



Understanding the drivers of international performance for born global firms: An integrated perspective



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ABSTRACT

Grounded in the resource-based view of the firm and the network perspective on internationalisation, we develop and test a model of early performance for born global firms. We employ a mixed-methods approach, combining exploratory interviews and survey data from 310 Australian and New Zealand companies. Our results suggest that international entrepreneurial orientation, focus on product/service quality, and competitor orientation are critical drivers of international performance for born globals. The key contributions of the study are the development of an integrated performance model for born global firms, using a nuanced operationalisation of performance, and an empirical comparison between born globals and traditionally internationalising firms.

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1. Introduction

The past two decades have witnessed the emergence of early and rapidly internationalising firms as an important phenomenon (e.g., Knight & Cavusgil, 1996; Oviatt & McDougall, 1994). Growing interest in the internationalisation behaviour of these dynamic, “born global”³ firms has driven a new research stream – international entrepreneurship (IE) – which combines the international business and the entrepreneurship literatures (Knight, 2001; McDougall & Oviatt, 2000; Oviatt & McDougall, 2005a). As born globals (BGs) are found in a variety of locational contexts (e.g., Australia, Finland, Germany, USA) and are important contributors to their home-country GDP (e.g., Knight & Kim, 2009; Kuivalainen, Sundqvist, & Servais, 2007; Mort & Weerawardena,

2006), we examine the drivers of their early international performance and seek to understand how it differs from that of firms that follow a more traditional path to internationalisation. In this way, our study aims to contribute to the developing IE field.

The existing literature about BGs is broadly focussed on describing, understanding and interpreting the underlying rationales for their formation (Rialp, Rialp, & Knight, 2005), while some work has also examined internationalisation patterns (e.g., Chetty & Campbell-Hunt, 2004; Hashai & Almor, 2004) and the role of networks (e.g., Loane & Bell, 2006; Sharma & Blomstermo, 2003). However, a comprehensive framework of the determinants of BG performance is still lacking; previous studies have tended to examine relatively specific aspects of international performance, such as marketing strategy (Gabrielsson, Gabrielsson, & Seppälä, 2012; Knight, Madsen, & Servais, 2004), rather than adopting a broader analysis that incorporates both internal and external influences. As Knight and Cavusgil (2004: 125) noted, “there has been almost no empirical research that examines the factors that drive the superior international performance of these young, highly entrepreneurial firms”. While some recent work (e.g., Crick, 2009; Efrat & Shoham, 2012; Jantunen, Nummela, Puumalainen, & Saarenketo, 2008; Knight & Kim, 2009) has begun to address this topic, we remain short of a deep understanding of BG performance. In addition, previous studies have tended to focus exclusively on BGs; Schwens and Kabst (2008) argued the need for comparisons of

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³ Several different terms are used to refer to firms that internationalise early and rapidly, including “international new ventures” (Oviatt & McDougall, 1994), “instant exporters” (McAuley, 1999) and “born globals” (McKinsey & Co., 1993). In this study, we adopt the term “born global”, in line with the seminal work of Rennie (1993) and Knight and Cavusgil (1996).

born globals and firms that adopt a more traditional path to internationalisation, an issue also raised by Fan and Phan (2007) and Zhang, Tansuhaj, and McCullough (2009).

In this study, we aim to address these gaps in the literature. Building on existing theory and using a mixed-methods approach that combines exploratory interviews and a web-based survey, we develop and test an integrated performance model that considers attributes of both the firm and the external environment. Thus, our study addresses the suggestion of Jones, Coviello, and Tang (2011: 643) that “given the variety of performance antecedents and outcomes relevant in IE, future research should acknowledge and try to examine a wide range of measures in an integrative manner” and follows the call of Coviello and Jones (2004) for combining positivist and interpretivist methods. Our integrated research design, which considers both exogenous and endogenous performance antecedents while undertaking a comparative assessment of BGs and non-BGs, offers a more holistic and fine-grained approach to understanding early performance of BGs. We position our study in the resource-based view and network perspective, building on the complementarity of these two theoretical approaches and their fit with our objective of taking an integrated look at BGs’ international performance.

We test the model using a sample of 310 small- and medium-sized, internationally active firms from Australia and New Zealand. Our sample allows a comparison between BGs and traditionally internationalising firms, thus enhancing the interpretability and validity of the results and allowing the identification of BG-specific results.

The paper is structured as follows. The next section outlines the theoretical background of the study and reviews the literature, along with the development of the hypotheses. This is followed by the methodology and results sections. The paper concludes with the discussion and limitations of the study, and offers potential avenues for future research.

