VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wānanga o te Ūpoko o te Ika a Māui

VICTORIA
MANAGEMENT SCHOOL
Te Kura Whakahaere

WORKING PAPER SERIES

01-09

Where Does International Entrepreneurship End? Exploring Entrepreneurial Exit from Internationalised SMEs through Trade Sales

ISSN 1179-3023 (online)
ISBN 978-0-475-12347-3

Sally Davenport
Victoria Management School
Victoria University of Wellington
PO Box 600
Wellington 6140
New Zealand

Email: sally.davenport@vuw.ac.nz
Tel.: + 64 4 463 5144
Fax: + 64 4 463 5436

ABSTRACT

International entrepreneurship is of great current interest with governments increasingly turning their attention to supporting the internationalisation of small and medium-sized enterprises (SMEs) in order to increase international competitiveness. The international entrepreneurship literature is primarily focused on entry mode with subsequent performance of the SME usually being linked back to entry decisions rather than to the firm's subsequent growth strategies. We argue that an international entrepreneurship framework should extend further post-entry and, given the emphasis in the field on the entrepreneur, ultimately to the drivers for their exit from the internationalised firm. In an exploratory study of ten internationalised New Zealand SMEs, it was found that the entrepreneurs exited at a stage when the internationalised firms had reached a barrier to further growth, which was resolved through a trade sale to a multi-national enterprise. Institutional factors in the New Zealand domestic environment resulted in the trade sale as a favoured exit strategy. Policy implications for the home nation are discussed given the sale is a form of inward foreign direct investment. A policy conundrum arises in that the best approach to countering such trade sales may be to support outward foreign domestic investment by the internationalised SME. The paper suggests that the exit of the internationalising entrepreneur should be considered as one boundary marker between international entrepreneurship and international business.

INTRODUCTION

International entrepreneurship, a topic at the intersection of international business and entrepreneurship (Oviatt and McDougall, 2005), has been the focus of much attention both in the academic literature (Gamboa and Brouthers, 2008) and in policy (Wright, Westhead and Ucbasaran, 2007). Governments are increasingly turning their attention to supporting the internationalisation of SMEs in an attempt to increase international competitiveness, given that pursuing internationalisation early in a new ventures' existence appears to enable improved performance (Fernhaber, Gilbert and McDougall, 2008; Lu and Beamish, 2001; Autio, Sapienza and Almeida, 2000). As defined by McDougall and Oviett (2000: 903), international entrepreneurship is a 'combination of innovative, proactive and risk-seeking behavior that crosses national borders and is intended to create value in organisations'.

The often-rapid internationalisation of SMEs, which is the subject of international entrepreneurship study, brings unique challenges both for management and policy because of the cross-border characteristic. It signals the potential demise of both 'the nation state as the relevant unit around which international business activity is organised' and 'the stand-alone firm … as the principal unit of business competition' (Wright and Dana, 2003: 135). In particular, it raises a question about how a nation can continue to capture the value created through international entrepreneurship, especially as uncertainty remains about the effectiveness of support measures (Dimatros and Jones, 2003).

Unlike other approaches to SME internationalisation (Ruzzier, Hisrich and Antonic, 2006), international entrepreneurship places an emphasis on entrepreneurial behavior. At the centre of this behavior is the entrepreneur (or entrepreneurial team (Ucbasaran et al., 2003)) and the strategic choices open to entrepreneurs, coupled with the home region context, that can influence internationalisation decisions (Wright et al., 2007; O'Farrell, Wood and Zheng, 1998). This paper seeks to contribute to the international entrepreneurship literature by proposing that a significant gap exists around the upper bounds of what might be called international entrepreneurship behaviour. Although the literature does refer to firms' reluctant exit from international markets (labelled as 'disappointed exporter' (Westhead 2005)), there are other transitions which could mark the end of this phase in an internationalising firm's life-cycle.

In line with the subject's emphasis on the entrepreneur, one such end-point is the exit of the internationalising entrepreneur from the firm. Jones and Coviello (2005: 299) encouraged 'investigation of the entrepreneur's influence along with those of the firm and environment' and in line with this, we will consider the impact of both the strategic choices made by the entrepreneur and how the growth stage of the firm and the home context influence the decision of the entrepreneur to exit the internationalised SME. As indicated by Wright et al., (2007: 1019) the 'extent and rationale for exit from internationalisation is not well understood'. While the exit to which Wright et al. refer is the exit of the firm from the foreign market, we would propose that, likewise, the exit of the entrepreneur from the internationalised SME is also not well understood.

Although the entrepreneur may exit through other methods, this paper will outline exploratory research into one, apparently favoured, entrepreneurial exit strategy – the sale of the SME by the founder entrepreneur to a multi-national enterprise (MNE)[1]. By exploring the documented drivers behind the decision to sell from the perspective of the founder-entrepreneur, the study aimed to gain a better understanding of the factors leading to this entrepreneurial exit strategy. Whilst the size of the sample used in this research can only result in the development of exploratory insights into this internationalised SME transition, we propose that the exit of the internationalising entrepreneur could be viewed as a natural end-point to the study of a firm with an international entrepreneurship lens and thus mark one boundary to a potential comprehensive international entrepreneurship framework.

The motivation for the research stems from the fact that exit of the entrepreneur from a successfully internationalised SME through trade sale was identified as a transition of great salience yet appears to be not well studied. Thus this research also speaks to the increasing calls in the literature for a more finely grained understanding of the impact of multinational ownership of firms in small open economies (eg. Hanson, 2001; Akbar and McBride, 2004). Even though there is evidence to suggest that foreign-ownership has a neutral or positive impact on innovative activity and productivity (eg. Dachs, Ebersberger and Loof, 2008) on the host nation's firms, local observers often decried these sales. As an example, it had been stated that one of New Zealand's major 'problems' was that, as a nation, it was not able to retain promising, particularly high-technology internationalised SMEs[2]. Essentially the basis of the concern was that before the SME had the chance to grow to a reasonable size it was sold by the founder entrepreneur to an MNE, and thus any potential to significantly contribute to the economy, in direct or indirect ways, was apparently lost for good. In many ways, this concern is akin to a firm level 'brain drain' and, because of this acquisition activity, New Zealand was said to be 'in danger of becoming a nation of employees' (Smith, 2006: 10).

The paper will first outline several streams of relevant research literature. First, a brief survey of the literature regarding high-technology SME internationalisation, including with respect to location of origin as geographic location has been found to influence internationalisation (Fernhaber et al., 2008). Then the relevant entrepreneurship research will be canvassed, particularly that which can shed light on the motives for entrepreneur departure, as well as that relating to trade sales in comparison with initial public offerings (IPOs) as potential exit strategies. Combining these two literatures led to three research questions that guided the research:

What was motivating the entrepreneur to sell the iSME?

What stage was the iSME at such that the sale should happen at this point?

Why was sale to an MNE favoured over other exit options such as an IPO?

After the exploratory study is described, the discussion will centre on the entrepreneur, firm and home context factors that influence entrepreneur exit. Finally implications both for policy in the SMEs home nation, and suggestions for the development of a comprehensive international entrepreneurship framework, are outlined.

