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“SME internationalisation and born globals - different European views and evidence”

**BORN GLOBAL VERSUS GRADUALLY INTERNATIONALIZING FIRMS:  
AN ANALYSIS BASED ON THE ITALIAN CASE**

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**ABSTRACT**

Born global firms represent a case of enterprises operating in time and space compression conditions which have permitted/forced them to assume a global geographic scope from their birth. The Italian case is particularly interesting in the analysis of the born global phenomenon, due to a relevant number of firms showing this character. On the other hand Italian born globals partly show different features than the corresponding cases evidenced by the international literature on the matter. The most important ones refer to the industry they belong to (non high tech, in the majority of cases) and on their location in industrial districts. The comparison between born global firms and gradual internationalising ones evidences also the key attributes possessed by the first ones, which make them different and explain the roots of their serial internationalisation process. Born global firms share throughout the world some fundamental similarities: ownership of unique assets, focusing on narrow global market segments, strong customer orientation, dominant role of entrepreneurial vision and competences.

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# **BORN GLOBAL VERSUS GRADUALLY INTERNATIONALIZING FIRMS: AN ANALYSIS BASED ON THE ITALIAN CASE**

## **1.Introduction**

Born global firms represent a relatively recent field of investigation in international business literature. They may be viewed as one of the major outcomes of the globalisation processes that have gradually changed both the time and space dimensions where firms used to operate. As far as the space dimension is concerned, suffice it to think of the gradual dismantling of barriers, both natural and artificial, and the corresponding drop in transaction costs at a global level. As far as the time dimension is concerned, technology has had a time shrinking effect on transactions, and on information access and transfer, which has turned into a core competitive weapon in global competition. Time and space compression has not showed a regular pattern throughout the world and in all industries. As a consequence, the opportunities for firms to exploit the new market conditions (as well as the risks for them to be liable to their threats) have been widely differentiated.

Born global firms represent an interesting case of enterprises operating under time and space compression conditions that have allowed/forced them to assume a global geographic scope since their start-up. When analysing the born global phenomenon, the Italian case is particularly interesting due to the relevant number of firms showing this character. On the other hand, Italian born globals partly show different features when compared to the corresponding cases described in international literature. The most important ones refer to the industry where they belong (non high-tech, in the majority of cases) and on their being most often located in industrial districts.

The goal of this paper is to compare the Italian empirical evidence at the moment available with the international literature on born global firms, in order to define a

general taxonomy of the international growth paths of small firms and to identify the attributes characterizing born global versus gradually internationalising firms.

Enlarging the perspective on instant international firms as far as possible would permit a more comprehensive understanding of these firms, and a wider and sounder empirical basis for innovative theoretical modeling.

The paper is structured into three main parts: the first one is the literature review, the second one presents and comments two surveys made in Italy, and the third one – structured into two paragraphs- proposes a theoretical analysis of both the process and the status attributes of born global firms versus gradually internationalising ones, based on the integration of the Italian evidence with the international literature on the subject. The conclusion summarises these issues and evidences the limitations of this work.

## **2.Literature review**

International literature has often taken the view of a progressive growth of the firm, accompanied by a sequential international development. According to this view exporting is usually the first step on the internationalization path, which occurs casually in most cases - and only after the firm has become established in the domestic market - and grows with the firm's size and experience. Exporting is then followed by more intensive forms of internationalization, which in turn accompany a parallel growth in the size of the firm, from non-equity agreements to joint ventures and direct foreign investment (Bilkey, Tesar, 1977; Cavusgil, 1980; Cavusgil, Tamer and Naor, 1987; Cavusgil, Bilkey and Tesar, 1977; Czinkota, Tesar 1982; Miesenbock, 1988; Johanson, Vahlne, 1977).

On the other hand, some studies have demonstrated that the size of the firms and export intensity – as measured by the ratio of exports to sales - are not correlated (Bonaccorsi,

1992; Calof 1994; Zucchella, 2001). This involves that - among SMEs - the smallest firms are not necessarily prevented from being strong exporters. Moreover, cases of small MNEs, pursuing internationalization modes other than exports, have become ever more frequent and often reported in literature (Buckley, 1979; Roux, 1979; Garnier, 1982; Denis & Depeltau, 1985; Varaldo, 1987).

