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Two Essays on The Internationalization Speed of New Ventures

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TWO ESSAYS ON THE INTERNATIONALIZATION SPEED OF NEW VENTURES

by

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ABSTRACT

TWO ESSAYS ON THE INTERNATIONALIZATION SPEED OF NEW VENTURES

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This dissertation comprises two essays on the internationalization speed of new ventures and contributes to the international entrepreneurship literature at several levels. The first essay reviews and critiques the internationalization speed literature and proposes a multi-dimensional conceptualization of speed of internationalization. In particular, previous studies that examined internationalization speed implicitly assumed that INVs need to enter new countries to grow fast in foreign markets. The key tenet of the first essay is that INVs can also grow fast in foreign markets by expanding rapidly in previously entered host countries. Consequently, the first essay uses three theoretical perspectives — organizational learning, industrial economics, and institutional theory — to develop a multi-level conceptual model that investigates the antecedents of INV expansion speed at the firm, industry, and institutional levels.

The second essay contributes to the international entrepreneurship literature by advancing an important yet hitherto overlooked source of knowledge about international markets — interlocking directorates. Using organizational learning and board capital theories, the second essay investigates how the degree of internationalization of firms with which INVs' top managers and outside directors have interlocking directorate ties affect the internationalization speed of INVs. Empirical results from the population of publicly held U.S. INVs over the 2005-10 period provide support for the role of interlocking directorates during the internationalization process of INVs. The current study contributes to organizational learning theory by demonstrating that grafted knowledge coming from outside directors and vicarious knowledge

coming from top managers do not substitute for but complement each other in influencing INVs' internationalization speed. In addition, the present study also contributes to board capital theory by highlighting the role of outside directors in the context of INVs' internationalization process. To summarize, this dissertation contributes to the international entrepreneurship literature by (1) introducing an additional dimension of the internationalization speed of INVs, (2) advancing a novel source of knowledge about foreign markets – interlocking directorates.

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To my parents without whom I would not be where I am today and where I will be tomorrow.

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ESSAY 1: EXPANSION SPEED OF INTERNATIONAL NEW VENTURES IN A PREVIOUSLY ENTERED HOST COUNTRY: A MULTI-LEVEL CONCEPTUAL MODEL

1. INTRODUCTION

“If we’re not there now, we’ll be there in a week.”
Austin Geidt, Uber’s head of global expansion

International new ventures¹ (hereafter referred to as INV) are defined as business organizations that – from or near inception – seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt & McDougall, 1994). INVs have received significant research attention within the international entrepreneurship literature in the last three decades (e.g., Fernhaber & Prashantham, 2014; Jones, Coviello, & Tang, 2011; McDougall, 1989; Zahra, Ireland, & Hitt, 2000). A large body of work within this literature has provided important insights as to what makes INVs internationalize early in their life cycle (e.g., Milanov & Fernhaber, 2014; Shrader, Oviatt, & McDougall, 2000; Zahra, 2005). Even though these studies have shed important light on the internationalization process of INVs, previous studies have focused almost exclusively on one dimension of this process, overlooking the speed at which INVs expand abroad. As the opening quote suggests, while some INVs such as Uber expand very fast in foreign markets, others pursue a much slower internationalization speed. Failure to examine the speed of internationalization of INVs is

¹ Consistent with a majority of existing studies in the literature (e.g., Acedo & Jones, 2007; Casillas & Acedo, 2013; Casillas, Barbero, & Sapienza, 2015; Fan & Phan, 2007; Hennart, 2013; Prashantham, 2011), we treat international new ventures and born-global as synonymous. It is important to note that there are subtle differences between these two groups of firms (Cavusgil & Knight, 2015; Madsen, 2013). Yet, these subtleties are irrelevant for the purposes of this study.

problematic from a theoretical perspective because the internationalization process incorporates a time-based component that cannot be overlooked in the international business in general (Eden, 2009) and INV literature in particular (Prashantham & Young, 2011).

Although research on the internationalization speed of INVs has grown in the last decade (Kiss & Danis, 2008, 2010; Oviatt & McDougall, 2005; Prashantham & Young, 2011), this body of research is limited on an important front. Previous studies that examine the expansion speed of INVs adopt a narrow conceptualization of the internationalization speed construct. For instance, Oviatt and McDougall (2005) conceptualize INVs' internationalization speed as having three dimensions: (1) initial entry speed (i.e., the time between the discovery or enactment of an opportunity and the INV's first foreign market entry), (2) country scope speed (i.e., how rapidly the INV enters into new foreign markets) and (3) international commitment speed (i.e., how fast the percentage of foreign revenue increases). However, neither this study nor the subsequent studies examining internationalization speed of INVs take into account the speed of expansion of INVs in a previously entered host country.

The lack of research attention to this dimension is problematic because INVs do not necessarily have to enter new countries to grow fast in foreign markets. Although studies often make the implicit assumption that INVs are faced with a trade-off between growing fast in the home or new host countries (Casillas et al., 2015), we argue that growing faster in a previously-entered host country is a third yet overlooked alternative in the literature. Accordingly, this study introduces an additional dimension of INV expansion speed and examines what drives INVs to grow fast in a previously entered host country. In particular, we develop a conceptual model that

explains how certain firm-, industry-, and institutional-level factors influence an INV's expansion speed in a previously entered host country.

This study seeks to make at least three contributions to the literature. First, even though speed is an important dimension of the internationalization behavior of INVs along with extent and scope (Madsen, 2013; Zahra & George, 2002), this dimension has received the least attention in the international entrepreneurship literature (e.g., Jones & Coviello, 2005; Prashantham & Young, 2011). Minimal research attention to the internationalization speed of INVs is problematic because an examination of speed at which INVs internationalize represents the time dimension of international expansion process – a topic that needs more research attention not only in the INV literature (Prashantham & Young, 2011) but also in the broader international business discipline (Eden, 2009; Casillas & Moreno-Menendez, 2013). Hence, an investigation of the differential speed of INVs' expansion responds to recent calls made in the literature to devote more attention to the 'embryonic' (Chetty, Johanson, & Martin, 2014: 633) state of the literature on INV expansion speed (Acedo & Jones, 2007; Casillas & Acedo, 2013; Prashantham & Young, 2011; Oviatt & McDougall, 2005).

Second, the limited number of studies that *do* examine the internationalization speed of INVs does not take into account the difference between internationalization speed in a previously entered host country and internationalization speed when an INV expands to new host countries. Recall that the failure to make this distinction can hinder progress in the INV literature because an INV is faced with more than simply growing in the home or other new host countries in its international expansion strategy. Consequently, we extend the existing dichotomous options in the literature to a trichotomous set of options where INVs can grow fast in (a) their home

country, (b) previously entered host country, (c) new host countries yet to be entered. Failing to investigate the second source of international expansion speed is likely to yield incomplete insights to the literature. Ergo, we develop a fourth dimension of INV expansion speed and examine the antecedents of this dimension in our study. Doing so constitutes a theoretical contribution because challenging assumptions underlying existing literature often leads to greater theoretical contribution than simply looking for research gaps in previous studies (Alvesson & Sandberg, 2011).

Third, previous studies show that the internationalization process of INVs is shaped by firm- (e.g., Milanov & Fernhaber, 2014), industry- (e.g., Fernhaber et al., 2007), and institutional-level (Brush & Vanderwerf, 1992; Karra, Phillips, & Tracey, 2008) factors. However, previous studies focus on the role of one level at a time, without considering the role of factors at other levels. Unless considered in their entirety, these studies could give even give the erroneous impression that INV internationalization process is a uni-level phenomenon. Instead, this study examines how factors at three levels influence INV expansion speed in a previously entered host country.

The rest of the paper is organized as follows. I first briefly review the literature on INVs and how these firms challenge traditional theories in international business discipline. After discussing the relevance of the internationalization speed of INVs, I rely on learning theory (Huber, 1991) to examine firm-level, the broad industrial economics discipline (e.g., Caves, 1977; Porter, 1980) to investigate industry-level and institutional theory (Scott, 1995) to explore institutional factors on INV expansion speed in a previously entered country. I conclude with a

discussion of our conceptual model and how the ideas developed herein complement and extend previous findings in the literature.

2. THEORETICAL BACKGROUND

Internationalization² is defined as the ‘process of increasing involvement in international operations’ (Welch & Luostarinen, 1988: 36). Although a majority of the literature on internationalization has traditionally focused on large established firms such as multinational corporations, the international entrepreneurship literature points out some new ventures internationalize from or near their founding (McDougall, 1989; Oviatt & McDougall, 1994). The early internationalization of these ventures – which have been labeled ‘international new ventures’ or ‘born globals’ (Oviatt & McDougall, 1994) – has challenged existing theories of the multinational corporation. For instance, according to monopolistic advantage theory (Caves, 1982), only firms that possess unique and established firm-specific assets in their home market can transfer these assets across borders. However, due to their recent history in their home market, INVs may not necessarily have firm-specific advantages in their home country before expanding abroad (Fernhaber & Prashantham, 2014).

Similarly, process models of internationalization emphasize the role of experiential learning (i.e., accumulated first-hand knowledge abroad) in the internationalization process (Johanson & Vahlne, 1977, 1990). That is, according to process models of internationalization,

² This definition is similar to that provided by Hitt, Ireland, and Hoskisson (2007:251) who defined internationalization as ‘the strategy through which a firm expands the sales of its goods or services across the borders of global regions and countries into different geographic locations or markets.’ We follow the lead of previous studies (Hitt, Tihanyi, Miller, & Connelly, 2006) and treat internationalization as synonymous with other similar constructs such as international or geographic diversification (e.g., Hasan, Kobeissi, & Wang, 2011), multinationality (Mudambi, Mudambi, Khurshed, & Goergen, 2012), international expansion (Lu & Beamish, 2001), and globalization (Carpenter & Fredrickson, 2001).

firms start to expand abroad only after accumulating first-hand experience in foreign markets over time. However, subsequent literature, mostly grounded in organizational learning theory, showed that INVs can have access to international experience through alternative modes of learning such as congenital learning (i.e., learning that occurs before the venture is founded), grafted learning (i.e., learning that occurs through having managers post-start-up) and vicarious learning (i.e., learning that occurs through inter-organizational relationships) (Casillas et al., 2015). This research effort resulted in a rich body of knowledge that shows that personal (e.g., Karra et al., 2008; Manolova, Manev, & Gyoshev, 2010) and social (e.g., Coviello, 2006; Ellis, 2011) network connections of an INV, international experience of its top managers (e.g., Shrader et al., 2000) and domestic partners (Milanov & Fernhaber, 2014) influence the INV's internationalization decisions.

Although this stream of research has provided important insights to the INV literature on what makes INVs internationalize, relatively little is known on what influences INVs' internationalization speed (Oviatt & McDougall, 2005; Prashantham & Young, 2011). The minimal research attention to internationalization speed of INVs is problematic for two reasons. First, not all INVs have the same speed of growth abroad (Prashantham & Young, 2011). Assuming that INVs display similar expansion speed abroad runs counter to the key tenet of the internationalization process, which is composed of three dimensions: Internationalization extent, internationalization scope and internationalization speed. Just like INVs differ in their internationalization extent and scope (e.g., Fernhaber & Prashantham, 2014), they also differ in their expansion speed abroad (e.g., Oviatt & McDougall, 2005; Prashantham & Young, 2011). For instance, while Uber expands very fast abroad as the opening quote suggests, Houston-based

Cobalt International Energy Corporation, another INV, did not increase its international expansion speed over several years.

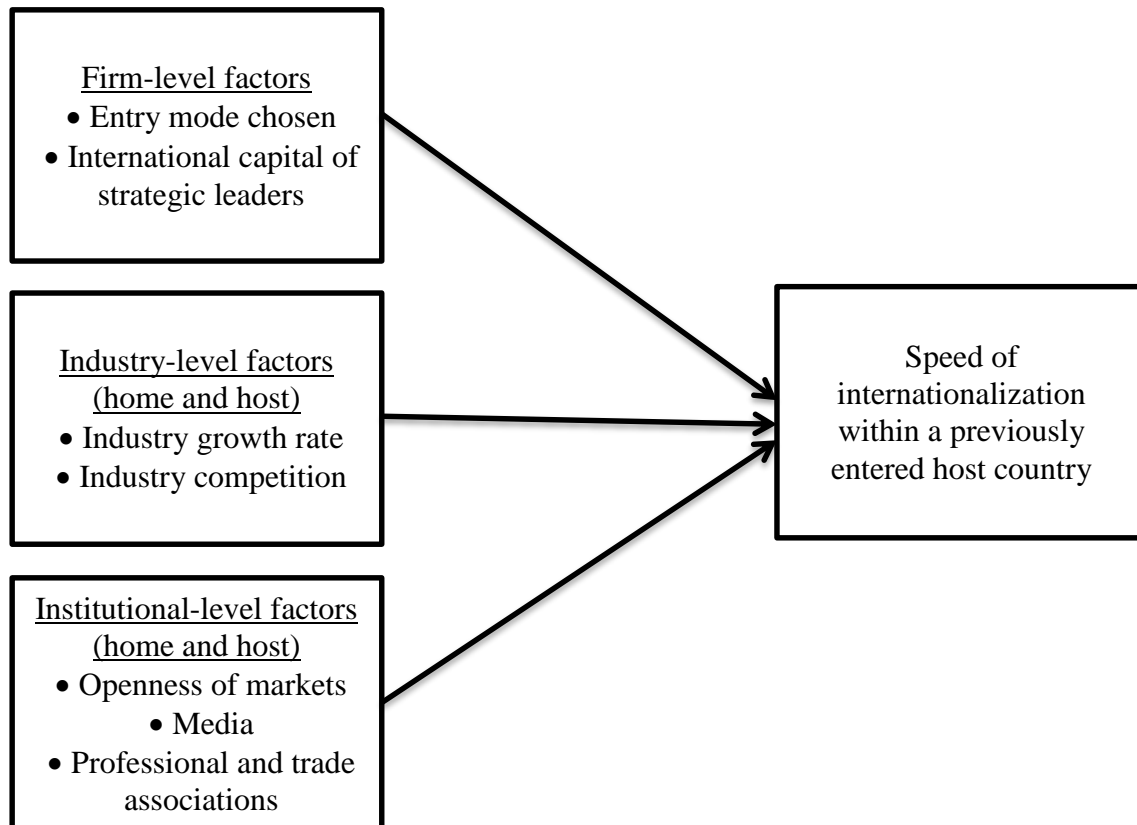
Second, even the limited stream of research that examines the internationalization speed of INVs (e.g., Acedo & Jones, 2007; Kiss & Danis, 2010; Oviatt & McDougall, 2005; Prashantham & Young, 2011) adopts a narrow – if not incomplete – conceptualization of the internationalization speed of INVs. Specifically, I am not aware of any academic study that investigates the determinants of the speed of an INV in a previously entered host country. Having already gone through the process of the identification of opportunities in host countries before choosing a particular country, the INV is now in the process of identifying new opportunities in the previously entered country. Hence, the question of how INVs identify new opportunities within their previously entered host countries becomes important. Even though international opportunity identification or recognition is a critical part of the international expansion process (Muzychenko & Liesch, 2015) and can thus provide an answer to this question, this literature is exclusively devoted to opportunities that a firm can pursue in new countries.

