on paper, looked good and appropriate for the international scope of the opportunity. For three of the ventures, the German software, document, and travel software ventures, worse off financially, they spent more money than necessary or seemed to spend unwisely. They also had the capacity to spend more money than the other ventures with the exception of the Finnish game software firm.

Strategy Orientation:

Firm strategy has been conceptualized in many ways. This study examined such issues as whether the ventures had a global or multi-domestic market niche, internationalization strategy, geographic scope, position on value chain, and reliance on alliances. The timing of internationalization in relationship to phase of new venture development, the geographic scope of international initiatives, and use of alliances were considered to be important but in a highly contingent and interdependent fashion. The appropriateness of any one component of internationalization strategy is contingent on the status of other strategic components and how they fit together to form a coherent strategy. The strategic orientation of an international new venture – its strategic cocktail – appears to be highly idiosyncratic What distinguished the one venture that had a harvest event is that they had nearly a full year of rapid growth in their home market in Finland before initiating international activities, they entered the U.S. and Japanese market simultaneously and they were quick to license famous names to incorporate into their cell phone games.

Perhaps a larger sample would reveal an clear and unambiguous pattern such as that proposed by ---- which suggested that an advantage of early internationalization is that anti-international orientations do not have time to become embedded in the organization’s structure and processes.

However, what was observed in this study is that many of the firm's were pre-organizational, just a team, and the lack of organization is a liability in addressing the multiple challenges of new venture development and internationalization and that even teams, including teams with international experience, can have their own set of bad habits.

Internationalization Path

Two major models of internationalization have been the incremental or stage model primarily applied to small business exporters and a "born international" model that emerged in the late 1980s and early 199s. The incremental model of internationalization is seen as something that occurs after a company has achieved a certain level of maturity and stability in its home market and evolves incrementally through exports and evolves to more intense and demanding modes of international business and begins geographically with proximate markets and evolves, through learning, to more distant and complex markets.

Table 8. Incremental Model of Internationalization

Firm	Essence of International Strategy
Game software (Finland)	Accelerated entry into foreign markets leveraging both Finnish and local resources in the U.S. and Japan
Document authenticity system (Slovakia)	Staged export but with a leap over Western Europe for the United States
German Portal software	The staged model of internationalization applies
ISP/Wireless systems integrator	A local company that seized the opportunity to pursue a major contract in Malaysia and Singapore

Internationalization in the global start-up venture skips stages of both firm and international evolution. A firm may start either by pursuing an inward (resource-oriented) internationalization or outward (export market-oriented) internationalization strategy. Any mode of business and any geographic market where customers are located may be appropriate. There was only one clear-cut example of this type of venture in the sample, the wireless telecommunication technology company seeking to put together deals in South and Southeast Asia. This was a global start-up venture with "home country" only reflecting the residence of the co-founders. Another venture, the robotics spin-off venture from the University of Texas started out being visualized by the Institute director as a global start-up venture. However, the individuals selected to bring this spinout to life had a different vision for the technology and the firm. They visualized a local start-up that might discover international markets when it reached a critical mass in the home market.

Bi-National Start-Up Ventures

In this study, a third model was observed, firms that are bi-national venture. A bi-national venture can only exist by combining resources that exist in two countries.

Table 9. The Bi-National Start-up Venture

Venture	Critical Path
Paired kiosks for money transfer and communication (Mexico)	A bi-national launch equally dependent on both Mexico and the United States
Industry oriented Internet portal for Latin America (Mexico)	A bi-national launch seeking the intangible assets of the U.S. market.
Internet travel industry software (UAE)	A bi-national launch seeking proximity to the founder’s core market, the U.S. travel industry. Instead of forming the enterprise and then exporting to the key market at some unspecified future time, this type of global start-up venture selects their target market as the domicile of the venture.
Internet sale of French antiques (France)	A bi-national launch that was established in the target market
Technology for wireless connectivity within a building (New Zealand)	A bi-national launch that was established in the target market

The Internet portal for Latin America venture presents what might be an interesting peak into the future of international entrepreneurship. If the home country entrepreneurial environment is deficient in some fashion, relatively open borders and globalization allows an entrepreneurial team to launch their venture in another country with a different entrepreneurial environment. In a sense, both immigrant and expatriate entrepreneurs have been doing this for at least a century, but today it may be more of a discrete business decision comparable to the location decisions of large well-established multinational enterprise.

The discovery of bi-national start-up ventures is potentially a major finding. It reveals another form of "born internationals" and another place to look for them, e.g., on one or another side of a border of two contiguous countries with high levels of economic integration and/or immigration. Given the complexity of creating a "born international" venture, the bi-national venture appears to be a more realistic focal point. Some of the bi-national ventures in this study had a limited view of their market, e.g., Mexico and the U.S. or simply the U.S. However, others like the Latin American portal venture visualized the U.S. as a launching pad for their entrance into most of Latin America since U.S.-based technology ventures have more credibility than their Mexican counterparts.

Internationalization Strategy

In describing the strategy of an international venture, at least five issues ought to be considered: the type of strategy (incremental internationalization or international start-up), the generic strategic of the firm, position in the lifecycle of the firm at the time internationalization begins, the geographic scope of internationalization, how the firm configures or reconfigures its value chain, and its use of alliances. There are four generic strategies for international new ventures: market expansion, resource acquisition, cost reductions (a form of resource acquisition), and resource utilization. All are self-evident and widely utilized in entrepreneurship and/or international business literature except a resource utilization strategy. This strategy involves a firm leveraging an existing asset such as its domestic distribution system, R&D capabilities, plant capacity, intellectual property, or some other less tangible asset to generate cash flow and/or higher valuations.

