



The incremental expansion of Born Internationals: A comparison of new and old Born Internationals



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ABSTRACT

Not much is known about the characteristics of “early internationalizers” in their later life and there is scant empirical literature – and an acute need for quantitative studies – about the features of Born Internationals (BIs) after their first years of operation. In this context, we aim to describe the later life of BIs and determine whether some of the critical aspects of internationalization are visible in their post-birth features. This study contributes to the literature on internationalization by providing quantitative evidence on key post-birth characteristics of BIs. Guided by five research hypotheses, it explores changes in the BIs’ profile and tests whether or not there are differences between newer BIs and older ones in a sample of SMEs. The results support the basic cumulative dynamics proposed by the incremental school in terms of international business experience, international commitment, and level of internationalization, which implies that these factors can to some extent be viewed as driving forces in the internationalization process of BIs.

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1. Introduction

Over the last 30 years, a number of different internationalization theories and models have been proposed. Among them, some relatively new approaches have given rise to what have been labeled “Born Globals” (e.g., Andersson & Wictor, 2003; Aspelund & Moen, 2001; Autio & Sapienza, 2000; Chetty & Campbell-Hunt, 2004; Freeman & Cavusgil, 2007; Gleason & Wiggenshorn, 2007; Knight & Cavusgil, 1996; Kudina, Yip, & Barkema, 2008; Kuivalainen, Sundqvist, & Servais, 2007; Madsen, Rasmussen, & Servais, 2000; Moen, 2002; Rasmussen, Madsen, & Evangelista, 2001; Sharma & Blomstermo, 2003; Weerawardena, Sullivan Mort, Liesch, & Knight, 2007), “Global Start-ups” (Oviatt & McDougall, 1994), “High-Technology Start-ups” (Jolly, Alahuhta, & Jeannet, 1992), and “International New Ventures” (e.g., Autio, 2005; Coviello, 2006; Fan & Phan, 2007; McDougall, Oviatt, & Shrader,

2003; McDougall, Shane, & Oviatt, 1994; Mudambi & Zahra, 2007; Oviatt & McDougall, 1994; Servais & Rasmussen, 2000).

In this paper we refer to all of these phenomena as Born Internationals (BIs). Broadly speaking, we consider them to be firms that have been operating in foreign markets from a *very early date*, that is, from the time they started doing business or soon after. This general definition implies that “Born Globals,” “Global Start-ups,” “High-Technology Start-ups,” and “International New Ventures” can be considered BIs, but not all BIs are, for instance, Born Globals. Our BI concept is based on the sole, and *less restrictive*, criterion of “time to internationalization,” and our focus is on the more general phenomenon of *early internationalizing* firms.

Most research on these firms focuses on their unique characteristics and early years of operation (e.g., Chetty & Campbell-Hunt, 2004; Rasmussen et al., 2001). In contrast, there is scant empirical literature (and, to the best of our knowledge, virtually none with a quantitative perspective) about the characteristics of BIs after some years of operation. This gap is important mainly for academia, but also for managers and policy makers. It is important for academia because our knowledge about the way BIs internationalize is limited, which offers research opportunities to scholars focusing on the later years of these firms’ existence. Zahra (2005) raised a question about what happens to BIs when they grow up. Similarly, Chetty and Campbell-Hunt’s (2004) findings call for a study based on quantitative data to obtain an understanding of what happens with BIs when they grow older.

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A little bit earlier, there were also calls for more empirical research on BIs, particularly for studies with a post-birth (Madsen & Servais, 1997) and quantitative (Sharma & Blomstermo, 2003) perspective. Turning to managers and public policy makers, knowledge that alleviates the lack of quantitative studies about BIs' post-birth features will provide them with a first benchmark with which to compare the international characteristics of these firms and to design assistance programs tailored to the firms' particular needs.

Against this background, this paper aims to cover this gap and answer two relevant questions in contemporary international business (IB) research: (a) What differences exist between key internationalization characteristics of young and old BIs? and (b) Do existing theories explain these differences? Thus, our objectives are, first, to compare the later and the earlier life of time-based groups of BIs, and second, to discuss whether some of the critical aspects of internationalization are related to the features of these groups. The contribution of this study in responding to the above questions and to the literature on internationalization is material in terms of the provision of quantitative empirical evidence regarding significant differences in the internationalization profile of different groups of BIs—implying that their internationalization process may be seen as cumulative and compatible with the dynamics of the incremental school.

In the next section we review the empirical literature on BIs. Afterwards, we contrast two theoretical perspectives on BIs and formulate five hypotheses on the characteristics of young and old BIs. We then present the methodology, describe the results, and discuss the findings and limitations. The paper ends with a presentation of a comprehensive agenda of key future research avenues and a summary of the main implications for managers and public policy makers.