By indirectly examining how INVs can identify opportunities in a previously entered host country, I note that international opportunity identification does not necessarily need to be restricted to opportunities that will be identified in new foreign markets – instead, opportunities that are identified in a previously entered host country also qualifies as part of the international opportunity identification process. Consequently, an examination of what drives INVs to expand faster in a previously entered country deserves attention. Given that firm-, industry-, and institutional-level factors affect INV internationalization process (e.g., Fernhaber &

Prashantham, 2014), I develop propositions below at each of these three levels. I include a description of our conceptual model in Figure 1. I first start with a discussion of firm-level factors.

Figure 1

Conceptual Model of the Antecedents of INVs' Within Country Internationalization Speed



2.1 Firm-level learning factors: Entry mode and international capital of strategic leaders

I rely on the organizational learning literature to examine the drivers of an INV's internationalization speed at the firm-level. Organizational learning is a useful lens to study the internationalization speed of INVs because knowledge, which is the input of the learning process (Scott & Davis, 2007), is key to the internationalization speed of INVs (Coviello & Jones, 2005; Prashantham & Young, 2011; Rialp, Rialp, & Knight, 2005). Accordingly, a vast majority of the international entrepreneurship literature uses insights from organizational learning literature to explore INVs in general and INV expansion speed in particular (e.g., DeClercq, Sapienza, Yavuz, & Zhou, 2012; De Clercq, Sapienza, & Zhou, 2014; Milanov & Fernhaber, 2014; Prashantham & Floyd, 2012; Prashantham & Young, 2011; Zahra, 2005; Shrader, Oviatt, & McDougall, 2000; Zahra et al., 2000). Specifically, by relying on the literature on organizational learning literature, I investigate the role of entry mode and international capital of strategic leaders as two important firm-level factors. Both factors have been shown to influence INV expansion process – especially from a learning perspective (Milanov & Fernhaber, 2014; Zahra, Ireland, & Hitt, 2000) – and can thus have important implications for the expansion speed of INVs in a previously entered country. For instance, Karra and colleagues (2008), through an inductive study of the internationalization of a Turkish INV, found that international entrepreneurs need to have three types of knowledge to successfully operate in a foreign market. These are knowledge about (1) potential customers and their buying behavior so that products and services can be customized to local needs in the foreign market, (2) cultural norms and

practices in conducting commercial transactions in the foreign market, and (3) knowledge of the legal and regulatory environment in the foreign market.

I claim that INVs can acquire these types of knowledge through grafted learning and vicarious learning. It is important to note that INVs can also be subject to a distinct type of learning, called congenital learning, which occurs when INVs have access to knowledge before expanding abroad. For example, INV founders may have access to certain knowledge before creating and expanding into a new host country (Casillas et al., 2015). Since our arguments are about INVs that have already expanded abroad, we focus on and develop a proposition on grafted learning and vicarious learning. Grafted learning occurs when INVs learn through hiring individuals after entering a host country (Casillas et al., 2015), whereas vicarious learning happens when INVs learn from their inter-organizational relationships in the host country (Milanov & Fernhaber, 2014).

Based on both types of learning, we first examine the types of entry modes that would result in the fastest expansion of INVs in a previously entered country. Although INVs often choose a non-equity modes of entry such as exporting and licensing (Shrader et al., 2000; Zahra et al., 2000), we focus here on equity entry modes due to our focus on learning perspective. In particular, a learning perspective requires an explicit interaction of the INV with other local firms; yet, the INV does not necessarily have to interact with other organizations when it chooses non-equity modes of entry. For instance, when INVs enter a host country through exporting, they simply sell products and/or services in the host country without necessarily interacting with local organizations. Similarly, while INVs choosing a licensing mode enter into a contract with a local licensee, they do not necessarily have to interact with other local organizations. Instead, INVs

have to interact with and ideally learn from other local organizations when they use a strategic alliance (e.g., joint ventures) or an acquisition mode of entry.

Accordingly, we focus on both modes of entry and assert that a shared equity entry mode such as establishing a strategic alliance will be associated with the fastest expansion of the INV in a previously entered host country for the following reasons. First, a shared equity mode such as strategic alliances helps firms overcome normative frictions (e.g., stereotypes) and help acquire firms acquire legitimacy faster in a foreign market (Yiu & Makino, 2002). An INV is unlikely to expand fast in a previously entered host country, unless local customers perceive the products/services of the INV as legitimate. Consequently, having a strategic partner in the host country can give the legitimacy and increase the INV's ability to grow faster in that country.

Second, a shared equity entry mode (e.g., joint venture) often provides a firm with substantial learning opportunities in the host country more so than other entry mode types such as wholly owned foreign subsidiary (Parkhe, 1991; Chen & Hennart, 2002). For instance, INVs that choose an entry mode involving a shared equity with a local joint venture partner in the host country can enjoy the vicarious learning from the foreign partner. Specifically, a shared equity mode, compared to other entry modes (e.g., exports, wholly owned foreign subsidiary), can not only allow an INV to gather knowledge from the joint venture partner (Huber, 1991) but also use the joint venture partner's pre-existing knowledge on the host country about identifying opportunities on where to expand, thereby contributing to the INV's vicarious learning. The literature on international strategic alliances has long showed that these alliances allow the partners to absorb tacit knowledge from each other through vicarious learning (Hamel, 1991; Tsang, 2002).

Third, the shared equity entry mode such as strategic alliances frequently helps firms having access to resources and linking them to important business relationships (Yiu & Makino, 2002). In the context of INVs, scholars have repeatedly emphasized the importance of social network links on the INV speed (Jones & Coviello, 2005; Rialp et al., 2005). For instance, the INV is likely to have access to the connections of the joint venture partner when it needs to expand fast in the host country. Thus, the connections of shared equity partner would help link the INV to appropriate stakeholders in the host country, creating a motivation for increasing the speed at which the INV can expand in that host country. Evidence from non-INV firms show that global alliances, a shared equity entry mode, *do* indeed accelerate the international expansion of Spanish firms (Garcia-Canal, Duarte, Criado, & Llana, 2002). Ergo, we predict that the expansion speed of INVs in a previously entered host country will be highest when they choose a shared equity entry mode entry mode, *ceteris paribus*.

We also argue that the acquisition mode of entry will be associated with a fast expansion speed of an INV, but less so than the shared equity mode. Merging or acquiring another firm in a host country can allow INVs to have immediate access to the acquired firm's existing customer base (Hennart, 2013), thereby expediting its expansion in the host country. Acquiring a local firm in the previously entered country can provide the INV with both grafted and vicarious learning opportunities. Grafted learning, which occurs when INVs learn through hiring individuals after entering a host country (Casillas et al., 2015), is likely to occur when INVs acquire another firm because some of the top managers of the acquired firm stay within the firm when acquired and INVs can tap into the knowledge and network connections of these individuals. Equipped with this knowledge and network connections, INVs can grow faster in the

previously entered home country (Jones & Coviello, 2005; Rialp et al., 2005). Similarly, acquiring local firm(s) after entering a host country can provide INVs with the vicarious learning opportunities. The existing inter-organizational relationships of the acquired firm are likely to accelerate the commitment of the INV to the host country, thereby increasing the speed of internationalization in that country. In addition, high control entry modes such as acquisitions often allow an INV to be close to customers and their feedback (Zahra et al., 2000). Hence, acquisitions often allow an INV to better manage its customer base.

Anecdotal evidence provides support that acquiring a firm can enable an INV to grow faster in a previously entered host market. For instance, Uber, an INV that expands fast in China, will acquire a Chinese rival to expand even faster in that country (Wan, 2015). Similarly, Eventbrite, another INV established in 2006, acquired London-based Lanyrd and Argentinean-based Eventioz in 2013 to grow faster in these respective countries (Carmichael, 2013). Therefore, INVs can still grow faster in a previously entered host country if they use a merger and acquisition strategy. However, I claim that a shared equity mode (e.g., strategic alliance) will be associated with a faster growth in a previously entered host country compared to the acquisition mode because an acquired firm may be unwilling to share knowledge with the acquiring firm, especially in the context of cross-border acquisitions. For instance, the acquired firm often has little incentive to share knowledge with the acquirer, since the profit is shared only in a shared equity mode (Hennart, 1988). In addition, acquisitions often result in turnover of some top managers of the acquired firm, leading to a loss of human capital. This loss, in turn, can delay the expected synergy from the deal. Similarly, integration problems, which are likely in acquisitions (Cording, Christmann, & King, 2008), can delay the transfer of knowledge from the

acquired firm to the INV, thereby leading to slower expansion compared to the shared equity modes such as strategic alliances. We therefore propose the following.

Proposition 1: A shared equity mode of entry will enable INVs to grow faster in a previously entered host country than the acquisition mode.

Another critical firm-level factor that is likely to affect INVs' international expansion speed in a previously entered country is the international experience of strategic leaders. International entrepreneurship scholars have long argued that strategic leaders' international experience can substitute for the lack of resources of INVs in foreign markets (Fernhaber, McDougall-Covin, & Shepherd, 2009; Milanov & Fernhaber, 2014; Shrader et al., 2000).

Although previous studies have already showed that internationally experienced strategic leaders are particularly well positioned to identify foreign market opportunities and have a clear understanding of the strategies needed to seize foreign opportunities (Ellis, 2000; Manolova, Manev, & Gyoshev, 2010), this body of research is limited on two grounds. First, prior studies have only considered the international experience of top managers (Fernhaber et al., 2009; Milanov & Fernhaber, 2014; Shrader et al., 2000). INVs can also learn from the international experience of their board members, a potential source of grafted learning (Cumming, Sapienza, Siegel, & Wright, 2009).

Previous studies have long argued that the board of directors is an important element shaping firm strategic decision-making in addition to top managers (Finkelstein, Hambrick, & Cannella, 2009) and studies in related fields acknowledge that board members *do* play an increasingly important role with respect to decisions pertaining to different types of firms' internationalization strategy (e.g., Carpenter, Pollock, & Leary, 2003; Datta, Musteen, &

Herrmann, 2009). In fact, board members can bring important resources such as contacts with potential overseas alliance partners or external legitimacy that can influence the dynamics within an INV's internationalization process (Cumming et al., 2009). Therefore, I claim that board members' international experience is likely to influence the internationalization speed of an INV in a previously entered foreign market. After all, recent evidence in strategic management shows that top managers' and board members' experience interact with each other (e.g., Chahine, Filatotchev, & Zahra, 2009; Kor & Misangyi, 2008; Sundaramurthy, Pukthuanthong, & Kor, 2014) and this could also be the case for INVs.

Second, previous studies that examine the international experience of strategic leaders restrict themselves to where strategic leaders can accrue international experience. In particular, these studies focus on only international work (e.g., Reuber & Fischer, 1997) and/or international study experience (e.g., Bloodgood, Sapienza, & Almeida, 1996; Sambharya, 1996) of strategic leaders. Yet, international experience can also arise from strategic leaders' interlocking directorates.

Interlocking directorates occur when board members or top managers of a focal firm serve on the board of directors of other firms (Mizruchi, 1996). These directorates facilitate access to first-hand information about strategic choices made by interlocked firms. For instance, Haunschild (1993) reports that firms whose top managers serve on the boards of other firms that were recently active in merger and acquisition activities were systematically more likely to engage in subsequent acquisitions themselves. The literature shows that interlocking directorates affect other important strategic decisions such as the formation of joint ventures (Gulati & Westphal, 1999), top management hiring practices (Williamson & Cable, 2003), or adoption of

the multidivisional form of organization (Palmer, Jennings, & Zhou, 1993). Interlocking directorates also expose individuals to the interlocked firm's network connections (Shropshire, 2010). In the context of INVs, it is well known that network connections to host country stakeholders are crucial for INVs' success, speed and continued operations in foreign markets (Ellis, 2000, 2011; Fernhaber & Li, 2013; Manolova, Manev, & Gyoshev, 2010; Oviatt, McDougall, & Loper, 1995; Rialp et al., 2005; Westhead, Wright, & Ucbasaran, 2001).

Consequently, considering the interlocking directorates of top managers and board members can more fully capture the international experience of strategic leaders and yield a more complete picture to the INV literature. Therefore, I postulate that the construct *international capital of strategic leaders*, which I define as host country-specific knowledge about a previously entered host country obtained through work, study and interlocking directorate experience of top managers and board members, can better predict INV internationalization speed in a previously entered foreign market. I argue that the higher the international capital of strategic leaders, the higher the speed at which INVs will expand in a previously entered country for the following reasons.

First, top managers and/or board members having work, study and/or interlocking directorate experience in a previously entered country are likely to possess host-country specific knowledge about that country. This knowledge is an important antecedent of identifying market opportunities in that country (Tihanyi, Ellstrand, Daily, & Dalton, 2000) – especially for INVs (DeClercq et al., 2012; Jones & Coviello, 2005). For instance, top managers or board members serving on the board of another firm who operates in the country in which the INV has already entered should possess sophisticated knowledge about that country's political, legal,

technological and economic environments through the interlocked firm. As such, they may know how to manage institutional voids (Khanna & Palepu, 1997). This is likely because strategic leaders who have international experience possess important network connections with foreign stakeholders such as distributors, suppliers, or even customers (Athanassiou & Nigh, 2002). These network connections can be particularly important for a speedy expansion of INVs because these firms often lack cooperative relationships with other organizations – especially in host countries (Shrader et al., 2000). For example, strategic leaders who serve on the board of other organizations that are actively involved in the foreign market can have indirect access to these interlocked firms' connections to several stakeholders in that country. These direct or indirect contacts in the host country could increase the speed at which INVs commit to the host country.

In addition, international experience is considered an important determinant of strategic leaders' global leadership skills and mind-sets (Maccall & Hollenbeck, 2002) and can increase these individuals' confidence in the international expansion process (Weerawardena, Mort, Liesch, & Knight, 2007). When INVs' strategic leaders possess high levels of international capital, these managers can have greater confidence that they possess global leadership skills to navigate the INV in the previously entered host country. For instance, internationalization strategy of INVs is associated with several risks (Shrader et al., 2000). Yet, strategic leaders of an INV with high levels of international capital are likely to be familiar with strategic responses to such risks. As such, strategic leaders high in international capital are better prepared to handle potential challenges associated with internationalization strategies and are thus more confident

that they can sufficiently address probable hurdles along the way. For these reasons, I put forth the following proposition.

