Early Internationalizing Firms: Networks and Post-Entry Internationalization Speed

Dissertation

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presented by

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List of Abbreviations

ACAP……………………………….. absorptive capacity
BG……………………………….. born global
CABS…………………………….. Chartered Association of Business Schools
CEO……………………………… chief executive officer
EIBA…………………………….. European International Business Academy
CMV…………………………….. common method variance
e.g. …………………………… exempli gratia / for example
et al. …………………………… et alii / and others
i.e. …………………………… id est / that is
ICT……………………………… information and communication technology
IE……………………………… international entrepreneurship
INV…………………………….. international new venture
KBV…………………………….. knowledge-based view
LAN …………………………… learning advantages of newness
LoN …………………………… liabilities of newness
MNC…………………………….. multinational corporation
n………………………………… sample size
n.a. ………………………… not applicable
p……………………………… significance level
p……………………………… page
POLCON……………………… Political Constraints Index
R²……………………………… R-squared
r……………………………… correlation coefficient
RQ……………………………… research question
SME……………………………. small and medium-sized enterprise
VIF……………………………. variance inflation factor
$\Delta$..........................delta

$\%$...............................percent
A Introduction

1 Focus of the Dissertation

The process of firms’ internationalization has long been studied comprehensively (De Clercq et al., 2012). The traditional stage-based perspective assumes that firms follow a slow and incremental approach to internationalization (Johanson & Vahlne, 1977, 1990) because their initial step into foreign markets (Hitt et al., 2006; Oviatt & McDougall, 1994) and the subsequent process of international growth (Autio, 2005; Jones & Coviello, 2005) demand significant resources. However, the phenomenon of early internationalizing firms has challenged the traditional internationalization theory because they enter foreign markets right from their inception or shortly thereafter (De Clercq et al., 2012; Rialp et al., 2005) and quickly seek international growth (Sapienza et al., 2006), although their short company history means they seldom have the resources they need to do so (Schwens & Kabst, 2011). In this context, the appearance of early internationalizers has gained considerable attention in the domain of international entrepreneurship (IE) research (Oviatt & McDougall, 2005), which focuses on how firms can operate in foreign markets early in their life cycles and the implications of this rapid internationalization.

Focusing on the question of how firms can venture abroad early in their life cycles, the literature reveals that networks—that is the “set of nodes and the set of ties representing some relationship, or lack of relationship, between nodes” (Brass et al., 2004, p. 795)—are central to early internationalizers’ ability to gain access to the resources that are required for internationalization (Coviello, 2006). Network contacts can provide tangible resources like financial capital (Coviello & Cox, 2006) and intangible resources like knowledge about foreign markets (Lu et al., 2010). Since early internationalizers use their network contacts not only for their first foreign ventures but also for subsequent internationalization (Coviello, 2006), the role of networks in early internationalizers’ efforts changes during their internationalization process because their resource requirements change (Coviello & Cox, 2006). Hence, the role of networks as resource provider for early internationalizers’ and firms’ continuous adaption of their networks to react to changing resource requirements throughout the internationalization process (i.e., network dynamics) is ripe for further scholarly inquiry.
Although networks can help to enable firms’ early internationalization, some studies show that networks can also have some detrimental effects on internationalization efforts because network partners can have negative reputational effects on early internationalizers that can hamper their performance (Coviello & Munro, 1997) and international growth (Sepulveda & Gabrielsson, 2013). Therefore, the current research (e.g., Knight & Liesch, 2016; Prashantham & Birkinshaw, 2015) argues for the importance of considering boundary conditions when one evaluates the networks’ usefulness for early internationalizers. For example, the literature argues that firms need certain capabilities to profit from external knowledge like that from network partners (DeCarolis & Deeds, 1999). Since networks play a key role in early internationalizing firms, it is important to consider their bright and dark side.

Another frequently discussed topic is the implications of early internationalization for a firm’s post-entry internationalization speed. Studies argue that the time between a firm’s founding and its first foreign market entry (i.e., the pre-internationalization phase) has an imprinting effect on the firm’s speed of international growth afterward (i.e., the post-entry internationalization speed) (Autio, 2005; Autio et al., 2000). It is crucial to understand how an early internationalization influences the post-entry internationalization speed to save firms from venturing into foreign markets too quickly (Prashantham & Young, 2011). The relationship between the pre-internationalization phase and the post-entry internationalization speed also requires clarification, as a high post-entry internationalization speed may increase firms’ mortality risk (Sapienza et al., 2006) or it may be an indicator of firms’ success (Autio et al., 2000).

This dissertation sets out to determine how firms enter foreign markets right at or shortly after their inception and the implications of this behavior for firms’ subsequent internationalization. More specifically, the dissertation has three primary aims. First, it systematically captures the role of networks as a resource provider for early internationalizing firms and identifies future research opportunities regarding the dynamics of these networks. Second, it develops arguments for the opposing impacts of national and international network tie strength on firms’ international performance and how absorptive capacity (ACAP) moderates these relationships. Third, drawing on the concepts of learning advantages of newness (LAN) and liabilities of newness (LoN), it develops competing hypotheses regarding the impact of early internationalization on firms’ post-entry internationalization speed.
To accomplish these research aims, the dissertation applies and expands established theoretical frameworks. The knowledge-based view (KBV), one of the key theoretical perspectives in the IE domain, is applied in numerous studies (e.g., Freeman et al., 2010; Prashantham & Young, 2011) that reveal firms’ knowledge as their key source of competitive advantage (Eisenhardt & Santos, 2002). The present dissertation advances these arguments by first developing theoretically the notion that variances in firms’ international performance result from heterogeneous knowledge gained from early internationalizers’ network contacts and then by establishing firms’ ACAP as an important contingency in this relationship. The dissertation also advances existing knowledge about the frequently discussed concepts of LAN (Autio et al., 2000) and LoN (Stinchcombe, 1965) in the domain of IE. Specifically, by developing competing hypothesis, the dissertation reveals how each of these concepts may come into play in early internationalizers’ post-entry internationalization speed.

From a methodological perspective, the dissertation applies a systematic review approach to existing conceptual, qualitative, and quantitative literature on the role of networks in the cross-border expansion of early internationalizers. In addition, the dissertation analyzes primary data on early internationalizing German firms that was gathered through a questionnaire that consists of established items. This primary data is enriched with secondary data from the AMADEUS database and publicly available environmental data (i.e., political risk and cultural indices) before multivariate statistics are applied. Specifically, the dissertation uses linear regression analysis, moderated linear regression analysis, and plots for interpreting the interaction terms. These analyses are supplemented by descriptive statistics like mean values and standard deviations. Finally, tests for potential biases (i.e., informant bias, nonresponse bias, common method bias) and tests for multicollinearity and endogeneity are conducted.

2 Research Gaps

Research on early internationalizing firms has generated a rich body of literature (De Clercq et al., 2012; Rialp et al., 2005) that investigates how firms can pursue early and rapid internationalization (e.g., through the use of network contacts) and the implications of such internationalization behavior (e.g., post-entry internationalization speed). Despite the broad array of insights that the research produces, the literature regarding early internationalizers suffers from several research gaps. This dissertation
contributes to this important research field by addressing three research gaps and deriving respective research questions (RQs).

The first research gap refers to a lack of systematic knowledge regarding the role of early internationalizers’ network contacts as resource providers during firms’ international expansion. Early internationalizers usually lack sufficient resources for their internationalization efforts, such as financial capital (Weerawardena et al., 2007) and human resources (Knight & Cavusgil, 2004), but they can sometimes access the required resources from their network contacts (Coviello, 2006). The literature has made significant efforts to investigate the role of networks as a source of resources for early internationalizers, but it is largely fragmented and does not provide a systematic view of the types of resources network contacts can provide, the mechanisms used to establish resource exchange between early internationalizers and their network contacts, or the amount and diversity of the resources exchanged. This lack of systematic knowledge keeps us away from having a solid knowledge base from which to suggest in what direction the field should develop.

Research also currently lacks important knowledge about early internationalizers’ network dynamics. Studies show that early internationalization has an imprinting effect on firms’ resource demands in subsequent internationalization steps (Autio et al., 2000) and that networks play a key role during most early internationalizers’ international expansion (Coviello, 2006). Hence, knowing how early internationalizers adapt their networks to satisfy their varying resource demands over the course of internationalization is inevitable. As only a few studies investigate early internationalizers’ network dynamics (e.g., Coviello, 2006; Prashantham & Young, 2011), a roadmap that lays the foundation for further scholarly inquiry is needed. This dissertation seeks to fill this research gap by addressing its first RQ:

RQ1. What is the role of networks as resource providers for early internationalizing firms during their internationalization process, and how does this role change throughout the internationalization process?

The second research gap identified in the literature refers to a lack of knowledge about the impact of early internationalizers’ network use on the performance of their first foreign ventures. Several studies
emphasize the importance of networks for early internationalizers (e.g., Coviello & Cox, 2006) and reveal these networks as critical assets (Coviello, 2006). Specifically, network contacts provide these firms with access to required knowledge they lack (Adler & Kwon, 2002; Uzzi, 1999). However, studies also reveal negative aspects of early internationalizers’ relying on network partners, such as when network contacts act unreliably (Mort & Weerawardena, 2006) or hamper the internationalizers’ product development (Coviello & Munro, 1997). Only Presutti et al. (2007) show that knowledge from inter-firm contacts has a positive effect on early internationalizers’ foreign sales. Given the benefits and challenges that networks present for early internationalizers, research that considers the performance implications of early internationalizers’ use of networks is needed.

One explanation for the inconclusive findings is a lack of contextualization of the network-performance relationship. Networks provide critical knowledge, but current research falls short in recognizing that networks’ benefits for early internationalizing firms may depend on some critical contingencies. For example, studies argue that the extent to which firms can benefit from external knowledge depends on their ability to identify and exploit this knowledge (Beaudry & Breschi, 2003; Giuliani & Bell, 2005), so not all firms gain the same benefits. Given these findings, investigations that focus on the boundary conditions under which the positive and negative effects of early internationalizers’ network partners become more or less distinct are worth further inquiry. This dissertation seeks to fill this research gap by addressing a second RQ:

RQ2. How do early internationalizers’ network contacts, in interaction with the firms’ ACAP, influence the performance of their first foreign ventures?

The third research gap refers to a lack of knowledge regarding the impact of early internationalization on firms’ post-entry internationalization speed. Entrepreneurial firms must decide whether to start their international activities right after founding or wait until their firms have accumulated a certain stock of resources (Autio et al., 2000). As this decision can influence firms’ further international growth, the literature offers two concepts that can explain the impact of early internationalizers’ pre-internationalization phase on their post-entry internationalization speed. The concept of the LAN argues that younger firms are less constrained by their pasts than established firms are and can more easily realize international growth (Autio et al., 2000), whereas the concept of the LoN (Stinchcombe, 1965)
assumes that younger firms have fewer resources (e.g., financial capital, knowledge) than established firms do (Carayannopoulos, 2009). Hence, following the concept of the LoN, it is likely that early internationalization reduces firms’ post-entry internationalization speed. Considering these opposing views, further analysis is warranted to explore the impact of firms’ pre-internationalization phase on their internationalization speed.

Current research also neglects to conduct a fine-grained analyses of early internationalizing firms’ post-entry internationalization speed. The few studies that analyze the impact of firms’ pre-internationalization phase on firms’ post-entry internationalization speed (e.g., Autio et al., 2000; Prashantham & Young, 2011) consider only one or two dimensions of the post-entry internationalization speed. However, research shows that post-entry internationalization speed has three dimensions that should be considered simultaneously (Casillas & Acedo, 2013) to avoid misinterpretation. For example, Autio et al. (2000) investigate the speed of international sales growth, which covers just one dimension of internationalization speed and does not capture other dimensions, such as firms’ speed of resource commitment to international markets and firms’ speed of increase in breadth in international markets. Against this background and given the importance of firms’ post-entry internationalization speed, it is necessary to delve more deeply into the impact of firms’ pre-internationalization phase on the post-entry internationalization speed. This dissertation seeks to fill this research gap by addressing a third RQ:

RQ3. What is the effect of early internationalization on firms’ post-entry internationalization speed?

3 Research Objectives and Contributions

3.1 Overview of Studies

This dissertation is composed of three studies, each providing a unique contribution to filling research gaps related to early internationalizing firms. These independently conducted studies clarify the role of networks during early internationalizers’ expansion and illustrate the impact of early internationalization on firms’ subsequent internationalization speed.
Table A – 1 provides the three studies’ titles, research objectives, contributions, underlying theoretical perspectives, constructs and methodologies applied, and samples used for analyses.
Table A – 1: Characteristics of the Three Studies Constituting the Dissertation

<table>
<thead>
<tr>
<th>Study</th>
<th>Title</th>
<th>Research Objective</th>
<th>Contribution</th>
<th>Theoretical Perspective</th>
<th>Core Constructs</th>
<th>Methodology</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study 1</td>
<td>The Role of Networks in Early Internationalizing Firms: A Systematic Review and Future Research Agenda</td>
<td>Conduct a systematic review of the role of networks in the cross-border expansion of early internationalizers and, based on this review, critically assess early internationalizers’ network dynamics throughout the internationalization process to identify promising avenues for future research.</td>
<td>1. Clarifies the current state of research regarding the role of networks in early internationalizers’ pre- and post-internationalization phases. 2. Identifies opportunities for future research that will help to explain early internationalizers’ network dynamics throughout their international expansion.</td>
<td>None</td>
<td>None</td>
<td>Systematic review</td>
<td>61 studies on early internationalizers’ network use</td>
</tr>
<tr>
<td>Study 2</td>
<td>The Bright and the Dark Side of Network Tie Strength for Early Internationalizers’ Foreign Venture Performance</td>
<td>Examine the relationships between national and international inter-firm network tie strength and early internationalizers’ performance in the first international market they enter, and how these associations are moderated by firms’ ACAP.</td>
<td>1. Advances the IE literature by theorizing about the opposing effects of national and international networks on the performance of early internationalizers’ first foreign market venture. 2. Contributes to clarifying the boundary conditions under which early internationalizers’ network relationships enhance their performance by developing theoretically and validating empirically the moderating impact of firms’ ACAP.</td>
<td>Knowledge-based view, Network theory</td>
<td>Dependent variable: Foreign venture performance  Independent variable: National inter-firm tie strength, International inter-firm tie strength  Moderator: ACAP</td>
<td>Linear regression</td>
<td>119 early internationalizing German firms</td>
</tr>
<tr>
<td>Study 3</td>
<td>The Relationship between the Pre-Internationalization Phase and the Post-Entry Internationalization Speed in Early Internationalizers</td>
<td>Investigate the impact of firms’ pre-internationalization phase on their post-entry internationalization speed.</td>
<td>1. Contributes to the discussion about the paradoxical role that firms’ pre-internationalization phase might have on their outcomes. 2. Helps to clarify the imprinting effect of early internationalization on firms’ post-entry internationalization speed.</td>
<td>International new venture theory, IAN and LoN concepts</td>
<td>Dependent variables: Speed of growth of international commercial/intensity, Speed of increase in commitment of resources to foreign activities, Speed of increase in breadth of international markets  Independent variable: Pre-internationalization phase</td>
<td>Linear regression</td>
<td>118 early internationalizing German firms</td>
</tr>
</tbody>
</table>
3.2 Study 1: The Role of Networks in Early Internationalizing Firms: A Systematic Review and Future Research Agenda

The first study seeks to provide systematic knowledge of how early internationalizers use networks to overcome their resource deficits in two phases of internationalization and to present a systematic guide for future research to expand current knowledge about early internationalizers’ network dynamics throughout their internationalization processes.

To accomplish these research objectives, the study conducts a systematic review of 61 journal articles on the role of networks in the cross-border expansion of early internationalizing firms. Based on this systematic review, the study analyzes early internationalizers’ network dynamics during their internationalization process.

The study contributes to existing research by taking stock of the current state of knowledge regarding the role of networks in early internationalizing firms in two phases of internationalization. The study also uses the findings obtained from the review as a platform to systematically identify opportunities for future research on early internationalizers’ network dynamics throughout their internationalization.

3.3 Study 2: The Bright and the Dark Side of Network Tie Strength for Early Internationalizers’ Foreign Venture Performance

The second study’s objective is to shed light on the effect of early internationalizers’ networks on foreign venture performance and to clarify the moderating impact of early internationalizers’ ACAP on this relationship.

Based on the KBV (Grant, 1996) and the network literature (Granovetter, 1973), the study presents arguments for the opposing impacts of national and international network tie strength on firms’ international performance and how ACAP moderates these relationships. Testing the hypotheses on a sample of 119 early internationalizing German firms shows that national inter-firm networks affect firms’ foreign venture performance positively, while international inter-firm networks have a negative influence. The study also reveals that the former relationship strengthens in the presence of ACAP, while the latter weakens.
The study makes important contributions to IE research by developing theoretically and testing empirically the opposite effects of national and international ties on foreign ventures’ performance. Thus, the study builds on the literature that reveals the detrimental effects of networks and develops this literature to include the context of firms’ performance in foreign ventures. In addition, by validating firms’ ACAP, as an important moderator, this study helps to clarify the boundary conditions that impact the effect of early internationalizers’ network use on their foreign venture performance.

3.4 Study 3: The Relationship between the Pre-Internationalization Phase and the Post-Entry Internationalization Speed in Early Internationalizers

The third study examines the effect of an early internationalization on firms’ subsequent internationalization speed.

Drawing on the concepts of the LAN and the LoN, the study develops competing hypotheses regarding early internationalization’s effect on firms’ post-entry internationalization speed. Based on a sample of 118 early internationalizing German firms, the results show that early internationalization has a negative effect on firms’ speed of growth of international commercial intensity, speed of increase in commitment of resources to foreign activities, and speed of increase in breadth of international markets.

By exploring the effect of an early internationalization, the study makes important contributions to the IE research. The study clarifies whether it is the concept of LAN or LoN that plays the dominant role in firms’ post-entry internationalization speed and enriches the literature by providing a fine-grained analysis of firms’ post-entry internationalization speed by considering three distinct dimensions.

4 Additional Remarks

This dissertation consists of three studies that were crafted in separate projects and so differ in their developmental state. This chapter outlines the three studies’ states of publications, the conferences where they were presented, and the share each author contributed to the study.


Study 3: Bembom, Michael. The Relationship between the Pre-Internationalization Phase and the Post-Entry Internationalization Speed in Early Internationalizers. Unpublished working paper.

Table A – 2 outlines the studies’ current positions in the publication process, the conferences where they have been presented, and the share each author contributed to the study.

**Table A – 2: State of Publication of the Three Studies**

<table>
<thead>
<tr>
<th>Study</th>
<th>Current State</th>
<th>Conferences</th>
<th>Share of Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study 1</td>
<td>Published in <em>European Management Journal</em> (EMJ)</td>
<td>19th Annual Interdisciplinary Entrepreneurship Conference (G-Forum), Kassel, Germany; October 8-9, 2015 42nd Annual Conference of the European International Business Academy (EIBA), Vienna, Austria, December 2-4, 2016</td>
<td>Michael Bembom 80% Christian Schwens 20%</td>
</tr>
<tr>
<td>Study 2</td>
<td>Unpublished working paper</td>
<td>43rd Annual Conference of the European International Business Academy (EIBA), Milan, Italy, December 14-16, 2017</td>
<td>Michael Bembom 85% Christian Schwens 15%</td>
</tr>
<tr>
<td>Study 3</td>
<td>Unpublished working paper</td>
<td>None</td>
<td>Michael Bembom 100%</td>
</tr>
</tbody>
</table>

Studies 1 and 2 each involved two authors. Michael Bembom made the following contributions to study 1: Systematic search and selection of relevant articles, systemization and analysis of the selected articles, evaluation and interpretation of the results, drafting of the manuscript, submission to the academic journal, and revision of the manuscript as part of the journal review process. The co-author, Christian Schwens, supported the doctoral student in finding ideas, conceptualizing the study, ensuring quality with regard to international publications, and revising the study during the revision process. Michael Bembom made the following contributions to study 2: Collection, processing, and cleaning up of data, elaboration and application of analytical methods, evaluation and interpretation of empirical results, drafting of the manuscript, and submission to the academic journal. The co-author, Christian Schwens, supported the doctoral student in finding ideas, conceptualizing the study, and ensuring quality with regard to international publications.
Introduction

Early internationalizers venture into foreign markets at inception or shortly thereafter (De Clercq et al., 2012; Rialp et al., 2005). While internationalization is generally an intense, dynamic process that requires significant resources to initiate (Hitt et al., 2006; Oviatt & McDougall, 1994) as well as to grow post-entry in existing and new markets (Autio, 2005; Jones & Coviello, 2005), this process is particularly challenging for early internationalizers because of their liabilities of newness (LoN). That is, given their youth, early internationalizers are initially disadvantaged in their internationalization (compared to later internationalizing firms) because of the limited availability of resources like financial capital (Weerawardena et al., 2007), human resources (Knight & Cavusgil, 2004), and legitimacy (Sapienza et al., 2006). Post-entry, early internationalizers also face increased resource needs, as they typically continue to proactively search for additional growth opportunities and penetrate new markets abroad (Autio et al., 2000) (as opposed to late internationalizers who tend to expand internationally more slowly and only after acquiring a stable resource base (Johanson & Vahlne, 1977, 1990)). These issues lead to the fundamental question concerning how early internationalizers can satisfy their varying resource requirements throughout the dynamics of their internationalization process.

The extant literature shows that networks—that is the “set of nodes and the set of ties representing some relationship, or lack of relationship, between nodes” (Brass et al., 2004, p. 795)—are a major mechanism by which early internationalizers substitute their lack of own resources with others’ resources (Coviello, 2006; Oviatt & McDougall, 1994). For example, the literature reveals that network contacts provide early internationalizers access to their first foreign markets (Coviello & Munro, 1995) and help them to overcome resource deficits (e.g., by providing financial capital (Coviello & Cox, 2006)) and to access knowledge of foreign markets (Lu et al., 2010). However, the literature’s findings so far are largely fragmented and we lack a systematic understanding about the network mechanisms that early internationalizers employ in different phases of internationalization to access different types of resources in the required amount and diversity. Thus, the current knowledge regarding the role of networks as
resource providers for early internationalizing firms in different phases of internationalization remains largely unclear. This deficit also prevents us from having a clear research agenda for the direction in which the field should develop.

Further, to understand the role of networks throughout the internationalization process, it is inevitable to investigate the network dynamics (i.e., early internationalizers’ continuous adaption of their network to react to changing resource requirements throughout the internationalization process). It is surprising that only a few studies explicitly address these network dynamics (Coviello, 2006; Prashantham & Young, 2011) because an early internationalization behavior has an imprinting effect on firms’ subsequent resource requirements (Autio, 2005; Autio et al., 2000). Assuming networks continue to be a major mechanism for early internationalizers throughout their further international expansion, it is important to understand how early internationalizers adapt their networks in order to use them as substitutive resource supplier for their lack of own resources. That is, we need a roadmap that paves the way for future research in terms of how the amount and diversity of resources exchanged, the governance mechanisms used for resource exchange, and the different types of resources exchanged through the network evolve throughout the internationalization process.

To fill these voids, the present paper conducts a systematic review of the role of networks in the cross-border expansion of early internationalizers. Based on our review, we critically assess early internationalizers’ network dynamics throughout the internationalization process in order to identify promising avenues for future research in the literature. To achieve these goals, we differentiate among networks’ content (i.e., the type of exchanged resources), governance (i.e., the underlying mechanism for resource exchange), and structure (i.e., the network patterns that determine the amount and diversity of exchanged resources) as distinct dimensions of networks (Hoang & Antoncic, 2003). This categorization, which captures the resource exchange via networks that are necessary for early internationalizers to overcome their resource deficits, is appropriate for the investigation of network dynamics in young entrepreneurial firms (Hoang & Antoncic, 2003; Slotte-Kock & Coviello, 2010). We also distinguish between the pre-entry phase of internationalization (i.e., the time before the firm’s first internationalization event, including pre-founding and legal founding) and post-entry phase (i.e., the time after the firm’s first internationalization event) (Jones & Coviello, 2005) to capture different
internationalization stages. Based on this categorization and to adhere to the dynamics of internationalization, we study how early internationalizers adapt their networks’ content, governance, and structure during the internationalization process in order to reveal how firms satisfy their varying resource needs by means of the substitutive role of networks.

Our research makes important contributions to the literature by linking the three network dimensions (Hoang & Antoncic, 2003) with the two internationalization phases (Jones & Coviello, 2005); thus, we can systematically clarify the current state of research regarding the role of networks in the two phases of internationalization. We also use the findings from our review as a platform from which to systematically identify opportunities for future research that will help to understand early internationalizers’ network dynamics throughout their international expansion.

2 Methodology and Overview

2.1 Conducting the Review

Systematic literature reviews offer overviews of the extant research on a given research topic and identify areas for future research (Petticrew & Roberts, 2008). In order to address a specific research question, systematic reviews identify, assess, and summarize the existing research that fits pre-defined eligibility criteria (Tranfield et al., 2003), so that they follow a systematic process that makes them transparent and reproducible (Staples & Niazi, 2007; Tranfield et al., 2003). We conducted a systematic literature search consisting of several steps, as is consistent with these criteria and prior reviews in the domain of IE (Jones et al., 2011).

As the first step, we used as a basis for our review Jones et al. (2011), who derive an ontology of the entire domain of IE; therefore, their review also encompasses articles on the role of networks in early internationalization. Narrowing Jones et al.’s (2011) broader research focus, our review focuses on networks because they play a particularly pertinent role in the foreign venturing of early internationalizing firms (Coviello, 2006; Coviello & Cox, 2006). Based on their inclusion and exclusion criteria (as illustrated in the Appendix A in their paper), Jones et al. (2011) identified 323 IE articles. Their search considers only studies published from 1989 to 2009 inclusive, but the members of the
author team have since then provided on the website ie-scholars.net spreadsheets listing another 497 IE articles for the years 2010 to 2016 (ten articles are listed twice, but we included each study only once) which were identified based on the same inclusion and exclusion criteria as listed in Appendix A in Jones et al. (2011). Taken together, we obtained 820 studies on IE from the review article by Jones et al. (2011) and the spreadsheets published on the website.

