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Conceptualizing accelerated internationalization in the born global firm: A dynamic capabilities perspective

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Abstract

Existing approaches at explaining accelerated internationalization of born global firms are incomplete as they do not capture the learning that is undertaken by these firms and their founders prior to the firm's legal establishment. Building on the extant literature and drawing on the dynamic capabilities view of competitive strategy, this paper presents a conceptual model of born global firm internationalization. We conjecture that a set of dynamic capabilities that are built and nurtured by internationally-oriented entrepreneurial founders enable these firms to develop cutting-edge knowledge intensive products, paving the way for their accelerated market entry. We develop propositions and offer concluding remarks.

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1. Introduction

Firms that undertake international business from an early stage in their development are emerging in significant numbers worldwide. Despite the scarce financial, human, and intangible resources that characterize most small and medium enterprises (SMEs), these born global firms participate substantially in international business from a very early stage. Referred to variously as born globals, international new ventures (INVs) and global start-ups, they have come of age during the current era of increased interconnectedness of the world. We apply the term born global and

consistent with other scholars (e.g. Autio, Sapienza, & Almeida, 2000; Knight & Cavusgil, 1996; Rennie, 1993) define the born global firm as “business organizations that from inception, seek to derive significant competitive advantages from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p. 49). Thus, the defining characteristic of a born global is its accelerated internationalization.

Born globals are leading exemplars of successful international SMEs first identified in a landmark study by McKinsey (1993) and subsequently in virtually all major trading countries (OECD, 1997), across industry sectors (Knight & Cavusgil, 1996) and in both high-tech and low-tech industries (Rennie, 1993). These firms challenge conventional internationalization theories and the long-held belief that the strategic options of small firms are constrained by resource poverty (Welsh & White, 1981) by directly entering international markets at or near their founding (Oviatt & McDougall,

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1994). Despite widespread academic investigation and representation in the literature, the born global phenomenon remains under-explained. In particular, there has been relatively little research reported on the factors that give rise to their accelerated internationalization. Moreover, current research lacks a cohesive conceptual framework. A recent critical review indicates this as a key area for further research (Rialp, Rialp & Knight, 2005). Addressing these concerns, this paper presents a novel conceptualization of the factors leading to the accelerated internationalization of the born global firm.

We approach our conceptualization by recognizing the role of knowledge which, as captured by Johanson and Vahlne (1977) in the Uppsala tradition with its gradualist view of internationalization, results in incremental and sequential learning. However, many studies have reported that new ventures can internationalize rapidly after start-up in a fashion not consistent with the gradualist approach (e.g. Bell, 1995; Madsen & Servais, 1997; Rialp, Rialp, Urbano & Vilant, 2005). Further, the incremental and sequential approach is deterministic and path dependent and does not recognize the role of other firm profile factors such as the path-breaking strategic choices of internationally-oriented entrepreneurial owner-managers that leads to accelerated internationalization (McDougall, Shane, & Oviatt, 1994; Knight & Cavusgil, 1996). The emergence and persistence of these firms highlights the need for a novel conceptualization that offers potential for new theoretical explanations and insights into the antecedents of accelerated internationalization. Practitioners, as well as policy planners, will benefit from the identification of a feasible path to accelerated internationalization which enables the blueprinting of strategic decision-making so that firms can capture the economic rents to accelerated entry into promising international markets.

We draw on the dynamic capabilities view of competitive strategy and the organizational learning literature to derive a novel conceptualization of accelerated internationalization in the born global firm. The paper proceeds as follows. First, we review the literature on born global firms, focusing on a set of factors identified as leading to accelerated internationalization. Next we review the knowledge-based approach to internationalization, examining the roles of learning and knowledge in internationalization. We then identify shortcomings and the need to re-conceptualize the internationalization of born globals within a dynamic capabilities framework. Drawing on dynamic capabilities theory, its link to innovation, and

the growing literature on international entrepreneurship we propose a process model of accelerated internationalization. Particular attention is given to conceptualizing key theoretical constructs and developing a set of core research propositions. Finally, we offer concluding remarks.

