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# How Startups Can Climb the Global Growth Learning Curve

By BusinessNewsDaily Staff Published May 04, 2012 FOXBusiness



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Startups can improve their odds for success when expanding into international markets, new research suggests. The answer lies in how the company's management team learns about their new foreign territory. A mixture of learning approaches work best, the research showed.

"Going global isn't easy, and it's especially hard for startups because they tend to have very small teams and not a lot of resources," said Jason Davis, a professor in the Technological Innovation, Entrepreneurship and Strategic Management (TIES) group at MIT's Sloan School. "Few, if any, employees have deep [knowledge of markets](#) other than the one where they live."

Faced with the need to learn quickly about an international market, businesses use a range of learning approaches in a variety of sequences, Davis said.

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"Our research indicates that when and how a given management team employs those [learning methods](#) seems to have a big impact on their company's subsequent performance," he said.

Davis and his colleague, Christopher Bingham, a professor at UNC Chapel Hill's Kenan-Flagler Business School, researched nine high-tech companies headquartered in Finland, the U.S. and Singapore, with annual sales ranging from \$1 million to \$70 million. They found that management teams employed one of two learning strategies: seeding and soloing.

Seeding is when executives observe what other companies have done or seek advice from experienced advisers, and then build on that information through experimentation. Soloing lies at the other end of the spectrum: managers learn about a foreign market through

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experimentation or [improvisation](#), and then rely on approaches, such as [trial and error](#), over time.

Companies that learned by soloing performed better in the short term, the research showed. They captured their first sale more quickly, broke even more quickly and reported higher overall ratings of success than the seeding companies.

But companies that learned by seeding did better in the long run, Davis said.

Soloing companies achieved more initially because their teams had had prior international exposure, which shortened the [learning curve](#), Davis said. Companies that learned by seeding had leaders with limited international experience and less understanding of things like how to set up a foreign sales unit or oversee a product adaptation for a new market, which got them off to a slower start.

"They were more likely to look to other companies around them for clues about how to break in, or ask consultants for advice. This is not very helpful early on since it generally yields surface-level knowledge,"

But in the long term, Davis said, this [vicarious learning](#) starts to pay off because they are drawing on a broad pool of international experience.

"Internationalization is fraught with risk," he said. "It's understandable why companies go the solo route and try to rely on internal resources as much as possible—to try to lower costs, to hide what they're doing from competitors, or just to prove that they can go global on their own. But in the long run, by learning vicariously and seeking advice from outside advisers is useful. The choice to use soloing or seeding seems to depend on whether short- or long-term performance is the objective."

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