Table 10. Specifying International Strategy

Firms	**Generic Strategy**	**Lifecycle Within:**	**Geographic Scope**	**Value Chain**	**Alliances**
Incremental Internationalization					
Game software	Market expansion	1 year	Worldwide	Forward	Strong
Document	Market expansion	8 years	Europe-US	Forward	Weak
German Portal	Market expansion	5 years	Europe, US, and Asia	Forward	Limited
ISP/Integrator	Market	5 years	US-SE Asia	Balanced	Strong

	expansion				pursuit
Robotics	Market expansion	Start-up	Undetermined	Undetermined	Lead user
International Start-up Strategy					
Wireless telecom	Comprehensive	Start-up	Regional – Asia	Strategic point of entry	Strong
Kiosks	Comprehensive	Start-up	U.S. – Mexico	Strategic point of entry	Moderate
Latin American Portals	Market expansion	Start-up	Regional	Strategic point of entry	Several critical
Travel software	Comprehensive	Start-up	Worldwide	Strategic point of entry	Potentially many
Online Gallery	Market presence	Start-up	U.S.	Retailer	Nominal
Wireless technology	Comprehensive	Start-up	Worldwide	OEM	Sought VC

There are some fairly distinct patterns here. Based on the strategic path selected, these observations can be made:

- Companies that undertake internationalization after launch are more likely to be export or market expansion oriented.
- The longer the time elapse between launch and internationalization, the more likely the orientation will be market expansion.
- Companies that begin internationalization after launch have a narrow view of their value chain. If extremely successful, perhaps they would begin to explore other options in order to maintain price competitiveness.
- Ventures that are international start-up ventures are more likely to have a comprehensive strategy of seeking to dominate a market niche on a regional or worldwide basis through both forward and backward integration

Positioning on a Global Value Chain

In this era of globalization, just about every firm in every industry has a latent global value chain. Whether suppliers and customers are located across town or across the global depends on the transaction costs and competitive advantage that can be secured by defining a value chain as local, national, or global terms and how the firm conceptualizes that value chain. One study posits that the degree of internationalization reflects the number of primary international activities along the value chain (Bloodgood, Sapienza, and Almeida, 1996).

There are several strategic options that define the strategic orientation of an international new venture. It can (1) seek to seize and control the critical point of entry on a global value chain, (2) pursue international market expansion to become a low market share niche players, (3) integrate forward to have more direct relationship with customers, or (4) become a subcontractor to larger firms that control the critical point of entry on a global value chain. Seeking to seize and control the critical point of entry on a global value chain. Positioning on a global value chain involves *both* integration forward and backward linkages. Only five even conceptualized the issue in this fashion. They are described below. They are described in Table 11:

Table 11. Positioning on Global Value Chain

Venture	**Positioning on Global Value Chain**
#1 Game software (Finland)	Effective – supplier of applications and uses for both hardware and service providers who need incentives for further market penetration and differentiation for competitive struggle for existing market. Effective positioning, control over a critical point of entry, and focus on forward links through partners.
Internet travel industry software (UAE)	Existing engines of leading Internet travel companies were perceived as flawed and a proposed engine would allow a segment of the industry seize market share from dominant players. The opportunity and positioning on value chain depended on existing technology sufficiently flawed to justify shift to new technology paradigm? Their position was strategic solution provider between IT companies in India and real or potential online travel firms in the U.S. and beyond.
Wireless telecom technology (Global/Asia)	Virtual enterprise seeking to position firm as supplier of critical technology and controlling customer through diplomatic ties, contacts, and contracts
Internet enabled Kiosks (Mexico)	They offered a more culturally sensitive and cheaper alternative for transferring money from the U.S. to Mexico plus video messaging as a value added service. Interface with customer whose family is located on both sides of the border would position firm to control market through customer relationships, lower prices, and more convenient and faster technology. Challenge was finding enough matched pairs, e.g., separated families and supply the right dose of competitive advantages in a diverse range of matched geographic points.
Wireless Technology (New Zealand)	They had a proprietary technology that was late to market. Wanted to skip a generation of technology by acquiring venture capital in the U.S. to finance development of earlier research and then tap into U.S. and global markets. The key to commercialization was sufficient money for the development phase.

Why only five companies? Several reasons:

- First, identifying and seizing the strategic point of entry on a global value chain is a much more challenging task than simply launching a venture and seeking to survive.
- Second, it requires more international experience.
- Third, it requires a more complex strategic orientation.

The other six of the ventures could not even visualize dominating a critical point of entry on the value chain. These firms were mostly driven by a desire for market expansion as low share niche players.

Strategic Alliances

Alliances are a critical variable in international entrepreneurship. They may represent a "make" or "break competency" for international new ventures. Unlike most large multinational corporations, they do not have the resources to even consider a strategy of international vertical integration. Consequently, alliances are probably the most powerful tool that allows international new ventures to overcome the liabilities of newness, smallness, and resource constraints.

All of the companies in the sample either built alliances into their strategy or came across an alliance by accident. The variation in the sample was not a commitment to use alliances but in the quality implementation. Table 12 examines the variations.

Table12. Strategic Alliances

Strategic Priority of Alliances			
Execution	Core	Important	Accidental
Strong	Cell Phone game software		
Moderate	Latin Portals Kiosks	Robotics	ISP/Wireless systems integrator
Weak	Wireless telecom Wireless technology (NZ) Travel software	German portal software Document authenticity Online antiques & art	
Frequency	6	4	1

The firms were generally headed in the right direction. From a strategy perspective, these new ventures more or less understood the importance of alliances and had targeted appropriate and strategic partners. They were held back by their ability to either complete the alliances and, in one case, there was some evidence that the alliances created were not likely to be sustained as market entry milestones were being missed. It is one thing to know what to do; quite another to actually do it. The only venture to close and execute on their alliances was also the only firm to achieve a harvest event.

