



An inquiry into born-global firms in Europe and the USA

Born-global firms

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Abstract Companies that internationalise at or near their founding, "born globals," are emerging in great numbers world-wide. Characterised by a specific Gestalt of marketing-related competencies, they are playing an increasing role in international trade. Born globals are investigated using data from case and survey-based studies in Denmark and the USA. First introduces and describes the born-global phenomenon. Then, hypotheses are developed and tested via a structural model that represents key factors in the international success of this important breed of firm. Results suggest that born-global international performance is enhanced in the wake of managerial emphasis on foreign customer focus and marketing competence. Product quality and differentiation strategy also play important roles, particularly in the US firms. These and additional findings are discussed in light of their theoretical and practical implications.

Firms that undertake to sell a substantial share of their product offerings in international markets at or near their founding have begun to emerge worldwide in substantial numbers (see McDougall and Oviatt, 2000; Moen and Servais, 2002; OECD, 1997). Despite the small size and limited financial, human, and other resources that characterise new businesses, these early internationalising firms achieve considerable international success. Sometimes referred to as "international new ventures", "born globals", and "global start-ups", the widespread emergence of these firms is facilitated by globalisation processes, the internet, and other contemporary trends. In terms of organisation age and geographic scope, there has been much scholarly research on new firms that sell in domestic markets, on established firms that sell in domestic markets, and on established firms that sell in international markets, but very little on new firms that sell in international markets (Oviatt and McDougall, 1994). This latter firm is the focus of our study.

Consistent with other scholars (e.g. Autio *et al.*, 2000; Knight and Cavusgil, 1996; Rennie, 1993), we define the born global as "a business organization that, from inception, seeks to derive significant competitive advantage from . . . the sale of outputs in multiple countries" (Oviatt and McDougall, 1994, p. 49). The distinguishing feature of these firms is that their origins are international, as demonstrated by management's global focus and the concomitant commitment of certain types of resources to international activities. Here we emphasise not the size, but rather the age by which the firm ventures into foreign markets. In contrast to the traditional pattern of businesses that operate in the domestic market for many years and gradually evolve into international trade, born globals begin with a relatively "borderless" view of their



markets and develop the strategies needed to achieve international marketing goals at or near the firm's founding. While early internationalising firms probably always have existed, especially in countries with small domestic markets, the proportion of international trade due to such firms is growing rapidly (e.g. Knight, 1997; McDougall and Oviatt, 2000; McKinsey & Co., 1993; Moen and Servais, 2002; OECD, 1997; Shrader *et al.*, 2000) and thus, it is important to investigate them.

We use the term "born global" (McKinsey & Co., 1993) particularly to highlight that managers at such firms tend to perceive the boundaries of their markets and competition as coextensive with the world, at or near founding. Accordingly, "born global" is a descriptive term in that, while most such businesses are not literally international from inception, all of the firms investigated in our study did internationalise on average within three years of founding.

Born globals have been treated in the management literature (e.g. McDougall and Oviatt, 2000; Oviatt and McDougall, 1997; Zahra *et al.*, 2000), the business and textbook press (e.g. Daniels and Radebaugh, 1998; *The Economist*, 1993; Nikkei Sangyoo Shimbun, 1995), by leading business consulting firms (e.g. Rennie, 1993), and by the OECD (1997) and United Nations (1993). They also have given impetus to the development of a new academic field – international entrepreneurship – to which the *Academy of Management Journal* (Volume 43, Number 5, 2000) has devoted a special issue, and for which a new journal, the *Journal of International Entrepreneurship*, has been developed. Reports on the emergence of born globals from these varied sources in numerous countries indicate that they are an important phenomenon, likely the result of recently converging global forces. However, little is known about born globals in the marketing context. To help address this gap, we conducted a two-stage study of the key marketing dimensions of born globals in Denmark and the USA.

Among the macro-trends encouraging widespread emergence of born globals, globalisation and advanced information and communications technologies are among the most important. The globalisation of markets facilitates internationalisation in recently created enterprises by affording abundant opportunities abroad. Widespread diffusion of the internet, computers, and other such technologies also are spurring born-global internationalisation (e.g. Moen and Servais, 2002; OECD, 1997; Zahra *et al.*, 2000).

The born-global phenomenon presents an important challenge to traditional theories of firm internationalisation such as the Uppsala model and the innovation model. The Uppsala model (Johanson and Vahlne, 1977, 1990; Johanson and Wiedersheim-Paul, 1975) suggests that internationalising firms pass through four distinctive stages, beginning with exporting and ending with overseas production via foreign direct investment. It emphasises stepwise and highly deliberative internationalisation that is comparatively slow, owing to incremental adaptations to environmental conditions. The model also specifies that, initially, firms enter markets that are similar to the home country and then target those with increasing psychic distance (Johanson and Vahlne, 1977, 1990). The innovation model (Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981) similarly portrays internationalisation as a gradual process over a relatively long period of time. The slowness of the process reflects management's aversion to risk taking and its inability to acquire market knowledge efficiently.

However, the born-global phenomenon presents an important challenge to traditional internationalisation theories (Knight and Cavusgil, 1996; Oviatt and

McDougall, 1997). First, internationalisation in born globals tends to occur very early following establishment of the firm. Second, initial foreign selling may be targeted to numerous markets simultaneously, without passing through incremental stages. Third, initial targeted markets may be psychically distant from the home country. Fourth, the initial foreign market entry mode may be one of several types, including exporting, licensing, joint ventures, and even foreign direct investment (e.g. McDougall and Oviatt, 2000; Nordstrom, 1991). Fifth, owing partially to the emergence of key information and communications technologies such as the Internet, management at internationalising firms can both access customers worldwide and acquire relevant market information quickly, in effect becoming “born exporters” (e.g. Quelch and Klein, 1996; Shama, 2001). Sixth, many of the firms that we investigated are highly entrepreneurial in their international activities and not particularly averse to risk taking abroad.

