This article is based on a study of 16 in-depth case histories of New Zealand firms. It uses both the traditional and the “born-global” approaches as a framework to study the internationalization processes of the firms. The authors use the histories to conduct a systematic analysis of the extent to which firms that might be categorized as following a traditional or born-global internationalization path differ in the strategies they have used and in their prior motivations and capabilities. The main findings are that many attributes of the born-global model also characterize firms that began their internationalization along traditional lines but were radically transformed in the process of achieving global reach. This study identifies the consequences of rapid international growth, referred to as “the gusher,” among these firms and the destabilizing effects of the experience as the firm is taken in unexpected directions. The authors conclude that the born-global model has much in common with the internationalization of small entrepreneurial firms and that its most distinctive elements lie in the model’s relevance to an increasingly globalized world economy and in the more aggressive learning strategies that are required to follow this path.

Current internationalization theories have been challenged as the impact of technological, social, and economic changes propel firms into international markets soon after the firms’ inception (Oviatt and McDougall 1997). Several studies (McDougall, Shane, and Oviatt 1994; Moen and Servais 2002; Oviatt and McDougall 1995; Rennie 1993) confirm that firms are internationalizing rapidly and that many are doing so soon after they are founded. We refer to these firms as “born globals.” However, the existing literature portrays a different picture; typical of this view is Welch and Luostari nen’s (1988) conclusion that firms that internationalize from inception are rare. The current debate in the literature is whether born global is a new concept or a rehash of an old phenomenon. Knight, Bell, and McNaughton (2001) challenge the born-global assumption by asserting that firms in small, isolated economies such as New Zealand aim to internationalize from their inception. They argue that because studies on born globals have tended to focus on knowledge-intensive industries, born globals seem to be a new concept; however, such firms are also found in traditional industries.
There are several reasons researchers argue that born globals are becoming more widespread. Madsen and Servais (1997, p. 565) point to new market conditions; advances in technology in production, transportation, and communication; and the more sophisticated capabilities of the founders and entrepreneurs who establish born-global firms. Oviatt and McDougall (1997) stress the role played by the increasingly global scope of cultural homogeneity, social change, and firm strategy. Environmental conditions such as changing industry and market conditions and the internationalization of industry competition create the ideal context for the born-global firm to surface. The firm’s customers, which are themselves international, and the intense competition from imports in the firm’s domestic market compel the firms to conceive of their business in global terms from the outset (Oviatt and McDougall 1995). Finally, the liberalization of trade and advances in technology in the areas of telecommunications, especially the Internet, provide firms with easy access to worldwide customers, distributors, network partners, and suppliers (McDougall and Oviatt 2000).

The locus of the present study is New Zealand, a country that offers something of a natural experiment (Lee 1989) on the effect of increased globalization on firms’ strategies of internationalization. The extent of New Zealand’s deregulation, which began in 1984, is considered among the most far reaching and rapid of any in the Organisation for Economic Co-operation and Development (OECD; 1990). New Zealand’s deregulation included a review of financial, product, and labor markets as well as border protection in a short period of time. Until 1984, New Zealand had the highest tariffs on imported manufactured goods of any OECD country. New Zealand had been a closed economy, but after deregulation, it became one of the most open economies in the OECD. Firms that had begun to export before 1984 could take advantage of government export incentives, but after 1984, the incentives were removed, and the only incentives to internationalization were those generated by global markets and global competition.

The radical change of economic regime in New Zealand thus compressed changes that are the important drivers of the born-global phenomenon into a short time frame, changes that should thus be more evident in the case of New Zealand than in economies in which the advance of globalization has been more gradual. As a consequence of the competition that surfaced with trade liberalization, many firms (both exporters and nonexporters) considered exporting an easier option than continuing in the intensely competitive domestic market (Chetty 1999; Tradenz 1993). These firms were forced to begin or accelerate their internationalization.
process to survive in an economic environment that had been dramatically opened to the world.

The objective of this study is to explore the extent and locus of differences in the two theories of the internationalization process by examining firms that should bring these differences into sharp relief. If the born-global thesis is correct, we expect to find the internationalization experience of New Zealand firms both to be more often and more closely represented by the born-global model after 1984 and to be more often and more closely represented by the traditional view before 1984.

Thus, this study examines the internationalization experience of several New Zealand firms that we selected because of their success in building international businesses (some before and some after the deregulation disjunction). We investigate the internationalization of the firms across several domains: operational modes; decision-making processes; and strategic choices, such as product and market scope. Strategic focus has received less attention in the literature because of an underlying assumption that all firms follow the same strategic approach when they internationalize. Because the born-global thesis includes strategy as an important element, strategic focus must also be included here. In addition, because the literature on born-global firms is relatively new, a study of New Zealand firms extends the empirical scope of this literature.

The next section explores the differences that exist between the two views of internationalization in detail. This is followed by sections on the research method, an analysis of the case studies, limitations of our study, and future research directions. We end with conclusions and implications.

