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The Born Global concept

Paper for the EIBA conference

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Abstract:

The export behavior and internationalization processes of firms have been the topic of widespread research efforts during the past 30 years. New empirical studies of the export behavior of firms have challenged many findings of actual export behavior reported in the traditional internationalization literature. It has been demonstrated that many firms now do not develop in incremental stages with respect to their international activities. Firms are often reported to start international activities right from their birth, to enter very distant markets right away, to enter multiple countries at once, etc. The purpose of this article is thus to discuss the usefulness of the Born Global concept from both a theoretical and an empirical point of view and from the viewpoint of two research questions: 1) Can we really talk about new forms of international firms? and 2) Why should we study these firms?

Keywords:

Born Global, International New Ventures, Internationalization, Small and Medium Sized Firms, Globalization, New Organizational Forms,

I. Introduction

The export behavior and internationalization processes of firms have been the topic of widespread research efforts during the past 30 years. The interest in the research area corresponds very well with the increasing importance of international trade which has fostered a rise in many forms of international business, exporting being one of them. So, for firms as well as governments the research topic has been highly relevant. Since the mid-70s two distinct streams of research have emerged in Europe, e.g. (Johanson & Vahlne, 1977); (Johanson & Vahlne, 1990) and in North America, e.g. (Bilkey, 1978);(Cavusgil, 1980). Both research traditions conceptualize export development as taking place in gradual and sequential stages (learning sequences involving feedback loops), based on a series of incremental commitment decisions depending on perception, expectation, experience, managerial capacity, etc. The firm is assumed to build a stable domestic position before starting international activities.

During the last 5-10 years new empirical studies of the export behavior of firms have challenged many findings of actual export behavior reported in the traditional internationalization literature. It has been demonstrated that many firms now do not develop in incremental stages with respect to their international activities. Firms are often reported to start international activities right from their birth, to enter very distant markets right away, to enter multiple countries at once, to form joint ventures without prior experience, etc. Such firms have been labeled International New Ventures (Oviatt & McDougall, 1994), High Technology Start-Ups (Jolly et al., 1992), and Born Globals (McKinsey & Co., 1993); (Knight & Cavusgil, 1996); (Madsen & Servais, 1997). The explanation for this new picture of internationalization of firms is claimed to be more global market conditions, new developments in transportation and communication technologies, and the rising number of people with international experience. Some authors, e.g. (Knight & Cavusgil, 1996); (Oviatt & McDougall, 1994), have launched these empirical observations as a challenge calling for a new theory, whereas others, e.g. (Madsen & Servais, 1997); (Knudsen et al., 2002), argue that

e.g. (Madsen & Servais, 1997); (Knudsen et al., 2002), argue that even though such firms overtly behave differently they do not necessarily differ from other firms with respect to more fundamental processes. According to the latter argument, the phenomenon may not require new theories, but may be explained by already well known constructs. However, it may still be relevant to categorize such firms as something unique from a managerial point of view or with regard to governmental support programs.

The purpose of this article is thus foremost to discuss the usefulness of the Born Global concept seen both from a theoretical and an empirical point of view. We will try to sum up the research regarding Born Globals, International New Ventures, and similar concepts from the viewpoint of two research questions: 1) Can we really talk about new forms of international firms? and 2) Why should we study these firms? The second question will be discussed from both a managerial point of view, from a policy view (e.g. export promotion), and from a theoretical point of view. The concept Born Global was first used almost 10 years ago in an Australian report, (McKinsey & Co., 1993), and it has been used and discussed together with similar concepts, for example International New Ventures, see (McDougall et al., 1994); (Oviatt & McDougall, 1994); (Oviatt & McDougall, 1997); (Zahra et al., 2000); (Shrader et al., 2000)). We think that it is time to evaluate the research carried out and to discuss what it has brought of new insights about the internationalization process of firms. Similar it is time to look forward and discuss the directions of the research on highly international firms.

Both theoretically and empirically we have to discuss whether the Born Global concept is just old wine in new bottles or if we really witness new types of international firms, which have not been seen before. When we separate a specific group of highly international firms and label them Born Globals is it then possible to achieve a better understanding of these firms' behavior compared to the remaining firms. Or – in other words – is there really any

difference between Born Globals (and similar concepts) and the other types of international firms. And if so how do they differ from other internationally oriented firms.

