

Overcoming Blindspots and Knowledge Gaps in Entrepreneurs' Internationalization Decisions

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Agenda (11:15-12:30)

- Introduction of Topic 10 minutes
- 4 Internationalization Studies 30 minutes
- Implications 10 minutes
- Discussion 25 minutes
 - So what?
 - Where do we go from here?

“In spite of all the talk of globalization, National Export Initiative, trade deficits, job creation, etc., it still seems that the U.S. mindset for addressing markets in different cultures and distant lands lags in comparison with other countries.

It is quite ironic, as I have had many customers in places like the Middle East tell me that they prefer working with American[s]... If only we all knew!”

Topic

- Why do entrepreneurs make the decisions that they do?
- How do we “ignite global trade” starting with our own, local companies?
- What we know:
 - Different motivations, different “influences”
- What we don’t know:
 - How and why and what *actually* matters.
- Importance of “good” decisions

4 Internationalization Studies

- Study 1: Survey of High Growth New Ventures in the Southeast
- Study 2: Verbal Protocols with New-to-International New Ventures
- Study 3: Survey of Experienced Exporters in the Midwest
- Study 4: Choice Experiment with New Ventures Nationwide

Study 1: Survey

- Coauthors: Denis Grégoire, Ben Oviatt
- Do the factors that matter to entrepreneurs/managers match what the academic literature says matters?
- So, we asked them!
- Results showed interesting (and not surprising) differences in what matters between those that are and are not international and those that went early or late

Study 1: Results

(See Handout)

- Most Relevant Factors (full sample):
 - Financial return, cost (financial, time, effort), risk, consistency with strategy, barriers to entry, level of competition
- International vs. Not-International Firms:
 - More important to non-international firms: Access to low cost factors, opportunity to learn, desire to develop new networks, need to protect assets and IP, economies of scale, geographic proximity

Study 1: Results

(See Handout)

- Early vs. Late Internationalizing Firms:
 - Drivers of Early Internationalization: Ability to diversify sales, saturation of domestic market, opportunity to learn, **availability of external resources**, access to new resources
 - More Important to Late Internationalizers: Desire to develop new networks, **foreign market knowledge, previous experience in foreign market, product life cycle, existing networks**

Study 1: Implications

- Respondents said that risk/return, networks, and knowledge matter
- Academic research often centers on culture, language, and geographic differences
- Important differences exist between experienced and non-experienced and early vs late
- What matters as entrepreneurs actually make decisions (as opposed to after the fact)? → Studies 2 and 3
- How do entrepreneurs trade-off these factors? → Study 4

