
EXPLAINING THE FORMATION OF INTERNATIONAL NEW VENTURES: THE LIMITS OF THEORIES FROM INTERNATIONAL BUSINESS RESEARCH*

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EXECUTIVE SUMMARY

International new ventures (INVs) represent a growing and important type of start-up. An INV is defined as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt and McDougall 1994). Their increasing prevalence and important role in international competition indicates a need for greater understanding of these new ventures (Oviatt and McDougall 1994).

Logitech, as described in a case study by Alahuhta (1990), is a vivid example of an INV. Its founders were from two different countries and had a global vision for the company from its inception. The venture, which produces peripheral devices for personal computers, established headquarters in both Switzerland and the U.S. Manufacturing and R&D were split between the U.S. and Switzerland, and then quickly spread to Taiwan and Ireland. The venture's first commercial contract was with a Japanese company.

Using 24 case studies of INVs, we found that their formation process is not explained by existing theories from the field of international business. Specifically, neither monopolistic advantage theory,

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