To give an answer to all these questions we have to start with a short history of the Born Global concept from the first Australian survey to the new surveys all over the world. Firms that are international right from their birth are called a lot of things – International New Ventures, Global Start-Ups, Infant Multinationals, etc. It is thus necessary to compare these concepts and look at how they are defined. We will look at the concepts and definitions and try to compare both the theoretical background and the empirical scope. Next we will take a closer look at the empirical research on Born Globals in Denmark seen in the wider context of internationalization of small and medium sized firms. The empirical findings from Denmark show us, that a very large percentage of newly founded production firms with export are Born Globals – according to the operationalization proposed by Knight & Cavusgil (1996) and used by Madsen et al. (2000); Rasmussen et al. (2001); Knudsen et al. (2002) and Moen & Servais (2002). This, of course, has some implications for the theoretical discussion of whether the Born Global concept is of any use. The consequences for the management of the internationalization of small firms are discussed together with the question what these empirical findings imply for e.g. export promotion policy. In the conclusion and proposal for further research we will look at the Born Global concept in a larger research setting as a part of a development towards new organizational forms. Maybe the rapid internationalization of new firms (as we see in the Born Globals, the International New Ventures, etc) is just a part of changed management discourse due to changed environmental settings. The question is difficult to answer, but we hope to give some indications of where the research could continue.

II. History of the Born Global concept

The concept ‘Born Global’ was coined in a survey for *The Australian Manufacturing Council* by the consultants McKinsey, see (McKinsey & Co., 1993) and (Rennie, 1993). The history

of the concept will be discussed later, but the consequences of the discovery of this new type of exporters is clearly stated by Tamer Cavusgil in the first scholarly article about Born Global firms in 1994:

There is emerging in Australia a new breed of exporting companies, which contribute substantially to the nation's export capital. The emergence of these exporters though not unique to the Australian economy, reflects 2 fundamental phenomena of the 1990s: 1.Small is beautiful. 2.Gradual internationalization is dead.

(Cavusgil, 1994), p.18

The Australian project consisted of an analysis of **new exporters** amongst the small and medium sized production firms. This meant that the focus was not on new – entrepreneurial – firms as it is seen in the other research on Born Globals, but on firms, which recently have begun to export. Furthermore the focus was on firms with a growing export within the last 5 years before the survey was conducted – the so-called **emerging exporters**. The sporadic exporters were in this way excluded from the survey together with firms, which were highly international. More than 700 emerging exporters were identified and of these 310 answered a questionnaire and 56 were interviewed, see (McKinsey & Co., 1993) and (Rennie, 1993). For information about the project see (Forman, 1993). Characteristic for this new type of exporters (even the older firms) was that they did not see export and the foreign markets as a necessary evil. Instead they looked upon the world as one, large market. The most important result of the survey was, however, that two types of exporters clearly could be distinguished:

1. The home market based firms, which are well established in Australia with a market share, that have been building up over time and stable financial situation. These firms have established a solid base in the home market with many years of experience, but if they want to expand exporting is the major choice. It is thus the wish for growth that drives these firms to export while reduction of costs or competition seldom is seen as the motive for export.

2. The other group – app. 25% of all the firms – was called the Born Globals. This type of firm typically starts to export less than two years after the foundation of the firm. They were young firms but they were responsible for app. 20% of the total export. Characteristic for the firms were, that:

... these firms view the world as their marketplace from the outset and see the domestic market as a support for their international business.

(McKinsey & Co., 1993, p.9)

Amongst the Born Global firms in Australia are several high-tech firms, but the typical firm uses well-known technology. Characteristic for the firms is, that they have experienced higher growth rates than other industries in Australia and a large growth in their export compared to their home-market sales. A major factor in the explanation of the phenomenon Born Global in (McKinsey & Co., 1993) is the management's commitment to internationalization – an explanation also found in later research, e.g. (Rasmussen et al., 2001) and (Harveston et al., 2000). Another major factor is the firm's ability to standardize production, marketing, etc. in a global niche instead of – as expected – developing customized products.

