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# A theory of international new ventures: a decade of research

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**Abstract**

Oviatt and McDougall's *JIBS* article identified and defined international new ventures (INVs) and their prominent role in the global marketplace. The article spurred worldwide interest in INVs by raising questions about the validity and efficacy of existing theory, especially about the Uppsala process model of internationalization. The article also laid an important theoretical foundation for research into international entrepreneurship (IE), where younger and well-established companies use their entrepreneurial activities to create value as they internationalize their operations. This paper reviews Oviatt and McDougall's original propositions, highlighting their important contributions to the field. The paper also highlights the progress made in research using Oviatt and McDougall's framework, the major debates that persist about the nature and role of INVs, the source of their competitive advantages, and the key issues to be explored in future research.

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## Introduction

The publication of 'Toward A Theory of International New Ventures' (Oviatt and McDougall, 1994) 10 years ago attracted worldwide attention to the growing role of young firms in the global marketplace. While researchers have long recognized the valuable contributions of SMEs to international trade (Cannon and Willis, 1981; Douglas *et al.*, 1982), Oviatt and McDougall (1994) highlighted the importance of smaller and younger firms and their distinguishing characteristics that position them to internationalize quickly and create value for their founders and owners. Arguing that international new ventures (INVs) have existed for years, but that researchers have overlooked them as an important population, Oviatt and McDougall proceeded to discuss how these characteristics influence the way INVs compete on the global stage. Arguing that existing theories do not explain the formation of INVs, Oviatt and McDougall's views challenged and revised some existing and powerful paradigms about the process of internationalization, especially the stage theory (Johanson and Vahlne, 1977).

Oviatt and McDougall's (1994) framework and arguments attracted a worldwide audience, resulting in several annual doctoral consortia on international entrepreneurship (IE), special issues of leading scholarly journals, several university-sponsored workshops, the publication of handbooks and edited volumes, a

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number of doctoral theses, numerous sessions in regular academic meetings, several book chapters, and MBA and doctoral seminars. This excitement attests to the importance of Oviatt and McDougall's insights, which have stimulated continued worldwide interest in the phenomena they clearly defined and articulated over a decade ago.

Research building on Oviatt and McDougall's (1994) framework has been carried out in the world's six major continents, in advanced and developing economies alike, under four labels: INVs, born globals, accelerated internationalization, and IE. Some of this research has been faithful to Oviatt and McDougall's original arguments. Other researchers, however, have used other theories from entrepreneurship, strategy, and cognitive psychology to refine and extend the original framework. These extensions have been insightful and informative, but nonetheless raise new questions that require additional analysis and thoughtful study.

Given the serious worldwide interest in Oviatt and McDougall's framework, this article reviews this body of research, distilling and clarifying the contribution of the original paper by Oviatt and McDougall (1994). These contributions have been seminal. Further, the article revisits several aspects of the original paper that need re-examination in view of accumulating empirical findings. Recognition of these issues will illuminate the boundaries of the framework that Oviatt and McDougall have proffered, and will also help future research in this area. The review highlights the varied and important contributions of Oviatt and McDougall's (1994) paper.

## The INV phenomenon

Researchers have noted the role of SMEs in international trade, documenting their growing role in transferring knowledge and managerial skills in the global marketplace. One of the key reasons why Oviatt and McDougall's (1994) paper has received so much interest lies in their recognition of INVs as an important set of companies that have assumed greater prominence in the world economy. They defined an INV as 'a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of output in multiple countries' (p. 49). Thus, age at internationalization is assumed to have important implications for companies' successful expansion, survival and performance.

Focusing on age has proven to be a source of controversy in the evolving literature on INVs. To be sure, Oviatt and McDougall noted the difficulty of defining the exact starting time of a new venture's existence because some ventures go through a long period of gestation before they are officially launched. Variations in this gestation period can significantly influence the resources that new ventures and entrepreneurs assemble (Reynolds and Miller, 1992). These variations also influence the clarity of the mission and vision that guide a venture's strategic choices. Another thorny problem with using age to define INVs is that some new ventures are spun off by existing companies, having benefited from the resources and deep pockets of their parent corporations, including their networks, established systems, and well-recognized names. Still, other new ventures are created through the restructuring of existing firms, as happened in the US throughout the 1990s and continue to occur today in other parts of the globe. These observations matter because theory would suggest they can influence a firm's disposition to take the risks associated with internationalization, their capacity to assemble and deploy resources, and gain a competitive advantage. The evolution of the firm's mission and resource base are intimately related to managerial capacity, which, to some extent, is defined by the pre-launch experience.