Specifically, our case studies and a review of extant literature (e.g. Knight, 1997; McDougall and Oviatt, 2000; McKinsey & Co., 1993; Moen and Servais, 2002; Zahra *et al.*, 2000) suggest that born globals manifest particular resources comprising orientations and competencies that propel them to superior international performance. While most lack the substantial tangible resources of large multinational enterprises (MNEs), born globals appear to leverage a collection of other, perhaps more fundamental, resources that facilitate international success. Specifically, our case studies reveal that born globals tend to be formed by entrepreneurs with a strong international outlook who focus on their customers, and emphasise marketing competence as well as high quality, differentiated products. In the following sections, we offer theoretical support and provide evidence on born globals, and then discuss the methods and findings of our case and survey-based studies.

Theoretical foundation

Theoretical support for born-global firms is derived initially from innovation theory, which views innovation as the pursuit of novel solutions to challenges that confront the firm, including the creation of new products and the pursuit of new markets (Miller and Friesen, 1984). In the context of pursuing new markets, internationalisation is an innovation within the firm (e.g. Cavusgil, 1980) and innovation theory provides a useful framework because, even in the face of limited financial and human resources, early internationalisation is a fundamental characteristic of born-global firms.

A key advantage is that born globals appear to lack the deeply-rooted administrative heritage characteristic of long-established businesses (Collis, 1991; Miller and Friesen, 1984). In older firms, embedded structure tends to constrain strategic choice. Companies that venture abroad late in their existence must unlearn routines rooted in domestic operations before new, internationally-oriented routines can be learned. Unlearning established practices becomes more difficult as firms get older, because new knowledge that leads to new practices tends to conflict with existing operations and management's embedded mental models (Autio *et al.*, 2000; Barkema and Vermeulen, 1998).

In contrast, from their earliest days, born globals tend toward a culture and strategic approaches substantially more appropriate for operating in foreign markets. Managers experience fewer infrastructural and mental barriers to overcome in the internationalisation process. There is less cultural and strategic momentum to

constrain new strategic initiatives. Youth confers greater flexibility and agility, which are particularly important for success in diverse foreign markets. When organisational culture is oriented to international sales from firm's earliest days, management is likely to be more effective in international marketing, and the organisation as a whole more adroit in pursuing and mastering international opportunities. In short, there are inherent advantages to being young when venturing abroad (Liesch and Knight, 1999; Oviatt and McDougall, 1994).

"First mover advantage" refers to being the first firm to enter a given foreign market with a particular product or process. First movers in a given product market tend to reap advantages over competitors that follow later (see Kerin *et al.*, 1992). In particular, Lambkin (1988) found that early market entry was associated with superior market share among new and adolescent firms. Advantages may accrue to the pioneering firm for several reasons. First, for a time at least, it enjoys a monopoly in the given product market. Second, the first mover has a better chance to establish a propitious market position. Third, it advances early up the relevant product-market learning curve. Finally, first movers are better positioned to influence initial consumer preferences regarding the features and benefits of the pioneering product (Carpenter and Nakamoto, 1989). Evidence from our case studies suggests that these first mover advantages accrue to many born globals when entering new markets abroad.

Much theoretical support for the born-global phenomenon also can be found in resource-based perspectives. Being young, born globals tend to lack substantial financial and human resources, as well as property, plant, equipment, and other physical resources. This is key because it is these traditional, primarily tangible, resources that older firms typically have leveraged to succeed in foreign markets. In contrast, born globals appear to leverage a collection of fundamental intangible resources, which comprise a specific constellation of marketing orientations and strategies. These intangible resources derive from the know-how, skills, and experiences that reside in the managers who work at these firms. This international *modus operandi* is consistent with the resource-based view, according to which Wernerfelt (1984, p. 172) defines resources as "those (tangible and intangible) assets which are tied semipermanently to the firm."

To achieve and sustain international competitive advantage, born globals must command resources that are scarce and/or distinctive (Barney, 1991; Collis, 1991; Hunt, 2000; Mahoney, 1995). Scarcity and distinctiveness can be achieved in several ways. The firm may be relatively unique regarding the nature and extent of specialised knowledge held by individual managers or embedded in the firm. In addition, causal ambiguity and social complexity can give rise to the development of firm-specific knowledge and capabilities that are imperfectly imitable by rival firms (Barney, 1991). Generally, these attributes provide a basis for resource advantage because managers at rival firms typically lack the knowledge of the particular circumstances, social structure, and causal relationships of the born global within which actions need to be interpreted (Mahoney, 1995). Competitors may be able to imitate visible, tangible resources (e.g. plant, equipment, raw materials) but find it more difficult to imitate idiosyncratic knowledge-intensive processes that give rise to particular orientations, product offerings, and marketing modes. Moreover, in cases where organisational resources are no better than those of rival firms, core competencies can arise through the superior usage of these resources (Penrose, 1959).

In the biological sciences, population ecology describes how different populations of organisms (i.e. species) use their personal resources to adapt to their environments. This perspective portrays businesses, or groupings of businesses, as species that inhabit environments in a dynamic process based on competition for scarce resources (Hannan and Freeman, 1977; Suarez and Utterback, 1995). Accordingly, those species best “fitted” to the contingencies of the environment survive and prosper, while less well-fitted rivals fail and disappear because of their inability to secure adequate resources. According to the population ecology view, firms evolve and interact with other firms in much the same way that animals do in a particular “biomass”. Consistent with the original view of Charles Darwin (1909), firms that adapt to the contingencies of their environment are “selected” for survival and ultimate success. Population ecology implies that, while many, especially larger, firms can perform well by accessing more resources, born-global firms might be viewed, at least in the early years of their existence, as niche players that survive and thrive via the efficient and effective use of a limited range of resources and by adapting themselves to the demands of international marketing.