In this section, we review traditional and born-global theories of internationalization to isolate their distinctive features, which we subsequently use to characterize the actual internationalization experience of firms in our study. There are two traditional approaches to internationalization: the Uppsala internationalization model (Johanson and Vahlne 1977; Johanson and Wiedersheim-Paul 1975) and the innovation model (Cavusgil 1980). Both models are often referred to as the “stages model,” because they propose that internationalization occurs in incremental steps. According to the innovation model, the internationalization decision is similar to the adoption of an innovation based on Rogers’s (1962) adoption process. However, the most frequently used model in the internationalization literature is the Uppsala model, which is the one we take to represent the traditional approach to internationalization. The underlying assump-
tion of the Uppsala model is that as firms learn more about a specific market, they become more committed to it by investing more resources into that market. The learning and commitment stages that a firm gradually progresses through as it internationalizes are as follows: no regular export, export through agents, founding of an overseas sales subsidiary, and overseas production (Johanson and Wiedersheim-Paul 1975). In this traditional view, firms make their export debut when they have a strong domestic market base. The choice of markets also occurs in stages; firms begin to export to a market that has a close psychic distance, and then they expand export sales into markets that have increasingly greater psychic distance. The concept of psychic distance relates to differences from the home country in terms of language, culture, political systems, business practice, industrial development, and educational systems (Johanson and Vahlne 1977). The firm chooses an incremental approach to internationalization because it lacks experiential knowledge and because the decision to internationalize is risky (Johanson and Vahlne 1977). Johanson and Vahlne’s (1977) central argument is that as the firm gains more knowledge about a market, it will commit more resources to that market.

Aspects of the stages model have been criticized; the model’s critics argue that it is too deterministic (Fina and Rugman 1996), that firms frequently skip stages (Oviatt and McDougall 1994), that it oversimplifies a complex process (Dicht et al. 1984), that it ignores acquisitions (Forsgren 1990), and that it ignores the impact of exogenous variables (Welch 1982).

The born-global view of internationalization offers a more substantive contrast to the stages model. This view holds that firms do not internationalize incrementally but enter international markets soon after the firms’ inception. Such firms may not even have sales in their domestic market (Jolly, Alahuhta, and Jeannet 1992; Knight and Cavusgil 1996; McKinsey and Co. 1993; Oviatt and McDougall 1994), thus contradicting the stages model, which posits that firms begin to export from a strong domestic market base. Oviatt and McDougall (1994, p. 49) define a born global as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.” Knight and Cavusgil (1996, p. 11) define born globals as “small, technology-oriented companies that operate in international markets from the earliest days of their establishment.” They characterize a born-global firm as small and as having fewer than 500 employees, with an annual turnover of US$100 million and leading-edge technology. These firms manufacture high-technology products for a particular niche in international
markets (Knight and Cavusgil 1996). In addition, the firms are entrepreneurial and, from their inception, perceive the world as one market and thus do not confine themselves to a single country. They perceive international markets as providing opportunities rather than obstacles (Madsen and Servais 1997). Therefore, the main focus of born globals is growth through international sales. To achieve this, the firms produce highly specialized customized goods for international niche markets, and they have access to international networks and international financial markets (Knight and Cavusgil 1996; Madsen and Servais 1997; McKinsey and Co. 1993).

From these accounts, we take the key descriptors of born-global internationalization as having near-simultaneous and thus rapid engagement with multiple national markets; as occurring early in the life of the firm, when the firm is still small and thus able to operate only in niche global markets or in emerging markets opening up to new technologies; and as requiring greater use of business networks to achieve global reach quickly. We now investigate the salient differences between the two views in more detail to sharpen the distinctions between them. We focus particularly on time to internationalization, capability to internationalize, importance of the home market, psychic distance, influence of firm strategy, and use of networks.

The firm’s domestic market is not as significant in the born-global approach as it is in the traditional approach. In the latter, a strong domestic market is required to support firms in their international efforts. Because born globals internationalize quickly, they may have either a small domestic market or no domestic market. Although born globals have a weak domestic base with which to support their international efforts, they tend to be successful in their international endeavors (McKinsey and Co. 1993). The founders of born globals recognize the limited importance of the domestic market from the firms’ inception; the founders perceive the world as one market and thus do not confine themselves to a single country. They believe that international markets provide opportunities (Madsen and Servais 1997) rather than the risk and uncertainty associated with international markets in the stages model. Compared with older firms, born globals are more positive about internationalization and believe that foreign markets are less risky and less costly (Autio, Sapienza, and Almeida 2000; Eriksson et al. 1997; Knight and Cavusgil 1996). Firms that internationalize early develop a positive attitude toward internationalization (Knight and Cavusgil 1996). In new and dynamic environments, born globals adapt and innovate more quickly than older firms (Autio, Sapienza, and Almeida 2000).
Although the born-global approach emphasizes that firms are willing to take risks and to address uncertainty in international markets, the born-global view stresses that such firms have prior experience and knowledge that reduce uncertainty and risk. Thus, both traditional and born-global views assert that prior experience and knowledge are important for successful entry into new national markets. The approaches differ in that the born-global view suggests that experience and knowledge can be acquired early on in the life of the firm. Researchers have advanced several rationales for this belief.

First, born-global theorists point to the greater international experience of entrepreneurs who are accustomed to operating in a global economy. They suggest that some of the differences from older firms can be explained by the influence of the founder’s education and international living and work experience (Madsen and Servais 1997; McKinsey and Co. 1993). Prior knowledge and work experience reduce the psychic distance to specific markets (Madsen and Servais 1997; McKinsey and Co. 1993) and minimize risk and uncertainty. It could also be argued that present-day managers are a new and better-educated generation of managers than that which was practicing when the stages model was first developed in 1977.