In the next step, to identify the studies eligible for our review, we adapted the inclusion and exclusion criteria Jones et al. (2011) defined to fit the present paper’s topic. The criteria Jones et al. (2011) define are broad, as they seek to devise an entire domain ontology that includes early internationalization and networks but also other topics that go far beyond the scope of the present article. To narrow their criteria down and capture only articles on networks and early internationalization, we defined additional constructs and variables that apply to our specific research context. For instance, the articles we include focus on firms that venture into foreign markets right from or shortly after their inception. In line with Coviello et al. (2011), this definition emphasizes the timing of internationalization and covers most companies like international new ventures (INVs) (Oviatt & McDougall, 1994), born globals (BGs) (Knight & Cavusgil, 2004), and global start-ups (Jolly et al., 1992), as long as these companies venture abroad within eight years after their inception (McDougall, 1989) and before reaching a mature organizational state. We excluded firms that do not meet this definition, regardless of their label. Table B – 1 provides an overview of the inclusion/exclusion criteria we used. Using our adapted criteria, we first assessed the 820 articles Jones et al. (2011) identify in their article and the subsequent spreadsheets published on ie-scholars.net, leaving 61 articles that were relevant for the present review.

To ensure that we identified all the articles that were relevant to our review, as an additional robustness test, we conducted an additional literature search of articles published from 1989 to 2016 using the adapted inclusion/exclusion criteria outlined in Table B – 1. We chose 1989 as the starting point, as the first article on IE was published in that year (McDougall, 1989). In line with Doherty et al. (2014) and Luoto et al. (2017), we first conducted an issue-by-issue search of the academic journal articles listed in the Chartered Association of Business Schools Journal Guide 2015 that were published in the four highest-ranked journals listed in the areas of entrepreneurship and small business management (Entrepreneurship Theory and Practice, Journal of Business Venturing, Strategic Entrepreneurship
We also conducted a keyword search in several databases (e.g., Business Source Premier, EconLit) using keywords like international entrepreneurship, network(s), ties, born globals, international new venture(s), and variations thereof. (For a full list, see Table B – 1.) We supplemented this search with a search in Google Scholar. Finally, we conducted manual cross-referencing. Consistent with prior IE literature reviews (De Clercq et al., 2012; Jones et al., 2011), we constrained our search to journal articles because of the credibility of the underlying peer-review process (Podsakoff et al., 2005) and excluded conference papers, book chapters, books, and dissertations. This intensive search for validation purposes produced no studies on the role of networks and early internationalization that were not among the 820 studies from Jones et al. (2011) and the subsequent spreadsheets on ie-scholars.net.

Table B – 1: Methodological Procedures (Inclusion/Exclusion Criteria and Search Process, Slightly Adapted for our Research Purpose from Jones et al., 2011)

A) Inclusion criteria

1) Studies that use theory from international business and entrepreneurship

2) Definition of relevant constructs and variables:

   a. Network: “A set of nodes and a set of ties representing some relationship, or lack of relationship, between nodes. Refer to nodes as actors like: individuals, work units, organizations” (Brass et al., 2004, p. 795).

   b. International Entrepreneurship: “A combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organization” (McDougall & Oviatt, 2000, p. 903).

   c. Early internationalizer: A firm that has not reached a mature organizational state and is usually younger than 8 years (Morse et al., 2007).
3) Only peer-reviewed journal articles

4) Empirical, conceptual, and review studies

B) Exclusion criteria

1) Studies in which the main focus is on small and medium-sized enterprises (SMEs), rather than on IE, that is, studies that do not integrate entrepreneurship literature into their research

2) Studies that consider firms that internationalize after reaching a mature organizational state, so the firms’ age is usually greater than 8 years at initial internationalization

3) Studies whose main focus is not IE

4) Studies on domestic entrepreneurship in a single country

5) Studies that conduct cross-cultural assessments of entrepreneurial orientation measures with a focus on scale and measure development/validation

6) Studies on trans-national and/or immigrant entrepreneurship

7) Research presented at conferences or that is published in edited books

8) IE commentaries and editorials

9) Studies that focus on IE education or research techniques for IE

10) Case studies for teaching purposes

11) Articles that are unavailable electronically or by other reasonable means

12) Cross-country assessments of entrepreneurial behavior

13) Research on comparative entrepreneurial internationalization

14) Articles that do not sufficiently specify the type of network

15) Articles that use networks as a control variable

C) Search process – Stage I

1) Issue-by-issue search from 1989 to 2016 in the four highest-ranked journals (according to Association of Business Schools (ABS) Academic Journal Quality Guide 2015) of each of the selected research areas with a strong thematic congruence


2) Keyword search across scientific journals

a. Using Business Source Premier, EconLit databases, and Google Scholar

b. Keywords (including variations and combinations thereof): International and entrepreneurship and network, International and entrepreneurship and social capital, International and entrepreneurship and ties, Born globals, International new ventures, International entrepreneurship

3) Manual cross-referencing

D) Search process – Stage 2

1) Manual examination of articles to verify the presence/absence of inclusion/exclusion criteria

2.2 Analysis and Organization of Studies

We analyzed and matched the 61 articles to the key network dimensions (content, governance, and structure) and the 2 phases of internationalization (pre- and post-internationalization). Because most publications do not mention the key network dimensions and the phases of internationalization explicitly, we screened the studies’ aims, contributions, and hypotheses for keywords that reflect the key network dimensions. More precisely, keywords for network content indicate the types of resources exchanged (e.g., capital, information), keywords for network governance indicate the mechanisms for resources exchange (e.g., trust, power), and keywords for network structure indicate the network patterns that influence resource exchange (e.g., size, tie strength). Regarding the internationalization phases, we also defined keywords for the pre-internationalization (e.g., pre-founding, initial
international opportunity generation) and the post-internationalization phase (e.g., enter new country, mode change). The authors then discussed the papers and resolved discrepancies that emerged, such as when studies were matched to more than one key network dimension and/or internationalization phase. We discerned subcategories for the three network dimensions and structured our findings around these categories. Finally, we identified underdeveloped areas regarding the network dynamics and outlined an integrative perspective. We used Mindjet 17 to illustrate how we organized the studies.

2.3 Overview of Included Studies

Table B – 2 provides an overview of the main characteristics of the 61 studies (i.e., journal, aim/main research question, theoretical background, home country, methodology, industry). As Table B – 2 shows, the number of articles published per year has increased steadily. Starting with only four articles published between 1995 and 2000, the number of studies grew by 19 studies between 2000 and 2010 and 38 studies between 2010 and 2016. The highest number of articles was published in the Journal of International Entrepreneurship (15 articles), followed by International Business Review (6 articles) and Journal of International Business Studies (5 articles).
<table>
<thead>
<tr>
<th>Author</th>
<th>Journal</th>
<th>Aim/Research Question</th>
<th>Theory</th>
<th>Home Country</th>
<th>Methodology</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coviello and Munro (1995)</td>
<td>EJM</td>
<td>Explore how network relationships influence international market development and marketing-related activities in international markets.</td>
<td>Network theory</td>
<td>New Zealand</td>
<td>Qualitative (case study, 4 &amp; survey, 60)</td>
<td>High-tech (software)</td>
</tr>
<tr>
<td>Casson (1997)</td>
<td>B&amp;EH</td>
<td>Investigate different levels of entrepreneurial networks and show how their interactions foster growth in the international economy.</td>
<td>Economic theories (several)</td>
<td>n.a.</td>
<td>Conceptual</td>
<td>n.a.</td>
</tr>
<tr>
<td>Coviello and Munro (1997)</td>
<td>IBR</td>
<td>Analyze the impact of network relationships on small firms’ internationalization strategies with regard to selection of foreign market and entry mode.</td>
<td>Network theory, Stage perspective</td>
<td>New Zealand</td>
<td>Qualitative (case study, 4)</td>
<td>High-tech (software)</td>
</tr>
<tr>
<td>Varis et al. (2005)</td>
<td>JIE</td>
<td>Elucidate the selection and the use of partners for international marketing and distribution in the context of entrepreneurial corporate new ventures.</td>
<td>Network theory</td>
<td>Finland</td>
<td>Qualitative (case study, 1)</td>
<td>High-tech (software)</td>
</tr>
<tr>
<td>Coviello (2006)</td>
<td>JIBS</td>
<td>Investigate whether INV's networks follow a linear evolution. Explore the network dynamics in terms of variations of structural and interactional patterns among various stages of evolution.</td>
<td>Network theory, Kazanjian's life cycle model</td>
<td>New Zealand</td>
<td>Qualitative (independent experiments, 3)</td>
<td>High-tech (software)</td>
</tr>
<tr>
<td>Mort and Weerawardena (2006)</td>
<td>IMR</td>
<td>Investigate the role of networking capability in the internationalization process of BGs.</td>
<td>Network theory, Dynamic capability-based view</td>
<td>Australia</td>
<td>Qualitative (case study, 6)</td>
<td>Mixed</td>
</tr>
<tr>
<td>Ruokonen et al. (2006)</td>
<td>JE&amp;IM</td>
<td>Study the role of network relationships in small software firms’ internationalization. Examine the network development and formation of two companies with a focus on network management in relation to export performance.</td>
<td>Network theory</td>
<td>Finland</td>
<td>Qualitative (case study, 2)</td>
<td>High-tech (software)</td>
</tr>
<tr>
<td>Wakkee (2006)</td>
<td>JIE</td>
<td>Explain and discuss international network development based on company e-mails.</td>
<td>Network theory</td>
<td>Netherlands</td>
<td>Qualitative (case study, 1)</td>
<td>High-tech (manufacturing)</td>
</tr>
<tr>
<td>Zain and Ng (2006)</td>
<td>TIBR</td>
<td>Explore the influence of network contacts on SMEs’ internationalization process, particularly in terms of international market development and marketing-related activities in international markets.</td>
<td>Network theory</td>
<td>Malaysia</td>
<td>Qualitative (case study, 4)</td>
<td>High-tech (software &amp; automobile battery manufacturing)</td>
</tr>
<tr>
<td>Presutti et al. (2007)</td>
<td>IBR</td>
<td>Examine the role of social capital between global high-tech start-ups and their largest single foreign customer to prove the importance of social capital for knowledge acquisition abroad.</td>
<td>Social capital theory</td>
<td>Italy</td>
<td>Quantitative (linear regression, 107)</td>
<td>High-tech (electronic &amp; information)</td>
</tr>
<tr>
<td>Author</td>
<td>Journal</td>
<td>Aim/Research Question</td>
<td>Theory</td>
<td>Home Country</td>
<td>Methodology</td>
<td>Industry</td>
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<tr>
<td>Al-Laham and Souitaris (2008)</td>
<td>JBV</td>
<td>Investigate whether the embeddedness of firms in knowledge-intensive regional clusters and national research-alliance networks affect the probability of internationalization via research alliances.</td>
<td>Network theory</td>
<td>Germany</td>
<td>Quantitative (exponential baseline model, 853)</td>
<td>High-tech (biotech)</td>
</tr>
<tr>
<td>Berg et al. (2008)</td>
<td>E&amp;I</td>
<td>Study how social relationships promote the establishment, management and performance of international governance structures and access to resources for international market growth.</td>
<td>Social capital theory</td>
<td>n.a.</td>
<td>Conceptual</td>
<td>n.a.</td>
</tr>
<tr>
<td>Fernhaber et al. (2008)</td>
<td>JIBS</td>
<td>Explore the impact of concentration of industry clustering in a new venture's headquarters location on the new venture's internationalization.</td>
<td>Ecological theory</td>
<td>USA</td>
<td>Quantitative (linear regression &amp; test of inverted u-shape, 156)</td>
<td>High-tech (information technology) n.a.</td>
</tr>
<tr>
<td>Sasi and Arenius (2008)</td>
<td>EMJ</td>
<td>Study how the transformation from personal relationships into exchange relationships fosters early and rapid internationalization of INVs.</td>
<td>Network theory, Resource dependence view</td>
<td>Finland</td>
<td>Qualitative (case study, 10)</td>
<td>High-tech (information &amp; technology) n.a.</td>
</tr>
<tr>
<td>Vapola et al. (2008)</td>
<td>JIE</td>
<td>Analyze the impact of the partnerships between multinational corporations (MNCs) and BGs on MNCs’ competitive advantage, innovation strategy, and relationship structure.</td>
<td>Co-opetition theory</td>
<td>Finland</td>
<td>Qualitative (case study, 2)</td>
<td>High-tech (information &amp; technology) n.a.</td>
</tr>
<tr>
<td>Freeman et al. (2010)</td>
<td>IBR</td>
<td>Explain the interrelationship of trust and inter-organizational co-dependency for the rapid generation of tacit knowledge and absorptive capacity in smaller BG supply chains.</td>
<td>Network theory, Knowledge-based view, Resource-based view</td>
<td>n.a.</td>
<td>Conceptual</td>
<td>High-tech (n.a.)</td>
</tr>
</tbody>
</table>
### Table B – 2: Continued

<table>
<thead>
<tr>
<th>Author</th>
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<th>Home Country</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Naudé and Rossouw (2010)</td>
<td>JIE</td>
<td>Analyze the extent to which new firms in China internationalize and identify the factors that have the most influence on their early internationalization.</td>
<td>IE literature</td>
<td>China</td>
<td>Quantitative (ordinary least squares regression, 114)</td>
<td>Mixed</td>
</tr>
<tr>
<td>Prashantham and Dhanaraj (2010)</td>
<td>JMS</td>
<td>Study social capital in entrepreneurial firms with regard to its development, depreciation over time, replenishment, and exploitation for international growth.</td>
<td>Social capital theory</td>
<td>India</td>
<td>Qualitative (case study, 4)</td>
<td>High-tech (software)</td>
</tr>
<tr>
<td>Schweizer et al. (2010)</td>
<td>JIE</td>
<td>Empirically test Johanson and Vahlne's business network internationalization process model (2009) to develop an entrepreneurial process model.</td>
<td>Revised Uppsala model</td>
<td>Sweden</td>
<td>Qualitative (case study, 1)</td>
<td>High-tech (pharma)</td>
</tr>
<tr>
<td>Mainela and Puhakka (2011)</td>
<td>IJEV</td>
<td>How entrepreneurs use relationships to create a basis for emergence of INVs.</td>
<td>Network theory</td>
<td>Finland</td>
<td>Qualitative (case study, 1)</td>
<td>Low-tech (shellfish)</td>
</tr>
<tr>
<td>O’Gorman and Evers (2011)</td>
<td>IMR</td>
<td>How export promotion organizations influence the internationalization of new ventures located in peripheral regions.</td>
<td>Network theory</td>
<td>Ireland</td>
<td>Qualitative (case study &amp; critical incident method, 3)</td>
<td>Low-tech (shellfish)</td>
</tr>
<tr>
<td>Prashantham and Young (2011)</td>
<td>ET&amp;P</td>
<td>Study factors that explain distinctions in the internationalization speed of INVs after their first international market entry.</td>
<td>Absorptive capacity, Resource-based view, Social capital theory</td>
<td>n.a.</td>
<td>Conceptual</td>
<td>n.a.</td>
</tr>
<tr>
<td>Vasilchenko and Morrish (2011)</td>
<td>JIM</td>
<td>Study the role of social and business networks in promoting the internationalization of high-technology firms.</td>
<td>Network theory</td>
<td>New Zealand</td>
<td>Qualitative (case study, 4)</td>
<td>High-tech (ICT)</td>
</tr>
<tr>
<td>Yu et al. (2011)</td>
<td>SMJ</td>
<td>Do different types of knowledge obtained from alliance partners influence new ventures’ internationalization differently? Does time affect the relationships between new ventures and their alliance partners? How does alliance network cohesion influence the effect of obtained knowledge?</td>
<td>Network theory</td>
<td>USA</td>
<td>Quantitative (cox proportional hazard model, 118)</td>
<td>High-tech (biotech)</td>
</tr>
<tr>
<td>Chandra et al. (2012)</td>
<td>JIM</td>
<td>Using the emerging international entrepreneurship paradigm to clarify patterns of rapid internationalization.</td>
<td>Opportunity-based view</td>
<td>Australia</td>
<td>Qualitative (case study, 15)</td>
<td>Mixed</td>
</tr>
<tr>
<td>Park and Rhee (2012)</td>
<td>MD</td>
<td>Investigate the antecedents of knowledge competency and international performance of BGs in South Korea and take the moderating effect of absorptive capacity into consideration.</td>
<td>Knowledge-based view</td>
<td>South Korea</td>
<td>Quantitative (structural equation model, 271)</td>
<td>Mixed</td>
</tr>
<tr>
<td>Pettersen and Tobiassen (2012)</td>
<td>JIE</td>
<td>What type of networks do academic spin-offs obtain during their life cycles? What is the role of networks in academic spin-offs during their life cycle and are these networks important? How do networks from the early stages of academic spin-offs' lifecycle affect later stages?</td>
<td>Network theory</td>
<td>Norway</td>
<td>Qualitative (case study, 3)</td>
<td>High-tech (petroleum)</td>
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<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shirokova and McDougall-Covin (2012)</td>
<td>JIE</td>
<td>Examine the role of social and business networks during the internationalization of Russian entrepreneurial firms.</td>
<td>Network theory, Institutional theory</td>
<td>Russia</td>
<td>Qualitative (case study, 3)</td>
<td>Mixed</td>
</tr>
<tr>
<td>Sigfusson and Harris (2012)</td>
<td>JIE</td>
<td>Observe the relationships used for internationalization by software firms from Iceland and Scotland. Additionally, find out the relationship paths firms develop and use at the early stages of their internationalization.</td>
<td>Network theory, Relationship marketing theory</td>
<td>Iceland/Scotland</td>
<td>Qualitative (case study, 10)</td>
<td>High-tech (software)</td>
</tr>
<tr>
<td>Fernhaber and Li (2013)</td>
<td>JBV</td>
<td>Explore whether there is a positive influence of international exposure through informal and formal network relationships on new ventures' internationalization and whether this relationship is moderated by the new venture's age.</td>
<td>Attention-based view</td>
<td>USA</td>
<td>Quantitative (interval regression, 448)</td>
<td>High-tech (n.a.)</td>
</tr>
<tr>
<td>Sigfusson and Chetty (2013)</td>
<td>JWB</td>
<td>Study the use of social network sites for developing and harnessing network relationships in the context of software international entrepreneurs in Iceland.</td>
<td>Network theory, Resource-based view</td>
<td>Iceland</td>
<td>Qualitative (case study, 12)</td>
<td>High-tech (software)</td>
</tr>
<tr>
<td>Sigfusson and Harris (2013)</td>
<td>IBR</td>
<td>Study firms' selection of pattern of relationships and their use for firms' business development. Investigate how this pattern changes throughout internationalization, and how it differs among firms in different industrial contexts.</td>
<td>Network theory</td>
<td>Iceland</td>
<td>Qualitative (case study, 14)</td>
<td>High-tech (software)</td>
</tr>
<tr>
<td>Sepulveda and Gabrielson (2013)</td>
<td>IMM</td>
<td>Explore how BG networks develop as the firms' internal resources grow and the related benefits.</td>
<td>Resource-based view</td>
<td>Finland</td>
<td>Qualitative (case study, 5)</td>
<td>Mixed</td>
</tr>
<tr>
<td>Buciuni and Mola (2014)</td>
<td>JIE</td>
<td>Explore how SMEs establish and coordinate international relationships.</td>
<td>Global value chain theoretical framework</td>
<td>USA &amp; Italy</td>
<td>Qualitative (case study, 2)</td>
<td>Low-tech (truck equipment)</td>
</tr>
<tr>
<td>Cannone et al. (2014)</td>
<td>JIE&amp;IM</td>
<td>Investigate the impact of entrepreneurs' age on the early internationalization of firms.</td>
<td>IE literature</td>
<td>Italy</td>
<td>Qualitative (case study, 8)</td>
<td>High-tech (n.a.)</td>
</tr>
<tr>
<td>Cannone and Ughetto (2014)</td>
<td>IBR</td>
<td>Investigate drivers that induce high-tech start-ups to internationalize from the outset and influence their degree of born-globalness.</td>
<td>IE literature</td>
<td>Mixed</td>
<td>Quantitative (probit regression, 445)</td>
<td>High-tech (ICT &amp; electronic sector)</td>
</tr>
<tr>
<td>Kaur and Sandhu (2014)</td>
<td>JAPE</td>
<td>Explore the key determinants that lead to early internationalization of young SMEs in developing countries and analyze the internationalization pattern of BG-firms in regard to initial and subsequent mode-of-entry decision.</td>
<td>Network theory, Institutional theory, Resource-based view</td>
<td>Malaysia</td>
<td>Qualitative (case study, 10)</td>
<td>Low-tech (manufacturing &amp; service)</td>
</tr>
<tr>
<td>Fuerst and Zettinig (2015)</td>
<td>EBR</td>
<td>Explore how interactions with network partners contribute to the creation of international market knowledge in INVs.</td>
<td>Effectuation theory</td>
<td>Columbia</td>
<td>Qualitative (case study, 4)</td>
<td>High-tech (internet-enabled)</td>
</tr>
<tr>
<td>Gerschewski et al. (2015)</td>
<td>JWB</td>
<td>Identify the drivers of BGs' early international performance and work out differences to traditional internationalizers.</td>
<td>Network theory, Social capital theory</td>
<td>Australia &amp; New Zealand</td>
<td>Qualitative (case study, 8) &amp; Quantitative (linear regression, 147 BGs, 163 non-BGs)</td>
<td>Mixed</td>
</tr>
<tr>
<td>Oparaocha (2015)</td>
<td>IBR</td>
<td>Investigate the interaction between SMEs' institutional network resources and firms' internationalization.</td>
<td>Institutional network perspective</td>
<td>Finland &amp; Sweden</td>
<td>Qualitative (case study, 5)</td>
<td>Mixed</td>
</tr>
<tr>
<td>Prashantham and Birkinshaw (2015)</td>
<td>MIR</td>
<td>Explore under what conditions home-country relationships are positively related to firms' level of internationalization.</td>
<td>Institutional network perspective, Social capital theory</td>
<td>India</td>
<td>Qualitative (case study, 4) &amp; Quantitative (linear regression, 102)</td>
<td>High-tech (information technology)</td>
</tr>
</tbody>
</table>
### Table B – 2: Continued

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<th>Home Country</th>
<th>Methodology</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prashantham et al. (2015)</td>
<td>LRP</td>
<td>Analyze whether new ventures inside clusters build more overseas ethnic ties than their counterparts outside clusters. Assess the contribution of ethnic and non-ethnic ties to new ventures' internationalization.</td>
<td>Social capital theory</td>
<td>India</td>
<td>Quantitative (linear regression, 102)</td>
<td>High-tech (software industry)</td>
</tr>
<tr>
<td>Simba (2015)</td>
<td>JIE&amp;IM</td>
<td>Outline a theoretical framework for BG biotech firms that illustrate the complex processes and mechanisms in their knowledge supply-chain.</td>
<td>Theory of knowledge and innovative capability development</td>
<td>United Kingdom</td>
<td>Qualitative (case study, 4)</td>
<td>High-tech (biotech)</td>
</tr>
<tr>
<td>Leite et al. (2016)</td>
<td>JIE</td>
<td>Analyze the influence of social networks on the internationalization process of firms that export fruit from the Brazilian semi-agrid region.</td>
<td>Network theory</td>
<td>Brazil</td>
<td>Qualitative (case study, 4)</td>
<td>Low-tech (fruit export)</td>
</tr>
<tr>
<td>Mikhailova and Olsen (2016)</td>
<td>JIE</td>
<td>Explore the internationalization process of a university medtech spin-off.</td>
<td>Internationalization theory</td>
<td>Denmark</td>
<td>Qualitative (case study, 1)</td>
<td>High-tech (medtech)</td>
</tr>
<tr>
<td>Nowinski and Rialp (2016)</td>
<td>JSBM</td>
<td>Investigate the impact of social networks on new venture founders' perceptions and assessments of international business opportunities.</td>
<td>Effectuation theory, Network theory</td>
<td>Poland</td>
<td>Qualitative (case study, 4)</td>
<td>Mixed</td>
</tr>
</tbody>
</table>

Table B – 2 shows the identified 61 studies and their primary underlying theoretical grounding. The theoretical framework these articles use most often is network theory (33 studies), followed by social capital theory (10 studies). The most commonly studied home country is Finland (7 studies), followed by New Zealand (6 studies). In terms of methodology, 11 studies are conceptual, 33 studies apply qualitative empirical methodologies, 15 studies are based on quantitative empirical data analyses, and 2 studies use qualitative and quantitative methodology. The quantitative research uses multivariate analyses like linear regression analysis or structural equation modeling, while all qualitative studies apply a case study approach. Considering the industries of the firms studied, 31 studies were conducted in the high-tech industry, while 9 studies were conducted in the low-tech industry and 11 are cross-sectional studies. Next, we present the current state of research based on the phases of internationalization and the key network dimensions.