Born global evidence and research approach

In this study we operationalise born globals as firms less than 20 years old that internationalised on average within three years of founding and generate at least 25 percent of total sales from abroad. This definition is consistent with those used to operationalise other studies on born-global firms (e.g. Knight, 1997; McKinsey & Co., 1993; Moen and Servais, 2002; Oviatt and McDougall, 1994; Zahra *et al.*, 2000). Born globals appear to be relatively universal, with researchers noting their emergence in major trading countries throughout the world (e.g. Ganitsky, 1989; Madsen and Servais, 1997; Nikkei Sangyoo Shimbun, 1995; OECD, 1997). For example, Ganitsky (1989) reported on the existence in Israel of “innate exporters” that serve foreign markets from their inception. Innate exporters surmount internationalisation challenges via focused and flexible management. Rennie (1993) found that new Australian firms were exporting a large proportion of total production within two years of founding. A comprehensive study of manufacturers in Europe revealed that more than half were global start-ups (Madsen and Servais, 1997). Simon (1996) investigated 500 “hidden champions”, highly successful international niche players from Europe and North America, many of which internationalised in their first year of business. The Japanese have reported in various publications on the widespread emergence of companies that sell their goods in foreign markets at or near founding (e.g. Nikkei Sangyoo Shimbun, 1995).

Given their young age and relatively limited resource base, most born globals are small and medium enterprises (SMEs). In its study of 18 countries, the OECD reported that SMEs now account for 25 to 35 percent or more of world manufactured exports, with their exports contributing around 4 to 6 percent to the GDP of OECD countries and about 12 percent to the GDP of Asian economies. It is estimated that as many as one million SMEs worldwide are now active in international business (OECD, 1997). Most of these businesses are relatively young. Evidence from Asia, Europe, and North America suggests that among smaller firms, the period from domestic founding to initial foreign market entry is now taking three or four years, as against ten years a decade ago (OECD, 1997).

In an earlier, large-scale Danish survey, we uncovered 272 manufacturing firms, of which 57 percent were born globals. In a follow-up study, we further concluded that 37 percent of all manufacturing firms founded after 1976 in the Danish region of Funen ($n = 199$ total) were born globals. Indeed, the average share of foreign sales of the firms in both studies was about 69 percent.

In the USA, we earlier identified more than 1,000 born-global firms. Of these, 203 companies responded to a large-scale questionnaire and were found to be representative of the larger sample. The median year of establishment for the responding firms was 1985, with most internationalising within three years of founding, and international sales comprising 41 percent of total sales. The median number of foreign countries to which the firms were selling their products was 20, with a few respondents selling in more than 100.

Overall, these findings suggest that young age, small size, and limited resources are no longer significant handicaps in the internationalisation of the firm. These days, it is realistic for new start-ups to regard the world as their marketplace. In this study, we seek to uncover the key marketing-based approaches that give rise to superior international performance in born-global firms.

Methodology overview

Initially, we conducted 32 exploratory case studies on exemplar born-global firms, in order to uncover key constructs and associated linkages, as reflected in the hypotheses explained below. Subsequently, we conducted a field survey and obtained survey-based data from a total of 292 born globals, in order to confirm the findings uncovered in the case studies. The case and survey-based studies were carried out in both Denmark and the USA. Some differences between the firms in these countries arose because Denmark and the USA are dissimilar with regard to size, as well as economic and historical factors. In both countries we sought manufacturing firms founded after 1980 and exporting at least 25 percent of total production. Except for these criteria, the case study businesses were selected at random.

The USA and Denmark were chosen as venues for this study in part out of convenience, but also for several other reasons. First, the USA is ostensibly the biggest consumer market in the world and home to a large number of born-global firms. It is a member of the “triad”, comprising the world’s leading trading nations. Denmark is highly representative of, in particular, the smaller European Union countries and, partly owing to the size of its domestic market, has a large concentration of highly international firms. Moreover, much of the extant literature and research on born-global firms has been conducted in Denmark, owing to a concentration of Danish scholars who focus their research in this area. A priori evidence suggests that born globals in the USA will tend to be larger, on average, than their Danish counterparts. We also anticipate that Danish firms, compared to their US (American) counterparts, will tend to derive more of their sales from European markets.

Exploratory case studies and hypotheses

To more deeply understand born-global firms, we conducted in-depth interviews with senior managers of 32 such businesses in Denmark and the USA. The interviews involved the CEO or marketing director, and lasted from one to two hours on topics ranging from internationalisation processes to marketing issues. These data were

supplemented with secondary material such as annual reports, brochures, and newspaper articles. In Denmark, 20 born globals were interviewed. On average, they had 60 employees, were founded in 1986, and first internationalised within three years of founding. Their industries included metal components, furniture, processed foods, machinery, and consumer products. Their major trading partners were other European countries. A total of 12 American born globals were also interviewed. On average, they had 210 employees, were founded in 1983, and also went international within three years of founding. The larger size of the American firms is consistent with the size of their home market. They were involved in industries such as information technology, electronic equipment, consumer goods, and medical products. Their major trading partners were located throughout the world, but primarily in Europe, Asia, and Latin America.

Results of the case studies are consistent with Webster's (1992) typology within which marketing is classified as operating within the context of organisational culture and strategies. Culture reflects a basic set of shared values and beliefs that guide the organisation (Deshpande and Webster, 1989; Webster, 1992). Strategy reflects targeting, positioning, and how the firm will compete at the nexus of its products and markets. Marketing strategy is fulfilled via marketing mix elements such as product and distribution, as well as day-to-day management of customer relations. Marketing strategies must be developed and activated in the context of the organisation's culture (Webster, 1992). Whereas organisational culture gives rise to strategy, strategy variables are the most important elements for driving company performance. This conceptualisation helps to frame findings from our case studies. Figure 1 highlights the specific constructs and the implied relationships among them that were revealed in the in-depth interviews. These constructs and proposed linkages are elaborated next.