Second, the prior international experience of born globals’ founders and decision makers plays an important role in increasing the firms’ speed of learning and internationalization (Oviatt and McDougall 1997). Cohen and Levinthal’s (1990) concept of absorptive capacity can be used to support this reasoning: Because born globals begin with basic knowledge about internationalization, they are more able to accumulate new knowledge about internationalization.

Third, born-global theorists point to the burgeoning capacity of communications technologies to help born-global firms acquire knowledge, develop strategies, and maintain relationships to assist them in accelerating their internationalization. Firms use telecommunications and computer technologies to manage business systems that stretch their boundaries (McKinsey and Co. 1993). For example, firms use e-mail to build and maintain relationships with customers and suppliers; products can be designed for a customer in a different country with frequent input from the customer through the Internet.

Fourth, decision-maker characteristics play a key role in the born-global view, particularly in its argument for the early emergence of internationalization capability. Although Wiedersheim-Paul, Welch, and Olson (1978) focus on the decision maker as fundamental in the pre-export stage, Johanson and Vahlne (1977) do not develop this further in

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**Capability to Internationalize**
the Uppsala model. In contrast, the born-global approach virtually requires founders to have developed distinctive entrepreneurial capabilities and the foresight to spot windows of opportunity on a global scale that others overlook (Knight and Cavusgil 1996; Madsen and Servais 1997; McDougall, Shane, and Oviatt 1994). Born globals are often formed by people who have prior international experience and extensive international personal and business networks (Madsen and Servais 1997). In the traditional model, expertise in internationalization can only be built pari passu with experience rather than *ex ante*, and it likely involves many people in the growing organization instead of being embodied in the founders.

In contrast to the traditional approach, the born-global approach minimizes the relevance of psychic distance during a firm’s internationalization. The traditional approach assumes that firms enter new international markets as a function of their psychic distance to the firm’s prior experience. However, the born-global approach emphasizes that psychic distance becomes irrelevant during a firm’s internationalization (Jolly, Alahuhta, and Jeannet 1992; Knight and Cavusgil 1996). Proponents of the traditional approach also accept that psychic distance is not constant but changes because of the transformation of communications systems, trade, politics, and other social exchanges (Johanson and Wiedersheim-Paul 1975). However, the born-global view is that this process has now essentially flattened the psychic steps required for internationalization in the markets that born globals are exploiting.

Although the focus of the internationalization literature has been on process and operational mode, in Johanson and Wiedersheim-Paul’s (1975) study of four Swedish firms, they mention the relevance of firm strategy to internationalization. They state that strategic decisions have a great impact on the path and pace of firm internationalization. In addition, Johanson and Vahlne (1990, p. 22) state: “Basically the process model [traditional approach] is rather skeptical in regard to strategy. Nevertheless, we think that internationalization processes are the result of a mixture of strategic thinking, strategic action, emergent developments, chance and necessity. We believe it is worthwhile to analyze the internationalization of firms with an open mind with regard to these factors.” In contrast, the born-global approach emphasizes the role of strategy in internationalization, because both the focus and the pace of internationalization are dictated by competitive imperatives to seize a leading position in niche or emerging markets.

Far from being of marginal importance, competitive strategies of innovative technology and product design are inti...
mately involved in the internationalization of born globals (McKinsey and Co. 1993). For these firms, other ways of competing through innovative marketing strategies, enhanced product and service quality, and specialized products for niche markets are also salient (Knight 2000). McKinsey and Co. (1993) has found that Australian firms have a strong customer focus and have produced customized products.

Both the traditional and the born-global views emphasize the role of networks of business relationships that the internationalizing firm creates. In the Uppsala model’s early development (Johanson and Wiedersheim-Paul 1975) and later extension (Johanson and Vahlne 1990), it posits that firms use intermediaries in the early stages of internationalization because the required resource commitment and knowledge base is smaller than if the firm were to establish its own subsidiary. Similarly, a key resource of born globals is their access to international networks (Håkansson 1982; Thorelli 1990), such as distributors, subcontractors, buyers, and sellers (Knight and Cavusgil 1996). Such long-term networks have market and experiential knowledge that born globals benefit from instead of waiting to accumulate the knowledge themselves. If firms want to internationalize quickly, the mode of entry is critical, so they use intermediaries to expedite their access to foreign markets (Burgel and Murray 2000). Thus, both views hold that networks are a device that internationalizing firms use. The difference is that for born globals, the networks must be adequately extensive to enable extensive global reach and created rapidly to support exposure to multiple markets.

Whereas the traditional approach posits that internationalization is a gradual process, the born-global approach raises the issue of accelerated internationalization, because born globals internationalize soon after their inception. The speed and focus of internationalization in the born-global firm is held to be a response to an increasingly open international-trading environment that fosters greater specialization and more rapid capture of increasingly transitory competitive advantages. It is by this logic that born globals are considered a distinctive product of the global economic regime that emerged during the late twentieth century and that New Zealand embraced only in 1984.