One of Oviatt and McDougall's key insights was in drawing attention to the fact that new ventures do not need to *own* their resources in order to internationalize their operations, a widely accepted view among entrepreneurship scholars (Stevenson and Gumpert, 1985). Entrepreneurial firms are defined by their actions, not by the types of resources they have or control. These entrepreneurial actions lie at the core of new ventures' ability to develop ways to create value beyond their established and presumably resource-rich competitors. By highlighting the need to gain access to various resources without actually owning them, Oviatt and McDougall place greater emphasis on *how* new ventures compete in international markets. It is resourcefulness, not the mere amount or even types of resources, that matters – a view consistent with Hamel and Prahalad (1994). Accepting this view shifts the emphasis to *where and how* INVs create value by developing and protecting their unique intangible assets (e.g., organizational cultures, relationships, and innovative abilities), especially those that enhance their entrepreneurial activities in foreign markets.

A persistent source of concern about what constitutes an INV therefore centers on the relative importance of firm age *vs* entrepreneurship. Reading Oviatt and McDougall's (1994) paper, one gets the impression that going international early in a firm's life cycle can bestow important and almost instant advantages on the INV. These firms are often unfettered with inertia that would limit established companies' ability to learn and develop their operations (Oviatt and McDougall, 1994, 1995). However, recently some researchers have contested the assumption that older companies are unable to learn and adapt (Majumdar, 2000), asserting that these firms have resources and skills that would allow them to invest heavily in learning, further setting the stage for effective adaptation. While this does not invalidate Oviatt and McDougall's original propositions, it indicates that there are advantages (and disadvantages) to being young. It is essential to recognize both sides of the coin when thinking about the sources of competitive advantage that INVs create, and the extent to which they are able to protect these advantages from encroachment by other INVs and established companies.

The question remains: Is it age that creates the advantages associated with internationalization? Is it the firm's entrepreneurial activities that matter, as suggested by Zahra and George (2002b)? Subsequent papers clearly suggest that it is the actions that INVs undertake that appear to be a major source of competitive advantage (Oviatt and McDougall, 1995; McDougall and Oviatt, 2000). Indeed, recognizing these issues, Oviatt and McDougall (2000) have adopted a more generic definition, one that can apply equally well to both INVs and established companies. This definition focuses more on the *entrepreneurial qualities* of firms, rather than on their age at internationalization. Thus, whether one uses their original or revised definition, the effect of age and organizational size on the competitive advantage that INVs derive from early internationalization remains an open question, as Oviatt and McDougall (1994) noted a decade ago. Logic would suggest that *how* firms compete once they enter the global market arena is important, and perhaps the most decisive factor.

## Types of international new venture

Oviatt and McDougall (1994, 52–54) used two dimensions to identify four types of INV: coordination of value chain activities (few *vs* many) *and* the number of countries involved (few *vs* many). Applying these two dimensions generated four types: export/important start-ups, multinational trader, geographically focused start-ups, and global start-ups. Oviatt and McDougall used the literature and logic to posit that these different INVs possess very different types of competitive advantage. Using insights from research on entrepreneurship, Oviatt and McDougall (1994) demonstrated that INVs have advantages of their own that allow them not only to outsmart their rivals but also to quickly build a competitive advantage, one that can lead to profitability and growth. These insights and arguments have responded to and extended Casson's (1982) early work, which suggested a need to consider *firms' entrepreneurial characteristics* when discussing internationalization. Researchers have followed Oviatt and McDougall's (1994) suggestion by giving special attention to the characteristics of entrepreneurial firms in theorizing about their internationalization decisions (George *et al.*, 2005).

Having identified four INV types, Oviatt and McDougall noted that these firms see their markets quite differently from the way their well-established rivals do. INVs espouse different assumptions and cognitions of the market and competition, possibly leading them to seek and identify different types of new opportunity that they exploit differently (Zahra *et al.*, 2004). Though differences in these assumptions and cognitions are not well understood, the genesis of INVs' competitive advantages appears to lie in their founders' cognitions that allow them to quickly spot opportunities in international markets and develop new ways to exploit them.