Proposition 2: INVs high in international capital of strategic leaders will grow faster in a previously entered host country than those low in international capital of strategic leaders.

2.2 Industry (positioning) factors: Industry growth and competition

I already stated that INVs can increase their commitment to their home countries, to their previously entered host countries or branch into new host countries. By using insights from the industrial organizational economics literature which focuses on how firms should position themselves within an industry context (e.g., Caves, 1977), I focus here on two important industry-level factors that are consistently shown to affect INV internationalization process: Industry growth and industry competition (Fernhaber et al., 2007; Fernhaber & Prashantham, 2014; McDougall et al., 1994). Although there are other important industry characteristics that could influence the internationalization process of INVs such as local industry internationalization and global integration of industry (Fernhaber et al., 2007), these and other industry characteristics are unlikely to change quick enough to shape an INV's intracountry expansion speed.

Industry growth refers to the average rate of increase in firms' sales within an industry (Datta, Guthrie, & Wright, 2005), whereas industry competition refers to rivalry among firms within an industry that often stems from concentration, or the market share dominance of one or more firms (Dess & Beard, 1984; George, 2005). However, unlike previous studies that have focused on the industry growth and industry competition of either home or host countries, I argue

here that INVs will compare the industry growth and competition of the previously entered host country with that of the home country before deciding in which market they should grow faster. That is, I develop propositions on how differences in industry growth and industry competition between the home and previously entered host country affect INV expansion speed in a previously entered country. This argument is not unprecedented – a similar argument was made by Dunning (1993), who noted that firms often seek growth in international markets when growth in their home markets stagnates or declines. In growing industries, it is easier to gain market share (Porter, 1980), since these industries have more new customers or customer segments (Datta, Guthrie, & Wright, 2005). In addition, existing customers are less price sensitive in high growth industries (Homburg, Vollmayr, & Hahn, 2014), thereby allowing firms – including INVs – to have access to more profitable customers. Furthermore, industry growth encourages firms to be less risk averse in their international expansion strategy and consequently increases their investment confidence abroad (Luo, 2007).

Higher investment confidence in the presence of high industry growth probably arises from the fact that industry growth decreases opportunistic behavior of host country stakeholders (Dixit & Pindyck, 1994). Therefore, INVs could be less concerned with whether their partners in host countries will act opportunistically and shirk responsibilities when industry growth rate is higher. Accordingly, I postulate that industry growth in a host country could result in faster expansion in a host country for INVs. To the extent that the host country is growing faster than their home market, INVs should therefore be attracted to grow faster in host country with a favorable industry growth.

However, industry growth in the host country vis-à-vis the home country can encourage more competition from other firms, eventually discouraging the expansion of INVs in a previously entered country, after a certain point. This is referred to as ‘competitive overcrowding’ by Aaker and Day (1986). Porter (1980) also argued that industry growth can lead to increased hostility and competitive actions among firms. INVs, who are not as familiar with the host country as local firms, may not have the means and the motivation to respond to competitive attacks by local or more established firms. In addition, after industry growth surpasses a certain threshold, distribution channels are often exclusively devoted to large firms (Aaker & Day, 1986), thereby creating a problem for smaller firms such as INVs. Therefore, I concur with Stuart and Abetti (1987) who found that high industry growth is not necessarily beneficial for new venture firms and argue that industry growth in a host country vis-à-vis the home country will encourage faster expansion of INVs only up to a certain point.

Proposition 3: As the difference between the industry growth rate of the host country and the home country increases, an INV’s intracountry expansion speed first increases then decreases.

In addition to industry growth of the previously entered host country vis-à-vis that of the home country, I assert that the difference between industry competition in the home and the host country will also affect INV speed. Competitive industries increase transaction costs (Homburg et al., 2014), since firms need to implement additional monitoring mechanisms in these industries (Giroud & Mueller, 2010). For instance, when industry competition is high, marketing channel partners tend to be more opportunistic (Dahlstrom & Nygaard, 1999). INVs, due to their liability of newness, may have less experience in detecting and dealing with stakeholders’ opportunistic

behavior. In fact, as Shrader and colleagues (2000) explain, some INVs may depend on foreign markets more in order to escape domestic competition – a point also made by Coviello and Munro (1997). This argument implies that the decision for an INV to increase or decrease its commitment speed to a previously entered host country will depend on the difference between industry competition at the home country and that at the host country. For example, emergence of new entrants in the previously entered host country – either local firms or foreign firms from other host countries – can delay the expansion of INV into that host country.

Porter (1980) has long argued that potential entrants are an important force driving industry competition. Anecdotal evidence supports the idea that the threat of new entrants can indeed delay the speed at which INVs expand into a previously entered host country. For example, Tesla Motors, an American INV that manufactures electric cars, is slowing down its growth in China to pursue opportunities in other countries, mostly because Audi and BMW announced plans to introduce electric/plug-in cars in China, too (Murphy, 2015). Thus, as the industry competition increases, the likelihood of an INV growing faster in already entered host country decreases. However, instead of only taking into account the industry competition change in the host country, INVs can explicitly compare how the industry competition at the home and the previously entered host country compare before deciding how fast they will commit to the host country. Subsequently, I propose the following:

Proposition 4: INVs' intracountry expansion speed is slower when the industry competition at host country is greater than that at the home country

2.3 Institutional factors: Openness of markets, media, professional trade associations

The above sections argued that firm- and industry-level factors influence an INV's internationalization speed in a previously entered country. I assert in this section that institutional factors will also influence the speed at which INVs grow in a previously entered market.

According to neoinstitutional theory, the environment consists of three interrelated institutions: regulatory, cognitive and normative (Scott, 1995). These institutions influence the appropriate courses of actions that organizations can take and can therefore shape how much institutional support INVs will receive from the host country. In order for an institutional factor to matter for INV expansion speed in a previously entered host country, however, that factor should change relatively easily. For example, although a decrease in corruption in the previously entered host country can encourage a greater expansion speed for an INV, corruption levels of a country change only marginally over time.

Hence, the expansion speed of INVs in a previously entered host country will be mostly driven by institutional factors that are likely to change substantially over time. By relying on the regulatory, cognitive and normative pillars of institutional theory (Scott, 1995), I develop propositions exemplifying each pillar. Specifically, I develop propositions on openness of markets institution as part of regulatory, media as part of cognitive, and professional/trade associations as part of normative pillars of the institutional environment below.

2.4 Openness of markets institution as part of the regulatory institutional environment

The regulatory institutional environment consists of formal laws and rules implemented by the government (DiMaggio & Powell, 1983). One indicator of the regulatory institutional environment that is particularly likely to influence INVs' internationalization process is openness of markets institution, which refers to the availability of equal business opportunity for increased

competition between firms in the market for products or services (Millar, Kim, & Feulner, 2012). In countries with stronger open markets institution, there is equal business opportunity for increased competition between firms in the market for products or services (Kim & Ozdemir, 2014). This institutional dimension is heavily influenced by the extent of government regulations in product or service markets. As the openness of the markets institution increase, government regulations decrease.

Consequently, an increase in the openness of the markets institution often results in firms being less subject to regulatory, legal and financial constraints (Kim & Ozdemir, 2014). As the openness of the markets institution in a host country that an INV operates increases, the INV would be less concerned with the host country government expropriating or confiscating the INV's assets, *ceteris paribus*. This is an important consideration because foreign firms are more often subjected to regulatory constraints than local firms (Yiu & Makino, 2002). An increase in the openness of the markets institutions would also decrease the likelihood that the host country government will favor domestic firms vis-à-vis foreign firms. As a result, an increase in the openness of the markets institution can motivate the INV to expand quicker in the host country to capture otherwise unlikely opportunities.

After a certain threshold, however, an increase in the openness of markets institutions can motivate other foreign firms to enter the host country (Ogus, 2004) – the so-called crowding effect (Haveman, 1993). When open markets institution of a country increases too much, INVs can be demotivated to increase operations in that country due to increasing competition from other – and sometimes – larger and more established foreign firms. For instance, a substantial increase in the openness of institutions of a host country can encourage larger foreign firms to

enter the host country. Compared to INVs who are often subject to liability of newness (Mudambi & Zahra, 2007), larger firms that are not subject to liability of newness can establish legitimacy faster. This would, in turn, decrease the likelihood that the INV will expand operations faster in that country. Thus, I argue that up to a certain point, an increase in openness of markets institutions in a previously entered host country can increase the commitment of the INV to the existing foreign market, thereby increasing its expansion speed, whereas after a certain threshold the increase in the openness of markets institution will decrease the INV's expansion speed in that country.

Proposition 5: There is an inverted U-shape relationship between an INV's expansion speed in a previously entered host country and openness of markets institution.

2.5 Media as part of the cognitive institutional environment

Another institution that can influence the INV's expansion speed in a previously entered country is press or media coverage about the INV. In particular, INVs are covered by media in a host country and these media accounts give cognitive signals to host country stakeholders about INVs. For the purposes of this study, I focus on the tone of media, which refers to the extent to which media information on a particular INV is positive, negative or uncertain. For instance, uncertainty of the tone of media coverage refers to the lack of clear information about an INV and signifies whether media coverage about the INV firm is vague and imprecise (Loughran & McDonald, 2011). Previous studies on media have showed that media is a cognitive institution that influences the legitimacy of firms (Bansal, 2005; Pollock & Rindova, 2003; Pollock, Rindova, & Maggitti, 2008). Specifically, individuals pay attention to media coverage about a

firm, which helps them form an opinion about the firm (Hoffman & Ocasio, 2001). Therefore, media is likely to influence the image of an INV in the minds of the public in a host country.

Accordingly, negative press coverage can harm the INV's image in the host country, increasing the need for the INV to overcome potential legitimacy problems in the host country. By extension, positive media coverage about the INV can help the firm gain faster legitimacy and subsequently allow faster expansion in the host country. Although the idea that positive and negative media coverage about an INV is straightforward, previous studies have not focused on the role of uncertain media coverage about the INV. Recall that uncertainty of the tone of media coverage about an INV indicates the extent to which media coverage about the INV is vague and imprecise (Loughran & McDonald, 2011).

I argue that uncertain media coverage about an INV can hurt the INV's image more than negative media coverage about the INV because of a cognitive phenomenon called certainty effect (Kahneman & Lovello, 1993). In particular, certainty effect refers to individuals' tendency to be drawn to certain – as opposed to uncertain – elements in their cognitive environments. When faced with a negative yet clear signal (in the case of negative news coverage), host country stakeholders can rely on their previous experience to make an informed decision about the INV and can end up giving the INV the benefit of the doubt. For example, signals coming from negative news coverage about an INV may not necessarily hurt the image of an INV simply because these investors may know from prior experience that media accounts sometimes exaggerate the reality.

In fact, the literature on media shows that negative news is often exaggerated so that the media source receives more attention (Beedie & Bourne, 2005; Sonmez, 1998). Also, in the

presence of negative media coverage, host country stakeholders can engage in sensemaking (Weick, 1993, 1995) – the process of making an opinion based on other cognitive cues. However, individuals are unlikely to engage in sensemaking in the presence of uncertain cues (Weick, 1993). Ergo, when media coverage about an INV is uncertain, host country stakeholders cannot engage in sensemaking and subsequently form an opinion about the INV. In this case, the INV would have the hardest time establishing legitimacy and expanding faster in a previously entered host country.

Proposition 6: Positive media coverage about an INV will enable the fastest growth in a previously entered host market, followed by negative and uncertain media coverage.

2.6 Trade associations as part of the normative institutional environment

Normative institutions are those that help set up expected values, norms and behaviors that are socially accepted in an institutional environment (Scott, 1995). One such important institution relevant for INVs yet did not receive enough attention by management scholars (Rajwani, Lawton, & Phillips, 2015) is professional or trade associations. Trade associations are organizations that represent firms in an industry and participate in public relations on their behalf. For instance, these organizations are known to engage in lobbying to protect the interests of their member organizations (Rajwani et al., 2015; Scott & Davis, 2007). In addition, being in a trade association gives its member organizations an opportunity to be aware and learn from other members' practices and strategies and even make necessary adjustments to their own strategies to gain further legitimacy (Ingram & Simons, 1995). For example, through trade

associations, organizations can learn from other organizations' innovation strategies (Goes & Park, 1997).

Being part of a trade association can be particularly likely to bestow legitimacy for INVs in host countries because a higher expansion speed necessarily implies greater legitimacy. Specifically, through trade associations, INVs can learn about the institutionally correct strategies, structures and practices from other local organizations in the host country (Rajwani et al., 2015; Scott & Davis, 2007). Learning from other organizations through trade associations can therefore expedite the INV expansion speed. In addition, being part of trade association can increase INV speed because trade associations facilitate contacts among business activities in host countries (Crick & Spence, 2005) and provide links to important host country stakeholders (O'Gorman & Evers, 2011). Hence, INVs that are part of trade associations are more likely to experience a speedier expansion in a previously entered country than those that are not part of them, *ceteris paribus*.

Proposition 7: Trade association membership in the host country will enable an INV to grow faster in a previously entered host country.

3. DISCUSSION

While extant research on INVs has begun to embrace the notion that different INVs display different speed of expansion abroad (e.g., Prashantham & Young, 2011), this growing strand of research that explores the internationalization speed of INVs implicitly assumes that INVs need to enter new foreign countries to grow fast abroad. By challenging this assumption, this study introduced an additional dimension to the construct of INV internationalization speed. Specifically, I drew on organizational learning theory, industrial economics literature and

institutional theory to examine the multi-level antecedents of the internationalization speed of an INV in a previously entered host country. I next discuss the theoretical and practical contributions of our study.

3.1 Theoretical Implications

I make a broad contribution to the international entrepreneurship literature, which is disproportionately focused on the extent and scope elements of internationalization process of INVs (e.g., Madsen, 2013; Zahra & George, 2002). Studies focusing on these two elements have provided valuable insights to the international entrepreneurship literature by highlighting what makes INVs internationalize to certain countries. However, existing theory describing INV internationalization process is underdeveloped in terms of an equally important element: speed (Oviatt & McDougall, 2005). This element describes how fast INVs expand abroad and is as important as content and scope of the internationalization speed (Prashantham & Young, 2011). Accordingly, I respond to calls made in previous studies to inquire into the speed element of the INV internationalization process (Acedo & Jones, 2007; Kiss & Danis, 2008, 2010; Oviatt & McDougall, 2005; Prashantham & Young, 2011) and study the multi-level determinants of this important yet hitherto overlooked element.