At the end of the 1980s the effects of globalisation processes (Velo, 2000) on businesses became more evident – although they materialized at a different pace and with different intensity in different industries and regions - and the idea that not only SMEs, but even infant firms could be international since their inception was gradually brought to the attention of academics and practitioners. The connections between the simultaneous rise in the number of instant international firms and the spread of globalization processes, with their typical time and space compression features, shrinking transportation and communication costs (Holstein, 1992) and better accessibility of information and knowledge (Czinkota, Ronkainen, 1995; Nordstrom 1991) seem in fact substantial (Knight, Cavusgil, 1996).

The emerging phenomenon of born global firms has been reported with growing emphasis in the early 1990s (Litvak, 1990; The Economist, 1993; Holstein, 1992; McKinsey & Co, 1993; Oviatt & McDougall, 1994; Hordes, Clancy & Baddaley, 1995).

All along the 1990s alternative denominations were proposed, e.g. instant international firms, international newly-born ventures, and so on. Different denominations have sometimes corresponded to different concepts of born global firms. According to the different authors, born global firms may be either infant firm that have started internationalising in their early years (not necessarily since inception), or newly-born ventures that have assumed an international scale since inception. More recently, the concept of born- again global firms has been proposed, i.e. long established firms that

have previously focused on their domestic markets, but which suddenly embrace rapid and dedicated internationalization (Bell, McNaughton & Young, 2001).

A second difference concerns the very concept of internationalization, and in particular the entry mode in foreign countries (export, FDI, JVs and alliances). Oviatt & McDougall (1994) for example distinguish the export/import start-up from the global start-up, whereby the latter – contrary to the former - involves many activities coordinated across many countries.

A third element of differentiation among born globals in literature is the geographic scope of such enterprises. Preece, Miles & Baetz (1998) distinguish international from global diversity in early-stage technology-based firms.

This gradual enrichment and differentiation in literature may be viewed as a symptom of the maturing of the research agenda. The latter is also highlighted by the progressive enlargement of literature contributions from the study of the determinants of born global firms and the attempt to reconcile them with established firm internationalisation theories (Oviatt, McDougall, 1994; Knight, Cavusgil, 1996) to the research on born global firms' strategic orientation and governance issues (McDougall, Oviatt, 1996; Preece, Miles, & Baetz, 1998; Larimo, 2001; Kuemmerle, 2002). The latter field of research has contributed to a surge of international entrepreneurship studies (Birley, MacMillan, 1995; Brush, 1995). In ten years' studies the need for further empirical investigation and theoretical modeling of born global firms has been frequently underlined by different authors.

This paper goes in this direction, and aims at providing additional elements towards a better understanding of the born global phenomenon, based on the observation of the Italian case and on the comparison between born global and gradually internationalizing firms (Madsen, Rasmussen, Servais, 1999; Harveston, Kedia, Davis, 2000).

The concept of born global firm adopted here is the widest possible, i.e. the three differentiation elements of born global firms are assumed in their broadest sense. This involves that a born global firm is international since either its inception or its early years. It may be assumed that 3 to 5 years is a reasonable maximum time length to distinguish born global firms from all others, also because this would imply that internationalization was a core issue in the entrepreneur's vision since the beginning.

It is very important to underline that the concept of born global adopted here does not refer to the industry or the type of product, although many of the mentioned contributions in literature stress the link between these firms and the high-tech industry. The "high-tech bias" may lead researchers to indicate the industry/product as a qualifying feature of born global firms, while it is only one of their possible attributes, like the entry mode strategy. The Italian case shows that the majority of born global firms belongs in non high-tech industries (Zucchella, Maccarini, 1999). The common element to Italian international newly-born ventures is the size of the targeted market segment, i.e. the adoption of a niche/deep-niche strategy (Madsen & Servais, 1997; Zucchella 2001) rather than the product/technology. In the emerging literature on born global firms it is very important to avoid the risk of researcher's presbyopia, because the forward-looking perspective of technology-based industries should not limit the analysis of the nearest, most frequent and established cases of non high-tech born globals.

