



The Internationalization of Born Globals: an Evolutionary Process?

Inter-
nationalization
of Born Globals

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Abstract—Recently, the phenomenon of Born Globals has been highlighted in many articles concerning the internationalization processes of firms. Such firms adopt an international or even global approach right from their birth or very shortly thereafter. Some authors consider this phenomenon as being in strong opposition to the traditional models of internationalization. This is, of course, true if one considers the manifestations of these models, namely the so-called stages model, according to which the firm should internationalize like “rings in the water”, i.e. in a slow and gradual manner with respect to geographical markets, market entry mode and product policy. This article contributes to the field in three ways: it summarizes the empirical evidence reported about Born Globals; it interprets the phenomenon at a deeper theoretical level and offers a new conceptualization of the research issue; and it generates propositions about the antecedents of as well as the necessary and sufficient conditions for the rise of the phenomenon. In doing so, the conclusion is that Born Globals grow in a way which may be in accordance with evolutionary thinking. © 1997 Elsevier Science Ltd. All rights reserved

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Introduction

For two decades internationalization processes of firms has been the topic of much research in the field of international marketing. Two quite similar streams of research have emerged in Europe and the in the US. In a recent review article Andersen (1993) labels these original models “The Uppsala Internationalization Model (U-M)” (see, for example, Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) and “The Innovation-Related Internationalization Models (I-M)” (see, for example, Bilkey and Tesar, 1977; Cavusgil, 1980). Both streams of research contend that firms become international in a slow and incremental manner which may be due to lack of knowledge about foreign markets, high risk aversion, high perceived uncertainty, or similar factors. The U-M sees internationalization processes as involving time consuming organizational learning processes; the I-M tends to analyse the process as an innovative course of action and hence a question of adoption of new ways of doing business.

Still, both streams of research conceptualize the manifest internationalization process as an incremental process involving a varying number of stages. This type of conceptualization has been widely used as the basis for much empirical research around the world. In many instances the empirical data have supported the notion that firms often internationalize like “rings in the water”, trying to gain market knowledge gradually, and hence reduce uncertainty and

risk over time for each country market. However, many researchers have accused the stages models for being too deterministic and of limited value (see, for example, Reid, 1983; Turnbull, 1987). After a more theoretical evaluation Andersen (1993) concludes that their theoretical boundaries, explanatory power, and operationalization need to be researched much more thoroughly in a longitudinal setting.

Recently, even more convincing evidence of the limitations of the manifest stages models has appeared in the literature. Research has identified an increasing number of firms which certainly do not follow the traditional stages pattern in their internationalization process. In contrast, they aim at international markets or maybe even the global market right from their birth. Such companies have been named Born Globals (Rennie, 1993; Knight and Cavusgil, 1996), Global Start-ups (Oviatt and McDougall, 1994), High Technology Start-ups (Jolly *et al.*, 1992), and International New Ventures (McDougall *et al.*, 1994). Here we adopt the name Born Globals.

This article explores some of the main characteristics reported about Born Globals; empirical support for the phenomenon is established by reviewing the findings of studies reported in the literature. These findings are related to the original internationalization model developed by the researchers in Uppsala as well as to evolutionary economic thinking and the network approach to international activities. It is demonstrated that the Born Globals phenomenon can partly be understood and analysed by existing theories and descriptions of internationalization processes in firms. It is argued, though, that evolutionary economics as well as the network approach offer some promising additional insights into the phenomenon. The conceptionalization of the phenomenon offered in this article has not explicitly appeared in previous writings about Born Globals. So, according to the arguments below it is not necessary to look for completely new theories in order to understand and further research Born Globals.

Finally, case studies reported about Born Globals in different countries are compared in order to explore situation specific differences in antecedents as well as necessary and sufficient conditions for the emergence and expansion of Born Globals. The article concludes with the generation of propositions about Born Globals and a discussion of future research topics.

Born Globals: Some Findings

McDougall *et al.* (1994) as well as Knight and Cavusgil (1996) refer to a number of empirical studies which appear to contradict the stages theory of internationalization. In a similar vein Welch and Luostarinen (1988) focus upon small English, Australian and Swedish firms that skipped different stages and who unexpectedly fast had foreign direct investments. Ganitsky (1989) investigated a sample of 18 Israeli exporters, who served foreign markets right from their inception. Brush (1992) found in a nationwide study of small US manufacturers that 13% of the sample had started international activities during the first year of operations. In an Australian study McKinsey and Co.

(1993) identified many Born Globals whose management viewed the world as its marketplace right from the birth of the company. Holstein (1992) reports similar findings among small US firms.

Knight and Cavusgil (1996) even show that studies from the late 1970s have documented examples of internationalization patterns similar to such Born Globals in different countries (for example, Buckley *et al.*, 1979; Roux, 1979; Garnier, 1982). So, abundant empirical evidence can be found, showing that not all firms internationalize according to the stages models. Below, we review the most recent studies which have explicitly positioned their findings as opposed to traditional internationalization models.

Oviatt and McDougall (1994) focus on newly started firms and they define an International New Venture (INV) as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources from and the sale of outputs in multiple countries (p. 49). In contrast to traditional organizations that develop gradually from domestic firms to multinational enterprises, the INV starts out with a proactive international strategy—even though it starts with only one or a few employees/entrepreneurs.

In their study of 24INVs McDougall *et al.* (1994) found that none of them followed the incremental stages of internationalization. This lead them to conclude that the stages models fail to provide an appropriate explanation for why such firms operate on international markets rather than just on their home markets. Concerning the governance structure of activities, McDougall *et al.* (1994) claim that there are key differences between established firms and start-up firms, due to the amount and source of resources. The latter type of firms will only have few resources left over for expensive investments in for example distribution channels; therefore, in comparison with established firms, the entrepreneur must rely more on hybrid structures for controlling the sales and marketing activities (e.g. close personal relationships, joint ventures).

