



Internationalization: From incremental to born global



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ABSTRACT

In this paper, we summarize how internationalization research has evolved over time, where it stands today, and how it might evolve going forward. Specifically, we examine internationalization research from earlier times to the present day. We contrast the incremental internationalization characteristic of older multinational enterprises with the early, rapid internationalization of born global firms. The paper summarizes the evolution of research on early internationalization and born global firms, and provides evidence to suggest why this area now has attained legitimacy in scholarly research. We then examine important theoretical issues in born global research and suggest avenues for future research.

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1. Introduction

In this journal and its predecessor, the *Columbia Journal of World Business*, internationalization has been recognized since the early 1970s with papers published on the macro-environmental aspects of internationalization (e.g., Matthews, 1971; Duncan, 1992) and an array of studies reporting the internationalization of businesses from various countries such as Germany (Hederer, Hoeffmann, & Kumar, 1972), the United States (Heltzer, 1973) and Singapore (Fong & Komaran, 1985) for example. The internationalization of bond markets (Wise, 1982), the video industry (Duarte & Cavusgil, 1996) and currency (Hugon, 1976) have featured alongside the changing managerial style in the international firm in the new era (Misawa, 1987) and corporate and public policy implications of the internationalization of technology (Contractor, 1983). Stevens (1990) reported on the role of technology in the corporate push to globalization (“technoglobalism vs. technonationalism”), Calori, Melin, Atamer, and Gustavsson (2000) wrote on the internationalization process in a strategy study, while Rugman (1980, p. 23) presented his new theory of the MNE emphasizing firm-specific advantages best exploited through internalization rather than “the assumption that a firm is producing and marketing abroad a standardized product, critical in the process of internationalization”.

Clearly, the predecessor of this journal was reporting on the new era of internationalization post-1970s when new ideas were being promulgated in both the internationalization domain and the broader international business field. Following the renaming of this journal, internationalization has been a highly-favored domain in the *Journal of World Business*, with a Special Issue on the early and rapid internationalization of the firm (Liesch, Weerawardena, Sullivan Mort, Knight, & Kastle, 2007) published, and thereafter, this journal being an attractive and often preferred outlet for research in this area. Given increasing numbers of firms internationalizing from economies of vastly different characteristics, this journal has represented this trend to maintain contemporaneity. Offering both scholarly and managerial orientations, the *JWB* has been positioned well to capture these emerging developments in a changing world.

In this paper, we report on early internationalization and born global firms (BGs), those that conduct international business at or near their founding. Despite the limited resources that usually characterize new businesses, BGs achieve international sales from an early stage in their development (Cavusgil & Knight, 2009). They tend to internationalize faster than described by traditional perspectives which have observed that internationalizing firms often operate in domestic markets before venturing overseas (e.g., Johanson & Vahlne, 1977, 1990). BGs are emerging in sizable numbers worldwide. The phenomenon has challenged traditional views on internationalization in which international business long was dominated by large, well-resourced multinational enterprises (MNEs) (Eurofound, 2012; Knight & Cavusgil, 2004; Madsen & Servais, 1997; OECD, 2013).

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Of BGs explicitly, Knight and Cavusgil (2004, p. 124) defined them as “entrepreneurial start-ups that, from or near their founding, seek to derive a substantial proportion of their revenue from the sale of products in international markets.” International new ventures are similar to BGs (Oviatt & McDougall, 1994; McDougall & Oviatt, 2000). Oviatt and McDougall (1994, p. 49) defined international new ventures (INVs) as “business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.” The Knight and Cavusgil (2004) definition of BGs emphasizes young companies, the firm as the unit of analysis, and primarily outward internationalization. Oviatt and McDougall’s definition (1994) of INVs can denote new ventures of various types, including those launched in older, established MNEs and a broader range of value chain activities and entry strategies.

Few BGs are actually “born” global, but they internationalize soon after forming and often within three years of foundation. Most are regional in their internationalization, especially in the early years (e.g., Lopez, Kundu, & Ciravegna, 2009). The ‘born global’ label has been adopted as an appealing phrase that conveys the import of these firms and the new paradigm they represent in the world economy. They are not new; they have existed for millennia, particularly in countries with small domestic markets (Cavusgil & Knight, 2009). However, in recent decades they have emerged in large numbers around the world (e.g., Business Week, 1992; Eurofound, 2012; Gupta, 1989; McKinsey & Company, 1993; Nikkei Sangyoo Shimbun, 1995). The trend has been facilitated by globalization, the Internet, and other communications innovations (Knight & Cavusgil, 2004; Eurofound, 2012), which have reduced the cost of internationalization, fostering foreign expansion of smaller, resource-poor companies (Cavusgil & Knight, 2009; Oviatt & McDougall, 1994; Eurofound, 2012). While early internationalization might be expected in countries with smaller domestic markets, such firms are now increasingly commonplace in economies with large internal markets, such as the United States (e.g., Nikkei Sangyoo Shimbun, 1995; Rialp, Rialp, & Knight, 2005a; Eurofound, 2012).

