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# Conceptualizations to Advance Born Global Definition: A Research Note

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*The 'Born Globals' (BGs) have now been studied for over a decade and yet the conceptualizations and theory development are at an initial phase. This article was written to clarify the definition of a BG firm, and focus on its characteristics. BGs deviate considerably when contrasted with traditional internationalizing Small to Medium-Sized Enterprises (SMEs). Most importantly their vision is global, they have global products which are of unique and specialized nature, and they have accelerated internationalization capability from inception.*

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## Introduction

This article is based on research in the 'Born Globals' (BGs) area. There was a lack of

conceptualization about BGs resulting in it being difficult to perform comparative research analysis. Moreover, some of the firms being researched were not considered to be

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BGs by other researchers. This was partially due to the fact that international entrepreneurial firms originate from different backgrounds in nations with dissimilar business cultures. Thus, this article is presented as a research note. The article attempts to develop concepts that will help to provide a clear definition of what a BG is, and how it behaves.

It is known that a BG firm is one that is entrepreneurial and international in its business dealings. Traditionally international business researchers focused on large Multi-national Enterprises (MNEs) (Dunning 1988; Buckley and Casson 1998) or traditionally internationalizing firms modelled by the Uppsala scholars (Johanson and Vahlne 1977) or others (Bilkey and Tesar 1977; Cavusgil 1984; Luostarinen 1979). Entrepreneurship researchers focused primarily on venture creation and the management of Small to Medium-Sized Enterprises (SMEs) within the domestic context. In recent years, the demarcation segregating international business and entrepreneurship has begun to erode. Literature has reached a point where it specifies that 'international entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national boundaries and is intended to create value in organizations' (McDougall and Oviatt 2000). Large firm size and age are not defining characteristics here. Further, international entrepreneurial behaviour may occur at the individual or group levels; the former is more likely when the firm originates from a country with a pronounced individual national culture such as the US, and the latter when the firm is from a group culture country such as Italy (Porter 1990). There are many international entrepreneurial SME firms that

internationalize steadily but relatively slowly. However, academic researchers are observing accelerated internationalization among some of the smallest and newest SME organizations (Oviatt and McDougall 1999). Therefore, to make research more specific, the set of internationalizing SMEs could be partitioned into:

1. BGs, these are SMEs with accelerated internationalization potential and global market vision.
2. Born Again Globals, who attempt to internationalize, then turn to building up domestic support and later return to internationalization with great leaps, and a global vision (Bell et al. 2001).
3. Inward internationalizers who import intermediates and components from global sources, and/or import Research and Development (R&D) technology, and internationalize rather rapidly.
4. The usual more slowly internationalizing SME, which subset may include small spin-offs from MNEs.

## Definitions

### *'Born Globals': Selected Previous Definitions*

From the above it can be definitively stated that BG firms are a subset of international entrepreneurial SME firms. Different definitions for BGs have been offered by different authors. Perhaps because the seminal works (Knight and Cavusgil 1996) originated from the US, a country with a basically low export ratio, the original definition of a BG as a small firm with 25 per cent exports within three years of its inception was, as seen by

Europeans, not very demanding. Almost any start-up firm from small countries with the 'right products' operating in the 'right customer segments' can achieve this kind of requirement. Nevertheless, this definition has remained in much of the literature (Andersson and Wictor 2003). As a consequence Finnish authors suggested a much stricter definition, maintaining that one needs at least 50 per cent to be sold in continents external to the one in which the firm originates from to qualify as a BG (Luostarinen and Gabrielson 2004). The advantage of such strict numerical definitions is that it is easy to delineate the cohort of BGs. However, such definitions have been found to be flawed for research purposes because the ratio of exports or range of geographic international activities are influenced by the size of the BG's origin country and economy, the country's common market neighbours, plus other factors such as the type of industry. Then there will always be companies that are spun off from divisions of large MNEs that very easily fall into the strictest of these numerical definitions, but that lack one important ingredient: the risk of a start-up BG company.

Until this day, the research and debates have concentrated on the selling part of the BG. However, it is conceivable that small global companies may arise due to the impact of the other parts of their value chain. For example, companies that do all their sourcing from offshore suppliers or where all the manufacturing or R&D is carried out by offshore units of the firm, but sell the bulk of their final products in their home market. At a later stage they may internationalize their marketing operations as well. This has been

demonstrated by what has been termed inward internationalization (Korhonen et al. 1996). The group of inward internationalizers who outwardly internationalize, has been designated as a separate subset of internationalizing SMEs. Furthermore, if they internationalize rapidly with global vision they can be classified as BGs. But those who merely inwardly internationalize for home market effectiveness and/or efficiency should not be classified for research purposes as valid for comparison with BGs. Furthermore, other subsets were the 'Born Again Globals', and the more usual internationalizing SMEs, which include small spin-offs from MNEs.

### ***'Born Globals': A New Definition***

Given the fact that BGs are led by entrepreneurs and their firms are international, what else can be said to define them specifically? Also, firms from this subset can change character and so fall into other SME groups of international entrepreneurial firms, and adopt a slower pace of internationalization. Why do the successful BGs resist such change, and why do they find ways to perpetuate their existence. Macro external parameters certainly exist. These include the increasingly global nature of demand in some market segments. For instance, physics laboratories in major universities worldwide that conduct research in low temperature physics and related areas often utilize similar equipment. High-field magnets produced by Oxford Instruments of UK, a small BG, is thus able to supply a global market (Oviatt and McDougall 1995). Naturally, the BG firm's market potential may be unequally

balanced between different continents. However, what is important is that the BG firm targets key world-wide country markets in which potential exists (Berry et al. 2002). Other macro parameters are the rapid growth of worldwide communications technology, the urge to combine with foreign proven technologies and to follow clients to foreign lands. Can the micro parameters that serve to discourage migration from the situation of a BG be defined?