Social Context

New venture development and internationalization are highly social phenomena. The importance of social networks has long been considered one of the key elements of new venture development. Social networks were not a focal point of the small business export literature. Comparative studies in entrepreneurship suggest that there maybe a different emphasis on social networks in the West and in Asia. For example, the small business export literature has a stream of research that focuses on information sources and typically explored the use of government and other information resources. In contrast to what might be considered mechanistic and utilitarian approaches to social networks, Asian, particularly Chinese networks are more organic, embedded in the consciousness and social fabric of personal and business life. This has a profound impact on the nature of international entrepreneurship among Chinese. Consider this description from a study of small transnational Chinese enterprise in Vancouver:

> Many Chinese entrepreneurs have transnational family networks that are intricately woven into the firm's sites and inter-firm relations. These networks involve immediate and often extended families straddling different societies as nodes of the business network and who are an integral part of the transnational business operation. In some cases, husbands and wives form business teams, with wives staying in Canada to oversee the day-to-day operations of the company and the husbands stationed a few months a year overseas. One entrepreneur we interviewed speeds four months a year in China overseeing his factory, while his wife runs the import/export firm in Vancouver. (Wong and Ng, 2002, p. 524)

Half of the ventures in this study had anything approach this kind of transnational family work, the Finnish game, Slovak document, German portal software, and two Mexican ventures. The potential advantage was not effectively used by the Slovak document venture and was a source of tension and conflict in the German portal software venture as the husband spent his time with his young attractive female associate in Texas not quite at work. For the Finnish game company, the husband and wife founders worked extremely well and productively, they hired a Finnish recent MBA graduate from UT- Austin to oversee their U.S. operations and utilized the knowledge and wisdom of a UT-Austin business professor widely acknowledged as the local guru on the Internet and telecommunications as a consultant and board member. The fact that the husband had earned his doctorate in electrical engineering at UT-Austin created a requisite foundation for the team.

The two ventures from Mexico seemed to function nearly seamlessly across the border. Some of that was a function of proximity and a contiguous border but more importantly, both ventures had bilingual teams who spoke both English and Spanish as native speakers and who both teams had extensive educational, work, business, and living experience in both countries. As young entrepreneurs from wealthy and very successful business families, both teams had confidence and material support that most of the other ventures lacked. These advantages were no guarantee of success but they clearly improved the odds.

The importance of an “external team” has not been adequately addressed in the international entrepreneurship literature. It was first used by Vesper (1979) to describe those committed to help a new venture but not formally part of the team. While the Global Business Accelerator was intended to serve as part of the “external team” for member companies, only one venture – the Finnish game venture – had an independent external team and it, notably, was the first and most notable success. All of the other companies made use of GBA and its resources but varied widely on how well they listened and on their “coachability” or their capacity for learning. The robotics spin-off venture was probably the most coachable, had the most impressive external team, and made significant progress but still was unable to move beyond the “nascent” phase of entrepreneurship. The wireless telecommunication venture was the least coachable rejecting two potential CEOs and one technical specialist who could have helped meet beta test deadlines in Southeast Asia.

The most effective way of assuring that an international new venture has the social network, external team, and requisite knowledge to operate in two countries is to have a bi-national venture with a bi-national team. In describing transnational Chinese immigrant ventures in Vancouver, Wong and Ng observe:

> There is a constant exchange of ideas and concepts between the Vancouver and Hong Kong teams, as both sides are interested in learning new ways of doing advertising. The entrepreneur immigrant can then be assured under this arrangement that his partner will oversee the operation of the company in Vancouver when he is attending to his business in Hong Kong. The Vancouver partner also welcomes such a partnership, since he increases the assets of his company and expands his clientele to the Asian market. (2002, p. 520)

Organization Capacity and Organization Building

The widespread use of collaborative strategies in technology-based ventures has triggered the development of the organizational capacity perspective (Madhok 1997). Burgel and Murray (2000) see organizational capacity as an appropriate model for analyzing the international market entry choices of high technology start-up ventures and an alternative to stage theories and transaction cost economics.

Organization building is often a missing variable in entrepreneurship and international entrepreneurship. The focus on the entrepreneur and the opportunity tended to leave little room for many other critical factors. The U.S. paradigm of entrepreneurship was reduced to a simple formula: an entrepreneur identifies an opportunity, raises venture capital and has a "harvest event." Shane & Venkataraman (2000) define entrepreneurship as the:

> Examination of how, by whom, and with what effects opportunities to create future goods land services are discovered, evaluated, and exploited. (p. 218)

Presumably entrepreneurship floats around as a magical force and doesn't need an organization. While individuals can do international opportunity trading, e.g., buying and selling across borders without an organization, most forms of international business and international entrepreneurship need organizational support to sustain initiatives, absorb lessons and experience in the form of learning and knowledge, and to provide sufficient depth to address diverse cross-border environmental issues.

What stood out in this study is that teams are vulnerable to the pressures and demands of international business. If the CEO or team is distracted by unforeseen events or unfocused, there is no institutional support to sustain initiatives, meet deadline, and follow-up on sales leads. Implicit in the advantage of a period of national incubation is the concept of organization building. Only three firms out of eleven had an organization and only one of those three – the Finnish game venture – had rapid growth before internationalization and some semblance of "critical mass" in their organization with 30 employees by the end of their first year of operations.[4] If we shift the focus slightly to organizational capacity, the judgment remains unchanged, e.g., only the Finnish game venture exhibited significant organizational capacity.

The quality, speed, and completeness of the new venture development process can be considered a surrogate for organizational capacity and development. The sample is divided the sample into three categories: (1) those pursuing internationalization, (2) those who were internationalizing the new venture development process, and (3) domestic firms seeking export markets. The evaluation of the new venture development process in this fashion: the ratings column on the right indicates summary judgments by the author. This scale is used to judge the quality, speed, and completeness of the new venture development (NVD) process: 4 = extremely positive, 3 = highly positive, 2 = moderately position, and 1 = slightly positive. A minus sign indicates an extremely, highly, moderately, or slightly negative judgment.