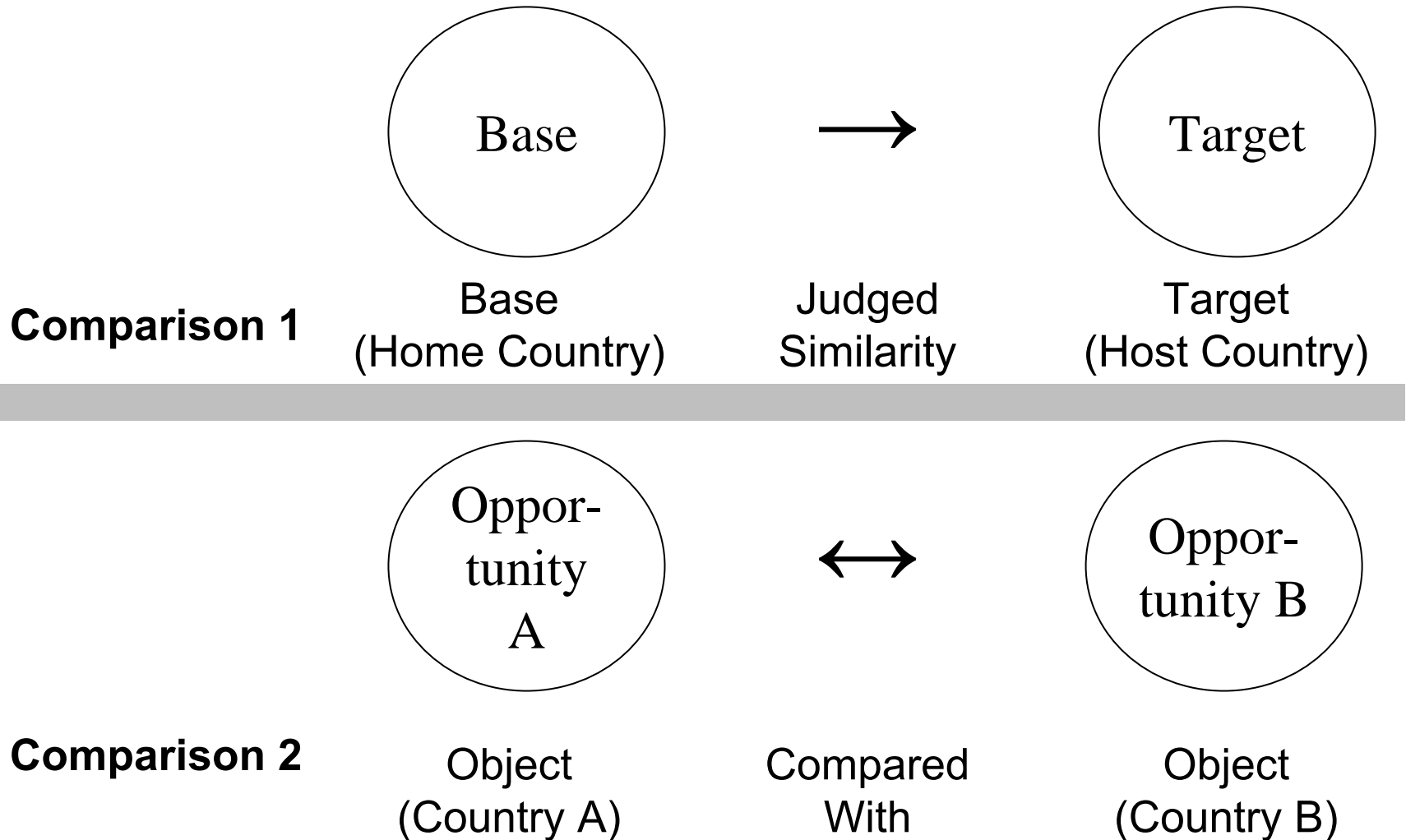
Study 2: Verbal Protocols

- Academic theories provide competing explanations for where and when entrepreneurs take their firms international
- We still do not understand how and why different factors influence entrepreneurs' internationalization decisions
- Draw from cognitive psychology to understand how/why

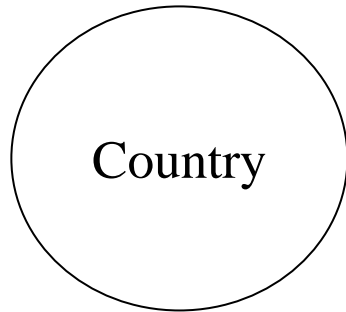
Study 2: Verbal Protocols

- Special Acknowledgements:
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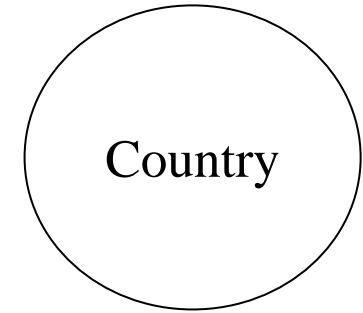
Study 2: Two Key Comparisons



Study 2: Cs, ADs, and NADs



English



English

**Commonality
(Dealmakers)**

Power Distance = 40

**Alignable Difference
(Surmountable)**

Power Distance = 80

- (1) Network
- (2) Same Distribution Channels

**Nonalignable
Difference
(Dealbreakers)**

- (1) No Network
- (2) Different Distribution Channels

Study 2: Results

- Different Decision-Making Heuristics:
 - Opportunity Selection: Cs, ADs, NADs
 - When to Enter: Cs
- Blind Spots:
 - NADs (dealbreakers) hard to process cognitively but very important to internationalization decisions
 - Focus on Cs helps minimize resource expenditures but may have serious consequences for the firm's growth, performance, and survival