As stated above, so far one has reached the position that a firm with global market potential and one that has accelerated internationalization capability should be termed a BG. What kinds of products are recognizable as having global market potential? These have to be products with distinct differentiation as compared to products that are already in the market. Such products must have either unique technology and/or superior design or unique product/service, or know-how, systems or other highly specialized competence (Gabrielsson and Kirpalani 2004). They include new production methods; as these are new processes and can be considered as new services. A firm with products that have global market potential combined with an entrepreneurial capability to seek methods of accelerated internationalization qualifies in the new definition of a BG firm. Further, such a firm must have a global vision at inception in order to drive towards global success. Moreover, it must carry the risks of a small start-up company; it cannot be a spin-off from a larger firm that is prepared to help it float, for example, Lucent Technologies Inc., which was a spin-off from AT&T the phone giant.

Furthermore, it should be noted that the industries they emanate from may be what are conventionally termed high-tech or low-tech, for example, wireless or clothing respectively. Research in Motion Ltd, the promoter of the high-tech 'Blackberry', started off as a BG, as did Zara, the known Spanish clothing firm that is now expanding rapidly abroad.

Also, the previous literature had often centred on the BG meeting a numerical internationalization requirement within a three year time period of its inception. The potential may well be there, but as is well known, exporting is not straightforward, particularly not for start-up companies with limited international experience. Granted that senior managers may have gained experience in previous job positions, but the network and the insights provided by one experienced manager coming from one company may be relevant and directly useful in one BG, but not in another one. Compounding the challenges of exporting, internationally marketing a new product or a new concept that competes with well-established consumption or usage patterns is even less straightforward. Things may therefore take more time than just three years. This does not necessarily entail that the firm should not be classified a BG. Thus, one must be somewhat flexible about the time period, given different situations.

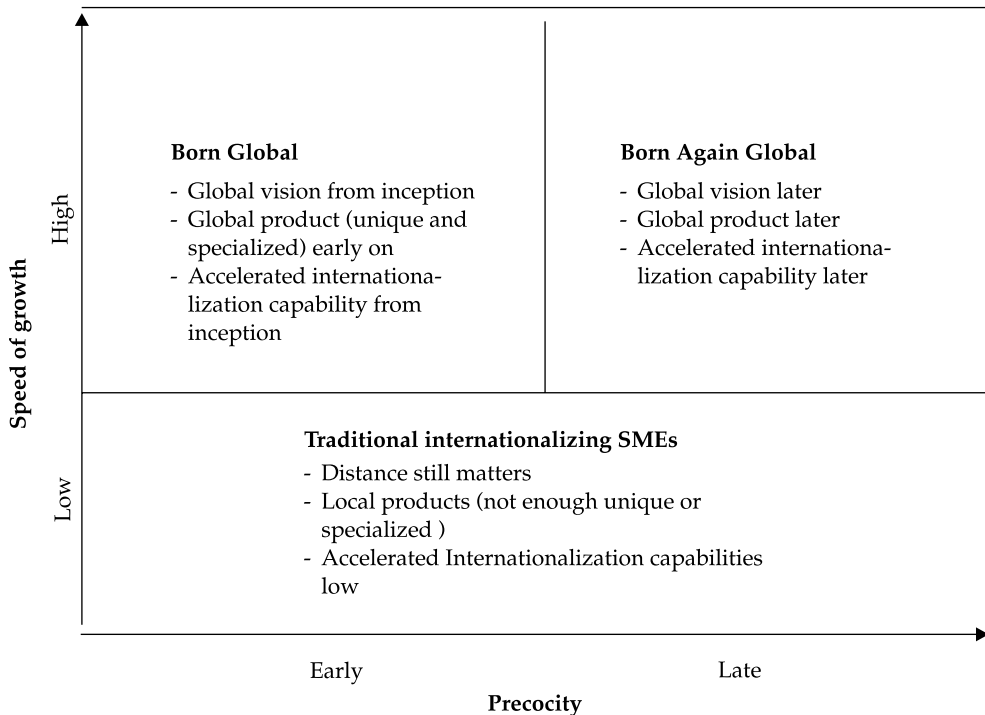
## Discussion and Conclusions

Two dominant issues with regard to BGs are linked to the temporal factor. Time in this regard has two dimensions. One is in the realm of precocity. How does a BG appear

so suddenly or seem to appear almost 'out of nowhere'? Two is the speed of rapid globalization of this new form of firm (Zuchella 2005). The second question concerns effectiveness. A successful BG shows wide entrepreneurial scope in the key country markets of its industry segment, high intensity of focus and rapid growth. This is different from a SME that goes international early but does not have global vision. Such a firm may meet the standard of precocity but the firm would lack effective commitment to drive speed and performance in global markets (see Figure 1).

Contrasting this BG model with that of traditional SME internationalization models some noticeable differences have been found. In the former the entrepreneur owner has a global perspective. This is not the case with a traditional internationalizer in which case distance still matters (Johanson and Vahlne 1977; Ghemawat 2001). Further, the growth rate of international sales is faster. This growth rate is a symptom of the development of the products/services, the strategies followed by the BG, the increase in organizational learning, the industry and the market

**Figure 1**  
Born Globals Versus Traditional Internationalizing SMEs



Source: Compiled by the Authors.

potential. The industry and market potential are essentially givens; therefore research should be most helpful in the former

variables. The growth rate is the dependent variable explained by the other factors.

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