WHY SOME INTERNATIONAL NEW VENTURES BECOME GLOBAL START-UPS? EXPLORATORY STUDY OF FINNISH ICT INDUSTRY

ABSTRACT

The study analyses international new ventures with the help of the classification developed by Oviatt & McDougall (1994); global start-ups are compared with other types of international new ventures. The study also responds to the calls for more research on different types of INVs. In his commentary "a decade of research" article, Zahra (2005) points out that we do not know a great deal about the prevalence of INVs under different conditions and we should accumulate more knowledge on the types of INVs and understand the variations in their performance. The empirical data is collected with a web-based survey from Finnish ICT companies. Particular emphasis is paid on the operationalisation of the key constructs as well as sample formation, in which both number of international markets served and coordination of international activities are taken into consideration. Findings of this exploratory study indicate that among international new ventures, global start-ups are particularly driven by the international growth orientation of the top management. These global start-ups seem also to be performing better than the other types of international new ventures.

Keywords: international new venture, global start-up, international growth orientation performance

1. INTRODUCTION

International entrepreneurship as a discipline has emerged at the crossroads of international business and entrepreneurship (McDougall & Oviatt, 2000), and during the last 15 years the theme has aroused increasing interest among researchers (see, e.g. Rialp et al, 2005). One of the pathbreaking studies in this field – which was also awarded the 2004 JIBS article of the decade – was the one by Oviatt and McDougall (1994). The study has also been referred to as a *"…major milestone in international business research"* (Autio, 2005). In their article Oviatt and McDougall tried to explain the phenomenon of early internationalisation with a framework which combined the key elements of sustainable international new ventures.

In their study, international new venture was defined as "*a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries*" (Oviatt & McDougall, 1994, p.49). Three dimensions can be separated from the definition: (1) time to international market, (2) extent of international sales and (3) the scope of international sourcing. As Oviatt and McDougall (1994, p. 49) themselves explicitly point out, the focus of this definition is on firm's age, not on firm size, for example.

This definition of international new ventures has become probably the most commonly used in later studies, especially in empirical ones. However, the operationalisation of the definition used varies considerably, and it seems that most of the studies have classified companies as international new ventures only in terms of company age/time to market and the number of markets served (Hurmerinta-Peltomäki, 2004). Also the spread of markets has aroused interest, i.e., whether the company can be called global, or just international. Nevertheless, a more serious deficiency in earlier research is the fact that the majority of studies have actually ignored completely the aspect of sourcing resources from international markets (Servais et al, 2006).

Additionally, researchers seem also to treat all the companies which meet the above mentioned two criteria (age and sales) for international new venture (INV) as a big bulk (Hallbäck & Larimo, 2006), although already Oviatt and McDougall (1994) stated the basic elements of an INV manifest themselves in many ways, and that these companies can be classified into smaller categories (see Figure 1). In other words, there are ventures that coordinate the conversion of resources from many parts of the globe into outputs that are sold in whatever locations they are most greatly valued. On the other hand, there are also international new ventures that are mainly exporters adding value by shifting outputs from where they are to locations where they are needed. The first mentioned – labelled as global start-ups in Oviatt & McDougall's classification – are the ones which are closest to the 'born globals' in other studies (Hallbäck & Larimo, 2006), whereas the other categories just share the time dimension of the original definition, i.e. they have entered international markets quite soon after their inception.

This study attempts to respond to two issues that have been called for in international entrepreneurship (IE) literature. First, as Coviello and Jones (2004) have emphasised, from the viewpoint of the development of the IE field, it is decisive that the researchers develop a commonly understood vocabulary. This vocabulary should then be used in construct development, in order to make it more rigorous, as McDougall and Oviatt (2000) have demanded for. Therefore, in this study we have tried to take into consideration the all three dimensions of the original definition of Oviatt and McDougall (1994). Second, including the aspect of resources is also our response to the calls for insufficient study of international sourcing (see, e.g., Servais et al, 2006).

However, the focus of this study is on the process of becoming a global start-up, in other words, we are interested in why some international new ventures become global start-ups, and others perhaps not. So far our knowledge of the outcomes of early internationalisation is limited (Zahra 2005), and in our opinion this would be worth of investigation. In line with Hallbäck and Larimo (2006), we attempt to analyse the rapidly internationalising with the help of the typology of Oviatt and McDougall (1994). Nevertheless, in this analysis we hope to identify not only distinctive characteristics of

global start-ups, but also links to company performance with the help of survey data from Finnish ICT firms.

2. A TYPOLOGY OF INTERNATIONAL NEW VENTURES

The classification of different types of international new ventures by Oviatt and McDougall (1994) is depicted in the Figure 1. In the matrix, the different venture types are distinguished by the number of value chain activities that the firm coordinates across borders, and by the number of countries entered. The figure shows the global start-ups as extreme type of firms that coordinate many activities across many countries but also obtain sales from numerous markets. New international market makers (types I and II) are the most common type of INVs, profiting mainly from importing or exporting of goods from countries where they are to countries where they are demanded.