The same rapid internationalization predicted for born globals is already evident in the growth of exporters that predate the New Zealand economic reforms. In a previous article, we refer to these episodes of rapid internationalization as “the gusher”: three- to four-year periods during which sales double and double again every year and the firm radically trans-
forms from having a domestic to an international focus (Chetty and Campbell-Hunt 2003).

The literature reveals considerable differences of opinion on how quickly and how widely a firm must internationalize for it to be recognized as a born global. To be considered a born global, maximum times for the firm’s internationalization debut range from within two years of inception (McKinsey and Co. 1993), to six years (Zahra, Ireland, and Hitt 2000), to seven years (Jolly, Alahuhta, and Jeannet 1992), to eight years (McDougall, Shane, and Oviatt 1994). This diversity suggests that the definitional boundary for born globals is a matter of degree more than a generic absolute. Because in this study we are interested in examining any attributes that are saliently distinctive of the born-global firm, we adopt the least ambiguous definition and recognize born globals as only those firms that have internationalized within two years of inception.

In addition, there is no consensus in the literature on the proportion of total sales that are exported (export intensity) for born globals. Knight and Cavusgil (1996) find that born globals export at least 25% of their production within a few years of their formation, but McKinsey and Co. (1993) find 75% export intensity within two years of inception. Given the small size of the domestic New Zealand market compared with global markets, we adopt the higher of these percentages as most certainly descriptive of a born-global firm with a New Zealand base.

We conclude that though debate continues about the extent of difference between traditional and born-global views, a considerable number of differences can be identified between them in terms of operational modes, decision-maker attributes, and strategic focus. By examining the internationalization of New Zealand firms before and after the country’s rapid opening to the full force of global competition, we hope to shed more light on the extent of differences between the models. Table 1 presents the principal differences that we have identified between the two views and the attributes that might be used to distinguish a firm’s internationalization as following the born global or traditional paths.

This study involved in-depth historiographic case research of 16 New Zealand firms that illustrate successful internationalization, both before and after the country opened to the forces of globalization in the mid-1980s. Histories are the only practical way to study the long-term processes of internationalization in several firms. Goodman and Kruger (1988) argue that history’s contextual richness is an advantage for theory building and hypothesis development. Pettigrew
Sylvie Chetty and Colin Campbell-Hunt (1990) also argues that evolutionary processes in firms must be studied in the context of richly contextualized chronologies, through which alone the contingent nature of the evolution can be revealed.

In this article, we use a case study method in line with Eisenhardt’s (1989) and Yin’s (1989) approaches. The unit of analysis is the firm, and we use multiple cases rather than a single case. Strauss and Corbin (1990) and Yin (1989) mention multiple cases, but Eisenhardt (1989) has written about their theory-building properties in detail. She suggests that the multiple-case approach encourages researchers to study patterns that are common to cases and theory and to avoid chance associations (Eisenhardt 1991). Multiple cases enable researchers to use both theoretical and literal replication. According to Eisenhardt (1989) and Yin (1989), replication logic enables researchers to identify the subtle similarities and differences within and between groups of cases.

In the New Zealand economy, as elsewhere (Simon 1996), many exemplary firms are privately owned, so an advisory panel of industry leaders, policy advisers, business-support
agencies, and business journalists who are familiar with a wide range of firms guided us in our selection of firms. The guidance given to the panel to help select the firms was that they had to be successful firms with exemplary histories of long survival and growth. Some firms should have been formed before economic deregulation in 1984, and others should have been formed after 1984. We concur with Pettigrew’s (1990) conclusion that reputation is important in negotiating access for in-depth case research. The cachet of the advisory panel and a large grant from the national science-funding agency appeared instrumental in securing access. The panel’s task was feasible because of the small size of the economy and a relatively small number of firms with exemplary histories of long survival and growth.

However, a difficulty that occurs with the historiographic method is that retrospective accounts of business history must rely on the memories of people involved, particularly when businesses are small and privately held, as in New Zealand. We strengthened the reliability of the accounts by using the techniques that Huber and Power (1985) suggest. For example, we gathered factual information about past events, in addition to respondents’ construction of them, in an attempt to improve respondents’ recall. Whenever possible, we used written documents made available to us by the firms, and we conducted a full search for material in the public domain. As critical incident learning theory predicts (Cope and Watts 2000), the accounts frequently focused on relatively brief episodes of radical transition in the life of the firm, during which the respondent’s understanding of the business changed. We follow Cope and Watts (2000) in arguing that respondents recollect the critical incidents more fully because they were dramatic and because they are periods in which conscious learning took place.

We used multiple sources to gather data from each firm, and the main form of data gathering was the semistructured interview. To obtain the long historical coverage, we chose the managing director or chief executive officer, with one exception, as the source in each organization. The sources of this information have been in the firm throughout its history. Each firm was interviewed twice, and there were a few weeks between the first and second interviews. The first interview (which lasted 30–60 minutes) introduced the project to the company and acquired some basic background information. The second interview (which lasted from 90 minutes on) asked for more detailed information about the firm’s strategic history and the evolution of its competitive advantage.