I also make a narrower theoretical contribution to a growing strand of research on INVs that explore why INVs differ in their expansion speed abroad (Kiss & Danis, 2008, 2010; Oviatt & McDougall, 2005; Prashantham & Young, 2011). These studies implicitly assume that INVs are subject to a dichotomous trade-off where they can grow fast in the home or new host countries (Casillas et al., 2015; Fan & Phan, 2007), discounting the possibility that INVs can also grow fast in previously entered host countries. For instance, in their seminal work, Oviatt and

McDougall (2005) conceptualize INVs' internationalization speed as having three dimensions: (1) initial entry speed (i.e., the time between the discovery or enactment of an opportunity and the INV's first foreign market entry), (2) country scope speed (i.e., how rapidly the INV enters into new foreign markets) and (3) international commitment speed (i.e., how fast the percentage of foreign revenue increases). Yet, I believe that this conceptualization is limited, since it discounts INVs' expansion speed in a previously entered host country.

As a result, I introduce an additional dimension of INV expansion speed abroad and explicitly focus on why INVs differ in their expansion speed in previously entered host countries. Failure to examine this dimension can result in incomplete insights to the international entrepreneurship literature because INVs do not necessarily have to enter new countries to grow fast in foreign markets. Accordingly, this study not only directly responds to calls to study internationalization speed of INVs (e.g., Kiss & Danis, 2010; Prashantham & Young, 2011), I also move the literature forward by emphasizing an important yet overlooked dimension of INV internationalization speed.

In addition, this study also contributes to (1) organizational learning, (2) industrial economics, and (3) institutional theory. In particular, organizational learning theory is often criticized for failing to explain how different types of learning, such as vicarious learning and grafted learning, interact (Argote & Miron-Spektor, 2011; Bresman, 2010; Haas & Hansen, 2005; Tuschke, Sanders, & Hernandez, 2014). The failure to do so is especially problematic in the context of INVs because of the substitution effect among different learning types in INVs (Bruneel, Yli-Renko, & Clarysse, 2010; De Clercq et al., 2012; Fernhaber et al., 2009). In addition, organizational learning theory is particularly silent on the role of grafted learning in the

context of INVs. In fact, the comprehensive review of the international entrepreneurship literature conducted by De Clercq and colleagues (2012) show that not even one study investigated the role of grafted learning in the internationalization process of INVs. The arguments developed in this study address both of these limitations in the organizational learning theory. For instance, our explicit focus on the international work, study, and interlocking experience of top managers and board members highlight that the vicarious learning brought by top managers and grafted learning brought by outside directors can interact to influence INV internationalization speed in a previously entered country.

The current study also contributes to industrial economics literature. Studies using insights from industrial economics in the context of INVs exclusively focus on the industry characteristics of these firms' either home or host country (e.g., Fernhaber et al., 2007). Yet, strategic leaders of INVs could pay attention to industry characteristics of both, explicitly comparing the difference between the industry characteristics at the home and previously entered host country in the internationalization process. For example, a low level of industry competition in a previously entered country can be insufficient to increase the speed at which INVs expand in a previously entered country if the industry competition at the home country is lower than that of the host country.

Lastly, the present study contributes to institutional theory, which argues that certain institutions have a facilitating and others have a constraining role in the international process of INVs (Loane & Bell, 2006). I zero in on the role of specific institutions such as openness of markets, media and trade associations. Doing so can provide the literature more precise insights about which institutions can facilitate or constrain the internationalization speed of INVs within

a previously entered country. Furthermore, institutional theorists often suggest INVs to carefully manage their relationships with key players in the host country to accrue legitimacy (Mudambi & Zahra, 2007). However, previous work has barely explored what key players are particularly important to manage for INVs. Our explicit focus on certain institutions such as the media and/or trade associations can specify which players INVs need to pay attention in a previously entered host country.

3.2 Practical Implications

Beyond the above-mentioned theoretical contributions, this study also highlights important practical implications for INVs. For instance, expansion speed is a key aspect of international strategy of any firm that deserves managerial attention (Chetty et al., 2014). Understanding the drivers of INVs' expansion speed is particularly relevant for managers or founders of INVs because expansion speed can result in competitive advantage, if managed well. On the one hand, a faster expansion strategy could provide the INV with cost efficiency gains, whereas too fast expansion can stretch the INV's resources and result in value destruction (Wagner, 2004).

Our examination of multi-level antecedents of INVs' expansion speed in a previously entered host country can inform managers and founders of INVs how firm-, industry- and institutional-level factors influence this delicate balance and help them choose an optimum expansion speed in a previously entered host country. In addition, the multi-level nature of our model highlights the importance for IV managers and founders to consider more than one level only in their consideration. For example, INV founders or managers should not be enticed by favorable factors at one level only (e.g., industry growth rate of a previously entered host

country); they should instead consider the favorability of factors at other levels (international capital of strategic leaders or media tone about the INV). Under the assumption that intracountry international expansion is less risky than intercountry expansion is, this study offers international managers options to grow more quickly in a less risky fashion.

3.3 Limitations and Future Research

In spite of these contributions, there are several limitations to our study that should be acknowledged. First, certain factors other than the ones studied herein can affect the INV expansion speed. For instance, I focused on the role of media as a normative institution; yet, corruption as a normative institution (Judge, Douglas, & Kutan, 2008) in a host country can also influence the expansion speed of INVs. However, in order for an institution to affect INV expansion speed in a previously entered host country, that institution should change relatively easily. Although a decrease in corruption in the previously entered host country can encourage a greater expansion speed for an INV, corruption levels of a country change only marginally over time. Accordingly, I focused on the institutional factors that are most likely to affect INV expansion speed. Yet, I acknowledge that the factors that I study are not collectively exhaustive and hope that future researchers will follow our lead to shed light on what other factors can influence INV expansion speed in a previously entered host country.

Second, these factors are also not mutually exclusive and could interact with each other. For example, factors at one level can interact with those at another level to affect the expansion speed of INVs in a previously entered country. Just like previous studies have shown that firm- and industry-level factors interact in complex ways in the context of new ventures (McDougall et

al., 1994), it could also be that firm- and institutional- or industry- and institutional-level factors can also interact with one another to influence INV expansion speed.

Third, I only focused on one dimension of INV expansion speed abroad – INV expansion speed in a previously entered country. Future studies can explore the antecedents of other dimensions of the expansion speed of INVs abroad. That is, the multi-level factors that I propose here can not only affect INVs' expansion speed in the previous host country but also these firms' expansion speed to other new host countries. Hence, it would be interesting to further explore how the factors studied herein both jointly and independently impact several dimensions of INV expansion speed. Doing so could yield a more complete understanding of interactions among multiple dimensions of INV expansion speed.

3.4 Conclusion

INVs have attracted significant research attention in the past three decades (e.g., McDougall, 1989). A growing number of studies within this literature have started to shed light on why different INVs have different expansion speed abroad. This study has introduced an additional dimension of INV expansion speed and developed a conceptual model to determine its antecedents. I hope that future researchers will shed more light to this central yet previously unacknowledged dimension.

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ESSAY 2: INTERNATIONALIZATION SPEED OF NEW VENTURES:

THE ROLE OF INTERLOCKING DIRECTORATE TIES

4. INTRODUCTION

“If we’re not there now, we’ll be there in a week.”
Austin Geidt, Uber’s head of global expansion

International new ventures³ (hereafter referred to as INVs), such as Uber, Tesla, Airbnb, and Alibaba, are business organizations that from their very beginning seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt & McDougall, 1994). At the forefront of the international entrepreneurship literature for almost three decades (e.g., Fernhaber & Li, 2013; Oviatt & McDougall, 1994; McDougall, 1989), INVs have challenged traditional theories in international business (McDougall, Shane, & Oviatt, 1994) and entrepreneurship (Ellis, 2011) alike. Accordingly, a majority of the literature on INVs has, for good reason, focused on what makes these new ventures internationalize early in their life cycle (e.g., Fan & Phan, 2007; Fernhaber & McDougall-Covin, 2009; Fernhaber, McDougall, & Oviatt, 2009; Manolova, Manev, & Gyoshev, 2010). An attention on the drivers of early internationalization of new ventures has provided considerable insights to the international entrepreneurship literature.

³ Consistent with previous studies in the literature (e.g., Acedo & Jones, 2007; Casillas & Acedo, 2013; Casillas, Barbero, & Sapienza, 2015; Fan & Phan, 2007; Oviatt & McDougall, 2005; Sasi & Arenius, 2008), the current study treats international new ventures and born-global as synonymous. It is important to note that there are subtle differences between these two groups of firms (Coviello, 2015; Madsen, 2013). Yet, these subtleties are irrelevant for the purposes of this study.

Nonetheless, there are still important gaps in the literature about the internationalization process of these ventures *after* they have ventured abroad. In particular, previous studies have paid little attention to how fast INVs further expand abroad after their first entry into foreign markets – i.e., the internationalization speed⁴ of INVs (Oviatt & McDougall, 2005; Prashantham & Young, 2011). Although internationalization speed captures the time element of the internationalization process (Eden, 2009; Casillas & Moreno-Menendez, 2013), indicates the entrepreneurial capability of INVs (Acedo & Jones, 2007), and is an important determinant of financial performance of international firms (Casillas & Moreno-Menendez, 2013), previous studies focused little on the internationalization speed of INVs. Instead, earlier work conceptualized INVs as newly-founded firms that rapidly expand their scope in international diversification (Casillas & Acedo, 2013), thereby implicitly *assuming* that the speed of expansion to foreign countries is similar across different INVs. However, a limited yet growing number of studies in the last decade have started to point out that different INVs have different levels of internationalization speed (Kiss & Danis, 2008, 2010; Oviatt & McDougall, 2005; Prashantham & Young, 2011), given that speed is critical for the survival and competitive advantages of INVs (Acedo & Jones, 2007; Chetty, Johanson, & Martin, 2014).

Further, by relying on organizational learning theory (Huber, 1991), international entrepreneurship researchers have investigated various sources from which INVs can learn to successfully operate in foreign countries, given their lack of experiential knowledge abroad (Bruneel, Yli-Renko, & Clarysse, 2010; De Clercq, Sapienza, Yavuz, & Zhou, 2012; Fletcher &

⁴ Alternative names for the internationalization speed include post-entry speed (Prashantham & Young, 2011), internationalization precocity (e.g., Zucchella, Palamara, & Denicloai, 2007), and internationalization pace (e.g., Vermeulen & Barkema, 2002).

Harris, 2012). One causal factor that has been repeatedly shown to give INVs critical knowledge about foreign markets is the international experience of their top managers (Fernhaber et al., 2009; Milanov & Fernhaber, 2014; Shrader, Oviatt, & McDougall, 2000). A majority of studies that have examined the international experience of strategic leaders⁵ of INVs focused on these individuals' international work and/or study experience (e.g., Fernhaber et al., 2009). Although strategic leaders can accrue knowledge about foreign markets through their international work or study experience, their service on the board of directors of other firms, referred to as interlocking directorate ties (Davis & Thompson, 1994; Mizruchi, 1996), can also expose them to important knowledge about foreign markets. In fact, experience gained on other firms' boards gives individuals *current* knowledge on these firms' strategies (Haunschild, 1993; Larcker & Tayan, 2011; Leblanc & Gillies, 2010), whereas international work and/or study abroad experience often indicates individuals' *prior* experience (Lee & Park, 2008).

However, international entrepreneurship researchers interested in the internationalization process of new ventures have not yet considered the possibility that INVs' strategic leaders may accrue knowledge about foreign markets through their service on the board of other firms. Just like interlocking directorate ties influence large established firms' foreign market entry decision (Tuschke et al., 2014), these ties could also affect the internationalization speed of INVs. Relatedly, even though INVs can learn from top managers that have international experience when further expanding abroad, these organizations can also learn from the expertise of their board members. I concur with Finkelstein, Hambrick, & Cannella (2009) as well as the recent

⁵ In line with Finkelstein, Hambrick and Cannella (2009), the present study uses the term strategic leaders to capture an INV's top managers *and* board members.

evidence in strategic management (e.g., Sundaramurthy, Pukthuanthong, & Kor, 2014) that considering the role of top managers without taking into account the role of board members will lead to incomplete, if not erroneous, insights to the literature. Given the important role of board of directors in other firms' internationalization decisions (e.g., Carpenter, Pollock, & Leary, 2003; Datta, Musteen, & Herrmann, 2009), INVs could also learn from the expertise of their outside directors (Cumming, Sapienza, Siegel, & Wright, 2009). Yet, previous academic studies are relatively silent regarding the role of the board of directors in the internationalization process of INVs.

To fill these gaps in the literature, the present study examines how the degree of internationalization of firms with which INVs' top managers and outside directors have interlocking directorate ties (Davis & Thompson, 1994; Mizruchi, 1996) affect the internationalization speed of INVs. Consistent with the recent literature that distinguishes between interlocking ties created by top managers (outgoing ties) and those created by outside directors (incoming ties)⁶ (Tuschke, Sanders, & Hernandez, 2014), the current study separately examines the impact of each type of interlocking directorate tie on the internationalization speed of INVs by relying primarily on organizational learning theory (Huber, 1991) and using insights from board capital theory (Hillman & Dalziel, 2003).

⁶ Similar to the distinction between incoming ties created by outside directors and outgoing ties created by top managers, other studies in strategic management (Beckman, Haunschild, & Philips, 2004; Cannella, Jones, & Withers, 2015; Geletkanycz & Boyd, 2011) also make this distinction, albeit with different names such as sent or received interlocks. I choose the terminology used by Tuschke et al. (2014) primarily because the present study's focus on internationalization process is closer to Tuschke et al. (2014) than other studies.

Given that context is important when examining the learning process, this study also examines the moderating role of outside directors' firm-specific human capital, defined as these individuals' knowledge and familiarity about the focal firm on whose board they serve (Hillman & Dalziel, 2003; Kor & Sundaramurthy, 2009). Investigating the moderating role of outside directors' firm-specific human capital is important because these directors often fail to adequately advise top managers when they lack firm-specific human capital (Dalziel, Gentry, & Bowerman, 2011; Kor & Sundaramurthy, 2009; Larcker & Tayan, 2011; Leblanc & Gillies, 2010).

Overall, the present study makes three contributions to the literature. First, in spite of the important role of speed (De Clercq et al., 2012; Madsen, 2013; Zahra & George, 2002), this dimension has received the least attention in the international entrepreneurship literature (e.g., Casillas & Acedo, 2013; Jones & Coviello, 2005; Oviatt & McDougall, 2005; Prashantham & Young, 2011). Failure to explicitly study the internationalization speed of INVs can hinder progress of the field because an inquiry into the speed with which INVs expand abroad represents the time dimension of the international expansion process. This is in fact a topic that needs more research attention not only in the international entrepreneurship literature (Prashantham & Young, 2011), but also in the broader international business discipline (Eden, 2009; Casillas & Moreno-Menendez, 2013).