This is in accordance with the findings of Bell (1995) in his study of small computer software firms. In the study he argues that the U-M did not adequately reflect the underlying factors of the internationalization processes in these firms. He found that the process was strongly influenced by domestic and foreign client followership, the targeting of niche markets and industry specific consideration rather than the psychic distance to export markets. He also found very little support for the notion that the firms progress systematically from exporting to other market entry modes, even though he found an increasing commitment to exporting among the responding firms. Finally, not all firms established themselves with domestic sales before starting foreign sales; this could be due to prior experiences of the entrepreneur or to the fact that exports were often initiated when searching suppliers abroad.

In contrast to Oviatt and McDougall (1994), McKinsey and Co. (1993) focuses on already established firms, especially small- and medium-sized enterprises. In a research project conducted for the Australian Manufacturing

Council covering 310 firms, McKinsey splits the emerging exporters into two categories. The first one consists of more traditional domestic-based firms accounting for approximately 75% of the total sample. Firms in this category typically build a strong domestic base before exporting. On average they have been in business for 27 years when they first export and they reap 15–20% of sales in foreign markets. The second category is labeled Born Globals; they export 75% of their total sales, starting after less than two years of operation. They generally produce leading edge technology products with significant international niche markets, such as scientific instruments or machine tools. Rennie (1993) describes them as competing on quality and value created through innovative technology and product design. The mainstream Born Global of this study is very close to its customers, flexible and able to adapt its products to quickly changing needs and wants.

The latter findings are somewhat in contrast to Jolly *et al.* (1992), who conclude that “High Technology Start-ups” must choose a business area with homogeneous customers and minimal adaptation in the marketing mix. The argument is that these small firms cannot take a multidomestic approach like large firms, simply because they do not have the sufficient scale in operations worldwide. They are vulnerable because they are dependent on a single product which they have to commercialize in lead markets first, no matter where such markets are situated geographically. The reason is that such markets are the key to broad and rapid market access which is important because the fixed costs in these firms is relatively high. Since this is the key factor influencing the choice of the initial market, the importance of psychic distance as market selection criteria is reduced. Often these firms govern their sales and marketing activities through a specialized network in which they seek partners who complement their own competences; this is necessary because of their limited resources.

Recent research carried out in the Nordic countries (Lindmark *et al.*, 1994) also demonstrates the existence of Born Globals. Based on the study of 328 exporters from Finland, Norway, Sweden, and Denmark it is concluded that the firms’ domestic market no longer seems to be as important a “learning place” as earlier studies demonstrated. A high proportion of the exporters started their international activities just after the birth of the firm. About 20% of them did so within one year after their inception; two years later the percentage had risen to roughly 50. The Danish data reveal that the firms born within the last 10–15 years start exporting faster than older firms. Results from another empirical study in Denmark (Industri- og Handelsstyrelsen, 1992) show similar conclusions, and in a longitudinal study (over the years 1985–1993) of 948 newly established firms in Denmark, Christensen and Jacobsen (1996) report that a rising number of these firms started exporting within the first years of existence. They conclude that different firms have different routes to internationalization “...based on differences in established contacts and knowledge acquired prior to the initiated new business...” (p. 7). Market knowledge, personal networking of the entrepreneur, or international

contacts and experience transmitted from former occupation, relations, and education are examples of such international skills obtained prior the birth of the firm.

As we have seen, findings in studies of Born Globals are sometimes in accordance with each other—but in other instances they are conflicting. There is general agreement about the fast and immediate pattern of internationalization and growth, and also to some extent about the type of governance structure used (mainly a hybrid form). Yet, there are disparate opinions about other characteristics of the situation of the Born Globals (as we have seen this is true, e.g. concerning the degree of customerization of products and closeness to customers in general). The reason for these discrepancies may be traced back to the fact that the phenomenon “Born Globals” is still very new and not well defined as a research area; therefore the samples of the individual studies are quite different and not fully comparable. In addition, most studies are purely descriptive without a well developed theoretical frame of reference.

Driving Forces and Theoretical Approaches

An important question concerns the drivers of the new picture of internationalization processes of firms. Why does this happen? An answer to this question also tells us something about the future diffusion of the phenomenon. Based on the literature (in general and as mentioned above) the rise of Born Globals may be attributed to at least three important factors: (1) new market conditions, (2) technological developments in the areas of production, transportation and communication, and finally (3) more elaborate capabilities of people, including the founder/entrepreneur who starts the Born Global firm. All three factors are, however, interrelated.

On the surface the rise of Born Globals may be explained by changing market conditions which many industries have been exposed to during the recent decades. One changing condition often mentioned is the increasing specialization and hence the number of niche markets seen; as a consequence we should see more firms producing very specific parts and components which they have to sell in the international marketplace, simply because domestic demand is too small—even in large countries. Entrepreneurs in high tech markets may have to sell their innovative product worldwide. The other side of the coin is the fact that many industries are characterized by global sourcing activities and also of networks across borders. The consequence is that innovative products very quickly can spread to country markets all over the world—also because the needs and wants of buyers become more homogeneous. Hence, the internationalization process of subcontractors may be quite diverse and different from the stages model (Andersen *et al.*, 1995). In other words the new market conditions pull the firms into many markets very fast. Finally, also financial markets have become international which means that an entrepreneur in any country may seek financial sources all over the world.

These new market characteristics have not emerged by themselves, though. They have to a high degree been caused by some basic changes in technology.

New production process technology has implied that small-scale operations may also be economically sound; therefore specialization, customization and niche production are more viable alternatives in today's markets. Transportation of people and goods has become much more frequent, reliable and even cheaper than ever before; this means that cost barriers for an international approach have been removed. This is also a result of developments in the area of communication; world markets have become more accessible (even for small firms) at low cost by the use of fax machines, e-mail, etc. "Day-to-day business" (e.g. sales and service operations) can often be carried out in many countries from the same desk. In the same vein, information about international markets may be collected, analysed and interpreted from the very same desk.