A case writer and at least two research team members from different disciplines attended the second interviews, which
allowed for multiple perspectives on each interview (Eisenhardt 1989). Perspectives were shared, discussed, and compared in postinterview debriefing sessions. Interviews were taped and transcribed. The interview results were then combined with other documentary evidence provided by the company to produce a detailed case study of each firm. Pettigrew (1990) argues that the often-disjointed elements of recollected experience must be assembled into a chronology to bring into relief the causal links between events in the history and to locate the phenomena of interest in the context from which they originated. Triangulation of information was carried out through comparisons of information between interviewees and documentation sources. Respondents corrected and commented on drafts of the case studies.

As a first step toward comparing the experience of the 16 firms to traditional and born-global models of internationalization, we categorized firms with respect to market scope. Six firms focus on the immediate region of Australia and New Zealand, from which they derive 80% or more of their sales. As New Zealand’s closest neighbor, both physically and psychically, the stages model would consider Australia the natural first step toward internationalization. The remaining 10 firms are more global in scope. The second category, which we used to distinguish born globals from other global-reach firms, was the lag between inception and first exporting. We adopted a two-year lag to isolate with confidence the kind of firms intended by the born-global model. We categorized 6 firms as born globals. The remaining 4 firms had also reached global status, but at a pace that was more consistent with the traditional stages model. Thus, a total of 10 firms followed an internationalization expansion path that is consistent with the traditional model: 6 at an early (regional) stage and 4 fully globalized.

Regional firms have focused on Australia and New Zealand, because 80% of their sales are in the two countries, and they are active in less than ten countries beyond the region. They export 15% and more of their total sales to Australia and to less than ten countries outside the region. They have a strong domestic market before they start to internationalize. As is shown in Table 2, the difference between the year of inception and the year the firm began exporting ranges from 4 to 46 years. This shows that regional firms are a mixed group: Some internationalize soon after inception and others take longer to do so.

Global firms have a strong domestic market before they start to internationalize but sell their products in up to 60 countries worldwide. As is shown in Table 2, global firms export up to 100% of their sales, mostly outside New Zealand and Australia. Global firms take a long time to make their inter-
nationalization debut, which ranges from 26 to 65 years (Table 2).

*Born-global firms* have virtually no domestic market or only a small one before they start to internationalize. They make their internationalization debut soon after their inception. We define born globals as firms that began to internationalize within two years of their inception. In addition, 80% of their sales are in global markets (see Table 2).

An advantage of our research design is that it enables us to compare the incidence of the internationalization strategies before and after New Zealand’s sudden engagement with the forces of globalization in 1984. The comparison, summarized in Table 2, reveals a sharp rise in the incidence of born globals in the post-deregulation period. Of the six firms that underwent internationalization since the reforms, four adopted the born-global strategy; whereas before 1984, only two of ten firms did. In the same post-deregulation period, only two firms initiated the traditional route to internationalization, and neither has yet grown beyond a regional scale.

The change is strongly consistent with the thesis that born globals manifest an internationalization strategy that is particularly well adapted to the emergence of global markets and global competition and that, as the forces of globalization are extended, the proportion of firms that adopt a born-global expansion path will rise. However, the born-global strategy was not unknown before 1984. We categorize two firms from this period as born globals, both of which engaged with world markets in the year of their founding. Their early adoption of the born-global model illustrates the difficulty that researchers face in isolating the effects of the slow advance of globalization on firm internationalization, even in New Zealand, where the advance was artificially impeded until 1984. Nonetheless, we believe that the natural experiment of New Zealand’s rapid deregulation has brought that effect into sharp relief.

As we discuss subsequently, the three categories of firms display other differences in major strategies beyond those of

<table>
<thead>
<tr>
<th></th>
<th>Regionals</th>
<th>Globals</th>
<th>Born Globals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number founded pre-1984</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Number founded post-1984</td>
<td>2</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Export intensity</td>
<td>15%–80%</td>
<td>30%–100%</td>
<td>80%–100%</td>
</tr>
<tr>
<td>Modal export intensity</td>
<td>Less than 50%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Years to export</td>
<td>4–46</td>
<td>5–65</td>
<td>0–2</td>
</tr>
<tr>
<td>Modal years to export</td>
<td>16</td>
<td>27</td>
<td>.5</td>
</tr>
</tbody>
</table>
market scope, such as product scope, competitive strategy, and manufacturing and marketing strategies. In this sense, at a national level of aggregation, the firms display some of the characteristics of strategic groups that are believed to emerge at the industry level (Dranove, Peteraf, and Shanley 1998; McGee and Thomas 1986). Table 3 provides a comparison of the three strategic groups.

We now deepen our assessment of the differences between traditional and born-global models. We structure the assessment using the areas of difference isolated in our discussion of the literature and summarized in Table 1.