The interviews focused on how born globals enhance their international performance, which comprises expectations about the achievement of financial objectives such as profitability, market share, sales growth, and return on investment. In both Denmark and the USA, according to the interviewees, nearly all of the firms had a strong international orientation and were sharply focused on their foreign target markets. The case studies suggest that these born-global firms tend to concentrate their resources via a customer focus approach to serve such markets well. For example, a manager at one of the case study firms stated: "We have strong focus on our customers. All of our testing kits are manufactured by hand by highly trained specialists." Most interviewees emphasised how important it is to understand and concentrate on meeting customer needs. Most firms highlighted the importance of developing or adapting products to fit the needs of specific markets. Typically, the goal of customer focus is to emphasise buyer needs and provide superior value (Kotler and Armstrong, 1996; Miller, 1988; Porter, 1980; White, 1986). Moreover, customer focus can allow born globals to avoid resource-draining competition with larger MNEs that target mass markets. Highly focused firms are more effective in their marketing strategies because they tend to concentrate more on performing particular activities well. A sharp focus on the needs of a specific target market means that buyers tend to receive superior value. Ultimately, and consistent with the literature, a focus orientation allows the firm to achieve superior performance by serving customers well (e.g. Koh, 1991; Kotler and Armstrong, 1996; Miller, 1988; Porter, 1980).

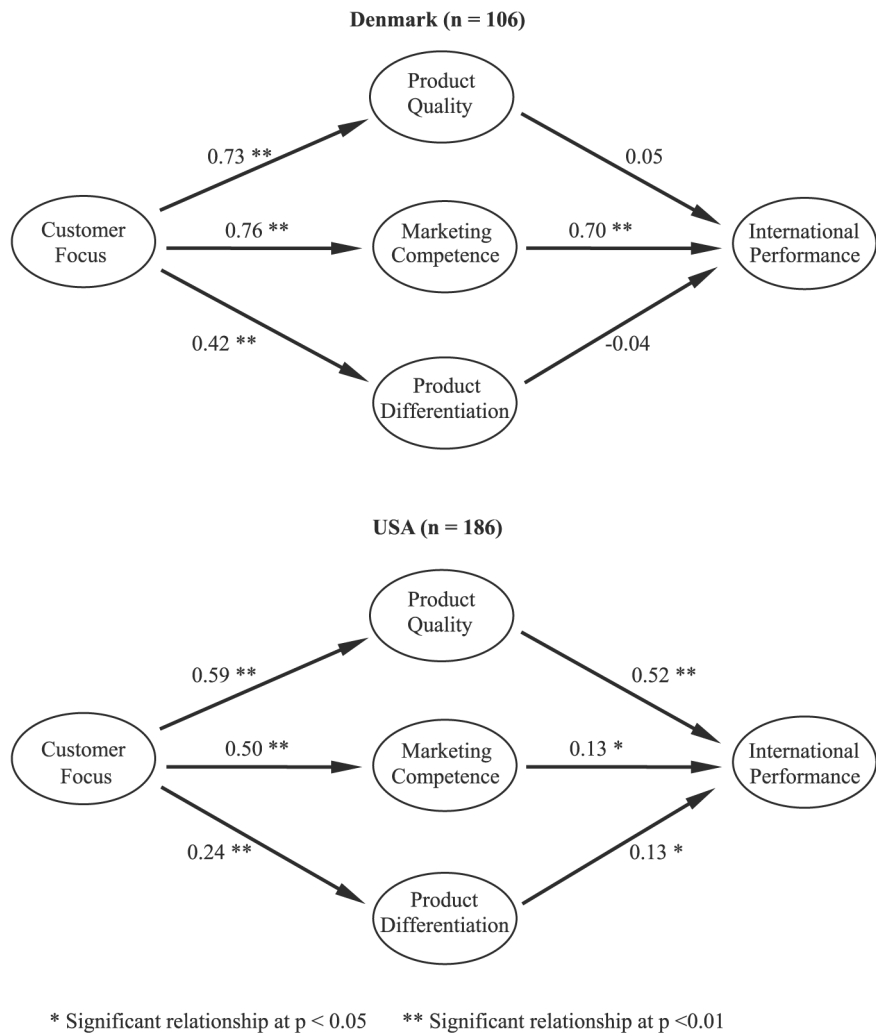


Figure 1.
Results of hypothesis
testing using path
analysis in LISREL

The case studies also revealed a collection of marketing capabilities that, based on our analyses of executive interviews, are driven by customer focus and operate at the strategy level of the firm. One vice-president stated: "We customize our products and our marketing for the overseas market ... how we market our products is really important." Another noted: "For us, [marketing and sales] are crucial ... we have to be good at these." A vice president for international sales explained:

In marketing ... you have to merchandise your products well ... get an ad agency with local expertise ... You have to create demand and build your brand name. Strength in the US means nothing.

At a more fine-grained level, the case studies revealed that product quality, marketing competence, and product differentiation are particularly important in the international performance of born globals.

Superior product quality reflects a perceived fundamental characteristic of products and accompanying service that meet or exceed customer expectations regarding features and performance (Buzzell and Gale, 1987; Kotler and Armstrong, 1996; Showers and Showers, 1993). One of the interviewed managers stated that his firm provides:

...the highest quality heart surgery supplies in the world, and of course, in matters of life or death, people want the best.

Another remarked:

Our products are more competitive in Europe because they are better designed, with better architecture ... We're really concerned about quality issues.