[4]An operational definition of organization "critical mass" is beyond the scope of this study but the general role of organization in international entrepreneurship needs more attention.

Table 13. The New Venture Development Process

Type of International Strategy	Quality of NVD Process	Speed of NVD Process	Completeness of NVD Process at Time of Initial Market Entry	Total
Internationalizing Firms				
Game software (Finland)	4	4	4	12
Document authenticity (Slovakia)	2	1	3	6
Internet portal software (Germany)	1	2	1	4
ISP/Wireless systems integrator (Austin)	-1	1	-1	-1
Internationalizing NVD Process				
Paired kiosks (Mexico)	2	4	3	9
Internet portal for Latin America (Mexico)	2	2	1	5
Wireless Technology (New Zealand)	0	-2	-4	-6
Wireless telecom (multinational)	-3	-3	0	-6
Internet travel software (UAE)	-2	-4	0	-6
French antiques (France)	-4	-4	0	-8
Undefined				
Robotics (UT)	2	-3	-2	-3

Some caution should be exercised in generalizing about so few firms. However, some very tentative observations can be advanced. Those new ventures that first establish themselves in their home market and then internationalized, even if the internationalization is very early, as was the case of the Finnish company, mostly seem to be more grounded and may better able to adapt to the challenges of new venture development and internationalization. Even if the time lapse is less than a year, that first year may be incredibly important. New venture development is never easy, doing it with an offshore technology venture adds immensely to the challenge. However, this phased entrance into international markets is no guarantee of success since one of the three firms here was a major loser in its internationalization initiative. The internationalization process is never easy especially when the firm is the organizational equivalent of an embryo or an infant.

How do we explain the success of hundreds of thousands of immigrant ventures in the U.S. and elsewhere around the world? Three factors might be critical. First, most immigrant ventures tend to be relatively simple family-based lifestyle ventures. Second, these ethnic lifestyle ventures often serve ethnic markets thus minimizing the cross-cultural pressures on the new venture development process. Only the two ventures from Mexico enjoyed the advantage of an ethnic market. Third, immigrants make a commitment to live permanently in their adopted homeland. Each of the global start-up ventures in this sample had entrepreneurs who could go home if the venture failed.

Since the "global start-up" may not have the option of sequencing new venture development and internationalization, their location decision within a large, diverse market such as the United States is especially critical. Perhaps the ventures in this sample should consider locating where there is a strong industry cluster and/or a strong ethnic cluster. Upon reflection, only one of the six global start-up ventures was appropriately located, that being the Latin American Internet portal firm. For that venture, Austin was close to Mexico, had a significant Mexican population, and was an important industry cluster for software and electronic commerce. Two of the other global start-up ventures realized the importance of domestic location and one moved to Denver (its initial target market) and the other was considering relocation to Orange County, California to be close to a strategic partner. Even one of the internationalization firms (the document authenticity firm) was considering opening its first real office in Silicon Valley to be close to its targeted first customer and major strategic ally. The specific city location of operations within a large initial market is critical. In this sense, selling Austin and GBA was not necessarily in the best interest of the ventures.

Implementation

The lack of implementation was the single most powerful impression left by working with these firms in the Global Business Accelerator and reflecting on the experience for this study. The absence of effective action was the single most pervasive "venture-killer" among these firms.

Effective action needs to be timely, credible, and at a high quality. Sometimes the absence of effective implementation would be astounding. How could a promising venture just let a deadline for a beta test slip away and lose rights to a powerful technology? How could a founder and CEO visit Texas from Europe on at least a monthly basis without an agenda or list of people to meet? How could a firm do a “road show” demonstrating their innovative technology and new product and not communicate what they wanted or how they could be reached? Why would the founder “pull the plug” on his CEO while closing their first big deal in Southeast Asia and then try to salvage the deal with another member of the team without the requisite technical skills or working relationship? How could a world-class business consultant spend a million dollars of his own money and keep refining the business model and business plan until the point where events overtook the opportunity? The answer to these and other questions is trite but important – they are human. Ego, greed, pride, and sexual distraction are not necessarily the stuff of entrepreneurship theory but they are part of the entrepreneurial experience.

A model of international entrepreneurship that does not give considerable attention to implementation will be defective and incomplete. Entrepreneurial ambition and energy, if not focused and effective, is like a steam engine that doesn’t perform any useful function – interesting for some to observe but essentially ineffectual.

Early stage internalization elevates the risk of failure considerably for the start-up venture. It does this in several ways: it stretches resources considerably, adds to the complexity of the new venture development process, puts greater stress on the skills and competencies of the lead entrepreneur and team, and puts greater pressure on a team that may be dispersed around the world. A corollary conclusion is this: early stage internationalization increases the risk for the local venture that may be otherwise viable. This is applicable for at least three of the firms. The local ISP that sought to become a wireless systems integrator and then, after confronting domestic entry barriers, stumbled on systems integrators opportunities in Southeast Asia was a viable small business that attempted to transform itself both in terms of products and markets served. The German portal company and the Slovak document authenticity firm were viable domestically but sought to expand their market significantly. From these three, perhaps only the Slovak firm was justified in pursuing a high risk, high payoff strategy. That stemmed from the unique technology that effectively served the needs of fairly well defined customers and strategic partners.

While far from being ready to argue that strategy is unimportant in international new ventures, this sample suggests that it might be over-rated. The key to international entrepreneurship in these firms was their ability to their ability to execute and implement their strategy or not. The one clear “winner” – that was acquired within 3 years – had grown from 2 founders to 33 employees in Finland in12 months. They launched subsidiaries in the U.S. and Japan within that same time frame. They had a deep and incisive understanding of their industry – wireless telecommunications. Within six months of entering the U.S. market, they had secured content rights from a number of world-class content providers for their games, including the rights to “Trivial Pursuits.” There was fuss, no hesitation, and no internal conflicts. Their strong sense of strategic direction was reinforced by recruiting a University of Texas business professor, known as one of the leading thinkers about the “new economy” to sit on their board and the top management team from Finland visited Austin and met with him regularly. They were the most focused team and nearly each week brought small victories and achievements.