A final precondition for the changing market conditions and hence the rise of Born Globals is the increased ability of human resources to exploit the possibilities of the technological changes on the international markets. Basically the increased capabilities in this area are due to the fact that a dramatically increasing number of people have gained international experience during the last couple of decades. As an illustration, different programmes in the European Union exchange around 50,000 students every year. They go to other countries in order to complete 6–12 months of their study. Clearly, such mobility across nations, languages and cultures creates a much higher number of potential employees with a competence to communicate with, understand and operate in foreign cultures. Such capabilities are clearly a prerequisite for exploiting the opportunities offered by new production, communication, and transportation technology. Another effect of increased mobility and education across borders is that markets become more homogeneous (preferences and behaviour become less local). Therefore, the human resource side is certainly one of the driving forces behind the phenomenon of Born Globals. Especially the past experience and present competences or ambitions of the founder of the Born Global firm should be taken much more into consideration. We will return to the latter issue in subsequent sections.

In conclusion, it must be expected that the phenomenon of Born Globals will become more widespread in the future. Probably the driving forces mentioned will be even stronger in the years to come—and therefore more industries and firms can be expected to be affected.

As of now, a "missing link" in the research about Born Globals is the following question: Which theoretical framework should be applied in order to understand and explain the phenomenon? As it is the case for many new research areas the point of departure when studying the phenomenon has so far mainly been empirical.

However, McDougall *et al.* (1994) attempt to interpret the phenomenon in the light of some of the most generally accepted theories in the area of international business. They conclude that although one of the purposes of monopolistic advantage theory is to explain why firms choose to compete internationally rather than just in their home markets, this approach does not

provide an appropriate explanation of Born Globals/INVs (p. 474); the reason is that Born Globals make foreign investments before developing monopolistic advantages on the domestic market. For similar reasons McDougall *et al.* reject the International Product Life Cycle theory (Vernon, 1966). Oligopolistic reaction theory cannot explain the initial decision to invest in foreign markets either because often the Born Global/INV is the first firm in an industry to invest internationally.

Internalization theory claims that MNEs exist because of market imperfections; the firm may earn higher economic rents by internalizing transactions rather than having arm's-length transactions across borders. The study by McDougall *et al.* (1994) indicates that the Born Globals/INVs not always choose the lowest cost mode of operation for each activity the firm performs. It is reported that many of the firms rely heavily on strategic alliances in competing internationally. McDougall *et al.* (1994) conclude that the internalization theory fails to provide an appropriate explanation for INVs, since cost reduction is not the key issue for them; furthermore, internalization theory has its focus on the firm level rather than on the entrepreneurs and their social network which should be seen as very important when researching Born Globals/INVs (p. 478).

McDougall *et al.* (1994) argue that the founders of INVs are more concerned with the possibilities of combining resources from different national markets because of the competences they have developed from their earlier activities, so international entrepreneurs are able to avoid domestic path dependence by establishing ventures which already from the beginning have routines for managing a multicultural workforce, for coordinating resources located in different nations and for targeting customers in several geographic places simultaneously. In a similar vein Bell (1995) notes that the network approach to internationalization seems to have some merit. This is underlined by the following statement: "Evidence of client followership and indications that some firms initiated exporting because of contacts with foreign suppliers do offer a plausible explanation as to how and why software firms with such networks internationalized" (p. 72).

In order to fully understand this phenomenon we have to examine the background of the founders. In the case of Born Globals we may assume that background of the decision maker (founder) has a large influence on the internationalization path followed. Factors like education, experience from living abroad, experience from other internationally oriented jobs, etc. mould the mind of the founder and decrease the psychic distances to specific product markets significantly.

The implication is that from the inception of the firm the founder may not see national borders as an obstacle, but rather sees international markets as open, waiting to be exploited. Hence it is not necessarily so that the firm initially has to be engaged in a network which is primarily domestic. From the first stated argument it may very well follow, that previous experience and knowledge of the founder extends the network across national borders opening possibilities for new business ventures. In fact, the case of Born Global may be

similar to the situation of the “Late Starter” or the “International Among Others” (Johanson and Mattsson, 1988) (see Table 1). In the latter situation both the environment and the firm is highly internationalized. We will return to these issues in the next section.

Hence, we conclude this section by pointing out that comprehensive theoretical explanations of the phenomenon of Born Globals are still lacking. It has been demonstrated empirically that Born Globals do not internationalize in accordance with the stages models. Some important external driving forces for the phenomenon have been discussed. Furthermore, we agree with some authors in pointing out that the background and characteristics of the founder probably has a large influence on the commencement and development of Born Globals. In the next sections we will explore the phenomenon theoretically and we will argue that evolutionary economic thinking as well as the network approach to internationalization (and even the original thinking behind the stages models) can contribute to the understanding and perhaps give some adequate explanations of the rise of the Born Global phenomenon.

Links to the Original Uppsala Internationalization Model

There is no doubt that the studies of different Born Globals demonstrate the limited validity of the manifestations of the original internationalization models, i.e. the stage models and the idea that firms slowly grow more and more international like “rings in the water” with respect to their product, geographical markets served and entry mode. A falsification of the surface manifestations is, however, not necessarily the same thing as a falsification of the reasoning behind the traditional models. In this section we will explore a little more in detail, whether some of the underlying theoretical arguments of the stages model are still valid—even for Born Globals.

To explain the slow and incremental character of internationalization processes of firms, Johanson and Vahlne (1977) formulated a model in which the firm is assumed to strive for growth and long term profit, but at the same time attempts to keep risk taking at a low level. Interpreting the studies of Born Globals, we find that these basic assumptions are still valid—even for Born Globals. Furthermore, the firm is assumed to lack the routines to solve new problems in relation to internationalization because of relatively high perceived market uncertainty; according to the behavioural theory of the firm it will then search for local optima in the area of the problem. However, Born

Table 1.
Internationalization
Situations (Johanson
and Mattsson, 1988, p.
298)

	Low degree of internationalization of the market	High degree of internationalization of the market
Low degree of internationalization of the firm	The Early Starter	The Late Starter
High degree of internationalization of the firm	The Lonely International	The International Among Others

Global firms' perception of uncertainty with regard to international markets is typically lower because the founder and other employees have gained international experience prior to the start-up.