Consistent with the macro-level globalization, founders of BGs implicitly or explicitly view the world as their marketplace (Cavusgil & Knight, 2015). Their founding and growth typically are supported by distinctive entrepreneurial prowess, championed by founders or managers (Rialp et al., 2005a) who sometimes have previous managerial experience in international markets (Hewerdine & Welch, 2013). BGs are typically smaller firms with limited tangible resources. They face numerous constraints in internationalization, including insufficient economies of scale, often inexperience in international business, and general dearth of financial and human resources (Cavusgil & Knight, 2009; Freeman, Edwards, & Schroder, 2006). However, BGs usually are endowed with distinctive intangible resources and capabilities (e.g., Knight & Cavusgil, 2004; Jantunen, Nummela, Puumalainen, & Saarenketo, 2008; Rialp et al., 2005a; Zahra, Matherne, & Carleton, 2003), and are especially adept at allocating their resources under asset parsimony (Cavusgil & Knight, 2015).

The early and rapid internationalization of BGs in our modern era represents a form of international expansion that is unprecedented. The emergence of BG firms might represent a shift from a focus on the large, well-established MNE applying a logic of monopolistic or oligopolistic rents, efficiency-seeking, and power, to a logic of young, resource-constrained firms emphasizing a logic of profit, opportunity creation, and resourceful innovativeness (Zander, McDougall-Covin, & Rose, 2015). The phenomenon has become associated with ‘international entrepreneurship’, which describes the processes of creating, discovering and exploiting opportunities that lie outside a firm’s domestic markets in pursuit of competitive advantages (e.g., McDougall & Oviatt, 2000).

However, internationalization research and the proliferation of BGs in our modern era can be understood as a natural evolution in the international business field. As facilitating factors expand the possibilities for firms in markets beyond the home-country, new entrants are taking advantage of wider and extended markets to derive higher returns to their advantages, and newness and small size are not restricting this phenomenon. In fact, some have seen newness and small size as enabling rather than restraining (Autio, Sapienza, & Almeida, 2000). Likewise, entry into international markets early in a firm’s lifecycle has followed. As the international business field might be considered a phenomenological field in that scholarly interest in an emerging phenomenon will soon attract adherents (Liesch, Hakanson, McGaughey, Middleton, & Cretchley, 2011), both internationalization research and the BG trend have developed in tandem after BGs were reported in the early 1990s.

Somewhat similar to the pattern of development in the internationalization literature, both it and the BG area have not seen the intensity in theoretical momentum as was seen in the early days of the emergence of the international field when the phenomenon of interest was the large MNE and its activities overseas (Liesch et al., 2011). The extent of theorizing of the MNE has not been replicated with the small firm, and nor BGs within this cadre. It is important that reviews and introspection are reported periodically to take cognizance of developments and shortcomings and to incite progress. With the BG literature now extending over two decades, and the internationalization literature over some four decades, and both sustaining patronage because they are interesting (Davis, 1971), neither however are well theorized.

In the sections that follow, we summarize the development of research in internationalization. We examine the evolution of the internationalization literature, from the historical tradition to the rise of early internationalizing firms, BGs. We provide evidence to suggest why early internationalization and BGs have attained legitimacy as distinctive areas for scholarly inquiry in international business. We then examine prospects for advancing scholarship on BG firms. We conclude by summarizing numerous promising areas for future research.

2. Development of internationalization perspectives

The field of international business (IB) was established and has developed as a genuine empirical domain in that phenomena have been observed and scholars from fields and disciplines with an interest in understanding these phenomena have come together with their tool-kits to explain them—economists, economic geographers, sociologists, business historians, geopolitical specialists and so on (Hawkins, 1984; Toyne & Nigh, 1997; Liesch et al., 2011). While it has been traditional to define the beginning of the IB field with Hymer (1960) and Hymer (1976) who wrote about the multinational corporation from an economics tradition, Buckley (2011) in an elucidatory piece in this journal traces foundations of the field well before Hymer. It was the observation that the widespread and pronounced visibility of the MNE and its form of economic activity across borders, FDI, post-World War II that propelled the field post-Hymer. New and heightened cross-border activity by increasing numbers of MNEs that had a particular organizational form, and that affected the contexts in which they were operating, captured the attention of these scholars, and coalesced into the new field of IB.

Early in the development of the field, explanation was sought on the nature of these firms, and internalization theory of the MNE was born (Buckley & Casson, 1976; Hennart, 1982; Rugman, 1980, 1981)—markets internalization theory. This theory remains a foundation of the field today. This is not to say that internalization theory was the first explanation of the MNE—it was the most

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