The Italian case also highlights the role of the local system in the "international since the beginning" attitude of firms. In fact, most born global Italian firms are located in industrial districts (Zucchella, Maccarini, 1999). Similar cases are reported by Sopas (2001) in Portugal and Brown & Bell (2001) in New Zealand.

A very strong linkage exists between the clustering of economic activities and the international performance of the firms belonging in such clusters. The phenomenon has

known a recent development in literature, showing a growing interest of authors for the subject (Brown, Bell 2001; Porter, 1990; Enright, 1998; Servais, Rasmussen, 1999; Storper, 1992).

The contribution of cluster firms to export flows has increased rapidly along the latest twenty years in different countries (Putnam, 1993; Ffowcs,1997), but it has reached an impressive level in countries like Italy where the density of districts and similar territorial networks is high and dated. In Italy 199 district are reported, according to the National Statistics Bureau (ISTAT) strict classification, but hundreds more clusters and local systems do exist, even though not so pronouncedly knitted as districts. The 199 districts employ 30% of the Italian workforce and contribute substantially to the country's export flows. In fact, almost two thirds of Italian exports stem from districts (Fortis, 1998).

Inter-firm local networks, a "territorial information system", the existing social capital, all represent the ground on which a sort of "collective international knowledge" has grown. Easy and immediate access to information - vital for international expansion - is due to a complex blend of imitative behaviours, high frequency of spin-offs, organisation of international trade fairs based in the district territory or low-cost participation to foreign events, and other actions carried out by institutions that mediate and intermediate between the firms and the markets, like enterprises' associations, shared service centres, export consortia (Becattini, 2000; Corò, Rullani, 1998; DATAR, 2001; Viesti, 2000).

The expected consequences on district firms' internationalisation are threefold:

- a higher export intensity in relation to comparable non-district firms;
- an international orientation since the beginning of the entrepreneurial activity ("born exporting");

- a higher propensity to experience forms of internationalisation other than export, like alliances, joint ventures (JVs) and foreign direct investments (FDIs).

The behaviour of district firms in the last decades can be viewed – as envisaged in traditional theory - in terms of exploitation of firm and territorial advantage to conquer foreign markets. Rapid and intense internationalisation processes represent a means for cluster-based firms to exploit the advantages of being located in a cluster and the resulting positive externalities (skilled and specialized labour, specialized services, access to “collective international knowledge”, easy access to information on the internationalisation strategies of main local competitors) on a larger scale.

The above listed considerations not only provide strong arguments to support the role of local systems in a number of born global firm cases, but also indicate the district in itself as an emerging research subject in the born global agenda. In fact, the district or local cluster may represent not only a facilitating environment for the born global firm, but also a case of born global local system. In addition, in these recent years local systems have shown their ability to transfer their structure to foreign markets, thus generating similar local systems in foreign countries, in a sort of district spin-off (Majocchi, 2000).

### **3. Empirical evidence of born global firms in Italy**

The research design has involved a first empirical survey on a sample of Italian SMEs, representative of the variety of small firms, both district and non district-based. For this reason in 1999, 200 Italian SMEs were sampled, and a correlation analysis of exports, sales and number of employees (measures of size), and age of the firm was carried out (Zucchella 2001). Only quantitative data taken from the Italian Chambers of Commerce database were processed (sales, number of employees, age, percentage of exports to

sales). Correlation analysis aims at verifying the validity of the traditional belief that size and age of the firm affect (i.e. are statistically correlated to) export performance. If no correlation is found this means that alternative hypotheses regarding the degree of internationalization of SMEs can be formulated, according to the two main approaches mentioned earlier. The empirical test was repeated on the same sample in 2002, based on 2001 figures.