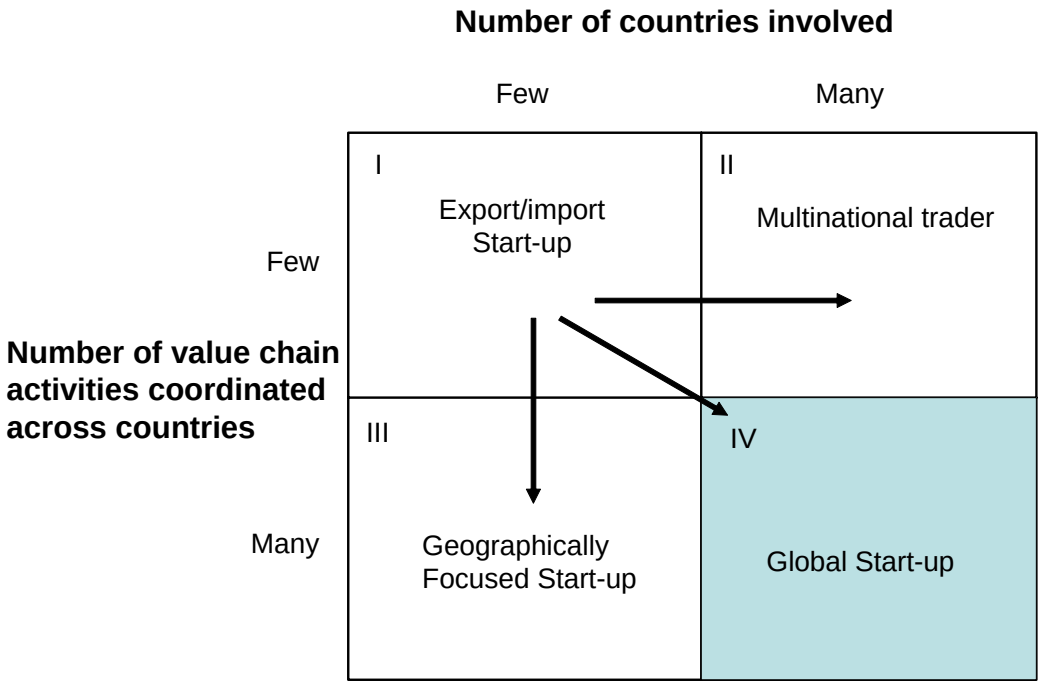

Figure 1. Types of International New Ventures (based on Oviatt & McDougall, 1994, 59)

Although the typology itself is rather static, both Oviatt and McDougall (1994) and later Hallbäck and Larimo (2006) have demonstrated that firms actually move between categories, and thus it includes also a dynamic element (the arrows in the figure indicate some potential paths of development). In fact, this movement between categories slightly resembles the traditional process model of internationalisation, in which companies gradually increase their involvement on international markets (cf. e.g., Johanson & Wiedersheim-Paul, 1975; Bilkey & Tesar 1977; Johanson & Vahlne, 1977; Luostarinen, 1979). As examples of this kind of companies, researchers have later introduced other types of rapidly internationalising firms as extensions to the classification, such as 'born-again globals' (Bell et al, 2001) and 'globalising internationals' (Gabrielsson & Gabrielsson, 2004).

Our thoughts are quite much in line with the arguments of some other researchers who have pointed out that actually the internationalisation process of INVs is not that different from other firms, particularly when studied not only at the time of entry to first foreign market but as a long-term process (Jones & Coviello, 2005; Hashai & Almor, 2004; Moen & Servais, 2002). The decisive differentiating factor seems to be the managers' commitment to internationalisation; either this international growth orientation (cf. Jantunen et al, 2008; Nummela et al, 2005) is there from the start or it develops incrementally. All in all, internationalisation can be described as a time-based entrepreneurial process, which is steered by the strategic decisions companies make in course of time (Jones & Coviello, 2005). These strategic decisions of international new ventures are discussed next.

3. STRATEGIC DECISIONS OF INTERNATIONAL NEW VENTURES

Internationalisation is generally understood as an evolutionary process during which a company adapts to the international environment (e.g., Calof & Beamish, 1995). The traditional models of internationalisation view this as a step-by-step process in which

separate phases could be distinguished (for review of process models, see e.g., Leonidou & Katsikeas, 1996). The different phases could be identified by following changes, e.g., in operation modes, attitudes towards internationalisation, information acquisition and transition and level of export involvement. In the majority of these models companies progress from one phase to another without an explicit strategy, although important decisions are made, e.g., choice of a more complex operation mode on international markets. Thus, it can be argued that in traditional process models the firm's behaviour is affected more by internal or external stimuli than deliberate development of strategies (Jones & Coviello, 2005; Moen & Servais, 2002).

In the case of international new ventures, the key strategic decision – to go international – is made very early in the company life cycle, maybe at the time of its founding (Autio et al., 2000) or even before the company legally exists. Later strategic decisions include the choice of country and entry mode (Andersen, 1993; 1997), and these two decisions are strongly intertwined in SMEs (Papadopoulos, 1987). According to the traditional view of internationalisation, the number of served international markets evolves gradually from few to many. In contrast, the literature on international entrepreneurship and new ventures suggest that firms may enter multiple countries from inception (Oviatt and McDougall 1994; Madsen and Servais 1997). As an appealing determinant of these firms' behaviour, Autio et al. (2000) have introduced the concept of "learning advantage of newness" and posit that firms entering international markets early on develop knowledge and routines that facilitate entry into additional foreign markets. Ventures that internationalise later on in their lifecycle may have developed routines within the domestic market that hinder their capability or willingness to absorb knowledge about opportunities and practices in foreign markets.

