A Literature Review of the Born-global Firms and Research Prospect

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Abstract: In the late 1980s and early 1990s, born-global firms have been emerged with the development of globalization and the advancement of technology. Its emergence is not only a great challenge to the existing theories of corporate internationalization in the academic field, but also a supplement and improvement to the traditional internationalized firms in real life. There is strong research enthusiasm and interest of many foreign scholars. Over the past two decades, the born globalized enterprise has become an inescapable and highly valuable frontier issue in the field of international business and business management. This paper reviews the existing research in three aspects: (1) the connotation and characteristics of born-global firms, (2) the driving factors, and (3) the reasons for success. Based on a systematic review of the important research results on born-global firms, this paper presents the prospects for future research in view of the limitations of existing research and the needs of practical development.

1. Introduction

Since the late 1980s and early 1990s, under the wave of economic globalization, born-global firms have been emerged one after another around the world and in various industries. The rapid internationalization of such firms from the time of their birth or at the beginning has created a huge impact and challenge to the traditional internationalization theory, which has greatly weakened its realistic explanatory power. The traditional theory of internationalization process considers the internationalization of firms as a gradual, cumulative process of experience acquisition [1], which reduces the risks and uncertainties of overseas operations through slowly accumulated experience to enter overseas markets. The great gap between the phenomenon in reality and the existing theories has aroused the interest and research enthusiasm, prompting them to study born-global firms from different theoretical perspectives and seek to explain the deeper reasons behind this phenomenon. Western scholars have been studying born-global firms since the early 1990s. After more than 20 years of continuous research, it has reached a mature stage, and two articles on born-global firms [2,3] have been awarded the JIBS Decade Award. International Review and the Journal of World
Business have also published special issues on born-global firms. However, Chinese scholars have lagged behind in research in this area, and only in 2006 were relevant studies conducted [4] and to date, there are still very few relevant research results. The theoretical research of Chinese scholars not only lags behind foreign scholars, but also lags far behind the actual development of the country. Since the opening-up reform and especially since China's entering into the WTO, a small number of born-global firms have emerged along China's coastal areas under the background of the Chinese government's active "going out" strategy. In order to further promote the theoretical research on born-global firms and effectively guide the practical development of born-global firms in China, it is necessary to sort out and summarize the concept, measurement, characteristics, driving factors, and success reasons of born-global firms.

2. Definition of Born-global Firms

2.1 Definition and Measurement of a Born-global

The term Born-Global Firms (BGFs) first appeared in a study of early international firms conducted by McKinsey & Company in Australia [5, 6]. One of the unusual findings of this study was that many SMEs entered international markets quickly at birth and performed well. However, no study has clearly defined this term, and the term was questioned at that time. However, this unusual and interesting phenomenon has been extensively studied by scholars in different countries under different names, such as International new ventures (INVs), Global start-ups, born-global firms, and High-tech start-ups. Svensson [4] argues that despite their terminological differences, these names all seem to refer to the same phenomenon. The definition that has now become widely accepted in academic circles comes from the American scholars Knight and Cavusgil [2], who defined that born-global firms as business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries.

From this definition, born global internationalized firms should be measured in the empirical study with the following four dimensions.

(1), the nature and independence of the firms. The firm must have full autonomy; it cannot be a joint venture or a subsidiary of a corporate group. The independence of a born-global firm is rarely mentioned in existing theoretical and empirical studies, which may be related to the fact that most scholars consider it an unspoken measurement dimension

(2), the speed of internationalization. That is, the time span from the establishment of a firm to its first international business

(3), the degree of internationalization. That is, the proportion of international business activities to all business activities of the firm. (4), the scope of internationalization. It is the number of countries with which the firm does international business. Little attention has been paid to this dimension in the existing literature on firms and abroad [7, 8].

None of these four dimensions must be satisfied at the same time in order to show the basic difference between a born-global firm and a traditional SME. Differences and conflicts among scholars on the measurement dimensions of born-global firms are mainly focused on the time period and the degree of internationalization, with the time period being the most prominent, ranging from 2 to 10 years,
with Rennie [6] and Moen and Servais [9] choosing a consistent time period of 2 years since establishment. Most scholars [2][10,11] on the other hand, believe that the time span should be within 3 years from the date of the firm's birth. Gabrielsson et al. [12], on the other hand, choose 5 years Oviatt and McDougall [13] argue that the first 6 years of a firm's existence is critical for the survival of most firms and is the formative period of the firm, and if the firm's internationalization occurs during this period then it is a born-global firm. McDougall, Shane, and Oviatt [14], on the other hand Burgel and Murray [15] argue that it should be 10 years. The measurement of the degree of internationalization is also controversial, and the first approach is that of Knight and Cavusgil [11], which defines a naturally global firm as one that has exported at least 25% of its total sales within three years of its establishment. Subsequently, many scholars have argued that the 25% threshold is too absolute and arbitrary and should require full consideration of domestic market size and industry characteristics [16]. Zhou, Wu, and Luo choose the 10% threshold based on Zahra et al. [17] and argue that the truly fundamental innovation comes from small firms rather than established large firms [18].