2. Review of the literature

Distinct conceptual threads are revealed in the literature with initial scholarship concentrating on identifying the phenomenon itself and on establishing a conceptual and working definition of born globals (McKinsey & Co., 1993; Oviatt & McDougall, 1994; Rennie, 1993). After a period characterized mostly by empirical work (Bloodgood, Sapienze, & Almeida, 1996; Coviello & Munro, 1995; Oviatt & McDougall, 1994, 1995), a number of review papers highlighted the importance of international business experience in the founding team and a suite of founder characteristics (Oviatt & McDougall, 1997) that correlated with the establishment of born globals. Seminal work by Coviello and McAuley (1999) called for an integrated approach and more qualitative studies in the field. Some researchers sought to integrate the international business and entrepreneurship literatures in seeking a theoretical explanation for the born global phenomenon (Fillis, 2001; Jones & Coviello, 2005; Oviatt & McDougall, 2005). The next significant development followed a review of a decade of research and called for a unified theoretical framework (Rialp et al., 2005a). In a parallel development, a number of studies emerged to critically assess the adequacy of the Uppsala internationalization process model (Johanson & Vahlne, 1977) in explaining the manner in which born global firms internationalize. These studies found that many small firms follow a path of accelerated internationalization rather than the incremental, deterministic stages posited by the Uppsala School (e.g. Bell, McNaughton, Young, & Crick, 2003; Knight & Cavusgil, 1996; Moen & Servais, 2002).

More recently, scholars have examined the role of other firm variables, such as international entrepreneurial orientation and market knowledge, in order to conceptualize the born global firm internationalization process (e.g. Oviatt & McDougall, 2005). In particular, the international entrepreneurial orientation of the founders is suggested as one of the prime factors that determines the speed of international involvement (Knight & Cavusgil, 1996; Oviatt & McDougall, 1997). Oviatt and McDougall (2005) suggest that market knowledge moderates the speed of internatio-

nalization albeit receiving limited attention in the literature (e.g. Oviatt & McDougall, 2005; Yeoh, 2004; Zahra, Ireland, & Hitt, 2000). In general, knowledge as a factor in early internationalization is treated in two ways in the literature. First, it is captured at the taxonomic level by various authors in the identification of the role of the entrepreneur's prior international experience (Autio and Sapienza, 2000; Harveston, Kedia & Davis, 2000; Madsen & Servais, 1997; McDougall, Oviatt, & Schrader, 2003; Moen & Servais, 2002; Oviatt & McDougall, 1997; Sharma & Blomstermo, 2003; Autio & Sapienza, 2000), in addition to the owner-manager's prior experience being cited as a factor contributing to the speed of market entry (Oviatt & McDougall, 2005). Second, some scholars suggest that prior business experience leads to greater absorptive capacity in the firm (Cohen & Levinthal, 1990) which in turn facilitates the acquisition of additional knowledge required for speedier international market entry (Oviatt & McDougall, 2005).

However, we argue that international experience is a static construct with limited explanatory power of itself and is one that is not usually linked to the Johanson and Vahlne (1977) model (Andersen, 1993) nor is it situated within any other of the theoretical frameworks. Most importantly, the prior experience perspective has failed to capture the various knowledge acquisition processes. The incompleteness of these conceptualizations points to the need for a stronger conceptualization that incorporates a more comprehensive understanding of knowledge. The role of knowledge in born global internationalization was explicitly identified by Zahra, Ireland, and Hitt (2000), Yeoh (2004), and Oviatt and McDougall (2005). These explanations do not define knowledge nor do they locate knowledge within a robust theoretical framework such as that provided by organizational learning perspectives. Moreover, they discuss the role of acquired knowledge and learning, but only *after* internationalization has occurred. Drawing on Nonaka and Takeuchi's definition of knowledge as "justified belief" (1995, p. 58), we define knowledge in an organizational context as the validated understandings and beliefs in a firm, while organizational learning is conceptualized as the capacity of the firm to process knowledge, add new knowledge and use this knowledge in strategic decision-making for competitive advantage (Bell, Whitwell, & Lukas, 2002; Day, 1994). We contest that the existing approaches do not capture how such learning leads to the development of new routines and systems that result in improved effectiveness and accelerated internationalization of the born global. This invites an approach that captures the antecedent

learning and knowledge building processes that precede the legal establishment of the firm and its internationalization (Madsen & Servais, 1997) as provided by a dynamic capabilities framework (Teece, Pisano, & Shuen, 1997; Zollo & Winter, 2002). We argue that the dynamic capabilities approach can be applied to develop a sound conceptual framework for this purpose.

In general, the literature reveals several shortcomings in the path dependent learning approaches that have been advanced to explain born global internationalization. Founders of born globals often have market knowledge built over years of prior business activity. However the market knowledge acquisition process of a born global need not take a path dependent process in the new firm (Madsen & Servais, 1997). In addition, the literature suggests that born global early internationalization is facilitated by innovation within the firm (Knight & Cavusgil, 2004; Madsen & Servais, 1997; Rennie, 1993). Thus, we argue that innovation needs to be centrally located in any comprehensive attempt to model accelerated internationalization, regardless of the nature of the industry in which the firm competes.