Cavusgil (1994) interprets the McKinsey report so that 'gradual internationalization is dead'. Everybody – even the smallest firm – has access to information about the export markets and can begin to export right from the birth of a new firm. It can of course be discussed whether this is true and we will elaborate on this topic later in the article. With a few years delay the scientific world discovered the Australian results and began to draft similar research on Born Globals in different countries, e.g. (Madsen & Servais, 1997), (Knight & Cavusgil, 1996), and (Madsen et al., 2000); (Moen & Servais, 2002).

III. Similar concepts (International New Ventures, Global Start-Ups, etc.)

Before the Born Global concept was introduced similar discussions of firms with immediate internationalization took place. It was often in relation to research taking its point of departure

in the ‘stage-models’ of firm internationalization, as (Johanson & Wiedersheim Paul, 1975); (Bilkey & Tesar, 1977); (Johanson & Vahlne, 1977). The term used in this discussion was ‘**leapfrogging**’, see e.g. (Hedlund & Kverneland, 1985), to describe the situation when a firm jumps over stages in the classical stages model. The argument for this behaviour was that the export markets become more homogenous and that internationalization is a central part of the firm’s strategy. The theme of the discussion was – as later on – often whether this was true for all firms or just for high-tech firm, as e.g. (Young, 1987) argues.

During the 1980’s several small studies (including case studies) document the existence of firms which are internationally oriented right from the birth. Ganitsky (1989) calls these firms ‘**innate exporters**’ as a contradiction to the ‘adoptive exporters’. The innate exporters are clearly more flexible and have a larger degree of international outlook in the management. On the other hand they are often limited due to their lack of experience and resources. An early article on this topic is Jolly et al. (1992), which build on a number of case studies of high-tech firms. **High Technology Start Ups** as these firms are called are maybe so extreme cases, as Jolly et al. (1992) point to themselves, that it can be discussed whether it is possible to make any generalizations from the case studies. Characteristic for the case firms is that persons from several countries were the founders, and that they follow a strategy directed towards international niche markets. These firms represent a type of firms that, due to their high tech product, may have to be international right from the beginning.

Up to the middle of the 1990’s the research on firms with an immediate internationalization was characterized by a few case studies of primarily high-tech firms and then the large survey in Australia. More precise empirical and theoretical work was missing, especially regarding the nature and types of these firms. This was changed by the work of McDougall and Oviatt, who labeled this type of firms ‘**International New Ventures**’ (**INV**), see (McDougall et al., 1994); (Oviatt & McDougall, 1994); (Oviatt & McDougall, 1995); (Oviatt & McDou-

gall, 1997). They defined an INV as a firm that right from its birth seeks a competitive advantage by using resources from several countries and by selling its products in several countries. The purpose of their work was to formulate a theory of international new ventures through the combination of existing theory on primarily entrepreneurship and a large number of case studies. The definition of an INV is rather broad but anyway more precise than seen before:

We define an international new venture as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. The distinguishing feature of these start-ups is that their origins are international, as demonstrated by observable and significant commitments of resources (e.g., material, people, financing, time) in more than one nation.

(Oviatt & McDougall, 1994, p.49)

Oviatt & McDougall (1994) tried to be more specific on the concepts used in the definition – not by using supplementary definitions – but through a typology of firms created from the number of value chain activities combined with the number of countries.

Figure 1: Types of International New Ventures

Few Activities Coordinated Across Countries (Primarily Logistics)	New International Market Makers	
	Export/Import Start-up	Multinational Trader
<i>Coordination of Value</i>	I	ii
<i>Chain Activities</i>	iii	iv
Many Activities Coordinated Across Countries	Geographically Focused Start-up	Global Start-up
	Few	Many
	Number of Countries involved	

(Oviatt & McDougall, 1994, p.59)

The typology of international new ventures in Figure 1 makes it possible to give a more precise definition of the different type of firms researched. First, there are the **New International Market Makers** (i and ii) which are the traditional type of firms operating both as exporters and importers. Their most important competitive advantage is knowledge about logistics. They use the imbalance between countries in production costs and market prices to create new markets. Often they operate through a large network of business contacts in a large number of countries – often through the founders and managers’ personal contact and relations.