SME INTERNATIONALISATION

The phenomenon of the rapidly internationalising SME (iSME), whether labelled 'international new ventures' or 'born global' firms, and the resources and conditions that lubricate their ability to internationalise rapidly, have been well canvassed in the literature (for example, Coviello and Cox, 2006; Knight and Cavusgil, 2005; Madsen and Servais, 1997; Liesch et al., 2002; Bell et al., 2003; Burgel and Murray, 2000; Liesch and Knight, 1999) including the challenge they present for traditional internationalisation models (for example, Knight and Cavusgil, 1996, 2005; Oviett and McDougall, 1997; Coviello and McAuley, 1999; McDougall et al., 1994). For the purposes of this research, the most salient characteristics of iSMEs are that they are generally technology-intensive, often due to a significant process or technology breakthrough, and are formed by active entrepreneurs with a global orientation (Knight and Cavusgil, 2005; Bell et al., 2003; Moen, 2002; Knight, Madsen and Servais, 2004). They also exhibit strong inter-firm relationships with such behaviour being 'particularly prevalent among firms operating in small open economies...

where domestic demand may be limited' (Bell et al., 2003: 341). Madsen and Servais (1997: 578) also found that 'firms in nations with small domestic markets have a higher propensity to become born globals than firms in nations with large domestic markets'.

The iSMEs are perceived to 'manifest particular resources comprising orientations and competencies that propel then to superior international performance' (Knight, Madsen and Servais, 2004: 647). The scale of resources traditionally thought to be required to successfully internationalise, which therefore represent an apparent barrier to SME internationalisation, appears to have been circumvented by the iSMEs. As a group, these SMEs tend to have better 'access to superior financial resources' and 'stronger finance-related managerial resources' from inception (Gabrielsson, Sasi and Darling, 2004: 590). In addition, it is likely that other resource acquisition strategies, such as effectively utilising communication technologies (Petersen, Welch and Liesch, 2002; Knight and Cavusgil, 2005), by exploiting international networks to access necessary resources (Chetty and Wilson, 2003; Madsen and Servais, 1997) or by quickly obtaining 'global management-related skills and industry–specific experience through the use of external business partners and venture capital representatives' (Gabrielsson et al., 2004: 590), successfully replace the slower, and probably more costly, experiential learning curve associated with traditional internationalisation models.

Thus, iSMEs appear to be suitably resourced for internationalising but is this also the case for subsequent growth? There has been relatively little discussion of the further growth of the SMEs past their first years of global market entry and, when performance is a topic, it tends to be related back to factors that influenced the original internationalisation process (see for example, the Jones and Coviello (2005: 297) model, figure 4). In their study of Finnish electronic firms, Autio et al. (2000) found that companies that internationalised earlier enjoyed more successful subsequent international growth. The authors explained that it is 'unlikely that young firms are capable of talking larger, bolder steps than are older firms. What we suggest is that they are capable of taking small incremental steps more rapidly than older firms' (Autio et al., 2000: 919). It is interesting to note that six of their sample firms (n = 134) had been acquired during the study period but that these firms were then excluded from the study because of this event so no light can be shed on the characteristics of the sales.

Covielli and Cox (2006), discuss the role of an international new venture's networks on resource changes as the firm evolves through Kazanjian's (1988) four stages, which included a third stage of growth and organisational issues. However, they excluded the fourth stage of stability and profitability as the firms (from New Zealand) were all relatively young (internationalised in the last five years), and small (less than 10 employees world-wide) and had not reached that stage.

The emerging literature that does investigate what could be viewed as more mature iSMEs is that regarding micro-multinationals (mMNEs) (Ibeh et al., 2004). Ibeh et al. (2004: 290) proposed that these mMNEs are still SMEs (using the EU definition of less than 250 employees with the average size in their study being 60.6 employees) but, in contrast to iSMEs that are primarily focused on export, are 'a separate body of internationalised SMEs that control and manage value-adding activities in more than one country'. They are defined 'not by their speed or pace of internationalisation but by their tendency to adopt more advanced market servicing modes in controlling and managing value-adding activities across international markets'. Although not made explicit in Ibeh et al.'s (2004) studies, it is likely that many iSMEs grow into mMNEs if they are successful in their earlier internationalisation-through-exporting initiatives. Another aspect that is not discussed in this literature is whether the original entrepreneur is still involved with the mMNE. With the exception of these examples, no other reports of subsequent growth of iSMEs, past about the first few years of internationalisation, was found in the literature, and suggests an area ripe for further study under an international entrepreneurship framework.

The home environment of the iSMEs may influence the availability of resources for subsequent growth. As already mentioned, a small domestic market increases the propensity for a firm to become an iSME. As Chetty and Campbell-Hunt (2003a: 11) state 'scaling up to a global scale from a base as small as the New Zealand market is particularly overwhelming'. The fact that New Zealand high-tech firms have strong international rather than domestic orientations and relationships due to their unique technologies and customisation strategies has been proposed as a reason for a lack of regional clustering activity in high-tech sectors (Davenport, 2005). In a similar vein, Jolly et al. (1992) argued that high-tech start-ups are vulnerable, being dependent on one product, and have relatively high fixed costs, which makes market and resource access more important than considerations of psychic distance, a trend that was also observed in Scottish mMNEs (Ibeh et al., 2004). Chetty and Campbell-Hunt (2003b) found that there are at least two distinctive internationalisation patterns for New Zealand SMEs – one in which companies adopt a regional approach, often focusing solely on Australia for export as an attempt to manage controlled growth, the other in which the strategy is truly global in terms of market scope and depth of offshore involvement. Chetty and Campbell-Hunt (2004) subsequently argued that many of these iSME companies started internationalisation along traditional paths but were radically transformed in the process of achieving global reach because of their more aggressive approach to experiential learning. It is not only the small size of a domestic market but the lack of other resources locally, including physical, financial and organisational, that propels iSMEs off-shore at, or shortly after, formation but may also affect subsequent evolution (Coviello and Cox, 2006). Resources also feature in the literature regarding entrepreneur exit to which we now turn in order to understand the link between iSME growth with the departure of the internationalising entrepreneur.

ENTREPRENEUR EXIT

In line with the definition of international entrepreneurship, entrepreneurship more generally has been defined as 'the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled' (Timmins, 1994: 7). As a field, entrepreneurship research generally has tended to concentrate on either the 'front end' of the individual's entrepreneurial life-cycle or on the performance of entrepreneur-led SME (Shane, 2003). There appears to be less interest in entrepreneur exit (Mason and Harrison, 2006) and, when this is studied, the framing of the transition is that the firm has outgrown the entrepreneur's skills (Willard, Kruegaer and Fesser, 1992) so that entrepreneur departure is a function of size and age of the firm (Boeker and Karichalil, 2002), that the entrepreneur must change to be able to lead an institutional growth phase (Swiercz and Lydon, 2002) or that the exit is primarily an issue for the venture capitalist investor (Wright and Robbie, 1998; Schwienbacher, 2008). Investigating the transition in more depth, Boeker and Karichalil (2002) proposed that founder entrepreneur departure was more likely: in companies experiencing high (or low) growth; in companies with more concentrated ownership (but not if it was the founder that had most ownership) and in companies with more external board members. Conversely, entrepreneurs were less likely to depart when: the entrepreneur worked (or presumably had a strong hand in) research and development functions; when the entrepreneur had extensive industry experience; and when the entrepreneur was also the founding CEO. Thus entrepreneur exit is coupled in this literature with firm growth issues.

Exits that result in the continuation of the entity (so ignoring liquidation) are mostly implemented though initial public offerings (IPOs) or through acquisition via trade sale. IPOs are seen to be an important 'harvesting' transition in the life cycle of entrepreneurial firms (Filatotchev, Chahine, Wright and Arbeck, 2005). Traditionally, an IPO was perceived as being a more favourable choice for harvesting a firm as, if successful, it usually provided a higher valuation for exiting stakeholders, including the entrepreneur, than other options (Prasad, Vozikis, Bruton and Merikas, 1995). Trade sales, on the other hand, are more commonly associated with the exit of venture capitalists (VC) from firms (for example, Bascha and Walz, 2001; Berglof, 1994; McKaskill, Weaver and Dickson, 2004; Murray, 1996; Wang and Sim, 2001; Giot and Schweinbacher, 2007). IPOs and trade sales apparently accounted for about two-thirds of the venture capital exit volume in the EU during the 1990s, with other options being liquidation, founder buy-back and purchase by institutional investors (Bascha and Walz, 2001). In terms of geographic location, it has been noted that successful VC exits, by IPO or trade sale, are more likely when the SME is located in a well-developed cluster of entrepreneurial activity and financing activity (Giot and Schweinbacher, 2007).