2.2 Born-global Firms and Related Concepts

Another concept related to and highly confusing or even interchangeable with the concept of born-global firms (BGs) is International New Ventures (INVs) [3]. INVs are economic organizations that, from their inception, are committed to gaining significant competitive advantage through the use of resources and the sale of products in multiple countries. INVs refer to economic organizations that have been committed to gaining significant competitive advantage through the use of resources and the sale of products in multiple countries since their inception. In terms of definition, BGs and INVs are similar in that both emphasize the timing and speed of internationalization (Speed), but differ in that BGs also focus on the extent of internationalization (Extent), while INVs focus on the scope of internationalization (Scope). In terms of content, Oviatt and McDougall [3] argue that INVs can be classified into four different types based on two criteria, i.e. the number of countries entered and the number of synergistic value chain activities. The four types of INVs are import/export start-ups, multinational traders, geographically-focused start-ups, and global start-ups. It is easy to see that BGs have a narrower connotation than INVs because BGs gain market share through exports, while INVs have other value chain activities such as imports, offshore R&D, joint ventures, or production subsidiaries, among others, in addition to exports [19]. The same view is empirically supported by the Danish scholar Madsen [20], where he classifies 832 Danish sample firms according to the measurement criteria of BGs and INVs respectively, and finally finds that 81 BGs are INVs, so the author argues that BGs are just a special subset of INVs [20], except that BGs do not belong to one of the four types of INVs, but are a mixture of the four types. At this point, it is easy to understand why many scholars [21] equate and thus interchange BGs and INVs. However, Coviello [19] argues that this equivalence and/or interchange is inaccurate, as in INVs/BGs. Therefore, some scholars [22] collectively refer to BGs and INVs as Early Internationalizing Firms (EIFs).

3. Driving factors of early internationalization in born-global firms

Since they first came to the attention of researchers, many scholars have found in practice that born-global firms tend to emerge in countries with small domestic markets and knowledge-intensive
industries, because firms in such countries and industries are likely to internationalize early and quickly. However, as researchers further explore and discover, the emergence of natural international firms is not limited to countries with small domestic markets, but also in countries with large domestic markets, such as the United States and China. They are also not limited to knowledge-intensive industries, but also appear in labor-intensive industries, such as manufacturing, and so on. Later, scholars came to understand that born-global firms are not limited by country or industry. Up to the present, born-global firms are found in a wide range of industries around the world. However, scholars still wonder what the driving factors for the internationalization of born-global firms are. Many foreign scholars have struggled with this question and tried to find the answer from different perspectives.

Any behavioral outcome is caused by a combination of different causes, and like Zucchella, Palamare and Denicolai [22], this paper argues that the early internationalization behavior of born international firms is the result of a combination of multiple factors. From the existing literature, the factors that promote early internationalization of born-global firms can be categorized into four main forces: pushing factors, pulling factors, pressing factors, and motivating factors. Figure 1 is the demonstration of how these factors contribute to the early internationalization of the born-global firms.

3.1 Pushing factors of early internationalization in born-global firms

The early internationalization of natural international firms is partly due to globalization and the improved communication and transportation conditions that globalization brings [2], market homogenization and improved international transportation and communication technologies will simplify and shorten the process of internationalization of firms [3] Globalization trends offer great opportunities for firms to grow [23], and these have significantly reduced the cost of internationalization for firms, particularly driving overseas expansion for small and resource-poor firms. Madsen and Servais [10], in their discussion of the drivers of naturally internationalized firms, argue that they should include at least three. (1) New market conditions. (2) Developments in production, transportation, and communication technologies. (3) The sophistication of human capabilities. They argue that these three drivers are interrelated and will likely become increasingly powerful in the future. Of course, some scholars believe that contextual factors (those related to the global environment) are very important, but they should not be considered as drivers because the drivers are mostly endogenous Zucchella, Palamare and Denicolai [22]. At the national level, not many scholars at home and abroad have studied the relationship between public policy or government policy and early internationalization of firms, and the relevant research results are only a few and most of them have focused on China, which may be related to China's special national conditions. Li, and Zhou [24], based on a case study of four firms in Zhejiang, found that government support policies in terms of capital, information, taxation and land provided strong support for firms to successfully enter the international market. In terms of industrial environment, many industries are gradually "internationalizing" under the wave of internationalization [9] [25].