3 Results and Development of a Roadmap for Future Research

3.1 Network Content

Figure B – 1 shows the current state of knowledge regarding the role of networks in early internationalizers based on the key network dimensions. Figure B – 2 summarizes areas for future research regarding network dynamics that early internationalizers may encounter during their internationalization process. The figure distinguishes among the key network dimensions and shows avenues for future research on how resource exchange via networks pre-entry influences access to resources via networks post-entry. Figure B – 2 also summarizes the network dynamics throughout the internationalization process as elaborated below.
Figure B – 1: Current State of Research

[Diagram showing relationships between concepts such as network size, network status, and different phases of internationalization]

Study 1: The Role of Networks in Early Internationalizing Firms

- Network partners exchange capital for initial seed funding, product development, and organizational development, and to develop new marketing channels (Corbett & Cox, 2004; Corbett & Cox, 2008; O'Gorman & Evans, 2001; Opemba, 2015).
- Networks deliver marketing and foreign market knowledge that increases foreign sales (Corbett & Cox, 2001; Ty & Zeig, 2003).
- Networks provide technological knowledge for product development (Sheehan & Warsowicz, 2006).
- Networks help to identify, evaluate, and exploit initial market opportunities (Sheehan & Warsowicz, 2006; Vesper & Frenze, 2006; Vesper & Tropma, 2006; Vesper & Zeig, 2006; Vesper & Zeig, 2012; Vesper & Zeig, 2013).
- Networks influence market entry mode selection (Corbett & Cox, 1995; Corbett & Cox, 1997; Evans & Vesper, 2011; Vesper & Zeig, 2006).
- Legitimacy is provided from different network sources, including public organizations, export promotion organizations, and prestigious partners (Alvarez & Pinches, 2011; O'Gorman & Evans, 2011; Petersen & Tuy, 2012).
- Evolution of trust is time-consuming, and trust is often built by trial and error (Bousquet et al., 2008; Ikeda, 2003).
- Partners build up trust quickly through network similarities between firms, their skills, and external factors (Bousquet et al., 2008; Ikeda, 2003).
- Contract revenue represents behavior and misperception and can complicate trust (De Marches, 2006; Bousquet et al., 2008).
- Complementary skills between partners lead to equal power and create an incentive for both parties to work together (Klocke, 2007).
- Firms have not yet established their own reputation, so they cannot plausibly use their reputation to underlie trust in resource exchanges (Klocke, 1997).
- Loss of reputation due to partnerships that reflect in low network size and a lower level of resource availability.
- Network size increases, which increases firms’ available resources (Corbett, 2003; Tuy & Zeig, 2006).
- Network position strengthens firms’ position in the network structure and provides increased potential for control (Corbett, 2003).
- Structure resource diversity is positively associated with network size (Corbett, 2003).
- Use of weak ties is positively associated with accelerated transformation of newly acquired knowledge and acquisition of new knowledge (Prados & Tuy, 2015).
- Network scholars decrease formal and institutionalized relationships leading to more diverse opportunities for internationalization (Corbett, 2003; Prados & Tuy, 2015).

Networks face competition by providing foreign market knowledge and market research (Corbett & Cox, 2001; Sheehan & Warsowicz, 2003; Petersen & Tuy, 2012).

Firms avoid using networks for equity-financing in order to stay independent, or due to venture capital for growth and international expansion (Corbett & Cox, 2006; Matt & Warsowicz, 2006).

Physical & Financial Capital

Knowledge

Information & Advice

Governance

Current State of Research

Pre-Internationalization phase

Post-Internationalization phase

networks facilitate cross-border competition among firms (Corbett & Cox, 2003; O’Gorman & Evans, 2001; Opemba, 2015; Petersen & Tuy, 2012).

networks provide opportunities and increase internationalization speed (Sheehan & Warsowicz, 2006; Vesper & Zeig, 2012).

Initial partners promote or attract further market opportunities (Corbett & Cox, 2001; Corbett & Cox, 1997).

Networks help firms to deal with governmental red tape and software piracy (Zeig & Yip, 2006).

Networks secure initial business and encourage firms for higher entry mode commitments (Zeig & Yip, 2006).

Legitimacy is strongly associated with initial partner’s reputation (Corbett & Cox, 2001).

Importantly, maintain and develop trust in relationships because of trust’s competitive effect on opportunities (Bousquet et al., 2008).

Long-term development of trust requires shared representation, interaction, and exchange (Bousquet et al., 2008).

Using contracts between partner is effective to secure equity investment in terms of management control and market performance (Corbett, 2007).

Social mechanisms involve trust, honesty affects the prospect of further trades, and choosing wiser further trades unlikely (Corbett, 2007).

Network resources are limited over time (e.g., Corbett, 2007; Prados & Tuy, 2015).

Initial and weak ties can lead to increased complexity and opportunities for further internationalization (Corbett, 2007; Prados & Tuy, 2015).

Network scholars decrease formal and institutionalized relationships leading to more diverse opportunities for internationalization (Corbett, 2003; Prados & Tuy, 2015).
Figure B – 2: Roadmap for Future Research

Pre-internationalization phase

Content
- explore the exchange of highly qualified human resources for product development via networks
- investigate the role of crowdfunding in early internationalizers' foreign venturing
- take the entrepreneurs' backgrounds into account in analyzing firm's access to opportunities via networks
- explore the role of venture capitalists, as part of early internationalizers' network, in providing legitimacy

Governance
- intensify research on how shared characteristics between firms within a network (e.g., partner similarity, shared location) can foster the emergence of trust
- investigate how early internationalizers can use social governance mechanisms (e.g., reputation) to establish resource exchange

Structure
- consider the positive and negative effects of a firm's network position on its available resources
- operationalize measures for strong and weak ties and investigate their influence on resource diversity
- delve more deeply into various categories of resources as they relate to their exchange via structural holes

Post-internationalization phase

Content
- explore the role of networks as provider of human resources for international expansion
- analyze networks' influence on the access to credit from financial institutions
- determine whether network contacts provide knowledge for early internationalizers' product adaptation and new product development
- consider positive and negative effects of networks on firm's available opportunities
- identify the negative effects of legitimacy providers from firms' initial stages

Governance
- investigate the influence of an expected future relationship on trust-building between members of early internationalizers' networks
- examine the influence of prior collaboration on trust-building between members of networks
- delve more deeply into the role of contracts in networks in environments where future developments are unpredictable
- explore additional social governance mechanisms (e.g., collective sanctions, restricted access to resources) that helps to maintain trust

Structure
- identify the negative effects of legitimacy providers from firms' initial stages
- consider distance (geographic, cultural, psychic, linguistic) as potential factor that can impede the ability to take advantage of a central position in a network
- investigate how firms' international expansion changes their network tie strength and, in turn, firms' access to diverse resources
- explore how structural holes in the networks of early internationalizing firms evolve and how this development influence firms' access to diverse resources

Network dynamics

How does a firm's access to different types of resources in the pre-internationalization phase...

How does a firm's use of different governance mechanisms in the pre-internationalization phase...

How does a firm's network structure in the pre-internationalization phase determine the access to amount and diversity of resources and...

How does a firm's access to different types of resources in the post-internationalization phase impact...

How does a firm's use of governance mechanisms in the post-internationalization phase impact...

How does a firm's available amount and diversity of resources in the post-internationalization phase impact...
Physical, financial, and human resources

Our review reveals that, in the pre-internationalization phase, firms exchange physical and financial resources for purposes related to their initial founding (Coviello & Cox, 2006), in the context of product development agreements (Coviello & Munro, 1997; Oparaocha, 2015), and for investments in their organizational development (O’Gorman & Evers, 2011). For example, Coviello and Munro (1997) study the influence of network relationships on the internationalization process of four early internationalizing ventures and show that undercapitalized firms establish product development agreements with their network partners particularly when product development processes are capital-intensive. Moreover, O’Gorman and Evers (2011) analyze how export-promotion organizations enable new ventures in the seafood industry to internationalize and find that such support organizations provide financial capital for early internationalizers’ technical and marketing investments. In the post-internationalization phase, the exchange of financial capital is less frequent because firms want to maintain their independence (Coviello & Cox, 2006). However, some firms’ financial and human restrictions lead them to enlist the help of network contacts in establishing foreign sales offices (Mort & Weerawardena, 2006). These results are not surprising because the firms studied are largely knowledge-intensive (software firms) and some are partially located in incubators that require fewer physical resources.

However, two research deficits regarding the exchange of tangible resources have held the research in this area back. First, although most of the articles study knowledge-intensive high-tech firms, they do not investigate how the exchange of human resources via networks evolves during the firms’ internationalization, even though human resources are the main driver behind value creation in knowledge-intensive firms. In the pre-internationalization phase, early internationalizers require highly skilled employees with specific kinds of knowledge to ensure successful product development and growth into international markets (Cardon, 2003; Knight & Cavusgil, 2004). However, new ventures often have difficulty attracting highly qualified employees (Barber et al., 1999; Cardon, 2003) and must use networks to attract the needed human resources, as potential employees can access informal information about the new venture via networks (Leung et al., 2006; Shane & Cable, 2002).

From the pre- to the post-internationalization phase, early internationalizers’ human resources exchange via networks needs adaption. After providing access to skilled employees for the initial foreign market
entry and product development, post-entry, early internationalizers must adapt their networks to firms’ changing human resource requirements, as the new ventures need highly skilled employees (e.g., those with international experience) to develop functional areas more than they need less-skilled workers who, for example, can expand production (Cardon, 2003; Leung et al., 2006). Although the extant research demonstrates the use of networks in attracting human resources, this topic has not been investigated for early internationalizing firms in the post-internationalization phase (Leung et al., 2006). Consequently, it might be fruitful to investigate the role of networks in providing human resources throughout the internationalization process and how past decisions influence future choices and requirements.

Current research also neglects to investigate how the types of financial capital exchanged via networks evolve throughout the internationalization process. As Figure B – 1 shows, current research only finds a minor exchange of financial capital via networks, but the lack of financial capital makes it difficult for new ventures to follow capital-intensive strategies like internationalization (Cooper et al., 1994). In the pre-internationalization phase, early internationalizers face challenges with regard to funding, product development, and first internationalization, and it remains largely unclear how (or whether) network contacts pay off in terms of the exchange of financial capital. Recent research outside the domain of IE introduces crowdfunding as a new trend in equity financing for new ventures, where entrepreneurs present their business ideas to a large number of capital providers via a social media platform, and interested capital providers who support the idea with financial capital are rewarded with equity shares or other benefits (Belleflamme et al., 2014; Bruton et al., 2015). As early internationalizers have difficulty attracting financial capital from their domestic environments, crowdfunding is especially suitable because it can make the firm internationally visible and increases the number of potential investors. Crowdfunding also increases the likelihood that the firm will gain access to a solid base of equity capital that can promote further capital procurement in later stages. Recent research shows that the entrepreneur’s social network influences the success of crowdfunding (Mollick, 2014).

Our results show that crowdfunding is not a suitable means for the financing during the post-internationalization phase because firms in this phase avoid additional equity financing in order to maintain their independence. Consequently, early internationalizers have to adapt their networks because, without additional funds, early internationalizers are constrained in their ability to commit
resources to foreign markets (Ripollés et al., 2012). To keep external interference within acceptable bounds, new ventures may seek credit from the financial institutions in their networks. While an early internationalizer is likely to pay high interest rates for credit in the pre-internationalization phase (Lee et al., 2001), in the post-internationalization phase, when it has established a comprehensive network (including financial institutions), interest rates may be lower. Given early internationalizers’ need for financial capital while they internationalize, we recommend investigations of these dynamic developments in more detail (see Figure B – 2).

**Knowledge**

Early internationalizers also use intangible resources from their network contacts to initiate internationalization. As illustrated in Figure B – 1, we categorize intangible resources into knowledge, information, and advice about opportunities, information regarding market and entry-mode selection, and legitimacy. We find that early internationalizers in the pre-internationalization phase access market, marketing and technological knowledge from their network partners. Research shows that how long it takes this knowledge to impact firms’ foreign sales depends on the type of knowledge exchanged (Yu et al., 2011). While the exchange of marketing knowledge increases new ventures’ foreign sales, particularly in the early stages, technological knowledge takes full effect on firms’ foreign sales only over time (Yu et al., 2011). New ventures demand knowledge of foreign markets from their network contacts to substitute for their lack of experience in international markets and to build their export capacity (O’Gorman & Evers, 2011), while the combination of market and technological knowledge promotes the development of knowledge-intensive products for international markets (Mort & Weerawardena, 2006). Studies that deal with the post-internationalization phase focus primarily on the exchange of foreign market knowledge between network partners and point out its positive effects for rapid internationalization and firms’ competitive positions abroad (Coviello & Munro, 1995; Park & Rhee, 2012). For example, Tolstoy (2010) highlights the competitive advantage that combinations of foreign market knowledge from partners in different regions provide. Studies also show that early internationalizing firms do not have the resources to conduct intensive research on foreign markets on their own, but that network partners can provide the required knowledge (Mort & Weerawardena, 2006).
The extant literature investigates the knowledge exchange via networks intensively for the pre-internationalization phase, but it refrains from detailed analyses of network dynamics throughout the subsequent internationalization process. Especially in the post-internationalization phase, early internationalizers may penetrate several international markets at once, which often requires that products be adapted to meet consumer demands and governmental regulations (Calantone et al., 2004). Early internationalizers also rely heavily on product innovation by extending, upgrading, and modifying their existing products (Li & Atuahene-Gima, 2001) to increase the speed of internationalization (Cavusgil & Knight, 2015; Weerawardena et al., 2007). Because firms often lack sufficient knowledge of international markets and have limited resources for new product development, they have difficulty adapting their products adequately. Therefore, they would benefit from an investigation of whether network contacts can turn into knowledge providers for early internationalizers’ product adaptation and new product development over the course of the internationalization process, as outlined in Figure B – 2.

Opportunities

As summarized in Figure B – 1, our review reveals that network relationships also influence firms’ search, assessment, and exploitation of opportunities in the pre-internationalization phase. For example, Manolova et al. (2010) emphasize the importance of the founders’ personal and inter-firm networks in the exploration of international opportunities among a sample of 623 INVs in Bulgaria. Their findings indicate that personal networks help new ventures to search opportunities abroad, but that the same is not consistently the case for new ventures’ emergent network ties with other firms (Manolova et al., 2010). Further, studies identify business contacts as the most helpful in identifying foreign opportunities (Coviello & Munro, 1995) and show that networks are valuable in new firms’ ability to access established distribution channels (Coviello & Munro, 1995; Zain & Ng, 2006). Coviello and Munro (1997) complement this view by showing that networks provide piggy-backing arrangements. Several other studies focus on how network contacts help new ventures assess and exploit opportunities (e.g., Mort & Weerawardena, 2006; Vasilchenko & Morrish, 2011). For example, Evald et al. (2011) find that social networks influence nascent entrepreneurs’ exploitation of international opportunities. After a firm’s initial entry into a foreign market, network contacts offer additional international opportunities,
thus fostering a new firm’s ability to enter multiple markets (Park & Rhee, 2012). For example, networks can help new firms overcome environmental challenges in terms of red tape and software piracy (Zain & Ng, 2006). However, while a firm’s initial network in post-internationalization often acts as a catalyst for further internationalization, sometimes the initial network restricts the firm’s additional opportunities (Coviello & Munro, 1995, 1997).

The literature has made significant efforts to investigate the positive effects of networks on firms’ opportunity search and assessment in the pre-internationalization phase. Although networks can provide opportunities for early internationalizers’ first international market entry, studies fail to recognize that it depends on the entrepreneur’s ability to recognize an opportunity and its value (Shane & Venkataraman, 2000). Therefore, to resolve inconclusive findings regarding the role of business networks in early internationalizers’ search for opportunities, future research should consider entrepreneurs’ background because their cognitive biases, education, and experiences influence their ability and willingness to identify opportunities (Arenius & De Clercq, 2005; Zahra et al., 2005). For example, when an entrepreneur chooses a country in which to internationalize, the entrepreneur’s own international experiences can be the decisive factor (Zahra et al., 2005). Especially in the pre-internationalization phase, the entrepreneur is the main decision-maker and driver of opportunity identification. Therefore, we suggest that future research consider the entrepreneur’s background in analyzing early internationalizing firms’ access to opportunities via networks.

Similarly, we know little about firms’ opportunity assessments post-entry. This is an important gap to close because post-entry firms strive for growth by entering multiple foreign markets, which changes the role of network contacts in assessing opportunities. Post-entry, early internationalizers have limited resources and cannot pursue every international opportunity; consequently, initial network partners might constrain additional internationalization efforts (Coviello & Munro, 1997). Therefore, for the sake of a more dynamic consideration of the role of networks, we encourage future research to consider both the positive and negative effects of early internationalizers’ initial networks on the opportunities available in the post-internationalization phase.
As Figure B – 1 shows, we find little research about early internationalizers’ selection of markets, entry-modes and firms’ legitimacy in either phase of internationalization. The prevailing research outlines the impact of a firm’s major business partners (Coviello & Munro, 1995, 1997), the entrepreneur’s social network (Vasilchenko & Morrish, 2011), and the entrepreneur’s personal and business contacts (Evers & O’Gorman, 2011) on the firm’s choice of the initial target country and mode of entry. In the post-entry phase network members help to secure ventures’ businesses and encourage them to make higher entry mode commitments to enter foreign markets (Zain & Ng, 2006). Studies also show that early internationalizers in the pre-internationalization phase gain legitimacy via network relationships. Focusing on academic spin-offs, Pettersen and Tobiassen (2012) find that firms gain legitimacy from their academic network through publications and conferences, thereby documenting the applicability and benefits of academic spin-offs’ technology in an international context. Studies also show a positive influence of network contacts like export-promotion organizations and board members with international reputation on firms’ legitimacy (Mainela & Puhakka, 2011; O’Gorman & Evers, 2011). For example, Mainela and Puhakka (2011) show that software firms from Finland gain legitimacy when their founding network includes board members with international reputations. In the post-internationalization phase, new ventures’ legitimacy is closely connected with their initial network contacts. In this regard, Coviello and Munro (1997) investigate how networks influence the internationalization patterns and processes of four early internationalizing ventures, noting that sometimes early internationalizers’ products are closely connected with the brand names of initial network partners from the pre-internationalization phase. However, the downside is that, if the initial network partner has reputation problems, these problems can negatively influence the early internationalizers’ legitimacy as well (Coviello & Munro, 1997).

Based on the current state of research, we recommend deepening our knowledge of network contacts as legitimacy providers. In the pre-internationalization phase, extant studies investigate the legitimacy provided by different network partners, but we suggest adding venture capitalists to the list of network partners that also provide legitimacy. The literature shows that venture capitalists are not only a source of financial capital but also a source of legitimacy for entrepreneurs (Hsu, 2004) that can help them to
overcome the LoN (Fernhaber & McDougall-Covin, 2009). We also see value in studying the negative reputational effects of initial network partners, as Coviello and Munro (1997) show that initial network partners that have problems can stain new ventures’ legitimacy and hamper their internationalization efforts post-entry. As Figure B – 2 shows, we encourage future scholarship to delve more deeply into these contingencies and dynamic interrelationships.

3.2 Network Governance

Trust

Figure B – 1 shows that studies emphasize trust as an important exchange mechanism between network partners in both phases of internationalization. Based on transaction cost theory, Blomqvist et al. (2008) investigate the role of trust in the internationalization of BGs in the high-tech industry, arguing that trust can foster resource exchange between partners. However, trust is developed over time (Blomqvist et al., 2008); therefore, firms in the pre-internationalization phase start with smaller resource exchanges and build trust by trial and error (Simba, 2015). More precisely, early internationalizing firms start with the initiation of small joint projects with potential business partners in order to test their trustworthiness (Simba, 2015). While it is difficult for early internationalizers to build trust with network partners quickly, the literature stresses factors that can promote its development, such as similarities between network partners (e.g., shared vision, common interests), network partners’ skills (complementary skills, managerial skills), and external factors, particularly strong market competition, that binds network partners together (Blomqvist et al., 2008; Freeman et al., 2010). In the post-internationalization phase, new ventures may focus on maintaining and expanding trust so they can benefit from its suppressive effect on opportunism (Berg et al., 2008) and its positive influence on the efficiency of transactions between network partners (Leite et al., 2016). For example, this can be achieved by establishing shared and mutual interpretations and meanings among network actors (Berg et al., 2008).

Although the research stresses the importance of trust in networks as a governance mechanism, how an early internationalization shapes the development and maintenance of trust between network partners during the internationalization process remains unclear. Despite the importance of trust in the pre-internationalization phase, current research lacks detailed knowledge of how young firms can build trust
quickly. The literature investigates the common characteristics of firms in a network that might increase the pace of trust-building (Blomqvist et al., 2008; Freeman et al., 2010), and research about trust at an organizational level identifies additional factors that provide the basis for trust between organizations, including partner similarity (Robson et al., 2008), shared location, common dependency (Gainey & Klaas, 2003), business understanding (Kasper-Fuehrera & Ashkanasy, 2001), and prospects for a future relationship (Fulmer & Gelfand, 2012). When early internationalizers seek resources from their networks in order to take their first international steps, they must find a common basis on which to begin the process of building trust. Shared characteristics are often an initial component of the development of initial trust because they are often observable. Therefore, we encourage future studies to intensify research on how shared characteristics between firms in a network can foster the development of trust during the internationalization process.

Information about how firms maintain trust that was established in the pre-internationalization phase when they take subsequent internationalization steps is also limited. Research neglects the impact of prior collaboration and the expectation of a common future relationship on the trust in networks in the post-internationalization phase. After the pre-internationalization phase, firms will have collaborative experiences with network partners, and the general network research finds that, if these joint experiences have gone well, they can promote trust between network members (Fulmer & Gelfand, 2012). Similarly, what we know about the influence of trust on the prospect of future collaboration between network partners is limited. Studies find that future collaboration can diminish opportunism, which promotes trust between network members (Inkpen & Tsang, 2005). Such assurance is especially important for early internationalizers because of the threat of partners’ taking advantage of the new firm’s LoN by means of opportunistic behavior. We encourage future studies to examine the influence of prior collaboration and expectations of a common future relationship on trust-building between early internationalizers and their network contacts (see Figure B – 2).

**Contracts**

Studies show that contracts are a governance mechanism for resource exchange between network members (see Figure B – 1). Blomqvist et al. (2008) point out that contracting is costly and time-consuming for BGs in the pre-internationalization phase, as different laws and business practices in
different countries and the need to revise contracts increase the required effort. Nevertheless, once a contract is established, it secures resource exchange by avoiding opportunistic behavior and misrepresentation of network partners’ abilities (Zacharakis, 1997); thus, contracts can complement trust (Blomqvist et al., 2008). In the post-internationalization phase, network partners use contracts to increase control and strengthen their relationships through direct investments (Casson, 1997). However, Casson (1997) also points out the need for institutional frameworks in foreign countries that can enforce contracts in case of problems.

Research about the use of contracts in networks during the post-internationalization phase is scant. Although contracts do not usually play a role for early internationalizing firms in the initial stages, we expect that early internationalizers adapt their network governance mechanisms to their new challenges post-entry. An examination of their use of contracts as they relate to preparation costs (and, later, monitoring and adaption costs) when early internationalizers operate in multiple countries would be useful. Countries’ differing laws and regulations must be considered in the contract-building process, which can increase costs. In countries that feature high levels of environmental uncertainty, contracting can be even more costly because future events are unpredictable (Park & Steensma, 2012). As early internationalizers are exposed to the risk of opportunistic behavior and devote their scarce resources to further internationalization steps, we encourage future research to delve more deeply into the role of contracts between partners throughout firms’ internationalization process, particularly in uncertain environments where future developments are unpredictable.

Social mechanisms

Studies also show that social mechanisms can foster resource transfer between network partners. As shown in Figure B – 1, the literature investigates complementary skills and reputation as a social mechanism for resource exchange in the pre-internationalization phase. Arguing from the perspective of transaction cost theory, Zacharakis (1997) contends that complementary skills between the entrepreneur and his or her agent help firms to protect themselves from opportunistic behavior because both parties perform better together than they do alone. Studies also show that new ventures cannot plausibly use their reputations to bolster trust in resource exchange because they have not yet established them (Zacharakis, 1997). However, as long as network partners have prospects for additional trade in
the post-internationalization phase, the fear of ostracism hinders them from cheating, as network members will disclose dishonest behavior and fraud to the network, preventing the perpetrator from taking part in future trades (Casson, 1997).

Despite this background, we know little about how firms’ use of social governance mechanisms evolves during internationalization. While prior research demonstrates that early internationalizers cannot use their own reputations to establish resource exchange in the pre-internationalization phase, how other network members’ reputations influence new ventures’ resource exchange remains unclear. According to Jones et al. (1997), early internationalizers are exposed to opportunistic behavior from external actors, hampering resource exchange, but in a network, each member has a reputation for, for example, being reliable or innovative, which diffuses throughout the network, decreasing uncertainty of early internationalizers about potential exchange partners (Capaldo, 2014). Early internationalizers can look to network members with good reputations to establish beneficial and trustworthy resource exchanges.

The more general network literature identifies additional social governance mechanisms that can guide resource exchange in networks in the later stages of internationalization, but might be available only post-entry (e.g., collective sanctions, restricted access to exchange in networks) (Jones et al., 1997). Once firms have entered several international markets in the post-internationalization phase, social governance mechanisms are especially important because they demand fewer resources than other mechanisms do. Therefore, we encourage future research to investigate the evolution of social governance mechanisms from firms’ initial internationalization to later stages, as summarized in Figure B – 2.

3.3 Network Structure

Amount of resources

The network structure influences the amount and diversity of resource exchange from which early internationalizers can benefit. According to Figure B – 1, early internationalizers’ network size has the lowest value at firm inception, but increases over time (Coviello, 2006). In the early stages of internationalization, new ventures focus on exploiting existing ties instead of looking for new ones (Sasi & Arenius, 2008), while in the post-internationalization phase, when firms recognize that their initial
network ties may depreciate over time (e.g., through tie decay), they seek to enlarge their networks (Prashantham & Dhanaraj, 2010). In analyzing the influence of social capital among four new ventures over a three-year period, Prashantham and Dhanaraj (2010) argue that new ventures’ initial network relationships may lose their value or become obsolete when the firm evolves. However, Gerschewski et al. (2015) conduct empirical research on 147 BGs from New Zealand and Australia and find no significant effect of the size of personal networks on firms’ international performance.

Because new ventures’ potential for foreign market entry is contingent on its available amount of resources (Autio et al., 2000; Westhead et al., 2002), they strive to increase their network size from the pre- to the post-internationalization phase. One explanation might be that the general network literature supposes a positive effect between network size and the amount of available resources (Borgatti et al., 1998; Greve & Salaff, 2003), and the amount of resources an early internationalizing firm needs increases as it enters multiple countries. While current research measures new ventures’ network size and effective network size (Coviello, 2006), it falls short in analyzing the network’s impact on a firm’s available amount of resources. This gap should be addressed because research shows a diminishing marginal utility of an increasing network size on the amount of available resources for entrepreneurs, possibly because the cost of maintaining contacts can exceed the benefits (Semrau & Werner, 2014). As early internationalizers can benefit from knowing when it is worth expanding their existing networks to access higher amounts of resources, we encourage future research to investigate the effect of early internationalizers’ network size on the amount of subsequently available resources.

