

Internationalization Technology and IPO Firm Growth

Fiona Xiaoying Ji

College of Business, Ohio University, USA

Steve Bin Zhou

College of Business, University of Houston Downtown, USA

INTRODUCTION

The dynamic environment including technological, social and economic changes (McDougall & Oviatt, 2000) and the fast obsolescence of products or limited domestic demand (Crick & Spence, 2005), urges many entrepreneur firms to have an international focus from inception. These firms do not follow a systematic and sequential internationalization process suggested by the traditional international studies as an incremental expansion model of Multinational Corporations (MNCs). One type of entrepreneur firms includes those who issued the initial public offering (IPO), which has been considered as an important stage in the life cycle of the firms. According to Filatotchev and Piess (2009), IPO represents the point of entry, which gives firms expansion options through access to equity capital. However, there is little research, which bridges internationalization and IPO firms' growth.

Some firms already entered into an international market before issuing IPO to explore less related international business knowledge to add to the existing firm capabilities, thus these firms are defined as pre-IPO internationalized firms in this study. Since initial internationalization before high expansion and growth stage, those firms might choose to go to similar foreign markets to leverage and exploit existing knowledge for growth or they might continue experimenting with less related international markets (Gassmann & Keupp, 2007; Mathews & Zander, 2007). Therefore during

the process of growth, they are confronted with a paradox between exploiting existing competencies and exploring new sources through international operations (Vera & Crossan, 2004). We propose that these two activities have to be balanced to create value for IPO firms in order to benefit from internationalization (Eisenhardt & Martin, 2000; Teece, 2007).

In this study, we conceptualize IPO firms' capabilities as embedded in activities and routines of organizations for addressing complex, practical and repeated problems including both technology development and international expansion. These entrepreneur firms can be regarded as different collections of tangible and intangible knowledge with the desire to identify, acquire and accumulate new knowledge to pursue perceived opportunities (Ireland, Hitt, Camp, & Sexton, 2001). According to the international entrepreneur research, entrepreneur firms are likely to possess the "learning advantages of newness" (Autio, Sapienza, & Almeida, 2000; Zahra, 2005). Given the fact that entrepreneur firms lack existing organizational routines, they face less inertia to learn knowledge from external sources including foreign markets (Barkema & Vermeulen, 1998). We propose that successful international entrepreneur firms achieve punctuated equilibrium or temporal evolution between accumulative growths in the long run and short bursts of aggressive expansion (Gupta, Smith, & Shalley, 2006). Entrepreneur firms may use sequential adjustments to shift between these two processes. More specifically, once a new

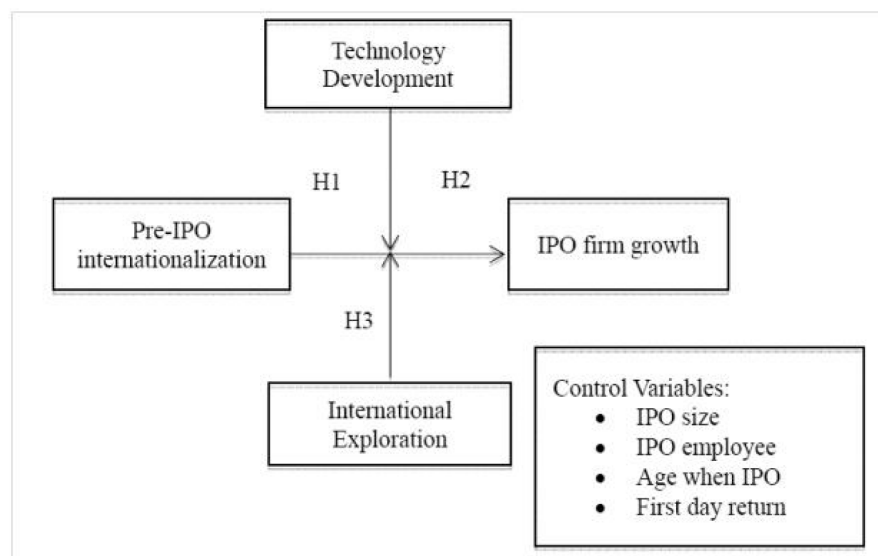
venture initiates new market entries, the repeated use of existing knowledge can make managers become more aware of current local knowledge and lead them to have a deeper understanding of the opportunities available in the foreign market. We argue that competitive advantages will emerge in those international entrepreneurs that can identify the optimal equilibrium and balance of international growth paths.

In this study, we argue that IPO firms can develop balance and equilibrium capabilities incorporating both exploitative and explorative capabilities to benefit from early internationalization. Therefore, we propose that pre-IPO internationalization is associated with firms' growth through capabilities development process at post-IPO stage. We propose that the ability to internationalize during a young age and simultaneously commit to exploitation technology activities is associated with firms' growth. Second, we argue that an increased emphasis on exploration capabilities may impede the benefits stemming from early internationalization for IPO firms. Figure 1 gives the conceptual framework tested in this study.

BACKGROUND

A major theme in internationalization literature is that MNCs tend to choose incremental growth model. Those works acknowledge that large MNCs build capability to create, disseminate and leverage knowledge, which was created in the past, in a global context through both headquarters and its subsidiaries (Ghoshal & Bartlett, 1990). However, two divergent views exist in terms of how experience guide international new market entries. Johanson and Vahlne's (1990) model implies four stages of gradually increasing foreign involvement in which firms follow their way to become internationalized. Based on this view, the more experiences a firm gains, the more likely they chose an area closed to that knowledge. However, this tendency may lead firm to develop "core-rigidities" and fall into "competence traps" (Levitt & March, 1988). Another view is based on a path-breaking change, and firms may choose move from their existing knowledge domain. Kogut and Zander (1993) emphasized firms' capabilities to combine knowledge and acquire more knowledge. Given this view, the more experience a firm has,

Figure 1. The impact of internationalization and technology development on IPO firm growth



11 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/internationalization-technology-and-ipo-firm-growth/107328

Related Content

BIN: Business Intelligence Networks

Matteo Golfarelli, Federica Mandreoli, Wilma Penzo, Stefano Rizziand Elisa Turricchia (2012). *Business Intelligence Applications and the Web: Models, Systems and Technologies* (pp. 244-265).

www.irma-international.org/chapter/bin-business-intelligence-networks/58419

Detection of Leading Experts from ResearchGate

Eya Ben Ahmed (2018). *International Journal of Business Analytics* (pp. 67-86).

www.irma-international.org/article/detection-of-leading-experts-from-researchgate/205644

Security Criteria in Financial Systems in Industry 6.0

Ali Bakhshi Movahed, Aminmasoud Bakhshi Movahed, Hamed Nozariand Maryam Rahmaty (2024). *Advanced Businesses in Industry 6.0* (pp. 62-74).

www.irma-international.org/chapter/security-criteria-in-financial-systems-in-industry-60/345829

Test-Driven Development of Data Warehouses

Sam Schutte, Thilini Ariyachandraand Mark Frolick (2013). *Principles and Applications of Business Intelligence Research* (pp. 200-209).

www.irma-international.org/chapter/test-driven-development-data-warehouses/72571

Distributed Programming Models for Big Data Analytics

Rakhi Saxena (2014). *Encyclopedia of Business Analytics and Optimization* (pp. 761-772).

www.irma-international.org/chapter/distributed-programming-models-for-big-data-analytics/107279