3. Reconceptualizing the role of knowledge: a dynamic capabilities perspective

We conjecture that the roles of learning and knowledge need to be examined in an expanded framework that captures all forms of knowledge, and the timing of learning and knowledge development. In addition, we accept that the key theoretical propositions of the Uppsala model are an appropriate starting point for conceptualizing the patterns of born global internationalization because of the centrality of knowledge. Market knowledge is viewed as a resource and the model suggests a direct relationship between market knowledge and market commitment (Johanson & Vahlne, 1977). Not only have scholars critiqued the Uppsala model for failing to explain where and how the internationalization process begins (Andersen, 1993), but in addition, scholars state that it adopts a reactive approach to experiential learning (Forsgren, 2002), and is too deterministic in its approach to internationalization and its progression (Strandskov, 1993). We highlight two other shortcomings of the model in explaining accelerated internationalization.

First, market knowledge is a necessary but insufficient condition for the development of leading-edge knowledge evidenced as innovative products for niche markets which facilitates multiple market entry simultaneously in the firm's early stages of internatio-

nalization. Interestingly, the market orientation view that has dominated the marketing discipline provides a meaningful analogy here, in that market orientation emphasizes only one form of learning, namely, market-focused learning. However, as suggested by Slater and Narver (1995), a market orientation may not encourage a sufficient willingness to take the risks that are inherent in the development of leading edge products that facilitate early internationalization. “The tyranny of the served market” (Hamel & Prahalad, 1991, p. 83) could result in overlooking emerging markets, while the “primary focus of market orientation is on creating superior customer value, which is based on knowledge derived from customer and competitor analysis” (Slater & Narver, 1995, p. 68). This may lead to an underestimation of the potential contribution of other sources of learning (Slater & Narver, 1995). Innovation has been suggested as a possible link between market orientation and firm performance (Han, Namwoon, & Srivastava, 1998; Menguc & Auh, 2006), where innovation requires external learning (which includes market learning and network learning for new technology acquisitions) and internal experimental learning (which includes R&D) (Arora & Gambardella, 1990). Following this analogy, we conjecture that whilst market-based learning enables the firm to learn what the market needs, the firm must acquire knowledge from other sources to develop leading edge innovative products and services that will fulfill these needs. This requires all sources of learning be represented in any model aimed at explaining the accelerated internationalization of a firm.

The second and a most important shortcoming of the Uppsala model in the present context is related to the objective of knowledge in the internationalization process. While knowledge is conjectured to explain market entry, there is no representation of the pre-internationalization phase. We conjecture that learning and knowledge acquisition should be positioned at the pre-internationalization stage as an antecedent to the development of knowledge intensive and leading-edge products. The establishment of the firm requires some sort of valuable resource to employ for operationalizing a strategy of serving niche markets with unique products and services (McDougall, Shane, & Oviatt, 1994; Oviatt & McDougall, 1995, 1997, p. 89). “... [U]nder such conditions and with internationally experienced entrepreneurs with aggressive growth goals, perhaps the inevitability of international operations is so obvious and the experiential knowledge of foreign markets sufficiently present among entrepreneurs that the incremental steps emphasized in

traditional internationalization theory are unnecessary”.

We are led to suggest (a) the need to capture the learning processes that are undertaken by the firm prior to its legal establishment, and (b) to include both externally focused and internally focused learning processes in any attempt to model the born global firm’s accelerated internationalization process. Consistent with Teece et al. (1997) we too adopt the perspective that the firm is not simply an assemble of contacts that might otherwise have been arranged through external markets, but that it is a organization which embodies a collection of resources and competences that it uses to fashion a set of capabilities put to creating, if possible, a unique positioning in its markets. The manner in which these dynamic capabilities take form is shaped by the individuals within the firm who bring all of their worldly guile to the task, drawing upon assets internal to the firm and assets that can be leveraged from outside the firm that these persons somehow have access to. In this sense, we are most sympathetic to the view of Teece et al. (1997, p. 517) that “competences and capabilities are intriguing assets as they typically must be built because they cannot be bought.” They are nurtured, reconfigured and reconstituted by persons in the firm. While it is a peripheral issue here to elaborate further on the nature of the firm, it is vitally important to recognise that the firms considered here are embodiments of the individuals who found them, and that they are not alternative means of organizing otherwise market activity.

The dynamic capabilities view that has evolved from the static resource-based view (RBV) of competitive strategy provides a theoretical foundation to capture the evolution of these capabilities. The RBV suggests that firms in the same industry perform differently because they differ in their resources and capabilities (e.g. Wernerfelt, 1984). However, the dynamic capabilities view, whilst implicitly suggesting the need to distinguish capabilities from resources, stresses the importance of the dynamic processes of capability building in gaining competitive advantage. In contrast to the RBV, the dynamic capabilities view suggests that the firm needs to develop new capabilities to identify opportunities and to respond quickly to them (Jarvenpaa & Leidner, 1998). Incorporating the dynamic capabilities view enables us to capture the development of capabilities that facilitates the born global firm’s accelerated market entry.