Studies show that an early internationalizer’s network position is central in both phases of internationalization and gives the new venture access to detailed information about its partners (Al-Laham & Souitaris, 2008; Coviello, 2006). In the pre-internationalization phase, the literature reveals that geographically proximate firms in the network can help young firms internationalize by increasing available resources but only under certain conditions, such as when the firm is very young (Fernhaber & Li, 2013) or industry concentration is low (Fernhaber et al., 2008). When industry concentration is high, a new venture benefits from geographically proximate firms only when the new venture has characteristics like a high level of R&D intensity, large size, or international experience that can help it to overcome the increased competition (Fernhaber et al., 2008). In this context, Coviello (2006) argues
that, when a firm maintains a central network position in a growing network, it can control information flows and broker exchange processes.

The extant research emphasizes the benefits of a central network position but recognizes that these benefits exist only under certain conditions in the post-internationalization phase. Therefore, it would be useful to outline the potential negative effects of network centrality on firms’ access to resources during the pre-internationalization phase in order to understand their influence on subsequent internationalization steps. Research from outside the IE domain reveals that factors like restricted attentional capability and efforts to maintain relationships diminish the positive effects of a central network position (Rotolo & Messeni Petruzzelli, 2013). Because of early internationalizers’ resource deficits and their tendency to hold a central position in the pre-internationalization phase, investigating the impact of their central position on their access to resources would be important.

When early internationalizers’ international expansion gains speed, these firms must adapt their networks to gain access to increasing amounts of resources. However, Ellis (2011) finds that communication barriers can hamper international resource exchange via networks. In the pre-internationalization phase, early internationalizers generally benefit from their central position that enhances their communication with other network members. However, once early internationalizers begin adding international contacts, they risk losing their central position because of communication barriers. Therefore, as illustrated in Figure B – 2, we encourage future research to consider distance (geographic, cultural, psychic, linguistic) as a factor that may impede the advantages of a central position in networks during cross-border expansion.

Resource diversity

Figure B – 1 provides an overview of studies that consider the influence of tie strength on early internationalizing firms’ diversity of available resources. In the pre-internationalization phase, entrepreneurs’ strong network ties provide tacit knowledge and secure information about foreign markets, which increases their ability to internationalize. Strong ties are especially important in foreign markets, where early internationalizing firms have to cope with institutional voids (Kiss & Danis, 2008). In this regard, strong ties are associated with frequent and long-term communication and the transfer of
tacit knowledge through intensive cooperation. Studies also show negative performance implications of strong ties for early internationalizers, as they provide less innovative resources and are associated with high establishment costs (Han, 2006, 2008). On the other hand, weak ties provide a greater diversity of information for new ventures (Kiss & Danis, 2008), as they provide new and innovative resources from a variety of network members, increasing new ventures’ internationalization speed (Han, 2008; Kiss & Danis, 2008). In their conceptual study, Prashantham and Young (2011) differentiate between bonding (intraorganizational relationships) and bridging (interorganizational relationships) ties in the post-internationalization phase and these relationships’ influence on a new venture’s accumulation of market and technological knowledge. The authors explain that bonding ties comprise relationships between internal actors (e.g., departments and colleagues), while bridging ties describe firms’ relationships to external actors (e.g., customers and suppliers). Prashantham and Young (2011) also posit that strong bridging ties are positively associated with the exploitation of new knowledge, whereas weak bridging ties are positively associated with the acquisition of new knowledge.

While prior research analyzes theoretically the influence of early internationalizers’ tie strength on firms’ access to resource diversity, these studies do not consider the sub-dimension of tie strength, which is important for an appropriate analysis of tie strength’s influence on resource diversity. Although we acknowledge the structural network analysis as a useful utility to analyze network tie strength, we follow existing research and recommend applying more theory to the field of early internationalizers and networks. Consequently, as outlined in Figure B – 2, we advise the strength of weak ties theory by Granovetter (1973) and suggest measuring tie strength as the time invested in the relationship, the emotional intensity between network members, and the frequency of interaction. Several studies from related research fields operationalize tie strength in a similar manner (Anderson, 2008; Smith et al., 2005). Research shows that early internationalizers increase the number of their network contacts in the course of their internationalization process (Coviello, 2006), which might also influence their tie strength, as close ties with network partners require effort to establish and maintain. Therefore, it would be fruitful to operationalize measures for strong and weak ties in order to determine their influence on the diversity of resources available to firms during the internationalization process.
With regard to bridging structural holes, Coviello (2006) also finds that exchanged resources are less diverse when the network is dense in the pre-internationalization phase, while Yu et al. (2011) find that the technological knowledge exchanged in high-density networks is less innovative than it is in networks with lower density, although dense networks increase the positive effect of marketing knowledge on internationalization. Early internationalizers’ network structures shift from mainly strong ties in the pre-internationalization phase to weaker ties in the post-internationalization phase, as weak ties open opportunities to gain more diverse resources by bridging structural holes (Coviello, 2006; Prashantham & Young, 2011). However, a high number of weak ties also contains the risk of being disconnected in the network (Coviello, 2006). Coviello (2006) also reveals that, in a growing network, network relationships tend to provide redundant resources less often, which increases early internationalizers’ opportunities for internationalization.

In general, dense networks lower the likelihood of structural holes. Dense networks are seen as disadvantageous with regard to the transfer of novel knowledge, but Yu et al. (2011) find that, in the pre-internationalization stage, network cohesion is positive for the transfer of marketing knowledge and negative for the exchange of innovative technological knowledge. Against this background and given firms’ need for diverse resources when they venture into international markets, we encourage future research to delve more deeply into various categories of resources throughout firms’ internationalization process as they relate to structural holes.

4 Conclusion

The paper’s goals were to conduct a systematic review of the role of networks in the internationalization process of early internationalizers and to explore opportunities for future research regarding early internationalizers’ network dynamics throughout firms’ internationalization process. Our review of 61 studies demonstrates the importance of networks for early internationalizing firms. Drawing on three key network dimensions—content, governance, and structure—we clarify the current state of the literature on the role of networks in early internationalizing firms’ pre- and post-internationalization phase. Based on this systematic analysis, we develop suggestions for future research regarding network dynamics.
Our analysis suggests that there is a need for research in areas related to all three key network dimensions: How firms gain access to different types of resources (content), firms’ use of governance mechanisms for resource exchange (governance), and the amount and diversity of resources exchanged (structure) all vary throughout firms’ internationalization process. For example, in the area of network content, research is needed on how access to human and financial resources affects firms’ access to these types of resources in later phases of firms’ internationalization. Research is also needed on the use of trust and social governance mechanisms as enablers of resource exchange. Finally, extending what we know about the effect of network size and tie strength on firms’ available amount and diversity of resources would be useful in clarifying the role of networks in early internationalizing firms.

This study has several limitations. The first limitation relates to our study’s search process, which we adopted from Jones et al. (2011), whose scope (the IE domain) is wider than of our study and, therefore, carries the danger of losing the focus of the study. However, this approach also has some strengths, particularly in terms of the validation of the search process. Because our intense second literature search, which we conducted for validation purposes, found no additional studies that were relevant to our review, we concluded that following Jones et al.’s (2011) search procedure and narrowing their search process to identify studies on the role of networks in early internationalizing firms suited our overall aim to identify, assess, and summarize the existing research in the most comprehensive way. Second, the three key network dimensions are not independent of one another. For example, network governance mechanisms may influence the content of resources exchanged in the network, as network contacts may provide money only to trusted firms. However, we deal with these key dimensions individually in order to provide a clear and trenchant analysis, which is consistent with Hoang and Antoncic (2003). Third, our review deals only with early internationalizing firms, so it excludes studies that focus on other types of firms or that compare other types of firms with early internationalizers (e.g., Baum et al., 2015; Schwens & Kabst, 2009), although these studies may be also relevant. Finally, we included only peer-reviewed journal articles in our sample, which might increase the danger of publication bias, even though this procedure is accepted practice and ensures a high-quality input for our review.

While primarily a guide for research, this review may also function as a practical guide for managers who seek to internationalize their new ventures. We shed light on the prevailing view that network
contacts are valuable for early internationalizers. First, as new ventures need several types of resources for their internationalization efforts, we provide managers with information about the different types of resources they can access via networks. For example, networks can help firms access financial capital via crowdfunding for firms’ initial internationalization and may subsequently ease the access to capital from financial institutions. Second, our review may also provide managers with information they can use when establishing and maintaining their network relationships to minimize the transaction costs of their resource exchanges. For example, as transaction costs arise from the exchange of resources (e.g., search and control costs), networks entail mechanisms like trust that lower the costs for resource exchange. In this regard, this review provides information that managers can use in their effort to build trust between organizations and network members. For example, managers can promote the establishment of trust between organizations by highlighting the potential partners’ similarities (such as common goals). Established trust between network members can in turn increase the partners’ willingness to grant access to resources needed for internationalization. Finally, our review may provide managers with insights into possible outcomes of investing time and money in building networks. For example, the review reveals potential pay-offs in terms of access to diversity and amount of resources in case managers decide to invest in network size, relationship quality, and network position.
Study 2: The Bright and the Dark Side of Network Tie Strength for Early Internationalizers’ Foreign Venture Performance

Introduction

When firms venture into a new country, they usually face challenges from cultural and institutional differences between the firm’s home market and the host country market (Zaheer, 1995). To enter the new foreign market successfully, firms must acquire or develop new knowledge because the knowledge they have about their home country is often not applicable to the new foreign market (Lu & Beamish, 2001). These challenges are particularly pertinent for early internationalizers—that is, firms that venture into foreign markets right from or shortly after inception (De Clercq et al., 2012; Rialp et al., 2005)—whose short company history gives them neither the time nor the resources to familiarize themselves sufficiently with the host country’s environment (Schwens & Kabst, 2011). However, the lack of such knowledge can lead to failure abroad, which can endanger firms’ survival (Sapienza et al., 2006), as the relative importance of one foreign market engagement is much greater for early internationalizers than it is for larger firms, whose geographic and product diversification makes it easier to compensate for failure in one foreign market. Therefore, the question how early internationalizers acquire the necessary knowledge to enter and compete successfully in a new foreign market is a fundamental one (Bruneel et al., 2010; Schwens & Kabst, 2011).

Ever since the beginning of research in the domain of international entrepreneurship (IE), studies have emphasized the importance of networks for early internationalizing firms (Coviello & Cox, 2006; Oviatt & McDougall, 1994), as these networks can function as a mechanism for early internationalizers to substitute their lack of own knowledge by the knowledge of their network partners (Bruneel et al., 2010). In this regard, studies have revealed that networks provide knowledge about foreign markets (O’Gorman & Evers, 2011) and technology (Yu et al., 2011), as well as legitimacy for firms in new foreign markets (Pettersen & Tobiassen, 2012), all of which result in improved foreign market performance. However, studies have also shown that networks are not necessarily a panacea, as they can present challenges to early internationalizing firms. For example, Coviello and Munro (1997) show that closely connected network partners can have negative reputational effects on early internationalizers, which stresses their
international performance. Moreover, current research does not consider that the value of knowledge from early internationalizers’ inter-firm networks depends on some critical contingencies. For example, firms that are exposed to the same knowledge do not necessarily generate equal benefits, because their ability to identify and exploit external knowledge differs (Beaudry & Breschi, 2003; Giuliani & Bell, 2005). Given the opposing bright and dark sides of networks and the need for further contextualization, it is critical to examine how networks differently impact the performance of early internationalizing firms and under what boundary conditions the positive (negative) aspects become more or less pronounced. However, studies that undertake a differentiated analysis of the performance implications of networks for early internationalizing firms are overly scant.

The present paper has two research aims. First, we examine the relationships between national (i.e., home-country relationships) and international (i.e., foreign-country relationships) inter-firm network tie strength and early internationalizers’ performance in the first international market they enter. Drawing on the knowledge-based view (KBV) (Grant, 1996), which underpins the role of knowledge as firms’ most important strategic resource empowering them to gain competitive advantages (Eisenhardt & Santos, 2002), we argue that early internationalizers can access critical knowledge via their inter-firm networks and that the impact of this knowledge on firms’ performance depends on the location of the inter-firm network contacts. We argue that national networks are in particular the sound sources of knowledge in the early stages of a firm’s internationalization process (Santangelo & Meyer, 2017; Sapienza et al., 2005) because domestic contacts that have internationalized from the same home country tend to be knowledgeable about success factors and pitfalls regarding firms’ initial foreign market entry (Wiklund & Shepherd, 2009). We further argue that international inter-firm ties can provide rich knowledge about foreign markets, but the transfer of knowledge across geographic distances comes with high costs. Referring to current research (Colombo et al., 2009; Jiang et al., 2010), the coordination and knowledge integration costs of collaboration are particularly high when foreign partners are involved, so the costs may exceed the benefits. Specifically, young firms have restricted resources, and have to deal with high expenses for the coordination of their international inter-firm activities to the detriment of other activities (Colombo et al., 2009) that might be more beneficial to firms’ performance in their first foreign market. Firms must cope with these initial coordination and knowledge integration costs
before they can benefit from their international relationships (Jiang et al., 2010). National and international networks must also be distinguished, as the value of one type of network may determine the value of the other. For example, development of a national network binds personal and financial resources that could otherwise be used in developing international ties (Prashantham et al., 2015; Sapienza et al., 2005). To avoid misspecifications concerning the performance implications of networks, we examine the effect of two network types and control for one when we examine the other. In this context, we refer to the concept of tie strength (Granovetter, 1973), as the closeness to network partners leads to a greater exchange of knowledge between them (Levin & Cross, 2004; Rowley et al., 2000). As such, strong ties are characterized by closeness, frequent interactions, and long durations of interaction (Smith et al., 2005).

Second, we examine the moderating effect of absorptive capacity (ACAP), which refers to a firm’s ability to identify, value, and select new knowledge and to assimilate it into existing knowledge (Cohen & Levinthal, 1990) on the aforementioned relationships between networks and foreign venture performance. According to Cohen and Levinthal (1989, 1990), firms do not benefit equally from external knowledge solely by being exposed to it. Instead, the firm’s knowledge stock depends on whether a firm can take advantage of external knowledge or not (Escribano et al., 2009). In this context, ACAP as an important capability determines the extent to which a firm can learn from inter-firm relationships (Barringer & Harrison, 2000; Cohen & Levinthal, 1990; Zahra & George, 2002). Hence, a firm’s ACAP captures its capability to utilize external knowledge from networks (Lane et al., 2006).

Our paper offers two contributions to IE research. First, we advance this literature by theorizing about the opposing effects of national and international networks on the performance of early internationalizers’ first foreign market venture. Our theorizing about networks’ detrimental effects builds on current research (e.g., Sepulveda & Gabrielsson, 2013) that indicates a dark side of networks but does not investigate its performance implications. In this context, our simultaneous consideration of national and international networks expands the study from Presutti et al. (2007), which finds a positive effect of knowledge provided by foreign network partners on a firm’s performance. We also complement existing literature (e.g., Prashantham & Birkintshaw, 2015) that finds diverging effects of national and international networks on early internationalizers’ international intensity by pointing at the performance
implications of network partners’ geographic location. In this regard, we also respond to calls for more research on various kinds of value provided by inter-firm relationships (Gulati & Higgins, 2003). Second, we add to the literature on early internationalizers by developing theoretically and validating empirically the moderating impact of ACAP on the relationship of national and international network tie strength with performance in firms’ first foreign market. In doing so, we contribute to a more detailed understanding of the boundary conditions under which early internationalizers’ network relationships enhance their performance. In this regard, our study also responds to calls for the integration of ACAP into the IE literature (Knight & Liesch, 2016; Prashantham & Young, 2011).

2 Background Literature

Inter-firm networks are a critical asset for early internationalizing firms (Coviello, 2006) because they provide access to required knowledge (Adler & Kwon, 2002; Uzzi, 1999). However, the literature finds both positive and negative effects of inter-firm networks for early internationalizing firms. For example, networks can provide detailed information about international markets (Musteen et al., 2014) and deliver information about opportunities for international market entries (Coviello & Munro, 1997; Fernhaber & Li, 2013). In contrast, some studies reveal negative effects of networks on early internationalizing firms, as network contacts can be unreliable (Mort & Weerawardena, 2006), can restrict a firm’s further international expansion (Sepulveda & Gabrielsson, 2013), and can inhibit its product development (Coviello & Munro, 1997). Against this background, we currently do not know whether the use of inter-firm networks enhances or stresses the international performance of early internationalizing firms, as only one study shows that knowledge obtained from inter-firm networks positively impacts early internationalizers’ foreign sales (Presutti et al., 2007), and a differentiated analysis that takes the benefits and drawbacks of networks into account is missing.

To resolve inconclusive findings and to shed light on the performance implications of inter-firm networks, we argue that one explanation for the conflicting findings regarding the role of early internationalizers’ networks results from the geographic locations of firms’ network partners. According to the KBV, firms’ heterogeneous knowledge bases and capabilities are the main drivers of performance differences among firms (DeCarolis & Deeds, 1999). Therefore, the distinction between national and
international inter-firm networks is important for early internationalizing firms because knowledge provided by network contacts from these networks may differ. In addition, the usefulness of knowledge from national and international networks is bound to the firm’s stage in the internationalization process (Santangelo & Meyer, 2017). Domestic network contacts possess an intimate understanding of the internationalization process (how to internationalize) (Milanov & Fernhaber, 2014), which is particularly important to conduct the first international market entry, whereas international networks have rich knowledge about foreign markets but lack experience in internationalization from countries other than their own (Milanov & Fernhaber, 2014). The knowledge exchange with international partners is also associated with high costs that arise from the geographic distance between network contacts (Bell & Zaheer, 2007). For example, the coordination costs of knowledge transfer between geographically distant partners are especially high because the behavior of foreign partners is less predictable than is that of domestic partners (Colombo et al., 2009). In addition, high knowledge integration costs arise, as cultural and language differences between the firm and the foreign partner can make it difficult to understand the information provided to the degree required to integrate it with the firm’s existing knowledge (Bruneel et al., 2010).

Firms’ ACAP is of major importance for the exploitation of knowledge provided by networks and for the application of this knowledge to commercial ends (Cohen & Levinthal, 1990; Zahra & Hayton, 2008). The KBV literature argues that firms need capabilities (e.g., ACAP) to take advantage of their knowledge (DeCarolis & Deeds, 1999). ACAP is a process consisting of four steps: acquisition, assimilation, transformation, and exploitation (Zahra & George, 2002). Acquisition refers to a firm’s ability to identify and obtain external knowledge (e.g., from national and international inter-firm networks). Assimilation relates to a firm’s ability to build processes for the analysis, interpretation, and understanding of knowledge from external sources (Szulanski, 1996). Transformation encompasses the combination of existing knowledge with new knowledge obtained from external sources (Zahra & George, 2002). Finally, exploitation involves the application of knowledge to commercial ends (Cohen & Levinthal, 1990). As ACAP allows firms to manage external knowledge flows efficiently (Escribano et al., 2009), we regard it as an important boundary condition of the relationship between network ties as knowledge providers for early internationalizers and their performance in their first international
markets. This perspective is in line with Park and Rhee (2012), who find that ACAP strengthens the relationship between external knowledge and early internationalizers’ knowledge competency, which enhances the firms’ international performance.

3 Hypotheses Development

This section provides theoretical arguments concerning the influence of domestic and international inter-firm networks on early internationalizers’ performance in their first foreign markets and explains how ACAP moderates these relationships.

Domestic inter-firm networks enhance early internationalizers’ performance in their first foreign markets by providing knowledge about the internationalization process, exploring and exploiting international opportunities, enhancing their reputations, and optimizing their processes. First, early internationalizers’ national inter-firm networks provide critical internationalization knowledge, which helps new ventures to avoid costly mistakes and promotes their internationalization efforts. New ventures can gain internationalization knowledge vicariously through the observation of closely located national network partners (Fernhaber & Li, 2010). As new ventures tend to imitate the behavior of firms in their close environment (Fernhaber & Li, 2010; Fernhaber et al., 2007), they can look up for successful inter-firm network partners and acquire their knowledge as how to internationalize in order to enhance early internationalizers’ international performance (Fernhaber & Li, 2010). Through their close relationship, inter-firm network partners commonly experience the same day-to-day challenges, and they can provide timely advice about how to avoid costly pitfalls during internationalization (Prashantham & Birkinshaw, 2015). Additionally, provided internationalization knowledge prevents early internationalizers from making the same mistakes and reduces failure costs (Prashantham & Birkinshaw, 2015), which enhances foreign venture performance.

Second, domestic inter-firm contacts also provide knowledge about opportunities for international market entries and about how best to exploit such opportunities. Network contacts help to identify foreign market opportunities (Coviello & Munro, 1997) and provide access to established distribution channels (Coviello & Munro, 1995; Zain & Ng, 2006), all of which help early internationalizers to save search costs and to prepare for their initial foreign market entry successfully. Afterwards, inter-firm
networks can help early internationalizers to evaluate and exploit their international opportunities (Fernhaber et al., 2008). Through the observation of successful domestic inter-firm contacts, early internationalizers can imitate how best to exploit such opportunities (Fernhaber & Li, 2010) and in turn be more successful. However, Prashantham and Birkinshaw (2015) argue that domestic networks bind firms to the local environment and encourage early internationalizers to use their scarce resources on domestic opportunities, limiting their ability to pursue potentially lucrative international opportunities.

Third, close relationships with domestic inter-firm network partners can also promote early internationalizers’ reputations, which eases their access to knowledge they need for their initial internationalization. Strong connections to domestic partners can act as a signal of trustworthiness and sound reputation because opportunistic behavior has greater consequences in firms’ domestic environments than it does in the international environment (Al-Laham & Souitaris, 2008; Gulati, 1995). Consequently, domestic firms have easier access to useful knowledge if they are closely connected to a credible third party (Powell et al., 1996), which in turn increases firms’ international performance.

Finally, close relationships to domestic firms enhance early internationalizers’ cost efficiency and can lead to competitive advantages. Close cooperation with domestic partners can provide a variety of knowledge and complementary skills, which allows for specialization in the value chain and can improve the efficiency scale of operations and the development of superior knowledge (Chetty & Wilson, 2003; Manolova et al., 2010). Lower costs in the domestic market also enable firms to make foreign direct investments (Dunning, 1988; Fernhaber et al., 2008). Firms strive for international expansion to improve their profitability, which, in turn, can make them more competitive in foreign markets (Fernhaber et al., 2008). In summary of the above arguments, we hypothesize:

\[ \text{Hypothesis 1: Close inter-firm relationships to domestic networks increase early internationalizers’ performance in their first foreign markets.} \]

Oviatt et al. (1995) identify international inter-firm networks as one of the most important characteristics of successful international start-ups. However, regarding early internationalizers’ initial foreign market entry, we argue that knowledge from international inter-firm networks is associated with high transfer costs.
International inter-firm networks provide benefits in terms of knowledge (i.e., knowledge about the foreign market, identification of opportunities, enhancement of reputation) that helps early internationalizing firms to access several new foreign markets and to compete abroad successfully. Specifically, international inter-firm contacts can deliver rich foreign market knowledge that can decrease early internationalizers’ costs of information procurement and increase their chances of success in foreign markets. This rich information about foreign market conditions (Uzzi, 1997) comprises knowledge about the foreign country’s society, culture and political developments (Musteen et al., 2010) that would not otherwise be available for early internationalizing firms (Musteen et al., 2014). Access to foreign market knowledge helps early internationalizers to compete successfully in new international markets (Musteen et al., 2014). Besides foreign market knowledge, international contacts can also deliver knowledge about potential opportunities in foreign markets (Musteen et al., 2010) and possible pitfalls of pursuing them (Uzzi, 1997). In this context, international network contacts may break up groupthink (Nelson, 1989) and introduce the new perspectives and opportunities that can enhance firms’ innovativeness and competitiveness in new foreign markets. Finally, international inter-firm contacts can also improve early internationalizers’ reputation. In comparison to domestic firms, early internationalizing firms focus more on leveraging their reputations through their network contacts (Chetty & Wilson, 2003). International network contacts provide credibility to early internationalizing firms and help them to establish their products in the new foreign markets (Musteen et al., 2014), which in turn enhances their international success.

However, we argue that, in the case of international inter-firm contacts, the exchange of knowledge across borders causes high knowledge integration and coordination costs. Referring to the concept of geographic distance, the physical separation between network members leads to difficulties of knowledge exchange (Bell & Zaheer, 2007). First, geographic distance leads to higher integration costs for exchanged knowledge between network partners. The main argument is that high spatial distance decreases the likelihood of planned and spontaneous face-to-face meetings that are required for the exchange of tacit and rich knowledge (Knoben & Oerlemans, 2006; Torre & Gilly, 2000). In particular, the interpretation of codified knowledge requires tacit knowledge and, therefore, spatial proximity (Howells, 2002). Therefore, it is more difficult and costly for early internationalizing firms to profit
from rich information about foreign markets and opportunities provided by their international inter-firm network contacts. The rarity of face-to-face meetings can mean that the process of knowledge absorption may be long and rife with misunderstandings.

Second, geographic distance also increases the costs of firms’ monitoring and coordination of their international networks. Spatial distance between network partners increases the managing cost, as dispersed networks require more coordination than closer networks do because of, for example, time differences (Hutzschenreuter et al., 2014, 2016). Geographic distance also increases early internationalizers’ costs for monitoring their international inter-firm network partners. Spatial distance complicates the monitoring of the activities of international partners (Funk, 2014), which is especially risky because distant partners are more likely than close partners to act opportunistically (Capaldo & Petruzzelli, 2014). The literature shows that unreliable network partners may negatively influence a firm’s ability to take international market opportunities (Mort & Weerawardena, 2006), and a high dependence on international contacts might lock the firm out from distributor networks (Chetty & Wilson, 2003) or key-customers (Presutti et al., 2007). Therefore, although firms’ costs are highest at the initiation of the first foreign market entry (Sapienza et al., 2006), early internationalizers must expend significant effort in avoiding harmful behavior by their international inter-firm network contacts. Taken together, the potential benefits of knowledge from international inter-firm networks for early internationalizing firms can be valuable. However, early internationalizers have restricted resources, and working with international inter-firm networks entails high coordination and knowledge integration costs that may rise to a point at which the costs outweigh the benefits. In addition, firms must invest considerable time and resources to developing and maintaining close international ties, possibly to the detriment of activities that are much more beneficial for firms’ performance in their first foreign markets. Hence, we hypothesize:

**Hypothesis 2:** Close inter-firm relationships to international networks lower early internationalizers’ performance in their first foreign markets.