<table>
<thead>
<tr>
<th>Strategic Group</th>
<th>Regional Firms</th>
<th>Global Firms</th>
<th>Born-Global Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of firms</td>
<td>6</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Domestic market</td>
<td>Strong domestic market before entering Australia</td>
<td>Strong domestic market before internationalizing</td>
<td>Began internationalizing within a few years of inception, so domestic market was either non-existent or weak.</td>
</tr>
<tr>
<td>International markets</td>
<td>80% of sales in New Zealand and Australia; active in fewer than 10 countries beyond the region</td>
<td>Majority of sales outside New Zealand and Australia; active in up to 60 countries worldwide</td>
<td>80% of sales outside New Zealand; markets are worldwide</td>
</tr>
<tr>
<td>Mode of market entry and expansion</td>
<td>Direct</td>
<td>Indirect (2), mixed (1), direct (1)</td>
<td>Indirect (2), mixed (1), direct (3)</td>
</tr>
<tr>
<td>Product range</td>
<td>Diversified product range to broad market segments</td>
<td>Specialized product for niche markets</td>
<td>Specialized product for niche markets</td>
</tr>
<tr>
<td>Reaction to gusher</td>
<td>Destabilizing effects of the gusher</td>
<td>Destabilizing effects of the gusher</td>
<td>Managing the gusher</td>
</tr>
<tr>
<td>Product leadership</td>
<td>Regional leaders in their product</td>
<td>World leaders in their product</td>
<td>World leaders in their product</td>
</tr>
<tr>
<td>Type of firms</td>
<td>Manufacturing and service firms</td>
<td>Manufacturing firms</td>
<td>High-technology manufacturing and service firms</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>International (4), home country (2)</td>
<td>Home country</td>
<td>Home country</td>
</tr>
<tr>
<td>Marketing</td>
<td>Focused approach to marketing in Australia and New Zealand only</td>
<td>Sow-and-reap approach</td>
<td>Sow-and-reap approach to marketing, with extensive use of information and communications technology</td>
</tr>
<tr>
<td>Founders’ previous international experience</td>
<td>Mixed, ranging from none to an extensive amount</td>
<td>Mixed, ranging from a small amount to extensive</td>
<td>Extensive prior experience</td>
</tr>
</tbody>
</table>

Table 3. A Comparison of Regional Firms, Global Firms, and Born-Global Firms
We conclude that among born globals, the domestic market continues to play a qualitatively important role. The importance of the home market to born globals has more in common with that of traditionally internationalized firms than it does with the independence that the born-global model predicts. All regional and global firms developed strong or leading positions in the New Zealand market before they began to internationalize. The most frequent benefit of home-market experience in these firms is that it serves as a proving ground for the firm’s products and services before internationalization, an effect that is evident in all ten firms in these categories. For born globals, the importance of the home market is quantitatively much smaller (modally, 10% or less of revenue), but it still qualitatively plays a key role in the firms’ internationalization. Several born globals report that it is essential for them to sell their products locally to gain international credibility. New Zealand’s harsh geographical and climatic conditions stimulate the development of creative and innovative products to deal with such an environment.

There is little difference among the three strategic groups in the international experience of their founders and leaders. In all groups, about half the firms display prior relevant experience. Two regional firms were led by immigrants from the United Kingdom who had prior experience in the relevant industry. Among globals, one firm was founded by an immigrant family from continental Europe and retains strong links to the industry in Europe. For two other global firms, extended periods of international work or study gave their founders experience with technologies and markets that were later crucial to the firm’s internationalization. The pattern among born globals is no different; founders have accumulated relevant international experience in sports, science, and the immediate industry that was crucial to the founding of the firm and its internationalization. These founders used their established networks with suppliers, distributors, and customers from their previous work to develop their existing business.

For a small isolated economy such as that of New Zealand, the histories of the firms make it clear that rapid internationalization is not a new experience, and it does not differentiate the born-global firm from those following a traditional path to internationalization. Differences in the extent of internationalization across the three categories follow directly from the definitions we used to construct the categories. By definition, regional firms have developed international markets in serial order, beginning with Australia. The same has been true for some global firms that made their first international moves into the Australian market and for some that first moved into the United Kingdom. All global firms have since furthered their global reach beyond these markets. In addi-
the born globals in our study have engaged with many international markets simultaneously.

However, the pace of internationalization has not been qualitatively different between the two paths to internationalization. Because of the small size of the domestic New Zealand market, early moves into international markets can require rapid scale-up for firms in all categories. For one regional firm, international success was immediate, which meant that the firm experienced a gusher. Both global and born-global firms are typically launched into international markets by a world-leading innovation. This promising innovative product means that the firm is faced with an intense period of growth, or the gusher. Some global firms cope with the challenges by restricting their international growth to what they can manage. However, it may be that in our study born globals that have also experienced the gusher seemed to manage this experience better than the regional and global firms did. A possible explanation is that their prior work experience and internationalization knowledge provided them with the capabilities to manage the problems associated with rapid growth.

We conclude from the case histories that the logic of psychic distance continues to apply to firms that we have classified as born globals. However, the rapid development of multiple markets among born globals means that this preference is short-lived and will be evident only to a detailed chronology of their development. The order of market entry for these firms conforms to the psychic distance hypothesis of the traditional model, not only for firms in the regional and global categories but also in the born-global group. Thus, the irrelevance of psychic distance predicted by the born-global model has not applied to the history of these firms.