In order to explain the path of the internationalization process itself, Johanson and Vahlne (1990) developed a dynamic theoretical model in which they make the distinction between state and change aspects of internationalization variables. In the model they argue that the present state of the firm is an important factor in explaining future changes and subsequent stages. The state aspects are represented by the firm's "market commitment" to the foreign markets and the "market knowledge" about foreign markets and operations. The change aspects are seen as "commitment decisions" and "current business activities".

The concept of market commitment is assumed to be composed of two factors; first, the amount of resources committed, e.g. the size of investments in the market (marketing, organization, personnel, etc.), and secondly, the difficulty of finding an alternative use for the resources and transferring them to alternative usage (degree of specificity). Market knowledge is seen as information about markets and operations which is somehow stored and reasonably retrievable in the minds of individuals inside the firm, in computer memories or in written reports. International activities require both general knowledge about market operations and market specific knowledge. The latter is assumed to be gained primarily through experience with the foreign markets, whereas knowledge of operations can better be transferred from one market to another. Knowledge may be objective or experiential in nature, but experiential knowledge is seen as the most crucial type for international activities.

Johanson and Vahlne (1977) postulate that current business activities are the prime source of experiential knowledge for the firm. Commitment decisions depend very much on experience since they are a response to perceived uncertainty and opportunities on the the market. Decisions to commit further resources to specific foreign operations will more often be taken if experiential market knowledge increases. This implies that additional market commitment as a rule will be made in small incremental steps because it takes time to gain experiential knowledge about foreign markets.

For a Born Global firm, the degree of country specificity of market knowledge is probably lower because of the driving forces mentioned in the third section. Furthermore, the founder of a Born Global may have prior experiential knowledge about the international marketplace in his particular industry. This implies that decision about additional market commitments do not necessarily have to be slow and incremental in such a firm. Based on the reasoning of the original (dynamic) state and change model one may explain the manifest internationalization process of some Born Globals as follows: since the founder of the Born Global has a high market knowledge built up through years of business activities in the industry, then the Born Global firm can easily take commitment decisions concerning international markets. Furthermore, market commitment may be relatively low because the country

specificity of market knowledge is relatively low and international sales and marketing channels are already in place.

In conclusion, we argue that many basic assumptions and the dynamic processes (state and change aspects) underlying the internationalization processes of Born Globals are not necessarily different from what is outlined in the original U-M referred to above. However, the founder characteristics and 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.

Whereas Johanson and Vahlne (1977) are preoccupied with the conditions for export and the development process, Wiedersheim-Paul *et al.* (1978) focus on the even more fundamental process before the initial exporting stage; they formulate a model of factors affecting the pre-export activities of the firm. In doing so, they conclude that these activities are important in explaining the start of an internationalization process. This is a very interesting perspective to discuss in relation to Born Globals.

In addition to the more traditional factors such as; decision maker characteristics and product line, they stress the importance of the history/environment of the firm. Concerning the latter subject Wiedersheim-Paul *et al.* (1978) underline the importance of contact patterns that allow an efficient exchange of information, creating possibilities for transmission of ideas from other firms. They state that: "These contacts are likely to change the attitudes and mental maps of the decision-makers" (p. 56). In the same vein, Welch and Wiedersheim-Paul (1980) argue that pre-export "preparation" of the firm is important, because it requires managerial time for activities such as sales promotion abroad, visits and other means of gathering relevant information. They accentuate that the investment of managerial time in carrying out the pre-export activities is particularly important to smaller firms, because they have fewer resources to allocate to such uncertain and risky activities.

There is no doubt that this pre-export behaviour model is very relevant when studying Born Globals. The model underlines the importance of researching the interrelationships between the decision maker (in this case, the entrepreneur), the firm's environment and the firm itself. Clearly, as we have seen in the earlier sections of this article, the attitudes and mental maps of the entrepreneur probably have a high explanatory power when trying to understand the internationalization patterns of such firms. In the study of Welch and Wiedersheim-Paul (1980) we even see an early indication of the Born Global phenomenon; firms established after the Second World War and having successful export activities had started export faster than firms established before the war. A similar pattern is documented in the McKinsey and Co. (1993) study referred to earlier.

So, we do contend that even the theoretical reasoning behind the original stages model, including the pre-export behaviour, has some merit when trying to understand the internationalization pattern of Born Globals. However, the

manifestations of the stages model (internationalization like “rings in the water” with regard to product, geographical markets and entry mode) is not an adequate framework for modelling the manifest routes to internationalization of Born Globals. For the latter reason one should reject the manifest original models which many “Born Global authors” do, but for the former reason the conceptualizations behind the original models may be kept in mind when trying to understand why Born Globals take the route which has been empirically evidenced.

Links to Other Approaches and Theories

Johanson and Mattsson (1988) attempt to relate the internationalization process of firms to the notion of industrial networks. Instead of regarding the internationalization as a process between a firm and a somewhat anonymous market, they stress the relationships between independent firms forming the network. Due to an informal division of labour among the involved firms, each firm will become dependent of external resources to the extent to which it builds exchange relationships to other firms in the network. Such relationships often take time and effort to establish and develop; especially in long term relationships mutual trust and knowledge implies a high degree of commitment and interconnectedness by different types of bonds.

In relation to the internationalization processes of firms we interpret the network approach so, that the original Uppsala Internationalization Model has to take into account the network approach and that concepts like commitment, knowledge, current activities have to be studied inside the firm itself but also in connection with its cooperation with other firms. This means that each firm cannot be analysed separately, but that its state and change aspects must be understood in an interorganizational setting. Furthermore, networks might not only be confined to a country, but may extend beyond borders. Differences are seen between countries and products regarding the international extension, coordination and integration of networks. Accordingly, the degree of internationalization of the actual network has strong implications for the internationalization process of the particular firm. Such a process becomes much more individual, depending on the networks established in the industry as well as the position of the firm in the industry network.