Luo (2000) argued for the role of dynamic capabilities in the international expansion of MNEs, but his conceptualization does not appear to have

impacted strongly on the MNE research agenda, and we are not aware of any application to the early and rapid internationalization of SMEs. Consistent with Luo (2000) we conceptualize learning to include both externally-derived and captured market-focussed learning applied to creating a marketing capability for accessing niche markets and for building market positioning, and internally-focussed technological and non-technological learning that is harnessed to produce knowledge-intensive products.

We adopt the Eisenhardt and Martin (2000, p. 1107) definition of dynamic capabilities: "... the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die". Dynamic capabilities are linked with firm performance in that they change the firm's bundle of resources, operational routines and competencies which in turn affect economic performance (Helfat & Raubitschek, 2000; Zollo & Winter, 2002). The building of dynamic capabilities involves processes that are knowledge-based and are instrumental in knowledge creation, integration and configuration. The dynamic capabilities view, in comparison with the earlier industrial organization view (e.g. Bain, 1955; Porter, 1990) and the RBV (Wernerfelt, 1984), assigns a prominent role to the entrepreneurial decision-makers in the formulation and implementation of competitive strategy. Dynamic capabilities on which competitive advantages are founded do not merely accrue to the firm (from a good fit with industry or environmental requirements), but are developed consciously and systematically by the willful choices and actions of the firm's strategic leaders (Grant, 1991; Teece et al., 1997).

While the dynamic capabilities view enables us to capture the role of knowledge in the accelerated internationalization process of born global firms, during the last few decades, organizational learning approaches also have been widely adopted to explain the firm internationalization process (Eriksson, Majkgard, & Deo Sharma, 2000). The behavioral internationalization models (Cavusgil, 1980; Johanson & Vahlne, 1977) claim that learning about internationalization is a cumulative, path dependence process in which each step abroad augments the firm's knowledge. Born global firms exhibit behaviors at variance with the path dependency theories of learning by directly entering global markets early, often with highly innovative products (Knight & Cavusgil, 1996; McKinsey, 1993; Oviatt & McDougall, 1994). Based on these findings and recent methodological developments for capturing the dynamic capabilities building

activity of the firm (Montealegre, 2002), we argue that the dynamic capabilities building process in a born global firm can be partially path dependent but also one strategically planned one step at a time.

In sum, our conceptualization draws on a foundation of organizational learning theory in that we argue that for accelerated internationalization the firm must learn from multiple sources, and that knowledge results from this learning. Dynamic capabilities are the routines through which the firm learns from different sources which in our conceptualization are the market, the firm's network of relationships and the learning that is harnessed internal to the firm itself. The central proposition of this paper is that small firms aspiring to accelerated internationalization must develop a strategic set of dynamic capabilities. The proposed conceptual model is therefore knowledge-based, and firm capabilities are knowledge-based.

4. Conceptual framework and system of relationships

We combine the dynamic capabilities view of competitive strategy (Teece et al., 1997) with organizational learning theory (Bell et al., 2002; Burpitt & Rondineli, 1998; Huber, 1991) to address some of the key shortcomings of past research. We also move beyond the partial model of learning developed by Zahra, Ireland, and Hitt (2000). We argue that the capability building process in a born global firm is driven by entrepreneurial owner-managers with a global mindset, prior international experience and a learning orientation (Fig. 1). They build and nurture the distinctive capabilities of market-focused learning, internally focused learning and networking capabilities which enable the small, innovative, international new venture to develop leading-edge knowledge intensive products. They also develop superior marketing capability, facilitating an ability to position the firm rapidly in global niche markets. The combination of these capabilities produces accelerated internationalization and possibly superior subsequent international market performance. (Subsequent international market performance is beyond the scope of the model.) The proposed model is comprehensive and testable, and conforms to the specifications for the development of robust models in the social sciences in that it incorporates the least number of necessary constructs that exert the greatest relative impact on the phenomenon under investigation (Keats & Bracker, 1988). The key theoretical constructs of the model and proposed theoretical relationships are discussed next.

