Sustained Competitive Advantage of Born Global Ventures: A Conceptual Framework

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Abstract: Born global internationalization has emerged as the most promising field of the international entrepreneurship literature in developed countries. Recently, it has gained attention of some researchers from emerging economies too, though still at its infancy stage. The purpose of this paper is to propose a conceptual framework for development and sustained competitive advantage of born global SMEs in Malaysia to pursue recurring calls for appending born global research in emerging countries and integrating multi-disciplinary theories for appeasing the inconclusiveness and complexity of this global phenomenon. The key assumption guiding this effort is mandatory role of entrepreneur’s, being heart and soul of the small firms, in determining speedy internationalization of born global SMEs. Extant review explicates direct and significant relationship of international entrepreneurial capabilities in creation as well as sustained competitiveness of born global firms, yet the role of entrepreneur’s psychosomatic resources in is largely unknown. Arguing in the favor of determining role of positive psychological capital in new venture creation and competitiveness and depicting it as a missing link in born global literature, an integrated framework is established. Future research recommendations for empirical investigation of this conceptual framework are given. Limitations and practical implications are also discussed.

Keywords: Born Global Ventures • International Entrepreneurship • International Entrepreneurial Capabilities • Positive Psychological Capital • Sustained Competitive Advantage • Small and Medium Enterprises

INTRODUCTION

Born global firms are illustrated as novice enterprises, with exclusive intentions to seek and grasp opportunities for creating value and competitive advantage in cross-border countries [1, 2] at the time of inception or very early stage of development [3, 4]. The growing significance of born global ventures in leveraging SMEs internationalization in developed nations [5, 6] is also drifting this phenomenological transformation in internationalization process of developing as well as emerging economies [7, 8]. Characterized with paucity of resources and generally among the small and medium sized group of enterprises, these firms are significantly innovative and audacious to opt for early on international business [4, 9] to seek sustained competitiveness in international markets as their prime objective [10]. According to their distinct nature [11], however, the existence and subsistence of these born-global firms is greatly considered as a factor of unique blend of capabilities and resources [4] vis-à-vis entrepreneurs’ role in seeking, enacting and exploiting opportunities into firms’ competitive advantage [9, 10]. The born global literature in general [12] and specifically in emerging countries [8] illustrates deficiency regarding identification and investigation of the most important entrepreneur related factors of seeking, exploiting and enacting international market opportunities [13]. Moreover, where traditionally the emphasis has been laid on theoretical and empirical linking of entrepreneurs’ abilities, motivations, education, entrepreneurial skills and social networking with success and sustained competitiveness of international firms [4, 7, 10, 14], role of the most emerging and potentially viable positive psychological capital has
been mostly ignored in this regard [15, 16] though highly called for in recent years [17-19]. Previous reflections on desirability of idiosyncratic and psychosomatic attributes of Malaysian international entrepreneurs at large [7] also demands integrating presently untapped yet extremely viable theory of positive psychological capital [18] in sustained competitiveness of international firms [17, 19].

To fill the aforementioned theoretical gap, the present study has employed the overarching theory of effectuation and juxtaposes distinct theories of new venture internationalization [1] in light of capability view [14, 20, 21] and positive psychological capital [22] to generate an integrated and multi-disciplinary theoretical framework [19] for sustained competitive advantage of born global small and medium enterprises in Malaysia. Briefly, the basic purpose of the conceptual paper is to provide a holistic view of ‘complex’ [23], ‘inconclusive’ [24, 25] and ‘context-based’ [26] born global phenomenon and formulation of a research model detailing envisaged role of international entrepreneurial capabilities in creation and sustained competitive advantage of born global SMEs and moderating role of positive psychological capital in this regard.

**Literature Review:** Where entrepreneurship involves discovering, evaluating and exploiting opportunity [27], internationalization goes a step ahead of also ‘discovering, enacting, evaluating and exploiting’ these opportunities ‘across national borders’ [2]. Propagating growth of technology and global niche markets has created greater opportunities for domestic firms to internationalize [1, 28, 29] with much stronger competition [3, 30]. Global SMEs are a significant source of elevating national GDP through innovation and exploitation of export opportunities in international markets [29, 31]. Literature related to the internationalization of these small and medium enterprises include research on the process of internationalization of these firms [32, 33], factors accelerating this process of internationalization [29] and those inhibiting it [29, 34]. Formerly, a general pervasiveness of gradual global firms, following the Uppasala Model by Johanson and Vahlne [35] and Network Model by Knight and Cavusgil [3] as internationalization conduit in international entrepreneurship literature. However, in recent years a new breed of born global firms has emerged [36]. The ‘globalization-induced infrastructures’, technology facilitation and inherent flexibility of small born global firms [37] justifies their ‘potential to become a leading species in the ecosystem of international trade’ [4:137].