It has often been argued that international new ventures tend to initiate their internationalisation in lead markets, and when they become saturated expand to other countries (cf. Rialp et al., 2005). However, according to Crick and Jones (2000), these firms often utilise a two-phase strategy in their market selection: first, market-spreading in order to identify opportunities globally, and then focusing their resources on selected,

most promising markets. What are then these lead or preferred markets? Recent empirical studies among software firms indicate that particularly market size (in terms of purchasing power) and short geographical distance are good indicators for market selection (Ojala & Tyrväinen, 2008; Ojala & Tyrväinen, 2007). Number of markets served, on the other hand, seems to be positively related to the company age, nature of products, internationalisation of industry as well as small domestic markets (McNaughton, 2003).

On the other hand, researchers appear to agree that in order to reduce resource constraints and the risks involved, international new ventures choose low-commitment entry modes (Aspelund et al., 2007). This is in line with the findings of Mullins and Forlani (2005) that high-growth successful companies are very risk-averse, particularly when investing their own money. After all, later change of entry mode may be costly, risky and laborious (cf. Pedersen et al., 2002; Petersen and Welch, 2002; Petersen et al., 2000; Calof & Beamish, 1995). It may be that the use of networks in the selection of entry mode and market (Crick and Jones, 2000; Crick and Spence, 2005; Mort and Weerawardena, 2006; Moen et al., 2004) is an attempt to decrease the risk related to these decisions. In this respect, international new ventures do not seem to differ significantly from firms that internationalise at a slower pace. This is probably due to the fact that the choice of entry mode reflects the company's resources and capabilities, which need to be adjusted if it is to pursue its growth strategy (cf. Bernardino and Jones, 2003). Additionally, among software firms, the entry mode choice is intertwined with the product strategy and the service model chosen (Ojala & Tyrväinen, 2006).

No decisions are made in a vacuum; in other words, the context is also of importance (on the role of the industry in internationalisation see, for example, Boter and Holmqvist, 1996; Johansson and Mattsson, 1988). Prior studies note that the industry conditions where the firm operates is an important determinant of its international market strategy. For example, in his study on Canadian micro-exporters, McNaughton (2003) found that firms operating in international industries had larger export market portfolios. On the other hand, knowledge-intensive firms often operate in nascent industries in which there

is so far no direct competition. These industries are also quite fast moving and volatile, which often requires speedy adaptation and decision-making (cf. Crick and Spence, 2005; Andersson, 2004; Autio et al., 2000; Eisenhardt and Brown, 1998). Therefore, in order to be successful the companies should select strategies that are flexible and support constant opportunity recognition from the environment.

However, the international activities discussed above reflect only one dimension of internationalisation, i.e. the outward internationalisation, and yet a more holistic view to internationalisation of the firm has been often called for. Particularly the linkage between inward- and outward-led activities – such as buying and selling – has been addressed. (Korhonen et al, 1996; Fletcher, 2001; Servais & Jensen, 2001). Given that for an international new venture international sourcing decision can be a very strategic one – even labelled as an entrepreneurial act (Servais et al, 2006) – it is natural to address also the question of the international value chain as a whole.

4. INTERNATIONAL VALUE CHAIN OF INVS

The literature provides us several ways to measure the degree of firms' internationalization. For example, firms' foreign sales as percentage of their total sales, proportion of foreign to total assets, and foreign to total employees have been used in the studies (Sullivan 1994; Geringer et al. 1989). With the number of various other spread/diversity indices these measures, however, do not capture the essence of the degree of internationalization of the value chain as a whole. As Asmussen et al. (2007) state, the renewed attention in global sourcing and offshoring among international firms have further exposed the inadequacies of the measures, since they are entirely insensitive to how firms configure their international value chains and hence fail to capture important aspects of phenomenon.

Firm's globalization can be assessed by examining the location of its' value-added activities. According to Yip (1989), a multidomestic strategy represents a situation where

most of the firm's value chain is reproduced in every country. In another form of international strategy – exporting – most of the value chain is kept in one (home) nation. Finally, a global strategy represents a condition where the value chain is splintered to reduce costs so that each activity may be conducted in a different country.

In addition to internationalising sales, international new ventures have also shifted towards a more international value chain as a whole, and thus adopted a different business model than many traditionally internationalising small firms (Servais et al, 2006). This development is probably most evident among global start-ups who build their international business both on international sourcing and sales.

What then drives some international new ventures towards this new business model? In our opinion, the decisive differentiating characteristics of global start-ups is probably the commitment of top management to internationalisation, which has been measured before among knowledge-intensive firms with the concept of international growth orientation (Jantunen et al, 2008; Nummela et al, 2005). Therefore we propose the following:

P1: Global start-ups are characterised by higher international growth orientation than other firms.