In contrast, at least eight of the remaining ten firms had a low propensity for action (the two ventures from Mexico being the exceptions). The distractions from purposeful action and implementation were as diverse as the companies. They included over-analyzing and replacing action with detailed never ending planning, lack of agenda and wasting time, not following up on hot leads, internal bickering, poor communications within a transnational team and paralysis, working on a sideline consulting business and missing deadlines, and approaching the venture as the hobby it really was. The scope of this dysfunctional entrepreneurial behavior and the depth of it in several notable examples was the biggest surprise of the observer’s experience and the study. The lesson is simple but powerful. Impressive resumes and intriguing opportunities do not make a successful international venture. At the end of the day, the most important variable in international entrepreneurship relates to executing and doing business.

The literature on entrepreneurship and venture capital has long emphasized the importance of the entrepreneur and team but execution and operations have not received much attention. It is likely that internationalization puts more pressure on a start-up to execute and perform well at a much faster pace than is the case for a local venture. This is especially true for start-up ventures coming to the United States where the expectations of venture capitalists is higher than most other offshore resource suppliers. What does effective implementation mean for an international new venture? From this study, it seems to mean:

- It means the ability to build adequate team pulling in the same direction and cooperation to create a viable venture in an international setting.
- Ability to build alliances and do deals with strategic partners who can provide equity capital, credibility, and opportunities to sell product.
- Effectively follow-up on leads
- Meeting deadlines especially on beta tests upon which the venture rests.
- Ability for the beta tests and demonstration sites to work
- Staying focused
- Capacity for sustain and purposeful effort

These factors are sparingly covered in the scholarly literature perhaps because they are so basic. But fundamentals, whether in sports, the arts, or business should never be taken for granted. They are the intervening variable between strategy and business behavior and between theory and practice. As unglamorous as these are, internationalization of new ventures seems to assign special significance to issues of implementation. Complexity may be a real enemy of the global start-up and international new venture. The new venture development process is never easy but when combined with the set of demands and imperatives of internationalization, intense pressure is put on an entrepreneurial team. This sample suggests that it may be the rare venture that handles them well. This finding is in contrast to Oviatt and McDougall (1994) that suggests the combination of geographic scope and activity coordination required of new ventures operating on a global scale can provide a more sustainable competitive advantage than that found in firms with only a regional presence or with fewer international activities. The experience of firms in this sample is more consistent with the conclusion of Bloodgood, Sapienza and Almeida (1996) that internationalization is neither uniformly good or bad but rather is contingent upon the factors such as industry or resource conditions faced by the venture at founding and soon thereafter.

Pfeffer and Sutton (1999) shared a similar interest implementation when they wrote The Knowing-Doing Gap: How Smart Companies Turn Knowledge into Action.
The comparable study on international entrepreneurship might be titled, “The knowing-doing gap: how successful international entrepreneurs turn opportunities into successful international companies.” Pfeffer and Sutton provide multiple examples and perspectives from the corporate world that are directly applicable to the ventures in this study. For example, Greg Brenneman, the COO of Airlines and one of the architects of its successful turnaround, was quoted:

> If you sit around devising elegant and complex strategies and then try to execute them through a series of flawless decisions, you’re doomed. We saved Continental because we aced and we never looked back. (As quoted in Pfeffer and Sutton, 2005, p. 251)

For at least one and probably a second venture in this study, sitting around devising elegant and complex strategies and the search for flawless decisions was precisely their approach to international entrepreneurship.

Events and the Environment

Luck may play a role in both entrepreneurship and international business but luck isn’t a salient phenomenon for theory building and it is a highly subjective concept. Events, however, are concrete and real and had an important role in the experience of the ventures observed in this study. Events may either be internal, e.g., self-created or external, beyond the control of the entrepreneur and team. Team conflict was the important internal event. The ventures affected by conflict were the ISP/wireless systems integrator, the Germany portal software company, the wireless technology from New Zealand, and the robotics venture. When teams are separated by great distance, come from different cultures, and possess different organizational agendas, an additional burden is placed on the team. The internal events were adverse and most of these were extremely adverse to the ventures. What is noteworthy, and a cautionary lesson for other start-up ventures, in all cases of internal conflict, internationalization was either the cause or the catalyst to the conflict. This is not surprising given the extra demands, burdens and pressures that international business presents to any firm. For a new venture with limited resources and anxiety about survival, these pressures are likely to be more intense. More money, a strong team/company culture and a good communication processes would undoubtedly help but are no guarantee of an absence of conflict.

International business literature tends to assume that events are things from the environment that impact on the firm. The environment of international business is generally seen as external. Multinational firms are too big and complex to be affected either by the death of a key manager or the behavior of one or more managers although the revelations about Enron and other firms caught up in accounting scandals may suggest a re-examination of this perspective. International new ventures, in contrast, are far more fragile and affected much more directly by the behavior of individuals. The death of an Indian Ph.D. and co-founder with strong technical skills and a strong international technical network was sad event that deflated a promising wireless global start-up venture. The adverse impact of events is not surprising since a typical new venture, whether domestic or international, is nearly synonymous with the lead entrepreneur and founding team. Their strengths and weaknesses are the strengths and weakness of the venture. One of the distinguishing aspects of a successful new venture development process is the progressive decline in the reliance and dependence on the founder and founding team.