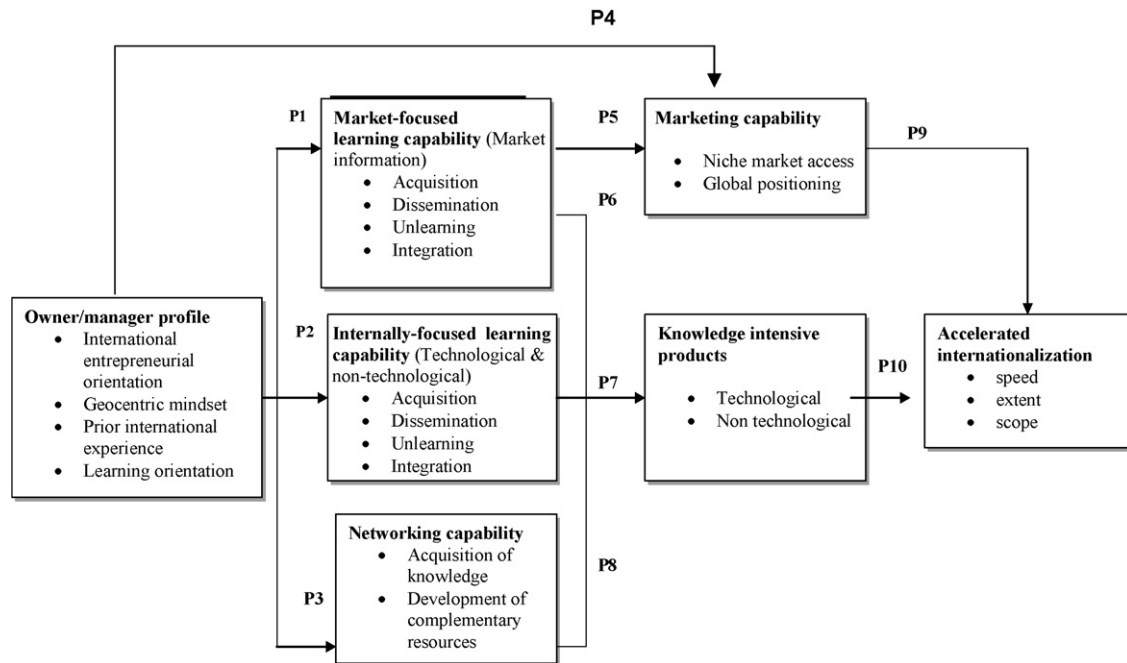


Fig. 1. The proposed dynamic capability model of born global firm accelerated internationalization.

4.1. Owner-manager profile

Perlmutter (1969, p. 11) argued that “the more one penetrates into the living reality of international firms, the more one finds it necessary to give serious weight about the way executives think about doing business around the world.” Accordingly, we focus attention on the profile of the owner-manager. In born global firms, we conceptualize that the owner-manager profile is characterized by an international entrepreneurial orientation, a geocentric or global mindset, significant prior international experience, and a learning orientation. A growing number of scholars view exporting as an entrepreneurial act (Ibeh & Young, 2001), while McDougall and Oviatt (2000, p. 903) define international entrepreneurship as a “combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations”. An essential quality of entrepreneurship is new entry – entering new or established markets with new or existing products – as well as the launching of new ventures (Lumpkin & Dess, 1996). Entrepreneurial acts are believed to be one of the prime factors determining the speed of international involvement (Zahra & George, 2002). In our conceptualization, we adopt the McDougall and Oviatt (2000) framing of international entrepreneurship introduced above and suggest that international entrepreneurship can be

conceptualized along a continuum using the three attributes discussed that reflect the degree of international entrepreneurial intensity of the firm.

The born global internationalization process is argued to be driven by entrepreneurial owner-managers with a geocentric (Burpitt & Rondineli, 1998) or a global mindset (Knight & Cavusgil, 2004) that enables them to seek and exploit international market opportunities. The terms geocentric and global mindset have been used interchangeably in the internationalization literature. Based on Harveston, Kedia and Davis (2000, p. 92) we define a global mindset as “the propensity of managers to engage in proactive and visionary behaviours in order to achieve strategic objectives in international markets”. In addition, we argue that the previous experience, contacts and often broad international education of the owner-manager orients them to pursue opportunities in foreign markets (McDougall et al., 1994; Madsen & Servais, 1997). The owner-manager characteristics are cited in the literature as a key factor distinguishing born globals from non-born globals (Madsen & Servais, 1997). While Kobrin (1994) found a geocentric mindset did not affect strategy in his research on large multinational manufacturers, it has been identified as important to the formation of an entrepreneurial orientation (measured in his study by risk tolerance) and to experience (Harveston et al., 2000) when distinguishing between born global and

gradually internationalizing firms in terms of their strategic intent. In considering the owner-manager profile, the owner-manager's prior experience is cited as a key factor that distinguishes born globals from other exporting firms (Harveston et al., 2000; Madsen & Servais, 1997; Oviatt & McDougall, 1997). As Madsen and Servais (1997, p. 574) suggest, "international experience is a key necessary condition for their international expansion, but it also creates the motivation and ambition to become born global".