A trade sale, or acquisition of the SME firms by a large firm, has been recognised as a large firm strategy for capturing knowledge resources and enhancing innovation (Baumol, 2004; De Martino, McHardy Reid and Zygliodopoulos, 2006; Mason and Harrison, 2006) but an MNE acquisition also introduces foreign direct investment (FDI) into the SME home base. Theoretical approaches to FDI have centred upon its impacts on the host nation's economy which depend not only on the characteristics of the host country but also on how the MNE chooses to operate through its affiliate. De Backer and Sleuwaegen (2003) observed long-run positive effects of FDI on domestic entrepreneurship as a result of learning, demonstration, networking and linkage effects between foreign and domestic firms. However, such sales introduce risk as the potential for asset stripping by a private buyer has been recognised as an issue with trade sales (Bascha and Walz, 2001; Berglof, 1994).

Cumming, Fleming and Schwienbacher (2005) describe the role of liquidity risk in a venture capitalist's exit decision-making process between trade sale and IPO, and the parallel could probably be drawn for entrepreneurs, such that exit decisions are influenced by the ability to divest at a certain point with lowest possible (explicit and implicit) transaction costs and maximum returns. Changes in external conditions, such as fluctuating IPO markets, influence liquidity risk for venture capital divestment (Cumming et al., 2005) and are also likely to influence entrepreneurial exit decisions. With entrepreneurs, there may be other mitigating factors such that perceived maximum returns may not just be immediate financial gain but also other benefits (or costs) for the entrepreneur. IPOs are often viewed as favourable for the entrepreneur as they remain independent (Schweinbacher, 2008) whereas trade sales may not satisfy the entrepreneur's objectives to maintain control (Wright, Robbie and Ambrighton, 2000). However, studies have shown that there tend to be shorter windows of opportunity for successful IPOs, where as trade sales are less timing-dependent (Giot and Schweinbacher, 2007).

One benefit for the entrepreneur of not staying with the firm (which is usually expected with an IPO) may be the freedom to 'do it all again'. Exit from the venture is only one phase of an entrepreneur's potential life-cycle such that entrepreneurship sub-categories are now recognised (Rosa and Scott, 1999; Westhead, Ucbasarn and Wright, 2003) including 'habitual' entrepreneurship (entrepreneurs with prior business ownership experience), 'portfolio' entrepreneurship (those that own multiple businesses simultaneously) and 'serial' entrepreneurship (that own multiple businesses sequentially). Also called 'entrepreneurial recycling' (Mason and Harrison, 2006), such repeat entrepreneurialism is recognised as being of great importance to both the venture capital industry (Wright, Robbie and Ennew, 1997) and regional renewal (Mason and Harrison, 2006).

In summary, the literature has indicated that the entrepreneur's exit from the company may be motivated by a number of factors, including the need for different skills as the firm grows, the desire of the entrepreneur to harvest their investment (through a mechanism with low liquidity risk), or in order to become a habitual entrepreneur. Another factor that may play a role in the decision-making process is the potential fate of the company from which the entrepreneur is exiting. By merging these observations about entrepreneur exit into our interest in exploring the exit of the entrepreneur from iSMEs, the following questions underpinned the exploratory study:

What was motivating the entrepreneur to sell the iSME?

What stage was the iSME at such that the sale should happen at this point?

Why was sale to an MNE favoured over other exit options such as an IPO?

THE RESEARCH PROJECT

This research forms part of the Competitive Advantage New Zealand (CANZ) project[3] which uses in-depth historiographic case research (Eisenhardt, 1989; Goodman & Kruger, 1988) on selected New Zealand companies to contribute towards the understanding of 'doing business' from a small isolated economy and for theory building and hypothesis development. The project has identified several important evolutionary transitions through which many New Zealand companies progress but that do not necessarily follow traditional theory of company development that has been derived in US or European settings (Campbell-Hunt, Brocklesby, Chetty, Corbett, Davenport, Jones and Walsh, 2001).

Before describing the project in more detail, it is useful to understand the business context in New Zealand, a country of about the same size of Great Britain but with a population of over four million people. New Zealand has 463,380 private sector enterprises (February 2007) of which about 451,497 (97%) are SMEs (ie. in New Zealand defined as those employing 19 or fewer full-time equivalent staff) (MED, 2008) yet only 5% of high-growth firms (defined as those with average annualised growth of over 20% per annum, over three years) are in this category. Thus there are only about 11,883 companies with 20 staff or more and this is where high–growth companies are concentrated with 63% of such companies in the range 20-49 FTE employees (MED, 2008). New Zealand is unusual in that it is dependent on a very small number of companies for its export earnings (Bowen, Harworth and Wilson, 2003; Ministry of Economic Development, 2000). Estimates range from 33 companies accounting for 80% of earnings to 133 companies accounting for 60% of merchandise trade (Bowen et al, 2003). In turn, whilst the majority of New Zealand's private sector enterprises export up to 10% of their products or services, New Zealand has a disproportionate number of companies that derive at least 75% of their revenue from exports – about 1500 in total. These are typically producers of quality, niche products sold to the global market (Campbell-Hunt et al., 2001; Heeringa, 2004).

Foreign ownership of New Zealand companies is not new but has been increasing in recent years, particularly of the nation's larger companies. Through the late 1990s, New Zealand was one of the most heavily dependent (developed) countries on FDI as a source of fixed capital formation (Scott-Kennel & Enderwick, 2001). If the figure for 'ownership' is taken to be a stake of 25% or more, then such companies accounted for 2.2% of all enterprises operating in New Zealand in 2002 but employed 19.2% of the workforce and accounted for about 38% of the tax-paid earnings (MED, 2003). In 2003, there were 5450 New Zealand businesses with 50% or more foreign ownership and 15% of all full-time workers were employed by these businesses. More recent figures indicate that New Zealand has, by OECD standards, a high degree of foreign involvement in the productive sector with estimates of 54% of GDP in 2005 (Skilling, 2006), 47% of publicly listed companies and about 28% of New Zealand assets being under foreign ownership (Bollard, 2006). Foreign-owned organisations account for approximately three-quarters of employment in the finance and insurance sector, about half in communication services, and one third of employment in the manufacturing, transport and storage, mining and wholesale trade sectors (Scott-Kennel and Enderwick, 2001).

Table 1: MNE Trade Sales of New Zealand Companies 1996-2004.

Company	Founded	By	Known For	Size at sale (revenue staff)	Sold	MNE (home country)
ADIS International	Late 1960s	Graeme Avery	Pharmacovaluation, medical research publishing	\$45m 225 in NZ 400 world	1996	Wolters-Kluwer (Netherlands)
Switchtec	1985	Dennis Chapman	Power supplies for telecoms.	\$40m Not known	1997	DTR Power Systems/ Invensys (UK)
Binary Research	~1990	Murray Haszard	'Ghost' disk cloning software	Not known 16 in team	1998	Symantec (US)
MAS Technology	1976	Neville Jordan	Microwave telecom/ electronics	\$100m 240	1999	DMC (US)
Holliday Group	1990	Phil Holliday	WAP applications	\$2-3m 30	2000	Itouch (UK)
Deltec	1977	Peter Graham	'Teletilt' remote antennae technology	\$34m 80	2001	Andrew Corp (US)
Interlock	1961	Stuart Young	Innovative window and door hardware	\$60m 420	2001	Assa Abloy (Sweden)
Marshall Software	1994	Spin-off of Design.Tech	Content security software	\$12m 57	2002	NetIQ (US)
Navman	1988	Peter Maire	Satellite navigation systems	~\$130m 350 world	2003	Brunswick (US)
Jade	1978	Gil Simpson	Software environ. (LINC, JADE)	\$36.8m 330	2004	ICap Partners (US)

*Officially a 'pooling' of shares as MAS Technology was a publicly listed company and DMC acquired shares not on the public market.

