Spotlight
by CeFEO

How does a founder's career background influence their startup's global strategy?

Founders' experience shapes the geographic diversification of new ventures

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Launching a successful international new venture requires more than just a great product or service. For founders, their previous career experiences often lay the foundation for crucial strategic decisions. This article examines how a founder's prior international experience with geographically diversified companies can heavily influence the export strategies of their new ventures. By focusing on career imprinting, the study offers fresh insights into how experience in past employment can shape the way INVs approach geographic diversification in export markets.

WHAT WE STUDIED

The study integrates literature on cognition in entrepreneurship and strategy with career imprinting theory. It suggests that founders transfer the strategic "logics of action" they learned from previous employers into their new ventures. Specifically, founders tend to mimic the geographic diversification of export sales strategies from their most recent geographically diversified employer. To test this hypothesis, the researchers analyzed data from 3,420 Swedish international new ventures (INVs), using a Tobit mixed effect estimator to account for the complexity of geographic diversification.

KEY INSIGHTS

1. Replication of Past Export Strategies

Founders tend to adopt the same geographic diversification strategies they encountered in their most recent employment. If a founder's previous employer was geographically diverse in their export sales, the new venture is likely to follow the same pattern. The study highlights that the knowledge and habits founders acquire at their last job carry over into the strategic decisions of their new firms.

2. Impact of Time

The timing of a founder's transition into entrepreneurship matters. The longer a founder has been away from their previous geographically diversified employer, the less likely they are to replicate that employer's export strategies. Time diminishes the influence of past experiences, providing space for founders to develop unique strategies for their own ventures.

3. Length of Exposure

The study also found that the longer a founder worked at their previous employer, the more entrenched they became in that employer's strategic practices. Longer exposure strengthens the likelihood of a founder replicating the geographic diversification patterns of their past employer. However, this effect diminishes with more time since the founder left the company.

TAKEAWAYS

1. For Entrepreneurs

Founders should be aware of how their prior experiences might unconsciously shape their decisions in new ventures. While it can be beneficial to draw on past experience, blindly replicating old strategies might prevent a founder from creating a more tailored approach to the specific needs of their new venture.

2. For Venture Capitalists

Investors should take into account the background of a startup's founding team, especially when assessing the internationalization strategies of new ventures. Founders who have significant exposure to international markets in their previous jobs may bring

valuable experience, but this experience could also introduce rigidities that may limit innovative thinking.

3. For Policymakers

Supporting entrepreneurial education programs that encourage founders to critically reflect on their prior career experiences could help reduce the risk of over-reliance on outdated strategies, fostering more adaptive and innovative business practices.

IMPACT

The study underscores the significant role of a founder's pre-founding international experience in shaping the early-stage strategies of INVs. It highlights the potential rigidity that comes from career imprinting and raises important questions about how new ventures can balance leveraging past experience with developing novel strategies suited to today's dynamic markets.

RECOMMENDATIONS

Founders should actively seek to adapt and evolve beyond the strategies they encountered in their previous careers, particularly in a rapidly changing global marketplace. They should critically evaluate whether the approaches from their prior employers are truly suited to their new ventures, considering the unique resources and market conditions of their startups.

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