Reflecting on Oviatt and McDougall's (1994) paper, one can assume that they accept prevailing entrepreneurial views that build on Kirzner (1973), where opportunities exist in the environment and some entrepreneurs are more alert than others in spotting, recognizing, and exploiting these opportunities. If this is the case, one can argue that the definition is limiting where it overlooks opportunities that might lie within the firm, as happens in those ventures that capitalize on new processes or systems that create products that are not different from those that exist in the market. Yet, these internal processes might be the foundation of a competitive advantage in global markets. In addition, opportunities in the external environment might be the same for all firms, but organizational form could be the source of the opportunities that give an INV its competitive advantage. Virtual instant INVs are one example (Katz *et al.*, 2003).

These firms use Internet and other information technology-based structures to go international, offering a range of services to their customers. It would appear prudent that future researchers recognize that opportunities need not be found only in the INVs' external environment; the INV organizational form itself could be a key source of competitive advantage.

While considerable attention has been given to other parts of Oviatt and McDougall's (1994) arguments, less attention has been devoted to the four INV types they identified. Thus, we do not know a great deal about the prevalence of INVs under different combinations of industry, market, firm and entrepreneur-related conditions. Knowing the prevalence of these firms can be useful in predicting which types of INV are created under which conditions and in tracking the changes that occur in INVs over time, which offers a foundation for understanding the differences in their financial performance. This is a gap in the literature in this area, one that requires further research.

An issue that requires close scrutiny is why some new ventures opt to go international from inception whereas many others opt to focus on their domestic markets. Oviatt and McDougall (1994) offer some useful clues by highlighting the prior experiences of the founders as well as their international experiences (pp. 45, 47, 52) and recognition of international business opportunities (p. 47). McDougall *et al.*'s (2003) research shows that the level of an industry's global integration is also conducive to early internationalization. However, contrary to the authors' predictions, the effect of technological change and competitive intensity on early internationalization was not significant. Currently, we do not really know the relative importance of these variables in making this critical decision. Information about the relative value of different sets of antecedent conditions could be useful in theorizing about the different strategies that INVs use and the sources of competitive advantages that they might have.

Oviatt and McDougall (1994) also invoke the entrepreneurship literature to suggest that entrepreneurs view risk and risk–return relationships quite differently from others. Research by Busenitz and Barney (1997) supports this observation. Therefore, there is a need to probe managerial cognition and psychological dispositions as we examine the determinants of the decision to internationalize a new venture's operations at inception. These variables significantly influence risk calculations and therefore might determine how entrepreneurs define and evaluate opportunities in international markets. Cognitive and psychological forces also influence entrepreneurs' ability to reconfigure resources in unique ways that bestow advantage on their INVs. They may also impact on the speed by which entrepreneurs and their new ventures learn and adapt, determining the fate of INVs in international markets.

Researchers have not examined the probability of survival among the four INV types that Oviatt and McDougall (1994) have identified. Consequently, we do not know whether these types are equally viable, assuming effective fit with the general conditions of the external environment. While theory would suggest this should be the case, empirical testing and validation have not examined this important issue. We also know very little about the probability of survival among INVs relative to other types of new venture or other types of organizational form. INVs usually experience three types of liability. The first relates to their newness and inexperience, which limits their access to resources and existing networks. Newness raises questions in the minds of other stakeholders about INVs' credibility and potential viability. The second liability stems from their size, as many INVs are small. This limits the slack resources of INVs and, as a result, their ability to withstand the challenges of internationalization. The third and final liability arises from the foreignness of INVs, which means that they have to work hard to overcome barriers to entry, build links to their customers and suppliers, and gain the acceptance of potential customers. Any of these liabilities can increase the risk of INVs' potential failure. A combination of these three liabilities can further magnify this risk.

Given the dynamism that characterizes international business environments, it is important to pause and examine how often and in what ways the four INVs change their strategic direction. It is also important to investigate the conditions that encourage INVs to do so, and to document the consequences of these changes for their survival and financial performance. For example, we need to know more about the role of the top management team's experience, in terms both of maturity and of learning, in triggering strategic changes among INVs. Managers may (and often do) learn from dealing with international issues, and therefore may see opportunities to embark on strategic changes to better position their INVs. These questions have not been examined empirically in the literature (Zahra and George, 2002b). In fact, in one of the very few empirical analyses conducted to date, McDougall and Oviatt (1996) report mixed findings on the implications of strategic change for INVs' performance, which further reinforces the need for more research in this area.

Finally, we do not know what becomes of those INVs that survive and become established. Do they become similar to others in their industries? Do the powerful institutional forces teach these firms to become like other firms in their industries? Do INVs retain their character and cultures over time? These are interesting questions to ponder. It is hard to accept that INVs that started with a different vision of the industry and market arena succumb to conventionalism by playing it safe. But, of course, we do not know how, how often, or in what ways INVs change.