An in-depth qualitative approach using multiple sources of evidence to build rich data (Lee, 1999) was employed to explore the process of entrepreneurial exit from iSMEs (Westhead, 2005). The case study firms were selected for theoretical reasons (Eisenhardt, 1989) and had to be iSMEs (less than 250 employees) at the time of first inception of internationalisation (although most had grown to larger size since then). Ten high-tech New Zealand companies sold to MNEs between 1996 and 2004 were chosen for this study (table 1). Six were selected from either the CANZ database (Deltec, Navman, Jade) or were suggested by expert advisors (MAS Technology[4], Switchtec, Marshall Software), and a search of the local media archives surfaced another four sales (ADIS International, Binary Research, Interlock, Holliday Group) that had occurred during the selected time-frame. All of the companies had established a presence in a range of international markets and were exporting between 50% and 100% of their products at the time of sale. While there may have been other sales that were private and therefore not exposed in the media, this selection of ten cases is believed to represent most, if not all, of the entrepreneur exits from New Zealand high-technology iSMEs in the nine-year time-frame. Interviews were held with a selection of the entrepreneurs and other primary data (for example, transcripts and notes from seminars presented by some of the entrepreneurs) and secondary data (especially the considerable number of media analyses of the sales) for all of the firms were gathered as a basis for the formation of case studies of each sale. The data were analysed using the themes identified in the literature augmented by motivations identified by the sale participants.

ENTREPRENEUR MOTIVATION

In terms of Boeker and Karichalil's (2002) findings of predictors of entrepreneur exit, many would apply to these cases. The New Zealand iSMEs tended to have quite concentrated ownership confined to the entrepreneur's families or close colleagues which was positively linked by Boeker and Karichalil (2002) to entrepreneur exit, but the entrepreneur still held significant ownership which probably negated this factor. Most of these entrepreneurs were also the inventors of the original product concept and were involved in ongoing innovation, which was also a factor that was predicted to militate against entrepreneur departure. The presumption that the firm had outgrown the entrepreneur's skills was also less likely to be a factor. Virtually all of the firms had already grown from the entrepreneur-led 'start-up' stage to a successful iSME still managed by the founding entrepreneur and thus it could be assumed the entrepreneur had already 'transitioned' through the skills gap phase to be a 'professional manager' (Boeker and Karichalil, 2002).

It has been suggested that the sale of New Zealand's high-tech companies is a symptom of the 'baby boomer' phenomenon (Rotherham, 2003) in that those entrepreneurs who founded their businesses during the 1960s and 1970s began reaching 65 around the year 2000 and 'the bulk of them will be looking to ease back between now and 2020' (Stride, 2004: 34.01). Certainly a number of the entrepreneurs would fit the 'baby boomer easing back' mode and were looking for a change after many years of devotion to building their companies. Realising the value and passing on the risk, after decades of continually reinvesting in the company, were strong drivers. Alan Wilkinson, one of the founders of Marshall Software, was a typical case:

> *"We sold because we were offered an excellent deal allowing us to finally walk away from the huge risk we have carried for five years. Essentially, we were continually playing double or quit with our entire stake… We had to reinvest every cent to fund our growth to remain viable and achieve a significant market share and reputation. All this reinvestment is taxed heavily. Consequently, the shareholders had taken nothing out for 5 years. Instead they had large outstanding loans to the company. This had purchased 5% of the world market. We were aiming for market leadership. That prospect was another five years of total reinvestment and continuing risk…. We will miss the excitement and challenges, the adrenaline of the risk taking and decision making. But it is a comforting thing to have some money in the bank, to eat out and buy a nice car, to have the luxury of choice about what we do next."*

The ability of baby boomer entrepreneurs to 'ease back' has been said to be hampered by the lack of succession planning in New Zealand firms (Rotherham, 2003; PriceWaterhouseCoopers, 2008[5]), in that the entrepreneurs have not groomed an internal successor so must look elsewhere for exit options. It is interesting to note that succession issues were not mentioned in the literature studies of entrepreneur exit but this may point to succession being a more important factor for SMEs in small nations where the pool of potential successors might be limited.

Entrepreneurial recycling came through very strongly in the New Zealand cases with many of the entrepreneurs wanting to continue in business in some form. Some proceeded to set up venture capital companies or became involved with other businesses, either as a mentor or by attempting to grow another business 'from scratch', reinforcing the motivation to become a habitual entrepreneur (Rosa and Scott, 1999; Mason and Harrison, 2006). Of this driver, Jordan, a portfolio entrepreneur who has owned many high-tech companies as well as a venture capital company, stated:

> *"It's too much fun doing business…. I had seen venture capital in the States and it's quite hands-on. I wanted to be involved with business and science and technology in New Zealand – hands-on."*

Another habitual entrepreneur, Graeme Avery, founder of ADIS International, had since become heavily involved in Hawkes Bay business development through his investment in winery Sileni Estate and gourmet food store Vinoteca.

In fact, some entrepreneurs did not intend leaving the company immediately but just saw this transition as yet another step in growing the company. Others exited only after a significant period, as many of the offshore buyers wanted to retain the entrepreneur's skills and some included an 'earn-out' clause whereby the buyer paid a certain value only if revenue was maintained for (say) another two years. It has been found that there is a correlation between post-IPO performance of companies and equity retention by the original entrepreneur (Jain and Kini, 1994) and it is likely that the entrepreneur remaining involved in the company after a trade sale would also be perceived by the MNE to contribute to sustained on-going performance.

The last theme relates to the observation that entrepreneur exit may be associated with firm growth. The entrepreneurs, particularly those that were intending to stay with the company or retained an ownership stake, usually wished to see their companies grow to major players in the world but released that to do this was impossible under their current business model and resources. Phil Holliday, for example, was on a mission to take Holliday Group to be a world-class business based in New Zealand with a '*global footprint*'. This desire for the firm to grow was a key ingredient in the decision to exit, that is, that the entrepreneur believed that the company was ready for a major growth phase. Why then was a sale necessary when the entrepreneurs had been so successful in building the companies to this stage?

iSME Growth Stage

Most of these companies had been very successful in international markets with aggressive but focused internationalisation strategies (Davenport, 2005; Jolly et al., 1992), resulting in a high percentage of their revenue earned from exports. However, the entrepreneurs almost all talked of expanded internationalisation strategies that would see their companies grow to the next stage on the world markets but, as predicted for small firm internationalisation (Eden, Levitas and Martinez, 1997), they were frustrated by a lack of resources to enable this. In 2001, Maire, CEO of Navman, labelled this as '*phase three'* for his company:

> *"We're an ant. We're one grain of sand on the 90-mile beach of the world market. To survive, we've got to go to the market as fast as possible and as large as possible. It's time for an all-out worldwide strategy."*

After the sale, Maire expanded on the barriers Navman had faced:

> *"We got to around $5m in sales a couple of years ago and we started getting very frustrated about our growth and where it could get to in the following five years. Although we looked at $50m like a reasonable player, $50m is $30m US, which is about a corner [shop] in the US. It's a very small company. What we couldn't see was how to generate real growth because we couldn't get credibility in the world market. We had great IP but all the companies we were going to get business from would look at our technology and say "that's absolutely fantastic" but they'd say "look unfortunately you are way too risky because you are way too small. We can't afford to really deal with a little company like that – if you want to license your IP to us, maybe we could look at something like that but we can't let you build product for us".*

This last comment from Maire also captured another of the company growth stage factors – that these New Zealand companies were relatively small on a world scale. While they were recognised as having excellent technology, they were unable to attract major customers because of the perceived risk of contracting with a small, relatively unknown, New Zealand company, exemplifying the trade off that iSMES have to make between resource availability and customer support requirements (Burgel and Murray, 2000). Jim Donovan, CEO of Deltec at the time of its sale concurred regarding Deltec's major customers such as Motorola and Nokia which were saying:

> "*We like your product, but you've really got to be global if you're going to be a global partner for us. We can't keep dealing with you in New Zealand. You've got to be in the markets [main cellular technology markets in Europe and the United States] with product available."*

Labelling this decision point as '*do it now or don't bother*', Donovan explained that the expectations of these potential customers included sales, servicing, support, logistics and manufacturing of a scale that was of an order of magnitude larger than Deltec's New Zealand operations. This would need significant investment (estimated at NZ$10m minimum in 2000) and risk and he doubted that the then shareholders "*had the appetite for the game*". This issue was a major influence in the decision to sell Deltec.

Thus, it appears that the SMES were at a growth stage such that further incremental internationalisation strategies would not satisfy the potential for future growth envisaged by the entrepreneur to become what could be termed 'mini-nationals' (Eden et al., 2007). Having already become successful internationalised SMEs, the companies had already overcome many of the initial resource barriers incurred by internationalisation. However, the results make clear that in order to become more significant market players, the companies needed to undergo a step-change in growth, which would require a matching step-change in resources that were not available under the current business model. Thus significant sources of capital for the investment were required, albeit at this stage not necessarily from an MNE.

WHY TRADE SALE TO AN MNE?

There are two parts to the question; why is a trade sale preferred over other exit options such as an IPO, and second, why to an MNE? The sale to an offshore buyer was not a decision made quickly. The entrepreneurs and shareholders had usually considered carefully all the available options but, in general, local options carried considerable liquidity risk (Cumming et al., 2005) but also did not provide the ability to take the company to the next stage. As Marshall Software's Wilkinson indicated:

> "*What other options did we have for diversifying our investment and reducing our risk? We could have sold a portion of the company to a venture capitalist or listed on a local sharemarket. But when we looked we found little interest. Those who were interested did not have a compatible culture or attractive expertise in our business. The immediate money on offer was small and the potential impact on our management was large and not attractive. Sharemarket listing locally would have increased our compliance costs and bureaucracy, taking critical management focus away from our core business challenges.*"

Capital acquisition through IPO had figured in the plans of several of the companies. Jordan had taken MAS Technology to the NASDAQ exchange rather than to the local exchange, prior to the sale to DMC. Fluctuating IPO markets (Cumming et al., 2005) affected Jade's plans to list locally in 2003 when they postponed the listing due to difficult market conditions after the world events of 2001/2002. Navman's Maire had explored a wide range of options such as floats in New Zealand and abroad as well as further injections of venture capital. Each alternative met some needs but not all.

The lack of attractiveness of a local IPO or funding from New Zealand VCs was compounded by characteristics of the domestic capital market and the immaturity of the investment sector in New Zealand. For example, domestic investment patterns in New Zealand were dominated by property investment rather than investment in businesses (Bollard, 2006) resulting in New Zealand capital market of small size and relative liquidity (Skilling 2006). The very small pool of domestic capital resulted in relatively little capital raising occurring which was also said to be compounded by the fact that domestic investment advisers had little experience with valuing the potential of high-tech firms, making going to local capital markets even less attractive than might be the case in other nation's capital markets, and also less attractive than a trade sale.

In other nations, the trade sale possibility could include acquisition by another home nation company. However, almost universally in all productive sectors, there were no New Zealand companies large enough to acquire the iSME. As mentioned earlier, New Zealand, like many other countries, has a large number of SMEs but is unusual in that it has very few large companies or MNEs domiciled in New Zealand. The larger companies in New Zealand tend to be subsidiaries or branches of MNEs in the financial services sector. The only New Zealand based MNE, Fonterra, is in the dairy industry so a sale to a New Zealand company, which would have curtailed the perception of 'loss', was not an option.

Offshore buyers, such as $2 billion Assa Abloy conglomerate or the $1.3 billion Brunswick Corporation, certainly offered capital that was not available in New Zealand, to take the company through the next phase of international growth. In a response typical of the entrepreneurs, Maire says:

> *"The deal with Brunswick will allow Navman to continue its international expansion in the marine industry as well as improve its competitiveness in other related markets. Navman will continue to design, manufacture and introduce new GPS technology-based products from New Zealand. It's a case of business as usual for Navman, except that business will be faster, bigger and better."*

Although capital is important for growth, it is not the only asset these MNE buyers bring to the table. They also offer both tangible resources (capital, distribution channels) and intangible resources (backing of their reputations and brands, market knowledge). The Mercury Marine division of Brunswick, for example, owned a huge list of popular boat brands and had 5000 distribution outlets that became accessible to Navman. A Symantec manager talked of how his company helped solve Binary Research's distribution 'problem':

> *"For a product like Ghost you need feet on the street. We've sold many times more than we ever expected, because there was a very large market for that product."*

Many of the companies had successfully entered some regional markets but the offshore owner gave access to other markets. As is typical for these types of New Zealand firms (Chetty and Campbell-Hunt, 2003b), the companies were well established in Australia and Asia and even parts of Europe, but few had 'cracked' the North or South American markets. The phase of growth enabled by the sale, therefore, would also be marked by a potential expansion of market access with the MNE acting as a conduit for further internationalisation (Acs, et al., 1997). For Interlock, the Assa Abloy deal gave them access and capital to open new markets in Europe and South America but interestingly, the advantage was not just one-way, as Tony Gledhill of Interlock indicated:

> *"Our domestic base is likely to become a significantly smaller percentage of our business. This deal reduces the risk for us as we consider the considerable sums of money necessary to open up overseas markets. It also gives Assa Abloy access to Japan where Interlock has had a presence since the 1970s".*

The MNEs that acquired the iSMEs were attracted to the iSME's technology, R&D capabilities and/or market position of the companies' products. Continuing with Deltec, Donovan commented that Andrew Corporation got 'sick' of hearing from their customers '*have you got a product to compete with those Deltec guys?*" Assa Abloy took note of Interlock when they started to make their presence felt in the Australian market against Assa Abloy subsidiary Lockwood Locks. Navman's attractiveness was centred more on its ability to develop innovative uses for existing product concepts, rather than inventing new products. Thanks to its creative, skilled engineers, it cost Navman about half that spent by its competitors to design, develop and build GPS products. The company had won awards based on its dynamism and been lauded as having a remarkable ability to be flexible and responsive to new opportunities.