2. Empirical studies on Born International firms

In order to identify intellectual voids and confirm research gaps, we reviewed the literature on Born Globals and International new ventures. The review was conducted based on several principles. We used Web of Science and applied two search terms: “Born Global” and “international new venture.” As part of the review process, we created Table 1, where we report a systematic scrutiny of 24 high-impact empirical articles (cited eight times or more) published during the most recent time period, 2001–2011. Therefore, Table 1 does not include conceptual (e.g., Oviatt & McDougall, 2005) and other review papers (e.g., Rialp, Rialp, & Knight, 2005). Since at the core of BIs theory the role of time and process is often highlighted, we start by studying how the internationalization literature analyzes the time-related aspects of BI. After this, we discuss how researchers have studied the international operations and expansion of BIs, that is, the markets entered and the entry modes used during internationalization.

2.1. Time-related aspects of BI internationalization

The articles in Table 1 can be divided into several groups, based on whether they theoretically discuss and whether they report empirical data on temporal aspects of internationalization. This, in turn, gives a matrix with four cells. The first group (see cell I in Table 2(a)) consists of studies that do not pay any theoretical attention to age of the firm, phases, processes, or events of the internationalization (De Clerq, Hessels, & van Stel, 2008; Fan & Phan, 2007; Freeman & Cavusgil, 2007; Knight, Madsen, & Servais, 2004) and do not present any empirical temporal data on firm internationalization.

A second group contains seven articles and is to be found in cell II in Table 2(a). Here, we find articles that do not theoretically

analyze temporal aspects of internationalization, but do present temporal data on the firms' internationalization. Within this group, two sub-groups can be identified. The first – represented by Karra, Phillips, and Tracey (2008), Loane and Bell (2006), Spence and Crick (2006), and Sullivan Mort and Weerawardena (2006) – provides data or background information about temporal aspects of the BIs' internationalization, but these temporal data are not used for analytical purposes, and therefore we have difficulty theorizing from them. In the second sub-group, three articles use temporal concepts as control variables and the authors do not theorize from them. Both Knight and Cavusgil (2004) and Zhou, Wu, and Luo (2007) use age of firm as a control variable, but in neither case does it have an influence on internationalization. Presutti, Boari, and Fratocchi (2007), on the other hand, use relationship length and age of the firm as a control variable and find that they are positively related to knowledge acquisition.

A third and closely related group views internationalization as a process and theoretically discusses various temporal aspects but does not empirically study them (see cell III in Table 2(a)). According to Welch and Paavilainen-Mäntymäki (2013), whose analytical framework we use, this seems to be a rather common way to study internationalization. The articles do theoretically discuss temporal aspects, but do not present any empirical data on them. Four articles belong to this group (Fletcher, 2004; Freeman, Edwards, & Schroder, 2006; Kuivalainen et al., 2007; Tolstoy & Agndal, 2010). However, as their focus is on other concepts and the theoretical discussion on temporal aspects tends to be principal, they do not offer any additional knowledge to our understanding of the long-term internationalization of BIs. Thus, we can conclude that one third of the articles reviewed do not empirically study temporal concepts, although some of them theoretically recognize that they are important for BIs.

The fourth and biggest group is made up of nine articles. The articles both report data on temporal aspects and analyze them (see cell IV in Table 2(a)). They can, in turn, be divided into two sub-groups where the first analyze BIs' strategies, and the main objective is to discuss the extent to which BIs differ from traditional firms (Laanti, Gabrielsson, & Gabrielsson, 2007; Moen, 2002). In a similar vein, Chetty and Campbell-Hunt (2004) use market scope and the lag between inception and time to first export market to categorize 16 firms into regionals, globals (traditional), and born globals. In contrast with our approach, they analyze and discuss qualitative differences between the three groups. A fourth article, which also makes comparisons of the first step into a market, is Tuppara, Saarenkato, Puumalainen, Jantunen, and Kyläheiko (2008), who study how early BIs enter a market in relation to competitors, that is, first-mover orientation. It seems that characterizing BIs per se and their first step abroad is still the most important research objective, which raised the question of what happens with BIs when they have come further in their internationalization. Both Laanti et al. (2007) and Tuppara et al. (2008) find that the prior international experience has a positive impact on the first internationalization phase. The foci are on the early start of internationalization and on the strategies pursued by the firms. These strategies are not analyzed in relation to time, which means that they do not aim or are not able to contribute to our knowledge of BIs' internationalization after the first step taken abroad.

The final five articles have a longer and wider perspective on BIs' internationalization and are therefore more relevant for our study. Coviello (2006) and Gabrielsson, Kirpalani, Dimitratos, Solberg, and Zucchella (2008) divide the internationalization process into various phases having different characteristics. Coviello (2006) is not interested in the BI and how it changes per se, but how the network surrounding the BI undergoes development over time, which includes three phases. Phase-by-phase, the network increased in range and decreased in density,

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