Another type of firm is the **Geographically Focused Start-Ups** (iii), which gain its competitive advantage by servicing a few customers with a highly specialized demand in a relatively small part of the world. The competitive advantage of these firms typically stems from the co-ordination of a number of value chains in regard to technological development, knowledge, production, etc. This co-ordination is often socially complex and thus difficult to imitate because of the tacit nature of the knowledge involved. Furthermore the networks and relations involved are closed to outsiders and in this way knowledge is protected.

The **Global Start-Ups** (iv) are the most radical new international firms. These firms co-ordinate almost activities in the firm across national and regional borders. They do not merely react upon possibilities in the global markets but are extremely active globally to get access to resources and markets. They have a unique history and use socially complex knowledge bounded in several networks spanning the whole world.

The typology in (Oviatt & McDougall, 1994) and (McDougall et al., 1994) enables a more clear view of what we mean by a Born Global firm or an International New Venture. We shall later elaborate on the possibility of using typologies in the research on Born Globals. Several other authors have during the 1990’s studied the phenomenon of rapid internationalization at newborn firms. **Bell (1995)** departs theoretically from the stages models and studies small computer-software firms in Finland, Ireland, and Norway. The results show that be-

tween 30 and 50% did not follow the stages suggested in the traditional models. Amongst the reasons were, that the firms had to follow a client abroad, that the firms worked in an extremely specialized niche or sector, or that the markets for software primarily lies in Germany, the UK, or in the USA. Almost all the firms in the survey worked through agents abroad and showed no intention to progress to other market entry modes.

In **(Knight & Cavusgil, 1996)** the term Born Global is discussed at length for the first time in a scholarly publication. The data for the article stem from several of the surveys mentioned above, from Gary Knight's unpublished dissertation, and from anecdotal evidence from newspapers etc. Theoretically the article is interesting because of its discussion of possible reasons for the existence of Born Global firms and especially because of the suggestions for an empirical definition of a Born Global. In **(Madsen & Servais, 1997)** the systematic work on how to define a Born Global and the discussion of the trends behind the development of a rising number of Born Globals is continued. Especially the manager (and founder) is placed in focus in this discussion. Theoretically the authors in accordance with the model by Johanson & Mattsson (1988) place the Born Globals amongst 'the late starters' and 'the international among others'. Madsen & Servais (1997) argue that the theory behind the stages models still can be used to understand the internationalization of small firms. A principal part of this model is the firms' uncertainty regarding the new markets abroad. This uncertainty can be reduced due to the founder's knowledge of the export markets, and in this way the firm can leapfrog to markets far away. In this way the learning processes need not to be gradual when a particular firm is studied. The differences between traditional exporters and the Born Globals comes from differences in the founder's background and in the market conditions:

However, the founder characteristics and the market conditions are different which is the reason why the manifestation of the internationalization processes of Born Globals

must be deviating from the "rings in the water" model found to be a valid description of internationalization processes of firms in many empirical studies.

(Madsen & Servais, 1997, p.570)

The manager's and the founder's personal experience, relations, and knowledge is thus crucial for the existence of Born Global firms, as in the model for 'pre-export-behaviour' from Wiedersheim Paul et al. (1978); Olson & Wiedersheim Paul (1978). An alternative explanation mentioned in (Madsen & Servais, 1997) is to take a closer look at the networks in which the firm (and the founder) is active during the founding period:

...when studying a Born Global firm, the time perspective should be extended beyond its birth. Probably, many of its "genes" have roots back to firms and networks in which its founder(s) and top managers gained industry experience. Basically, in many instances it may be doubtful whether a Born Global can be considered a new company. In a legal sense the company may be new, but were it skills and capabilities not often born and matured prior to its legal birth?

(Madsen & Servais, 1997, p.573)

As Madsen & Servais (1997) shortly state, maybe the definition of a 'home-market' should be changed to be the market in which the founder of a new firm feels comfortable. Several other authors have touched the idea of Born Global firms, e.g. Jones (1999) who calls this type of firms 'international entrepreneurs'. The idea of international entrepreneurship, as in (Giamartino et al., 1993); (Donckels & Miettinen, 1997); (McDougall & Oviatt, 2000); (Knight, 2001), could be an interesting parallel to the concept Born Global, and we shall try to bring it into the discussion in the final part of the paper.