Irrespective of the attractiveness, the sales would not have happened if the intent of the MNE buyer had not been in line with the entrepreneur's vision for growing the company. NetIQ, for example, wanted Marshal's technology as it was a '*hot niche in the software market*' but also because it would 'strengthen' NetIQ's total offering, particularly its channels to market. NetIQ used direct selling whereas Marshall was '*entirely channel focused*'. The MNE intended giving the products more exposure under the NetIQ Marshal Solutions brand and to focus on large North American customers as this was a market into which Marshal had not made '*inroads*'. NetIQ's product Marketing Manager stated that:

> *"We see real synergies there. NetIQ has had limited success in building its channel. Some NetIQ partners will find selling Marshall attractive and some Marshall partners will like the NetIQ products. The two channels won't be run separately, and NetIQ will begin to integrate them when the sale goes through."*

Likewise, Andrew Corporation intended to integrate Deltec's Teletilt technology into its existing radio frequency subsystem product portfolio enabling much wider penetration of the technology. At the time of the Deltec sale, founder and chairman, Peter Graham said:

> *"The Andrew deal means our Teletilt technology can really take its rightful place in the global mobile telecommunications market. We didn't have the scale or market reach to do it on our own, but Andrew does. We share a similar vision and values, and this deal means a more expansive future for our sales and development staff."*

An intention to dismantle all operations in New Zealand was not acceptable to either the entrepreneur or shareholders (although in some cases this did happen a few years after the sale). Not all sales involved retaining all current staff or operations (although many did and a significant number of the companies had since grown in size), but the core of the technology and capability that had made the New Zealand company attractive in the first place, was almost inevitably retained in New Zealand and in several cases the New Zealand company evolved into an R&D or creative design arm of the MNE. Assa Abloy perceived of Interlock as a 'model company' and, after the sale, Interlock was approved to spend on R&D at a level about twice that, as a percentage of sales, of the whole Assa Abloy group. MAS Technology was renamed Stratex Networks and became one of DMC's R&D wings and, even though it made up only a fifth of DMC, it quickly contributed about one third of DMC's profits. Whilst Deltec's local manufacturing was closed down, the R&D arm remained under Andrew Corporation's brand. Binary Research's Auckland development team became the only full-scale Symantec development facility outside of North America. ITouch intended Holliday Group to be a centre of excellence for development and deployment of mobile office applications and hardware. Given the technological background of many of the entrepreneurs, the possible future growth plans for the iSME to become a world technology development hub for a major MNE, was very attractive when coupled with the financial, distribution and market resources that the MNE also brought to the firm, none of which could be gained through an IPO.

DISCUSSION AND POLICY IMPLICATIONS

This study of SME trade sales to MNEs has highlighted the issues that such companies face when wishing to grow, possibly rapidly, from iSME size. The results suggest that the firms hit a resource barrier, not at the early internationalisation stage, but at a point when they are already well established in their markets as a niche player and are in need of a significant resource investment to meet large customer expectations. These resources are both tangible, such as capital to expand manufacturing operations and access to extensive distribution systems, as well as intangible, such as reputation and credible brands. The resource disadvantages described here are not constraining market entry as in most cases these niche players were already well established alongside, if not accepted by, major competitors and probably on the verge of becoming mini-multinationals themselves.

Forming strategic alliances with the MNE was considered by some of the entrepreneurs, sometimes as a prelude to sale. However, the scale of the resources needed, and the attractiveness of the SME's current capabilities to the MNE, usually meant that the strategic alliance was not as attractive to the MNE as acquisition. Scott-Kennel & Akoorie (2004: 343) argued that SME and MNE integration is just as crucial for the MNE as for the SME, in that 'acquisition of innovative firms poised for growth or those which possess unique competitive advantages extends the growth cycle of the MNE (as well as the SME), by complementing its existing established advantages thus slowing the descent into decline stage'.

The trend for MNEs to acquire rather than ally with the New Zealand firm is reflected in the fact that New Zealand's FDI is heavily weighted towards merger and acquisition activity rather than to green-fields investment that is typically desired by governments (BCG, 2001). This poses a significant challenge to policy. The New Zealand Government decided to review its FDI policies with a view to focusing on FDI that creates value 'in and for New Zealand'. However, this approach alone will not change the contextual circumstances that lead to sales to MNEs as the most attractive option.

The growth barrier that the firms face is at the core of the policy challenge. To reiterate, the firms reach a stage where primarily operating from a New Zealand base will no longer satisfy customer demands and thus owners sell rather than make investments in off-shore facilities, the latter being a form of outward foreign direct investment. In contrast to New Zealand's high rate in inward foreign direct investment by international comparison, the nation has one of the lowest levels of outward foreign direct investment in the OECD (MED, 2007). Outward FDI can be an anathema to policy, as traditionally it was seen as using national resources to increase employment in other nations. However, in recent years having high levels of FDI is becoming recognised as being as important as strong levels of inward FDI, given the repatriation of revenue from the off-shore facilities. The task then for policy design is to assist domestic firms to make these off-shore investments in order to grow them towards ‘mini’ (or midi-) multi-nationals rather than becoming subsidiaries of MNEs.

The fact that, in order to grow, local firms would need to make investments offshore, either by forming alliances with inshore distributors or by relocating some part of their activity offshore, was recognised by the New Zealand Government. Traditionally support for offshore activities had been entirely focused on export market development so this shift reflected a major change in policy thinking. Two measures were initially introduced: first the international tax rules were changed to allow a tax exemption for active income earned by New Zealand companies offshore which would then put the New Zealand firms ‘on the same footing as competitors elsewhere in the world’; second, a new focus was to be introduced on ‘assisting firms to undertake outward investment’ (Mallard, 2007: 1). However, evidence of residual reluctance remained in that before assistance was to be given, officials ‘need to be satisfied that there is a compelling logic behind spending public money to help private companies to grow offshore’ (Mallard, 2007: 1).

The growth stage of the firm was only one of the factors, however. The desire of the entrepreneur to repeat the international entrepreneurship experience is another challenge for policy. It has been suggested that there may be ‘policy scope to provide habitual entrepreneurs that are experienced in exporting to partner with inexperienced novice entrepreneurs’ (Wright et al., 2007: 1025). However, before the international entrepreneur can provide this advice they need to exit the firm, preferably as smoothly as possible. This is where succession planning may be crucial preparation. Although there is not a large body of literature on CEO succession specifically in high-tech firms, recent research suggests that insider CEO heirs are more likely to be successful in these firms (Schnatterly and Johnson; 2008; Hannan, Bacon, Hsu and Kocak, 2006). In New Zealand, it has been found that succession planning is key issue for many firms (Pricewaterhouse Coopers, 2008) so policy measures aimed at facilitating the building of a strong management team with multiple possible heir apparents, may also be useful both with assisting the firm overcome the growth barrier as well as preparing for the entrepreneur’s exit.

Whilst policy measures will not prevent trade sales, this research suggests that understanding the typical growth path and the particular barriers faced by iSMEs, provides a strong basis for the design of policy measures that support international entrepreneurship and the economic benefits for the home nation that such ventures bring. This study has shown that there can be complex interactions between, on the one hand, domestic institutional characteristics, such as an immature capital market, coupled with other national parameters including distance to markets, and, on the other hand, firm growth patterns and entrepreneurial life-cycles, to produce particular challenges for policy aimed at supporting international entrepreneurship.

CONCLUSION

By exploring the exit of experienced international entrepreneurs from New Zealand internationalised SMEs, we have attempted to highlight an aspect of the international entrepreneurship field that is ripe for further study. International entrepreneurship research has primarily focused on market entry aspects of the internationalising SME, such as entry mode decisions and how these relate to immediate performance post-entry. However, it is proposed in this paper that a comprehensive international entrepreneurship framework should also consider what concluding characteristics define the upper boundary of the field to balance the focus on the initiation of SME internationalisation. One conclusion that is canvassed in the literature is the exit of the firm from the export market, which is often framed as ‘reluctant’, but the exit of the entrepreneur may be another boundary definer.