Additionally, as mentioned earlier, we are also interested in exploring the linkage between global start-ups and their performance. We aim to respond to the Zahra's (2005) call for better understanding on the performance variations of different types of INVs. However, investigating performance is never straightforward, and it is clearly a 'double-edged sword' when global start-ups are studied with so that both the aspect of coordinating the international value chain and sales are taken into consideration. Namely, one could expect that because of increased efficiency and cost benefits due to international sourcing as well as increased sales from numerous markets, global start-ups might enjoy greater profits than other firms. On the other hand, international growth is often expensive and requires considerable investments. Additionally, coordination of the fragmented international value chain is a laborious task which requires special

capabilities, which these firms do not necessarily possess. Therefore, because of the exploratory nature of the study, we propose the following

P2: Global start-ups differ from other firms in terms of performance

5. RESEARCH DESIGN

5.1 Data collection

New venture internationalization can be subject to industry effects like knowledge-intensity, maturity, concentration and appropriability (Fernhaber et al. 2007). To control for such effects, we concentrated our analysis on a single industry and defined the population of interest as small and medium-sized Finnish companies providing value-added services in the ICT sector. These include content providers and software providers for service platform and management systems. Hardware manufacturers and companies providing mainly educational or consultancy services were excluded from the study. Due to the rapid development of the ICT sector and the unsuitability of standard industry classification codes, there was no single up-to-date sampling frame available for our purposes. Therefore, the names and contact information of the companies were sought from multiple sources, including the Kompass Finland Database, The Statistical Bureau of Finland database of Finnish companies, IT magazines, and the Internet sites of the companies themselves, universities, cities, science parks, incubators, venture capitalists and industry organizations. The data was collected by means of a structured questionnaire. Since the companies of interest were operating in the ICT sector, an Internet-based questionnaire was considered an appropriate tool for the data collection.

A total of 493 companies were identified, and contacted by telephone between November-December 2001. In this phase, 34 companies were found ineligible, and 74 refused to participate in the study. The 385 companies that agreed to participate received

on the following day an e-mail message containing instructions for answering the web-based questionnaire. A reminder message was sent to those who had not sent their responses within two weeks. Of this sample, 123 companies responded, resulting in an effective response rate of 26.8% (123/459) of the eligible target population. This rate could be considered adequate as the questionnaire was rather extensive and the respondents were mainly chief executive officers or managing directors with busy time schedules. Firms established before 1981 were eliminated from the analyses, as well as firms who did not have any international operations at the time of the data collection, and firms whose internationalization had not started within eight years from establishment. Thus, the analyses were conducted on the effective sample of 46 international new ventures.

The validity and reliability of the results were secured by several means. For example, the questionnaire was carefully pre-tested in a number of firms. Furthermore, it was targeted at CEOs and managing directors, who are considered the most knowledgeable informants regarding internationalisation issues in SMEs. A comparison of the early and late respondents (with the late respondents being assumed to be similar to non-respondents) was conducted in order to assess non-response bias (cf. Armstrong & Overton, 1977). No significant differences were found between these two groups, and non-response bias was therefore not expected to have an effect on the results of our study.

5.2 Measures

The construct of **global start-up** is central in this study, and a lot of attention was paid on the operationalisation of the construct. In this study global start-ups were operationalized as firms obtaining sales from five or more countries and having at least two different types of international activities. The classification of companies according to these two dimensions is illustrated in Table 1; resulting in 20 global start-ups in the sample.

Table 1. International activities of the companies studied

	1-4 countries	5- countries	Total
0-1 activities	8	5	13
2-6 activities	13	**20**	33
Total	21	25	46

Another key concept of the study was the **international growth orientation** of the top management. Here the measure for international growth orientation was adapted from Nummela et al. (2005). The scale was based on four items, and the responses for each item were collected on a five-point Likert scale with the anchors 1= totally disagree, 5= totally agree. A composite measure was formed by taking an average of the items, and the internal consistency was good (Cronbach's α= .85). The items were:

- We will have to internationalise in order to succeed in the future
- The growth we are aiming at can be achieved mainly through internationalisation
- The risks brought about by internationalisation are too great (reversed)
- The domestic market still offers sufficient growth potential (reversed)

We were also interested in how the global start-ups performed compared to the other firms in the data set. However, operationalisation of **performance** is never straightforward, although international performance has attracted a lot of attention among researchers during the last couple of decades. There is no common valid operationalisation of the concept. A review of the literature suggests that the two primary approaches to performance assessment are the objective and the subjective (e.g., Cavusgil & Zou, 1994; Katsikeas et al, 2000). As an objective indicator we applied export intensity (foreign turnover as a percentage of total turnover). As subjective performance measures, we used multiple perceptual indicators. The respondents were asked to indicate their agreement (1=totally disagree, 5=totally agree) with the following statements:

- We are generally satisfied with our performance in international markets (1)
- We have achieved our international sales objectives (2)
- We have achieved our international market share objectives (3)
- Internationalisation has enhanced our profitability (4)
- Internationalisation has improved our image (5)
- Internationalisation has enhanced our learning (6)

- Our investments on internationalisation seem to pay off well (7)

The average of items 1, 2, 3, 4, and 7 was named as subjective quantitative performance (Cronbach's alpha = .910) and items 5 and 6 were combined as subjective qualitative performance (Cronbach's alpha = .692).