Four ventures were vulnerable to external events and in at least one case it was severely adverse. One venture lost its co-founder and its heart and soul to a fatal heart attack. Two ventures were adversely affected by the events of September 11, 2001 one because of the ethnicity and the other due to moving money across the U.S. – Mexican border. The Latin American portal venture was hurt by the collapse of the Internet bubble. That nearly forty percent of the sample was affected by external events makes a case that environmental scanning in international new ventures is extremely important albeit it may suffice if the scanning is highly focused on industry and place.

Since the international business environment is an important sub-field of international business, it is noteworthy that two of the ventures were adversely affected by the events of September 11. The kiosk venture to facilitate money transfer and video communications across the U.S.-Mexican venture encountered a new entry barrier once the U.S. government became concerned about international money transfers that might be used to fund terrorists. The travel software for

Internet was adversely affected because both founders were Arab from Algeria, long-time residents in Europe and incorporated their venture in the U.A.E. The author lost track of them after the events of 9-11.

The wireless LAN technology from New Zealand was late to market in technical terms but by the time they were ready to present to U.S. venture capitalists, the Internet bubble had disappeared and VC firms retreated from their earlier openness to investing in early stage technology ventures. They still came very close to securing funding from a top Texas VC firm and if they had started a year or two earlier, it would have made the difference.

How members of the team addressed these events, crises, is a key component of a sound model. The responses were ineffective and the ventures paid a high price. One of the virtues of having an organization to support international initiatives is that there are more resources and perhaps more incentives to address the adverse consequences. Whether professional grief and conflict counseling would have been accepted is problematic but the emotional component of the events warranted such counseling.

International Entrepreneurial Success and Failure

The opportunity to observe entrepreneurial failure was generated by both the setting and methodology. It has been a puzzle to study failure in entrepreneurial ventures because when they fail, the teams break up and cannot be tracked by mailed survey. The key is to begin tracking ventures from pre-launch or early post-launch phase over time. In this context, the venue of an incubator is a great place to undertake this type of study. The opportunity to observe intra-team conflicts perhaps a main cause of failure was unique to the position of the observer and the methodology. Oviatt and McDougall (1994) write in an appendix to their “Heartware Case” that the authors had the “rare opportunity to study a failed company first hand” (p. 139). Just as there is a form of “nascent entrepreneurship”, there is also a form of “nascent internationalization.” Two of the three viable European ventures failed in their attempt to enter the U.S. market. All of these ventures, in some form, heard the siren call of internationalization but only one effectively met the challenge.

Failure can be seen as a failure to adequately meet the requisites set out in the model. Summarize this:

Table 14. Summary Scores Based on Emergent Model

#	Venture	ENT/ TEAM	OPP	RES	STR	SOC	OD	IMP	EVT	SCORE
1	Game	1	1	1	1	1	1	1	1	8
2	Wireless	0	1	0	0	0	0	0	0	1
3	Document	1	1	1	1	0	0	0		4
4	Kiosks	1	1	1	1	1		1	0	6
5	Latin Portal	1	0	1	1	1	1	0	0	5
6	Travel SW	1	1	1	1	0	0	0	0	4
7	Portal SW	0	0	1	0	0	0	0	0	1
8	ISP/ Wireless	1	1	1	1	0	0	0	0	4
9	Online Antiques	1	0	0	0	0	0	0	0	1
10	NZ Wireless	1	1	1	0	0	1	0	0	4
11	Robotics	1	1	0	0	0	0	0	0	1

This summary table suggests that there were three categories of ventures: (1) high promise for which a score of 8 or at least 7 is needed using a nominal measurement scale; (2) ventures that might work if weaknesses and flaws are adequately addressed and/or nothing terrible happens or goes wrong for which a score of 4-6 would be required; and, finally, ventures that are probably fighting an uphill battle and would require flawless execution and implementation in order to succeed with score at 3 or less. There was 1 promising venture and it, indeed, had a harvest event. There were 6 other venture with some promise and 4 ventures that were basically "dead ducks."

Are there some other factors that help explain the risk to and failure of the various ventures? These factors stand out:

- The risk of early stage internationalization is real.
- Home country incubation may be an important, perhaps necessary if not sufficient factor, for most international new ventures.

- Failure may not be fully or adequately described simply by reference to factors such as the entrepreneur, team, opportunity, and strategy to include implementation. The perceptions and mindset of the entrepreneur and team is critical.

These three factors will be discussed below and the role of perception is considered important enough to be integrated into the model as an critical intervening variable between the entrepreneur and the team and all the other elements of the international entrepreneurship process.

Risk of Early Stage Internationalization

Third, risk is increased by early stage internationalization. This is hardly counter-intuitive but it hasn't been adequately emphasized in the international new venture literature. Early stage internalization elevates the risk of failure considerably for the start-up venture. It does this in several ways: it stretches resources considerably, adds to the complexity of the new venture development process, puts greater stress on the skills and competencies of the lead entrepreneur and team, and puts greater pressure on a team that may be dispersed around the world. A corollary conclusion is this: Early stage internationalization increases the risk for the local venture that may otherwise be viable. This is applicable for at least three of the firms: the local ISP was a viable small business that attempted to become a systems integrator and when entry barriers blocked the firm domestically, it explored international markets. The same was true for German portal company and the Slovak document authenticity firm. From these three, perhaps only the Slovak firm was justified in pursuing a high risk, high payoff strategy because its unique technology served the needs of fairly well defined customer base and prospective strategic partners.

Home Country Incubation

The sole venture to succeed via a harvest event – the Finnish cell phone game software – created a solid foundation at home before taking on international expansion. The incubation period in the home market was only twelve months but in that time the firm grew from two co-founders to thirty plus employees, developed its initial product, worked out a strategy, raised venture capital, and established its firm commercial relationships with customers. This foundation was especially important because it allowed the venture to simultaneously enter the U.S. and Japanese markets and operate effectively on a larger international scale than any of the other firms.