2. Theoretical background and review of literature

2.1. Integration of theories

Various theoretical frameworks have been used to examine BGs, including the resource-based view (RBV) of the firm (e.g., Knight & Cavusgil, 2004), dynamic capabilities (e.g., Weerawardena, Mort, Liesch, & Knight, 2007), the knowledge-based view (e.g., Gassmann & Keupp, 2007), the network perspective on internationalisation (e.g., Chetty & Campbell-Hunt, 2004), and organisational learning (e.g., Autio, Sapienza, & Almeida, 2000). In this study, we employ the RBV and the network perspective as the key theoretical frameworks, building on their complementarity and following Freeman and Cavusgil (2007). While the RBV focuses on the firm’s internal resources and capabilities, the network perspective emphasises the development of knowledge through external relationships. Combining them allows a more holistic examination of BGs’ international performance, which is consistent with calls in the literature (e.g., McDougall & Oviatt, 2000; Rialp et al., 2005). The results of our exploratory interviews supported the clear fit of the two theoretical perspectives to our study.

Widely employed in the field of strategic management, the RBV has also emerged as a dominant perspective in IE research (Young, Dimitratos, & Dana, 2003), and is considered applicable for explaining the international activities of BGs (McDougall, Shane, & Oviatt, 1994). The RBV places its primary emphasis on the firm and its internal resources and capabilities (Barney, 1991; Grant, 1991; Wernerfelt, 1984). Based on the assumptions that resources are distributed heterogeneously among firms within an industry and not fully mobile across firm borders, a key tenet of the RBV is

that differences in resource endowments can lead to competitive advantage and superior firm performance. To create competitive advantage, a firm must possess resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991), with inimitability arguably the most important of these attributes (Newbert, 2007). In this study, we focus primarily on intangible resources, due to their high barriers to duplication by competitors and their relevance for achieving sustained competitive advantage and, therefore, superior performance (Hall, 1993).

Complementing the inward focus of the RBV, the outwardly focussed network perspective on internationalisation is a key theoretical basis in the IE literature (Coviello, 2006), and used widely in BG research (e.g., Freeman, Edwards, & Schroder, 2006). The network perspective views the market as a collection of relationships among firms, such that organisations are interconnected and dependent on each other (Johanson & Mattson, 1988). Coordination is achieved through interaction among firms within a broadly defined network, rather than primarily through a price mechanism or organisational hierarchy, and exchange relationships allow firms to access external resources and sell products. Thus, in the network approach, firms are viewed as being dependent on resources that are controlled by others, and access to these resources is gained as a function of the firm’s position in the network. Relationships among firms evolve over time, and are characterised by mutual orientation and social exchange processes (Johanson & Mattson, 1988; Johanson & Vahlne, 1992).

Our joint consideration of the RBV and network approaches is consistent with Ciabuschi, Perna, and Snehota (2012), who adopted a resource interaction perspective to study the complexity of new venture formation. Arguing that the development of a new venture is a collective process that involves the re-assembling of resources from a variety of sources and under varying degrees of the firm’s control, they emphasised the dynamic interactions and interdependencies of young businesses and their network relationships, and noted that the process of resource recombination influences both the network and the associated resources.

2.2. International entrepreneurial orientation

The entrepreneurship literature stresses the importance of individuals in considering a firm’s internationalisation (Andersson, 2000). As BGs are generally viewed as being entrepreneurial in nature (Oviatt & McDougall, 1994), we draw on the IE literature, especially its consideration of entrepreneurial orientation (Oviatt & McDougall, 2005b).

The notion of entrepreneurial orientation pertains to a firm’s strategic orientation and decision-making style, practices and methods, and can be viewed as a combination of proactiveness, innovativeness, and risk-taking (Covin & Slevin, 1989), plus autonomy and competitive aggressiveness (Lumpkin & Dess, 1996). Lee, Lee, and Pennings (2001) referred to entrepreneurial orientation as an important intangible organisational resource that offers sustained competitive advantage; firms cannot purchase entrepreneurial orientation from the market, so they must invest considerable time to cultivate it. International entrepreneurial orientation involves a proactive approach to identifying overseas markets, and is linked to managers’ global vision and competitive posture (Covin & Miller, 2014; Knight & Cavusgil, 2004). Zhang et al. (2009) introduced the concept of international entrepreneurship capability, arguing that it enables firms to leverage resources and exploit opportunities in international markets, which is consistent with the RBV.

In the context of BGs, Knight and Cavusgil (2004) found that international entrepreneurial orientation tends to engender business strategies (e.g., quality focus) that are positively related to international performance. Similarly, Jantunen et al. (2008)

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