Internationalization can involve that the firm develops business relationships in networks in other countries in three different ways; through the establishment of relationships in country networks that are new to the firm; through the development of relationships in those networks which are known to the firm; and through connecting/integrating networks in different countries by using the existing relationships of the firm as bridges to other networks. According to Johanson and Mattsson (1988), the firm’s development is to a large extent dependent on its position in a network and it can use its markets assets (position) in its further development. The internationalization characteristics of both the firm and of the market influences this process (Johanson and Mattsson, 1988, p. 297). The firm’s

market assets will have a different structure if the firm is highly internationalized than if it is not. In addition, the market assets of other firms in a network might have a different structure, depending on the degree of internationalization of the market, which is defined as the extent, intensity and degree of integration of relationships across borders in the industry in general. The degree of internationalization of the firm encompasses the extent, intensity and degree of integration of its positions with foreign partners.

Based on these assumptions Johanson and Mattsson (1988) establish the following model. Below we discuss how and why Born Globals fit into this model.

There is no doubt that the stages models are most valid when depicting the process of an Early Starter firm. Networks are local or national with only very few (if any) relationships crossing borders; this means that customer preferences and behaviour may be quite different across borders and the same is true for business customs. For the firm wanting to internationalize, perceived uncertainty is high and market specific knowledge is low. It is difficult to “buy” market knowledge because nobody has real international experience; therefore experiential learning becomes critical, and hence the slow and incremental internationalization pattern is relevant and probably also economically sound.

Late Starters have a much different situation because networks across borders are already well established. Having a position in such networks is a kind of a prerequisite for being active in the marketplace—perhaps most strongest on the lead markets in which all suppliers want to be present and strong players. In highly internationalized markets firms are often “pulled” into foreign markets through their position in a national net. In a study of Danish firms’ investments in Turkey (Bodur and Madsen, 1993) evidence of such firms was found. For some very small Danish firms one of the first international activities was a foreign direct investment in Turkey which is a quite distant market in terms of geography and culture. One of these firm had been “pulled” to Turkey in the first place because it was a subcontractor for a large Danish company.

In a review of subcontractors’ internationalization processes, Andersen *et al.* (1995) report similar notions. Subcontractors often internationalize in a non-conventional manner because they follow domestic customers or because they cooperate with foreign system suppliers. Another route which may easily be similar to the pattern revealed for Born Globals is seen for subcontractors which internationalize through integration in the supply chain of a multinational company. In any case, the internationalization process of the individual firm cannot be seen in isolation; it can only be analysed by understanding the environmental conditions as well as the actual relationships of the firm in question. It is necessary to understand the whole value system (or network) in which the firm is active.

Johanson and Mattsson (1988) point out that internationalization processes of firms will be much faster in internationalized market conditions, among

other things because the need for coordination and integration across borders is high. Since relevant partners/distributors will often be occupied on neighbouring markets, firms do not necessarily follow a “rings in the water” approach to market selection. In the same vein their “establishment chain” needs not follow the traditional picture because strategic alliances, joint venture, etc. are much more prevalent; firms seek partners with supplementary skills and resources. In other words, internationalization processes of firms will be much more individual and situation specific in internationalized markets.

Clearly, the situation of Late Starters and International Among Others is very much similar to the situation of a Born Global. We therefore argue that a network approach to internationalization processes offers a valuable approach when analysing such firms. Furthermore, the network approach stresses that the present activities and decisions of firms must be highly dependent on the particular firm’s past experience and activities. Hence, also Born Globals may be seen as “locked” according to their history.

A deeper theoretical explanation of such “path dependencies” of Born Globals may be found in the evolutionary approach to the study of dynamic changes. The Born Global firm acts in an environment, but also in an internal context which is much different from that of an Early Starter. The uncertainty and learning aspect is not related to knowledge about geographical markets, but more to new production processes, specialization patterns, exchange patterns, etc. Their organizational routines are not depending very much on any local or national borders—and therefore they do not fit into the manifestation of the stages model. They probably do have a set of regular and predictable ways of doing things, though. And they do have routines, decision rules and capabilities which may be considered as the “genes” of the organization. Instead of being tied to geographical markets, these genes may be tied to certain specialized, value-adding processes which the firm solves in that particular, internationalized industry.

Interpreted in the light of these theoretical concepts, the Born Global phenomenon does not represent any revolutionary pattern of internationalization; also Born Globals may behave according to a evolutionary framework. However, 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 its skills and capabilities not often born and matured prior to its legal birth?

Taking such an evolutionary approach to the study of Born Globals makes it more clear that even they possibly develop and grow in an evolutionary manner. Therefore, the theoretical understanding of evolutionary processes is highly relevant for Born Globals as well as for the firm which internationalizes like “rings in the water”. Only the manifestations of their evolutionary processes are very different. Their “domestic” market is maybe

not geographical, but perhaps certain problem solving capabilities in a global industry. Evolution like “rings in the water”, therefore, does not have the local market as its centre but certain problem solving routines originally possessed by the founder/entrepreneur, but later rooted in the organization as such. Research focusing on such issues is highly relevant in order to gain a better understanding of the Born Global phenomenon.

Additional empirical work is necessary to enrich our present insight into the phenomenon. The final part of the article is dedicated to the formulation of propositions that are relevant to investigate thoroughly; also general future research directions are discussed.

Theoretically and Empirically Derived Propositions

The theoretical analysis carried out above give rise to the formulation of many relevant propositions. To enrich the theoretical insight, case studies of Born Globals were searched for in the literature. Nine relevant studies were chosen to illustrate the phenomenon; the actual choice of cases was governed by the desire to maximize heterogeneity because the purpose is to generate propositions of relevance for the phenomenon as such (exploratory research phase). The nine cases describe Born Globals originating from the US, Australia, Denmark, Switzerland, Sweden, Italy, and France; they are summarized in Table 2.