As it can be seen from the above short literature survey the definitions of Born Globals and International New Ventures etc. points in several directions together with the empirical research done. Amongst the empirical evidence we find a large number of 'recycled' cases (as

e.g. the firm Logitech) and a few more thoroughly planned surveys. We shall here shortly sum up the concepts used, their definitions, and the empirical background.

Table 1: Born Globals and similar concepts

Authors	Background	Conclusion/result
(Hedlund & Kverneland, 1985)	'Leapfrogging' Firms that jump over stages in the traditional models	More and more homogeneous export-markets. Internationalization as a part of the firms strategy.
(Young, 1987)	Theoretical discussion of the results from (Hedlund & Kverneland, 1985)	Agrees in the conclusions regarding leapfrogging, but only for high-tech firms
(Ganitsky, 1989)	Innate exporters. 18 exporters from Israel which are Born International	Firms which are Born Global adapt to a high degree their strategy to the foreign markets. Lack of resources and experience
(Jolly et al., 1992)	High Technology Start-Ups. Four case studies of high-tech start-ups	From the start these firms have their strategy pointed towards the global niche markets. Founder with an international experience
(McKinsey & Co., 1993)	Born Global. Survey amongst 310 production firms with a new export	25% of the firms had an intensive export within the first two years after the foundation of the firm. Export in average 75% of their sales
(Cavusgil, 1994)	Born Global. Interpretation of (McKinsey & Co., 1993)	Small is beautiful Gradual internationalization is dead
(McDougall et al., 1994)	International New Ventures. 24 case studies.	A strategy from the birth directed towards the international markets. The stage models are not usable any longer
(Oviatt & McDougall, 1994)	12 case studies – same as in (McDougall et al., 1994). Firms with a proactive international strategy	<i>An INV is a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries</i>
(Bell, 1995)	Small producers of computer software. Most of them have to be international from the start	'Psychic distance' is no longer usable. No support for the stage models.
(Bloodgood et al., 1996)	Firms with a ' high potential ' for growth	Internationalization depends on the international experience of the founder. Even small firms in the USA have the possibility of being international from birth
(Knight & Cavusgil, 1996)	Born Global. Summary of existing research + articles from newspapers. Firms with an export of 25% or more within the first 3-6 years	Factors that lead to the existence of Born Globals: Growing number of niche markets all over the world. Changes in production and communication technology. Growing number of international networks.
(Madsen & Servais, 1997)	Born Global. Summary of existing research + a number of Danish case studies	The classical stage models are valid for the Born Globals if the founder's experience and the internationalization of the markets is taken into consideration.
(Jones, 1999)	International Entrepreneurs. Firms with a large international network at the foundation. Questionnaire amongst high-tech firm in England.	Internationalization of the firms often starts with networks, which does not have anything to do with sales. Many different roads to the internationalization of these firms.

As it can be seen from table 1 there is absolutely no clear definition – neither theoretically nor empirically – of a Born Global or similar concepts. The solution in the empirical research on

Born Globals in Denmark was to use the definitions from McKinsey & Co. (1993) extended by the work of (Knight & Cavusgil, 1996) and use a narrow definition of a Born Global.

IV. The Born Global concept in Danish empirical research

The definition used in the Born Global research in Denmark was: A Born Global is a production firm with an export percentage (compared to the total sale) of 25% or more, which have started exporting within three years after the firms foundation, see (Madsen et al., 2000). For practical reasons only firms established in 1977 and afterwards were analyzed. It can be difficult to decide in practice when a firm is established, but the criterion used was the year, when the firm began to have employees. The first survey was an extension of an existing project, which analyzed the behaviour of a large number of small and medium sized firms. Out of 404 firms in the survey 51 could be characterized as being Born Globals. If we compare only to the 'young' firms (born in 1977 or later) we have a population of 123 firms of which 51 were Born Globals. This means that a large number of the newborn manufacturing firms in Denmark are Born Global. The 51 Born Globals have a high percentage of export – in average 68% of their sale is exported and several of the firms have an export percentage of 100.