Internationalization speed not only captures the time element of the internationalization process (e.g., Casillas & Moreno-Menendez, 2013), but also hints at the overall entrepreneurial capability of INVs (Acedo & Jones, 2007). Further, internationalization speed is part of an INV's global strategy and often poses a challenge for managers (Chetty et al., 2014). Accordingly, an

investigation into the determinants of the internationalization speed of INVs responds to recent calls made in the literature to devote more attention to the ‘embryonic’ state of the literature on the internationalization speed of INVs (Acedo & Jones, 2007; Casillas & Acedo, 2013; Prashantham & Young, 2011; Oviatt & McDougall, 2005). It is worth noting that in spite of an increasing number of *conceptual* studies about the internationalization speed of INVs (Kiss & Danis, 2008, 2010; Oviatt & McDougall, 2005; Prashantham & Young, 2011), there is no *empirical* cross-national research that examines this phenomenon. Although theoretical work progresses a field forward when a stream of research is burgeoning (Pedhazur & Schmelkin, 2013), a decade has passed since the seminal work of Oviatt and McDougall (2005) emphasized the importance of studying internationalization speed of INVs. I believe that it is now time to start empirical work in this area. It is important to note that there are studies that examine the internationalization speed of small and medium enterprises (SMEs) (e.g., Musteen, Francis, & Datta, 2010). Nonetheless, SMEs differ in a number of important ways from INVs. Primarily, SMEs do not necessarily have to be newly founded as in the case of INVs. The other empirical studies on the internationalization speed of INVs are done by Trudgen and Freeman (2014) and Li, Qian, and Qian (2015). Even though Trudgen and Freeman (2014) shed important light on the internationalization speed of INVs, the qualitative nature of their study does not allow the authors to systematically investigate this construct across a large number of organizations. Similarly, although Li and colleagues (2015) investigate the internationalization speed of INVs, the current study is different from theirs in two respects. First, their study is survey-based. Second, unlike their study, the present study uses a continuous and a different measure to operationalize the internationalization speed of INVs.

Second, this study introduces an additional mechanism through which strategic leaders of INVs can contribute to the internationalization process other than their international work and study experience. In particular, the central premise of the current study is that the service of strategic leaders of INVs on the board of other firms can be an important source of knowledge and learning about foreign markets. In fact, given that international experience often captures strategic leaders' *prior* work and study experience in foreign markets (Lee & Park, 2008), there are calls in the literature to capture how strategic leaders can have access to *on-going* or *current* international knowledge about foreign markets through their network ties to other organizations (Fernhaber & Li, 2013). My focus on the potential learning opportunity provided by interlocking directorate ties captures the *current* international exposure of strategic leaders and provides a novel learning source of knowledge about foreign markets to the literature that examines how INVs, as newly-founded firms, can compensate for their lack of internal experiential experience on foreign markets (e.g., Bruneel et al., 2010; Fletcher & Harris, 2012).

Third, the current study distinguishes between the international experience of top managers and that of outside directors, given that recent studies in strategic management emphasize the need to separately examine experience coming from top managers and outside directors (Sundaramurthy et al., 2014). Doing so is an important contribution to the international entrepreneurship literature because a failure to take into account the international experience of outside directors could explain why previous studies reported inconclusive results on the role of international experience of top managers (e.g., Fernhaber et al., 2009; Milanov & Fernhaber, 2014). In fact, I also respond to calls to investigate the joint effects of both top managers' and board members' experience (Sundaramurthy et al., 2014) in the context of INVs. After all,

studies that examine the antecedents of internationalization speed of INVs have recently been criticized for their failure to investigate antecedents collectively (Li et al., 2015). I next briefly review the literature on INVs and with a particular focus on the internationalization speed of these firms.

5. CONCEPTUAL BACKGROUND

5.1 Internationalization Speed of INVs

For decades, international business scholars have devoted substantial attention to internationalization process of organizations with a focus on the internationalization decision of large established firms such as multinational enterprises (e.g., Hitt, Tihanyi, Miller, & Connelly, 2006). This predominant focus on large established firms, albeit useful, left the question of why and how newly established firms internationalize mostly unanswered (Oviatt & McDougall, 1994). International entrepreneurship literature has emerged from the observation that some new ventures internationalize from or near their founding. The fact that these firms – which have been labeled ‘international new ventures’ or ‘born-globals’ (Oviatt & McDougall, 1994) – internationalize early in their life cycle have challenged existing theories of the multinational corporation. For instance, process models of internationalization emphasize the role of firm-level experiential learning (i.e., accumulated direct first-hand knowledge abroad) in the internationalization process (Johanson & Vahlne, 1977, 1990).

Consequently, firms start to expand abroad only after accumulating direct first-hand experience in foreign markets over time based on previous theory and research. However, the fact that new ventures go abroad from or near their founding implies that these firms are unlikely

to have directly accumulated first-hand experience in foreign markets before expanding abroad. Then how can these new ventures acquire knowledge about foreign markets in their early and fast internationalization process?

5.2 Antecedents of Internationalization Speed

Several studies in the international entrepreneurship literature provide evidence that INVs can compensate for a lack of direct first-hand experiential knowledge in the internationalization process via alternative types of learning (e.g., Bruneel et al., 2010; Prashantham & Young, 2011; Casillas, Barbedo, & Sapienza, 2015). One common thread across these studies is that given their limited experiential learning opportunities on foreign markets, INVs often rely on external sources of indirect knowledge through two alternative learning types: (1) vicarious and (2) grafted learning (e.g., Bruneel et al., 2010; Fernhaber & Li, 2013; Fletcher & Harris, 2012; Casillas et al., 2015). Vicarious learning occurs when a focal firm learns from the experience of other firms through inter-organizational relationships (Huber, 1991). In a way, vicarious learning occurs when the experiential learning of another organization becomes the learning source for the focal organization. By contrast, grafted learning occurs when a focal firm absorbs individuals into its boundaries for the purpose of learning from these individuals (Huber, 1991). For instance, INVs can engage in grafted learning by seeking to “recruit outside directors [with substantial international experience who may bring contact with potential overseas alliance partners] to their boards” (Cumming et al., 2009: 287). International entrepreneurship researchers using these alternative learning types showed that factors as varied as personal (e.g., Karra et al., 2008; Manolova, Manev, & Gyoshev, 2010) and social (e.g., Coviello, 2006; Ellis, 2011) network connections of new ventures, international experience of their top managers (e.g.,

Shrader et al., 2000) and domestic partners (Milanov & Fernhaber, 2014) influence internationalization decisions of these ventures.

Although this stream of research has provided important insights to the international entrepreneurship literature on what makes new ventures expand to foreign markets for the first time, little is known on what influences the internationalization speed of these ventures after they already enter foreign market and become ‘international’ new ventures (Oviatt & McDougall, 2005; Prashantham & Young, 2011). As might be expected for any new line of inquiry, international entrepreneurship researchers have predominantly focused on the initial internationalization decision of new ventures; that is, whether these ventures expand abroad and if so the degree of this international expansion. As a result, we have clear evidence on the antecedents of this strategic decision (e.g., Fernhaber & McDougall-Covin, 2009; Fernhaber, McDougall, & Oviatt, 2009; Manolova, Manev, & Gyoshev, 2010).

However, inadequate attention is given to the phase after which these ventures expand abroad and become international. For instance, only minimal research attention is given to the topic of internationalization speed of INVs, or the pace with which new ventures expand abroad *after* they become international. Minimal attention given to the internationalization speed of INVs is problematic because not all INVs have the same speed of growth abroad after they already expand abroad (Prashantham & Young, 2011). Although INVs are, by definition, firms that internationalize fast (Casillas & Acedo, 2013), both academic (e.g., Oviatt & McDougall, 2005) and anecdotal evidence (e.g., Wan, 2015) shows that different INVs differ in their expansion speed abroad. To summarize, even though previous studies demonstrate that these

venture rapidly enter foreign markets at or near founding, our understanding of how fast INVs keep expanding abroad *after* first entering foreign markets is limited.

Also, as mentioned earlier, internationalization speed is a crucial dimension of the internationalization process of INVs along with extent and scope (De Clercq et al., 2012; Madsen, 2013; Zahra & George, 2002). However, the literature on international entrepreneurship has devoted the least attention to this dimension (e.g., Prashantham & Young, 2011). Following Oviatt and McDougall (2005) as well as Prashantham and Young (2011), the current study claims that more research attention to the speed dimension is needed because speed captures the time element of the internationalization process (Eden, 2009; Casillas & Moreno-Menendez, 2013) and indicates the entrepreneurial capability of INVs (Acedo & Jones, 2007).

From a managerial perspective, internationalization speed is part of an INV's global strategy and often poses a challenge for managers (Chetty et al., 2014). Furthermore, speed is an important determinant of financial performance of international firms (Casillas & Moreno-Menendez, 2013). Accordingly, an examination of what drives INVs to expand faster abroad deserves attention (e.g., Prashantham & Young, 2011).

In sum, this study focuses on the role of interlocking directorate ties on the internationalization speed of INVs abroad. A focus on interlocking directorate ties as a potential mechanism for grafted and vicarious learning is important because the literature on strategic management shows that information transmitted through such ties serve as crucial grafted and vicarious learning source for other firms (e.g., Carpenter & Westphal, 2001; Hernandez et al.,

2015; Tuschke et al., 2014). In addition, information transmitted through interlocking directorate ties is reliable and inexpensive (Tuschke et al., 2014). I next discuss interlocking directorate ties.

5.2.1 Interlocking Directorate Ties

The Sarbanes Oxley Act of 2002 requires a majority of outside directors – independent board members who are not employees of the focal firm – on the board of directors of publicly traded firms in the United States (Larcker & Tayan, 2011). As a result, a typical board of directors of a publicly traded firm has only a limited number of inside directors – current employees of the focal firm – and a large number of outside directors. A majority of these outside directors are top managers or board members at other firms (e.g., Carter & Lorsch, 2004; Davis & Thompson, 1994; Mizruchi, 1996). When board members or top managers of a focal firm serve on the board of other firms, an interlocking directorate tie⁷ occurs. Specifically, Mizruchi (1996) notes that “interlocking directorate occurs when one person affiliated with one organization sits on the board of directors of another organization” (p. 271). Thus, an interlocking directorate tie⁸ occurs when a focal firm brings outside directors to serve on its board and when top managers of the focal firm serve on the board of other firms.

⁷ Alternative names for the interlocking directorate tie include interlocking directorship (e.g., Pettigrew, 1992), outside directorship (e.g., Geletkanycz & Boyd, 2011), interfirm board tie (Hernandez et al., 2015) or board interlock tie (e.g., Carpenter & Westphal, 2001).

⁸ The literature shows that interlocking directorate ties are common in the corporate world. For example, a study of 456 large manufacturing firms in 1981 shows that over 70 percent of these firms had at least one individual sitting on the board of a financial institution (Mizruchi, Potts, & Allison, 1993). More recently, Simmons (2011) reported that over 40 percent of leading media corporations are interlocked with other media companies. In addition to the prevalence of interlocking directorate ties, the literature also presents evidence on the stability of these interlocks over time. For instance, Davis, Yoo and Baker (2003) note that interlocking directorate ties are quite stable over time and that they are particularly resilient to major changes in the external environment.

Several perspectives have been used to shed light on the implications of interlocking directorate ties among firms. These diverse perspectives highlight a multitude of roles that interlocking directorate ties fulfill. For example, some consider interlocking directorate ties as an element of political or social cohesion that increases the corporate political power of managerial elites such as top managers and board members who serve on the board of large firms (Burriss, 2005; Pettigrew, 1992). According to this view, interlocking directorate ties are driven by personal ties between top managers and board members of several organizations and are a subtle mechanism for managerial elites to advance their own careers. As such, this somewhat cynical view contends that interlocking directorate ties merely provide benefits to organizations, but predominantly benefit the careers of interlocking directors themselves (Mizruchi, 1996).

Others view interlocking directorate ties as a mechanism for corporate control (e.g., Dittmann, Maug, & Schneider, 2010). The opponents of this view emphasize how interlocking directorate ties can serve a monitoring role. For example, they regard a broad representation of banks and other financial institutions on a firm's board of directors as control by these institutions (e.g., Kroszner & Strahan, 2001). Yet others consider interlocking directorate ties as an instrument to manage interorganizational dependence. Typically grounded in resource dependence theory (Pfeffer & Salancik, 1978), this view claims that firms can strategically manage their resource dependencies with other organizations through interlocking directorate ties. More specifically, firms can use interlocking directorate ties to co-opt, or absorb, potentially disruptive elements in an attempt to mitigate potential external threats (Selznick, 1949; Mizruchi, 1996). Both early (e.g., Allen, 1974) and recent (e.g., Hillman, 2005) studies reveal that

interlocking directorate ties serve as a mechanism by which firms can reduce their dependencies on external environments.

Another line of inquiry of this research stream conceptualizes interlocking directorate ties as a special case of interfirm network ties and specifically focuses on how interlocking directorate ties expose individuals to the strategies pursued by other interlocked firms (firms that the focal firm is connected to through interlocking directorate ties), thereby acting as an important learning mechanism. This view is based on the long-held belief that interlocking directorate ties facilitate the flow of information among firms (Stanworth & Giddens, 1975). According to this strand of research, interlocking directorate ties are viewed as an instrument to improve environmental scanning of the focal firm, since insights gained on the board of other firms give interlocking directors first-hand knowledge about other firms' particular operations (Burt, 1983). Consequently, interlocking directorate ties, according to this view, facilitate access to information that other firms use to identify and pursue business opportunities (Pfeffer, 1991; Pfeffer & Salancik, 1978) and this information is an input for important learning opportunities for the focal firm.

Several studies provide empirical support for this assertion. For instance, the literature shows that interlocking directorate ties expose firms to important learning opportunities in the case of merger and acquisition strategy (Haunschild, 1993), the formation of joint ventures (Gulati & Westphal, 1999), top management hiring practices (Williamson & Cable, 2003), corporate political behavior (Mizruchi, 1992), backdating employee stock options (Bizjak, Lemmon, & Whitby, 2009), the likelihood of receiving private equity offers (Stuart & Yim, 2010), CEO compensation (O'Reilly, Main, & Crystal; 1988), the adoption of anti-takeover

devices such as poison pills (Davis, 1991), multidivisional form of organization (Palmer, Jennings, & Zhou, 1993), and foreign market entry of large firms (Tuschke et al., 2014).