We conjecture the importance of a link between the status quo and developing capabilities in the owner-manager, and building upon Dixon (1994, p. 6) we argue that accumulated knowledge and intellectual capital, as captured in the owner-manager profile, "is of less significance than the processes needed to continuously revise or create knowledge". Prior research on learning orientation – in the present context the propensity of managers to view exporting as a learning opportunity – has been found to be positively associated with the internationalization of small firms (Burpitt & Rondineli, 1998). We argue that the learning orientation of the born global owner-manager provides some of the impetus for the development of specific learning capabilities within the firm that moves it rapidly to internationalization. This discussion leads us to argue that there are three learning capabilities that are instrumental to early internationalization in born global firms: market-focused learning capability, internally focused learning capability, and networking capability. We elaborate on these capabilities next.

4.2. Market-focused learning capability

Market-focused learning capability is characterized by the acquisition and dissemination of market information. It also involves unlearning which is the review of unsuccessful knowledge-based practices and the communication of the lessons for improvement widely within the firm (Day, 1994). In addition, market focused learning capability focuses on the ability to integrate market information into actionable knowledge that management can use for its goals in international markets (Knight & Liesch, 2002). The development of experiential knowledge of the target market is a prerequisite for successful internationalization (Johanson & Vahlne, 1977). This knowledge is often closely linked to personal experiences and includes feelings, values and views (Nonaka & Takeuchi, 1995). Closeness to markets and customers is conducive to rapid internationalization. In comparison with other exporting firms, born globals are usually oriented to niche

markets (Madsen & Servais, 1997). As success requires the development of specialized knowledge of these markets, we argue that the most successful born globals will acquire and maintain a market-focused learning capability. Consistent with organizational learning theory (Huber, 1991; Sinkula, Baker & Noordewier, 1997), market-focused learning capability is defined as the capacity of the firm, relative to its competitors, to acquire, disseminate, unlearn and integrate market information to create value activities. Given a fundamental activity of entrepreneurship is not only to create products ahead of competitors, but also to create them ahead of the recognition of an explicit need by customers, market-focused learning is an important characteristic of entrepreneurial firms (Weerawardena, 2003a). Following the foregoing discussion we argue that market-focused learning is critical to born globals, and we propose:

Proposition 1. *The owner-manager's profile is positively related to market-focused learning capability in accelerated internationalizing firms.*

4.3. Internally focused learning capability

Internally focused learning capability is characterized by the acquisition and dissemination of technological and non-technological information generated within the firm. It involves unlearning routines and the ability to integrate internally generated information into knowledge that management can apply for its international goals. Born globals operate in all industry categories irrespective of whether they are high-tech, low-tech or non-tech industries suggesting that they must be innovative in all areas of value creation, both technological and non-technological. This suggests that they require distinctive internally focused learning capabilities. Internally focused learning capability captures all the experimental learning of the firm (Weerawardena, 2003a, 2003b), including technological learning (Zahra, Ireland, & Hitt, 2000) and non-technological learning that engenders innovation and enables the firm to respond to evolving conditions in its external environment (Dosi, 1988; McEvily & Chakravarthy, 2002; Nelson & Winter, 1982). In addition, while the innovation literature suggests the need to learn from both external and internal sources, the well-established absorptive capacity view of Cohen and Levinthal (1990) suggests that a firm's capacity to acquire new knowledge will depend on its internal knowledge base that directly relates to its internally focused learning activities. Internally focused learning

supports superior organizational performance in several ways. First, firms that emphasize technological learning are better at adapting to and growing in new markets (Autio et al., 2000; Grant, 1996). Second, firms that emphasize learning processes generate knowledge in greater amounts for more efficient retrieval that they can apply to address external environmental challenges (Autio et al., 2000; Grant, 1996; McEvily & Chakravarthy, 2002).

Further, the use of knowledge-based innovation strategies is associated with international growth of the firm (e.g. Autio et al., 2000) as advances in design and production technologies, for example, allow many born globals to perform above their counterparts in their international activities. In McKinsey's (1993) study of nearly 200 Australian INVs, technology and innovation were ranked as critically important to born global international success, while Autio et al. (2000) found that greater knowledge intensity is associated with more rapid born global international growth. Based on our earlier discussion on the born global firm profile, and drawing on the dynamic capabilities view, we conjecture that born globals build and nurture distinctive dynamic capabilities in internally focused learning in their pursuit of leading-edge innovative products.

