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Liabilities of Foreignness and International Growth: Examination of IPR-based and Product-based Strategies

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Abstract

We investigate the effect of liabilities of foreignness on internationalization, using IPR-based and product-based commercialization strategies of US start-ups as our empirical lens. We use the longitudinal panel provided by the Kauffman Firm Survey, which tracks nearly 5 000 start-ups in their first six years of operation. We find that the liability of foreignness is significantly greater for product-based than for IP-based commercialization strategies. Start-ups licensing-out IPRs are more likely to internationalize and exhibit a high internationalization intensity. We find that different commercialization strategies imply different liabilities of foreignness in the context of internationalization,

leading us to distinguish between two types of liabilities of foreignness: LoF as an operator and LoF as a source.

'Please contact the authors for further information.'