In a global economy, buyers tend to be exposed to a variety of competing goods, which may increase their expectations and expertise regarding product quality. Similarly, firms in globalising environments tend to benchmark their quality standards against those of more broadly-based foreign competitors. Competition in a global environment from domestic and foreign firms pressures individual companies to improve their offerings. Owing to these considerations and because consumers tend to favor products offering the most quality, quality has been linked to improved competitiveness (Buzzell and Gale, 1987; Deming, 1982; Kotler and Armstrong, 1996) and improved performance in international markets (Calantone and Knight, 2000; Chetty and Hamilton, 1993; Deming, 1982). Consequently, and consistent with our case study findings, we anticipate that emphasis on product quality will be associated with superior international performance in born-global firms.

Additionally, most of the case study firms that we interviewed stated that marketing competence is critical to their success. It entails skillful performance of the marketing functions – e.g. knowledge of customers, product development, distribution, and pricing, as well as market targeting and positioning – that direct the flow of goods to buyers. Skillful marketing may be especially important in smaller international firms because of their limited resources and lower market power, as well as the numerous uncontrollable challenges present in foreign markets. Firms use this skill to create competitive advantages with the intent of maximising strategic and financial performance (Kotler and Armstrong, 1996; Madsen, 1989; McKee *et al.*, 1992). Our case studies suggest that marketing competence is a particularly key driver of international success in born globals.

In a similar vein, nearly all of the interviewed firms consistently applied what can be termed product differentiation strategy, which is the offering of products perceived as unique. It involves creating customer loyalty by uniquely meeting a particular need in a way that distinguishes the offering from those of rivals (e.g. Porter, 1980). For example, one interviewed manager noted that his company attempts to create differentiated products that do not duplicate their largest competitor. Others stated that their offerings were relatively distinguished in a given product category, helping to position them in niche markets around the world. Most of the interviewed firms serve narrow niche markets that may not interest larger firms. One manager

commented that his company's products "are pretty simple and I think they can ... be easily duplicated by our competitors, but we target a pretty specialized market ... so we haven't had really any major problems with competitors." Differentiation is associated with marketing activities intended to distinguish the firm from its competitors (Miles and Snow, 1978; Miller and Friesen, 1984; Porter, 1980). Miller (1988) notes two main types of differentiation strategy:

- (1) product innovation; and
- (2) intensive marketing/image management.

We observed that nearly all the case-study firms tend to differentiate via product innovation, often by leveraging new technologies. Offering unique products, at least to the extent buyers' special needs are served and direct competitive rivalries are minimised, appears to contribute to superior international performance, among the interviewed firms.

In the interviews, we perceived customer focus as a baseline orientation that drives the other factors noted above – product quality, marketing competence, and product differentiation – that we frame as organisational strategies. These strategies appear to mediate the relationship between customer focus and international performance, and have a direct positive effect on the latter construct. This framework is consistent with Webster and colleagues (e.g. Deshpande and Webster, 1989; Webster, 1992) who highlight the direct effect of strategies on organisational performance and their role in operationalising company orientations. Such factors might well be important in the international success of any firm, but our case studies imply that they are particularly key in born-global firms. Accordingly, findings from case studies with the 32 born-global firms in Denmark and the USA lead to our first three hypotheses:

- H1.* Customer focus is a key driver of product quality in born-global firms.
- H2.* Customer focus is a key driver of marketing competence in born-global firms.
- H3.* Customer focus is a key driver of product differentiation in born-global firms.

In addition, as described above, it is the strategy elements of product quality, marketing competence, and product differentiation that directly influence organisational performance. To reiterate, international performance implies the achievement of profitability, market share, sales growth, return on investment, and other such goals. Accordingly, we further hypothesise:

- H4.* Product quality is a key driver of international performance in born-global firms.
- H5.* Marketing competence is a key driver of international performance in born-global firms.
- H6.* Product differentiation is a key driver of international performance in born-global firms.

These hypotheses are assessed in the second phase of the study.

Confirmatory, survey-based study

We next conducted a cross-industry field survey of born globals in Denmark and the USA. The study questionnaire was developed and refined following appropriate procedures (e.g. Bagozzi *et al.*, 1991; Fowler, 1988; Gerbing and Anderson, 1988; Nunnally, 1978). Suitable measurement scales were available from extant literature or could be adapted for the study and were framed as seven-point Likert-type scales. The scales for customer focus and product differentiation are based on the work of Miller (1988), Porter (1980), and Roth and Morrison (1992). The scale for marketing competence is based on a similar scale developed by McKee *et al.* (1992). The scale for product quality is similar to the one used by Buzzell and Gale (1987) in the PIMS studies. Finally, the international performance scale was adopted from Cavusgil and Zou (1994). All constructs were assessed at the level of the firm's most important export product to its main export market.

For the USA study, the survey was targeted to a random sample of 1,000 US manufacturing firms, founded not more than 20 years earlier, and exporting at least 25 percent of total production. They were identified from a search of two databases: Directory of USA Exporters (*Journal of Commerce*), and CorpTech Directory of Technology Companies. The CEO or marketing director was targeted and a total of 186 usable questionnaires were returned, reflecting a response rate of approximately 19 percent. Respondent representativeness was assessed by comparing key variables from samples of the earliest and latest responding firms (Armstrong and Overton, 1977) and by comparing responding and non-responding firms on a range of variables. As no significant differences were found in both analyses ($p < 0.05$), non-response bias is not likely to affect study results.

For the Denmark study, the questionnaire was translated into Danish using appropriate methods (e.g. Douglas and Craig, 1983; Kumar, 2000). Adjustments were made to ensure semantic and functional equivalence across the two questionnaire versions (Mullen, 1995; Steenkamp and Baumgartner, 1998). Subsequently, 188 firms in the Funen region of Denmark meeting the same criteria as the USA sample were requested to complete the questionnaire. Again, the CEO or marketing director was targeted, resulting in the completion of 106 questionnaires, a response rate of 56 percent.

