



ARTICLE

## Born globals through knowledge-based dynamic capabilities and network market orientation



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**Abstract** This paper studies the influence of network market orientation on Spanish born globals' adaptation, absorption and innovation dynamic capabilities as well as their influence on the performance achieved by these companies. Based on an ambidexterity approach, which points to born globals' need to adopt a double exploration/exploitation function, this study considers these three specific knowledge-based dynamic capabilities analysing their interrelationship taking into account their exploration/exploitation duality. Results from the testing of the structural equation model proposed confirm that network market orientation facilitates the development of dynamic, exploratory capabilities (adaptation and absorption capabilities) in born globals and that these, in turn, influence their capacity to exploit knowledge through innovations, thereby obtaining higher performance.

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## Introduction

Since the first studies of the internationalisation of the firm were published in the 1960s, the academic interest in this theme has continued to grow. Indeed, Werner (2002) indicates that the percentage of articles on internationalisation

published in the twenty most important international business management and marketing journals, according to the *Journal Citation Reports* drawn up by the *Institute of Scientific Information*, had tripled in the last twenty years of the 20th century. This growing research interest finds its justification in the increased international activity of firms, due principally to the phenomenon of globalisation experienced by the markets in this same period (Bartlett and Ghoshal, 2000).

Thus, the new global market conditions provoke changes in the internationalisation conduct of the new firms. This no longer occurs gradually, as maintained by the traditional literature on the internationalisation of the firm

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(Johanson and Vahlne, 1977), but rather quickly after their creation. In this respect, from the mid-1990s onwards we observe growing interest in this subject, leading to the emergence of a new line of study called *international entrepreneurship*. It is based on a multidisciplinary approach reflecting aspects of different theoretical perspectives such as international commerce, *entrepreneurship*, economics, psychology, anthropology, finance, marketing and sociology (Oviatt and McDougall, 2005), and focuses on analysis of the “discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt and McDougall, 2005: 540). This typology of firm has generally been known as an *international new venture* (Oviatt and McDougall, 1994) or as *born global* (McKinsey and Co, 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997).

If we focus specifically on the studies related to the *international entrepreneurship* stream, we note that most of the studies embodying this new line of research have focused on determining, from an *entrepreneurship* perspective, those factors that can influence the exceptional speed with which new firms internationalise and operate simultaneously in multiple countries (Zahra and Garvis, 2000; Westhead et al., 2001; Rialp et al., 2002, 2005; Zahra and George, 2002; Oviatt and McDougall, 2005). However, only a few studies have been concerned to analyse the factors that can help these firms to sustain their activity once past the initial phase of their creation (Zahra and George, 2002; Rialp et al., 2005; Aspelund et al., 2007; Casillas et al., 2009). This lack of study is even more important if we take into account that these firms must face certain disadvantages associated with their foreign and innovative nature (Autio et al., 2000) in their attempt to compete with other firms already established in these foreign markets, together with a highly dynamic and changing environment.

In this respect, various studies have ascribed to market knowledge an important role in the international trajectory of new firms insofar as it constitutes a key variable for the proactive search for international opportunities (Autio et al., 2000; Andersson, 2004; Knight and Cavusgil, 2004; Sapienza et al., 2006; Acedo and Jones, 2007; Gassmann and Keupp, 2007; Weerawardena et al., 2007; Zhou, 2007; Armario et al., 2008; Nordman and Melen, 2008; Perks and Hughes, 2008; Saarenketo et al., 2008; Zahra and Hayton, 2008; Brennan and Garvey, 2009; Casillas et al., 2009; Liao et al., 2010, 2011). Thus, McNaughton (2003) demonstrates that firms concerned for the knowledge of international markets have a wider perspective of them, and have greater possibilities of being the first to cover the opportunities emerging in them. According to (Javalgi et al., 2006: 15), in the current contexts “organisations must listen to and correctly interpret the voice of the market”. They must remain alert to the signals coming from the different agents in order to make the right decision at the right time. Any that lose contact with the markets, who ignore or misinterpret their signals, will tend to fail.

However, if we focus on the source of generation of this knowledge we observe that in past literature, especially from process theories, the experience gradually accumulated by the firm in the market is accorded a fundamental role in the generation of knowledge and, consequently, in its process of internationalisation (Johanson and

Wiedersheim-Paul, 1975; Lee and Brasch, 1978; Johanson and Vahlne, 1990). However, in the case of born globals (BGs), due to their short life, the experience that the firm itself is able to accumulate prior to its internationalisation will, a priori, be minimal. So experiential knowledge cannot be considered its principal source of knowledge (Burgel and Murray, 2000). It therefore becomes necessary to investigate how BGs acquire, interpret and translate market information in order to develop skills that contribute to their international sustainability (Knight and Liesch, 2002).

We start by analysing the applicability of traditional theories of internationalisation to this new business reality, and propose two factors associated with knowledge as being fundamental in the sustainability of BGs: market orientation of the network to which they belong, and the dynamic capabilities that they individually generate due to the former. Using the ambidextrism approach, our study proposes to examine in depth: (1) the relationship between the two factors, (2) the interrelation existing among the dynamic capabilities themselves considering their different nature, of exploration or exploitation, and (3) in terms of this different nature, the influence of the dynamic capabilities on the international performance achieved by these firms. We thus propose a reference scenario that will make it possible to determine how BGs manage to survive in environments of change and how they manage their continuous adaptation.

To achieve this objective the study is structured as follows. First, we set out the theoretical framework which permits the foundations of the hypotheses of the model to be laid. Next we present the empirical study, analysing the results obtained. Finally we set out the principal conclusions, limitations and future lines of research.

## Knowledge in the internationalisation of BGs

### The role of network market orientation

The marketing literature maintains that market orientation not only provides the information and the knowledge that firms need in order to carry on their activity successfully in turbulent environments, but also favours the integration of this information into the firm, thus influencing the actions undertaken by the latter (Becherer and Maurer, 1997; Cadogan et al., 2001, 2002, 2003; Cadogan et al., 2006; Bhuian et al., 2005; Luo et al., 2005; Qiu, 2008). Additionally, from the relational approach, the last decade has also highlighted the importance of networks, not only during the process of creation of firms, but also throughout their process of consolidation (Chetty and Blankenburg, 2000; Hite and Hesterly, 2001; Etemad, 2003; Johanson and Vahlne, 2003, 2009; Sharma and Blomstermo, 2003; Coviello, 2006; Gilmore et al., 2006; Loane and Bell, 2006; Zain and Ng, 2006; Kiss and Danis, 2008; Perks and Hughes, 2008; Ojala, 2009). Thus, the bonds developed by the entrepreneur with the members of his network (whether customers, suppliers, distributors, family or other private or public institutions), may be key to gathering a greater quantity and variety of information on the new tendencies and opportunities existing in the market, how to exploit those opportunities, and how to access the resources needed for this purpose (Perks and Hughes, 2008).

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