There are several potential modes of entrepreneur exit, but the study described in this paper explored why one particular mode, trade sale to a MNE, was predominant for exiting entrepreneurs of iSMEs from New Zealand. It was found that a combination of home nation characteristics, coupled with the life-cycle stage of both the firm and the entrepreneur, combined to make acquisition by a MNE the favoured route to entrepreneur exit. From a policy perspective, this exit route is regarded as unfavourable for the home economy, even if it is inward FDI, given it deprives the nation of a potentially much larger company that could potentially evolve into an MNE itself. However, supporting the alternative growth path, which would typically involve outward FDI by the iSME, is also not very palatable for governments, posing a conundrum for policy.

While the study is only exploratory in nature given the small size of the sample, it has indicated that international entrepreneurship as a field could potentially be broadened to encompass the full life-cycle of the internationalised entrepreneur and their growth strategies for the iSME. Given the field’s emphasis on the entrepreneur, one logical conclusion for international entrepreneurship is the exit of the entrepreneur from the iSME. Thus, the exit becomes another marker, in conjunction with firm exit from the export market, of the boundary between international entrepreneurship and international business/management.

NOTES

1. An earlier version of this paper was present at the Academy of Management Conference, Anaheim, August, 2008.
2. This is likely to be a more significant issue in smaller nations as an individual sale or "loss" of an iSME to the larger country home-base of the MNE may have a much more significant potential economic impact than would be the case in larger nations. However, anecdotal evidence suggests that inter-state or inter-regional purchases of, or significant investments in, high-tech new ventures may also cause a drift away from the venture's home-base.
3. The New Zealand Foundation for Research, Science & Technology provided funding for this research, as part of the Competitive Advantage New Zealand (CANZ) project, contract number VIC0302 (http://www.vuw.ac.nz/canz/). The author would like to acknowledge and thank research assistants, Charles Campbell and Jude Barlow, for their extensive efforts in literature and data collation.
4. MAS Technology was not technically a 'sale' in the sense of the entrepreneur selling the company, as MAS Technology was already a public company. The acquisition was officially a 'pooling' of shares whereby DMC acquired the shares not on the public market. It was decided, however, to keep MAS Technology in the sample as the media treatment of the event was as if it had been an MNE trade sale.
5. It is interesting to note that in the recent PWC survey, most owners expected to exit through private equity (Pricewaterhouse Coopers, 2008).

REFERENCES

Acs Z, Morck R, Shaver JM, Yeung B. 1997. The internationalization of small and medium-sized enterprises: A policy perspective. *Small Business Economics* **9**: 7-13.

Kbar, McBride. 2004. Multinational enterprise strategy, foreign direct investment and economic developmemt" The case of the Hingarian banking industry. *Journal of World Business* **39**: 89-105.

Autio E, Sapienza H, Almeida J. 2000. Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal* **43**: 909-924.

Bascha A, Walz U. 2001. Convertible securities and optimal exit decisions in venture capital finance. *Journal of Corporate Finance* **7**: 285-306.

Baumol W. 2004. Entrepreneurial cultures and countercultures. *Academy of Management Learning & Education* **3**: 316-326.

BCG. 2001. *Building the Future: Using Foreign Direct investment to Help Fuel New Zealand's Economic Prosperity*. Boston Consulting Group: Wellington, NZ.

Bell J, McNaughton R, Young S, Crick D. 2003. Towards and integrative model of small firm internationalisation. *Journal of International Entrepreneurship* **1**: 339-362.

Berglof E. 1994. A control theory of venture capital finance. *Journal of Law, Economics & Organization* **10**: 247-267.

Boeker W, Karichalil R. 2002. Entrepreneurial transitions: Factors influencing founder departure. *Academy of Management Journal* **45**: 818-826.

Bollard A. (2006) 'Kiwis like buying houses more than buying businesses, Talk by Governor, Research Back on New Zealand to *PriceWaterhouseCoopers Annual Tax Conference*, 9 November 2006.

Burgel O, Murray G. 2000. The international market entry choices of start-up companies in high-technology industries. *Journal of International Marketing* **8**: 33-62.

Campbell-Hunt C, Brocklesby J, Chetty S, Corbett L, Davenport S, Jones D, Walsh P. 2001. *World Famous in New Zealand: How New Zealand's Leading Firms Became World-class Competitors*. Auckland University Press: Auckland.

Chetty S, Campbell-Hunt C. 2003a. Explosive international growth and problems of success amongst small to medium-sized firms. *International Small Business Journal* **21**: 5-27.

Chetty S, Campbell-Hunt C. 2003b. Paths to internationalisation among small to medium-sized firms: A global versus regional approach. *European Journal of Marketing* **37**: 796-820.

Chetty S, Campbell-Hunt C. 2004. A strategic approach to internationalization: A traditional versus "born global" approach. *Journal of International Marketing* **12**: 57-81.

Chetty S, Wilson H. 2003. Collaborating with competitors to acquire resources. *International Business Review* **12**: 61-81.

Coviello NE, Cox MP. 2006. The resource dynamics of international new venture networks. *Journal of International Entrepreneurship* **4**: 113-132.

Coviello N, McAuley A. 1999. Internationalisation and the smaller firm: A review of contemporary empirical research. *Management International Review* **39**: 223-256.

Cumming D, Fleming G, Schwienbacher A. 2005. Liquidity risk and venture capital finance. *Financial Management* **34**: 77-105.

Dachs B, Ebersberger B, Loof H. 2008. The innovative performance of foreign-owned enterprises in small open economies. *Journal of Technology Transfer* **33**: 393-406.

Davenport S. 2005. Exploring the role of proximity in SME knowledge-acquisition. *Research Policy* **34**: 683-701.

De Martino R, McHardy Reid D, Zygliodopoulos S. 2006. Balancing localization and globalization: Exploring the impact of firm internationalization on a regional cluster. *Entrepreneurship & Regional Development* **18**: 1-24.

Dimatratos P, Jones MV. 2003. Editorial: Public policy for entrepreneurial small firms: A plea for customised support measures. *Journal of International Entrepreneurship* **1**: 335-337.

Eden L, Levitas E, Martinez R. 1997. The production, transfer and spillover of technology: Comparing large small multinationals as technology producers. *Small Business Economics* **9**: 53-66.

Eisenhardt K. 1989. Building theories from case study research. *Academy of Management Review* **14**: 532-50.

Fernhaber SA, Gilbert BA, McDougall PP. 2008. International entrepreneurship and geographic location: An empirical examination of new venture internationalization. *Journal of International Business Studies* **39**: 267-290.

Filatotchev I, Chahine S, Wright M, Arbeck M. 2005. Founders' characteristics, venture capital syndication and governance of entrepreneurial IPOs. *International Entrepreneurship and Management Journal* **1**: 419-439.

Gabrielsson M, Sasi V, Darling J. 2004. Finance strategies of rapidly growing Finnish SMEs: Born internationals and born globals. *European Business Review* **16**: 590-604.

Gamboa EC, Brouthers, LE. 2008. How international is entrepreneurship? *Entrepreneurship Theory and Practice* X: 551-558.

Giot P, Schweinbacher A. 2007. IPOs, trade sales and liquidations: Modelling venture capital exist using survival analysis. *Journal of Banking & Finance* **31**(3) 679.

Hannan M, Bacon J, Hsu G, Kocak O. 2006. Organizational identities and the hazard of change. *Industrial and Corporate Change* **15**: 755-784.

Hanson G. 2001. Should countries promote foreign direct investment? *U.N. Conference on Trade & Development*, G-24 Discussion Paper Series, 9.

Ibeh K, Johnson JE, Dimatratos P, Slow J. 2004. Micromultinationals: Some preliminary evidence on an emergent 'star' of the international entrepreneurship field. *Journal of International Entrepreneurship* **2**: 289-303.