Although born international firms are spread across a wide range of industries, the industry environment plays an important role in their international development. Although few studies have been conducted on the relationship between industry structure and firm internationalization [26], this
does not question the importance of the relationship. Fernhaber et al. [26] summarize from the literature in three fields: industrial economics, international business, and entrepreneurship that industry evolution, industry concentration, industry risk capital, internationalization of local industries, international integration of industries, and industrial knowledge density jointly or individually influence the internationalization of firms. The industry supporting environment also plays an important role in the early internationalization of firms. The industry growth rate is then closely related to the internationalization behavior of the firm [23], and in addition, the major customers served by this industry also influence the internationalization behavior of the firm [23], and if the competitors and customers of the firm's industry are international, the firm's are likely to enter overseas markets [22] find that Cluster and district have a correlation, albeit weak, with the early internationalization behavior of firms.

3.2 Pulling factors of early internationalization in born-global firms

Sometimes firms choose to enter international markets not entirely on their own initiative, but as a matter of necessity. Fan and Phan [27] found that a firm's decision to enter international markets at the time of founding is influenced by the size of the firm's home market. When the size of the domestic market is narrow or the market maturity is high, this will motivate firms to target international markets from the very beginning of their establishment [28-30]. At the same time, unfavorable domestic economic conditions can also drive early internationalization behavior of firms [31]. A large number and wide range of exogenous factors such as technological and social changes will lead to international competition in some industries, and the internationalization of industries will increase the pressure for firms in them to enter external markets [31], and when most firms in an industry go out to "strike gold", this When most of the firms in the industry go out to "go for gold", this will invariably put pressure on other firms to "follow the herd mentality". On the other hand, when a large number of foreign competitors come into the country and try to seize the market already occupied by domestic firms, the management of the firm is more likely to consider entering foreign markets [32], and domestic defense might be a superior international offense.

3.3 Pressing factors of early internationalization in born-global firms

Under various pressures in the domestic market, the domestic market is no longer an important "place to learn" [33]. Early internationalization was driven by the desire to gain a "first mover advantage" and "lock in" new customers [34] and to expand the learning curve to gain a profit advantage over competitors [35,36]. For firms in industries with saturated domestic markets, turning their attention to international markets is the right way to seek survival and growth. For companies in a growing industry, expanding market share by entering international markets can capture scale effects and further reduce costs. It is undeniable that there is a part of the firms, the main purpose of entering the international market is not to obtain market share and operating profit, but to seek learning opportunities and get exercise in the international arena.
3.4 Motivating factors of early internationalization in born-global firms

To make the exogenous forces really work in practice, we must rely on the endogenous forces, otherwise the exogenous forces will all be in the air. It can be said that the founder or the management is the key driver of early internationalization. The endogenous force of the early internationalization of a company born to internationalize mainly comes from the entrepreneur or management team. From the firm's perspective, the market is "new" but from the founder's perspective it is "old" [37], and born international firms are mostly new and small start-ups. Zucchella, Palamare, and Denicolai [22], the founder or management team plays a major and crucial role in the early internationalization of the firm. Founder or management characteristics are considered to be a key factor in distinguishing born global firms from non-born global firms [37]. Founder characteristics play an important role in whether young firms start internationalizing early [16] [38-41]. Specifically, there are three aspects of international experience, international network and international orientation (thinking) of the founder or management team, all of which have been shown to be positively related to early international behavior [16] [17] [22] [42]. There are numerous arguments that the internationalization experience of founders or management teams can help drive early internationalization [41] [23]; Baronchelli and Cassia [43]. Bloodgood et al. [44] argue that the internationalization experience of the executive team has an important association in the internationalization of high potential firms in the United States. Reuber and Fischer [45] argue that firms with executives with internationalization experience enter international markets faster compared to firms with executives without internationalization experience. Zucchella, Palamare and Denicolai [22] find empirically that not all internationalization experience leads to early internationalization, only the experience of working in similar industries is relevant. The internationalization experience of the executive team can reduce the degree of outsider disadvantage and the resulting negative consequences [46].