In retrospect, one area that Oviatt and McDougall (1994, 1995) have overlooked is the role of the institutional environment and economic geography in building and sustaining INVs' competitive advantage. True, Oviatt and McDougall recognize the various advantages associated with venturing into different regions of the world. Reading their 1994 paper, one gets the impression that entrepreneurs can easily and quickly learn about opportunities that lie outside their home markets. Of course, it is easier today to read about and understand the nature of opportunities that lie in foreign markets. It is also easier to locate facilities overseas. Yet it is easy to understate the subtle and profound role of national cultures, history and geography. These variables interact in important ways that define the nature and magnitude of opportunities that exist in a country or region. Learning about national cultures is a challenging process that might require years of thoughtful study and first-hand interaction with those cultures. Understanding how history and geography are combined to shape the evolution of industries and norms of competition is equally difficult and time consuming. Building relationships and gaining access to existing networks can help to shorten and expedite INVs' learning. Hiring locals is another way of gaining access to tacit knowledge about cultural norms and their implications, contributing to INVs' ability to build and gain a competitive advantage. Obviously, these activities take time to complete, raising a question about the instant benefits that INVs might gain by going abroad so early in their life cycles.

Looking into the role of culture, geography, and history suggests a need to better understand the role of managerial cognition in the definition of INVs' identity, strategy, and organizational cultures. These cognitions evolve over time and shape managers' ability to see opportunities in foreign markets, influencing the various decisions to be made and how they are executed (Palich and Bagby, 1995; Mitchell *et al.*, 2000). Given mounting evidence of the contributions of these cognitions to the success and failure of INVs, McDougall and Oviatt (2003) have emphasized the need to incorporate this perspective in future research.

Oviatt and McDougall (1994, 1995) rightly note that there are a lot of well-trained professionals who have had extensive experiences with international operations in other INVs or multinational companies. These experiences are useful in assembling resources, gaining access to existing international networks, and configuring INVs' value chain. Shrader *et al.* (2000) further proffer that these experiences are valuable in making decisions about potential tradeoffs that managers have to consider when designing their INVs' value chain. Researchers (e.g., Reuber and Fischer, 1997) have identified other benefits of international experience, such as gaining access to strategic partners. This access is conducive to higher foreign sales.

Two aspects of Oviatt and McDougall's argument about the value of international experiences are challenging and require reflection. The first is the assumption that these experiences make managers more aware of the challenges associated with conducting businesses on a global scale. Consistent with this proposition, McDougall *et al.* (2003) empirically find that international experience is conducive to early internationalization. No doubt some managers become aware of these issues and learn a great deal about the international business environment and how to structure their operations to create value. Yet, not all learning is functional or beneficial. Experience might induce rigidity as managers develop their own preferred ways of dealing with the challenges of multinationality. Internationalization raises complex challenges, and some managers respond to them by focusing on a few ways of doing things. If these mental shortcuts develop, then carrying these experiences forward might deprive INVs of a potentially rich source of innovativeness in their operations. Experimentation is essential for INVs to discover the winning business model and market recipe. Openness to this sort of experimentation is a must.

Another concern about the role of past experience is that multinational firms have their own world views: some are parochial and ethnocentric in their orientations, and instill these views in their managers and employees. This type of learning can be dysfunctional if carried forward into newly established INVs. Under this scenario, founding entrepreneurs would show little interest in understanding the geographic mosaic that forms their foreign markets.

The above discussion makes a simple but important point. We need to recognize the factors that can limit INVs learning about their local cultures and markets. These factors might include: INVs' own repertoire of knowledge; the ethnocentric views that their owners, managers and employees hold about their markets and host countries; the physical distance from the markets entered; and the assumptions that founding entrepreneurs and other members of the top management team hold about local cultures and markets.

## How and what do new ventures learn in the global marketplace?

A question that has been left unanswered in Oviatt and McDougall's (1994) article is what happens to INVs once they go abroad. The traditional stage model (Johanson and Vahlne, 1977) had suggested that firms learn experientially as they penetrate foreign markets, amassing considerable knowledge that allows them to assume greater risks in their subsequent moves. This learning makes it possible for companies to use higher order entry modes, which in turn give these firms new knowledge. This evolutionary stage model (Johanson and Vahlne, 1977) was grounded in the experience of established companies and the way they measured risk–return relationships. In contrast, Oviatt and McDougall have suggested that INVs bypass these stages and enter foreign markets using higher order entry modes. The stage model of internationalization also proffered that different modes of entry require certain skills and therefore influence the evolutionary trajectory of knowledge accumulation quite differently within INVs. Later research (Zahra *et al.*, 2000) supported these two points, revealing that new ventures often enter foreign markets using higher order modes of entry. Further, INVs appear to learn from foreign markets about new technological trends and competences, assuming that senior managers give attention to integrating the knowledge gained from foreign markets. In turn, learning about the technological trends and competences that exist in foreign markets can improve INVs' future profitability and growth (Zahra *et al.*, 2000). Thus, those INVs that enter international markets and learn about technology appear to reap the benefits of their investments in the form of higher profits and in opening up avenues for growth.