Table 1 reports the results of this test on 200 Italian SMEs, and shows the correlation matrix obtained for the two surveys. According to this correlation analysis, export performance does not depend on the size of the firm in terms of either revenues or number of employees, and does not seem to be affected by the age of the firm, thus denying the “experience effect” on international growth. In 1999 the level of correlation between exports and age is the lowest (3.094 per cent), but also the correlation figures between exports and size measures (revenues and employees) appear low (10.944 per cent and 16.411 per cent respectively) and do not suggest the existence of variables that might affect each other significantly. In 2001 the correlation figures tend to decrease for all the measures adopted, thus suggesting a potential deepening of the born global phenomenon. In the years to come, a longer time series is likely to make it possible to draw more relevant conclusions on the trend. However, existing data indicate that the born global phenomenon already has a sound empirical base also in Italy.

**Table 1 Matrix of correlation between exports and size-age parameters (200 Italian firms)**

	Exports 1999	Exports 2001
Exports	100%	100%
Revenues	10.944%	10.124%
N. of employees	16.411%	15.372%
Age	3.094%	2.875%

Source: International SMEs Data Base – ISDB, University of Pavia

The analysis does not permit to focus specifically on born global firms and their features. A survey based on interviews to a sample of 40 small international firms was conducted starting in 1999 (Zucchella, Maccarini, 1999). Two types of firms emerged from the interviews: global and regional (i.e. European) players (23 and 22 respectively). Not surprisingly global players were not necessarily larger firms than the regional ones. The fundamental difference explaining geographic scope was neither size nor age but the adoption of a niche strategy. Focusing on a very narrow global market segment characterized 70% (28 over 40) of the sample firms, the global reach (more than 3 countries outside Europe) affected 58% of them (the 23 global players). Among the 28 niche firms, 18 showed a fully global reach (export to sales above 60% and exports distributed in a large number of countries of the different continents). When asked about the list of countries where they sold goods, many small firms with 20 to 30 different foreign markets in their list explained that in many countries they had one or two customers only. The most common statement in global niche-firms was “we reach a

global customer wherever he is". In the majority of cases the products involved were machinery and more generally industrial goods (25 firms over 40). This common feature of global firms was already highlighted by McKinsey (1993) in its pioneering survey on born global firms.

Small firms selling consumer goods were usually positioned in high value-added niches (luxury shoes and clothes). Niche-firms declared that they had started selling in global markets since the beginning or in their very early years (within first 3) of activity and that the global reach was deeply rooted in their original (even though frequently informal) business plan.

Two elements explained - either separately or taken together - the birth of these firms: the previous experience of the entrepreneur, with a strong international vision and experience, the firm's ability to build up an international network (alliances, predominantly non-equity ones) and for 10 firms (25% of the group) being located in a cluster or industrial district.

Some studies have emphasized the role of alliances and network strategies for the geographic expansion of SMEs (Urban, Vendemini, 1992): networking represents another strategic option that makes small size and related resource constraints compatible with a broad international scope. Moreover, it challenges the very concept of firm size by weakening the firm boundaries (Velo, 1997). District firms have traditionally privileged small networks, i.e. the territorial network of relationships that is the essence of the district structure and a key driver of territorial advantage. The shift from local to global networks represents one of the main challenges to district survival and renewal in the next decade.

#### **4. Born global firms: the process attributes**

A review of literature highlights the growing interest in born global firms and a number of both theoretical and empirical contributions on the subject. The aim of this paragraph is to propose a reflection on two basic dimensions of the life of newly-born or infant firms engaged in international markets: their **process** of internationalization and their **status**, i.e. the attributes that can explain their internationally competitive behaviour.

As far as the first issue is concerned, the purpose is to propose a stylized perspective of alternative internationalization processes of newly-born firms, based on the University of Pavia International SMEs Data Base –ISDB (Zucchella, Maccarini, 1999) and on the analysis of empirical studies carried out in other countries and quoted in the literature review.

Based on these sources it is possible to state that there are two main strategies behind the behavior of smaller firms:

- **the proximity approach**, which leads the firm to expand into the culturally/geographically nearest markets, with a gradual and sequential process of international learning;
- **the global approach**, which leads the firm to horizontally segment the world market, seen as a single entity, in the aim to reach a restricted group of clients, wherever they may be located, with a supply of homogeneous products/services (global niche strategy), and to adopt a serial-type internationalization process.

