

# Internationalization & Export Management (IEM 6CFU)

## Born Global firms

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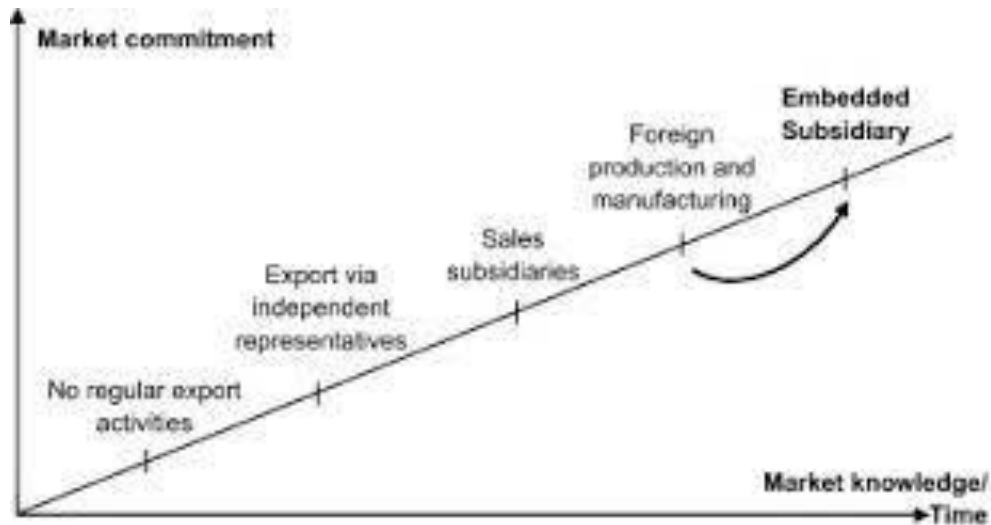


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# TRADITIONAL MODEL

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For many years, it was natural to first target the domestic market and then internationalise gradually to culturally similar nearby countries. This development has earlier been explained through the Uppsala model. This model starts from the point that the company has no organised exports and gradually establishes new markets through agents/distributors.



Accordingly, the decision for an enterprise to go global is influenced mainly by age and size, the learning experience of the enterprise or innovative activity.

# BORN GLOBAL

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However, about 20 years ago, a new type of company was identified by a study developed by Rennie, showing that, due to globalisation and technological advances, many firms began to export within a couple of years of their inception. These findings, which contradicted traditional internationalisation theory, sparked further research on this topic. The available research mainly investigates the specific features of this type of enterprise, the reasons for their emergence and the main challenges they face.



**Born Globals acquire a substantial, fundamental base of international experience and knowledge that traditional multinational companies typically have taken longer to acquire. In this sense, Born Globals pose an important new challenge to traditional views on the internationalization of the firm.**

# BORN GLOBAL

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Different concepts have been associated with the phenomenon: Several definitions have been provided by management literature

-Rennie (1993) identified the follow characteristics:

- They exported at least 25% of their production and started exporting no later than two years after their inception
- The management looked on the world as one market
- Companies were relatively small with a turnover under \$100 million
- The main part of Born Global companies was created by active entrepreneurs and was mainly based on a technical breakthrough
- They applied leading-edge technology either in manufacturing or in the way that they were doing business
- The products that Born Global companies offered were mainly addressed to other companies

- According to Ingerman (2006) is a “A company that has achieved a foreign sales volume of at least 25% within three years of its inception and that seeks to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries”