Regardless of the firm's international growth orientation, other firm-specific factors may also have an impact on internationalisation and performance. We therefore controlled for firm size and international experience in the analysis (cf. Jantunen et al, 2008). As larger firms have larger pools of resources to exploit and the possibility of achieving advantages of scale in international operations, firm size is assumed to affect the scope of activities, market diversification and international performance positively. Annual sales turnover (reported in € million) was used as an indicator. International experience may also have a positive impact, according to theories of experiential learning and stages theories of internationalisation (Johanson & Vahlne, 1977; Welch & Luostarinen, 1988). International experience was measured as the number of years that the firm had operated in international markets.

6. FINDINGS

6.1 International activities of INVs

Our operational definition of global start-ups included the number of activities abroad and the number of countries where the firm operates. A closer examination of the various

activities in Table 2 reveals that global start-ups indeed have significantly more often distribution, sales, and marketing activities abroad (Fisher's exact test based on a 2 x 2-contingency table). In general, inward activities are not as common as outward activities, and this difference is even more highlighted among the global start-ups.

Table 2. Percentage of firms with various activities abroad

	Other INVs	Global Startups	Chi- Square	Fisher 1-tailed p.
Manufacturing abroad	23.1%	45%	2.47	.105
Sales and marketing abroad	42.3%	90%	11.04	.001
Distribution and retailing	38.5%	70%	4.51	.033
Delivery and logistics abroad	15.4%	25%	.66	.328
OEM abroad	23.1%	25%	.02	.575
Buying subcontracting abroad	23.1%	20%	.06	.547
Purchasing abroad	3.8%	15%	1.77	.211
N	26	20		

Table 3 shows some more descriptive comparisons about the internationalisation of INVs. Global start-ups (GSU) were on an average two years older than other INVs, as the average age of the companies at the time of the data collection was about five to seven years. The differences in size are not statistically significant, as there is very large variation among the global start-ups. The average international experience among GSUs is about six years, implying that the typical time to start international activities is less than two years from establishment. The other INVs have about two to three years shorter experience. In line with our operationalization, GSUs have on an average ten more target countries than other INVs and also significantly wider scope of activities.

The international growth orientation of global start-ups is significantly higher than it is among other international new ventures. In terms of international performance, GSUs score significantly better than other INVs in two indicators. The average international

share of turnover is 53% among GSUs while other INVs receive on an average 21% of their sales from abroad. GSUs have been able to enhance their image and learning very well, as the mean of subjective qualitative international performance is as high as 4.2 (on a scale from 1 to 5). The satisfaction with more quantitative objectives like sales, market share and profitability is generally lower, especially other INVs tended to disagree with the achievement of these objectives.

Table 3. Descriptive statistics of the INVs

	Other INV			GSU			T
	N	Mean	S.D.	N	Mean	S.D.	
Year established	26	1996.58	3.239	20	1994.20	4.819	-1.90*
Employees	25	19.96	27.552	20	84.00	169.163	1.68
Turnover	24	1.91	3.222	11	12.80	24.395	1.48
Years of intnl experience	26	3.31	1.738	20	6.00	4.401	2.59**
Time to start	26	2.11	2.321	20	1.80	2.118	.47
Countries	26	3.27	3.715	20	14.10	10.290	4.49***
Activities abroad, max7	26	1.69	1.490	20	2.90	1.165	2.99***
IGO	26	3.63	.985	20	4.10	.670	1.79*
Export intensity	26	21.46	29.653	18	52.64	33.594	3.25***
Subj. quantitative performance	25	2.41	.921	20	2.85	1.104	1.46
Subj. qualitative performance	25	3.60	.559	20	4.20	.594	3.48***

6.2 Global Start-ups, international growth orientation and performance

The simple comparisons of internationalization characteristics between global start-ups and other international new ventures revealed many statistically significant differences among these two groups. However, a more rigorous test of our propositions requires multivariate analyses where the effects of control variables can be accounted for. Thus we test our propositions using multiple regression analyses. The first proposition

concerned the international growth orientation, and the results of the binary logistic regression are in Table 4.