The encouraging research findings just cited above highlight the importance of Oviatt and McDougall's original insights and reinforce the need to examine how new ventures learn. INVs appear to differ in the extent of their learning, but the sources of these variations are not well defined. To fill this gap in the literature, future studies need to examine how and when these ventures learn. Further, we need to document what INVs learn in foreign markets. Learning is multifaceted, and we have just begun to explore selected parts of this complex construct. Social and market learning could be important sources of technological learning, and could serve as a key source of new and rich knowledge enabling INVs to succeed in international markets.

Given the importance of learning for INVs' successful performance, it is essential to understand what and how these firms learn. For instance, we do not know how INVs develop the absorptive capacity to cultivate new capabilities that enable them to survive and even make a profit. Absorptive capacity refers to INVs' ability to identify, value, select, and assimilate knowledge that exists in their external environment and make use of it in their operations (Cohen and Levinthal, 1990; Zahra and George, 2002a). Where does this capacity come from? How do inexperienced and resource-poor INVs develop this capacity? How do they decide which types of knowledge are relevant? Do different types of INV use different ways to build and use their absorptive capacity? Further, if knowledge integration (i.e., sharing and combining the knowledge obtained from external sources) is an important factor in harvesting the learning gains that INVs achieve in their foreign markets, do different INV types use different approaches in this process? Do they use different approaches in different markets? Answering these questions can enrich our understanding of the foundations of INVs' competitive advantage, and can improve theory building in this area. Likewise, recognition of these issues can help to clarify the boundaries of the knowledge-based theory of the firm (Grant, 1996; Kogut and Zander, 1993), especially in the context of INVs.

## Learning advantages of newness

Oviatt and McDougall (1994) have also drawn attention to the potential advantages INVs that have relative to their established competitors in learning about markets and competition. Autio *et al.* (2000) built on this insight by arguing that there are inherent 'learning advantages of newness'. This thesis rests on the assumption that INVs do not suffer from the same inertial forces that stifle established firms' adaptation. INVs also have organic structures that transmit and assimilate information quickly and use it in their operations. With founder-owners in control, new knowledge does not have to struggle for management's attention and acceptance. Autio *et al.*'s thesis is intuitively appealing, and holds the promise of opening the black box that appears to exist in theorizing about the advantages that INVs might reap from internationalization.

The 'learning advantages of newness' thesis raises questions of its own. As just stated, do INVs have the absorptive capacity needed to understand, appreciate, assimilate and exploit knowledge from their new international environments? With their skill base being so narrow, how do these firms develop this capacity? How does this capacity change as these firms' internationalization continues? Do different INV types experience these advantages to the same extent? How enduring are the learning advantages of newness? Clearly, these and other questions require thoughtful analysis. Fundamentally, we need also to probe whether it is realistic to assume that founders and owners of INVs are able to and interested in learning. Some entrepreneurs are notoriously dogmatic in their beliefs and missionary in their zeal, raising a question about their willingness to reflect, understand and articulate what they have learned. Some entrepreneurs are also individualists, who work like lone wolves – not team builders. Consequently, we cannot reasonably assume that these people will encourage the knowledge-sharing and integration necessary to promote INVs' organizational learning. Examining these issues is important because, as noted, learning plays an important role in Oviatt and McDougall's framework for early internationalization. This learning also has important implications for the development and evolution of capabilities in INVs.