Born globals continue with the traditional approach to internationalization by selecting countries with a close psychic distance to New Zealand, such as Australia, Canada, the United Kingdom, and the United States, as their first market. In this respect, the firms refute the current thinking on born globals: that such firms make their international debut by leaping into markets with vast psychic distance from their domestic market. Their choice of first market is no different from that of the two global firms that began their internationalization in the U.K. market. However, although the first market had a close psychic distance to New Zealand, when the firms had begun to internationalize, psychic distance did not seem to matter. Not only did their first international moves involve several psychically close markets at once, but they also quickly moved on to more psychically distant markets in continental Europe and elsewhere.
We conclude that there is some evidence that the pace of learning may need to be more rapid among born-global firms, which is an inference based on the more hyperactive learning strategies of the firms. However, for firms in all categories, the accumulation of experience remains a key component of learning how to internationalize. We have identified the broad learning strategies used by the firms, and we found differences consistent with those suggested by the two models of internationalization.

Among regional and global firms, we observed a learning strategy that we call “sow and reap.” This strategy involves a firm trying several products and markets simultaneously, waiting to determine which one is promising, and then focusing on that. It is a strategy that ties the firm’s internationalization to the rate at which it can discover successful market applications from experience. As such, it is a strategy consistent with the experience-based learning embodied in the traditional model. Among born globals, there is some evidence that the pace of learning needs to be more rapid. Their approach to learning retains a valuing and use of experience; however, to us, the pace of experimentation seems to be more rapid, and the tolerance of first-time failure seems to be higher than it is for regional and global firms.

The born-global model’s insistence that firm strategy plays a central role in the rapid internationalization of the firm is strongly descriptive of born-global firms in our sample. However, it is equally descriptive of the transition from regional scope to global scope among firms that have followed the traditional stages path. We conclude that strategy-driven rapid internationalization is not a new phenomenon but that, in the born-global firm, it applies from the firm’s inception.

As we discussed previously, the traditional model does not stress the firm’s strategies of differentiation and advantage in its account of the internationalization process. In contrast, in the born-global model, the strategies are a prime motivator of early internationalization. Among the firms in our study, this sharp distinction can be observed, but it distinguishes both born globals and globals from the rest. Firms that have initially followed a traditional path to internationalization are also catapulted to a global reach in the same way.

At the early stages of traditional internationalization, regional firms in our study were involved in a diverse range of products. Although regional firms are all active in innovating products and processes, they have not yet developed an innovative and unique product that has captured worldwide attention.
The early internationalization paths of global firms have similar traits. However, in every case, the catalyst that launches global firms beyond regional scope has been the development of an innovative product with global potential. To meet the rapid growth in demand, global firms have chosen what we call a “focus-and-grow” strategy, in which the firm focuses on a market niche narrowly but deeply and seeks to dominate the market segment. In pursuing a focus-and-grow strategy, the firm abandons a broader range of businesses that characterized its New Zealand operations. The logic of full global expansion for these firms in the later stages of traditional internationalization is thus the same as that posited for born globals: rapid global expansion of an innovation-based advantage requiring the firm to focus both its energies and its product or market scope.

The same logic is revealed among born globals in our sample. Their products are technology intensive and highly specialized, and they have a small number of customers in each country. They tend to focus on a narrow product range and are market leaders in a product with a good reputation. A strategy of innovation is thus the main driver for rapid internationalization among born-global firms. They also have a clear marketing strategy, which includes branding, attending trade shows, protecting their intellectual property, and monitoring customer feedback.

We conclude that use of information and communications technology (ICT) has not been a powerful discriminator between born-global and traditional internationalization. All firms in our study were early adopters of these technologies, and comparisons across the categories suggest that use of ICT is neither a necessary nor a sufficient condition for the rapid internationalization required by born-global firms. The ICTs unquestionably play a role in supporting internationalization, but it is a role also shared by firms on the traditional path.

In our sample, born globals used advances in ICT (e.g., e-mail, Internet, Web site and computer technology for design and production) extensively to conduct their business. They used ICT to be creative and innovative in their marketing strategies. Although use of ICT is as pervasive among born globals, as this model predicts, it is less clear that this differentiates born globals from firms that follow a traditional stages path. For three of the six born globals, ICT is central to the business model, but this is also true for two regional firms. Therefore, extensive use of ICT is not a sufficient condition for the rapid-internationalization born-global path. Furthermore, all four firms in our global category achieved rapid internationalization between 1967 and 1987, before the widespread use of the Internet. Thus, the presence of ICT is not a necessary condition for rapid internationaliza-
We conclude that in most cases, the use of networks of business partners has followed the different patterns suggested by the traditional and born-global models. The rapid development of business networks to achieve global reach quickly is not new among these firms. However, in this study, it distinctively characterizes the born-global firm. The key difference between born-global and traditional views of the use of networks in internationalization is not in their use, which is common to both models, but in the rapidity and scope of the networks developed by the born-global firm.

Regional firms in our study have developed their international businesses in a manner that closely conforms to the traditional model, typically beginning with agents in the first-entry market of Australia and then developing their own direct involvement with the market. Regional firms show a preference for direct involvement in marketing and believe that it is important for them to have direct control of their distribution in foreign markets. Three of the six regional firms also have manufacturing and assembly facilities in Australia. The same pattern of initial use of intermediaries, followed by development of the firm’s own marketing capability, characterizes three of the four global firms. However, unlike regionals, none of these four firms has international manufacturing or assembly operations. This is a radical departure from the traditional model, which predicts that more globalized firms are more likely to spread their manufacturing functions spatially. In our study, it is the less globalized, regionally focused firms that have taken this step. In the born-global category, networks of business partners have played an indispensable role in the internationalization of five of the six firms. In the five cases, the key role of business networks has played the part predicted for it by the born-global model. For the remaining born global, the highly specialized nature of the product and the limited number of global customers have encouraged the firm to use the direct-marketing strategies predicted by the traditional model.