Table 4. Logistic regression results: IGO drives global start-ups

Model fit	Chi Square (df)	Nagelkerke R Square	Hosmer & Lemeshow Goodness of fit	% correctly classified
	21.09*** (3)	.636	2.69 (7)	85.7
Independent	Coefficient	Std.error	Wald (df=1)	Exp (B)
Turnover	.051	.029	3.154*	1.052
Years of intnl experience	.585	.312	3.511*	1.795
IGO	2.913	1.615	3.252*	18.406
Constant	-16.158	7.850	4.237**	.000

*p<.10, **p<.05,***p<.01

The binary variable of being a global startup (coded as 1) vs. other international new venture (coded as 0) was used as the dependent variable, company size and international experience as control variables, and international growth orientation was the proposed independent variable. The model is significant at 1% level according to the overall Chi Square test and also the Pseudo R square and Hosmer and Lemeshow test indicate good fit. The model is able to correctly classify 96% of the other INVs and 64% of the GSUs, totalling 86% of all cases. Company size and international experience have the expected positive effects on the likelihood of being a global start-up, and the effects are significant at the 10% level. International growth orientation also has a positive and significant effect, implying that even when size and experience of the firm are accounted for those with higher IGO are more likely to pursue the global start-up type of internationalization than those international new ventures with a lower level of IGO. Thus we receive support for our first proposition *P1: Global start-ups are characterised by higher international growth orientation than other firms.*

The second proposition was about the international performance of global start-ups in comparison with other international new ventures. This time multiple linear regression analyses were applied. The three international performance variables were used as dependents, size and experience as controls, and the independent variables included international growth orientation and a dummy variable indicating whether the firm was classified as a GSU (coded as 1) or other INV (coded as 0). The results are shown in Table 5.

Table 5. Regression results: International performance of GSUs vs. other INVs

Dependent	Export intensity		Subj qual		Subj quant	
Model fit	R Squared	F	R Squared	F	R Squared	F
	.384	4.68***	.235	2.23*	.206	1.89
Independent	Std. Coefficient	t	Std. Coefficient	t	Std. Coefficient	t
Turnover	-.174	-.857	-.028	-.121	.208	.887
Years of intnl experience	.345	1.678	.140	.599	.157	.660
IGO	.372	2.490**	.050	.295	.239	1.387
Global startup dummy	.277	1.718*	.411	2.230**	.019	.101

*p<.10, **p<.05,***p<.01

The first two models are significant with a bit higher R squared for export intensity than for the subjective performance evaluations. Somewhat surprisingly neither of the control variables have any significant effects on international performance. More internationally growth oriented firms have better performance in terms of international sales ratio. Over and above the effects of the controls and IGO, global start-ups have higher international sales ratios and are more satisfied with the qualitative aspects of internationalisation. The effect on export intensity is significant only at the .10 level, but regarding the small effective sample size and the exploratory nature of our analysis, we conclude that *P2: Global start-ups differ from other firms in terms of performance* is supported by the empirical evidence.

7. DISCUSSION AND CONCLUSIONS

This exploratory study reveals that studying international new ventures with a holistic approach – including both inward and outward activities – does offer interesting findings and opens new avenues for future research. This theme clearly deserves more attention. Also the classification of international new ventures into smaller subgroups proved to be fruitful, not least concerning global start-ups.

Our study supports the previous studies in that global start-ups are no longer anomalies among international new ventures. In our study, nearly half of the firms could be classified as global start-ups as they had internationalised rapidly, did sell their products in multiple countries and had also at least two different value chain activities located in abroad. Our findings also imply that by no means are the global start-ups in themselves as a homogeneous group of ventures. There was more internal variation (e.g. in firm size, experience, scale and scope of operations) within this group of firms than among other types of international new ventures. Additionally, one interesting finding that would deserve further examination is the fact that global start-ups carry out relatively more outward than inward activities in comparison to other types of international new ventures.

Obviously, this study advances previous empirical inquiries on international new ventures of both emphasising the holistic perspective to the value chain of INVs and including the number of value chain activities explicitly into the analysis. One of the interesting findings in our study is that we found only five out of 25 international new ventures that have internationalised rapidly into multiple countries but have only little value chain activities in those countries. This would supported the often made assumption that global start-ups do not in practice differ from born globals, even if the definitions on the latter do not directly consider the “number of value chain activities”. On the other hand, this might also indicate that the linkage between inward and outward activities in early internationalising firms is not as strong as we might expect.

Regarding our P2 we found that global start-ups differ from other ventures in the terms of their subjective qualitative performance. This is a central finding since earlier research (see, e.g. Zahra 2005) has pointed out the importance, and the gap in the literature, of examining the performance variations of different types of INVs. The global start-ups perceived the effects of internationalisation on their image and learning higher than others. There were not, however, differences perceived in the more quantitative measures such as market share. This would mean that the strategic posture (global start-up or other type) of the venture do not explain the harder or financial differences in the firms' performance but some of the qualitative differences are noteworthy. Regarding enhanced learning we could consider that global start-ups operating in multiple countries are more exposed to different learning opportunities that may enhance further internationalisation (see e.g. Saarenketo et al., 2004). We also might argue that the presence of the firm in multiple countries may enable the company to build a more coherent and dynamic company image for itself.

The fact that there were no differences in performance on market share dimension could be explained, e.g., by the possibility that global start-ups might have more ambitious goals for their market share in the first place. Another rationale would be that a new venture operating in multiple countries often targets its business to a niche that might be very thin in one individual country market and thus, it can be very hard to estimate the market in terms of its size and divisions of shares across competing companies.

From managerial point of view, the findings of this study indicate that the management of international new ventures should be encouraged to internationalising their value chain as a whole, even if it does have its risks. However, the managers making these decisions should also be aware of the capabilities needed for managing these global value networks they create.