These cases, along with the theoretical considerations, form the basis for formulation of propositions to be examined in future research. The propositions focus upon questions such as: What are the antecedents of Born Globals? What are the necessary conditions for their emergence? What are the sufficient conditions for their birth and expansion? What is the impact of the national settings? Does the industry setting matter (e.g. high tech vs low tech)?

As demonstrated theoretically and illustrated in some of the cases in Table 2, it is important to explore the history of Born Globals, even beyond their birth. Such firms may be started by genuine entrepreneurs or by very experienced persons with or without a strong product. Often, these persons have extensive international experience (including a personal network) and do not perceive their native country as the nucleus of their lives. International experience is a necessary condition for their international expansion, but it also creates the motivation and ambition to become Born Global, among other thing because it changes the perception of distance to other countries. The combination of a strong entrepreneur and a strong product is illustrated in Table 2 by the high tech firms whose product is firmly rooted in the technological capabilities of the founder(s) while others (e.g. trading companies) are examples of Born Globals driven exclusively by a strong entrepreneur who might have chosen many different products. These observations lead to the first proposition which is concerned with the roots of a Born Global.

Internationalization of Born Globals

McKinsey and Co. (1993)	Jolly <i>et al.</i> (1992)	Madsen and Servais (1996)
<p>Invetech consults on business and technology strategy and was founded in 1987. Five years later the export contributed with more than 20% of the total sales. Invetech manufactures a range of specialized laboratory instruments. The successful marketing of these products has relied on linkages with the Swiss multinational Leica. Invetech markets its products worldwide through the partnership with Leica.</p>	<p>Logitech, a Swiss-based producer of desktop aids for PCs, was founded in 1982. Seven years later, more than 70% of the total sales originated from sales outside Europe. Moreover, it manufactures and engineers its products in the US, the Far East and in Europe. The firm was founded by a Swiss citizen and an Italian citizen who met while studying at Stanford University. Later on, a third person joined the group after a career in Olivetti and IBM. Physically, the firm was located both in Switzerland and Palo Alto in the US, but the main part of R&D was soon moved to Silicon Valley. Manufacturing was initially done on both locations, but when volume increased a new facility was set up in Taiwan.</p>	<p>Aaby Brakes was founded in 1990 by Mr Carlsen. The firm produces and sells hydraulic brake discs primarily for the windmill industry, but also for the mining industry and the crane industry. Nearly 60% of the total sales in 1995 originated from exporting. Aaby has managed to double the sales each year since its inception. The founder merely had a sales background and the export breakthrough was made through a takeover of a Swedish firm that had very good contacts on the German market. Aaby seeks to reach the market through a net of distributors in Europe, the US and Asia. Today, four sales directors with a technical background are responsible for the Polish market, the German market, the Asian market and the overseas market.</p>
<p>Cochlear originates from the University of Melbourne; research about implants for profoundly deaf was commercialized. Exports represents 95% of the total sales, a figure that has been increasing 25% the last five years. The firm has strong links with hospitals around the world and in collaborative research in Switzerland, Germany and the US.</p>	<p>Technophone was founded in 1984 in the UK; it manufactures and markets hand-portable telephones with a substantial export share in 1989. It now has manufacturing plants in Europe and the Far East and sales to these regions and the US. The founder was a Swede who previously had work for Ericsson in France and the UK. When the liberalization of the telecommunication industry began he decided to exploit the possibilities in the UK as being the lead market.</p>	<p>ESX was founded in 1992; it produces and sells screw dies, a niche product of which ESX produces 60,000–70,000 units per year. Export now represents 80% of the total sales, exporting to 12 different countries. The founder, a business economist, was internationally oriented right from the inception. He attends different trade fairs around the world each year and since screw dies are simple products and easy to copy, a low price is essential for survival and the firm seeks to develop new products on a regular base. The most important export markets are the US, France, Germany and Japan.</p>

Table 2.
Born Global Cases

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Table 2.
Continued

McKinsey and Co. (1993)	Jolly <i>et al.</i> (1992)	Madsen and Servais (1996)
Precision Valve produces valves and plastic packaging products that are very innovative. The export share has risen to 25% of the total sales within five years. The firm believes that innovation and close customer and supplier involvement is critical to their export success. The product range differs from one market to another, especially in Southeast Asia.	Lasa Industries are established in both Europe and the US and produces systems for application software; it is heavily dependent on access to resources on a global scale. Four of the founders were US citizens; one was Swiss and one French. The operational HQ was placed in the US together with the R&D department, the marketing function was placed in France and finance in Switzerland but production was set up in Scotland due to attractive regional grants and the availability of suitable workforce.	MK electronics was founded in 1984. The founder, Mr Petersen, was head of the electronic development department in a local subsidiary of a MNC. When the MNC decided to externalize this function, Mr Petersen took the opportunity to start-up a firm that could carry out the tasks of developing of production of electronic control circuits. A few years later MK electronics took over a small Danish producer of automats. Due to the long and close relationships with local subunits relations was established with Electrolux and this again lead to a substantial export to Sweden and Germany.

P1. The antecedent of a Born Global is one or several strong entrepreneur(s) with strong international experience, and perhaps in addition a strong product.

According to theoretical arguments, it should be expected that the phenomenon Born Globals is more widespread in markets which are highly internationalized as understood by Johanson and Mattsson (1988). This is due to the fact that many Born Globals need to source resources from firms with complementary competences which is much easier in markets with established cross national networks at the firm level as well as the personal level. This may be the case for R&D as well as production resources, but it is even more prevalent for sales and marketing capabilities which is also demonstrated by many cases in Table 2. A radical proposition would be that internationalized markets are a necessary condition for Born Globals; we have, however, chosen a more weak proposition:

P2. The extension of the phenomenon Born Globals is positively associated with the degree of internationalization of the market.