The unusual opportunity of a natural experiment with New Zealand’s rapid engagement with the forces of globalization has enabled us to observe firms’ internationalization paths under two different regimes of trade. We believe that this contrast is much more difficult to achieve in countries in which the advance of globalization has been more gradual. Thus, our study offers new insight into the differences between born-global and traditional models of internationalization, which has the potential to inform both of the theories and management practice.
Our study suggests that many of the phenomena believed to distinguish the born-global internationalization path are also characteristic of firms that began their internationalization in the traditional way: by entering Australia, New Zealand’s most proximate neighboring market. However, the further development of the firms into global markets occurred as the born-global model predicted: Firms were driven to enter multiple markets quickly and to capitalize on the potential of an innovative product, they focused on a narrow product-market scope that was consistent with their small size, and they extensively used networks of business partners.

Therefore, the histories suggest that the born-global model has confounded two determinants of the internationalization process that can and should be distinguished. For both globals and born globals, it is the combination of small firm size and global potential of innovation that impels the radical transformations predicted in the born-global model. Our study suggests that this is not a new phenomenon and does not distinguish firms that might be categorized as born globals.

Instead, our study reveals that the distinctive character of the born-global model stems from the transformation of the global economic system as well as the heightened relevance of the born-global internationalization path into globalized markets and competition. We regard the sharp rise in the incidence of born globals after deregulation to have considerable theoretical significance, and related to this is the more aggressive learning and networking strategies that we detected in born-global firms. Although the pace of internationalization, or the gusher, is not distinctive of born-global firms, the scope of new markets entered simultaneously by these firms typically requires more rapid and extensive development of business networks and a different approach to learning. Instead of a slow accumulation of experience, country by country, as the traditional model predicts, we observed a more aggressive learning style that actively seeks engagement and experimentation, tolerates initial failure, and aggressively seeks solutions to problems as they arise.

Another significant contribution of this study is that it identifies the phenomenon that we refer to as the gusher. In our study, gushers are observed in all categories of internationalization. When a firm experiences a gusher, it is taken in unexpected directions, thus influencing how the firm behaves in its internationalization efforts. Table 3 shows that the three strategic groups react in different ways when they experience a gusher. The born-global firms are better at managing the gusher than are the regional and global ones. A possible explanation for this is the more active learning strategies we detected in the firms. Arguably, these may enable
born globals to cope with the destabilizing effects of the gusher, should it emerge. An implication for managers is that they need to be aware of the destabilizing effects of the gusher and be prepared to adopt learning strategies that are more tolerant of initial failure but more aggressive in seeking solutions to problems as they arise.

Additional contributions of this study are that it provides mixed support for both the traditional and the born-global approach to internationalization. Firms’ early steps to internationalization, which we include in the regional category, largely conform to the traditional model, but later steps toward global reach engage most of the processes that are characteristic of born globals.

In addition, the Uppsala model predicts that the more internationalized firms will choose international manufacturing. However, in this study, it was the least internationalized—that is, the regional firms rather than the globals or born globals—that chose international manufacturing. Several reasons encourage global and born-global firms to choose to manufacture at home: economies of scale, concentration of expertise and knowledge, acquisition of competitive advantage in production, and maintenance of control of the product quality.

As with all efforts to extend theory, our conclusions invite empirical testing. We believe that it would be productive for researchers to investigate the internationalization paths of firms in industries that are either more or less exposed to globalized competitive pressure, while also controlling for firm size. If our propositions are well founded, we expect that the born-global strategies emerge most clearly in industries in which both small size and global competition predominate, less clearly when small firms internationalize in less globalized competitive markets, and least clearly when large firms internationalize.

There is also a need to investigate similar histories in economies that are less isolated and larger than that of New Zealand. In several respects (prior international experience, pace of internationalization, and reliance on business partners), New Zealand’s isolation and size have contributed to the historical development of firms in ways that may not replicate elsewhere.

We also suggest that there is a need to draw on multiple theories such as the Uppsala model, the born-global approach, entrepreneurship theory, and the network approach to improve the understanding of how and why decision makers behave the way they do in the internationalization process.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS
Because this article has only a broad discussion of learning in internationalizing firms, further research might include a more comprehensive assessment of intermarket learning in such firms. It might also include a detailed record of specific lessons derived from known markets and applied to subsequent market entry for each type of strategic group as well as for each individual firm. Such an in-depth study that focuses on learning in internationalizing firms would also provide a deeper understanding of the pace and type of learning in such firms.

Further research needs to be conducted on our finding that the least internationalized firms (i.e., the regional firms) choose international manufacturing. Because this finding contradicts the Uppsala model, which predicts that the more internationalized firms choose international manufacturing, the reasons for this contradiction need to be identified. Resolution of this paradoxical result involves an in-depth exploration of a complex set of interdependent factors. In addition, a similar study in other countries will help reveal whether this paradoxical result is unique to New Zealand or also occurs elsewhere.

1. To maintain anonymity, we do not disclose the names of the firms.

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