In the following, we develop theoretical arguments regarding how ACAP moderates the relationship between early internationalizers’ national and international inter-firm tie strength and their foreign
ventures’ performance. Specifically, we argue that firms with more ACAP profit more from external knowledge and face lower knowledge integration costs, while we assume the opposite effect for firms with less ACAP.

Whether knowledge comes from national or international contacts, firms that access the same external knowledge do not necessarily derive equal benefits, because the capacity to identify and exploit the external knowledge differs among firms (Beaudry & Breschi, 2003; Escribano et al., 2009; Giuliani & Bell, 2005). Therefore, we argue that early internationalizers can access international knowledge from national and international inter-firm networks, but the degree to which the firm can derive benefits regarding a foreign venture’s superior performance depends on its ACAP. According to Zahra and George (2002), ACAP plays two roles: It allows the firm to identify useful knowledge in its environment, and it determines the extent to which the firm derives benefits from this knowledge. The ability to identify, absorb, and apply external knowledge enhances firms’ ability to tailor their internationalization efforts directly to the specifics of the foreign country’s market. When observing the internationalization behavior of successful inter-firm network partners, more ACAP allows early internationalizing firms to separate important from unimportant knowledge quickly, which saves time and costs. The ability to combine knowledge about how to internationalize with foreign market knowledge enables firms to adapt their international expansion efforts to the particularities of the foreign markets, and in turn, to be more successful.

In a related vein, firms that possess ACAP can exploit external knowledge efficiently (Escribano et al., 2009) because ACAP fosters the identification, integration, and application of specialized knowledge from domestic inter-firm network partners. Early internationalizers that can absorb knowledge at lower costs enhance their efficiency. Moreover, ACAP helps firms to reduce the high costs of transferring knowledge from international inter-firm contacts. When a firm has ACAP, knowledge from distant countries can be more easily decoded, interpreted and applied, which decreases the chances of loss or distortion (Wales et al., 2013), and lowers the costs of integration.

ACAP also helps early internationalizers benefit from opportunities network contacts provide to lower costs. First, ACAP enables firms to constantly access a variety of new knowledge and information about opportunities via their inter-firm contacts (Rothaermel & Alexandre, 2009). Early internationalizers with
more ACAP are less likely to let opportunities pass by, as they can process high amounts of information and knowledge about the opportunities quickly. Consequently, the number of available opportunities is higher for early internationalizers, increasing their chances of finding promising opportunities, which in turn increases firms’ success (Anderson & Eshima, 2013). Second, with more ACAP, early internationalizers can also evaluate opportunities more efficiently. After obtaining information about opportunities, it is important to evaluate the opportunities to effectively separate the promising from the inferior opportunities. Firms with more ACAP can evaluate information and knowledge from inter-firm network contacts correctly (Zahra & George, 2002). More precisely, ACAP enables early internationalizers to interpret information about opportunities correctly and to decide whether it is worthwhile to take advantage of the opportunity or not. This is important because, through the exclusion of irrelevant information and knowledge, early internationalizers can avoid costly mistakes. Further, through firms’ capability to interpret and evaluate new information, the selection process leads to lower costs and is more efficient (Engelen et al., 2014).

In summary, we argue that the positive effect of national inter-firm ties on a foreign venture’s performance is stronger at high levels of a firm’s ACAP because ACAP helps the firm to integrate and exploit knowledge from its network partners in its first foreign market. We also argue that the negative effect of international inter-firm ties on a foreign venture’s performance is stronger when a firm’s level of ACAP is low. Specifically, the benefits of information exchange across borders diminish as firms’ ability to identify relevant information across borders and to apply this information to the first foreign market decreases. In addition, the expenses associated with grasping and using external knowledge increases as ACAP decreases, and these expenses bind resources that would otherwise be available for the development of the initial foreign market ultimately reducing the foreign venture performance.

**Hypothesis 3:** ACAP moderates the relationship between close inter-firm relationships to domestic networks and early internationalizers’ performance in their first foreign markets in such that the higher the level of a firm’s ACAP the stronger the positive effect of inter-firm relationships to domestic partners on early internationalizers’ first foreign venture performance.
Hypothesis 4: ACAP moderates the relationship between close inter-firm relationships to international networks and early internationalizers’ performance in their first foreign markets in such that the lower the level of a firm’s ACAP the stronger the negative effect of inter-firm relationships to international partners on early internationalizers’ first foreign venture performance.

4 Methods

4.1 Sample

It can be challenging to identify new ventures that internationalize shortly after their inception (Oviatt & McDougall, 1997; Zahra et al., 2000), but we used three criteria to obtain a representative sample of early internationalizing firms. First, firms must have ventured into foreign markets right from or shortly after their inception (De Clercq et al., 2012; Rialp et al., 2005). This definition emphasizes the timing of internationalization and covers most companies like international new ventures (INVs) (Oviatt & McDougall, 1994), born globals (BGs) (Knight & Cavusgil, 2004), and global start-ups (Jolly et al., 1992), as long as these companies venture abroad within eight years after their inception (McDougall, 1989) and before reaching a mature organizational state. Second, firms must have obtained at least 5 percent of their total sales from international markets (Zahra et al., 2000). Third, firms have to be independently owned (e.g., subsidiaries from other firms are excluded) (Zahra, 2005).

Our empirical analysis draws on data gathered from the well-established AMADEUS database. We obtained the contact data of 2,171 internationally operating new German ventures that were founded between 2006 and 2016. As our focus is on early internationalizers’ performance in their first foreign markets, we reduced the risk of potential memory bias among respondents by choosing relatively young ventures. As early internationalization is not restricted to any industry (Gerschewski et al., 2015), we generated a multi-industry sample. Consistent with previous research (e.g., Prashantham & Birkinshaw, 2015), we chose the chief executive officer (CEO) or a top manager as the contact person. For our survey, we developed the original version of a paper-based questionnaire in English and used established back-translation standards (Brislin, 1970; Hui & Triandis, 1985; Van de Vijver & Hambleton, 1996) to present the final questionnaire in German.
In 2016, we sent the 2,171 firms the structured paper-based survey and an explanatory cover letter that invited them to participate. Two weeks after this initial step, we sent reminder e-mails, followed by phone calls, that encouraged the firms to participate. Two weeks after the first round of reminder e-mails and phone calls, we repeated them. We received 160 completed questionnaires, for a 7.4 percent response rate. After we excluded surveys with missing variables, our final usable sample consisted of 119 early internationalizing firms. Higher response rates are difficult to obtain because CEOs—especially CEOs of new ventures—have limited time, and many have policies that prohibit participation (e.g., because of over-surveying) (Baruch, 1999; Baruch & Holtom, 2008).

4.2 Variables

Our dependent variable, foreign venture performance, refers to early internationalizers’ performance in their first foreign markets. The choice of objective and subjective performance measures is the object of an ongoing debate in the literature, as while objective measures are less vulnerable to common method variance (CMV) and are especially suitable for the assessment of firms’ financial performance (Stam & Elfring, 2008), their use also has drawbacks. First of all, objective measures are difficult to obtain because firms are not keen to disclose their financial performance results (Woodcock et al., 1994), and new ventures are particularly loath to publish their financial outcomes (Wang et al., 2017). In addition, objective financial performance measures may be difficult to compare because of international firms’ differing accounting standards (Hult et al., 2008) and because of differences in performance and profit across industries (Bettis, 1981). Most important, though, is that objective performance measures can be inappropriate and misleading when assessing early internationalizers’ performance. Specifically, early internationalizing firms’ goals can differ, as not all early internationalizers pay attention to the maximization of their objective performance measures (such as return on investment) (Hult et al., 2008) but rather strive for the entry in multiple international markets, regardless of the effect on their financial performance (Mort & Weerawardena, 2006).

Given these drawbacks of objective performance measures, we employed subjective measures, a choice that is in line with the majority of early internationalizers studies that investigate aspects of performance (Gerschewski & Xiao, 2015). Prior studies recommend subjective performance measures when
Studies find high correlations (e.g., Glaister & Buckley, 1998; Hollender et al., 2017) and strong convergent validity (Wall et al., 2004) between subjective and objective performance measures. Moreover, subjective measures can include facets of performance (e.g., new products’ time to market) that cannot be represented by objective measures, and these aspects of performance may be much more important to early internationalizers than are objective financial indicators (Brouthers, 2002; Brouthers & Nakos, 2004).

We followed Brouthers et al. (1999) and Brouthers and Nakos (2004) in measuring on 5-point Likert scales the respondents’ satisfaction with their firms’ performance in the first three years of entry into their first foreign market. We complemented this scale by adapting from Jaworski and Kohli (1993) two items that refer to respondents’ satisfaction with their firms’ overall performance and with their firms’ overall performance in their first foreign market in comparison to their competitors’ performance in their first foreign market. The additional items are especially relevant to the context of early internationalizing firms because firms might not be as satisfied with any one dimension of their performance as they are with their overall performance in their first foreign market (Lumpkin & Dess, 1996). From the eleven initial items, we excluded two items because of low factor loadings, leaving nine items loading onto a single factor and no factor loadings below 0.693. The Cronbach’s alpha value of 0.918 suggests high reliability of this construct.

To validate the subjective performance measure, we compared performance measures from our questionnaire with objective performance measures (Chandler & Lyon, 2001) obtained from AMADEUS from a subgroup of our sample firms where this objective information was available. A significant positive correlation ($r = 0.371, p = 0.033, n = 33$) between firms’ net profit and early internationalizers’ foreign sales growth after their first foreign venture (from our survey) supports the validity of the subjective measure. The strength of this correlation is consistent with those reported in studies that validate subjective measures with objective performance measures (Hollender et al., 2017; Morgan et al., 2009; Stam & Elfring, 2008).

We included two independent variables: national inter-firm tie strength and international inter-firm tie strength. Each variable consists of a formative index that includes three items—frequency, duration, and
intimacy, all of which Granovetter identifies (1973)—as indicators of tie strength. Every item is adapted from established literature (Collins & Clark, 2003; Smith et al., 2005; Zimmerman et al., 2009) and refers to firms’ first foreign market entry. For the first dimension, we asked the respondents to specify the frequency with which their firms interact with their national inter-firm contacts and their international inter-firm contacts. Each question was designed to be answered on a 5-point Likert scale (ranging from 1 = several times per week to 5 = less than several times per year). Both items were reverse-coded and re-coded before they were used in any calculations. The second dimension is related to the length of time that the early internationalizers interact with their national and international inter-firm contacts (1 = only recently, 5 = for a long time). The third dimension asked respondents how “intimate” their knowledge-sharing is with these ties, measured on a 5-point Likert scale (1 = mostly superficial information, 5 = mostly intimate information). Because tie strength is a formative index (Anderson, 2008), traditional checks for internal validity and reliability do not apply (Diamantopoulos & Winklhofer, 2001). Diamantopoulos and Winklhofer (2001) describe seven characteristics of formative indices that distinguish them from reflective indicators. For example, removing a single indicator does not usually change the fundamental nature of a reflective construct, while the omission of a single item in a formative construct does exclude a part of the construct. Therefore, procedures like factor analysis that are traditionally used to assess the validity and reliability of variables that consist of reflective indicators do not apply to variables that are composed of formative indicators (Diamantopoulos & Winklhofer, 2001).

We measured our moderator, ACAP, using items from Jansen et al. (2005) that are based on the four ACAP dimensions from Zahra and George (2002) and refer to firms’ first foreign market entry. In line with Engelen et al. (2014), we created a composite of the four dimensions acquisition, assimilation, transformation, and exploitation for each firm. Initially, we measured the twenty-one items on a 5-point scale that ranged from “strongly disagree” to “strongly agree”, but we eliminated ten items with low factor loadings to ensure the reliability of our measurements. However, the remaining eleven items included at least two items of each of the four ACAP dimensions. In the end, we calculated one composite value for ACAP because the four dimensions were highly correlated. We analyzed the reliability of the composite ACAP construct by using Cronbach’s alpha (0.728) and composite reliability
(0.850) both of which are greater than 0.7 (Fornell & Larcker, 1981; Nunnally, 1978), proving the reliability of our measurement scales. Finally, the average variance explained (0.589) is higher than the critical threshold of 0.5 (Bagozzi & Yi, 1988; Fornell & Larcker, 1981), indicating convergent validity.

We also included a set of control variables that may affect foreign ventures performance. We controlled for firms’ pre-internationalization phase, measured as the number of years between a firm’s founding and its first foreign market entry, as firms’ age at internationalization may influence their international performance (Autio et al., 2000) and overall performance (Schwens et al., 2018). We also controlled for firms’ duration of international activities as the number of years between their initial market entry and the point of data collection (Gerschewski et al., 2015). This control variable is needed because some firms’ first foreign market entry occurred farther in the past than others’, giving them the chance to increase their returns over a longer time span. Firms whose first market entries are more recent may still be struggling with initial investment costs. Because strategic motives play a major role in internationalization (Maekelburger et al., 2012; Sarkar & Cavusgil, 1996), we included motive competitor (pressure from competitors) and motive experiences (pursuit of international experience) to determine the degree to which these motives were important for the participants’ first foreign market entry, measured on a five-point Likert scale (1 = very unimportant, 5 = very important). We included political risk as a control variable because host countries’ policies can influence firms’ foreign market performance. To compute the political risk in firms’ first foreign market, we used the Political Constraint Index (POLCON) (Henisz, 2000), which compares countries’ political systems in terms of legal constraints. The metric index ranges from 1 = no constraints in legislation at all to 0 = maximum constraints in legislation. We also included cultural distance to control for cultural effects on a foreign venture’s performance. Based on Kogut and Singh (1988), we assessed differences between the culture of the sample firms’ home country (Germany) and that of their first foreign market. To compute cultural distance, we used the GLOBE practices indices (House et al., 2004), a well-established approach in the internationalization context (Maekelburger et al., 2012). As network size may affect a foreign venture’s performance (Gerschewski et al., 2015), we included national network size and international network size as controls in our model. We measured the two variables as number of a firm’s national respective and international inter-firm network contacts, respectively, at the time of its first entry into a foreign
market. We also included respondents’ *position seniority* (the number of years the respondent worked in his or her current position) because studies have found that long seniority has a negative impact on the development of appropriate strategies for environmental requirements (e.g., those in new foreign markets) (Miller, 1991). Finally, we controlled for whether the respondent’s company is *owner-managed*, coding firms that are managed by their owners as 1, and 0 otherwise.

### 4.3 Test for Potential Biases

To minimize the risk of informant bias, we followed Bachmann et al. (2016) in asking respondents to use a 5-point Likert scale (1 = very little, 5 = very extensive) to assess their knowledge regarding the questions in each area of the questionnaire and the questionnaire overall. The median of respondents’ knowledge about all areas of the survey was 4, so we do not consider informant bias to be a potential problem in our data.

We examined nonresponse bias following the recommendations of Armstrong and Overton (1977). First, we compared the responses of the first and the last 20 percent of the respondents (in terms of when their surveys were received) to the main variables in our model variables (e.g., *foreign venture performance, national inter-firm tie strength, international inter-firm tie strength, ACAP*). A t-test yielded no significant differences between early and late respondents for these key variables. To validate further that nonresponse bias is not a problem in our sample, we drew a random sample of non-respondents and used secondary data (obtained from AMADEUS) to compare their firms’ founding year and number of employees with those of the respondents. The results of this analysis showed no indication of nonresponse bias, so we assume that nonresponse bias is not a problem in our dataset.

We applied several measures to control for potential common method variance. Following Podsakoff and Organ (1986), we conducted Harman’s one factors test. The principal component analysis (including all variables) extracted five factors, among which none explains more than 16 percent of the variance. Then, following Lindell and Whitney (2001), we used a marker variable to check again for CMV. We selected a variable that measures whether the firm has changed its initial entry mode when it last entered a foreign market. This variable is not theoretically related to constructs in our study, so it is located between the independent and dependent variables in the questionnaire. We found no correlation between
the marker variable and our dependent variable (\( r = -0.06; \text{n.s.} \)) or any other main construct in our model. Finally, the inclusion of interaction terms reduces the likelihood of CMV because interaction terms increase complexity for the respondent (Chang et al., 2010). The results of these efforts indicate that CMV is not a problem in our study.

5 **Analysis and Results**

Table C – 1 presents the results of our multicollinearity analysis (i.e., variance inflation factor (VIF) values and correlations of the variables in our analysis) and some descriptive statistics (i.e., means and standard deviations). All correlations are below 0.7 (Dormann et al., 2013), and the values of the VIF are far below the critical threshold of 2.5 (Allison, 1999), so we do not see multicollinearity as a major problem in our analysis. We also mean-centered all independent and control variables (Aiken et al., 1991) to minimize the risk of multicollinearity between the main variables in our model and the interaction terms.
### Table C – 1: Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.22</td>
<td>2.95</td>
<td>3.13</td>
<td>3.51</td>
<td>0.78</td>
<td>4.61</td>
<td>2.27</td>
<td>3.34</td>
<td>0.66</td>
<td>1.85</td>
<td>36.74</td>
<td>24.29</td>
<td>6.60</td>
<td>0.94</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>0.79</td>
<td>0.69</td>
<td>0.66</td>
<td>0.65</td>
<td>1.38</td>
<td>2.67</td>
<td>1.16</td>
<td>1.30</td>
<td>0.27</td>
<td>1.26</td>
<td>74.52</td>
<td>39.06</td>
<td>5.56</td>
<td>0.24</td>
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<td>1.55</td>
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<td>1.20</td>
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<td>1.25</td>
<td>1.27</td>
<td>1.17</td>
<td>1.09</td>
<td>1.22</td>
<td>1.32</td>
<td>1.50</td>
<td>1.15</td>
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</tr>
<tr>
<td>1 Foreign venture performance</td>
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<td>2 National inter-firm tie strength</td>
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<td>3 International inter-firm tie strength</td>
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</tr>
<tr>
<td>4 ACAP</td>
<td>0.18*</td>
<td>0.25*</td>
<td>0.21*</td>
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</tr>
<tr>
<td>5 Pre-internationalization phase</td>
<td>-0.21</td>
<td>0.09</td>
<td>0.11</td>
<td>0.00</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>6 Duration of international activities</td>
<td>0.21*</td>
<td>-0.20*</td>
<td>-0.15</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>7 Motive competitor</td>
<td>0.10</td>
<td>0.02</td>
<td>-0.04</td>
<td>-0.01</td>
<td>-0.14</td>
<td>0.08</td>
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<tr>
<td>8 Motive experiences</td>
<td>0.14</td>
<td>0.08</td>
<td>0.12</td>
<td>0.25**</td>
<td>-0.13</td>
<td>-0.02</td>
<td>0.35**</td>
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<tr>
<td>9 Political risk</td>
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<td>0.02</td>
<td>-0.01</td>
<td>-0.04</td>
<td>0.16</td>
<td>-0.01</td>
<td>-0.04</td>
<td>-0.07</td>
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<tr>
<td>10 Cultural distance</td>
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<td>0.04</td>
<td>0.15</td>
<td>-0.05</td>
<td>-0.11</td>
<td>-0.01</td>
<td>0.07</td>
<td>-0.02</td>
<td>-0.21</td>
<td></td>
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<tr>
<td>11 National network size</td>
<td>0.13</td>
<td>0.03</td>
<td>0.03</td>
<td>0.07</td>
<td>-0.02</td>
<td>0.05</td>
<td>0.10</td>
<td>0.05</td>
<td>0.06</td>
<td>0.03</td>
<td></td>
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<tr>
<td>12 International network size</td>
<td>0.12</td>
<td>0.05</td>
<td>-0.01</td>
<td>0.14</td>
<td>-0.21*</td>
<td>0.16</td>
<td>0.24**</td>
<td>0.16</td>
<td>-0.00</td>
<td>-0.02</td>
<td>0.38**</td>
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<tr>
<td>13 Position seniority</td>
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<td>-0.16†</td>
<td>-0.15</td>
<td>-0.27**</td>
<td>0.05</td>
<td>0.44**</td>
<td>0.09</td>
<td>-0.08</td>
<td>0.14</td>
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<td>0.01</td>
<td>0.02</td>
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</tr>
<tr>
<td>14 Owner-managed</td>
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<td>0.16†</td>
<td>0.11</td>
<td>0.04</td>
<td>0.08</td>
<td>0.03</td>
<td>-0.02</td>
<td>0.24**</td>
<td>-0.02</td>
<td>-0.04</td>
<td>-0.02</td>
<td>0.14</td>
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</tr>
</tbody>
</table>

*** p ≤ 0.001; ** p ≤ 0.01; * p ≤ 0.05; † p ≤ 0.1.
We report the results of our analysis of a hierarchical linear regression in Table C–2. Based on Aiken et al. (1991), we set up five models that allow us to compare alternative models by determining the explanatory power of their variables. As Andersson et al. (2014) propose, we report here the direct effects of the control (Model 1), independent (Model 2), and moderator variable(s) (Model 3) before analyzing the interaction effects (Models 4 and 5).

Table C–2: Linear Regression Results: Foreign Venture Performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
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<td><strong>Independent variables</strong></td>
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<tr>
<td>National inter-firm tie strength</td>
<td>0.222*</td>
<td>0.232**</td>
<td>0.187*</td>
<td>0.264**</td>
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<tr>
<td>International inter-firm tie strength</td>
<td>-0.192*</td>
<td>-0.184*</td>
<td>-0.131</td>
<td>-0.178*</td>
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<tr>
<td><strong>Moderator variable</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>ACAP</td>
<td>0.155*</td>
<td>0.165*</td>
<td>0.201**</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interaction terms</strong></td>
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</tr>
<tr>
<td>National inter-firm tie strength x ACAP</td>
<td>0.145*</td>
<td></td>
<td></td>
<td>0.189*</td>
<td></td>
</tr>
<tr>
<td>International inter-firm tie strength x ACAP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Control variables</strong></td>
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<tr>
<td>Pre-internationalization phase</td>
<td>-0.139†</td>
<td>-0.134†</td>
<td>-0.149*</td>
<td>-0.143†</td>
<td>-0.148*</td>
</tr>
<tr>
<td>Duration of international activities</td>
<td>0.109</td>
<td>0.099</td>
<td>0.076</td>
<td>0.071</td>
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<tr>
<td>Motive competitor</td>
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<td>0.006</td>
<td>0.023</td>
<td>0.016</td>
<td>0.008</td>
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<tr>
<td>Motive experiences</td>
<td>0.097</td>
<td>0.095</td>
<td>0.056</td>
<td>0.086</td>
<td>0.081</td>
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<td>Political risk</td>
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<td>0.091</td>
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<td>0.089</td>
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<tr>
<td>Cultural distance</td>
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<td>0.052</td>
<td>0.060</td>
<td>0.089</td>
<td>0.090</td>
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<tr>
<td>National network size</td>
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<td>0.112</td>
<td>0.108</td>
<td>0.109</td>
<td>0.123†</td>
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<tr>
<td>International network size</td>
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<td>-0.009</td>
<td>-0.009</td>
<td>-0.024</td>
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<td>Position seniority</td>
<td>0.846</td>
<td>1.400</td>
<td>3.001</td>
<td>3.651</td>
<td>4.538†</td>
</tr>
<tr>
<td>Owner-managed</td>
<td>1.276</td>
<td>1.868</td>
<td>1.430</td>
<td>1.150</td>
<td>1.745</td>
</tr>
<tr>
<td><strong>Reliability</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>$R^2$</td>
<td>0.136</td>
<td>0.191</td>
<td>0.222</td>
<td>0.254</td>
<td>0.269</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.056</td>
<td>0.100</td>
<td>0.126</td>
<td>0.154</td>
<td>0.171</td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>0.056**</td>
<td>0.031*b</td>
<td>0.032*c</td>
<td>0.047*c</td>
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<tr>
<td>$F$</td>
<td>1.696†</td>
<td>2.092*</td>
<td>2.309**</td>
<td>2.534**</td>
<td>2.734**</td>
</tr>
</tbody>
</table>

*** $p \leq 0.001$; ** $p \leq 0.01$; * $p \leq 0.05$; † $p \leq 0.1$.

*a Compared to Model 1; b compared to Model 2; c compared to Model 3.
In Model 1, which contains the control variables and their effect on a foreign venture’s performance, one control variable, pre-internationalization phase, has a significant negative effect on foreign venture performance (-0.139, p ≤ 0.1), as firms in our sample that enter their first foreign market earlier perform better than firms that take more time. This finding is consistent with Autio et al. (2000), who find the same effect for firms’ overall international performance.

In Model 2 we add the two independent variables, national inter-firm tie strength and international inter-firm tie strength, which significantly increase the explanatory power of our model to 0.191 (ΔR² = 0.056*, compared to Model 1). We find a significant positive impact (0.222, p ≤ 0.05) of national tie strength on a foreign venture’s performance, but international tie strength has a significant negative impact (-0.192, p ≤ 0.05). Consequently, our results provide support for Hypotheses 1 and 2. Model 3 also includes the moderator variable, ACAP, on a foreign venture’s performance. The R² increases to 0.222 (ΔR² = 0.031*, compared to Model 2), and ACAP has a significant positive direct effect (0.155, p ≤ 0.05) on a foreign venture’s performance. To validate our theoretical arguments that domestic and international tie strength should be considered simultaneously and to dispel any doubts that the slightly higher correlation between these variables biases our results, we tested the impact of our independent variables on the performance of foreign ventures separately. Based on our Model 2 (Table C – 2), we conducted separate regressions for each independent variable while excluding the other one. This additional analysis shows that neither national nor international tie strength alone has a significant impact on the performance of foreign ventures. These results underpin the need for simultaneous consideration of both independent variables. In addition, compared with Model 2 (in Table C – 2), the signs of both independent variables do not change in these two new regressions, and the regression coefficients are roughly stable, indicating that multicollinearity is unlikely to have distorted the results (Kalnins, 2018).

Model 4 includes the interaction term between national inter-firm tie strength and ACAP. The R² increases to 0.254 (ΔR² = 0.032*, compared to Model 3) and the interaction term is positively significant (0.145, p ≤ 0.05), lending support to Hypothesis 3. Similarly, we find a significant positive effect of ACAP on the relationship between international inter-firm tie strength and a foreign venture’s...
performance (0.189, p ≤ 0.05) in Model 5, supporting Hypothesis 4. The inclusion of the interaction term in Model 5 increases the R² to 0.269 (ΔR² = 0.047*, compared to Model 3).