In the first instance the firm selects markets on the basis of the so-called psychic distance (Johansson and Vahlne, 1977), favouring the better-known contexts (Liesch and Knight, 1999), as these are culturally closer and, hence, entail only limited local adaptations of the product. This strategic option is consistent with an exporting strategy, whereby the organizational hub of the firm remains in the home country

(Brooks, Rosson, 1987; Reid, 1981). In the past, this organizational hub tended to coincide with the productive one. Today, in many industries the need to control labour costs is leading to growing de-localisation of production. As far as product distribution is concerned, collaboration agreements with local partners allow the firm to understand the peculiarities of foreign markets faster and better, making it possible to adjust the product to different requirements, even though, as we have mentioned earlier, this adjustment process is somewhat limited for the firms choosing the proximity model.

In the global approach, the firm overcomes the psychic distance problem and the difficulty of dealing with the diversity of foreign markets by looking at the world market in an alternative and original perspective. It is an alternative perspective because rather than proceeding by clusters of “similar” countries, where the market segment to be reached is then determined, the firm carries out a horizontal segmentation of the world market and seeks to meet a specific need wherever it may arise (Takeuchi, Porter, 1986). It is an original perspective because determining the group of potential customers is the result of a highly creative process. Potential customers are not chosen from among pre-constructed segments but groups originating from the firms product/service choice (creative segmentation). It is the case of niche-firms, that – although small in size – appear to be leaders in their market segment on a global scale (Calof, 1994; Gomes Casseres, 1997; Kohn, 1997; Malaksedh and Nahavandi, 1985; Simon, 1996).

This creativity in the vision of world markets coupled with a uniqueness of supply contributes to creating a favorable competitive environment for the firm, especially the small ones, since at the same time there is:

- a strong reduction in the degree of complexity of international markets, in terms of knowledge and control of the segment that has been created;

- a strong reduction in the degree of complexity of the competitive environment, in the sense that the context thus created being highly circumscribed in terms of number of both actual and potential competitors and dominated by a non-price logic, a small firm may well aspire to become a market leader;
- a strong reduction in the degree of organizational complexity, as with a centralized organizational structure the firm operates on a global scale.

This analysis of the global approach challenges many conventional views on SMEs and their internationalization. One of the main objections regarding the latter is represented by the resource constraint in which such firms operate. The scarcity of both financial and managerial/knowledge resources was thought to be a severe limitation to a rapid international expansion of newly-born and small firms. The Uppsala Internationalisation model is dominated by incrementalism and slow pace, consistently with small firms resource constraints. Overcoming these constraints is possible only with time (experience accumulation) and growth in size (thus enlarging managerial skills, and access to knowledge and financial resources).

Infant and small firms adopting the global approach (i.e. born global firms) demonstrate that overcoming resource constraints may be a matter of taking a different perspective of world markets and world competition. These firms did not increase the level of complexity of their business, on the contrary, they worked to reduce and/or keep it under control.

The global niche firm represents a strategic model that makes us rethink the idea of company size, as well as go beyond the “conventional” view of the small firm and its path toward international growth. In fact they may be small according to conventional parameters but large in terms of market segment share, and /or in terms of access to a network or local cluster competencies and resources.

In the global model re-interpreting the world context as a creative space advantageous to the small firm does not imply, however, that there is any stable niche protected from competition. The dynamism of markets, the transversality of new technologies, and the recently acquired ability of large firms to respond with flexible strategies and penetrate the market at the niche level (also by acquiring small firms) has created a continual challenge for small enterprises.

### **5. Born global firms: the status attributes**

The second issue relevant for this paragraph is represented by the status attributes of born global firms, compared with the “traditional” ones. The term status has been used as opposite to process, but it is worth underlining that no static perspective – particularly in the long run - about born global attributes can be adopted. Status attributes refer to the moment the firm is established and the early years of its life.

The analysis of the global approach in the internationalization of small firms mentioned earlier in this paper indicates that possessing a unique knowledge is the first relevant attribute of instant international enterprises.