5.2.2 Incoming and Outgoing Ties

The above section discusses how interlocking directorate ties facilitate the flow of information among interlocked firms, thereby acting as an important learning mechanism for organizations. I now turn my attention to specific individuals who generate these interlocks. Surprisingly, the literature on interlocking directorate ties has not paid much attention to *who* is creating the interlocking directorate ties among organizations for a long time. Recent studies in strategic management, however, point out that interlocking directorate ties created by top managers (outgoing ties) can have different strategic implications than those created by outside directors (incoming ties) (e.g., Tuschke et al., 2014). This is mostly due to the fact that outside directors bring first-hand knowledge from their primary firm to the focal firm on whose board they serve, thereby acting as an important source of grafted learning.

By contrast, top managers, as full-time employees at the focal firm and outside directors at other interlocked firms, bring second-hand information via their interlocking directorate ties to their primary firm. This is because top managers are exposed to the knowledge of the interlocked firm only during board meetings and this knowledge can be an important source for vicarious learning for the focal firm (e.g., Carpenter & Westphal, 2001). Consistent with the recent line of research that calls for examining the separate influence of interlocking directorate ties created by outside directors and the influence of those created by top managers (Tuschke et al., 2014), the current study separately examines how the internationalization speed of INVs is affected by

outgoing ties; i.e., interlocking directorate ties created by top managers and incoming ties; i.e., interlocking directorate ties created by outside directors.

5.2.3 Outgoing Ties and the Internationalization Speed of INVs

Previous studies have already shown that the international experience of top managers plays an important role in the internationalization process of established firms such as multinational enterprises (e.g., Athanassiou & Nigh, 2002; Sambharya, 1996) as well as new ventures (Fernhaber et al., 2009; Milanov & Fernhaber, 2014; Shrader et al., 2000). Although these studies provide evidence that top managers' international experience is an essential element during the internationalization process of firms of different types, they conceptualize international experience as work and/or study experience of these individuals.

However, international work and/or study experience of top managers often captures these individuals' *prior* work and study experience in foreign markets (Lee & Park, 2008). Given the need to capture how strategic leaders of INVs can have access to *on-going* or *current* international knowledge about foreign markets (Fernhaber & Li, 2013), I focus on the role of the international experience of top managers gained through interlocking directorate ties. This focus on the potential information flow from interlocked firms via outgoing ties created by top managers captures the *current* international exposure of strategic leaders.

When top managers of an INV serve on the board of other firms that have international experience, these managers can bring information about foreign markets, or international human

capital⁹, to the focal venture. This additional information in the form of international human capital can help the INV vicariously learn from the experiential knowledge of interlocked organizations and eventually accelerate the identification of business opportunities abroad. Specifically, there are two reasons as to why the degree of internationalization of firms with which an INV has outgoing ties through its top managers can positively affect the internationalization speed of the INV.

There are several reasons for this expected relationship based on the organizational learning and board capital literatures. First, studies that investigate the board processes in real-time suggest that given the limited time allotted for board meetings, only topics that are the most important to the firm are discussed (Carter & Lorsch, 2004; Lorsch & MacIver, 1989). Hernandez, Sanders, and Tuschke (2015) echo this point by noting that “Boardroom discussions often focus on high-level, momentous strategic issues that determine the direction, scope, and success of the firm” (p. 1237). This implies that international topics are more likely to be discussed during board meetings of a firm, when the firm has international experience.

Accordingly, top managers of INVs who have outgoing ties to other firms that have international experience are more likely to be engaged in internationalization decisions and pacing, during and between board meetings of these interlocked firms. Given that firms learn vicariously by observing the behaviors of other firms (Huber, 1991) and that board meetings provide an ideal context to expose outside directors to a focal firm’s decision-making processes (Mizruchi, 1996), I argue that top managers of INVs that have outgoing ties to other firms that

⁹ It is important to note here that this knowledge is not country-specific because it is concerned with principles for operating in international markets in general. (Eriksson, Johanson, Majkgard, & Sharma, 1997; Fletcher & Harris, 2012).

have international experience can vicariously learn from the experience of these interlocked firms. This vicarious knowledge, in turn, can help top managers of the INV rapidly identify foreign market opportunities (Tihanyi, Ellstrand, Daily, & Dalton, 2000). In a way, the international human capital of top managers who have outgoing ties to firms that have international experience can be an important input for the vicarious learning opportunity for INVs.

Second, top managers of INVs who have outgoing ties to other firms that have international experience possess international social capital, or network ties to foreign stakeholders. Network connections with foreign stakeholders such as customers can bestow entrepreneurial firms with vicarious information about foreign markets (Yli-Renko, Autio, & Sapienza, 2001). This vicarious knowledge coming from the network connections of INVs can allow these ventures to marshal resources needed in the internationalization process (Oviatt & McDougall, 1994; Fernhaber & Li, 2009) as well as change product and service attributes faster than competitors (Bruton, Dess, & Janney, 2007). This is because INVs rich in social capital more easily recognize alternative resource providers as well as have easier access to these resource providers (Arenius, 2002). For instance, top managers of an INV who are serving on the board of other firms that have international experience can be indirectly tied to a distributor in a foreign market, which is a critical success factor for the fast internationalization of new ventures (Knight & Cavusgil, 2004). In short, international social capital of top managers of an INV who have outgoing ties to other firms that have international experience can act as an important source of vicarious knowledge for the INV.

Third, a greater commitment of firm resources to international markets increases perceived costs of internationalization for top managers (Eriksson et al., 1997). These perceived costs, in turn, decelerate the speed by which an INV learns and adapts in foreign markets (Zahra, 2005), thereby slowing down the internationalization speed of INVs. Since vicarious learning often increases the confidence of top managers of INVs confidence during the internationalization process (Milanov & Fernhaber, 2014), vicarious learning coming from outside ties can decrease top managers' perceived costs associated with the internationalization process and this would increase the internationalization speed of INVs. Based on these arguments, I propose the following:

Hypothesis 1: The degree of internationalization of firms with which an INV has outgoing ties through its top managers is positively related to the INV's internationalization speed.

5.2.4 Incoming Ties and Internationalization Speed of INVs

Just as the outgoing ties of top managers can influence the internationalization speed of INVs, as argued above, incoming ties created by outside directors who serve on the board of directors of INVs can also affect the internationalization speed of INVs. These directors, working full-time in another organization and serving part-time as outside directors on the board of an INV, can bring important input that can influence the internationalization speed of the INV. In particular, according to board capital theory (Hillman & Dalziel, 2003), outside directors possess human and social capital that can be beneficial to the firm on whose board they serve. By definition, the human capital of outside directors refers to their knowledge, experience, skills and

expertise, whereas their social capital refers to their network connections and links to other firms (Hillman & Dalziel, 2003; Kor & Sundaramurthy, 2009). I rely on both aspects of the board capital theory to postulate a positive relationship between the degree of internationalization of firms with which an INV has incoming ties through its outside directors and the internationalization speed of the INV for the following reasons.

First, outside directors who work full-time in an organization that has international experience will add international human capital, or human capital with respect to business topics abroad, to the board of the INV. In particular, outside directors of an INV who is employed at another firm that has experience in international markets can bring three types of knowledge that can help the INV rapidly identify opportunities abroad (Karra, Phillips, & Tracey, 2008): Knowledge about (1) cultural norms and practices in conducting commercial transactions in foreign markets, (2) knowledge of the legal and regulatory environment in foreign markets, and (3) potential customers and their buying behavior in foreign markets. Likewise, Hernandez and colleagues (2015) show that outside directors transfer two types of broad knowledge about foreign markets to firms on whose board they serve. These directors can not only provide information on the general process of investing in foreign markets but also transmit information on establishing new connections to other firms located abroad (Hernandez et al., 2015).

Accordingly, outside directors who work full-time in an organization that has international experience have rich knowledge about overseas markets and through grafted learning the INV can absorb this knowledge (Cumming et al., 2009). Regardless of whether INVs seek to recruit outside directors with the purpose of grafting their knowledge about foreign markets (Cumming et al., 2009) or the knowledge transfer happens unintentionally, outside

directors of an INV who come from other firms that have experience in foreign markets can help the INV acquire important knowledge about foreign markets as well as identify business opportunities abroad that would accelerate the internationalization speed of the INV (Jones & Coviello, 2005). For instance, outside directors of an INV who work full-time in an organization that has international experience can help the INV choose entry modes that can allow the firm to expand faster abroad. This argument is in line with empirical evidence showing that firms that have directors who possess experience in foreign markets often choose an acquisition mode instead of the joint venture mode (Lai et al., 2012).

Second, working full-time in an organization that has international experience can enhance of outside directors' international social capital (network ties to foreign stakeholders). Specifically, outside directors of an INV who are already working in an organization that has international experience are likely to possess important network connections to foreign stakeholders and these connections, in turn, can be leveraged by the INV to identify and exploit international business opportunities faster. This is likely because small entrepreneurial firms such as INVs frequently enter new foreign markets through opportunities identified by their network contacts instead of a rational opportunity identification process (Coviello & Munro, 1995).

In sum, outside directors of an INV who work full-time in organizations that have international experience can act as a bridge to link the INV to the foreign network partners of their primary organizations. In a way, INVs can more easily enter into exchange relationships with foreign stakeholders to obtain resources through the use of network contacts (Fernhaber & Li, 2009). The current study claims that outside directors of INVs with high levels of international social capital can act as one such network contact and that the indirect connections

brought by these directors can accelerate the internationalization speed of the INV. This logic leads to the following hypothesis:

Hypothesis 2: The degree of internationalization of firms with which an INV has incoming ties through its outside directors is positively related to the INV's internationalization speed.

5.2.5 Interaction between Incoming Ties and Outside Directors' Firm-Specific Human Capital

Recent studies in strategic management emphasize the need to distinguish between the strategic effects of interlocking directorate ties created by outside directors and those created by top managers (Tuschke et al., 2014). Nonetheless, even this recent line of research does not consider the possibility that the knowledge brought to the focal firm by outside directors, though first-hand in nature, can be of little relevance to the focal firm. The literature on corporate governance has long noted that outside directors can fail to perform their resource provision role adequately and consequently be unable to provide useful information and advice to the focal firm when these directors have little firm-specific human capital, defined as the extent with which outside directors are familiar with the focal firm's operations (Kor & Sundaramurthy, 2009). Given that outside directors work full-time in other jobs and only serve on other firms' board during board meetings, these directors are often criticized for lacking adequate levels of firm-specific human capital (Carter & Lorsch, 2004; Larcker & Tayan, 2011; Leblanc & Gillies, 2010).

In the context of INVs, an examination into firm-specific human capital of outside directors deserves scholarly attention because outside directors first need to be familiar with an

INV's resources and capabilities before being able to effectively use their human and social capital to help the INV identify and exploit opportunities in foreign markets. Accordingly, taking into account firm-specific human capital of outside directors in the context of incoming ties will lead to more complete insights to the literature. The present study postulates that the degree of internationalization of firms with which the focal INV has incoming ties may not always help accelerate the internationalization speed of INV, if outside directors generating those incoming ties have little firm-specific human capital. Thus, this study expects that firm-specific human capital of outside directors will positively moderate the relationship between the degree of internationalization of firms with which an INV has incoming ties and the internationalization speed of the INV.

The primary reason behind this expectation is that firm-specific human capital helps outside directors become more familiar with top managers' professional skills (Kor & Sundaramurthy, 2009). Without a deep understanding of top managers' professional skills due to low levels of firm-specific human capital, outside directors who serve on the board of other firms that have international experience can provide the INV with international opportunities that top managers may not be able to pursue. That is, the quality of advice that outside directors can give on international opportunities to top managers can increase as a function of their firm-specific human capital. Therefore, the *volume* of information about foreign markets that an INV receives from the incoming ties of its outside directors may not necessarily accelerate the internationalization speed of the INV, if the *quality* of information has little relevance for the local firm (Li et al., 2015). With little firm-specific human capital, outside directors may still be

motivated but unable to come up with the relevant advice needed to accelerate the internationalization speed of INVs.

Similarly, organizational learning theorists have long shown that new knowledge is incorporated into the existing organizational knowledge only when it is assimilated into organizational routines and capabilities (Cohen & Levinthal, 1990). It may take a long time for outside directors who have little firm-specific human capital to understand an INV's capabilities before making a meaningful contribution to accelerate the internationalization speed of the INV. International entrepreneurship researchers also echo this point by noting that knowledge assimilation is a necessary step to expedite an INV's internationalization speed (Prashantham & Young, 2011). Hence:

Hypothesis 3: Firm-specific human capital of outside directors positively moderates the relationship between the degree of internationalization of firms with which an INV has incoming ties through its outside directors and the INV's internationalization speed.

5.2.6 Interaction between Incoming Ties and Outgoing Ties

The first two hypotheses separately examine how the internationalization speed of an INV is affected by the degree of internationalization of firms with which the INV has outgoing ties through its top managers and by the degree of internationalization of firms with which the INV has incoming ties through its outside directors. However, it is possible, and even likely, that the degree of internationalization of firms with which an INV has outgoing ties can interact with the degree of internationalization of firms with which the INV has incoming ties to influence the

internationalization speed of that INV. This is likely because the international entrepreneurship literature that uses insights from organizational learning is inconclusive on how different types of learning – especially grafted and vicarious – interact (e.g., Bruneel et al., 2010).

Accordingly, whether INVs would need vicarious learning (available through outgoing ties of top managers) above and beyond grafted learning (available through incoming ties of outside directors) is not well understood. Relatedly, how the experience provided by top managers interacts with that provided by outside directors is also not clearly understood in the broader literature on corporate governance. Although the literature often points to interaction effects (e.g., Kor & Misangyi, 2008; Sundaramurthy et al., 2014), it is unclear whether the experience that outside directors provide will be redundant with that already provided by top managers or whether the experience that outside directors bring to the firm will have additive effects over and beyond the experience already possessed by the firm through its top managers. Accordingly, it is important to examine the joint effects of the degree of internationalization of firms with which an INV has incoming ties through its outside directors and the degree of internationalization of firms with which an INV has outgoing ties through its top managers.

I argue that in the context of INVs, the greater the degree of internationalization of firms with which an INV has incoming ties through its outside directors, the more positive the relationship between the degree of internationalization of firms with which an INV has incoming ties through its top managers and the internationalization speed of the INV will be. This is because newly founded firms are often in need of diverse and multifunctional types of human capital when growing internationally and yet many of these firms do not have such capital internally (Chahine, Filatotchev, & Zahra, 2009). Thus, the international human capital brought

to the INV by outside directors can increase the diversity of the international human capital already possessed by top managers of the INV. The increased level of diversity, in turn, can allow the INV to identify *and* exploit international opportunities faster. For instance, when top managers of an INV serve on the board of other firms that have international experience, the outgoing ties of these managers can help the INV *identify* a business opportunity abroad. However, this *identified* opportunity could be more quickly *exploited* when outside directors of the INV work full-time in other firms that have experience in international markets.