Perceptions of Self and External Environment

In reflecting on the question as to why such talented teams[5] with attractive opportunities did not succeed, one patterns stands out. Many of these teams over-estimated their own competencies, the appeal of their product, and the ease with which they'd be accepted by an international market and embraced in an international context.

These are not marginal individuals who walked into the GBA incubator from off the street but a respected former ambassador, two directors of major university institutes, a brilliant international management consultant, and several successful business people. They were prone to misread and over-estimate their own competencies, the readiness with which the market would accept their product, and the ease with which they would continue to enjoy career and life success. Perception and misperception is probably far more important in international entrepreneurship than the field has heretofore recognized. Some international entrepreneurship scholars have see perception and decision-making as important (Oviatt, Shrader, & McDougall, 2004).

Importance of perception and the gap between image and reality was highlighted by the study and its methodology. Several teams *thought* they had a great product or opportunity. This suggests that perception and the distortions of perception is an important, largely unexamined, aspect of entrepreneurship in general and international entrepreneurship, in particular. The prevalence and critical role of a gap between image and reality is an important factor is the failure of internationalization.

The environment – including reactions to the firm's decisions, policies, and behavior – is never perceived with precise accuracy. The "facts" and "realities" of the environment are seen through the filters of individual and organizational perception that introduce some form of distortion. This is most readily detected in a new venture when self-image begins to vary notably from a reality. This may begin with the perception of the attractiveness of the venture's intended

[5]Not to be confused with good entrepreneurs or good entrepreneurial teams.

"opportunity" or attractiveness and ease of entry into a particular market, such as the U.S. market. The processes of perception affects, of course, not only entrepreneurs and teams but academic observers. This is a special peril in this study given the methodology being utilized.

The study of perception is much easier in the political arena where there is a vast body of statements, speeches, intra-governmental (congressional) testimony, press releases, and other documents in the public domain. In the case of international entrepreneurship research, there are fewer opportunities for observation but this remains a promising area for research. How can researchers know that perceptual distortion is occurring? One method is to explore the gap between image (mission statements, Power Point presentations, business plan, and personal communication) and reality (missed milestones, inaction, and problems that may be shared with outsiders directly or indirectly, intentionally or unintentionally). In this study there were a number of the ventures with a clear gap between image and reality. The gap seems to be caused by the optimism of the founders, their desire to "save face", a desire to maintain a "positive front" especially vis-à-vis investors and other arbiters of resources, and slow learning which sometimes bordered on denial. It is well established that entrepreneurs tend to be optimistic which is a kind of magical quality insulating them from the emotional burden of the risks of entrepreneurship. Sometimes this optimism is projected for the benefit of external "publics" e.g., venture capitalists, incubator directors, and even other member companies in order to either save fact or continue to fight the good fight for capital, customers, or alliance partners. However, there were at least five, nearly half, of these ventures where optimism bordered on denial.

Facilitating mechanisms of denial are selective [in]attention and symbolic interpretation. Selective attention involves simply ignoring evidence of a problem. That seemed to operate with regard to five the ventures. There is, however, a powerful mechanism of self-correction to faulty perception in entrepreneurship – running out of money. After about half a year of denial of problems, the software company from Germany withdrew from the U.S. market. The losses in the U.S. began to affect the viability of the parent company. The ISP/wireless venture finally confronted its problems, when the CEO ran out of money in Singapore and the company wouldn't/couldn't come to his aid. The Internet software (travel) company moved very deliberately. The lead entrepreneur had invested over $1 million in his own money and after a four-month period the team's IT outsourcing firm in India had not come through, the Internet bubble continued to deflate, and the attack of September 11 occurred. As Middle Easterners, coming to the U.S. with their families on temporary visas, the patience and tenacity they had shown finally took on a new cost-benefit ratio. The wireless venture with New Zealand technology was promoted by its U.S. CEO who saw a chance to pursue the opportunity he couldn't with his earlier ISP/wireless venture. But the New Zealand technology supplier never fully committed to the project. In face of mounting evidence, he denied – at least publicly - with he knew to be true. The denial was both productive (it allowed him to persistent in the pursuit of VC money) and counterproductive (he failed to effectively address the latent concerns and fears of his New Zealand partners). The fifth example is more sensitive and it would be inappropriate to describe it here.

Venture Flaws and Perception

One way of illustrating the gaps between image and reality to summarize the venture flaws, how the lead entrepreneur and/or team perceived the flaws, and describe the nature of the gap.

Table 15. Venture Flaws, Self-Perception and Strategic Gaps

#	Venture	Venture Flaws	Self-Perception	Nature of the Gap
1	Game	Cultural distance might make it difficult to translate alliances into sales and revenue to sustain growth.	Committed to great technology with high potential for harvest event	Cultural distance might make it difficult to translate alliances into sales and revenue to sustain growth.
2	Wireless	Opportunity too complex for the commitment and capacity of team after death of co-founder	Reputation and political connections of surviving founder would overcome all problems	Complex international venture unmatched by ability to execute and unwillingness to build a team
3	Document	Out-of-balance team with poor execution.	Great product that would overcome weaknesses	The transnational gap was matched by a generational gap
4	Kiosks	Brittle opportunity highly vulnerable to market acceptance and environmental factors	Great commercial opportunity that would also provide essential service with dignity for Mexican immigrants to U.S.	Excess optimism on market acceptance and ease of entry
5	Latin Portal	Quality team if a venture, if e-commerce bubble sustained, if spread to Mexico and Latin America	It worked once, e.g., a U.S. firm acquired them, why shouldn't they make it work	Optimism about conditions remaining the same and everything working as planned

