

Born Globals (BGs): Who Are They?

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ABSTRACT: The acceptance and recognition of born global firms (BGs) as relevant and singular organizations across the world's economy has been flourishing in the recent years. Born globals are commonly entrepreneurial and relatively young small and medium sized enterprises (SMEs), with limited resources. Although these restrictions and constraints, BGs initiate their internationalization process from early stages. Thus, they conduct their internationalization process more rapidly than traditional firms operating in domestic markets and using incremental processes. Nevertheless, theories on BGs are still not fully developed by researchers. Few studies have tried to advance theoretical reflections on born global firms and their internationalization.

This paper examines how research on BGs internationalization has emerged and its development over time. Furthermore, it identifies the challenges faced by these firms when they internationalize and gives future research suggestions to academicians for the advance of the research in the internationalization of born global firms.

KEYWORDS: SMEs, Internationalization, Born globals, Early internationalization

1. Introduction

Small and medium enterprises (SMEs) are the major component of the economic tissue of developed and emerging countries around the world. They can significantly contribute to the rehabilitation of growth by entering into new markets' opportunities supplied by developed and emerging economies.

However, SMEs still depend mainly on their domestic markets to face challenges and obstacles while their internationalization. Among these difficulties in conducting internationalization, SMEs confront compelling barriers related to the lack of adequate information, lack of capital, knowledge, and sufficient government support (London 2010). In the last century, the literature of international business (IB) has focused mainly on large firms and MNEs (Englis & Wakkee 2015). In fact, such firms commonly have internationalized by using a developmental model in terms of product delivery and depth of operational mode (Johanson & Vahlne, 1990). Known as the stages model of internationalization, this internationalization process is frequently described in the Uppsala model (Johanson & Wiedersheim-Paul 1975; Johanson & Vahlne 1977).

The stages theory of internationalization of Johanson & Vahlne (1977) are hypothesized as a gradual process of international expansion. In the Uppsala model, the stages of internationalization described are the following: (1) local operational activity oriented without export activities, (2) export activity using independent representatives, (3) establishment of sales subsidiary in foreign markets (4) foreign production and processing.

The Uppsala model states that firms internationalizing incrementally start by targeting foreign markets, that are similar culturally and proximate physically (Johanson & Vahlne 1977, 1990). During this process, the firm develops routines, systems, roots and procedures (Johanson & Vahlne 1977). After its system's implementation ventures gradually begin its expansions into foreign markets and at the same time accumulate experiential knowledge (Thai & Chong 2008). Finally, after gaining the necessary experiential knowledge, firms expand into new markets and increasing the psychic distance (Johanson & Vahlne 1977). According to the Uppsala model, owner-managers or entrepreneurs will not take risks by increasing commitment to the internationalization process unless they have enough knowledge.

However, due to the developed competition, technological advances and the decrease of trade barriers, more and more SMEs (small and medium-sized firms) start their international activities starting from their creation or their first operational year. Furthermore, an important part of their global sales is derived from foreign markets. These ventures are being called early internationalizing firms, born global firms and INV (international new ventures). The development of more ventures actively international from an early stage has created a growth of international entrepreneurship as a research field (Andersson 2011).

The born global phenomenon has enforced the international entrepreneurship (IE) field (McDougall & Oviatt 2000). IE is defined as a combination and intersection of

proactive and innovative behavior that crosses national borders in order to create an added value in organizations (McDougall & Oviatt 2000). It involves a discovery and exploitation process of opportunity that could be found in outside a firm's domestic markets to seek competitive advantage (Zahra & George 2002).

2. Literature review

In the history of International Entrepreneurship (IE), several studies emerged on 'born globals' (BGs). Research introduced BGs as small firms with particular technology, innovative products or services, superior design, or other specific competence with the aim to globalize rapidly. The achievement of entrepreneurial activities by BGs cannot be separated from the international market in which they are active (Ghauri & Kirpalani 2015).

Generally, SMEs and BGs are characterized by limited resources. BGs frequently lack resources compared to the traditional internationalized firms and compared to requirement of reaching foreign markets. Such resources include financial and managerial resources needed in a global context. These resources are usually difficult to get from common sources because the BGs have yet to prove their credibility as a cost-effective entity. Thus, the risk of not realizing profitability remains higher for BGs (Ghauri & Kirpalani 2015). Consequently, an important research question centers on how BGs succeed in their international activity despite limited resources (Knight 2015).

Empirical academic research has shown that by developing and activating a network across national borders rapidly BGs are able to reduce their own lack of resources and knowledge of markets (Melén & Nordman 2009).