Oviatt and McDougall (1994) remind us of the pivotal role of entrepreneurship in the creation and success of INVs. It is interesting to note that research using their framework has not linked INVs' learning with these entrepreneurial activities that occur in foreign markets. Knowledge gained about the markets, competition, suppliers and customers offers important clues about new opportunities in foreign markets, new markets to enter, new systems to develop, new products to offer, and new ways of organizing INVs' own operations. Oviatt and McDougall (2000) have revised their views of international entrepreneurship (IE) by highlighting the qualities that make firms entrepreneurial. These qualities include innovativeness, proactiveness, and risk taking. Linking INVs' learning in international markets to their entrepreneurial activities can help to clarify one source of competitive advantage that INVs possess. This will also allow us to establish whether Oviatt and McDougall's four INV types vary in the ways they capitalize on the link between learning and entrepreneurship. These analyses will also clarify how INVs balance the tension that arises between the need for exploratory learning and the need for exploitative learning (March, 1991). Exploratory learning focuses on acquiring new knowledge that falls beyond the INVs' current repertoire, whereas exploitative learning emphasizes improving what these firms know and making better use of their existing knowledge.

The possibility that different types of INV benefit differently from their learning in inducing and improving different entrepreneurial activities suggests a need to examine the organizational cultural foundations of these entrepreneurial activities. Over time, different INVs are apt to develop specific and unique cultural norms that guide the deployment of their resources, and to harvest the knowledge and skills of their employees in pursuit of opportunities in foreign markets. Thus, it is reasonable to assume that these INVs benefit from different cultural variables in stimulating and exploiting entrepreneurial activities in international markets.

Dimitratos and Plakoyiannaki (2003) suggest that an international entrepreneurial culture embodies six dimensions. The first is the market orientation, which denotes a firm's interest in and commitment to international activities. The second is the learning orientation, which centers on gathering, interpreting and disseminating intelligence about foreign markets and the alertness to opportunities that exist in these markets. The third is innovation propensity, which refers to a firm's proclivity to pursue new ideas. The fourth is risk attitudes, which refers to a firm's willingness and desire to undertake significant and risky resource commitments in pursuit of new opportunities in foreign markets. The fifth is networking orientation, which refers to the extent to which a firm obtains resources through alliances, cooperative ventures, and other formal and informal means of social embeddedness. The sixth and final dimension is motivation orientation, which refers to the incentives and rewards that the firm allocates to promote and direct its people and organization to explore and exploit opportunities in foreign markets.

These six dimensions of international entrepreneurial cultures (Dimitratos and Plakoyiannaki, 2003) suggest several issues that require empirical examination. For example, it would be instructive to explore the differences among the four INV types that Oviatt and McDougall have identified along these six dimensions. Equally important, it would be informative to link these six dimensions to INVs' pursuit of entrepreneurial opportunities in international markets. For instance, INVs that develop different cultural dimensions may see and pursue different types of opportunity in their foreign markets. Organizational cultures shape the way managers and employees see their markets, customers, and competition. It stands to reason, therefore, that INVs with different cultural orientations might spot and pursue different types of opportunity. Even when these firms identify the same set of opportunities, they might vary in how they go about creating value from them. A greater appreciation of these issues can enrich our understanding of the antecedents of INVs' successful performance.

By now, the INVs that Oviatt and McDougall (1994) have analyzed and used as examples in their various publications have reached middle age, assuming they have survived the three liabilities of newness, smallness, and foreignness. Oviatt and McDougall (1995) reported that some of these firms had already failed. Still, it would be informative and exciting to track those INVs that have survived, and to determine their fates. Such analyses would make it useful to directly link Oviatt and McDougall's theoretical predictions to actual firm behavior and outcomes. Following and studying these firms can provide rich insights into their cultures and how they influence their subsequent strategic (including entrepreneurial) moves. There is a dearth of empirical studies on the evolution of INVs, as most prior research has focused on the founding and operations of these firms.

## Conclusion

The publication of Oviatt and McDougall's 'Toward A Theory of International New Ventures' (1994) has spurred worldwide interest in understanding the factors that lead to the early internationalization of younger firms, how these ventures create and protect their competitive advantages, and how INVs configure their value chain to attain flexibility while building strong and profitable competitive positions. The theory offered rich insights that explain the formation of INVs; other theories fail to do so (McDougall *et al.*, 1994). While many of the original arguments remain intact, researchers have shown creativity in refining and extending Oviatt and McDougall's framework. Researchers have become aware that internationalization is not a one-shot deal, and that there is considerable room for learning as INVs continue their operations. Researchers have used insights and theories from cognitive psychology to understand how entrepreneurs who found INVs recognize and redefine the opportunities they pursue. Incorporating insights from economic geography and learning theories can help future researchers to address issues raised about the ability of INVs to retain their competitive advantages over time and bring some dynamism into the analyses being conducted on the evolution of these firms. Clearly, Oviatt and McDougall (1994) have started an important and influential research stream, whose contributions have been insightful, powerful and varied.

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