Theoretical arguments indicate that one of the driving forces for Born Globals is changes in production technologies and better access to/lower costs in transportation as well as communication. Hence, the core competence of a Born Global must be expected to be narrow and focused to a higher extent than

is the case for other exporting firms. Moreover, the competence may be linked to standardized production or physical products (e.g. Logitech, Technophone), but it may also rest in a deep knowledge about heterogeneous customer preferences and an ability to adapt to these preferences (e.g. Aaby Brakes, Precision Valve). In any case, the capabilities of a Born Global must be expected to be more cultivated and clear-cut than those of traditional exporters, so:

P3. In comparison with other exporting firms, Born Globals are more specialized and niche oriented with products that are either more custom-made or more standardized.

As demonstrated earlier, Born Globals do not choose geographical markets according to physical or psychic distance; this is in contrast to traditional internationalization patterns like “rings in the water”. This is true for their sourcing, production, and sales/marketing activities. The cases of Logitech and Lasa clearly demonstrate that the location of sourcing and production facilities are highly influenced by the nationality of the founder as well as cost and R&D considerations. The geographical focus of sales and marketing activities are directed by lead customers (Cochlear), contacts already established by the founder (MK Elektronik), or options available because of client followership or through relationships to external partners (Invetech). A difference among Born Globals may be expected: High tech Born Globals may direct their sales and marketing activities to lead markets because they need rapid access to lead customers as well as edge technology; Born Globals who are trading companies, service firms or subcontractors may more often choose foreign markets because they follow their present customers. A general proposition about geographical decisions could be formulated like this:

P4. The geographical location of activities in Born Globals is determined by the past experience of founders and partners as well as economic and capability or customer-related factors—directly or in interaction.

The reliance on sourcing options from firms with complementary competences is probably a more common picture in Born Global companies than in other exporting firms because the internal competence and routines in such a firm are insufficient to achieve the desired development. Sourcing may happen by employing persons with specialized skills (from competitors of from related industries), or it may happen in different forms of collaboration with hybrid governance structures, especially in the distribution channels. This picture may be explained by more scarce resources in Born Globals (financial as well as human), but a higher degree of internationalization of the market is a facilitating factor contributing to the explanation. Finally, the international experience of the founder means that a Born Global is better able to take advantage of the increased international experience and intercultural

competence among people in general; they are not afraid of employing or collaborating with people who have a different background. Summing up, the mode of operation of a Born Global could be expected to be the following:

P5. In comparison with other exporting firms, Born Globals more often rely on supplementary competences sourced from other firms; in their distribution channels they more often rely on hybrid structures (close relationships, network partners, joint ventures, etc.).

In order to survive and earn economic rents it is necessary for a Born Global to be at the edge of the development in their particular market or competence niche. Therefore, they have to be innovative (e.g. Precision Valve, ESX). They must be able to reap advantages from the new communication technologies such as fax, database marketing, and internet. Otherwise they will not be able to maintain effective contact with the huge number of firms in the network in which they operate, including their own, sometimes dispersed organization (e.g. Logitech, Lasa). Since Born Globals often operate on very internationalized markets, they have to think globally when deciding about their activities; they have to incorporate considerations about other foreign markets when they take decision about one particular foreign market. So, in summary:

P6. The growth of a Born Global is positively associated with high innovative skills, including an ability to access effective R&D as well as distributions channels, often in partnerships with close collaboration in international relationships that involve frequent, intense, and integrated efforts across nations.

Finally, we consider the impact of the national setting. Comparing the cases in Table 2, it is possible to infer some interesting hypotheses. First of all, it is striking, that all American examples are high tech firms; this may be due the fact that such cases have deliberately been chosen. It may, however, also mirror that the US market is very large—and hence that only very high tech companies are pushed into the international marketplace right after their birth. In contrast, some more low tech Danish and Australian firms (with smaller domestic markets) have aimed at many foreign markets. Another reason form such a picture may be that the population of small nations such as Denmark are much more internationally oriented and have higher language proficiencies than their US counterparts; in the same vein Australia has many immigrants which may also increase the propensity to become Born Global. The latter issue is in accordance with McDougall *et al.* (1994) who report that ethnic background has an impact.

P7. Firms in nations with small domestic markets have a higher propensity to become Born Globals than firms in nations with large domestic markets. Therefore, Born Globals from small nations may rely on many different products whereas Born Globals from large nations may be limited to high

tech industries. Also, nations with a high number of immigrants may have a higher proportion of Born Globals.

Clearly, these are not the only propositions that could be formulated in the process of improving our research about Born Globals. They do represent, though, a good starting point for future research efforts because they cover the basic aspects about the antecedents, birth, and growth of Born Globals which can be identified through theoretical reasoning as well as present empirical studies.

Future Research Directions

In conclusion, we observe that different studies of firms' internationalization processes seem to identify various results, but that three main manifest categories of internationalization processes can be identified: (a) the traditional exporters, whose internationalization pattern to a large degree can be described and explained by traditional stages models of internationalization, (b) firms that leapfrog some stages, e.g. Late Starters that have only domestic sales for many years, but then suddenly invest in a distant foreign market, and (c) the Born Global firms. The progress and development of the categories (b) and (c) cannot fully be understood by traditional theories, but we have shown that a network approach and an evolutionary economic approach may be promising theoretical avenues to pursue in order to better understand their internationalization processes.

In the future researchers should first of all attempt to reach a generally accepted definition of the phenomenon to be studied. As we have seen, the same phenomenon has been given many different names, of which we have adopted the name Born Global in this article. In order to compare studies it is important to know whether the unit of analysis is defined as being firms showing similar internationalization processes or as firms with similar characteristics such as high technology, size, etc. So far, we see a mixture of these approaches in the literature.