Jain B, Kini O. 1994. The post-issue operating performance of IPO firms. *The Journal of Finance* **XLIX**: 1699-1726.

Jolly V, Alahuhta M, Jeannet J-P. 1992. Challenging the incumbents: How high technology start-ups compete globally. *Journal of Strategic Change* **1**: 71-82.

Jones MV, Coviello NE. 2005. Internationalisation: Conceptualising an entrepreneurial process of behaviour in time. *Journal of International Business Studies* **36**: 284-303.

Kazanjian RK. 1988. Relation of dominant problems to stages of growth in technology-based new ventures. *Academy of Management Journal* **31**(2): 259-279.

Knight G, Cavusgil S. 1996. The born global firm: A challenge to traditional internationalisation theory. *Advances in International Marketing* **8**: 11-26.

Knight G, Cavusgil S. 2005. A taxonomy of born-global firms. *Management International Review* **45**: 15-35.

Knight G, Madsen T, Servais P. 2004. An inquiry into born-global firms in Europe and the USA. *International Marketing Review* **21**: 645-665.

Lee TW. 1999. *Using Qualitative Methods in Organizational Research*. Sage: Thousand Oaks, CA.

Liesch P, Knight G. 1999. Information internalization and hurdle rates in small and medium enterprise internationalization. *Journal of International Business Studies* **30**: 383-394.

Liesch P, Welch L, Welch D, McGaughey S. 2002. Evolving strands of research on firm internationalization: An Australian-Nordic perspective. *International Studies of Management & Organization* **32**: 16-35.

Lu JW, Beamish PW. 2001. The internationalization and performance of SMEs. *Strategic Management Journal* **22**(6/7): 565-586.

Madsen T, Servais P. 1997. The internationalism of born globals: An evolutionary process? *International Business Review* **6**: 561-583.

Mallard T. 2007. Offshore investment partnerships and kiwi firms. Press release: 30 August.

Mason C, Harrison R. 2006. After the exit: Acquisitions, entrepreneurial recycling and regional economic development. *Regional Studies* **40**: 55-73.

McDougall PP, Oviatt BM. 2000. International entrepreneurship: The intersection of two research paths. *Academy of Management Journal*, 43: 902-906.

McDougall PP, Shane S, Oviatt BM. 1994. Explaining the formation of international new ventures: The limits of theories from international business research. *Journal of Business Venturing* **9**: 469-487.

McKaskill T, Weaver KM, Dickson P. 2004. Developing an exit readiness index: A research note. *Venture Capital* **6**: 173-179.

MED. 2007. *Economic Development Indicators*. Wellington, NZ: Ministry of Economic Development, December.

MED 2008. *SMEs in New Zealand: Structure and Dynamics 2008*. Wellington, NZ: Ministry of Economic Development, August.

Moen O. 2002. The born globals: A new generation of small European exporters. *International Marketing Review* **19**: 156-175.

Murray G. 1996. A synthesis of six exploratory, European case studies of successfully exited, venture capital-financed, new technology-based firms. *Entrepreneurship: Theory and Practice* **20**: 41-60.

O'Farrell PN, Wood PA, Zheng J. 1998. Regional influences on foreign market development by business service companies: Elements of a strategic context explanation. *Regional Studies* 32: 31-48.

Oviatt BM, McDougall PP. 1997. Challenges for internationalization process theory: The case of international new ventures. *Management International Review* **37**: 85-99.

Oviatt BM, McDougall PP. 2005. The internationalization of entrepreneurship. *Journal of International Business Studies* **36**: 2-8.

Petersen B, Welch L, Liesch P. 2002. The internet and foreign market expansion by firms. *Management International Review* **24**: 207-221.

Prasad D, Vozikis G, Bruton G, Merikas A. 1995. “Harvesting” through initial public offerings (IPOs): The implications of underpricing for the small firm. *Entrepreneurship Theory and Practice* **20**: 31-41.

PriceWaterhouseCoopers. 2008. Clever Companies Survey, August, PWC: Auckland

Rosa P, Scott M. 1999. The prevalence of multiple owners and directors in the SME sector: Implications for our understanding of start-up and growth. *Entrepreneurship and Regional Development* **11**: 21-37.

Rotherham F. 2003. Goodbye to all that! *Unlimited* **December**: 44-48.

Ruzier M, Hisrich RD, Antoncic, B. 2006. SME internationalization research: Past, present and future. *Journal of Small Business and Enterprise Development* **13**(4): 476-497.

Schnatterly K, Johnson S. 2008. Competing to be CEO in high-tech firms: Insider, board member or outsider candidates. *Journal of High Technology Management Research* **18**: 132-146.

Schwienbacher A. 2008. Innovation and Venture Capital Exits. *The Economic Journal* **118**(533): 1888.

Scott-Kennel J, Akoorie M. 2004. Cycling in tandem: An exploratory study of MNE and SME integration. *International Journal of Entrepreneurship and Small Business* **1**: 339-362.

Scott-Kennel J, Enderwick P. 2001. The degree of linkage of foreign direct investment in New Zealand industry. *The Academy of International Business Conference*, Sydney.

Shane S. 2003. *A General Theory of Entrepreneurship: The Individual-Opportunity Nexus*. New Horizons in Entrepreneurship Series, Edward Elgar: Cheltenham.

Skilling D. 2006. *Submission to the Finance & Expenditure select Committee on the Kiwisaver Bill*, The New Zealand Institute: Auckland, NZ.

Smith N. 2006. New Zealand, this is your wake up call. *NZ Listener* **204**: August 5-11.

Stride N. 2004. Surfing the baby boomer wealth wave. *National Business Review* **2 July**: 34-01.

Swiercz PM, Lydon S. 2002. Entrepreneurial leadership in high-tech firms: A field of study. *Leadership & Organization Development Journal* **23**: 380-389.

Timmins JA. 1994. *New Venture Creation*. Irwin: Burr Ridge, Il.

Ucbasaran D, Lockett A, Wright M, Westhead P. 2003. Entrepreneurial founder teams: Factors associated with member entry and exit. *Entrepreneurship Theory & Practice* X: 107-127.

Wang C, Sim V. 2001. Exit strategies of venture capital-backed companies in Singapore. *Venture Capital* **3**: 337-358.

Westhead P. 2005. Book review: Handbook of research on international entrepreneurship. *International Small Business Journal* **23**: 577-581.

Westhead P, Ucbasaran D, Wright M. 2003. Differences between private firms owned by novice, serial and portfolio entrepreneurs: Implications for policymakers and practitioners. *Regional Studies* **37**: 187-200.

Willard G, Kruegaer D, Fesser H. 1992. In order to grow must the founder go: A comparison of performance between founder and non-founder managed high-growth manufacturing firms. *Journal of Business Venturing* **7**: 181-194.

Wright M, Dana L-P. 2003. Changing paradigms of international entrepreneurship strategy. *Journal of International Entrepreneurship* **1**(1): 135-152.

Wright M, Robbie K. 1998. Venture capital and private equity: Review and synthesis. *Journal of Business Finance & Accounting* **25**(5/6): 521-570.

Wright M, Robbie K, Albrington M. 2000. Secondary management buy-outs and buy-ins. *International Journal of Entrepreneurial Behaviour & Research* **6**(1): 21.

Wright M, Robbie K, Ennew C. 1997. Serial entrepreneurs. *British Journal of Management* **8**: 251-269.

Wright M, Westhead P, Ucbasaran, D. 2007. Internationalisation of small and medium-sized enterprises (SMEs) and international entrepreneurship: A critique and policy implications. *Regional Studies* **41**(7): 1013-1029.