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ARE BORN GLOBAL FIRMS REALLY BORN REGIONAL? (INTERACTIVE PAPER)

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ARE BORN GLOBAL FIRMS REALLY BORN REGIONAL?
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Principal Topic

An increasing number of new and small firms sell their goods/services abroad (Reynolds, 1997). International new ventures (INVs) are described as ‘born global’ (Rennie, 1993), however this research is criticized for lacking theory (Keupp & Gassmann, 2009) and appropriate methodology (Coviello & Jones, 2004). The present study seeks to integrate IB theory and offer a better measure of INV internationalization.

Although theoretically firms could sell their goods anywhere in the world, Ohmae (1985) argues that firms face a ‘global impasse’ in terms of difficulty replicating strong home region performance in other regions. The world is ‘semi-globalized’ due to costs emanating from cultural, administrative, geographic, and economic distances (Ghemewat, 2003). Regionalization is a form of semi-globalization.

New/small firms face a liability of foreignness overseas and to overcome this, must possess some distinct FSAs. FSAs are unique capabilities that emerge from asset internalization (e.g. knowledge). FSAs are often location-bound and most easily transferred and exploited in similar institutional contexts, e.g. regionally rather than globally.

New ventures face TCs both ex-ante (information search) and ex-post (monitoring) (Zacharakis, 1997). When internationalizing, TCs are higher due to complex coordination across diverse cultural and institutional environments (Goerzen & Beamish, 2003). Generally TCs are lower within a triad region due to geographic proximity, ease of communication, and more similar institutions.

H1: New ventures are more likely to export to countries within their home region of the triad than to countries outside their home region.

H2: The greater the INV’s home region orientation, the better the performance.

Method

Using a sample of 2,239 Korean INVs, we analyze degree of multinationality as foreign/total sales and degree of home region orientation as the magnitude of exports to Asia-Pacific. We explore the impact of home region orientation on performance (ROE) with a subsample of high-technology ventures.

Results and Implications

We find support for H1, especially among high-technology ventures. We also find support for H2: INVs with higher levels of home region orientation perform better as the degree of multinationality increases. INVs are not ‘born global’ but rather are ‘born regional,’ expanding internationally within their home triad region. Firm strategists should pursue regional markets. Policymakers should seek more integrated regional trade networks.

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