The next step was a more thorough analysis of some of the Born Global firms through interviews with founders, managers, etc. In short, these interviews showed that the manager/founder was of extreme importance for the rapid internationalization of these firms, see (Rasmussen et al., 2001). Not necessarily meaning that the founder had to have international experience to found a Born Global firm, but in the way that the founder had to have an international outlook – often combined with an international network. Not all firms had this international network from the beginning but it was evident that all the firms had to build a network to get access to the international markets.

After the interviews were conducted a new survey was conducted in accordance with the work done by e.g. Gary Knight, see (Knight & Cavusgil, 1996). The purpose of this sur-

vey was in the first instance to identify the number of Born Globals in a certain part of Denmark. There were 398 industrial firms founded after 1976, small and medium sized and not owned by other firms. 335 of these firms answered a short questionnaire by telephone regarding their export, export start, year of foundation, etc. 205 of the 335 firms were exporters and 144 could be classified as Born Globals. This indicates that almost all the new production firms with export have to start exporting immediately after their foundation. A questionnaire was mailed to the 144 Born Globals of which 78 answered. The results showed amongst a lot of other results that these firms are extremely active exporters with an average export compared to the total sale of 72%. Again a large number of the firms (22 of 78) had practically all their sales abroad and no home-market in Denmark. The export mode is almost always either through direct sales or through an agent abroad and only a few of the larger firms have a sales-office abroad.

The Born Global firms in this survey have almost no adaptation of product, service, and marketing to the foreign markets. Almost all of the firms view their own competitive advantage as built on a higher quality and service than their competitors. These results must be viewed together with the fact that a large number of the firms produce standardized products but are operating in a highly specialized niche. This does not mean that they are producing high-tech products and in fact only one or two of the firms can be classified as high-tech firms.

If we use the typology of Oviatt & McDougall (1994) – see figure 1 – several of the firms are *New International Market Makers* operating in few countries with rather few activities. The rest is divided app. equally between the two groups *Geographically Focused Start-up* and *Global Start-up*. We have conducted 21 interviews with the Born Global firms and from these interviews we can see that only in three cases the firm perfectly fits the definition

of a global start-up. This leads of course to the discussion of whether the Born Global concept – as defined in our research – is useful or if it is too broad to be of any use.

V. Why should we study Born Global firms?

Until now in this article we have looked at the Born Global firms from two points of view. First, the theoretical discussions of the concept in itself and secondly, we have looked at the empirical research on Born Globals. As seen, there is absolutely neither no clear definition of a Born Global (and similar concepts) nor a precise operational definition. ‘Born Global’ as a concept can instead either be seen as an umbrella (or a metaphor) under which global start-ups, high-tech international firms, etc. can be studied – or we can work with a precise empirical definition as done in our empirical research.

None of these solutions are good or reasonable and both raise a lot of questions. To give useful answers to these questions and maybe an answer to the question of why we should study Born Globals, we have – in our opinion – to go two steps backwards and discuss why we generally carry out research in the internationalization of small and medium sized firms.

The first answer relates to the managerial problems of internationalization. The purpose of much research in small firms’ internationalization is in the end to give advice to the managers of the firms. **How to manage the internationalization of a small firm**, e.g. cross-cultural problems, market expansion, and export mode, is in focus in many articles within this field e.g. (Miesenbock, 1988); (Ghauri & Herbern, 1994); (Philp, 1998); (Bagchi-Sen, 1999); (Carrier, 1999); (Graham, 1999). Secondly there is **the societal aspect of internationalization** – often raised as a question of **export promotion** programs as in (Shoham & Kropp, 1998); (Weaver et al., 1998); (Welch et al., 1998). These two decision-oriented themes in the research on SME’s internationalization can be supplemented with the third: **How to develop a theoretical understanding of firms’ internationalization**. Much research during the last years has been occupied by the latter theme of finding a theoretical ground for research, also

in the first two categories. This theoretical ground is of course necessary to answer the questions of type one and two, but we must not forget, that the purpose of our research in the end is mainly to make better decisions possible in firms and governments.