Proposition 2. *The owner-manager's profile is positively related to internally focused learning capability in accelerated internationalizing firms.*

4.4. Networking capability

Born globals are relatively vulnerable, compared to larger MNCs, because they possess fewer financial and other resources that can be directed to their internationalization efforts and that can cushion market fluctuations. Many firms are frequently dependent on a single product that they commercialize in lead markets first, regardless of where their markets are situated geographically. These firms often seek partners who complement their own competences in these lead markets (Johanson & Mattsson, 1988; Oviatt & McDougall, 1994). Networks are vital to the discovery of opportunities, to the testing of ideas, and to the garnering of resources for the formation of the new organizational structures (Aldrich & Zimmer, 1986). Networks often are critical in providing the type of information that contributes to lowering risk and uncertainty inherent in international operations, and they facilitate the acquisition of knowledge and the development of complementary resources (e.g. Nerkar & Paruchuri, 2005; Selnes & Sallis, 2003). Building and

maintaining relevant, superior and effective networks are an integral part of a successful internationalization process (Liesch et al., 2002), particularly in garnering the complementary resources that are critical for accelerated internationalization. We are led to propose:

Proposition 3. *The owner-manager's profile is positively related to networking capability in accelerated internationalizing firms.*

4.5. Marketing capability

Marketing capability (Day, 1994) is the result of an integrative process designed to apply the collective knowledge, skills and resources of the firm to the market-related needs of the business. Marketing capability captures the firm's capacity to formulate effective marketing mix strategies (Weerawardena, 2003b) that are critical to identify and access international opportunities. The prior experience of the firm, a key component of the born global firm profile, provides the ability to position products in predominantly niche markets (Madsen & Servais, 1997), to conform the product to the needs of niche market, to communicate the credibility of the firm and its offerings, to find appropriate distribution options and to price appropriately for the value of the product in its market. The degree of customization of products and the proximity of these firms to customers suggests that they are equipped with superior marketing capabilities (Cavusgil & Zou, 1994) which emphasize the skill with which management performs traditional marketing functions such as product promotion, pricing, and distribution that directs the flow of goods to buyers located in international markets. Based on our earlier discussion on the born global firm profile, and drawing on the dynamic capabilities view, we conjecture that born globals build and nurture distinctive dynamic marketing capabilities that allow them to effectively and rapidly access and penetrate multiple markets with their leading-edge innovative products. Proposition 4 is framed:

Proposition 4. *The owner-manager's profile is positively related to marketing capability in accelerated internationalizing firms.*

The importance of learning activities in the marketing capability development process has been stressed in recent research (Vorhies & Harker, 2000). Approaches to target marketing suggest that understanding market characteristics is a prerequisite for effective use of marketing mix strategies to reach the desired market

segment. Thus, the ability to learn about the market, both consumer preferences and competitor actions, is essential for the development of effective marketing mix strategies and competitive positioning in multiple markets. Marketing capabilities are developed via learning processes when the firm's employees repeatedly apply their knowledge to solve the firm's marketing problems (Day, 1994; Grant, 1991). Hence, we propose:

Proposition 5. *Market-focused learning capability is positively related to marketing capability in accelerated internationalizing firms.*

4.6. Knowledge intensive products

Knowledge intensive products are those embedded with high knowledge content through innovation and personal creativity, cutting edge product design, technological know-how or in-depth understanding of markets (Van de Ven, 2004). In order to survive and earn economic rents, it is necessary for a born global to be at the leading edge of the developments of their product market or capability niche (Madsen & Servais, 1997; Zahra et al., 2000). As implied in the organizational learning approaches to innovation (Dewar & Dutton, 1986; Ettl, 1983), the degree of innovation reflects the level of knowledge embedded in an innovation. These highly innovative, knowledge intensive products enable positional advantages in global markets. Thus, it is argued that born globals develop highly innovative, knowledge intensive products and services (Weerawardena, 2003a) that are characterized by tacitness, complexity and specificity (Von Hippel, 1998).

Market focused learning capability, characterized by a deep knowledge of the market and existing products coupled with a close relationship with and focus on customers, allows the born global to concentrate on performing particular activities well. The close 'learning from' the market allows the development of knowledge intensive products capable of satisfying customer needs in a niche market, and avoiding head to head competition with large multinational enterprises (Knight, Madsen & Servais, 2004). Internally focused learning capability requires a collective effort and the people who do it "to understand themselves to be a part of a community of practitioners that creates and shares knowledge" (Van de Ven, 2004, p. 130). Born global firms develop superior routines to acquire, disseminate and integrate knowledge directly impacting on the firm's ability to develop knowledge intensive products. Networking capability allows the firm to develop a set

of complementary knowledge bases from partners such as universities, other firms, industry associations and a wider community of experts. Thus, rather than internally creating this knowledge, the firm may acquire knowledge by accessing wider external sources of knowledge allowing it to acquire 'assets' that can be directed to the development of knowledge intensive products (Smith, Collins, & Clark, 2005).

