The history of born global firms marketing essay

No firm by birth is a born global firm. Though the term gives us this meaning but there are several internal and external firm characteristics that influence a firm's decision to become a born global firm. Yes, born global expansion strategies are entirely different from early internationalizing. This difference we will understand here below in this study enabling ourselves to perfectly analyze all the different inputs and firm choices that basically lead to count of different outputs and thus firm expansion strategies as well. There are few but very important antecedents in every firm that actually result in to consideration of early international expansion strategies and thus they also propose the presence of few decisive antecedents, upon which a firm's decision to pursue a born global expansion strategy depends.

This has been proved by many recent studies that most of the firms are getting internationalized at a very fast pace. For example, Shrader, Oviatt and McDougall, 2000; Weerawardena et al., 2007; Fan and Phan, 2007; Zhou et al. 2007 etc. Quickly expanding into multiple markets really proves to be beneficial for the firm as it gets served with a demand increase, it is allowed an access to cheaper inputs, and the firm is also facilitated with access to managerial talent or macro-economic diversification etc. Thus we can definitely say that on becoming a born global firm, a firm actually benefits from the fastest possession of accessing competitive advantages across national borders.

There are many recent studies like Knight, 1997, Knight et al., 1997, Fan and Phan, 2007, which makes us familiar with the term born global firms. With no doubts, these studies have perfectly described the meaning of the term born global firms as: the quickest and the earliest international expansion of firms. Though all the studies have concluded the similar meaning for the born global firms but still the reason for conclusion is different in all. Let’s understand how? As per Zhou et al. (2007) a firm is considered as a born global firm if it makes at least 10% of sales from its exports and that too within three years of inception whereas according to Fan and Phan (2007) the decision to consider a firm to be a born global firm is totally based upon the entire percentage of the foreign sales that are done at the commercial launch.

This is something obvious that though an export percent within a specific time period can distinguish a group of firms from others but at the same time it does not at all detain numerous other issues that influence the timings, speed, location, and ownership decisions that are actually made by every firm before they deciding upon becoming a born global firm.

Methodology:

There are certain external and internal antecedents’ firms’ characteristics such as social networks, unfavorable home market, roles of knowledge, proprietary knowledge, low risk aversions of the founders, substantial VC financial backing and the crucial role of the founder/entrepreneur that act as some important factors to analyze firm decisions to become a born global firm. We can discuss the external and internal antecedents one after one.

External Antecedents

The list of external antecedents is a lengthy one like the country, their governments, current industry, market scale, domestic inertia, the present funding bodies, size of a firm’s home market etc. This is something obvious that a smaller domestic market will push the founders to look forward for any international market opportunities available. Also the presence of potential competitors in the market motivates a firm to become a born global firm. Many times there are certain venture capitalists with an international background in the firm, which themselves sometimes pressurize the founders to get internationalization quickest possible. Last but not the least factor, which can also perfectly drive the founders to become born global firms is competing internationally rather than merely locally.

Internal Antecedents

Along with external antecedents, internal antecedents also play an important role in analyzing firm decisions to become a born global firm. These factors include resources in the firm, awareness and abilities of the founders of the firm as well as the working employees in the same. With no doubts, knowledge can definitely serves with some advantages, as the firm gets to understand the foreign market entry procedural and the related operations. Furthermore, a blend of global mind set, international market experience of an entrepreneurial owner-manager can really prove out some wonders for the born global firms.

Post studying the above antecedents in the firm that can lead a firm go global, now it's time that we should learn about the newest or let us say the current methods that are being adopted by most of the firms to become born global firms. Some of such methods are: Direct exports, indirect exports, Licensing ways, Joint venture firms, Internationalization process etc. Let us understand these methods one by one:

Direct exports: In this method, the aspiring firms' initiates their plan to become born global firm by selling their products in the international markets. These firms usually hire the services of those middlemen, who are actually based in these markets since a long time, which also helps these firms in minimizing their risk factor to a bit.

Indirect exports: This method is basically initiated by hiring the services of some domestic intermediaries only. Yes, this is true! The domestic firms sell their products in the international market thereby exporting their products to the foreign markets, which are thus known as indirect exports.

Licensing: Sometimes firms use the way of licensing to grow global. By the term licensing, we basically mean provision of access of a patent or a trademark to another company in return of a fee or royalty. Under this method, the licensee gains access to the entire manufacturing process or the related trade secrets of the licensor. And this knowledge is used by the licensee to perfectly operate manufacturer's product and the services in the international market.

Joint ventures: In this method, the firms desiring to go global try to enter into a partnership or let us say a joint venture to further carry on their business and trade with a company that already exists in the international market. The matter is really bothered less whether the companies tying up belong to the same industry or to the different industry.

Internationalization process: This process basically highlights the entry modes and the timing strategies that are followed by a firm to go global. Yes, this has been noticed many times that upon reaching of the product to the maturity stage in the domestic market, the firm starts attempting to enter new markets or international markets by exporting the same product there in order to grow their businesses globally. Thus, in order to enter new markets MNCs can adopt any of the different entry modes like licensing, franchising, joint ventures, strategic alliances, wholly owned foreign direct investments, merger and acquisitions, etc.