Seen in this light the reason for studying Born Globals – despite all the theoretical ‘mess’ – is maybe more clearly seen. There is no doubt from the empirical research that the task of internationalizing a new firm raises new problems for managers. In the same way, the Born Global phenomenon represents a challenge for everybody who works with the promotion of export. No firms in the Danish research on Born Globals did receive any kind of governmental help – neither in cash nor as e.g. help from government agencies. The reason for this was clearly that the Born Globals did not fit into the mental picture of the persons responsible for helping firms to internationalize. Their picture was the classical stages model and the advice was to develop a home-market first and then... But for a firm, for example, which plans to produce brakes for deep mining elevators (of which there are none in Denmark) this advice is meaningless.

Because of the new challenges the Born Global firms rise – both for managers and for the society – we can argue that it is necessary to study the firms. But it is evident, too, that these firms have to be studied from a theoretical point of view.

VI. Further research

Two major questions can thus be raised from a more theoretical point of view when discussing the Born Global research – and research using similar concepts:

1. Why do we suddenly find a large group of firms, which are highly internationally active right from the foundation of the firm?
2. How is the Born Global phenomenon connected to other trends in the international business environment, e.g. the rapid internationalization of markets, hypercompetition and the change to an information intensive economy?

The answers to these questions are certainly not easy given, especially because it is difficult to distinguish between cause, effect, and relations between these. Maybe the Born Global is just part of a development to more agile firms, internationally too. Then the Born Globals are just step-stones in a development from the traditional production firm to the new organization form (also known as the flexible firm, the postmodern organization or the virtual corporation, see e.g. (Child & McGrath, 2001)). We will try to give some suggestions for a new research direction within the field of Born Globals and similar types of firms in the remaining part of the paper.

As to the first question several indications of an answer have been discussed in the first part of this paper. The answers can be grouped in two types: Changes in the economy including factors that can be related to special home-market conditions. And, secondly, changes in the firms themselves, especially in the outlook of the management (and founders). There is no doubt that markets are expanding internationally with the consequence that the home-market advantage disappears, especially in a small country like Denmark. At the same time the more intensive competition – often called ‘hypercompetition’ – in the same way leads to the disappearance of the home-market. If a market is seen as profitable, firms from abroad will be active on the market within a short time.

Child & McGrath (2001) use the expression ‘information-intensive economy’ to describe the transition from an economy based on materials to an economy based on flows of information. This transition results necessarily in more flexible forms of organization often described as the ‘virtual corporation’ or the ‘boundary-less company’. Firms have to adapt to changes in the environment – at a still faster pace – and have to be able to work in rapid shifting networks and relations with other firms and several other actors. The firms have to build in the flexibility and the capacity to handle constant change in the organization – and almost always in an international environment, especially for firms from small countries like Den-

mark. If we again look at the Born Globals it is evident that the most international – and agile – of these firms fits the description of the new firm above. The ‘global start-up’ from the typology of (Oviatt & McDougall, 1994) is precisely this type of firm. They are extremely flexible, pro-active on a global scale, and working in a large number of networks and relations. But in our research they represent a minority of firms. The rest of the firms have a more narrow geographical scope and are typical less flexible, but are active in international networks and relations, too. This could lead to the conclusion, that the only real type of Born Globals is the first one, and the remaining firms are just traditional international firms with a rapid internationalization.

The question of how we should use the Born Global concept in the future raised in this article cannot easily be answered. As we have tried to point out, it depends on the purpose of our research. One solution could be – as we already have pointed to – to use ‘Born Global’ as an ‘umbrella’ concept in the way that all types of rapid international new ventures can be under the umbrella. Then it is possible to have sub-concepts like ‘Global Start-Ups’ indicating a sub-group of firms – in this case the global active new firms. Anyway, there is no doubt that the phenomenon of rapid internationalization of new firms has to be studied in a broader context – as a part of the development towards more intensive competition and information-based economy. This development raises several new challenges for both researchers and practitioners.

There is no doubt that it is important to examine aspects of how firms are born and develop in today's business environment which is very international and characterized by high knowledge and information intensity. As we have mentioned, during the past decade literature has pointed to the emergence of new organizational forms that have been given many different labels. However, it is not at all clear what should constitute a 'new organizational form', or whether it is relevant to attach such labels to groups of firms. Does it give meaning from a

theoretical point of view? Does it have managerial relevance? Can governmental promotion programs benefit? These are the most basic questions that future research needs to address in a systematic manner.