		happens, if first-mover advantage holds, it works in selected niche, if competition is not faster, better or cheaper, if model can be transferred to Latin America, and if a harvest event	again as the dominant firm?	
6	Travel Software	Brilliant team too smart and sophisticated for a start up; too intellectual to focus on action; cross-cultural issues	Most entrepreneurs and business people were stupid and they could succeed on their superior knowledge and analytical ability	Arrogance and optimism
7	Portal software	A “me too” product as late entrant into the U.S. market with poor implementation and worse focus	Great product that was already being used as a market test on the website of a major U.S. company signaling easy market acceptance	Excessive optimism about quality of product and easy of market entry
8	ISP & Wireless Systems Integrator	Poor implementation, poor focus, and intense team conflict could not overcome entry barriers requiring common vision, disciplined focus and team unity	Each side of the company believed it could succeed without the other	Righteousness and ego
9	Online Antiques	Micro-niche venture that might catch the Internet wave but approached as a hobby	Low and realistic expectations	Insufficient commitment to realistically “test” the concept
10	NZ Wireless LAN	Potential winning technology late to market with poor international and cross-cultural coordination within bi-national team	Potential winning technology with asymmetrical commitment and trust issues	Gap recognized but unable to overcome
11	Robotics	Radically different initial visions eventually resolved but team commitment was incomplete	Find an company in a key industry that would become a venue to test the technology	Generational conflict left residual emotional scars on team led to a key member defection

Conclusion

The Model

The model is visually presented in linear form and has, implicitly, been described as a linear model. That implies that each variable is equally important. That implication may be erroneous. There are four variables that do seem to be essential: the entrepreneur and team, the opportunity, the strategic orientation, and implementation. They don’t need to be equally strong but they all must be sufficiently strongly for international entrepreneurship to be successful. The other factors – resources, social context, organization building – are important but there may be some latitude for them to be developed as the international new ventures grows and learns. Events are practically and theoretically something of a wildcard. Strong teams are more likely to handle them and perhaps less likely to encounter adverse events, especially of the self-initiated and self-destructive kind. Weak ventures will probably exhibit the opposite attributes. The failures are more likely to be nascent ventures with entrepreneurs exhibiting something less than a full commitment to their venture, resource deficiencies, weak social context particularly when they seek to do business internationally, and weak organizations. Resources do not guarantee success as one venture in this study committed over $1 million of their own money to the vision. The online French art and antique venture spent virtually money but achieved precisely the same sales as an Austin Technology Incubator company supported by over $1 million in seed capital. Capital other resources only assure that the path to failure can be longer, more painful, and more costly.

The variables in the model are probably interdependent. Organization building and a strong social context ought to help implementation and should be strongly correlated with it. Clarity of strategic orientation should help with implementation and may even substitute for resources, social context, and, to some degree, organization building at least early in the new venture and internationalization processes.

The model has emerged from a different path than taken by other studies in the field of international entrepreneurship. As such it provides a complement to models developed by other scholars in the field such as Oviatt and McDougall (2005).

Methodological Implications

In their important review of the field of entrepreneurship, Low and MacMillan (1988?) admonished the field to move away from exploratory studies and towards causality. This study suggests that maybe exploratory studies grounded in understanding of complex relationships creates a different approach and a different perspective on causation. Exploratory studies should not be juxtaposed with the search for causation but should be seen as a unique path towards that end. Consider the methodology used had an impact on the findings. The methodology offered an opportunity to closely observe the interaction between new venture development and internationalization and entrepreneurial failure. In the context of these observations, five findings stood out that have not been adequately emphasized in the international entrepreneurship literature. These are:

- Importance of perception and misperception on the part of lead entrepreneurs and teams
- Risks of early stage internationalization
- Critical role of implementation
- Importance of home country incubation even if measured in months
- Existence of bi-national start-up ventures

Some of these variables have been recognized in the literature but they were highlighted in this study and that might be a product of the nature of the relationship with the ventures and team.

The Meaning of International Entrepreneurship

In this study international entrepreneurship is seen here as the synthesis and interdependence of two complex processes – internationalization and new venture development. This differs somewhat from an evolving consensus in the field that argues that the international entrepreneurship is about internationalization whether it occurs in global start-up ventures, international new ventures, mature small business focused on exporting, or large multinational companies. The problem with this approach is that it strongly weighs the importance of internationalization over that of new venture development. Further, if internationalization entrepreneurship is defined essentially as international business, what is distinctive or unique about it? Is there really a need for the term? A definition that seeks to include too much, defines too little.

As firms grow, mature, and extend their international operations, it is expected that internationalization strategy and international operations will increase in importance. Thus, the study of international entrepreneurship in these transitional firms and in large established firms is less likely to encounter the issues of entrepreneurship and new venture development and their study may become another stream international business research. The comparison of large established firms with global start-up and international new ventures and with firms scattered along various points of the transition holds great promise as suggested by Zahra and George (2002). However, if this study has demonstrated anything, hopefully it is that global start-ups and international new ventures are a unique and interesting species. As there is movement towards disciplinary and theoretical integration, we need to be alert not make global start-up and international new ventures an endangered species in our research. They are more difficult to find and, consequently, it is more difficult to generate large samples around them. But these challenges should not deter us because nowhere else are the processes of entrepreneurship and international business so intermingled and so interdependent as in these early stage international firms.

While international entrepreneurship is formulated here as a synthesis of internationalization and new venture development, this study suggests that the new venture development part of the equation is far more important at the outset. A better internationalization strategy would not have helped the firms that struggled. What they need most was a better team that could effectively pursue and implement the founders' vision. In broad terms, this is consistent with the more recent work of Oviatt and McDougall (2005).

When a firm matures, achieves large size, the entrepreneurial element in internationalization becomes relatively weak. If this were not the case, scholars long before the mid-1990s would have discovered the entrepreneurial element in international business. If the entrepreneurial component is stronger with new ventures, the international component is much stronger in mature, large firms.

International entrepreneurship may be most important in the transition from new venture to a multinational corporation. International entrepreneurship is also about domestic firms creating an international position in the global economic system, about successful international new ventures building great companies, and mature small firms discovering the need to export or even globalize their operations.

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