Both surveys' measurement scales were purified using confirmatory factor analysis (CFA) in LISREL8 and assessed for reliability using Cronbach's alpha (Gerbing and Anderson, 1988; Jöreskog and Sörbom, 1997; Nunnally, 1978). To set up CFA analyses, a single measurement model comprising causal relations among all theoretical constructs and scale items was created and tested using the data from both countries. Model fits were satisfactory (USA: $\chi^2 = 334$, $df = 240$, $p = 0.00$, CFI = 0.93, DELTA2 = 0.93, RNI = 0.93; Denmark: $\chi^2 = 372$, $df = 234$, $p = 0.25$, CFI = 0.90, DELTA2 = 0.90, RNI = 0.90) (Bollen, 1989; Gerbing and Anderson, 1988). Each item loaded significantly on the factor it was intended to measure ($p < 0.01$). The scales, CFA results, and reliability values using Cronbach's alpha for each of Denmark and the USA are reported in Table I.

Regarding the refined scale for customer focus, CFA standardised coefficients reflecting item loadings for both country scales ranged from 0.54 to 0.78, and Cronbach's alpha values were 0.85 for the Denmark scale and 0.72 for the USA scale. The refined scale for product quality generated standardised coefficients ranging from

Factor Item (LISREL CFA standardised coefficients for USA and Denmark respectively)	Cronbach's alpha USA	Denmark
<i>Customer focus</i>		
In main export market, regarding main export product ...	0.72	0.85
We are addressing customer needs better than practically any other firm (0.54, 0.59)		
Our strategy for competitive advantage is based on understanding customer needs (0.68, 0.78)		
We ensure that close attention is given to after-sales service (0.65, 0.74)		
Top management is willing to go to great lengths to make this product succeed (0.69, 0.72)		
<i>Product quality</i>		
In main export market, regarding main export product ...	0.63	0.78
On a scale from 1 to 10, how do customers rate the quality of this product compared with competitors – 1 inferior quality ...		
10 exceptional quality (0.51, 0.49)?		
Product performance truly meets customer expectations (0.65, 0.87)		
Product service/customer support truly meet customer expectations (0.66, 0.84)		
Emphasising quality is important to our firm's strategy (0.48, 0.63)		
<i>Marketing competence</i>		
(Own firm performance relative to competitors)	0.79	0.91
In main export market, regarding main export product ...		
Marketing planning process (0.85, 0.87)		
Development or adaptation of the product (0.48, 0.42)		
Effectiveness of pricing (0.36, 0.64)		
Advertising effectiveness (0.44, 0.91)		
Effectiveness of distribution (0.55, 0.69)		
Control and evaluation of marketing activities (0.78, 0.90)		
Ability to use marketing tools (product design, advertising, pricing, etc.) to differentiate this product (0.60, 0.82)		
<i>Product differentiation</i>		
In main export market, regarding main export product ...	0.75	0.88
In our industry, this product represents a new, innovative approach to addressing the customer's basic need (0.55, 0.50)		
Compared with main competitors' offerings, product is unique with respect to:		
Design (0.72, 0.81)		
Technology embedded in it (0.79, 0.96)		
Performance (0.59, 0.81)		
<i>International performance</i>		
In main export market, regarding main export product ...	0.84	0.88
Relative to prior expectations, how satisfied have you been during past three years regarding ...		
market share in this market – 1 very unsatisfied ... 7 very satisfied (0.79, 0.79)		

Table I.
Measurement
information

(continued)

Factor Item (LISREL CFA standardised coefficients for USA and Denmark respectively)	Cronbach's alpha	
	USA	Denmark
sales growth in this market – 1 very unsatisfied ... 7 very satisfied (0.77, 0.78)		
pre-tax profitability – 1 very unsatisfied ... 7 very satisfied (0.70, 0.89)?		
Compared with competitors, sales growth in this market has been 1 substantially lower ... 7 substantially higher (0.50, 0.69)		
Overall, on a ten-point scale, how would you rate the success of this product?		
1 unsuccessful ... 10 successful (0.75, 0.74)?		

Notes: Except as noted, scale used for above was as follows: Not at all (1), to a moderate extent (2,3,4,5,6), to an extreme extent (7); Some scale items are abbreviated for brevity's sake; All standardised coefficients in LISREL were significant ($p < 0.01$); USA measurement model: $\chi^2 = 334$, $df = 240$, $p = 0.00$, CFI = 0.93, DELTA2 = 0.93, RNI = 0.93; Denmark measurement model: $\chi^2 = 372$, $df = 234$, $p = 0.25$, CFI = 0.90, DELTA2 = 0.90, RNI = 0.90

Table I.

0.48 to 0.87, and alpha values were 0.78 for Denmark and 0.63 for the USA. The refined marketing competence scale resulted in standardised coefficients that ranged from 0.36 to 0.90, with nearly all coefficients greater than 0.50. Alpha values were 0.91 for Denmark and 0.79 for the USA. The refined product differentiation scale produced standardised coefficients ranging from 0.50 to 0.96, and alpha values were 0.88 for Denmark and 0.75 for the USA. Finally, the refined international performance scale had standardised coefficients from 0.50 to 0.89, with alphas of 0.88 for Denmark and 0.84 for the USA.

Discriminant validity was assessed by constraining and freeing the phi coefficients in the measurement model among all possible pairs of constructs, for both samples. A total of 20 separate tests were made and the change in χ^2 ranged from 10.55 up to 152.67, greatly exceeding the critical value of 3.84. Thus discriminant validity was achieved among all constructs in both country data sets as well. These results suggest that all scales in both countries are reliable and valid (Bagozzi *et al.*, 1991; Gerbing and Anderson, 1988; Nunnally, 1978).