It is this attribute that distinguishes sustainable international newly-born ventures from all others, according to Oviatt & McDougall (1994). This paper focuses on the former, because it is well known that newly-born ventures are much riskier than long established firms and their default rates are relevant. More recently the so-called “new economy” has witnessed a mushrooming of entrepreneurial initiatives, most of which have not survived, with a consequent impressive rise in infant firms default rate. It is now essential to focus on the firms that have been able to survive, and investigate their strategic orientation, governance, strategic and organizational attributes in greater depth.

In any firm sustainable competitive advantage requires that its resources be unique (Barney, 1991).

In long-established firms possessing unique assets depends on a number of firm-specific and environment-specific factors accumulated along the years. This means that a crucial issue in unique knowledge formation is represented by a unique organizational and corporate history. For newly-born and infant firms that are international since the beginning, it is necessary to find sources of knowledge uniqueness in other factors: literature on born globals has frequently identified the entrepreneur's experience and orientation as a critical element. This involves that in born global firms knowledge uniqueness and governance issues are closely linked. Attention to this link has promoted research on international entrepreneurship, and many contributions have focused on the role of the entrepreneur in the born global firms phenomenon (Madsen, Servais, 1997; Rasmussen, Madsen & Evangelista, 1999). These and other studies (Oviatt, McDougall, 1994) have also considered the role of networking in the governance of born global firms. Networking facilitates access to knowledge, allows newly-born ventures to overcome some resource constraints and to manage a global reach since the beginning, without bearing the costs of a global "proprietary" structure. The role of the local system in favouring the establishment of these firms appears to be less explored .

In Italy a substantial number of born global firms are found in industrial districts and local clusters, as confirmed by the results of the recent surveys mentioned above.

Traditionally, cluster SMEs, despite their limited financial and managerial resources, have taken advantage of either local competitors' or former employers' experience (spin offs are much more frequent in districts than in other milieus), and more generally of the overall "knowledge capital" available in the local cluster, and selected foreign markets

with high growth potential for their products since the beginning of their business activity. Positive performances encourage entrepreneurs to increase their international commitment, in terms of export intensity and geographic scope very rapidly.

It is thus possible to observe a continuous interaction between the collective and individual learning processes, which feeds the accumulation of international *knowledge capital* within the cluster.

The uniqueness of the firms product supply is consistent with the decision of the absolute majority of Italian born global firms to export what they produce in the home country, with limited forms of production de-localisation, since the exclusive know-how behind the product makes the organizational and productive hubs of the firm coincide. In fact, uniqueness is often the result of business competencies and creativity associated to “territorial competencies” (specialized workforce, services). If we consider the case of many small Italian firms that are world leaders in their niches, we discover that their competitive positioning is the result of both firm-specific and local system-specific factors (firm embeddedness).

Possessing unique assets involves two critical issues for the sustainability of born global firms’ competitive advantage, namely the constraints on the dissemination of such knowledge and its continuous improvement.

The first issue refers to the fact that the ability of global newly-born ventures to reproduce and move knowledge at nearly zero marginal cost is both beneficial and dangerous. In order to limit the appropriation of their respective unique knowledge by competitors born global firms may either use patents and copyrights or rely on this knowledge imperfect imitability. Italian born global firms seem to base their protection strategy mainly on the latter factor (Majocchi, Maccarini, Zucchella, forthcoming). Imperfect imitability may be due to a unique organizational history, socially complex

knowledge, ambiguous and casual relationships between knowledge and competitive advantage. Italian born global firms very frequently take advantage of the second of the listed factors, and in particular of the local system embeddedness that generates immobility of the knowledge involved in it.

The second issue refers to knowledge base improvement. The latter is a necessary condition for the survival of any firm in a competitive environment. Possessing a unique knowledge, though protected or imperfectly imitable, needs a continuous augmenting effort.

Two major sources of knowledge improvement are international exposure and customer orientation.

It is very important to state that despite the importance of initial both firm-specific and local system-specific factors in determining the competitive advantage of born global firms, it is the international scope of the newly-born venture that makes the difference. This means that born global firms do not internationalize in order to exploit home-based advantages, but in order to complete and improve their knowledge base. Recent contributions (Kuemmerle, 2002) explain why and how they engage first in home base knowledge augmenting (HBA) activities before engaging in home base exploiting ones (HBE).