Interpreting only the interaction terms of regression coefficients can lead to overstating and understating these effects, so, we follow Kingsley et al.’s (2017) recommendation to plot the marginal effects of the interaction terms along with 95% confidence bands over the entire range of the moderator. Figures C – 1 and 2 show the marginal effect (solid line) of national inter-firm tie strength and international inter-firm tie strength on a foreign venture’s performance (y-axis) along with 95% confidence bands (dashed lines) over the entire range of firms’ ACAP. The two figures also illustrate the frequency distribution of ACAP (z-axis), that is, the number of observations of ACAP at the respective value. Figure C – 1 shows a significant and positive influence of national inter-firm tie strength on a foreign venture’s performance for values of ACAP from 0 to 2.26 (to the right of point A). Accordingly, the positive effect of close national inter-firm networks on a foreign venture’s performance increases for values of ACAP as they grow from medium to high. Further, Figure C – 2 illustrates a significant and negative effect of international inter-firm tie strength on a foreign venture’s performance for values of ACAP from -2.69 to 0 (to the left of point A). Hence, Figure C – 2 graphically confirms that the negative effect of close international inter-firm networks on a foreign venture’s performance gets stronger for low and medium values of ACAP.
Figure C – 1: The Marginal Effect of National Inter-Firm Tie Strength on Foreign Venture Performance Based Upon Model 4 in Table C – 2.

Figure C – 2: The Marginal Effect of International Inter-Firm Tie Strength on Foreign Venture Performance Based Upon Model 5 in Table C – 2.
As a robustness check, we tested whether endogeneity might have skewed our findings. Since we acquired our independent and dependent variables through one survey at the same point in time, our data might be subject to simultaneous causality. We addressed the potential endogeneity problem in several steps, including using quasi-lagged variables in our survey. The questions regarding our network variables referred to firms’ initial foreign market entry and measured a foreign venture’s performance over the last three years after their initial entry. Then, based on Nakos et al. (2014), we calculated the correlations between the network variables and early internationalizers’ performance and did not find a significant correlation between any of the network variables and a foreign venture’s performance. Next, we reversed our initial relationship between the network variables and foreign venture performance and conducted two new regressions using foreign venture performance as the independent variable, and national inter-firm tie strength and international inter-firm tie strength as our dependent variable in two separate regressions. The results showed that foreign venture performance has a significant impact on national inter-firm tie strength but no impact on international inter-firm tie strength. In line with Greene (2008), we conclude that, in this case, international inter-firm tie strength is not endogenous with foreign venture performance, but national inter-firm tie strength could be. Finally, we applied a Hausman test, by using an instrumental variable to investigate endogeneity in our model (Davidson & MacKinnon, 1993). We instrumented national inter-firm tie strength as the personal tie strength of the owner/manager, which is an antecedent of firms’ network contacts. Consistent with previous research (e.g., Hite & Hesterly, 2001; Zaheer et al., 1998), we argue that entrepreneurs’ personal relationships existed before their firms’ establishment and they may become inter-firm relationships when the firm formalizes. As required for an instrumental variable, personal tie strength correlates with national inter-firm tie strength ($r = 0.457, p \leq 0.05$) and does not significantly correlate with foreign venture performance ($r = -0.096, p \geq 0.1$). As Larcker and Rusticus (2010) suggest, before conducting the Hausman test, we used the first-stage F-test to avoid weak-instrument problems. The results of the F statistic (48.4) exceed the critical F-value of 8.96 (Stock et al., 2002), so they do not suggest that personal tie strength is a weak instrument in our model. The results of the Durbin (1954) and Hausman (1978) tests yielded F values of 0.27 (0.60) and 0.25 (0.62), suggesting that endogeneity is not a major problem in this study.
6 Discussion

This paper investigates the relationships between national and international inter-firm network tie strength and foreign venture performance. We develop and test theory to show that national inter-firm networks and international inter-firm networks impact foreign venture performance differently and validate empirically the moderating influence of firms’ ACAP on these relationships. Our empirical findings confirm our hypotheses and advance existing research in several ways.

First, while the literature points at both positive and negative effects of inter-firm networks for early internationalizers (e.g., Coviello & Munro, 1997; Sepulveda & Gabrielsson, 2013), we expand this research by investigating whether inter-firm networks are beneficial for firms’ foreign venture performance or not. In detail, studies have argued that inter-firm networks can have some drawbacks for early internationalizers because these networks can prevent the flow of important information (Sepulveda & Gabrielsson, 2013), constrain international opportunities (Mort & Weerawardena, 2006), and have negative reputational effects (Coviello & Munro, 1997). We expand these studies by deriving theoretically that the drawbacks are especially prevalent in international inter-firm networks and that they negatively impact early internationalizers’ foreign venture performance. Our analysis goes beyond the general insight that international inter-firm networks are mainly positive for early internationalizers (e.g., Oviatt & McDougall, 1994; Yu et al., 2011) and highlight their negative performance implications for the first foreign market.

We also advance existing research by considering national and international inter-firm networks simultaneously. The literature shows that firms can learn from domestic relationships and can use this knowledge to manage their international relationships (Milanov & Fernhaber, 2014). Not considering these synergies between national and international relationships can bias analyses (Milanov & Fernhaber, 2014). Hence, our study expands the study of Presutti et al. (2007), which considers only the impact of international contacts on firms’ performance. In this regard, our findings regarding national inter-firm networks are consistent with the broader literature. Especially for early internationalizers, studies emphasize the utility of domestic market activities (e.g., activities with national network partners) in firms’ development of international knowledge (Blomstermo et al., 2004) and, thus, for foreign venture performance.
The differentiation between national and international inter-firm ties also informs the broader early internationalizers research. Literature that distinguishes among the locations of inter-firm network ties is scarce, but studies have found a positive impact of host-country networks on firms’ international intensity (Prashantham & Birkinshaw, 2015; Yu et al., 2011), a negative impact of general home country ties on firms’ international intensity (Prashantham & Birkinshaw, 2015), and a positive impact of home-country ties with international experience on firms’ international intensity (Yu et al., 2011). Although studies argue that national partners can distract early internationalizers from international markets, leading to a negative effect on international intensity (Prashantham & Birkinshaw, 2015), our study suggests that close domestic ties have their benefits (e.g., timely advice) for firms’ foreign venture performance. In a similar vein, international contacts enhance early internationalizers’ international intensity (Yu et al., 2011), but our study substantiates the argument that geographic distance between contacts increases the costs of knowledge transfer (Bell & Zaheer, 2007), decreasing foreign venture performance.

We find that firms’ ACAP significantly impacts the relationship between inter-firm networks and performance. Our results contribute to the discussion on moderators by showing that some firms that have more ACAP may profit more from close national ties and face fewer negative consequences of close international collaborations on their first foreign venture’s performance than other firms with a similar network and a lower ACAP, which enjoy fewer benefits from national contacts and suffer more from the costs related to their international contacts. Specifically, our findings are generally consistent with research calls (e.g., Prashantham & Young, 2011) and studies that consider firms’ ACAP to be important in the management of external knowledge flows (Escribano et al., 2009; Park & Rhee, 2012). We also introduce firms’ ACAP as an important contingency in the evaluation of networks in early internationalizing firms. While studies have considered environmental factors (Prashantham & Birkinshaw, 2015; Yu et al., 2011) and firm characteristics (Manolova et al., 2010) as important boundary conditions, our study advances the literature by emphasizing the performance-enhancing effect of firms’ capabilities.
Limitations and Implications

Like most empirical research, our study suffers from several limitations. First, the dependent variable might cause concern; foreign venture performance is subject to perceptual biases, as respondents could be more or less optimistic, which would influence their evaluations of their companies’ foreign venture performance. Although we validated our subjective performance measure with secondary data, we encourage future research to match primary and secondary performance data over time.

The second limitation refers to our independent variables. Although our measure of national and international inter-firm tie strength is consistent with the established literature (Collins & Clark, 2003; Smith et al., 2005), we do not assess the types and amount of resource exchanged between network contacts. Based on our findings, future research could examine the types and amount of resources exchanged and analyze differences in terms of national and international inter-firm networks. We also do not consider the specific location of foreign ties. Foreign ties that are in early internationalizers’ first foreign market might be much more helpful than foreign ties that have no relationship to firms’ first target market. Closely connected to this point, we assume that national network contacts have at least a minimum of international experience, but we do not control for it. According to research about alliances (e.g., Milanov & Fernhaber, 2014), future research might build on our study and consider local partners’ degree of international experience.

Finally, we assume that firms’ ACAP does not differ based on the foreign markets firms enter, but Domurath and Patzelt (2016) point out that ventures’ level of ACAP can differ between markets. For example, a German firm may understand national inter-firm contacts (e.g., because of cultural and language similarities) more easily than they do international contacts. Hence, firms’ ACAP might be much higher for national contacts than it is for international contacts. Future research could provide a more detailed view of the performance implications of networks by measuring firms’ ACAP for the specific locations of their network partners.

Our findings have implications for early internationalizers’ managers who should be aware that consequences of national and international inter-firm relationships differ for early internationalizers’ foreign venture performance. While close contacts to local firms enhance foreign ventures’
performance, international inter-firm network contacts decrease early internationalizers’ performance in foreign markets. Further, our results indicate that managers should not focus only on the development of inter-firm networks but should build their firms’ ACAP because ACAP enables early internationalizing firms to profit from their networks’ available resources.
Study 3: The Relationship between the Pre-Internationalization Phase and the Post-Entry Internationalization Speed in Early Internationalizers

1 Introduction

The phenomenon of early internationalization plays a key role in the domain of international entrepreneurship (IE) (Oviatt & McDougall, 2005) and has challenged traditional internationalization theory (Johanson & Vahlne, 1977, 1990). Early internationalizing firms internationalize right from their inception or shortly thereafter (De Clercq et al., 2012; Rialp et al., 2005) and work for international growth (Sapienza et al., 2006). Prompted by their early and rapid foreign venturing, research investigates the impact of early internationalization on firms’ major outcomes, such as performance (Khavul et al., 2010; Schwens et al., 2018; Zhou & Wu, 2014) and the probability of survival (Meschi et al., 2017).

For entrepreneurial firms, it is a key question whether it is more beneficial to start their internationalization shortly after their founding or to postpone international market entry until the firm has obtained an appropriate level of resources (Autio et al., 2000). The concept of the learning advantages of newness (LAN) plays a prominent role in the literature that addresses this question. These advantages include that young ventures are less constrained by their pasts and have fewer organizational routines than older ventures do. In that sense, younger firms learn quickly from their foreign operations, putting them in a better position than that of older firms to pursue further international growth (Autio et al., 2000). However, while the LAN concept argues that young age is conducive to firms’ international learning, the literature also reveals that youth is accompanied by several challenges that might hamper firms’ internationalization (Sapienza et al., 2006). Based on the concept of liabilities of newness (LoN) (Stinchcombe, 1965), younger firms lack financial reserves, experience, business contacts, and legitimacy (Carayannopoulos, 2009). Given these opposing views, a clear indication of the effect that early internationalization has on firms’ subsequent international growth is lacking.

Studies reveal that early internationalization affects the speed of firms’ subsequent international growth. Most of the IE literature conceptualizes speed as the time span between firms’ inception and their first international venturing (Schwens et al., 2018), and so, captures more the pre-internationalization phase.
than the speed during firms’ foreign expansion. However, only a few studies (e.g., Autio et al., 2000; Prashantham & Young, 2011) investigate the impact of firms’ pre-internationalization phase on the speed of their international growth after they enter their first foreign market (i.e., post-entry internationalization speed). This gap should be closed because firms’ pre-internationalization phase may determine their subsequent international growth (Autio et al., 2000), which generally can impact firms’ performance (Prashantham & Young, 2011). As one of the few related studies, Autio et al. (2000) find a negative effect of firms’ age at first internationalization on subsequent international sales growth. However, as firms’ international growth has more facets than just their foreign sales growth (Casillas & Acedo, 2013), research lacks fine-grained information about the factors in firms’ post-entry growth.

This paper investigates the impact of firms’ pre-internationalization phase on their post-entry internationalization speed. Drawing on the concepts of LAN and LoN, this study develops competing hypothesis regarding the influence of early internationalization on the speed of firms’ subsequent international growth. Specifically, it measures firms’ post-entry internationalization speed through three dimensions: the speed of growth in firms’ international commercial intensity (i.e., growth in foreign sales as a percentage of total sales), the speed of increase in firms’ commitment of resources to foreign activities (i.e., growth in the percentage of employees in foreign markets), and the speed of the change in breadth of firms’ international markets (i.e., growth in cultural distance between the firm’s home country and other countries in which the company is present) (Casillas & Acedo, 2013). Considering each of the three dimensions helps to account for the types of firms’ international involvement. For example, many companies do not have high amounts of international sales but still have plants and employees in foreign countries to reduce their production costs.

This paper contributes to the literature on early internationalizers in two ways. First, it contributes to the discussion about the paradoxical role that firms’ pre-internationalization phase might have on firms’ outcomes. It expands the IE literature in which the LAN seems to outweigh the LoN in terms of firms’ performance (Schwens et al., 2018) and international growth (Autio et al., 2000; Sapienza et al., 2006). Specifically, this study clarifies whether LAN or LoN plays a dominant role in firms’ post-entry internationalization speed. It also responds to calls for further investigation of the tension between LAN and LoN (Oviatt & McDougall, 2005). Second, this article adds knowledge about the imprinting effect
of early internationalization on firms’ post-entry internationalization speed. It builds on Casillas and Acedo (2013) and extends studies that recognize the imprinting effect of early internationalizing on firms’ subsequent growth (Autio et al., 2000; Prashantham & Young, 2011) by considering the three dimensions of firms’ post-entry internationalization speed.

2 Background Literature

The literature has two views of the effect of firms’ pre-internationalization phase on subsequent international growth. One literature stream reveals that firms can profit from LAN by venturing into international markets at an early stage in their organizational life. According to Autio et al. (2000), these young firms quickly absorb new knowledge in foreign markets and use this knowledge to pursue further international growth. Building on that work, Sapienza et al. (2006) develop the concept of LAN to identify three advantages—structural, cognitive, and positional—that underlie the LAN concept. **Structural** advantages refer to new ventures’ few existing routines, which facilitate the exchange of knowledge between managers in different functional areas. **Cognitive** advantages refer to young ventures having accumulated less knowledge, which allows them to face new knowledge and opportunities with open minds. Finally, **positional** advantages refer to new ventures’ having few domestic ties to hinder them from shifting their attention to international markets.

Taking the LoN perspective, firms that internationalize at a young age face challenges that more established firms have overcome through their development over time (Aldrich & Auster, 1986; Shepherd et al., 2000; Stinchcombe, 1965). These challenges include the lack of financial reserves and other tangible resources (Morse et al., 2007; Oviatt & McDougall, 1994); the time and resources necessary to establish systems and routines (Stinchcombe, 1965); the experience needed to enter international markets successfully (Bruneel et al., 2010; De Clercq et al., 2012); the business contacts needed to benefit from access to other organizations (Hite & Hesterly, 2001; Uzzi, 1997); and legitimacy, making external actors like customers and suppliers reluctant to do business with them (Morse et al. 2007).

Casillas and Acedo (2013) identify three dimensions that reflect firms’ post-entry internationalization speed: the speed of growth of international commercial intensity, the speed of increase in commitment speed, and the speed of increase in commitment intensity.
of resources to foreign activities, and the speed of increase in breadth of international markets. The *speed of growth of international commercial intensity* reflects how quickly firms increase foreign sales as a percentage of total sales over a certain time period. Doing business abroad exposes the firm to additional growth opportunities (McDougall & Oviatt, 1996) that can speed up international growth. However, early internationalizers that aspire to increase their international sales quickly must overcome several challenges, as rapid international growth often requires expanding production capacities (Chetty & Campbell-Hunt, 2003), additional resources like labor and information-processing resources (Coeurderoy et al., 2012; Reuber & Fischer, 2002), and training and integration of high numbers of new employees in a short time, which can overwhelm corporate culture, reduce training quality, and hamper growth (Chetty & Campbell-Hunt, 2003). These and other challenges that arise from rapid international growth in commercial intensity increase coordination and governance costs, as new ventures must handle global distribution of their products in light of governmental and trade regulations, the distances between countries increase the monitoring and coordination costs of transactions (Tan & Mahoney, 2006), and fast international sales growth quickly increases a firm’s dependence on international sales, which Fernhaber (2013) finds strongly increases coordination costs. Especially when a firm’s international sales growth is rapid, it needs the flexibility to adapt its organizational structure and routines to these challenges (Hilmersson & Johanson, 2016).

The *speed of increase in commitment of resources to foreign activities* captures how quickly early internationalizers expand their investments in foreign countries. Although resource commitments to foreign markets can help firms strengthen their competitive positions in those markets (Johanson & Vahlne, 2003), these investments also reduce firms’ flexibility and increase their operating and complexity challenges. Fast resource commitments to foreign markets increase the likelihood of bad investments because rapid internationalization requires managers to make quick decisions, the quality of which may suffer from bounded rationality and restricted cognitive abilities (Vermeulen & Barkema, 2002). Consequently, the likelihood of suboptimal decisions increases, increasing costs in part because such decisions may be even more costly to reverse (Mohr & Batsakis, 2017). Further, as early internationalizers have restricted resources and can make only a limited number of investments (Shrader et al., 2000), every investment reduces their flexibility to take advantage of new opportunities.
Finally, the speed of increase in breadth of international markets describes how quickly the firm enters new countries whose cultural and institutional environments differ from those of the firm’s home country. Penetrating additional foreign markets can promote firm growth (Zahra et al., 2000), but it also increases coordination and governance costs (Chiao et al., 2006), because the firm must understand the unique institutional and cultural settings of every new country it enters (Mohr & Batsakis, 2018) and adjust its organizational routines accordingly (Gomez-Mejia & Palich, 1997). This process takes more time when the number of new countries is high (Lin, 2012) and when the cultural distance between the firm’s home country and the foreign country is high (Hutzschenreuter et al., 2011).

3 Hypotheses Development

This article develops two sets of competing hypotheses regarding the impact of firms’ pre-internationalization phase on firms’ post-entry internationalization speed. Starting with the literature’s view on LAN, this study argues that early internationalizers benefit from structural, cognitive, and positional advantages that increase their post-entry internationalization speed.

First, according to the LAN literature, early internationalizing firms develop structural advantages when they pursue rapid international growth. Managerial roles and responsibilities in young firms are less rigid than they are in older firms (Miller & Friesen, 1984), so it is easier for managers to share knowledge with one another, giving them the knowledge from several functional areas (Sapienza et al., 2006) that empowers their firms to increase their speed of international commercial growth. As rapid growth usually requires the employment and training of new workers, time pressure during their training can lead to quality problems that negatively affect the quality of their work (Chetty & Campbell-Hunt, 2003). Managers who have cross-functional knowledge reduce these problems because each manager can train and educate new workers in a variety of functions, and functional areas that are undergoing strong growth in the number of employees can be unburdened by managers from other functional areas.

Second, early internationalizers also develop cognitive advantages that help them to speed up international growth in commercial intensity by recognizing and exploiting international growth opportunities (Sapienza et al., 2006). They tend to be unconstrained by their existing knowledge base, as their minimal knowledge does not limit their ability to gain new knowledge (Ahuja & Morris
Lampert, 2001) and they gain first international experience early in their lifecycles, opening their minds to further international sales growth (Autio et al., 2000). These advantages can speed up early internationalizers’ international growth by facilitating the integration of new employees and dealings with international regulations. Integrating many new workers in a short time can overwhelm corporate culture when new employees are not familiar with the firm’s prevailing norms and beliefs (Chetty & Campbell-Hunt, 2003), but the open minds of those in early internationalizing firms (Autio et al., 2000) allow them understand new employees quickly and to develop the firm’s culture with them. In addition, early internationalizers do not yet have rigid routines and organizational structures, so they can be flexible in adapting them to new challenges (Hilmersson & Johanson, 2016) like changing governmental and trade regulations in international markets.

Finally, early internationalizers also profit from positional advantages that increase the speed of their growth in international commercial intensity because of their early internationalization, firms tend to spend little time building relationships in their domestic environment, so they have fewer obligations and loyalties to domestic partners (Autio et al., 2000), allowing them to devote more resources to developing foreign markets (De Clercq et al., 2012; Sapienza et al., 2005). These positional advantages enable early internationalizers to shift their attention and resources quickly to the rapid development of international markets. Therefore:

_Hypothesis 1a: Firms’ pre-internationalization phase is negatively related to their speed of growth of international commercial intensity._

Early internationalizers’ cognitive, structural, and positional advantages also enhance the speed with which they commit resources to foreign activities. Knowledge-sharing across functional areas allows these firms to make decisions quickly and decreases the likelihood that they will make poor decisions. Managers who have cross-functional knowledge (Sapienza et al., 2006) can support each other when they evaluate resource intensive commitments to foreign markets, so the quality of their decisions, especially those that bind resources, is likely to benefit from their differing perspectives. Hence, investments will pay off faster and allow early internationalizers to make their next international investments earlier.
As for structural advantages, early internationalizers’ flexible organizational structure and their openness to new markets hastens the coordination and integration of foreign market commitments. Investments in foreign markets demand the integration of and coordination between corporate functions (Hilmersson & Johanson, 2016), which can be processed more quickly in firms that are open-minded about new knowledge and that have flexible structures.

Finally, early internationalizers’ positional advantages enhance the speed of their commitments to foreign market activities. As early internationalizers tend to have few national loyalties and obligations (Autio et al., 2000), they can devote resources to foreign markets comparatively easily and quickly. In addition, as they make few investments in the domestic context, they do not have the high costs that are related to reconfiguring their resources from domestic to international markets. Therefore:

_Hypothesis 1b: Firms’ pre-internationalization phase is negatively related to the speed with which they commit resources to foreign activities._

The LAN can also speed early internationalizers’ entry into diverse international markets. By definition, early internationalizers are exposed to international markets early in their lifecycles, so they learn from international markets early (Autio et al., 2000). Their flexible organizational structure is suited to foreign markets’ conditions so they can address challenges like cultural differences quickly. By making contacts and looking for solutions to problems in international markets early, these firms face fewer barriers to entering additional foreign markets than late internationalizing firms do (Autio et al., 2000). Therefore:

_Hypothesis 1c: Firms’ pre-internationalization phase is negatively related to the speed of their increase in breadth of international markets._

The above arguments suggest that a shorter pre-internationalization phase would result in faster international growth. However, an alternative perspective can be derived from the LoN literature as described below.

Taking the LoN perspective, early internationalizers face challenges in terms of restricted legitimacy, financial reserves, and experiences that can hamper their speed of growth of international commercial intensity. Early internationalizers often lack legitimacy in the eyes of potential business partners and employees, which can reduce their speed of international sales growth. Increasing the speed of
international sales growth requires to convince potential business partners and employees to work with and for the early internationalizing firm. However, external actors like customers and suppliers may be reluctant to do business with new organizations because they have not yet established the legitimacy that established firms typically have (Morse et al., 2007). According to Aldrich and Fiol (1994) legitimacy is generated when external actors have sufficient knowledge about the new venture and the government and society determine the new ventures’ conformity to norms and laws (Aldrich & Fiol, 1994; Shepherd & Zacharakis, 2003). In addition, firms’ routines and experience in the domestic market usually enhance firms’ legitimacy and increase the efficiency of their foreign activities (Furuya et al., 2009; Zaheer & Mosakowski, 1997). However, most early internationalizers have not established systems and routines (Stinchcombe, 1965), and external actors have insufficient information to assess its conformity to norms and laws. Therefore:

Hypothesis 2a: Firms’ pre-internationalization phase is positively related to their speed of growth of international commercial intensity.

This article also argues that early internationalizers’ have limited financial resources and suffer from poor decision-making, resulting in a slower commitment of resources to foreign activities. Early internationalizing firms often have difficulty attracting the necessary amount of resources (Westhead, 1995; Zimmerman & Zeit, 2002), which can delay their internationalization efforts (Moen, 1999), especially when they seek rapid internationalization. Sufficient financial capital also provides the flexibility to change strategies (Cooper et al., 1994; Gilbert et al., 2006), while the lack of financial resources leaves firms vulnerable to shocks and makes it difficult for them to follow capital-intensive strategies like internationalization (Cooper et al., 1994). For example, Ripollés et al. (2012) find that a lack of funds can constrain early internationalizers’ commitment of resources to foreign markets and Tseng et al. (2007) state that the lack of financial resources can constrain firms’ international visibility. Established firms usually have more financial resources than young firms do, which gives them more freedom to pursue international opportunities (Ito & Rose, 2002; Tseng et al., 2007). Further, the percentage of their resources that they must invest in entering foreign markets tends to be lower for established firms (Buckley, 1989). As a result, it is less likely that several international forays will jeopardize each other (Sapienza et al., 2006).
Early internationalizers are also more likely than established firms are to make the poor decisions that decrease their flexibility and the speed of their international commitments. Early internationalizers tend to have flat organizational structures and few internal conflicts (Zahra et al., 2017), which might have a negative impact on the quality of their decisions. According to Eisenhardt (1989), internal conflicts can ensure that managers weigh the pros and cons of their strategic options carefully, which is likely to improve their decisions’ quality, although they may not have the structure and resources to discuss their strategic options in the necessary depth (Zahra et al., 2017). Therefore:

**Hypothesis 2b:** Firms’ pre-internationalization phase is positively related to the speed with which they commit resources to foreign activities.

The LoN also suggests that early internationalizers’ lack of international experience decreases the speed of their entry into diverse international markets. Speedy entry into diverse international markets means entering several new foreign markets in a short time, but these firms must have knowledge about foreign markets to assess their risks and potential returns (Schwens & Kabst, 2009). Young firms have not had time to collect experience through experiential learning (Huber, 1991) and do not usually have the knowledge about international markets that is required to enter such markets (Bruneel et al., 2010; De Clercq et al., 2012). In addition, a smaller stock of knowledge reduces these firms’ ability to acquire, assimilate and use the additional international knowledge that is related to existing knowledge (Cohen & Levinthal, 1990).