![Fig 1 Driving Factors of Early Internationalization in Born-global firms](image)

4. Key success factors of born global firms: An integration framework

In the near future, the number of born-global firms will increase significantly across the globe, and their importance will become more prominent, leading to an increasing amount of academic research. However, to date, the study of born-global firms still lacks a research framework that integrates
different perspectives. This paper is not just a brief overview and summary of previous studies, but also an attempt to propose an integrative framework on this basis, in order to help subsequent researchers in their in-depth studies. A particular research perspective deepens and expands the study of born-global firms from a different perspective but relying on one theoretical perspective alone is incomplete and insufficient. This research framework integrates the entrepreneurship perspective, social network perspective, resource-based view perspective, and organizational learning perspective.

4.1 Entrepreneurship

In the early stage of a naturally globalized enterprise, the founder or the entrepreneurial team is the soul and mentor of the enterprise, and it is no secret that in the early stage of the enterprise, the founder or the management team is "in charge of everything", but as the enterprise gradually grows and matures, the founder will gradually shift to the "dictatorship". The entrepreneurial spirit will also shift from individual outward-looking entrepreneurship in the start-up period to inward-looking entrepreneurship in the growth period [47]. A major role of entrepreneurs at this time is to look to the future, to show the direction of development and to formulate practical strategies for the company.

4.2 Social network

Social network is an important capital for firms, which is not only a resource in itself but also generates and brings additional resources for firms. The social network in which a company is embedded provides it with important development opportunities and industry information. Social networks are also a powerful springboard for companies to move to a higher level of development.

4.3 Enterprise resources.

Enterprise resources are the cornerstone of enterprise development. To a certain extent, the growth process of an enterprise is the process of gradual accumulation of resources. The value, inimitability, substitutability, and scarcity of the resources possessed by an enterprise determine its position in the competitive market.

4.4 Learning Capability.

The strength of an enterprise's learning capability is crucial to the acquisition, maintenance and enhancement of its core competitiveness. Learning ability is an important way to accumulate internal resources and a powerful measure to improve the position and level of an enterprise in the social network. More importantly, learning ability plays the role of a bridge between internal resources and external network, and only an enterprise with strong learning ability can achieve perfect integration of internal and external.

This integration framework has four main characteristics, one is comprehensive, combining internal and external and individual level and organizational level integration. Second, it is dynamic. Based on the enterprise life cycle theory, it takes into account the different development stages, different characteristics and evolutionary processes of firms. Third is integration, how internal and external are combined, how the individual level evolves to the organizational level, learning is the
glue throughout the process. The fourth is purposefulness, the whole integration framework aims to illustrate the sources and formation mechanisms of long-term competitive advantage of born-global firms.

5. Future Research Prospects

As we can see from the above review of born-global firms, after more than 20 years of accumulation and precipitation, existing research, especially in the West, has achieved fruitful results, which has laid a solid theoretical foundation for future research. However, it is undeniable that there are still a lot of limitations in the past studies, especially in today's fast-changing and ever-changing social practices. Therefore, based on the limitations of the existing theoretical results and the direction of the future development of practice, this paper puts forward the following perspectives for future research.

(1) Focus on the growth of born global companies.

Born global firms are not born successful firms and born global may not be born winners. In the past, we focused too much on the "birth" stage, but neglected the "growth" stage that they must go through after the "birth" stage. We focus on the growth of born global companies, not only the growth process, but also the growth trend. From the very beginning of its establishment, a born global enterprise is based on global vision, facing global market, using global strategy and integrating global resources to achieve rapid development, and because of its rapid growth, it does not have enough time to accumulate and precipitate, and because of its early success, it lacks crisis and worry awareness, thus laying hidden dangers for its subsequent development. What kind of mechanism or system can ensure that BGs are always on line and do not go out of line? This requires us to study the different problems they encounter at different stages of development, and we need to learn from the growth experience of SMEs. The growth process is important, but it is also futile if the direction is not right. It is also worthwhile to consider whether the "premature" born-global firms [22] will gradually evolve into "normal" multinational firms when they become adults [28].

(2) Greater emphasis on the failure of born global companies.

The first is the formation of a born global company, i.e., why do some companies fail to grow into a born global company when they have everything in place to do so, despite having all four drivers in place? Secondly, the evolution of a born global company, that is, after becoming a born global company, why does it end abruptly when it should be soaring? The reasons behind these two aspects are worthy of consideration and deeper investigation, and it is certainly necessary to look for the reasons from the failed born global companies. Most of the existing studies of born-global companies are based on successful born-global companies that share their success stories in order to tell their own stories. Few studies[51] have been able to use failed BGFs as specimens to find out the truth for posterity. The lessons of failure are more powerful than the lessons of success.

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References


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