In spite of the interesting results, we have to keep in mind that the study also has its limitations. It is a cross-sectional snapshot of one industry, and with a relatively small sample size. Additionally, the companies studied vary in their speed of

internationalisation. Therefore these suggestive results should be tested in later studies with both quantitative and qualitative data.

REFERENCES

Andersen, O. (1993). On the internationalization process of firms: A critical analysis, *Journal of International Business Studies*, 24/2, 33–46.

Andersen, O. (1997). Internationalization and market entry mode: a review of theories and conceptual frameworks, *Management International Review*, 37/2, 7–42.

Andersson, S. (2004). Internationalization in different industrial contexts, Journal of Business Venturing, 19/6, 851–875.

Asmussen, C.G., Pedersen, T. and Petersen, B. (2007). How do we capture "global specialization" when measuring firms' degree of globalization? *Management International Review*, 47/6, 791-813.

Aspelund, A., Madsen, T. K. and Moen, Ø. (2007). A review of the foundation, international marketing strategies, and performance of international new ventures, *European Journal of Marketing*, 41/11/12, 1423–1448.

Autio, E. (2005). Creative tension: the significance of Ben Oviatt's and Patricia McDougall's article 'Toward a theory of international new ventures', *Journal of International Business Studies*, 36/1, 9-19.

Autio, E., Sapienza, H.J. and Almeida, J.G. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth, *Academy of Management Journal*, 43/5, 909-924.

Bell, J., McNaughton, R. and Young, S. (2001) 'Born-again global' firms. An extension to the 'born global' phenomenon, *Journal of International Management*, 7/3, 173–189.

Bernardino, L. and Jones, M. V. (2003). The role of resources/capabilities in the internationalization and performance of high-technology small firms: Mode choice and performance. In C. Wheeler, F. McDonald and I. Greaves (eds.), *Internationalization. Firm strategies and management*, Houndmills: Palgrave Macmillan, 187-207.

Bilkey, W.J. and Tesar, G. (1977). The export behavior of smaller-sized Wisconsin manufacturing firms, *Journal of International Business Studies*, 8/1, 93-98

Boter, H., and Holmquist, C. (1996). Industry characteristics and internationalization processes in small Firms, *Journal of Business Venturing*, 11/6, 471–487.

Calof, J.L. and Beamish, P.W. (1995). Adapting to foreign markets: Explaining internationalization, *International Business Review*, 4/2, 115-131.

Cavusgil, S.T. and Zou, S. (1994). Marketing strategy-performance relationship: an investigation of the empirical link in export market ventures, *Journal of Marketing*, 58 /1, 1-21.

Crick, D. and Jones, M. (2000). Small high-technology firms and international high-technology markets, *Journal of International Marketing*, 8/2, 63–85.

Crick, D. and Spence, M. (2005). The internationalisation of 'high performing' UK high tech SMEs: a study of planned and unplanned strategies, *International Business Review*, 14/2, 167–185.

Eisenhardt, K. and Brown, S. (1998). Time pacing: Competing in markets that won't stand still, *Harvard Business Review*, 76/2, 60–69.

Fernhaber, S., McDougall, P.P. and Oviatt, B. (2007). Exploring the role of industry structure in new venture internationalization, *Entrepreneurship Theory and Practice*, 31/4, 517-542.

Fletcher, R. (2001). A holistic approach to internationalisation, *International Business Review*, 10/1, 25-49.

Gabrielsson, P. and Gabrielsson, M. (2004). Globalizing internationals: business portfolio and marketing strategies in the ICT field, *International Business Review*, 13/6, 661-684.

Geringer, J.M., Beamish, P.W. and daCosta, R.C. (1989). Diversification strategy and internationalization: Implications for MNE performance, *Strategic Management Journal*, 10/2, 109-119.

Hallbäck, J. and Larimo, J. (2006). Variety in international new ventures – Typological analysis and beyond, *Journal of Euromarketing*, 16/1-2, 37-57.

Hurmerinta-Peltomäki, L. (2004). Conceptual and methodological underpinnings in the study of rapid internationalizers, In Jones, M.V. and P. Dimitratos (eds.), *Emerging Paradigms in International Entrepreneurship*, Cheltenham: Edward Elgar, 64-88.

Jantunen, A., Nummela, N., Puumalainen, K. and Saarenketo, S. (2008). Strategic orientations of born globals – Do they really matter? *Journal of World Business*, 43/2, 158-170.

Johanson, J. and Mattsson, L-G. (1988). Internationalisation in Industrial Systems – a Network Approach, In Hood, N. and J-E. Vahlne (eds.), *Strategies in Global Competition*, London: Croom Helm, 287-314.

Johanson, J. and Vahlne, J.-E. (1977). The internationalisation process of the firm – a model of knowledge development and increasing foreign market commitments, *Journal of International Business Studies*, 8/1, 23–32.

Johanson, J. and Vahlne, J-E. (1990). The mechanism of internationalization, *International Marketing Review*, 7/4, 11-24.

Johanson, J. and Wiedersheim-Paul, F. (1975). The internationalization of the firm: four Swedish cases, *Journal of Management Studies*, 12/3, 305-322.