Study 2: Results

- Dealmakers (Cs)
 - Easier to understand / less adaptation
- Surmountable differences (ADs)
 - Easier to process / also can minimize adaptation
- Dealbreakers (NADs)
 - Noncomparable / hard to process / may “need” higher levels of knowledge and/or higher levels of motivation

Study 2: Results

- Impact of knowledge:
 - Earlier internationalization
 - Select markets less similar to US
 - Process more opportunity features
 - Alters decision making processes
 - Better use of NADs (dealbreakers); also have the cognitive ability to turn dealbreakers (NADs) into surmountable differences (ADs) or dealmakers (Cs)

Study 3: Survey

- Looks at the same questions as Study 2 but focuses on firms that have already internationalized
- Attempts to clarify if what matters *as entrepreneurs make* internationalization decisions is the same as what they remember and report *after they have made* the decisions

Study 3: Survey

- Special Acknowledgements:
 - Denis Grégoire, Pam Barr, Lisa Lambert, & Tamer Cavusgil
 - Jim Foley of the Bradley University International Trade Center SBDC and Shari Stout of the U.S. Export Assistance Center (Peoria).
 - Financial support from Georgia Research Alliance / Kauffman Foundation and Georgia State University.

Study 3: Results

- Compared with Study 2, the importance of surmountable differences (ADs) were much higher in Study 3, suggesting a *post hoc* emphasis on 'distance' measures
- Strong preference for Anglo countries, followed by Mexico, other western Europe, then eastern Asia (China and Japan)
- If firms did not internationalize early, they tended to internationalize very late or not at all

Study 4: Choice Experiment

- Coauthors: Denis Grégoire, Andrew Zacharakis
- Broad base of entrepreneurs with varying levels of international experience
- Goal is to see how entrepreneurs “trade-off” different levels of different opportunity features and which features are most important when actually making decisions
- Data collection nearly complete

Study 4: Choice Experiment

	Option 1A7	Option 2A6
Size of the international market	large market	medium-size market
Culture of the international market	different culture than your domestic market	similar culture to your domestic market
Your firm's products/services	better features/prices than competitors	equivalent features/prices with competitors
Your firm's ability to use current resources (e.g., employees, equipment, etc.) for expansion in that market	high ability / can do right away	will take some effort

Sources of Prior Knowledge

Study	Formal	Self-Study	Lived	Traveled	Inward
1	x	x	20.5%	x	x
2	36.8%	73.7%	52.6%	89.5%	x
3	38.8%	68.7%	21.0%	30.0%	30.0%
4	NA	NA	NA	NA	NA

- Formal education on international topics is important to entrepreneurs...
- ...but self-study is even more important
- International experiences vary in importance but all positively impact internationalization

Implications for Entrepreneurs

- Entrepreneurs may be neglecting important opportunity features and thus making sub-optimal internationalization decisions
- Gathering internationalization process and foreign market knowledge is critical for making ‘good’ internationalization decisions and overcoming natural cognitive biases and difficulties in processing “dealbreaking” NADs

Implications for Trade Training (1)

- If we are to meet political goals and expand our export base, trade training programs are critical for entrepreneurs'
- Entrepreneurs' focus on self-study means that flexible and accessible content is vital
- Program content and market research should highlight a breadth of opportunity (market) features including Cs, ADs, & NADs to help entrepreneurs think holistically
- The trick is to find firms early – soon after founding

Implications for Trade Training (2)

- When working with entrepreneurs, look out for their blind spots
 - Are they overly focused on language / culture that are commonality “dealmakers” or “surmountable differences”?
 - Do they consider important “dealbreakers” such as networks and market structure?
- It is important to tailor the training or assistance to the individual firm or entrepreneur and their needs

Implications for Educators

- Formal education on these topics remains an important source of knowledge
 - Validates years of internationalizing curricula
- Growing trend towards self-study demonstrates an unmet market need
 - Online and/or certificate courses should continue to grow in importance
- What other types of post-college education can help entrepreneurs get what they need?

Questions?

Comments

Discussion

Where do we go from here?