In addition, INVs, as often having limited social capital (Ellis, 2011), can tap into the international social capital of its outside directors above and beyond the international social capital already possessed internally by top managers. In fact, it is plausible to argue that the international social capital that top managers of INV gain while serving on the board of other firms that have international experience consist of *indirect* ties with foreign stakeholders, since these managers infrequently interact with these stakeholders. Outside directors with high levels of international social capital, by contrast, are likely to have *direct* ties to foreign stakeholders, given that these directors interact with foreign stakeholders on an on-going basis. Hence, the international social capital of top managers may allow them to identify an international business opportunity, whereas that of outside directors can allow the INV to pursue and exploit that opportunity, thereby accelerating the internationalization speed of the INV.

The literature on organizational learning theory also emphasizes that organizations can more efficiently and quickly learn when the new knowledge that they acquire is somehow related to the previous knowledge that they possess (Cohen & Levinthal, 1990). In the context of INVs, this suggests that these firms can more quickly learn from the international human and/or social

capital of outside directors when they have access to vicarious internationalization knowledge from the outgoing ties of their top managers. In fact, Zahra (2005) stresses this point by noting that when top managers of INVs integrate the knowledge that they acquire on foreign markets with related knowledge, INVs maximize their learning about foreign markets. Accordingly, when outside directors bring in related knowledge on foreign markets, this can help top managers of INVs integrate their knowledge better with the recently acquired grafted knowledge on international markets. Hence:

Hypothesis 4: The degree of internationalization of firms with which an INV has incoming ties through its outside directors positively moderates the relationship between the degree of internationalization of firms with which an INV has outgoing ties through its top managers and the INV's internationalization speed.

6. METHODOLOGY

6.1 Data & Sample

In order to empirically test the above hypotheses, I collected data from Compustat and Bloomberg databases. When necessary, I also used firms' web pages as well as their annual reports from the Securities and Exchange Commission's EDGAR database. In accordance with other studies in the international entrepreneurship literature (e.g., Fernhaber & Li, 2009), I limited the sample firms to publicly traded firms, as data on privately held firms are frequently unavailable. I first compiled the list of all U.S. new ventures that issued an IPO that listed on

NASDAQ or NYSE between 2005 and 2010¹⁰, inclusive. I then considered all firms that were younger than 10 years old as a new venture (Yamakawa, Khavul, Peng, & Deeds, 2013). I followed the lead of prior studies (e.g., Shrader et al., 2000) and excluded closed-end funds, trust funds, subsidiaries (corporately-held ventures), spin-offs, and firms with substantial missing data from this list and am left with 237 firms. So as to identify INVs out of this sample, I selected firms that had at least 1 percent of foreign sales either at the time of the IPO or three years after the IPO event. Even though there is no empirical agreed-upon method to identify INVs, my method is in line with previous studies that suggest that the initiation of foreign sales three years after the IPO event is an important milestone in the life cycle of new ventures (Yu, Gilbert, & Oviatt, 2011). This procedure resulted in 81 INVs, which comprised the final sample in the current study.

6.2 Measures

6.2.1 Independent & moderator variables

Consistent with the existing literature, the degree of internationalization of firms with which the focal new venture has outgoing ties and incoming ties is measured through the ratio of foreign sales to total sales (Oxelheim; Gregoric, Randoy, & Thomsen, 2013; Yu, Gilbert, & Oviatt, 2011). It is important to note that the number of countries that the firm conducts business (Preece, Miles, & Baetz, 1999), the number of foreign subsidiaries that the firm possesses (Dau, 2013), and the ratio of foreign assets to total assets (Gomes & Ramaswamy, 1999) are also indicators of a firm's degree of internationalization. Yet, the frequent unavailability of such data

¹⁰ As will be explained below, in the calculation of the dependent variable, the collection of data three years after the IPO was needed. Given that data collection process for this study started in 2014, 2010 was the most recent year of IPO event in this study.

across interlocked firms prevented me from these measures. Further, these measures are often highly correlated with each other (Sambharya, 1996). Since INVs are linked through outgoing and incoming ties to several firms, the question arises as to how to best capture the degree of internationalization of these firms. Given that a link to one or a few interlocked firms that have international experience can be sufficient to expose a group of individuals such as top managers or board members to crucial information about foreign markets, I used the highest ratio of foreign sales to total sales among all interlocked firms. As a robustness, I also calculated the average of the highest two and the average of all ratios of foreign sales to total sales among all interlocked firms and the results stayed the same. Following previous research (e.g., Kor & Sundaramurthy, 2009), firm-specific human capital of outside directors, the moderator variable, is measured as the board tenure of these directors.

6.2.2 Dependent variable

Similar to the empirical approach followed by Mohr, Fastoso, Wang, and Shirodkar (2014), Wagner (2004), and heeding the advice of Casillas and Acedo (2013), I operationalize the internationalization speed of INVs as a ratio given that speed is a multidimensional construct (Chetty et al., 2014). The difference in internationalization degree at the time of IPO until three years later is the numerator. The time (three years) is on the denominator. I use the ratio of foreign to total sales because this measure, as opposed to the number of countries that the firm conducts business (Preece et al., 1999) or the number of foreign subsidiaries that the firm possesses (Dau, 2013), is particularly relevant in the internationalization process of INVs, since foreign sales of INVs, as opposed to their foreign assets or foreign employees, not only reflects their presence in international markets but also suggests their ability to succeed abroad (Yu et al.,

2011). Another reason why I selected this ratio is that most proxies used in the literature are not appropriate within the context of new venture firms. For example, the number of countries that an INV conducts business is not appropriate for new venture firms, since younger firms usually enter only a limited number of countries (Preece et al., 1999). It is also important to note that most studies operationalizing the internationalization speed of new ventures use the time passed between the founding of the venture and first international sale (e.g., Coeurderoy & Murray, 2008; Zucchella et al., 2007). However, I concur with Zhou and Wu (2014) that this unidimensional proxy best captures the earliness of internationalization instead of internationalization speed.

6.2.3 Control variables

In an attempt to rule out alternative explanations, the current study includes several control variables that have been shown to influence a firm's internationalization process in previous studies (e.g., Carpenter et al., 2003; Fernhaber & Li, 2009; Shrader et al., 2000). In particular, I controlled for the size of the INV, measured as total assets, the age of the INV, measured as the number of years since the inception of the venture, a dummy variable indicating whether the has venture-capital backing, research and development (R&D) intensity of the INV, measured as the ratio of R&D expenditures to firm sales, international sales at the time of the IPO, stock exchange of the INV (1=New York Stock Exchange, 0=NASDAQ), the size of the board of directors, international work/study experience of outside directors, international work/study experience of top managers, the size of the top management team, proportion of firm stock owned by the top managers, average age of top managers, industry dummies, and year dummies.

6.3 Empirical results

Table 1 summarizes the descriptive statistics and the correlation matrix of all variables in the model. Before analyzing the data, I checked for variance inflation factors for multicollinearity. The values, all of which were below 4, indicate that multicollinearity was not a problem in the model. Also, in order to alleviate potential endogeneity problems arising from reverse causality (i.e., INVs that expand abroad faster choose to be linked to interlocked firms that have international experience), I use a lag structure, where I regress the dependent variable at time $t+1$ on independent, moderator, and control variables at time t . Given the multi-year cross-sectional nature of the data, I used pooled cross-sectional hierarchical regression to analyze the data. I first enter the control variables, then add independent variables and subsequent interaction terms.

| Variables | Mean | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|--|--------|-------|------|------|------|------|------|------|------|------|------|------|------|------|-----|-----|-----|
| 1. Firm size | 360.00 | 433.8 | | | | | | | | | | | | | | | |
| 2. Firm age | 6.05 | 2.73 | -.24 | | | | | | | | | | | | | | |
| 3. VC backing | .46 | .50 | -.14 | .06 | | | | | | | | | | | | | |
| 4. R&D intensity | .11 | .15 | -.29 | .16 | -.02 | | | | | | | | | | | | |
| 5. Int'l sales at the time of IPO | .35 | .27 | .06 | .08 | -.19 | .16 | | | | | | | | | | | |
| 6. Stock exchange dummy | .60 | .54 | -.47 | .07 | .21 | .26 | -.08 | | | | | | | | | | |
| 7. Board size | 5.93 | 1.86 | .00 | -.03 | -.10 | .08 | -.06 | .12 | | | | | | | | | |
| 8. Int'l work/study experience of directors | .93 | 1.03 | .01 | -.13 | -.10 | .22 | .10 | -.13 | .18 | | | | | | | | |
| 9. Int'l work/study experience of TMT | .81 | .79 | -.16 | .03 | .05 | .20 | .20 | -.10 | -.04 | .51 | | | | | | | |
| 10. TMT size | 5.46 | 1.24 | -.08 | .04 | -.17 | .04 | -.08 | -.08 | .03 | -.16 | -.18 | | | | | | |
| 11. TMT equity | .06 | .12 | -.21 | .02 | -.05 | -.02 | -.11 | .29 | .05 | -.18 | -.09 | -.05 | | | | | |
| 12. TMT age | 53.16 | 5.10 | .04 | -.03 | -.11 | -.01 | -.07 | .15 | .25 | -.07 | -.12 | .03 | .07 | | | | |
| 13. Outside director tenure | 3.13 | 1.95 | -.18 | .13 | .18 | .13 | -.01 | .34 | .21 | .21 | .07 | .03 | .06 | -.08 | | | |
| 14. Degree of int'l – incoming ties | .28 | .21 | .13 | .16 | -.10 | -.05 | .13 | .02 | -.03 | .12 | .01 | -.06 | .06 | .05 | .01 | | |
| 15. Degree of int'l – outgoing ties | .27 | .19 | -.11 | .17 | .03 | .22 | .12 | .12 | -.08 | .03 | .18 | .10 | -.05 | -.25 | .23 | .21 | |
| 16. Internationalization speed | .01 | .05 | -.12 | -.01 | .19 | .09 | -.34 | .18 | .16 | -.06 | -.04 | -.02 | -.08 | -.06 | .29 | .06 | .30 |

a. N=81

b. Industry and year dummies excluded.

c. Coefficients greater than the absolute value of .29 (.22) are statistically significant at $p < .01$ (.05).

Table 2 shows the empirical results. Model 1 includes control variables only, whereas model 2 represents the results of hypothesis 1. The findings show a statistically significant and positive association ($\beta=.100$; $p<.01$) between the degree of internationalization of firms with which an INV has outgoing ties and internationalization speed of the INV, providing empirical support for hypothesis 1. Although Model 3 shows a positive relationship between the degree of internationalization of firms with which an INV has incoming ties and internationalization speed of the INV, the beta coefficient is not statistically significant ($\beta=.025$; $p>.10$). Thus, hypothesis 2 does not receive empirical support.

Model 4 shows a statistically significant and positive coefficient ($\beta=.030$; $p<.01$) for the interaction between outside director tenure and the degree of internationalization of firms with which an INV has incoming ties, thereby providing empirical support for hypothesis 3. Finally, model 5 provides empirical support for hypothesis 4, given the statistically significant and positive coefficient ($\beta=.391$; $p<.01$) for the degree of internationalization of firms with which an INV has incoming ties and the degree of internationalization of firms with which an INV has outgoing ties.

| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 |
|---|----------------|----------------|----------------|----------------|----------------|
| Constant | .02 (.08) | -.08 (.09) | -.01 (.08) | .01 (.08) | -.02 (.07) |
| Firm size | .03*(.01) | .02 (.02) | .03* (.01) | .02 (.02) | .02 (.01) |
| Firm age | .00 (.00) | .00 (.00) | .00 (.00) | .00 (.00) | .00 (.00) |
| VC backing | .01 (.01) | .00 (.01) | .01 (.01) | .00 (.01) | .00 (.01) |
| R&D intensity | .08* (.05) | .03 (.05) | .06 (.04) | .05 (.05) | .00 (.04) |
| Int'l sales at the time of IPO | -.08***(.02) | -.08*** (.02) | -.08*** (.02) | -.06** (.02) | -.05** (.02) |
| Stock exchange dummy | .02 (.01) | .02 (.01) | .03** (.01) | .01 (.02) | .02 (.01) |
| Board size | .01 (.00) | .01* (.00) | .00 (.00) | .00 (.01) | .01 (.00) |
| Int'l work/study experience of directors | -.00 (.01) | -.00 (.01) | .00 (.00) | -.01 (.01) | -.01 (.00) |
| Int'l work/study experience of TMT | .00 (.01) | -.00 (.01) | .00 (.00) | .00 (.01) | -.00 (.00) |
| TMT size | -.00 (.01) | -.01 (.00) | -.00 (.00) | -.00 (.00) | -.00 (.00) |
| TMT equity | -.07 (.05) | -.04 (.05) | -.06 (.05) | -.05 (.05) | -.03 (.04) |
| TMT age | -.00 (.00) | .00 (.00) | -.00 (.00) | .00 (.00) | .00 (.00) |
| Degree of int'l – outgoing ties | | .10*** (.036) | | | -.04 (.04) |
| Degree of int'l – incoming ties | | | .03 (.03) | -.06 (.04) | -.10**(.04) |
| Outside director tenure* Degree of int'l – incoming ties | | | | .03*** (.01) | |
| Degree of int'l – outgoing ties* Degree of int'l – incoming ties | | | | | .39*** (.11) |
| R² | .31 | .43 | .37 | .47 | .56 |
| Adjusted R² | .17 | .23 | .15 | .24 | .38 |
| Δ R² | | .12 | .06 | .16 | .25 |
| Model F | 2.15** | 2.15** | 1.66* | 2.11** | 3.10*** |

a. N=81

b. ***p<.01; **p<.05; *p<.10

6.4 Robustness Tests

To ensure that these empirical results are robust to alternative explanations and specifications, I ran a few robustness analyses. For instance, it is possible that INVs that globalize fast in foreign markets choose to recruit outside directors who have incoming ties to firms that have international experience at the first place. This potential endogeneity problem arising from reverse causality can therefore pose an alternative explanation to the results reported above. To minimize this possibility, I followed two steps: First, as mentioned above, I used a lag structure by regressing the dependent variable at time $t+1$ on independent, moderator, and control variables at time t . Second, following the approach done by Lai and colleagues (2012), I excluded INVs whose outside directors recently joined the board (tenure less than two years), given that in such cases INVs may have indeed intentionally hired outside directors whose outgoing ties are rich in international human and/or social capital. When I reran the analyses, the empirical results remained the same.