2.1 Born Globals

Born globals are companies that are able to engage in an international business adventure near or at their foundation. In the last century, BGs have emerged in huge numbers worldwide, due to the mutative environmental changes, such as globalization waves and the emergence of developed information and communications technologies (Knight, 2015). In recent years there has been considerable interest on BGs with the emanation of diverse definitions to make a distinction between BGs and other internationalizers (Rasmussen & Madsen 2002). The literature on BGs covers various definitions of the phenomenon (Dzikowski 2018). The term 'Born Globals' was first

introduced in a study of exporting companies in Australia (McKinsey & Company 1993) that studied a considerable number of small and medium-sized companies that successfully competed economic cross-border and global transactions near their outset (Rennie 1993). The firms surveyed did not gradually build their internationalization process, which appears to contradict the classical internationalization models (Johanson & Vahlne 1977, 1990). After the Australian study, numerous articles followed to explain the phenomenon and used different concepts for BGs: Global-Start-ups (e.g. Oviatt, McDougall and Loper 1995); International new ventures-INV's (McDougall *et al.* 1994), Instant exporters (e.g. McAuley 1999). Research on this novel category of small businesses that internationalize at an remarkably young age and to an extremely high degree is flourishing (Dow 2017).

Knight & Cavusgil (2004) define BGs as being technology-oriented firms operating in international markets from the earliest days of their creation. Furthermore, they consider BGs as firms that internationalize rapidly and early (Madsen & Servais 1997). In contrast to Knight and Cavusgil's (2004) definition, Oviatt and McDougall (1994) defined INV's (International New Ventures) as phenomenon a business constantly looking seeks to develop competitive advantage from the adoption of resources, and the sale of products/services in multiple countries. This definition includes various ventures at different stages of their growth (Dzikowski 2018).

In the IB literature, concerns have been raised about the concept of BG and INV in the mid-1990s Several authors (e.g. Oviatt & McDougall 1994; Knight & Cavusgil 2004) believe that such firms existed before the globalization era (Dow 2017). A notable feature of the literature on BGs is that the empirical research has tended to be far more abundant than have the efforts to develop theories (Rialp *et al.* 2005). Furthermore, theories on BGs remain underdeveloped and fragmented (De Clercq *et al.* 2012).

Several studies have been conducted to investigate differences between BGs and traditional exporters. Madsen *et al.* (1997) propose three differences: (1) BGs are more specialized and niche-oriented than traditional exporters because of their competencies' specificity because they typically build on very specific and distinct competencies; (2) BGs cannot be anticipated to make a choice of their geographical markets. The markets chosen will not always be bordering countries. Instead, it will be countries where have relationships with potential customers already exist or perhaps those that are markets with particularly importance in term of market position; (3) Born Globals should be expected to heavily rely on collaboration with local firms of target markets (e.g. joint venture, distributors etc.) because they lack of resources for investing in multiple countries to which they export their products and services.

3. Characteristics of Born-globals

According to Tanev (2012), BGs have the following characteristics:

- ✦ Expansion in international markets since or near BG's the foundation

BGs usually start their exportation activities during the first two years of their foundations and are more likely to export more than a quarter of their total production. Moreover, the decision to engage the BG into the internationalization process is frequently determined by the nature of the BG; its technology employed or the BG's specialization within a precise market or activity sector (Jones et al. 2011).

- ✦ Restrained resources

Born-global firms are commonly characterized entities lacking of financial and human resources comparing to traditional SMEs and to large multinational enterprises that are used to dominate international trade and investment.

- ✦ Existence in various industries

BGs are frequently active in the technology sector. Nevertheless, some researchers and academicians suggest that these firms are broadly present in other sectors the technology sector (Moen 2002).

- ✦ BGs' owner-managers tend to have stronger entrepreneurial orientation

It is generally known that the manager's skills (Harveston, Kedia, & Davis, 2000) and the top management team skills are crucial (Loane et al. 2007) for the internationalization of BGs and early internationalizers. The owner-managers of BGs generally have a strong entrepreneurial mindset and show consequential organizational resources toward international activities (Knight and Cavusgil 1996).

- ✦ Strategy differentiation

Compared to large multinational enterprises (MNEs), smaller firms are often more adaptable, more innovative, and have quicker response times for implementing new ideas and meeting customer needs (Crick 2009; Knight & Cavusgil 2004). Furthermore, Born globals manifest an international strategy notably well adapted to the emergence of international markets and competition (Rialp et al. 2005). Past research has shown that BGs are expanding rapidly in the international environment by adapting a planned niche strategy (Oviatt & McDougall 1997; Knight & Cavusgil 1996).