Analysis:

Hence, post studying the above mentioned factors, we can definitely say that there is a big difference in the marketing strategies of born global firms when compared to other main stream firms. This difference can be studied with the help of the below mentioned table, in which a healthy comparison has been done between the born global firms and the other early internationalizing firms:

Points of consideration

Born global firms

Early internationalizing firms

Ownership:

Yes

Not necessary

Types of arrangement, involving multiple countries:

– Full ownership

– Joint Ventures (> 10%)

– Third Party Suppliers

(Arm’s length € ↕ Alliances)

Examples:

– Exporting via owned distribution

– Owned R&D facilities or at least R&D employees on own payroll

– Owned production facilities

– Owned International Procurement Offices (IPOs)

– Exporting via third parties

– Supplier R&D alliance

– Contract Manufacturing

Elaborating the above table in an easier language to understand, we can definitely say that upon comparison to other main stream firms in the market, born-global firms have following some characteristics like they are bigger in size, we can see more diversification in the working of the firm, and also the firm enjoys better figure of venture capital backing. Born global firms are served by internationally experienced founders, board members and managers, which can be seen in the applied marketing strategies and the working of the firm in the market both internationally as well as domestically. When talking about the returns 12 and 18 months post, definitely IPO are higher for born-global firms as compared to others.

Furthermore, the born-global firms, which are worked in as joint ventures or possess business in several different countries, definitely perform much better as compared to other firms, which initiate their exports within the first six years since their inception.

Hence, here below mentioned are some of the very distinctive features of born global firms, which will definitely serve to make the concept clearer to the best:

These firms are highly active in foreign markets

These firms make use of limited assets and financial resources

Strong international outlook of managers

More emphasize on differentiation strategy

Often emphasize superior product quality

Use external intermediaries for distribution in international markets

We have discussed above the characteristics of the born global firms upon the other mainstream firms in the market. Here below is a try to differentiate between the terms with respect to some common strategies of the market. Starting with:

Developing Global Strategies: This strategy basically needs consideration of the firms over standardization, configuration-coordination and integration. With the help of standardization, firms can really improve on the economies of scale in production and marketing, their reliability in dealing with customers, and also their ability to exploit their unique or good ideas to the best on the global scale. These strategies really improvise on the co-ordination and synergy among various different global operations of the company.

Product Strategies: This is a known truth that multinational players are required to produce the products to match the global standards. Firms must put an effort to customize their products to suit local tastes, needs and preferences.

Promotion Strategies: This is a lengthy list of some very innovative methods to be adopted like advertising, sales promotion, publicity, public relations; direct marketing, and personal selling etc. Formulation of the above mentioned promotional strategies to serve some global customers is a difficult task to accomplish because of the existence of cultural diversities between the countries.

Pricing Strategies: There are many internal as well as external factors that majorly affect the pricing decisions of multinational companies. Starting with the list of internal factors: inventory costs, production costs, distribution costs, transportation costs, and marketing and sales costs. The external factors are as follows: competitive environment, income level of target customers, foreign exchange rates, government regulations and inflation rates etc.

Place Strategies: In the global marketing, distribution costs generally account for about 40% of the total cost of a product. Hence, it is desperately required by the firms to develop smart distribution strategies. Two basic distribution channels in the market are domestic intermediaries and foreign intermediaries. By domestic intermediaries, we mean export agents or export companies that export a company’s product to other countries. And by foreign intermediaries, we mean those firms that are located in the foreign countries and distribute the company’s product locally.

Conclusions:

Risks that firms face in International Markets and Ways to Tackle Such Risks:

Firms that go global may face some risks to develop themselves in the global markets. Though these firms follow some strong strategies but they are never cent percent risk free. Some of the risk types are:

Political scenario of the international market: Political environment in a foreign country is definitely required to be clean enabling the firms to follow their strategies perfectly.

Unexpected economic changes: It really necessitates all the firms to continuously keep a check on the economic condition of the international market because if in case, it becomes unstable the firms may face some serious risks.

Socio-Cultural differences: All countries have different sub cultures and sub religions. Hence perfectly analyzing all the applied design strategies to suit and respect all these differences may lessen risk in the success of the product in that particular region.

Ways to tackle risks: Thorough knowledge about the various conditions prevailing in the international country is the first most way to avoid any condition of risk. Also firms can hire international skills to serve them during the launch of their products as this would serve them with appropriate local tastes and the preferences of the customer in that country.

Here below are mentioned 2 examples of born global firms:

Amazon. com: It is a US-based multinational Electronic commerce company, which was founded by Jeff Bose in 1994. The company has a product line including books, music, CD’s, software consumer electronics, kitchen items, tools, toys & games, sporting goods, gourmet food, jewellery, watches, groceries etc.

Google Inc: It is a multi-national public corporation which is invested in Internet search, cloud computing, and advertising technologies. The company began in January 1996 as a research project by Larry Page and Sergey Brin. The company was incorporated on September 4, 1998. The company has a product line including Google search, Google maps, Google video, Google sitemaps, etc.