In addition, some argue that firms that are younger than 6, not 10, years old as can be considered new ventures (Fernhaber et al., 2009). As a robustness, I reran the analyses by including firms that were less than 6 years old. Once again, the results stayed the same. Lastly, since there is no established threshold in the international entrepreneurship literature as to the specific percentage of sales that an INV needs to derive from international markets (see Fan & Phan, 2007), I reran the analyses for firms that derive at least 10 percent of their total sales from abroad either at the time of the IPO or three years after the IPO event. Again, the results stayed the same. In sum, it appears that the findings are robust with respect to these alternative specifications.

7. DISCUSSION

Drawing on the organizational learning (Huber, 1991) and board capital (Hillman & Dalziel, 2003) theories, this study proposed that information transmitted through interlocking directorate ties can act as a critical yet hitherto unexplored learning source of knowledge about foreign markets for INVs. In particular, by using insights from vicarious learning literature, I posited that top managers of an INV who have outgoing ties to other firms that have international experience are likely to possess international human and/or social capital that can allow these managers to quickly identify and exploit international opportunities, thereby accelerating the internationalization speed of the INV. In accordance with this argument, the empirical results indicate that the greater the degree of internationalization of firms with which an INV has outgoing ties through its top managers, the greater the internationalization speed of the INV. Given that I already controlled for the international work and study experience of top managers in the study, this finding shows that outgoing ties of top managers are an important case of interlocking directorate ties that deserve attention in the international entrepreneurship literature.

This study did not provide empirical support for the hypothesis that the degree of internationalization of firms with which an INV has incoming ties through its outside directors is positively related to the internationalization speed of the INV. However, there is empirical evidence that firm-specific human capital of outside directors positively moderates the relationship between the degree of internationalization of firms with which an INV has incoming ties through its outside directors and the internationalization speed of the INV. These results, considered in their entirety, reveal that incoming ties, by themselves, do not matter for the internationalization speed of INVs and that incoming ties affect the internationalization speed of INVs only when outside directors creating these incoming ties are familiar with the INV's business. In a way, this finding is in accordance with extant studies showing that outside

directors can perform their resource provision role better when they possess high levels of firm-specific knowledge (Carter & Lorsch, 2004; Dalziel et al., 2011; Larcker & Tayan, 2011; Leblanc & Gillies, 2010; Lorsch & MacIver, 1989).

The results of this study also demonstrate that the degree of internationalization of firms with which an INV has outgoing ties through its top managers positively moderates the relationship between the degree of internationalization of firms with which an INV has incoming ties through its outside directors and the internationalization speed of the INV. Thus, this finding demonstrates that knowledge on foreign markets brought to an INV by top managers and outside directors via their interlocking directorate ties serve as complementary (not substitutable) sources of international human and/or social capital that contributes to the internationalization speed of the INV.

It is important to note that this finding stands in direct contrast to previous findings reported in earlier studies. For instance, Fernhaber and colleagues (2009) report that internal and external sources of international knowledge substitute for each other in the context of internationalization decision of new ventures. Similarly, Bruneel and colleagues (2010) report that interorganizational learning from important partners acts as a substitute for a lack of firm-level international experience when new venture decide to expand abroad. Likewise, Milanov and Fernhaber (2014) show that the international experience of top managers of new ventures can substitute for the international experience of domestic partners. However, the results reported in the current study show that there is not a substitution but a complementarity (additive) effect between the knowledge on foreign markets brought to the focal INV through its top managers and its outside directors.

Considering this last finding in light of previous findings reported in these studies, it appears that new ventures that go abroad for the first time seem to only need the international experience possessed by *either* their top managers *or* other sources of international knowledge. However, once these new ventures go abroad, they need the international experience of top managers *and* outside directors. One reason for this finding could be that INVs, having already entered foreign markets, need international experience coming from multiple sources to support and sustain a fast internationalization speed. That is, it seems like a speedy commitment of firm-level resources to international markets requires INVs to actively seek as many sources of knowledge about foreign markets as possible. Once new ventures decide to go abroad, the international knowledge needed to be able to expand abroad can be less sophisticated than that needed to commit more resources abroad once the decision to go abroad has already been made. For instance, given that new ventures enter foreign markets for the first time mostly through exporting (Shrader et al., 2000), an advice on exporting channels may be provided by either internal or external source of international knowledge when entering the first foreign market. However, in order to keep up the internationalization speed, more in-depth information about foreign markets can be needed from multiple sources and an additive or complementary effect can be at play. Although this explanation is speculative, it is consistent with the finding that INVs need only dyadic network ties when they first go abroad but then they need multilateral network relationships as they achieve significant growth in international markets (Sasi & Arenius, 2008).

7.1 Contributions

The present study, through the findings discussed just above, contributes to the international entrepreneurship literature in several ways. First, a majority of research focus has

been given in international entrepreneurship literature on what makes new ventures internationalize (e.g., De Clercq et al., 2012; Fernhaber et al., 2009). Nevertheless, much less scholarly attention is devoted to the phases after which new ventures expand abroad for the first time. In particular, one missing element in the international entrepreneurship literature is how fast a new venture expands in foreign markets after it already enters a foreign market for the first time (Oviatt & McDougall, 2005). My direct focus on this phase therefore fills an important gap in the international entrepreneurship literature and responds to calls to study the internationalization speed of INVs (e.g., Casillas & Acedo, 2013; Prashantham & Young, 2011; Oviatt & McDougall, 2005). Additionally, there is a need to understand additional sources of knowledge for new ventures seeking internationalization (Fletcher & Harris, 2012) as well as how INVs come across international opportunities (Fernhaber & Li, 2013; Oviatt & McDougall, 2005; Prashantham & Young, 2011). The current study introduced interlocking directorate ties as an additional learning source of knowledge about foreign markets for INVs.

Further, the role of board of directors is under-researched in the international entrepreneurship literature (e.g., Cumming et al., 2009). For instance, in spite of a number of studies that investigate the international experience of top managers (e.g., Shrader et al., 2000; Fernhaber et al., 2009), I am not aware of any study that examines how the international experience possessed by outside directors matters in the internationalization process of INVs. The lack of research attention to the role of board members can hinder the progress in the international entrepreneurship research because studies in related fields show that outside directors can bring important knowledge about foreign markets during the internationalization process of other type of firms (e.g., Carpenter et al., 2003; Datta, Musteen, & Herrmann, 2009, Hastings, 1999; Newcomer, 2016). I concur with Cumming and colleagues (2009) that a focus

on outside directors of INVs can shed important light to the international entrepreneurship research.

In addition, I go one step further to contend that one potential reason as to why international experience of top managers yields inconsistent results to the international entrepreneurship literature (e.g., Fernhaber et al., 2009; Milanov & Fernhaber, 2014) is because previous studies overlooked a systematic examination of outside directors. By directly focusing on outside directors of INVs, I attempted to make a timely contribution to the international entrepreneurship literature.

The present study also contributes to organizational learning theory (Huber, 1991) by showing that grafted knowledge coming outside directors and vicarious knowledge coming from top managers complement – not substitute for – each other in influencing INVs' internationalization speed. This finding is important because it is unclear how different types of learning interact both in the broader literature (Bresman, 2010) and in the international entrepreneurship literature (Bruneel et al., 2010). As previously mentioned, this finding is not in line with previous studies in the international entrepreneurship literature showing that there is a substitution (not complementarity) effect between alternative learning types when new ventures expand abroad for the first time (Bruneel et al., 2010; Fernhaber et al., 2009; Milanov & Fernhaber, 2014). But, after these ventures become 'international', it looks like they are in need of information about foreign markets and consequently several learning types can therefore have additive or complementarity effects.

The current study also makes a contribution to board capital theory (Hillman & Dalziel, 2003) by demonstrating that firm-specific human capital of outside directors positively moderates the relationship between the degree of internationalization of firms with which an

INV has incoming ties through its outside directors and the internationalization speed of the INV. Previous studies drawing on board capital theory showed that outside directors' human capital matter in the context of several strategic decisions such as strategic change (Hillman & Haynes, 2010), the growth of newly public firms (Kor & Sundaramurthy, 2009), and R&D investments (Dalziel et al., 2011). The findings of this study indicate that human and social capital of outside directors also need to be taken into account in the context of internationalization process of firms such as INVs.

Lastly, although recent studies in strategic management distinguish between incoming ties created by outside directors and outgoing ties created by top managers (Tuschke et al., 2014), this line of inquiry implicitly assumes that second-hand information brought to the focal firm by top managers' outgoing ties is frequently less valuable to influence organizational outcomes than first-hand information brought to the focal firm by outside directors' incoming ties (Tuschke et al., 2014). Yet, this assumption runs counter to the fact that outside directors are 'part-timers' and often possess little firm-specific knowledge that can allow them to make a meaningful contribution to the strategic direction of an organization (Carter & Lorsch, 2004; Larcker & Tayan, 2011; Leblanc & Gillies, 2010; Lorsch & MacIver, 1989). Thus, it could be that information brought to the focal firm by top managers, though second-hand in nature, could sometimes be more influential to influence organizational outcomes than first-hand information brought to the focal firm by outside directors. This could particularly be the case in the context of international new ventures where top managers are often part of the founding team of the venture and thus strongly identify with the firm. By testing the interaction between incoming ties created by outside directors and these directors' firm-specific human capital, the present study attempted to provide a more complete picture to the literature in this respect.

In addition to these theoretical contributions, the present study also makes contributions to managerial practice. For instance, the empirical results highlight that INVs seeking to expand fast in foreign markets can benefit from choosing outside directors who are linked through interlocking directorate ties to other firms that have experience in international markets. Similarly, such ventures can wonder whether they need the knowledge on foreign markets that outside directors can provide, even if their top managers already possess international experience. The empirical results in this study show that the knowledge on foreign markets brought to INVs by outside directors has additive effects with international knowledge already possessed internally through their top managers.

7.2 Limitations and Future Research

As with any other study, the current study also has some limitations, which can create future research opportunities for other scholars. First, I only used INVs based in the U.S. only. In spite of my original intentions to include new ventures that were not headquartered in the U.S., the unavailability of data on these firms did not allow me to include INVs that are based in other countries and listed in the U.S. stock exchanges. Although including INVs from only one country may limit the generalizability of findings, doing so ensures that the internationalization speed of INVs does not arise from variations in national laws, regulations and customs in different home countries (Shrader et al., 2000; Yu et al., 2011). However, it is still important to acknowledge that the role of interlocking directorate ties on the internationalization speed of INVs can differ based on the headquarter location of INVs. For instance, for INVs headquartered in relation-based economies such as China where informal institutions are more prevalent (Li, Park, & Li, 2003), the role of interlocking directorate ties could even be more important in the context of internationalization speed of INVs. Additional studies that look at the role of

interlocking directorate ties on the internationalization speed of firms, including INVs, based in other countries would therefore benefit the literature.

Furthermore, because of the lack of consistent data on the specific countries in which INVs expand, I could not include the characteristics of these host countries in my analyses, in spite of the role that such characteristics can play (Fan, & Phan, 2007). Future studies that use non-archival data sources can enhance our understanding of to what extent and under what contingencies host country characteristics influence the internationalization process of INVs.

Additionally, the current study only looked at the role of international experience possessed by top managers and outside directors. The literature shows that new ventures can have access to information about foreign markets through other means such as domestic partners (Milanov & Fernhaber, 2014), interorganizational relationships (Bruneel et al., 2010), and even informal relationships (Fernhaber & Li, 2013). It is also important to note that INVs could also have access to information on foreign markets via published and objective sources (e.g., government statistics, bank bulletins), even though the usefulness of published reports may be questionable (Fletcher & Harris, 2012). Future studies can examine how firms, including INVs, can use several sources of information about foreign markets all at once. To such an end, fuzzy set qualitative comparative analysis would be particularly useful to shed important light to the literature.

7.3 Conclusion

New ventures such as Uber not only internationalize fast soon after inception but also display a fast internationalization speed in foreign markets after they enter foreign markets, as the opening quote suggests. Accordingly, it is not surprising that INVs have attracted not only

media (e.g., Newcomer, 2016; Wan, 2015) but also scholarly attention (e.g., Oviatt & McDougall, 1994) over decades. The present study systematically investigated the differential internationalization speed of INVs with a particular focus on the role of interlocking directorate ties as potential learning source of knowledge on foreign markets. I hope that future scholars will enrich the findings of this study and help the international entrepreneurship literature move forward.

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Nair, A., **Guldiken, O.**, Fainshmidt, S., & Pezeshkan, A. 2015. Innovation in India: A review of past research and future directions. *Asia Pacific Journal of Management*, 32(4), 925-958.

Guldiken, O. 2015. Investment Horizon of Institutional Investors and Financial Restatement Likelihood. In John Humphreys (Ed.), *Proceedings of the Seventy-fifth Annual Meeting of the Academy of Management* (Published in Academy of Management Best Paper Proceedings)

Manuscripts under Review:

Guldiken, O., Tupper, C., Yu, H., Nair, A. The Impact of Media Coverage on IPO Stock Performance. 3rd round revise and resubmit at *Journal of Business Research*.

Fainshmidt, S., Smith, A., **Guldiken, O.** How Do Resource Flows Affect Organizational Performance? A Configurational Examination. 1st round revise and resubmit at *Strategic Organization*.

Benischke, M., **Guldiken, O.**, Martin, G., & Doh, J. The Tone at the Top: How CEO Compensation Affects the Interaction of Political Risk and Governance Strategy. Under Review at *Journal of Management Studies*

Tupper, C., & **Guldiken, O.**, & Benischke, M., Liability of foreignness and avoiding it: Evidence from IPO firms. Under review at *Journal of World Business*.

Mallon, M., **Guldiken, O.**, Benischke, M, Dong, F., & Nguyen, T. Is there an advantage of emergingness? Longitudinal Evidence from 43 emerging economies. Under review at *Journal of International Business Studies*.

Guldiken, O., Benischke, M., Darendeli, I. The Internationalization of U.S. New Venture Firms through Board Interlocks: Evidence from 2005-2010. Under review at *Journal of Management*.

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Walton College of Business at the University of Arkansas:

WCOB 3016: Business Policy & Strategic Management (Spring 2012)
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WCOB 3016: Business Policy & Strategic Management (Spring 2011)
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MGMT 4263: Organizational Change (Spring 2010)
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Conference Papers and Presentations:

Academy of Management: 2016 (2); 2015 (3); 2014 (1); 2013 (2)
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Awards & Nominations:

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Professional Service:

Ad-Hoc Reviewer, Journal of World Business, 2014-Present
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