Finally, the absence of routines and systems of rules in early internationalizing firms can slow the speed of their entry into diverse international markets. The lack of internal routines and clear rules can lead to unclear responsibilities, information overflow, and the loss of information (Zahra et al., 2017). Early internationalizers are inexperienced in developing an internal knowledge stock, and perhaps because they easily share knowledge across functions (Autio et al., 2000), they risk losing the information they need when they enter several new markets with diverse cultures and institutional norms, which can hamper further international growth. This view is also consistent with Hutzschenreuter et al. (2011), who find that firms that enter culturally distant markets face higher adjustment costs than do those that enter culturally similar markets. These high adjustment costs reduce managerial resources and slow international expansion (Tan & Mahoney, 2005). Therefore:
Hypothesis 2c: Firms’ pre-internationalization phase is positively related to the speed of their increase in breadth of international markets.

4 Methods

4.1 Sample

I test the hypotheses on a sample of early internationalizing German firms, defining early internationalizers as firms that venture into foreign markets at their inception or shortly thereafter (De Clercq et al., 2012; Rialp et al., 2005). To qualify to be part of this investigation, firms must have ventured abroad not later than eight years after inception and before reaching maturity (McDougall, 1989). In addition, the firms’ foreign sales must be at least 5 percent of their total sales (Zahra et al., 2000), and they must be independently owned, not subsidiaries or joint ventures founded by other firms (Zahra, 2005).

Using these criteria, I accessed the AMADEUS database and obtained contact details for 2,171 early internationalizing German firms. The sample comprises firms from multiple industries and includes only firms that were founded between 2006 and 2016 in order to minimize the likelihood of potential memory bias among respondents. I chose chief executive officers (CEOs) as the recipients of the questionnaire because they are likely to be the key decision-makers in their firms’ internationalizing efforts (Maekelburger et al., 2012). The paper-based questionnaire was originally written in English and then, in line with established back-translation standards (Brislin, 1970; Hui & Triandis, 1985; Van de Vijver & Hambleton, 1996), translated into German.

I sent out the 2,171 questionnaires together with an explanatory cover letter in 2016. Subsequently, I sent two reminders—an email and a phone call—at two different points in time. This procedure resulted in 160 responses, for a 7.4 percent response rate. After I excluded surveys with missing values, the final sample consisted of 118 early internationalizing firms.

4.2 Variables

In line with Casillas and Acedo (2013), I included in this study three dependent variables that reflect early internationalizers’ post-entry internationalization speed. First, I measured the speed of growth of
international commercial intensity as firms’ average growth in foreign sales per year based on the respondent firms’ ratio of foreign sales to total sales for each year since they become internationally active. I divided the sum of firms’ foreign sales growth rates by their years of international activity. Second, I operationalized speed of increase in commitment of resources to foreign activities as the average growth in the ratio of the number of the firms’ employees who spent more than half of their time on international activities to the firms’ total number of employees. Similar to speed of growth of international commercial intensity, I obtained this ratio for each year and calculated the growth rates between years, finally dividing the accumulated growth rates by the firms’ years of international activities. I chose this operationalization because traditional measures of firms’ foreign commitment like their foreign assets and subsidiaries are likely to be inadequate for small enterprises (Reuber & Fischer, 1997). Third, I measured the speed of increase in breadth of international markets as the average added cultural distance firms encountered during their international expansion. I asked the respondents to list every new country they entered for each year of their international activity and applied Kogut and Singh’s (1988) procedure to calculate the cultural distances between all countries they listed. I used nine culture dimensions from the GLOBE project for the calculations. Following Hutzschenreuter and Voll (2008), I calculated the added cultural distance for each year of firms’ international activity as the shortest distance from the markets in which the firm already operated to every new foreign market. The average added cultural distance results from the sum of all added cultural distances divided by firms’ duration of international activity.

The independent variable, firms’ pre-internationalization phase, refers to a firm’s age at its first internationalization. In line with Autio et al. (2000), Khavul et al. (2010), and Zhou and Wu (2014), I measured firms’ pre-internationalization phase as the number of years between firms’ establishment and their first foreign market entry.

I included several control variables to account for factors that might also have an impact on early internationalizers’ post-entry internationalization speed. I controlled for firm age because prior research shows that age may have an impact on firms’ international business activities (Brush & Vanderwerf, 1992) through such factors as available resources (Aldrich & Auster, 1986). I measured firm age as the number of years since its establishment (Zahra & Hayton, 2008; Zhou & Wu, 2014). I also controlled
for firms’ *absorptive capacity* (ACAP) at the time of their first internationalization because younger firms usually have less existing knowledge, which might hamper their ability to absorb new knowledge about foreign markets (De Clercq et al., 2012; Zahra & George, 2002). I adapted the items from Jansen et al. (2005) and captured firms’ ACAP using twenty-one items, measured on a five-point Likert scale (1 = strongly agree to 5 = strongly disagree). After eliminating ten items with low factor loadings, I used the remaining eleven items to calculate a composite measure. I established the reliability of the measure by calculating Cronbach’s alpha (0.731) and composite reliability (0.834), both of which exceed the threshold of 0.7 (Fornell & Larcker, 1981; Nunnally, 1978). Moreover, the average variance explained of the ACAP construct is 0.559, higher than the recommended critical value of 0.5 (Bagozzi & Yi, 1988; Fornell & Larcker, 1981), and establishing convergent validity. I controlled for national network size as the amount of firms’ national inter-firm contacts at the time of the first venture into a foreign market because national networks can affect firms’ international intensity (Prashantham & Birkinshaw, 2015). I included motive experiences because strategic motives play a major role in firms’ internationalization (Mackelburger et al., 2012; Sarkar & Cavusgil, 1996) and assess the importance of this motive for the firms’ first foreign market entry on a five-point Likert scale (1 = very unimportant, 5 = very important). I also included uncertain trade policies because such uncertainties have a negative influence on firms’ internationalization efforts (Lu et al., 2010; Zhou et al., 2007). In line with Lu et al. (2010), I asked the respondents to use a five-point Likert scale (1 = strongly disagree, to 5 = strongly agree) to rate the extent to which changes in trade policies in their first foreign market influenced their exports. Finally, I included profitability first market and distribution first market from Brøthers and Nakos (2004), as young firms’ have restricted economic resources (Morse et al., 2007) so that their performance in their first foreign market may set the course for further international expansion. Using a five-point Likert scale (1 = very dissatisfied, to 5 = very satisfied), I assessed the respondents’ satisfaction with their firms’ profitability and distribution in their first foreign market.

### 4.3 Tests for Potential Biases

Following Bachmann et al. (2016), I assessed the respondents’ knowledge regarding the questions in each section of the questionnaire and the questionnaire overall on a five-point Likert scale (1 = very
little, 5 = very extensive). The median value for respondents’ knowledge about all areas of the survey was 4, indicating that informant bias is not a problem in this study.

I tested the data collected for nonresponse bias based on Armstrong and Overton (1977). First, I used a t-test to compare the answers of early and late respondents and found no significant differences between the two groups based on the main variables (e.g., speed of growth of international commercial intensity, speed of increase in commitment of resources to foreign activities, speed of increase in breadth of international markets, pre-internationalization phase) in the model. To dispel any remaining doubt that nonresponse bias distorted the results, I gathered secondary data from AMADEUS from a random sample of non-respondents and compared their founding year and number of employees with those of the respondents. These results were also insignificant, suggesting no problems with nonresponse bias.

I assessed common method variance by applying Harman’s one-factor test. Based on Podsakoff and Organ (1986), I entered all variables into a principal component analysis that extracted four factors, with the largest factor explaining only 21 percent of the variance. Consequently, I do not consider common method variance to be a problem in this study.

5 Analysis and Results

Table D – 1 shows the means, standard deviations, variance inflation factors (VIFs), and correlations for all of the variables. I find only a few significant correlations between the dependent, independent, and control variables. As the correlations are far below 0.7 (Dormann et al., 2013) and the VIFs do not exceed the critical threshold of 2.5 (Allison, 1999), multicollinearity is not likely to be a problem in this research model.
### Table D – 1: Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>16.54</td>
<td>4.45</td>
<td>1.34</td>
<td>0.85</td>
<td>5.54</td>
<td>3.52</td>
<td>31.81</td>
<td>3.31</td>
<td>1.77</td>
<td>3.35</td>
<td>3.01</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>70.35</td>
<td>12.02</td>
<td>1.05</td>
<td>1.45</td>
<td>2.66</td>
<td>0.65</td>
<td>61.17</td>
<td>1.27</td>
<td>1.22</td>
<td>1.07</td>
<td>1.04</td>
</tr>
<tr>
<td>VIF</td>
<td>1.15</td>
<td>1.13</td>
<td>1.18</td>
<td>1.06</td>
<td>1.15</td>
<td>1.07</td>
<td>1.16</td>
<td>1.18</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Speed of growth of international commercial intensity
2 Speed of increase in commitment of resources to foreign activities 0.07
3 Speed of increase in breadth of international markets 0.05 0.17†
4 Pre-internationalization phase 0.41*** 0.25** 0.20*
5 Firm age 1.14 0.02 -0.35*** 0.28**
6 ACAP -0.14* 0.05 -0.15 -0.02 -0.06
7 National network size -0.07 0.07 -0.05 0.00 0.07 0.16†
8 Motive experiences 0.03 0.07 -0.03 -0.15 -0.06 0.28** 0.14
9 Uncertainty trade policies -0.04 0.09 -0.09 -0.12 0.01 0.17† -0.07 0.11
10 Profitability first market -0.03 -0.12 0.04 -0.04 0.01 0.18† 0.01 -0.01 -0.02
11 Distribution first market -0.09 -0.15 -0.11 -0.01 0.01 0.10 0.05 0.15 0.05 0.32***

*** p ≤ 0.001; ** p ≤ 0.01; * p ≤ 0.05; † p ≤ 0.1.
I applied three hierarchical linear regressions to test the hypotheses and report the results in Table D – 2. Based on Aiken et al. (1991), I calculated two models for each of the three post-entry internationalization speed dimensions to assess the explanatory power of the independent variable for each of the dependent variables. In Table D – 2, I report the direct effects of the control and independent variable(s) for each of the dependent variables (i.e., speed of growth of international commercial intensity, speed of increase in commitment of resources to foreign activities, speed of increase in breadth of international markets).

Table D – 2: Linear Regression Results: Post-Entry Internationalization Speed

<table>
<thead>
<tr>
<th>Variables</th>
<th>Speed of growth of international commercial intensity</th>
<th>Speed of increase in commitment of resources to foreign activities</th>
<th>Speed of increase in breadth of international markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent variables</td>
<td>Model 1</td>
<td>Model 2</td>
<td>Model 3</td>
</tr>
<tr>
<td>Pre-internationalization phase</td>
<td>0.423***</td>
<td>0.275**</td>
<td></td>
</tr>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm age</td>
<td>0.128</td>
<td>0.002</td>
<td>0.038</td>
</tr>
<tr>
<td>ACAP</td>
<td>-0.150</td>
<td>-0.179†</td>
<td>0.038</td>
</tr>
<tr>
<td>National network size</td>
<td>-0.067</td>
<td>-0.057</td>
<td>0.061</td>
</tr>
<tr>
<td>Motive experiences</td>
<td>0.109</td>
<td>0.158†</td>
<td>0.065</td>
</tr>
<tr>
<td>Uncertainty trade policies</td>
<td>-0.019</td>
<td>0.032</td>
<td>0.091</td>
</tr>
<tr>
<td>Profitability first market</td>
<td>0.102</td>
<td>0.111</td>
<td>-0.074</td>
</tr>
<tr>
<td>Distribution first market</td>
<td>-0.130</td>
<td>-0.078</td>
<td>-0.151</td>
</tr>
<tr>
<td>Reliability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.059</td>
<td>0.214</td>
<td>0.051</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>-0.001</td>
<td>0.157</td>
<td>-0.009</td>
</tr>
<tr>
<td>Δ R²</td>
<td>0.156***</td>
<td>0.066**</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>0.980</td>
<td>3.720***</td>
<td>0.846</td>
</tr>
</tbody>
</table>

*** p ≤ 0.001; ** p ≤ 0.01; * p ≤ 0.05; † p ≤ 0.1.

The first model for each of the dependent variables investigates the influence of the control variables. Only in Model 5 are two control variables significant: Firm age has a significant negative effect on firms’ speed of increase in breadth of international markets (-0.332, p ≤ 0.001), as older firms in this sample spread more slowly into international markets than younger firms did. In addition, firms’ ACAP at their first foreign market entry has a significant positive impact on firms’ speed of increase in breadth of international markets (0.175, p ≤ 0.1). This finding is in line with the view of the organizational
learning theory, which states that firms’ ACAP enhances their ability to explore and exploit opportunities (Zahra & George, 2002).

In the second model for each dependent variable, I included all of the control variables and the independent variable. Including firms’ pre-internationalization phase significantly increases the explanatory power of Model 2 (to 0.214; $\Delta R^2 = 0.156^{***}$, compared to Model 1), Model 4 (to 0.117; $\Delta R^2 = 0.066^{***}$, compared to Model 3), and Model 6 (to 0.253; $\Delta R^2 = 0.083^{***}$, compared to Model 5). The results show a significant positive impact of firms’ pre-internationalization phase on the speed of growth of international commercial intensity (0.423, $p \leq 0.001$), the speed of increase in commitment of resources to foreign activities (0.275, $p \leq 0.01$), and the speed of increase in breadth of international markets (0.309, $p \leq 0.001$). Therefore, the results lend support to Hypotheses 2a, 2b, and 2c.

6 Discussion

While internationalization speed is a key phenomenon in IE, the impact of early international venturing on firms’ post-entry internationalization speed remains unclear. This research takes two perspectives to explain the impact of firms’ pre-internationalization phase on their post-entry internationalization speed. Specifically, it draws on the concepts of LAN and LoN and develops competing hypotheses to explain the impact of early internationalization on firms’ post-entry internationalization speed. The findings contribute to the existing literature in two ways.

First, this study advances existing research by revealing that it is the concept of LoN, rather than the concept of LAN that plays a major role in explaining firms’ post-entry internationalization speed. Research argues that early internationalizing firms benefit from LAN, which enable them to continue their internationalization at a high speed (Autio et al., 2000; Sapienza et al., 2006). Although the empirical findings of Autio et al. (2000) lend support to this view, the results might seem contrary to this findings. However, I contend that the results complement existing research. Specifically, this study does not argue that LAN does not play an important role in early internationalizing firms but that it might take some time until the LAN materialize. The firms in this study internationalized less than one year after their founding (on average), while the firms Autio et al. (2000) study internationalized on average of more than five years after founding. Considering the broader internationalization literature,
Hilmersson and Johanson (2016) find that the post-entry internationalization speed of small and medium-sized enterprises (whose pre-internationalization phase averaged about 16 years) was faster when they made their first internationalization step sooner after founding. Hence, it appears that a minimum level of resources and/or routines are required before LAN become important. This argumentation is strengthened in light of the LAN concept’s limitations. According to Zahra et al. (2017), some research might underestimate the time it takes to set up the first international venture and overestimate firms’ ability to do it soon after founding. Therefore, I encourage future research to develop a theoretical framework that considers aspects of both perspectives (i.e., LAN and LoN) because most research argues from the one or the other perspective and fails to reconcile them. However, current research makes apparent that both concepts play an important role in early internationalizing firms, so future research might investigate whether different environments or industries influence the roles of the two concepts.

Second, this research contributes to a more nuanced picture of early internationalization’s imprinting effect. Based on Casillas and Acedo (2013), it expands Autio et al. (2000) by considering two additional dimensions of firms’ post-entry internationalization speed. This approach contributes to a more holistic explanation of the factors related to firms’ post-entry internationalization speed such that early internationalization not only affects firms’ speed of growth of international commercial intensity but also the speed of their increase in commitment of resources to foreign activities and the speed of their increase in breadth of international markets. Reflecting on this result in light of the LoN literature, I suggest that these effects might be due to firm age’s association with an increased knowledge stock and greater ability to explore and exploit new knowledge (i.e., firms’ ACAP) (De Clercq et al., 2012). However, the results show that such is the case only for firms’ speed of increase in breadth of international markets, as the results show no effect of ACAP on the speed of increase in commitment of resources to foreign markets and a negative effect of ACAP on firms’ speed of growth of international commercial intensity. Therefore, future research should clarify which mechanisms (e.g., financial capital, legitimacy, ACAP) come into play for each of the dimensions of internationalization speed.
7 Limitations & Implications

This study has limitations that offer avenues for future research. First, this study focusses on early internationalizers from Germany, an especially open economy and a European exporting powerhouse, so it is reasonable to assume that the firms in the sample were particularly well-prepared for foreign operations. Hence, I encourage future research to validate the findings by considering samples from other countries.

Second, because of the nature of the survey design, I obtained the information for each firm from only a single respondent, which could lead to an idiosyncratic bias and impact the reliability of the responses. As the CEOs I surveyed have restricted time, and only a few people in the firm have the knowledge required to answer questions regarding firms’ internationalization, gathering data from early internationalizers is difficult. However, I urge future research to collect responses from multiple managers for each company.

Third, this study assumed that a firm’s age at the time it internationalizes is a proxy for the prevalence of LAN or LoN. However, the survey data does not directly test whether higher age at internationalization has the purported advantages or liabilities for early internationalizers. Future research should investigate the implications of firm age at internationalization for firms’ resources, routines, and legitimacy.

This study’s practical implications include the findings that can help firms plan their international expansion by helping them understand the consequences of early internationalization. Current research finds no overall significant impact of firms’ pre-internationalization phase on performance (Schwens et al., 2018), and this article complements this view by revealing the negative impact of early internationalization on firms’ post-entry internationalization speed. Based on the findings, managers who seek fast international growth might plan more time before they start their first internationalization.
E Concluding Remarks

1 Core Results and Contributions

Early internationalizing firms are a central topic in IE research. Since their appearance, scholars have sought to describe how firms can best pursue early and rapid internationalization and what the implications of such internationalization behavior are. Although research has produced valuable insights, this dissertation contributes to a more holistic understanding of early internationalizing firms by examining the role of networks as resource providers and their impact on firms’ performance and post-entry internationalization speed. The dissertation also derives fruitful avenues for future research that may help to advance our knowledge about early internationalizers and support managers during their firms’ internationalization processes.

Considering the important role of networks for early internationalizing firms, the first study of this dissertation investigates the role of networks during early internationalizers’ foreign expansion. The study’s analysis of current research provides a systematic overview of how network partners grant early internationalizers access to different types, amounts, and diversities of resources and what mechanisms govern this resource exchange during the pre- and the post-internationalization phase. Building on this systematically structured knowledge, this study provides a roadmap for future research regarding early internationalizers’ network dynamics by presenting concrete avenues for future research that help to explain how early internationalizers adapt their networks during their internationalization processes to obtain access to the resources they need.

Given the important role of knowledge for early internationalizing firms, the dissertation’s second study takes the perspective of the KBV to analyze early internationalizers’ network use and the performance of their first foreign ventures. Based on a sample of early internationalizing German firms, the study shows that national and international inter-firm networks impact firms’ performance differently, thereby incorporating and expanding current research that suggests both positive and negative effects of early internationalizers’ inter-firm networks use (e.g., Coviello & Munro, 1997; Sepulveda & Gabrielsson, 2013). In so doing, the study goes beyond the generalized notion that international inter-firm networks
are a panacea for early internationalizers (e.g., Oviatt & McDougall, 1994; Yu et al., 2011) by revealing their negative performance implications. The findings regarding the positive impact of national inter-firm networks on firms’ performance are consistent with literature that has shown the importance of domestic network partners for the development of knowledge about internationalization (Blomstermo et al., 2004). The study’s differentiation between national (domestic) and international (host country) inter-firm networks also adds to the broader research on early internationalizers. The study’s investigation of the impact of network contacts’ location on early internationalizers’ performance in foreign ventures contributes to research by showing that the impact of network partners’ location on performance differs from that on firms’ international intensity. Extant studies have found that host country networks enhance firms’ international intensity (Prashantham & Birkinshaw, 2015; Yu et al., 2011), while domestic ties do not (Prashantham & Birkinshaw, 2015). Finally, the incorporation of firms’ ACAP as a moderating factor on the relationship between the firm’s network and its performance shows that firms with higher ACAP profit more than firms with lower ACAP do from national inter-firm networks and see fewer negative consequences of international inter-firm contacts. Thus, the study responds to calls to consider ACAP as a contingency in the management of external knowledge flows (Escribano et al., 2009; Park & Rhee, 2012).

Another key topic in IE research is the implications of a firm’s early foray into foreign markets for its subsequent internationalization speed. The dissertation’s third study analyzes the impact of firms’ pre-internationalization phase on firms’ post-entry internationalization speed by drawing on the concepts of LoN and LAN and shows that the LoN is the major explanation for firms’ post-entry internationalization speed. The study advances existing research that has questioned the idea that LAN pays off for early internationalizers in any circumstances (Zahra et al., 2017) and complements Autio et al. (2000), who found a negative effect of firms’ pre-internationalization phase on their international sales growth. Finally, this study shows that firms’ pre-internationalization phase is positively related to all three dimensions of firms’ post-entry internationalization speed (i.e., speed of growth of international commercial intensity, speed of increase in commitment of resources to foreign activities, speed of increase in breadth of international markets). Considering the three dimensions of firms’
internationalization speed builds on the work of Casillas and Acedo (2013) and adds to Autio et al. (2000), who focus on only one dimension of firms’ post-entry internationalization speed.

2 Managerial Implications

This dissertation also offers recommendations for practice that may guide managers during their firms’ early international expansion.

The dissertation’s first study focusses on the role of networks as a resource provider for early internationalizers. Managers should be aware that network contacts can provide early internationalizing firms with several types of resources, including knowledge about foreign markets and access to financial capital. Managers who prepare their firms for their first foreign market entry may search for network contacts that have knowledge about that particular foreign market. Managers should also be aware that networks can offer mechanisms that can lower the costs of resource transactions, such as governance mechanisms like trust that can allow them to access resources at lower costs than they would see via market exchange, which would entail additional control costs. In this context, the first study also shows managers that a shared vision or common interest between network partners can establish and maintain trust in networks and may result in lower costs of resource exchange. Finally, the study offers managers knowledge about the outcomes of their investments in building and maintaining networks so they can determine how much time and money to invest in increasing the number of their network contacts, the quality of their relationships, and the diversity and the amount of resources they may glean from these contacts.

The second study of this dissertation highlights the consequences of early internationalizers’ national and international inter-firm network use for their first foreign venture performance. The study indicates that domestic network contacts have a positive impact on the performance of firms’ first foreign ventures, unlike the negative effect of international network partners, so managers should focus on domestic contacts. In addition, managers should build their firms’ ACAP to ensure that they can derive benefits from their network contacts’ knowledge.

The third study reveals the impact of early internationalization on firms’ post-entry internationalization speed. Managers that strive for fast international growth should consider that a longer pre-
internationalization phase has a positive impact on firms’ post-entry internationalization speed. Moreover, managers should be aware that the imprinting effect of an early internationalization does not only affect firms’ speed of growth of international commercial intensity but also firms’ speed of increase in commitment of resources to foreign activities and firms’ speed of increase in breadth of international markets. This knowledge helps managers of early internationalizers to assess the consequences of their decisions during firms’ internationalization.

3 Future Research Implications

Like most research, this dissertation’s three studies have some limitations that can serve as a starting point for future research.

The first limitation refers to the studies’ underlying samples. The first study undertook a comprehensive search to gather a sample of studies that have analyzed early internationalizing firms and networks, while the second and third studies are based on a sample of early internationalizing German firms. Regarding the first study’s sample, articles that did not exclusively investigate early internationalizing firms, such as studies that compared their internationalization behavior with that of established SMEs, were excluded. In addition, the sample contains only peer-reviewed journal articles, which carries the risk that other studies that may have been highly relevant to the topic were omitted. Future research may derive a more comprehensive sample that considers studies that compare early internationalizers’ foreign expansion with the internationalization of other types of firms and integrate studies that have not gone through a peer-review process but meet an appropriate level of quality. The sample used for the second and third studies also has limitations. Because it is difficult to collect data from early internationalizing firms, the sample size is relatively small, so future research based on a larger sample would offer the advantage of empirical results that are more generalizable. Moreover, the sample consists only of German firms, as Germany is an open economy that supports international expansions. Future research should determine whether the study’s findings hold by using samples from other countries. Finally, the primary data for these two studies was collected from a single respondent, which decreases the reliability of the responses. Although our survey questions could be answered by only a
few people in early internationalizing firms, future research should gather responses from several persons for each company.

The measurements of some variables included in the studies also leave room for future research. The second study’s measurement of the performance of foreign ventures could be subject to perceptual biases, as the respondents’ personality traits could influence their evaluations of the venture’s performance. Generally optimistic respondents might rate a firm’s performance more positively than less optimistic respondents do. Although the subjective performance measurements were enriched with data from secondary sources, future research could gather additional secondary data to observe firms’ performance over time. Further, although the second study’s measurement of national and international tie strength as a proxy for the types and amount of resource exchange is consistent with that of existing literature (Collins & Clark, 2003; Smith et al., 2005), tie strength captures the relationship quality (i.e., frequency, duration, and intimacy) only and does not directly measure the resource exchange. Therefore, future research could investigate the direct impact of tie strength on the types and amount of resources exchanged between network partners. Similarly, our study does not assess whether network contacts own or provide knowledge that is helpful to early internationalizers’ first foreign market entry and whether the early internationalizers use this knowledge for their first foreign entries. In line with research about alliances (e.g., Milanov & Fernhaber, 2014), the study suggests that future research should consider network partners’ characteristics in order to obtain more specific knowledge about the exchanged resources. In addition, the second study’s use of firms’ ACAP as a moderating variable has limitations. Although the measurement for ACAP is derived from the established literature (Jansen et al., 2005), it assumes that firms’ ACAP is equal for national and international markets alike. However, recent literature shows that firms’ ACAP can differ based on the country in which it is used (Domurath & Patzelt, 2016) because it is easier for firms to absorb new knowledge that is closely related to firms’ existing knowledge stock (Cohen & Levinthal, 1990). Therefore, it is likely that firms more easily absorb knowledge from national contacts (because of cultural similarities) than they can from international ties. This limitation builds the starting point for future research that could differentiate between national and international ACAP when considering the impact of firms’ network use on performance.
Promising avenues for future research also derive from the development of the dissertation’s theoretical framework. The third study applies the concepts of the LAN and the LoN to firms’ post-entry internationalization speed, but this application requires further scholarly attention. Currently, there is no theory in IE research that sufficiently integrates the LAN and the LoN into early internationalization. Hence, future research should adapt existing theories (e.g., internationalization theories) or develop a new theory that integrates the concepts of the LAN and the LoN to deepen the understanding of early internationalization.