Findings

Initially, we compared the Danish and US born globals in order to elucidate key differences. In these countries, the born-global phenomenon can be seen to be occurring across most industries. In the USA, respondent firms, with an average of 213 employees and \$36 million in annual sales, are much larger than their Danish counterparts, which had an average of 63 employees and \$10 million in total sales. This difference probably reflects the size of the domestic market in each country. The great majority of both Danish and American born globals (79 and 83 percent respectively) specialise in industrial goods, as opposed to consumer goods.

Danish born globals generate an average of 71 percent of their total sales from abroad, compared to 47 percent for the American sample. This finding undoubtedly reflects the small size of the Danish domestic market and Denmark's proximity to numerous neighboring countries in Europe. Both sets of firms were founded in the

mid-1980s (mean founding year is 1984 for the Danes and 1983 for the Americans), but internationalised within two years of founding on average, confirming that these firms are indeed born globals.

One area in which Danish and American born globals differ sharply is in the export markets that they target. Among the Danish firms, 89 percent cited Europe as their top foreign market, of which Germany accounted for about 50 percent of sales. The only other substantial market for Danish born globals is the USA, cited by 8 percent of firms as their top foreign market. By contrast, the American born globals target a greater variety of foreign export markets (Europe = 38 percent, Japan = 29 percent, other Asia/Australia = 21 percent, Latin America = 8 percent). The Danish focus on Europe undoubtedly stems from the proximity of European nations, both in geographical and psychological terms, as well as the fact that Europe, with over 400 million consumers, is ample in size. Nevertheless, the finding underscores that the US born globals appear to pursue a much more "global" range of markets.

Regarding foreign market channels, independent distributors are by far the most important type of intermediary for conveying offerings to main export markets (cited by 50 and 61 percent of Danish and American firms respectively). However, a substantial proportion (41 and 24 percent for Denmark and the USA respectively) of the firms also sell their wares directly to end users. The case studies suggested that much of these latter sales are handled via the internet, a finding consistent with research by Shama (2001) and others (e.g. Quelch and Klein, 1996). Few sampled firms distribute goods via joint ventures or wholly owned subsidiaries.

Finally, both sets of firms are also somewhat similar in their growth rates for export and total sales over the previous three years. Born globals from both nations appear to be growing rapidly, with the annual growth rate in exports at 40 and 30 percent, and the annual growth rate in total sales at 34 and 27 percent, for the Danish and American firms respectively. Given the high volume of sales generated from abroad, it appears that internationalisation is helping to facilitate this rapid growth. Foreign markets are very important to these born-global firms.

Findings from path analysis on the hypotheses, using the correlation matrix of key constructs for both countries as the input data, are summarised in the diagrams in Figure 1. Fits in the single LISREL model for each country were good (USA: $\chi^2 = 14$, $df = 4$, $p = 0.01$, CFI = 0.95, DELTA2 = 0.95, RNI = 0.95; Denmark: $\chi^2 = 7$, $df = 4$, $p = 0.15$, CFI = 0.99, DELTA2 = 0.98, RNI = 0.99) (Bollen, 1989; Gerbing and Anderson, 1988). The linkages between customer focus and each of product quality, marketing competence, and product differentiation are strong ($p < 0.01$) for both the Danish and American firms, supporting *H1*, *H2*, and *H3*. To the extent these latter strategies are important for superior performance, it appears that customer focus is a key orientation in the international success of born globals.

Results for the remaining hypotheses are somewhat mixed and probably reflect differing environmental and other conditions in the respective settings. Specifically, among American born globals, strong support is found for *H4* ($p < 0.01$), but the hypothesis is not supported in the Danish sample. Significant but weaker support is also found for hypotheses *H5* and *H6* among the USA firms ($p < 0.05$). In Denmark, *H5* is strongly supported ($p < 0.01$), but no support is provided for either of *H4* or *H6*. Thus, it appears that product quality and, to some extent, marketing competence and product differentiation, are key factors in the international success of American born

globals. But among the Danish firms, only marketing competence is strongly associated with international performance among the strategy-related constructs examined here. These findings suggest that while customer focus appears to be generally important in key international activities of born-global firms, marketing competence appears to be the main factor driving international performance among the bi-national firms investigated here. Explanations for these and other findings are discussed next.

Discussion

Various research suggests that born-global firms are emerging throughout the world (e.g. Chuushoo Kigyoo Cho, 1995; McKinsey & Co., 1993; OECD, 1997; Simon, 1996; United Nations, 1993). An important facilitating factor is advanced communications and information technologies. Over time, internet-based sales are expected to account for a very substantial proportion of international trade (Petersen *et al.*, 2002). These and other developments alongside the globalisation of business and markets worldwide imply that the widespread emergence of born-global firms will continue.

In the born globals investigated in the present study, the extent of international sales as a percentage of total sales (71 and 47 percent for Denmark and the USA respectively) is noteworthy. Even more impressive is their growth in export sales, which exceeds growth in total sales in each country (40 and 30 percent per annum for Denmark and the USA respectively). Overall, management at these firms appears to be strongly internationally oriented. For them, foreign markets are no less important than domestic ones. Our findings also revealed that born globals appear to focus on their foreign customers. Focus is important because it drives key marketing strategies and helps to maximise customer value. It allows born globals, being of comparatively modest means, to operate efficiently and concentrate their limited resources.

Related to customer focus is the concept of "market orientation". Much research in recent years has investigated the role of a market orientation on firm performance and the factors that mediate this relationship (e.g. Atuahene-Gime and Ko, 2001; Han *et al.*, 1998; Kohli and Jaworski, 1990; Matsuno and Mentzer, 2000; Nakata and Sivakumar, 2001; Narver and Slater, 1990; Noble *et al.*, 2002; Pelham, 1999). Narver and Slater (1990, p. 21) define market orientation as:

...the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business.

Its central principle is that the organisation continuously contributes skills and knowledge to creating superior customer value (Narver *et al.*, 1998, p. 243).