One could argue that research should focus on business enterprises established in 1990 or later, since it may be argued that the 1990s is the decade in which new information technology was widely adopted in business as well as it is the decade in which internationalization and globalization became widespread in many aspects of western societies (in business, education, television, etc.). So, focus should perhaps be on firms that emerged within a business environment characterized by internationalization and globalization, as well as modern production, transportation, and information technologies. Such research could contrast international new ventures with domestically oriented new ventures.

In order to secure the comparability of research in different countries we have the opinion that it is important that researchers agree on some basic issues and conceptualizations. So far, efforts have not been very co-aligned, as we have shown. We propose that future research adopts the concept of International New Ventures (INVs) building on the work of Oviatt & McDougall (1994), including their subcategories, namely Export/Import Start-Ups, Geographically Focused Start-Ups, Multinational Traders, and Global Start-Ups. The reason for this proposal is that this conceptualization seems to be the most broad and comprehensive one used in the literature. Born Global firms and other categorizations used may be seen as a special case of INVs since the latter includes four types of ventures (Oviatt & McDougall, 1994) as specified above.

In their 1997 article Oviatt & McDougall identify several research questions as essential for future research. First of all they note that the prevalence of INVs needs to be researched by means of large-sample surveys, including a discussion of two major problems, the operationalization of 'international' and the ambiguity concerning the point at which a venture is

considered formed (p. 90-91). The operationalization of 'international' has often focused on the share of foreign sales, but in our opinion aspects such as international expansion (number of countries and regions), penetration (entry modes, organizational structure), and integration (sourcing, coordination) as well as managerial attitudes are mentioned in the literature. Often the birth of a firm is dated to the time of constitution of a legal entity, but often reality shows that more or less lengthy processes precede this point of time.

Oviatt & McDougall (1997) also point out that the reason for the birth of such firms as well as their role in the international market place needs to be researched. Reasons for birth may be a genuinely new idea on behalf of an entrepreneur, but may also be attributed to outsourcing decisions on behalf of larger firms as well as ideas born out of existing firms. Different backgrounds for birth may define different roles for the INV in terms of dependence on other firms versus independence, or perhaps interdependence among a group of firms. Furthermore, birth and growth of an INV may be dependent on external facilitating factors such as information and communication technologies as well as factors relating to the entrepreneur and others (for example prior international experience). Finally, empirical studies have shown that firms are much involved with their foreign suppliers (Servais & Jensen, 2001), hence international sourcing and associated network ties might play an important role for INV's. Flipping the coin many small firms may start with foreign purchases. Hence, it is important to study the motives and processes of such a type of internationalization, but also the future implications for international development of an INV.

The Academy of Management Journal hosted a special issue on international entrepreneurship (in 2000, no. 5). In their introduction McDougall & Oviatt (2000) point out that this area represents the intersection of two research paths, international business and entrepreneurship. The authors point to the fact that a task force on international entrepreneurship was formed within the Entrepreneurship Division of Academy of Management during the early

1990s in response to the growing academic interest in the international activities of new ventures. Building on a large conference at McGill University in 1998 and their editorship of the special issue of *Academy of Management Journal*, McDougall & Oviatt (2000) define the research area in the following way: "International entrepreneurship is a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations" (p. 903). They also stress the importance of definitional rigor in future research so that comparisons are possible between different studies. Our own research (Rasmussen et al, 2001) certainly underlines the importance of the entrepreneur.

This new area of international entrepreneurship supplements the huge stream of research on the export behavior and internationalization processes of firms by its explicit focus on the role of the entrepreneur. This is in coherence with (Fillis, 2001, p.777) who stresses that "There are clear merits for examining the contribution of the emerging marketing and entrepreneurship interface paradigm to understand smaller firm internationalization". The ability of this (or these) person(s) to create and develop an international firm becomes an important research focus. Therefore, the personality, skills and capabilities of the entrepreneur should be included as research topics in an attempt to examine his/her/their impact on the birth and development of the firm. In addition to the entrepreneur, future research should also consider the composition, structure and function of the board of the firms. Different studies on the impact of corporate governance structure on firms seem to indicate an influence on these firms' performance (Huse & Landstrom, 2001). Hence the influence of the board on internationalization start-up decisions and strategic decisions on the further international development of the firm should be addressed.

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