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INTERNATIONAL NEW VENTURES/ BORN GLOBAL: RISK MANAGEMENT ASSOCIATED WITH EARLY INTERNATIONALIZATION

Risk and early internationalization is described as being influenced by many different factors, any of which can impact the outcome of the internationalization. Therefore the following question is asked: How do International New Ventures and Born Global manage risks associated with early internationalization?

Scholars have used theories throughout the literature to find an explanation for how managers and CEO's perceive risk and manage risky situations, however, during internationalization there are several other factors to be aware of, for instance, environmental and economic factors, which may lead to risky behaviour by the management, or the firm may face unknown risks caused by environmental conditions, which again could change the outcome of the internationalization. The studies have all investigated different research objectives and by posing differing research questions they have ultimately come to either different or similar conclusions.

The authors in the international new venture literature focus on the different types of challenges these young firms may be facing, however an important aspect, and the focus of this paper, is the risk involved in internationalization. Risk implies a probability of a negative effect; there are two aspects of risk, the uncertainty surrounding a given event, or the adverseness of the effect. Risk is therefore characterized by its likelihood and impact. In layman's terms, this can simply be called the odds, we may know the main parameters and we may be able to calculate the odds, but likelihood and impact may not be quantifiable, which is inherit to the concept of risk. We do not know, what we do not know, and as such, only in the most predictable cases can a likelihood and effect be quantified. Low predictability often occurs when there is little historical data available.

Risk is best understood in a context; it is not enough to talk about an uncertainty and the odds of these happening. Some companies ease their market entry by forming a strategic partnership, and thus manage it by sharing some the risk, with the goal of gaining a competitive advantage in the new market. However, having a partner may carry its own risk, and may also leave the company open to an unintentional knowledge/capability transfer. Finding a partner is one way for an INV/BG to reduce its financial risk and increase the advantage of a market entry.

We therefore know that INV's/BG's can avoid or mitigate certain risk events, but we do not know how the decision is made, or what actions are taken in regards to specific risk. Simply stating that using network connections can mitigate risk is not enough, the probability of impact and the type of loss should also be considered, and how this knowledge has led the firm has come to the decision, that the best outcome for the firm is achieved through a partner has to be investigated too.

It is also relevant to consider performance in small businesses, which can be measured in many different ways, and to some it's complex definition, full of many dimensions, while others find it very simple. Prior studies have regarded small firm's performance from three perspectives: economic, sustainable and personal. Most researchers focus on the financial growth of a firm and this study will use previous studies as it main data information, which means it is only logical that financial performance is the most valid to consider.

A few economic performance key points from the owner/manager‘s perspective are:

1. *Focus on shareholders and debt holders' interests, emphasis on past events*
2. *Financial returns*
3. *Financial variables or indicators*
4. *Profit maximization, pursuit of growth*
5. *Firm's growth and liquidity, satisfaction of customers, quality of products and services offered*

One or more of these key points should be present when regarding economic performance, and while the reviewed articles will focus on risk and risk assessment, performance should also be kept in mind, and reducing risk exposure should inherently increase performance.

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