Jones, M. V. and Coviello, N. E. (2005). Internationalisation: conceptualising an entrepreneurial process of behaviour in time, *Journal of International Business Studies*, 36/3, 284–303.

Katsikeas, C.S., Leonidou, L.C. and Morgan, N.A. (2000). Firm-level Export Performance Assessment: Review, Evaluation, and Development, *Journal of the Academy of Marketing Science*, 28/4, 493-511.

Korhonen, H., Luostarinen, R. and Welch, L. (1996). Internationalization of SMEs: Inward--outward patterns and government policy, *Management International Review*, 36/4, 315-329.

Leonidou, L.C. and Katsikeas, C.S. (1996). The export development process: An integrative review of empirical models, *Journal of International Business Studies*, 27 (3): 517-551.

Luostarinen, R. (1979). *Internationalization of the firm*, Doctoral dissertation. Publications of the Helsinki School of Economics and Business Administration, Helsinki.

Madsen, T.K. and Servais, P. (1997). The internationalization of born globals: an evolutionary process? *International Business Review*, 6/6, 561-583.

McDougall, P.P. and Oviatt, B.M. (2000). International entrepreneurship: the intersection of two research paths, *Academy of Management Journal*, 43/5, 902-906.

McNaughton, R. (2003). The Number of Export Markets that a Firm Serves: Process Models versus the Born-Global Phenomenon, *Journal of International Entrepreneurship*, 1/3, 297-311.

Moen, Ø. and Servais, P. (2002). Born global or gradual global? Examining the export behavior of small and medium-sized enterprises, *Journal of International Marketing*, 10/3, 49–72.

Moen, Ø., Gavlen, M. and Endresen, I. (2004). Internationalization of small, computer software firms. Entry forms and market selection, *European Journal of Marketing*, 38/9/10, 1236–1251.

Mort, G. S. and Weerawardena, J. (2006). Networking capability and international entrepreneurship. How networks function in Australian born global firms, *International Marketing Review*, 23/5, 549–572.

Mullins, J. W. and Forlani, D. (2005). Missing the boat or sinking the boat: a study of new venture decision making, *Journal of Business Venturing*, 20/1, 47–69.

Nummela, N., Puumalainen, K. and Saarenketo, S. (2005). International Growth Orientation of Knowledge-intensive Small Firms, *Journal of International Entrepreneurship*, 3/1, 5-18.

Ojala, A. and Tyrväinen, P. (2008). Market entry decisions of US small and medium-sized software firms, *Management Decision*, 46/2, 187 – 200.

Ojala, A. and Tyrväinen, P. (2007). Market Entry and Priority of Small and Medium-Sized Enterprises in the Software Industry: An Empirical Analysis of Cultural Distance, Geographic Distance, and Market Size, *Journal of International Marketing*, 15/3, 123-149.

Ojala, A. and Tyrväinen, P. (2006). Business models and market entry mode choice of small software firms, *Journal of International Entrepreneurship*, 4/2-3, 69-81.

Oviatt, B. and McDougall, P. (1994). Toward a theory of international new ventures, *Journal of International Business Studies*, 25/1, 45–64.

Papadopoulos, N. (1987). Approaches to international market selection for small- and medium-sized enterprises. In P. J. Rosson and S. D. Reid (eds), *Managing export entry and expansion*, New York: Praeger Publishers, 128–158

Pedersen, T., Petersen, B. and Benito, G. R. G. (2002). Change of foreign operation method: impetus and switching costs, *International Business Review*, 11/3, 325–345.

Petersen, B. and Welch, L. S. (2002). Foreign operation mode combinations and internationalisation, *Journal of Business Research*, 55/2, 157–162.

Petersen, B., Welch, D. E. and Welch, L. S. (2000). Creating Meaningful Switching Options in International Operations, *Long Range Planning*, 33/5, 688–705.

Rialp, A., Rialp, J. and Knight, G. A. (2005). The phenomenon of early internationalizing firms: what do we know after a decade (1993-2003) of scientific inquiry? *International Business Review*, 14/2, 147–166.

Saarenketo, S., Puumalainen, K., Kuivalainen, O. and Kyläheiko, K. (2004). Dynamic knowledge-related learning processes in internationalizing high-tech SMEs, *International Journal of Production Economics*, 89/3, 363-378.

Servais, P. and Jensen, J. (2001). The internationalization of industrial purchasing: the example of small Danish manufacturers, *Advances in International Marketing*, 11, 227-254.

Servais, P., Zucchella, A. and Palamara, G. (2006). International entrepreneurship and sourcing: International value chain of small firms, *Journal of Euromarketing*, 16/1/2, 105-117.

Sullivan, D. (1994). Measuring the degree of internationalization of a firm, *Journal of International Business Studies*, 25/2, 323-342.

Welch, L.S. and Luostarinen, R. (1988). Internationalization: evolution of a concept, *Journal of General Management*, 14/2, 34-55.

Yip, G.S. (1989). Global Strategy in a World of Nations? *Sloan Management Review*, 31/1, 29-41.

Zahra, S. A. (2005). A theory of international new ventures: a decade of research, *Journal of International Business Studies*, 36/1, 20–28.