References


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References


**Teil 1: Allgemeine Fragen zu Ihrem Unternehmen**

1. **Bitte beantworten Sie die nachfolgenden Fragen zu Ihrem Unternehmen.**

<table>
<thead>
<tr>
<th>Frage zur Organisation und Wachstum</th>
<th>Antwort</th>
</tr>
</thead>
<tbody>
<tr>
<td>In welchem Jahr wurde Ihr Unternehmen <strong>gegründet</strong>?</td>
<td>_______ (Jahr, z.B. 2008)</td>
</tr>
<tr>
<td>Wie viele <strong>Mitarbeiter (Vollzeit)</strong> beschäftigte Ihr Unternehmen im vergangenen Geschäftsjahr (2015) <strong>weltweit</strong>?</td>
<td>_______ (Anzahl Mitarbeiter, z.B. 100)</td>
</tr>
<tr>
<td>Zu wie viel Prozent ist Ihr Unternehmen in <strong>Familienbesitz</strong>?</td>
<td>_______ (In Prozent, z.B. 60) □ 0% Familienbesitz</td>
</tr>
<tr>
<td><strong>Ist Ihr Unternehmen inhabergeführt?</strong></td>
<td>□ Ja □ Nein</td>
</tr>
<tr>
<td>Welcher <strong>Art</strong> ist Ihr <strong>Gewerbe</strong>?</td>
<td>□ Produzierendes Gewerbe □ Dienstleistungen □ Handel □ Sonstiges: _______</td>
</tr>
<tr>
<td>In welcher <strong>Branche</strong> ist Ihr Unternehmen hauptsächlich tätig?</td>
<td>___________________________</td>
</tr>
<tr>
<td>Im Vergleich zu Ihren Wettbewerbern: Wie zufrieden sind Sie mit dem Erfolg Ihres Unternehmens über die vergangenen drei Jahre?</td>
<td>Sehr unzufrieden □ 1 □ 2 □ 3 □ 4 □ 5 Sehr zufrieden</td>
</tr>
<tr>
<td>Inwieweit stimmen Sie den folgenden Aussagen über Ihr Unternehmen zu?</td>
<td>Stimme gar nicht zu □ 1 □ 2 □ 3 □ 4 □ 5 Stimme voll zu</td>
</tr>
<tr>
<td>Wir haben einen guten Ruf für unsere technologische Exzellenz.</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
</tr>
<tr>
<td>Wissensintensität ist ein Charakteristikum unseres Geschäfts.</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
</tr>
<tr>
<td>Unsere Produkte und Dienstleistungen haben eine starke Wissenskomponente.</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
</tr>
<tr>
<td>Ist Ihr Unternehmen derzeit international aktiv? (Unter Internationalisierung werden im Rahmen dieses Fragebogens alle internationalen Aktivitäten verstanden, die sich auf die Absatzmärkte Ihres Unternehmens beziehen, nicht auf Beschaffungsmärkte.)</td>
<td>□ Ja □ Nein</td>
</tr>
</tbody>
</table>

*Falls nein, können Sie das Ausfüllen an dieser Stelle beenden und den Fragebogen an die Adresse auf der Rückseite des Fragebogens zurücksenden.*

**Teil 2: Allgemeine Fragen zur Internationalisierung Ihres Unternehmens**

2. **Bitte beantworten Sie die nachfolgenden Fragen zu den internationalen Aktivitäten Ihres Unternehmens.**

<table>
<thead>
<tr>
<th>Frage zur Internationalisierung</th>
<th>Antwort</th>
</tr>
</thead>
<tbody>
<tr>
<td>In <strong>wie viele unterschiedliche Länder</strong> (Auslandsmärkte) vertreibt Ihr Unternehmen derzeit Produkte oder Dienstleistungen?</td>
<td>_______ (Anzahl Länder, z.B. 10)</td>
</tr>
<tr>
<td>Wie hoch ist der <strong>Anteil der Auslandsumsätze am Gesamtumsatz</strong>?</td>
<td>_______ (In Prozent, z.B. 20%)</td>
</tr>
<tr>
<td>Wie hoch ist der <strong>Anteil der Mitarbeiter, die über 50% ihrer Arbeitszeit für internationale Aktivitäten verwenden, gemessen an der gesamten Mitarbeiterzahl</strong> Ihres Unternehmens?</td>
<td>_______ (In Prozent, z.B. 20%)</td>
</tr>
<tr>
<td>In welchem Jahr hat Ihr Unternehmen den ersten ausländischen Markt erschlossen, d.h. erstmals systematisch Auslandsumsätze generiert?</td>
<td>_______ (Jahr, z.B. 2008)</td>
</tr>
<tr>
<td>In welchem Jahr fand der letzte ausländische Markteintritt Ihres Unternehmens statt?</td>
<td>_______ (Jahr, z.B. 2015)</td>
</tr>
<tr>
<td><strong>Wie viele Länder</strong> bearbeitet Ihr Unternehmen derzeit mit <strong>nicht-direktinvestiven</strong> Markteintrittsformen? (Nicht-direktinvestive Markteintrittsformen sind: (direkter) Export, Distribution (indirekter Export), Franchise, Lizenzierung, Langfristige Lieferverträge)</td>
<td>_______ (Anzahl Länder, z.B. 10)</td>
</tr>
<tr>
<td><strong>Wie viele Länder</strong> bearbeitet Ihr Unternehmen derzeit mit <strong>direktinvestiven</strong> Markteintrittsformen? (Direktinvestive Markteintrittsformen sind: Joint Venture mit Minder- oder Mehrheitsbeteiligung Ihres Unternehmens, Mehr- oder Minderheitsbeteiligungen an bestehenden Unternehmen, Komplettübernahme eines bestehenden Unternehmens, Gründung einer Tochtergesellschaft)</td>
<td>_______ (Anzahl Länder, z.B. 10)</td>
</tr>
</tbody>
</table>
3. Bitte beantworten Sie die nachfolgenden Fragen zu Ihrem Unternehmen über die jeweils angegebenen Zeiträume.

<table>
<thead>
<tr>
<th></th>
<th>... im Jahr der ersten Internationalisierung?</th>
<th>... im Jahr der letzten Internationalisierung?</th>
<th>... im vergangenen Geschäftsjahr?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wie hoch waren die Ausgaben für Forschung und Entwicklung im Verhältnis zum Umsatz?</td>
<td>(In Prozent, z.B. 10)</td>
<td>(In Prozent, z.B. 10)</td>
<td>(In Prozent, z.B. 10)</td>
</tr>
<tr>
<td>Wie hoch war das Umsatzwachstum Ihres Unternehmens?</td>
<td>(In Prozent, z.B. 10)</td>
<td>(In Prozent, z.B. 10)</td>
<td>(In Prozent, z.B. 10)</td>
</tr>
<tr>
<td>Wie viele Patente hatte Ihr Unternehmen?</td>
<td>(Anzahl, z.B. 20)</td>
<td>(Anzahl, z.B. 20)</td>
<td>(Anzahl, z.B. 20)</td>
</tr>
</tbody>
</table>

4. Bitte geben Sie in der folgenden Tabelle einen detaillierten und chronologischen Überblick über die Auslandsmärkte, die von Ihrem Unternehmen nach der Gründung absatzseitig erschlossen wurden.

<table>
<thead>
<tr>
<th>Jahr</th>
<th>Länder</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
</tr>
</tbody>
</table>

5. Bitte geben Sie in der nachfolgenden Tabelle an, wie hoch im jeweiligen Jahr der Anteil des Auslandsumsatzes am Gesamtumsatz war (In Prozent, z.B. 20%).

|------|------|------|------|------|------|------|------|------|------|------|------|

6. Bitte geben in der nachfolgenden Tabelle an, wie hoch im jeweiligen Jahr der Anteil der Mitarbeiter, die mehr als 50% ihrer Arbeitszeit für internationale Aktivitäten verwenden, an der Gesamtmitarbeiterzahl Ihres Unternehmens war (In Prozent, z.B. 20%).

|------|------|------|------|------|------|------|------|------|------|------|------|

7. Wie wichtig sind die folgenden Kriterien für die generelle Beurteilung des Erfolgs Ihres Unternehmens im Ausland?

<table>
<thead>
<tr>
<th>Kriterium</th>
<th>Gar nicht wichtig</th>
<th>Sehr wichtig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internationale Umsatz</td>
<td>□ 1</td>
<td>□ 2</td>
</tr>
</tbody>
</table>
Internationales Umsatzwachstum □ 1 □ 2 □ 3 □ 4 □ 5
Internationale Profitabilität □ 1 □ 2 □ 3 □ 4 □ 5
Return on Investment (ROI) von internationalen Geschäften □ 1 □ 2 □ 3 □ 4 □ 5
Marktanteil in internationalen Märkten □ 1 □ 2 □ 3 □ 4 □ 5
Internationale Reputation des Unternehmens □ 1 □ 2 □ 3 □ 4 □ 5
Einführung neuer Produkte/Dienstleistungen in internationalen Märkten □ 1 □ 2 □ 3 □ 4 □ 5
Globale Reichweite (d.h. Präsenz in strategisch gelegenen Ländern weltweit) □ 1 □ 2 □ 3 □ 4 □ 5
Einführungszeit neuer Produkte/Dienstleistungen international □ 1 □ 2 □ 3 □ 4 □ 5
Fußfassen in internationalen Märkten □ 1 □ 2 □ 3 □ 4 □ 5
Anteil der erfolgreichen neuen Produkte/Dienstleistungen in internationalen Märkten □ 1 □ 2 □ 3 □ 4 □ 5
Internationaler Erfolg insgesamt □ 1 □ 2 □ 3 □ 4 □ 5
Andere (bitte benennen): __________________________________________ □ 1 □ 2 □ 3 □ 4 □ 5

8. Wie zufrieden sind Sie mit dem tatsächlichen Erfolg Ihres Unternehmens im Ausland seit der ersten internationalen Geschäftstätigkeit Ihres Unternehmens?  

<table>
<thead>
<tr>
<th>Stufe</th>
<th>Gar nicht zufrieden</th>
<th>Sehr zufrieden</th>
<th>Nicht zutreffend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>2</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>3</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>4</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>5</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

Internationale Umsatzerhöhung: □
Internationale Umsatzentwicklung: □
Internationale Profitabilität: □
Return on Investment (ROI) von internationalen Geschäften: □
Marktanteil in internationalen Märkten: □
Internationale Reputation des Unternehmens: □
Einführung neuer Produkte/Dienstleistungen in internationalen Märkten: □
Globale Reichweite (d.h. Präsenz in strategisch gelegenen Ländern weltweit): □
Einführungszeit neuer Produkte/Dienstleistungen international: □
Fußfassen in internationalen Märkten: □
Anteil der erfolgreichen neuen Produkte/Dienstleistungen in internationalen Märkten: □
Internationaler Erfolg insgesamt: □
Andere (bitte benennen): __________________________________________ □


<table>
<thead>
<tr>
<th>Stufe</th>
<th>Gar nicht erfolgreich</th>
<th>Sehr erfolgreich</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>2</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>3</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>4</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>5</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

Wie würden Sie den Erfolg Ihres Unternehmens im Ausland seit der ersten internationalen Geschäftstätigkeit Ihres Unternehmens bewerten? □
Was denken Sie, wie würden die internationalen Wettbewerber Ihres Unternehmens den Erfolg Ihres Unternehmens im Ausland seit der ersten internationalen Geschäftstätigkeit Ihres Unternehmens bewerten? □
Teil 3: Fragen zu dem allerersten Auslandsmarkt Ihres Unternehmens

Die nachfolgenden Fragen beziehen sich auf denjenigen Auslandsmarkt, in dem Ihr Unternehmen erstmals systematisch Auslandsumsätze generiert hat.

10. In welchem Land (Auslandsmarkt) war Ihr Unternehmen zum ersten Mal international tätig? __________ (Land, z.B. Frankreich)

Bitte nutzen Sie die nachstehenden Marktbearbeitungsformen (siehe Box), um die folgenden Fragen zu beantworten.

A. Export  
B. Distribution  
C. Franchise  
D. Lizenzierung  
E. Langfristige Lieferverträge  
F. Joint Venture, Beteiligung von 1-49%  
G. Joint Venture, Beteiligung von 50-99%  
H. Beteiligung an bestehendem Unternehmen (1-49%)  
I. Beteiligung an bestehendem Unternehmen (50-99%)  
J. Komplettübernahme eines bestehenden Unternehmens  
K. Gründung eigener Tochtergesellschaft (ohne Produktion)  
L. Gründung eigener Tochtergesellschaft (mit Produktion)

11. Welche Markteintrittsform wurde bei diesem ersten Markteintritt gewählt? __________ (Buchstabe, z.B. F)

12. Ist Ihr Unternehmen noch immer in seinem ersten Auslandsmarkt aktiv? (bei Nein → Frage 15)  
   □ Ja  □ Nein

13. Haben Sie die erste Marktbearbeitungsform bis heute verändert? (bei Nein → Frage 15)  
   □ Ja  □ Nein

14. Wie lautet die derzeitige Marktbearbeitungsform in Ihrem ersten Auslandsmarkt? ___ (Buchstabe, z.B. A), seit Jahr: ___


<table>
<thead>
<tr>
<th>Erfolgskriterium</th>
<th>Sehr unfrieden</th>
<th>Sehr zufrieden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mit dem Wachstum des Umsatzes in dem zuerst erschlossenen Auslandsmarkt bin ich...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Mit der Höhe des Umsatzes in dem zuerst erschlossenen Auslandsmarkt bin ich...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Mit dem (Vorsteuer-)Gewinn in dem zuerst erschlossenen Auslandsmarkt bin ich...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Mit dem Marktanteil in dem zuerst erschlossenen Auslandsmarkt bin ich...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Mit den Marketing-Aktivitäten in dem zuerst erschlossenen Auslandsmarkt bin ich...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Mit der Leistungsfähigkeit der Distribution in dem zuerst erschlossenen Auslandsmarkt bin ich...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Mit der Reputation unseres Unternehmens in dem zuerst erschlossenen Auslandsmarkt bin ich...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Mit dem Marktzugang unseres Unternehmens in dem zuerst erschlossenen Auslandsmarkt bin ich...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Mit der Höhe der Kundenzufriedenheit in dem zuerst erschlossenen Auslandsmarkt bin ich...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Insgesamt bin ich mit der Leistung unseres Unternehmens in dem zuerst erschlossenen Auslandsmarkt...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Insgesamt bin ich mit der Leistung unseres Unternehmens im Vergleich zu unseren Wettbewerbern in dem zuerst erschlossenen Auslandsmarkt...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
</tbody>
</table>

16. Wie bedeutend waren die folgenden Motive für den Eintritt in den zuerst von Ihrem Unternehmen erschlossenen Auslandsmarkt zum Zeitpunkt des Eintritts?  

<table>
<thead>
<tr>
<th>Motiv</th>
<th>Sehr unbedeutend</th>
<th>Sehr bedeutend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Die Nutzung von Kostenvorteilen im Auslandsmarkt war...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Die Erschließung von neuen Absatzmärkten für unsere Produkte war...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Das Engagement eines/mehrerer unserer Kunden im Auslandsmarkt war...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Das Engagement eines/mehrerer unserer Konkurrenten im Auslandsmarkt war...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Der Zugang zu Wissen war...</td>
<td>□ 1 □ 2 □ 3 □ 4 □ 5</td>
<td></td>
</tr>
<tr>
<td>Erfahrungen im neuen Markt zu sammeln war...</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Die Risikostreuung/-diversifikation war...</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Zum Zeitpunkt des Eintritts in den Auslandsmarkt gab es Einschränkungen bei der Wahl der Markteintrittsform auf Grund von rechtlichen Bestimmungen (z.B. waren ausländische Investitionen auf Joint Ventures oder vertragliche Vereinbarungen beschränkt).</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Es war im Vorhinein schwierig, die Umsätze und Verkaufszahlen unserer Produkte in dem Auslandsmarkt vorherzusagen und abzuschätzen.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Es war im Vorhinein schwierig, die Wettbewerbsvorteile unserer Produkte im Auslandsmarkt vorherzusagen und abzuschätzen.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Unsere Produkte wurden weitgehend durch Veränderungen in den Handelsbestimmungen des Ziellandes beeinflusst.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Die Anzahl lokaler Wettbewerber im zuerst erschlossenen Auslandsmarkt war sehr hoch.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Die Anzahl internationaler Wettbewerber im zuerst erschlossenen Auslandsmarkt war sehr hoch.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Das zukünftige Marktwachstum des zuerst erschlossenen Auslandsmarktes wurde als sehr hoch eingeschätzt.</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wir interagierten häufig mit anderen aus der Branche, um neues Wissen zu erlangen.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Die Mitarbeiter arbeiteten regelmäßig bereichsübergreifend.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir sammelten Brancheninformationen auf informellen Wegen (bspw. Mittagessen mit Kunden, Zulieferern und Gespräche mit Handelspartnern).</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir hatten kaum Kontakt mit anderen Firmen und Stakeholdern aus unserer Branche.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir organisierten regelmäßig spezielle Treffen mit Kunden, Zulieferern oder Dritten, um neues Wissen zu erlangen.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir sprachen regelmäßig Dritte außerhalb der Branche an (bspw. Berufsverbände), um Informationen zu sammeln.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir erkannten Veränderungen in unserer Umgebung langsam (bspw. Wettbewerb, Regulierung, Demographie).</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir waren in der Lage, neue Ideen zur Befriedigung der Kundennachfrage schnell zu identifizieren.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir analysierten und interpretierten eine sich verändernde Marktnachfrage schnell.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir berücksichtigten ständig die Auswirkungen von sich verändernder Marktnachfrage in Bezug auf neue Produkte und Dienstleistungen.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Mitarbeiter erfassten und speicherten neues Wissen zur späteren Verwendung.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir erkannten schnell die Nützlichkeit von neuem externen Wissen für bestehendes Wissen.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Unsere Mitarbeiter teilten kaum praktische Erfahrungen untereinander.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir begriffen mühsam die Möglichkeiten aus neuem externen Wissen.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Die Abteilungen trafen sich regelmäßig, um die Konsequenzen von Markttrends und neuen Produktentwicklungen zu diskutieren.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Es war klar geregelt, wie Aktivitäten in und zwischen Abteilungen durchgeführt werden sollten.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir waren wenig empfänglich für Kundenbeschwerden.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Wir hatten eine klare Verteilung von Rollen und Verantwortlichkeiten.</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
Wir prüften permanent, wie Wissen besser genutzt werden konnte. ☐ 1  ☐ 2  ☐ 3  ☐ 4  ☐ 5
Wir hatten Schwierigkeiten bei der Implementierung von neuen Produkten und Dienstleistungen. ☐ 1  ☐ 2  ☐ 3  ☐ 4  ☐ 5
Mitarbeiter hatten eine gemeinsame Sprache in Bezug auf unsere Produkte und Dienstleistungen. ☐ 1  ☐ 2  ☐ 3  ☐ 4  ☐ 5


<table>
<thead>
<tr>
<th>Wie häufig interagierten Sie zum Zeitpunkt des Eintritts mit...</th>
<th>Mehrmals pro Woche</th>
<th>Mehrmals pro Monat</th>
<th>Einmal pro Monat</th>
<th>Mehrmals pro Jahr</th>
<th>Seltener</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ihre deutschen Geschäftskontakte, mit denen Sie geschäftliche Angelegenheiten besprochen haben (z.B. Kunden, Zulieferer oder sonstige Kontakte aus der Branche)?</td>
<td>☐ 1  ☐ 2  ☐ 3  ☐ 4  ☐ 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ihre internationalen Geschäftskontakte, mit denen Sie geschäftliche Angelegenheiten besprochen haben (z.B. Kunden, Zulieferer oder sonstige Kontakte aus der Branche)?</td>
<td>☐ 1  ☐ 2  ☐ 3  ☐ 4  ☐ 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<tr>
<th>Wie vertraulich waren die Informationen, die Sie zum Zeitpunkt des Eintritts mit...</th>
<th>Überwiegend überflächliche Informationen</th>
<th>Überwiegend vertrauliche Informationen</th>
</tr>
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<td>Ihre deutschen Geschäftskontakte, mit denen Sie geschäftliche Angelegenheiten besprochen haben (z.B. Kunden, Zulieferer oder sonstige Kontakte aus der Branche), austauschten?</td>
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### Teil 4: Fragen zu dem zuletzt von Ihrem Unternehmen erschlossenen Auslandsmarkt

<table>
<thead>
<tr>
<th>Fragen</th>
<th>Antworten</th>
</tr>
</thead>
<tbody>
<tr>
<td>20. Welches Land (Auslandsmarkt) wurde zuletzt von Ihr Unternehmen erschlossen?</td>
<td>______ (Land, z.B. Frankreich)</td>
</tr>
</tbody>
</table>

**Bitte nutzen Sie die nachstehenden Marktbearbeitungsformen (siehe Box) um die folgenden Fragen zu beantworten.**

A. Export  
B. Distribution  
C. Franchise  
D. Lizenzierung  
E. Langfristige Lieferverträge  
F. Joint Venture, Beteiligung von 1-49%  
G. Joint Venture, Beteiligung von 50-99%  
H. Beteiligung an bestehendem Unternehmen (1-49%)  
I. Beteiligung an bestehendem Unternehmen (50-99%)  
J. Komplettübernahme eines bestehenden Unternehmens  
K. Gründung eigener Tochtergesellschaft (ohne Produktion)  
L. Gründung eigener Tochtergesellschaft (mit Produktion)

<table>
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<th>Fragen</th>
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<tr>
<td>21. Welche Markteintrittsform wurde bei diesem letzten Markteintritt gewählt?</td>
<td>______ (Buchstabe, z.B. F)</td>
</tr>
<tr>
<td>22. Ist Ihr Unternehmen noch immer in diesem letzten Auslandsmarkt aktiv? (bei Nein → Frage 25)</td>
<td>□ Ja □ Nein</td>
</tr>
<tr>
<td>23. Haben Sie die letzte Marktbearbeitungsform bis heute verändert? (bei Nein → Frage 25)</td>
<td>□ Ja □ Nein</td>
</tr>
<tr>
<td>24. Wie lautet die derzeitige Marktbearbeitungsform in Ihrem letzten Auslandsmarkt?</td>
<td>_____ (Buchstabe, z.B. A), seit Jahr: ___</td>
</tr>
</tbody>
</table>

### Teil 5: Wichtige Informationen zu dem Netzwerk Ihres Unternehmens zum Zeitpunkt des Eintritts

Wichtig: Wenn Sie bei einer der Fragen keine Aktivität haben, tragen Sie bitte „0“ ein. Lassen Sie keines der Felder unausgefüllt.

**Bitte geben Sie die Anzahl deutscher Geschäftskontakte außerhalb Ihrer Firma an (z.B. Kunden, Zulieferer oder sonstige Kontakte aus der Branche), mit denen Sie geschäftliche Angelegenheiten besprochen haben.**

<table>
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<tr>
<th>Wie häufig interagierten Sie zum Zeitpunkt des Eintritts mit...</th>
<th>Mehrmals pro Woche</th>
<th>Mehrmals pro Monat</th>
<th>Einmal pro Monat</th>
<th>Mehrmals pro Jahr</th>
<th>Seltener</th>
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<td>Ihren internationalen Geschäftskontakten, mit denen Sie geschäftliche Angelegenheiten besprochen haben (z.B. Kunden, Zulieferer oder sonstige Kontakte aus der Branche)?</td>
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**Bitte geben Sie die Anzahl internationaler Geschäftskontakte außerhalb Ihrer Firma an (z.B. Kunden, Zulieferer oder sonstige Kontakte aus der Branche), mit denen Sie geschäftliche Angelegenheiten besprochen haben.**

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### 26. Bitte beantworten Sie folgende Fragen, die sich auf Ihre Person beziehen.

**Wichtig:** Wenn Sie bei einer der Fragen keine Aktivität haben, tragen Sie bitte „0“ ein. Lassen Sie keines der Felder unausgefüllt.

- **In welchem Jahr wurden Sie geboren?**

- **Welche Position** haben Sie aktuell in Ihrem derzeitigen Unternehmen?  
  - Geschäftsführer  
  - Leitende Position, und zwar __________  
  - Angestellter/Mitarbeiter  
  - Sonstiges, __________  

- **Wie lange** arbeiten Sie bereits in Ihrem derzeitigen Unternehmen?  
  __________ (Anzahl Jahre, z.B. 3)

- **Wie lange** arbeiten Sie bereits in Ihrer derzeitigen Position?  
  __________ (Anzahl Jahre, z.B. 1)

- **Sind Sie der Gründer Ihres derzeitigen Unternehmens?**  
  - Ja  
  - Nein

- **Wie viele Jahre haben Sie bisher aufgrund Ihrer Ausbildung (z.B. Auslandssemester, schulischer Austausch) insgesamt im Ausland verbracht?**  
  __________ (Jahre, z.B. 2)

- **Wie viele Jahre haben Sie bisher aufgrund Ihrer beruflichen Laufbahn insgesamt im Ausland verbracht?**  
  __________ (Jahre, z.B. 2)

- **Wie viele Jahre haben Sie bisher in einer Tätigkeit mit Auslandsbezug in einem international agierenden Unternehmen gearbeitet?**  
  Bitte beziehen Sie bei der Antwort auch Ihre derzeitige Position mit ein.  
  __________ (Jahre, z.B. 2)

- **Wie viele Fremdsprachen sprechen Sie?**  
  __________ (Anzahl, z.B. 3)

- **Wie gut konnten Sie die Fragen in den nachstehenden Teilen des Fragebogens beantworten?**

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