Correspondingly, perhaps the most important element of a market orientation is focus on the customer (e.g. Deshpande and Farley, 1998; Narver and Slater, 1990), which is a key orientation uncovered here driving strategies that engender international performance in born-global firms. To the extent that customer focus is critical to market orientation, our findings can provide additional insights on the factors that mediate the relationship between market orientation and firm performance. Moreover, the concept of market orientation can provide additional theoretical support for the validity of our results.

Scholars underscore the need to understand the factors that transform market-oriented behavior into superior performance (Han *et al.*, 1998; Noble *et al.*, 2002). Inconsistent past results in the direct linkage between market orientation and

performance suggests a possible role for certain mediating variables. One of the possible mediators is marketing strategy (e.g. Han *et al.*, 1998; Narver *et al.*, 1998). As Narver *et al.* (1998, p. 243) note:

The relationship among market orientation, marketing, and culture is straightforward ... A market orientation induces superior marketing.

Consistent with this view, our study provides evidence to support the role of marketing, and marketing competence in particular, in the implementation of market orientation. Marketing provides the primary tools through which the firm interacts with buyers and the general external environment of business. Results for the USA model also imply that product quality and product differentiation might similarly aid in supporting a market orientation. These results are especially salient to the international success of born-global firms.

In addition, among the strategies highlighted here, marketing competence appears to be particularly important in born global international performance. Marketing competence implies skillful handling of product adaptation and the marketing planning process, control of marketing activities, prowess in differentiating the product, as well as being highly effective in pricing, advertising, and distribution.

Among the case study firms and in the American survey sample, product quality and product differentiation were also indicated as key factors in born global international success. There are numerous advantages to born global emphasis on product quality, including the ability to charge higher prices. That is, to the extent buyers recognise quality differences among competing products and attach greater value to those goods that offer superior quality, they should be willing to pay higher prices for those goods. A concomitant result of emphasis on quality is that profitability increases by allowing the firm to expand its market share. Most buyers will prefer higher quality goods and hence, firms that emphasise quality should be able to increase their market share over time, particularly *vis à vis* competitors that offer lower quality. In addition, where a quality focus is part of a larger program of product development and innovation, the firm can reap important competitive advantages over time. For example, innovative activities, such as those that underpin ongoing quality improvement, are a key source of competitive advantage in the firm.

Product differentiation is also an important strategy, at least in the case study firms and the American born globals investigated here. The combined roles of product quality and product differentiation imply that upstream organisational activities related to knowledge development, R&D, innovativeness, and a general emphasis on the product are highly salient for positioning born globals for international success. To the extent products are highly differentiated and of sufficient quality, a "buffer" can be created against the competitive activities of larger firms by conferring a type of "monopolistic advantage". While the literature specifies numerous approaches for achieving international marketing success (Cavusgil and Zou, 1994; Ganitsky, 1989), prowess in the development of superior, differentiated products appears particularly important among born-global firms.

In the survey-based study, the significant association between product quality, marketing competence, product differentiation, and international performance in American born globals was expected. However, the survey results suggested that quality and differentiation are not significant performance antecedents in the Danish

firms. One possible explanation is that Europe has been undergoing a transition phase under the European Union program and has experienced numerous significant macroeconomic events in recent years (e.g. mergers and acquisitions, high unemployment, exchange rate fluctuations) that may moderate or have a potentially anomalous effect on corporate strategy and performance outcomes. Many firms have been re-orienting their strategic and tactical focus. Moreover, it is possible that Danish firms are compensating for possible neglect of the quality and differentiation dimensions through greater emphasis on customer focus that is manifested in other ways. Specifically, marketing competence could play such a key role in the Danish managerial gestalt that other strategies become less important. Our case- and survey-based results suggest that marketing competence plays a more significant role in Denmark than in the USA in born global success.

At a more macro-level, another key finding is that Danish born globals are not particularly global in that they concentrate their primary export activities on Europe. This implies that Danish firms may be disadvantaged relative to companies that have a more global presence. An important challenge facing these companies is their lack of reach; most appear to be regionally based, while their competitors in the USA have built up substantial global operations. As the feasibility of protecting their competitiveness and regional performance is eroded by economic integration and worldwide globalisation, the competitive position of regionally-focused European firms may become untenable. Consistent with this conclusion is the role of the European Union program, which is facilitating born global internationalisation in Europe via systematic reduction of tariffs, regulations, and other trade barriers. While markets and competitors continue to emerge throughout the world, foreign trade conducted primarily or wholly among the nations of Europe is less “international” than it used to be. If they are to succeed in international business in the longer term, many Danish born globals will need to expand their international reach into markets outside Europe.

For a variety of reasons, the number and influence of born-global firms in international trade is likely to increase. First, thanks largely to globalisation-induced infrastructures and facilitating technologies, born globals are already doing business in dozens of countries. These globalising trends are not a burden; they appear to be a boon to many such firms (e.g. Chuushoo Kigyoo Cho, 1995; McKinsey & Co., 1993; OECD, 1997). Second, the inherent flexibility and international orientation of smaller, early-internationalising firms confers key advantages for adapting to evolving buyer tastes. Finally, as smaller firms, born globals tend to operate in niche markets that often are ignored by larger firms. With the broader development of nations and increasing shift to market-based economies, new international marketing opportunities are emerging for businesses, large and small.

Companies that internationalise substantially at, or near their founding, and whose management tends to regard the world as its marketplace, are emerging in substantial numbers worldwide. Born globals are particularly interesting because such firms tend to be young and relatively resource poor. Our study reveals that age, size, and limited resources are no longer barriers to early and substantial internationalisation of the firm. It also reveals key marketing factors that appear to drive born global international success. While the internationalisation of traditional MNEs has been studied extensively, very little is known about born globals. Their emergence in large numbers is a key trend and more research is needed to understand them and their remarkable international success.

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