- ✦ Importance of quality product/service

It is widely known that globalization is achieved by the firm that focuses on its own product, service, know-how lines that have global horizon (Gabrielsson & Kirpalani 2004). BGs are frequently leading technological perimeter of their industry's product activity and category. These firms are founded to exploit opportunities by competing through innovative strategies, and by enhancing product and service quality (Chetty and Campbell-Hunt 2004).

- ✦ Importance of advanced information and communications technology (ICT)

The ICTs undoubtedly play an important role in supporting firms' internationalization (Chetty & Campbell-Hunt 2004). Globalization and ICTs are generally considered as essential antecedents to extent the internationalization of BGs (Knight 2000; Loane 2005). Nevertheless, such technologies are not sufficient to explain complex processes the internal environment of BGs (Knight 2015).

- ✦ The use distribution intermediaries in foreign markets

Most born-global firms often count on hybrid structures in their distribution channels such as network partners and close relationships (Gabrielsson & Kirpalani 2004). Nonetheless, BGs do generally not formalize their market relations such as the International firms. From this perspective, these firms may be considered as less maturely internationalized (Madsen et al. 2000).

3. Challenges faced by born globals in their internationalization and research opportunities

The factors of BGs' emergence have received much attention over the last decade (Lampa & Nilsson 2004). For instance, Madsen and Servais (1997) highlight three factors: (1) market conditions (2) technological advancements (3) capabilities of people. Saarenketo (2002) examined eight hypotheses to investigate the relation to the rapidity and intensity of the internationalization.

The globalization challenges may have various impacts on firms depending on the type of industry. After the early articles in the BG research (Rennie 1993; McDougall et al. 1994; Gupta 1989), the literature was mainly dominated by various case studies (ex. Bell et al. 2001; Chetty & Campbell-Hunt 2004), which attempt to adjust the BG theories with earlier internationalization theories and exploring them more

deeply (Dow 2017). As the internationalization of BGs usually happens briefly after its founding, the origins of these firms are more likely to be international. As a matter of fact, managers of BGs commit meaningful organizational resources to their firm's international activities (Knight and Liesch 2016). Traditionally, organizational capabilities and innovative culture play a major role the BGs' early internationalization and their eventual international performance (Knight 2015). A strong innovative culture supports the BG to develop a specific knowledge that drives its organizational capabilities development that supports its early internationalization and realizing a superior performance in international markets (Weerawardena et al. 2007).

The BGs' early internationalization has been assigned to the international new market conditions, to the significant global networks growth, entrepreneurs' skills and technological developments (Rialp-Criado et al. 2010). Thus, they might be seen to broadcast a diverse international business system in which firms can be internationally successful (Knight & Cavusgil 2004). Despite the importance of BGs as important and relevant organizations across the global economy (McDougall et al. 1994), there are several opportunities while conducting future research in this area.

As suggested by Melén and Nordman (2009), the combination of perspectives from knowledge-based theory but also from international entrepreneurship research provides valuable insights into BGs research and the development of their foreign customer knowledge. Knight (2015) proposes to investigate the long-term performance of BGs. Thus, there is a need to conduct research through : literature reviews, surveys, case studies, experiments, longitudinal studies and also by examining the BGs through different units of analysis such as managers, firm's industry, nation, opportunity, events, and processes (Knight & Liesch 2016). Finally, the entrepreneurs' influence on the expansion of the BGs in the development of born global firms is still not widely understood (Andersson 2011).

4. Conclusion

The classical view of the large multinational corporation as a standardized and dominant international form is progressing. BGs are emerging in considerable numbers in developed and emerging countries. Despite their size, BGs hold much potential to become prominent players in international trade ecosystem. Thus, they may reflect an emergent new paradigm because the phenomenon implies the emergence of a global environment in which any firm, regardless of age, experience, and tangible resources, can be an active participant in global trade and investment (Knight 2015). Within international entrepreneurship research, Born Globals have stood out as examples

of firms that achieve rapid internationalization almost from the moment of their inception (Melén & Nordman 2009).

As mentioned by Luostarinen and Gabrielsson (2006), the main challenges for the governmental agencies that are responsible for the promotion of international business activities are concerned by BGs, because they are still unknown in many countries and contexts. Moreover, the authors explain that BGs may operate in some cases by deviating from the behavior of conventional internationalizing traditional firms. Finally, the authors reveal that due to the BGs' use of multiproduct strategies, the governments agencies need to pay more attention to the promotion of services, know-how, and systems.

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