As noted earlier, while past research has been biased toward high-tech sectors, there is increasing evidence confirming the role of knowledge intensity in competitiveness and innovation in services (Tether & Hipp, 2002). The born global phenomenon can occur in high-tech and low-tech services and products sectors (Moen, 2002; Rialp et al., 2005). With a view to addressing this shortcoming, the knowledge intensive products construct is conceptualized to incorporate innovation in both technological and non-technological goods and services. We emphasize, consistent with organizational learning approaches to innovation (Weerawardena & O'Cass, 2004) that each of these capabilities must be developed in association with each other for a born global firm to be at the leading edge of the developments of their product market or capability niche in developing knowledge intensive products. We are led to propose:

Proposition 6. *Market-focused learning capability is positively related to the development of knowledge intensive products in accelerated internationalizing firms.*

Proposition 7. *Internally focused learning capability is positively related to the development of knowledge intensive products in accelerated internationalizing firms.*

Proposition 8. *Networking capability is positively related to the development of knowledge intensive products in accelerated internationalizing firms.*

4.7. Accelerated internationalization

Superior performance in all firms hinges on the ability of management to align strategy variables within its control with environmental factors outside its control in ways that cannot readily be imitated. As shifts in the business environment render internationalization a more viable option for young firms, it is expected that many will expand abroad in pursuit of improved performance and other benefits. Performance comprises expectations about the achievement of firm objectives in addition to more conventional economic goals, such as profitability, sales growth, and return on investment

(e.g. Cavusgil & Zou, 1994). However, the firms of interest to us are very young early internationalizers that will not have had the opportunity to substantiate on these conventional performance expectations as they will have had very limited opportunity to realize on their special attributes to generate a sustained revenue stream. The conventional measures of performance will not capture the early intent of these firms. The short-term objective of these firms is to establish footholds, platforms, in multiple markets overseas quickly. We select our dependent variable to be accelerated internationalization. Following Pla-Barber and Escribá-Esteve (2006), our measure includes the *speed* to first international activity (e.g. exporting and sourcing), the *extent* of exports as a percentage of total revenue, and the *scope* of the firm's internationalization measured as the number of countries entered with exports. Our final propositions become:

Proposition 9. *The development of knowledge intensive products positively relates to the firm's accelerated internationalization.*

Proposition 10. *Marketing capability positively relates to the firm's accelerated internationalization.*

5. Concluding remarks

Although the literature on dynamic capabilities has grown over recent years, it is only beginning to assemble a strong empirical following. This empiricism requires a conceptualization that captures the processes of capability building within the firm, and hence, a process approach to the investigation of dynamic capabilities in specific contexts is needed. Although Teece et al. (1997) and Eisenhardt and Martin (2000) have provided in-depth conceptualizations of dynamic capabilities, they have not provided empirical approaches to elicit understandings that assist with explaining how dynamic capabilities are actually developed. However, Montealegre (2002) explains how firms develop these capabilities through building, adapting and reconfiguring existing capabilities. Consistent with Montealegre's (2002) approach, case studies should be an effective means of capturing dynamic capability development in the present context of accelerated internationalizing firms.

To assess the model advanced here, and its associated propositions, a recommended approach is to assemble data from multiple sources, including multiple informants and archival documents, to triangulate findings and maximize reliability. Essential to this approach, is the establishment of a chain of evidence of the

development of dynamic capabilities in these firms. Specifically, the processes of learning and knowledge acquisition, articulation, codification and capture and related resource configurations need to be established. Interview data needs be collected to develop detailed narrative histories of these firms. A useful approach is to create an event listing (Miles & Huberman, 1994) that provides insights into what led events to what outcomes and when these occurred. A critical incident chart that depicts the sequence in which organizational capabilities are developed needs be compiled. The final step would involve a variation in qualitative pattern matching between theory and data (Campbell, 1975; Yin, 1994). In this way the dynamic capabilities that are elicited from the data and that have influenced the accelerated internationalization of these firms can be compared and contrasted with the array of capabilities that have been reported in the literature, and that have been brought to the conceptual model described here.

The employment and wealth generation contributions of small and medium enterprises to domestic economies are well documented (e.g. Etemad, 2004; OECD, 1997). However, this sector is not widely internationalized. The histories of small young firms are cluttered with high rate of failures particularly at the early stage of establishment and growth. Small firms are constrained by resource poverty that constrains strategic options and this, with the high failure rates, has preoccupied the research and policy agenda. The born global, early internationalizing literature has called for a well-founded conceptual model that can be successfully operationalized to capture the accelerated internationalization processes of these firms. Although accelerated internationalization has been viewed as a knowledge acquisition process, past approaches have focused primarily on market knowledge building. This approach fails to capture the critical activities that are undertaken by entrepreneurial owner-managers prior to their firm's legal establishment. The conceptual model presented in this paper is based on the dynamic capabilities view of competitive strategy and draws on organizational learning theory to provide both a novel conceptualization of the antecedent factors leading to the accelerated internationalization of born globals, and it offers a path to targeted development of policies designed to foster more firms accelerating their internationalizing.

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