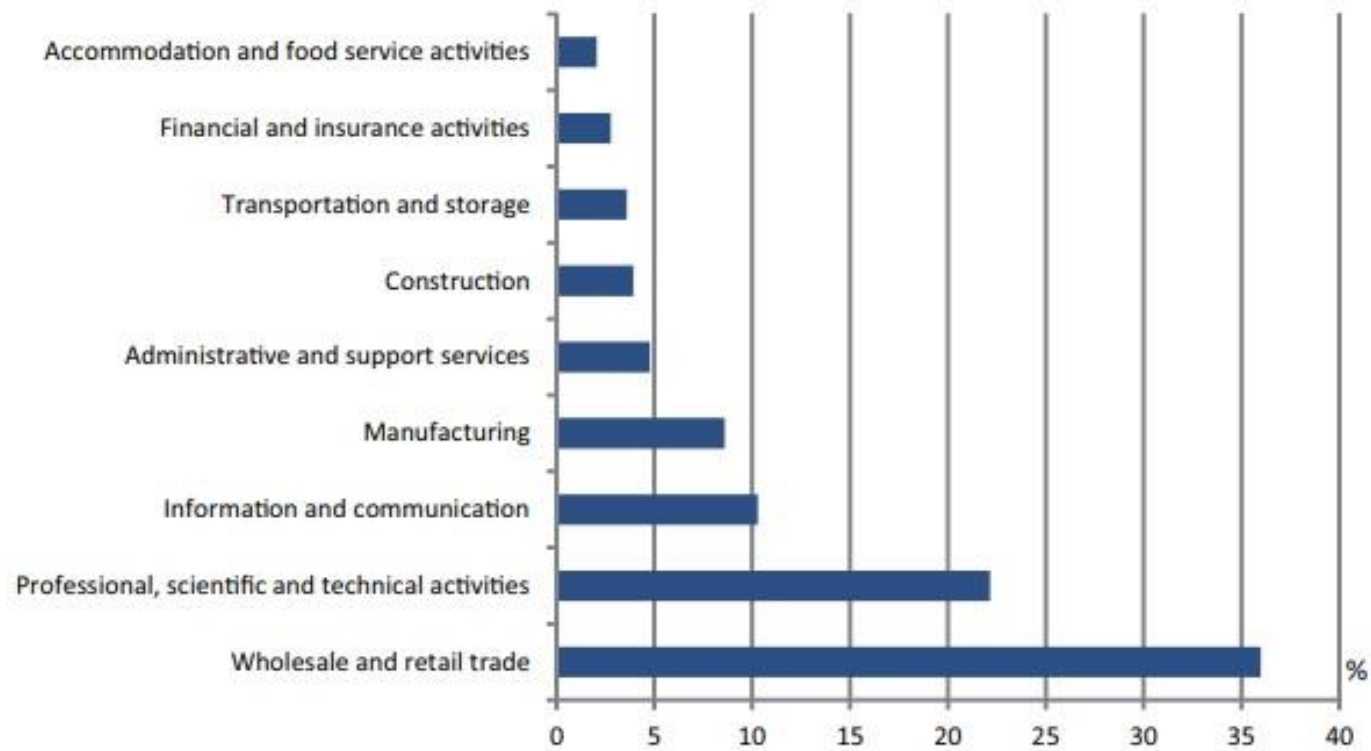
# MAIN FEATURES OF BG

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1. High activity in international markets from or near the founding
2. Limited financial and tangible resources
3. Present across most industries
4. Managers have a strong international outlook and international entrepreneurial orientation.
5. Emphasis on differentiation strategy
6. Emphasis on superior product quality
7. Leveraging advanced information and communications technology (ICT)
8. Using external, independent intermediaries for distribution in foreign markets.

# BORN GLOBAL: SECTOR OF ACTIVITY

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# MAIN CHALLENGES

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## LIABILITY OF FOREIGNNESS

1. costs directly associated with spatial distance between parent and subsidiaries;
2. specific costs incurred exclusively by foreign subsidiaries due to unfamiliarity with host-country environments;
3. costs resulting from economic nationalism and a lack of legitimacy in the host country;
4. costs from sales restrictions imposed by the home country.

## LIABILITY OF NEWNESS

1. costs of establishing new structures and procedures
2. Shortage of trust among organizational members
3. Lack of stable portfolios of clients

## LIABILITY OF SMALLNESS

1. Limitedness of resource and capabilities