Since Born Globals are contrasted with other manifest internationalization patterns, we propose to define the phenomenon along the lines suggested by Oviatt and McDougall (1994), i.e. as firms that seek to derive significant advantages from the use of resources from or the sale of outputs to multiple countries/continents right from their legal birth. In accordance with the theoretical concepts outlined in this article we suggest that the analysis of Born Globals include a time perspective which goes beyond their legal birth; we also suggest that their relationships and joint cooperation/competences with collaborating firms should be analysed.

Secondly, the case studies carried out by Madsen and Servais (1996) of some very small Danish Born Globals seem to indicate that the patterns revealed in such companies are very diverse, depending to a very high degree on the background of the founder/entrepreneur. Perhaps it would be a good idea to separate the analysis of internationalization processes of such very small firms from processes of larger firms. It may be difficult to generalize

patterns and recommendations across both groups of firms because the impact of the founder (the completely individual aspects) will decrease as the size of the firm increases (more “professional” decision makers).

Thirdly, it seems that Born Globals may come from many industries and market very diverse product lines. The phenomenon is not limited to high technology industries, as it has sometimes been indicated in previous literature. Also specialized assortments of low technology products adapted to homogeneous niche segments in many countries may be the base for Born Globals—even trading companies may be Born Globals. Furthermore, it seems that a high diversity is also present in the competitive advantages on which Born Globals build their business. To some extent such patterns may be industry specific. Even among high technology firms differences are clear: Some sell standardized products through quite conventional channels while others customize their offer through highly specialized networks.

The three considerations mentioned above are all concerned with the unit of analysis and possible “segmentation” of the phenomenon. We want to conclude the article by suggesting, that further studies should be more theory driven than the previous ones reported. We have argued that some of the basic assumptions and processes pointed to in the original internationalization models are probably valid for Born Globals as well. However, the world has changed dramatically since the manifestation of these models were formulated in the 70s. Therefore the manifest stages approach is much less valid today. We have argued that the network approach to internationalization processes as well as the evolutionary economics approach do have some merit when attempting to understand the internationalization patterns of Born Globals. The international extension and integration of relationships in cross-national industry networks does have a strong impact on the internationalization processes of individual firms in the industry.

The seven propositions formulated in the previous section is a good starting point for further scientific inquiry since they reflect the theoretical as well as empirical aspects highlighted above.

When analysing small Born Globals it is necessary, though, to draw upon the literature on entrepreneurship as well. In any case, there seems to be a need for integration of the research streams in the areas of internationalization processes and entrepreneurship. Based on the findings and arguments set forth in this article we propose the research model in Fig. 1 as a framework for further research into the phenomenon of Born Globals.

The model proposed is only a framework which has to be “filled in” theoretically. As stated, the theoretical conceptualizations for empirical research could be drawn from the network and evolutionary approaches as well as from theories of entrepreneurship. McDougall *et al.* (1994) concluded that the history of the founder had a large influence on the appearance of International New Ventures. Secondly, the ambition level and the general motivation of the founder might be very influential in trying to understand the specific development pattern of a Born Global. We have argued that also the

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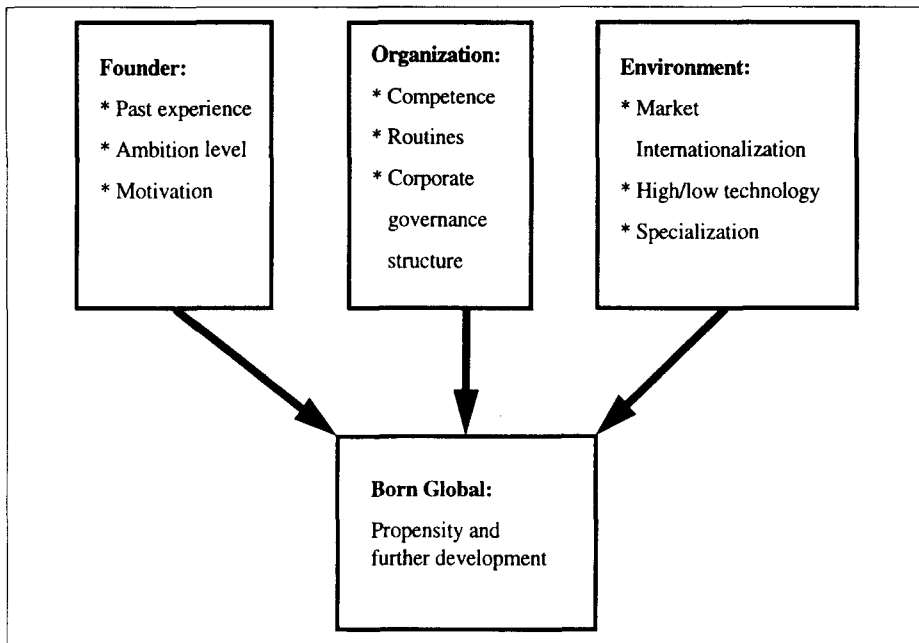


Figure 1.
A Research Model of
“Born Globals”

past experience and history of the firm (competences, routines, etc.) have to be included in a study of Born Globals. By studying the history of the founder as well as the firm one might reveal clues in relation to possible interconnectedness with other firms. The same applies to the corporate governance structure, for example the composition of the board members and their backgrounds and networks. The nature of the product line and competences in general may indicate whether the offer of the firm might be marketed internationally. This should be seen in connection with the level of technology, specialization, and market internationalization.

For many Born Globals it is a special challenge that they often have to choose hybrid forms of governance structures in their export channels. An interesting research question is certainly to analyse how even small firms may make effective use of strategic alliances and networking activities on a worldwide scale. Clearly, this is not an easy task—and hence it is a very important managerial issue.

We propose that theoretical aspects as outlined be considered explicitly in future research on Born Globals. More descriptive research could help clarify some of the issues. As for now, it is probably still too early to build more normative models of managerial relevance, although this should of course be one of the ultimate goals of the research in the area.

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