Customer orientation is another powerful instrument to increase the knowledge base and augment its imperfect imitability. Born global firms have shown stronger customer orientation than other firms in different countries (McKinsey, 1993; Zucchella, Maccarini, 1999). Small scale, flexibility and deep niche positioning are all factors explaining this attitude. Moreover, it is strong customer orientation that pushes for continuous product and process innovation.

## **6. Conclusion**

Research findings on Italian small firms are consistent with those deriving from surveys carried out in other countries. Born global firms can clearly be distinguished from gradually internationalizing ones by a deep difference in their internationalisation path: serial as opposed to sequential. The first strategy challenges the vision of resource-constrained small and infant firms adverse to rapid and intense internationalisation processes. On the contrary, this paper proposes a perspective of the born global firms as a possible form of control of/reduction in complexity and resource constraints. Focusing on global customers with a high value-added and specialized supply of products and/or networking with other firms and institutions are the two major elements that help firms to pursue serial internationalisation effectively. As far as the latter is concerned, the evidence gathered from Italian firms points out the importance of the role of industrial districts and local clusters as the ideal ground for born global firms.

In cluster-based firms there is usually no formal network, but a local system where a sort of “collective international knowledge capital” is available and continually improving. Being located in a cluster seems also to facilitate the building up of alliances and network agreements with foreign partners. The analysis of Italian SMEs permits us to propose a tentative taxonomy of their internationalisation paths, shown in figure 1. Born global firms are found in boxes 3 and 4 (corresponding to the serial internationalization process) and may have very different networking – clustering attitudes. In boxes 1 and 2 we find gradually internationalizing firms. Satellite firms are dependent on some large enterprise and tend to follow the same internationalization path as the leading firm. This is consistent with the hypothesis of the “follow-the-customer” internationalization strategy. Speed and geographic scope are driven by the

leading firm, which is usually a large one with an incremental internationalization process and a multinational structure.

*Figure 1 Internationalisation paths of Italian SMEs: a tentative taxonomy*

<i>International growth</i>	Born global stand alone firms	Cluster/networked firms
	4	3
Serial		
	Traditional lone international	Satellite firms
	1	2
Sequential		
	<i>Networking attitude</i>	
	Solitary	System based

A comparison between born global firms and gradually internationalizing ones also highlights born global firms' key attributes, which make them different and explain the roots of their serial internationalization process.

All over the world, born global firms share some fundamental similarities: they possess unique assets, focus on narrow global market segments, are strongly customer-orientated, the entrepreneur's vision and competencies are of a crucial importance. In the end, for these firms being born global does not seem to be an option but a necessity. They are pushed into globalisation by global customers and too tiny national/regional market segments. They can sustain their immediate global reach thanks to entrepreneurial vision and competencies, and the deep awareness that their competitive advantage in foreign markets, and the uniqueness of their assets also rest on the knowledge-augmenting opportunities inherent in foreign markets and customers.

The limitations of this paper lies in the fact that the analysis of the Italian case started only in 1999. A sample of 200 SMEs and 40 case studies were a good starting point to try to understand the importance and the features of born global firms in Italy, but longer time series and additional quantitative data are needed. Starting from autumn 2002 the data base will be enlarged to 700-800 international SMEs, and it will be possible to manage separate and more quantitatively relevant data bases for district and cluster-based firms.

The study of the Italian case widens the perspective of the born global phenomenon, which also in other countries may be larger than expected, particularly if we consider firms located in clusters and/or firms belonging in non high-tech industries. The research agenda is thus far from being completed, and extending investigations to a larger number of countries – possibly with a uniform methodology - would allow researchers to improve theoretical modelling regarding born global firms.

*Figure 2 - The attributes of born global firms compared with gradually internationalizing ones*

	<i>Governance</i>	<i>Uniqueness of valuable assets</i>	<i>Strategic orientation</i>	<i>Product/segment strategy</i>	<i>Knowledge management pattern</i>
<i>Born Global</i>	Entrepreneur's International vision & experience	Dominant	Customer	Niche	HBA first
<i>Gradually International</i>	Domestic vision first	Relevant	Foreign markets	Mass market or multisegment	HBE first

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