**Born Global Ventures (SMEs):** Born global refers to the ‘emergent paradigm’ in the ‘ecosystem of international trade’, where small firms right from or closer to their inception endeavors to do business and compete in the diverse international avenues [1] particularly, to seek sustained competitive advantage through resource configuration [4]. These born global firms are defined invariably on the basis of their scale (turnover ratio), scope (number of markets) and time (speed) of internationalization by different researchers of this field [1, 4, 38, 39]. Regarding the sales output ratio of their foreign operations to overall revenues (scale) Knight and Cavusgil [4] argued 25% while Luostarinen and Gabrielsson [38] wrote 50% as desirable, however it is relatively low in small countries with plenty of small international firms [4, 39, 40]. Similarly, the disagreement of arguments regarding time (speed) of internationalization is documented as two years [41], three years [4], within six years [42] and two to six years of establishment [43]. Regarding scope true born global firms are attributed to internationalize in distant and multiple regions [39]. Most of the born global firms are small firms [1, 4, 44] found significantly technology-based businesses and are highly innovative [4, 6, 12, 25, 40]. However, growing subsistence of these firms is documented in traditional industries lately [2, 14, 38, 42, 44] like manufacturing [58] and services sectors [55] especially in developing and small countries [25]. Mostly born global firms use low-commitment entry modes [45] and are involved in export business [29, 44].

**Sustained Competitive Advantage:** Achieving sustained competitive advantage has become inevitable in rapidly intensifying globalization [46]. Since its inception, different researchers from distinct fields of strategic management [47, 48], leadership [49] and entrepreneurship [10, 50] literature have defined sustained competitive advantage in their own respective ways, yet the basic tenet of the phenomenon is to keep on adding value in the eyes of customers by ensuing rents and staying inimitable by the competitors [48, 50, 51, 52]. The traditional industrial organization theory (I/O) [47] and resource based theory (RBV) [53] describe the significance of considering firms’ strategic analysis of industry and internal resources, respectively, to gain sustained competitive advantage. However, they both overlook the managerial implications to controlling these resources [20, 50] that need to be practically applied to industry through well versed bundles of capabilities [7, 20, 50]. Recently, the capability view in entrepreneurship is
new international firms which is achieved by their ‘integrate’ and ‘transform’ these resources through appropriate capabilities [20]. Sustained competitive advantage is denoted as prime objective of new international firms which is achieved by their ‘complex resource configuration’ through entrepreneurial capabilities [10]. Born global firms rely solely on exploiting opportunities in international markets and build the required capabilities to leverage their scarce resources in order to achieve competitive advantage [4, 10] and capability view provides conceptual base for determination of firms’ sustained competitive advantage via international entrepreneurial capabilities [21].

International Entrepreneurial Capability: Maschezpra [5] argued that these born global firms are able to perform ‘faster and better than competitors’ due to their entrepreneurial characteristics and outward approach of seeking opportunities and building contacts in global markets. Predominantly characterized with paucity of resources, small born global firms are significantly influenced by the decisive and active role of their entrepreneurs [4, 10, 54]. The resources and competencies that lead a firm to get sustained competitive advantage over competitors in a specific industry do not come out of blue but are instead deliberately and consciously developed by the ‘willful choices and actions’ of its leaders [55]. This goes in corroboration with the ‘effectuation theory’ of firms’ performance specifically in uncertain environments [56, 57, 58], like born global internationalization, that describes and signifies the role of entrepreneurial capability in creating opportunities for early firm development [18]. Entrepreneurial capabilities refer to ‘the ability to identify new opportunities and to build a resource base to exploit them’ [10: 445]. Dana [59] provided a triad model of firms’ entrepreneurial capability and explained that the organizational and personal capabilities are the two fundamental capabilities. However, it is ability of the entrepreneurs shaped by their personal skills that provides a platform of interaction between firm’s external environment and its social and societal capabilities. Hence, firm’s entrepreneurial capabilities are subjective to its individual (entrepreneurs) entrepreneurial capabilities [60]. Roudini and Osman [60] in line with Zhang, Tansuhaj and McCullough [21] focused on the role of international entrepreneurial capabilities in Malaysian international firms’ competitiveness; however their study was related to firm level entrepreneurial capabilities although they mentioned key role of entrepreneur in this regard. Kaur and Sandhu [14], in their multiple case-studies, also elucidated central role of individual specific factors (entrepreneurial capabilities) in internationalization of Malaysian born global SMEs.

In smaller and truly born global firms, entrepreneurial orientation and capabilities are required in general but not sufficient for explaining the ‘global diversity’ related to competitive advantage [39] and emphasis on building traditional capital (human and social) only may lead to widen the ‘knowing-doing gap’ [16]. During resource deficit, entrepreneurs are likely to face doom and gloom during new venture development phases of entrepreneurship without being emotionally endowed by positive psychological capital [61].

Positive Psychological Capital: PsyCap is the _ponto comum_ where the theoretically distinct constructs of self-efficacy, hope, optimism and resilience converge to appraise high motivational tendency in the individuals [62, 63]. Here Self-Efficacy is demonstrated as individual’s ability to consider itself as being capable of performing given tasks and accomplishing goals [64], optimism engenders the future prospects of being successful [62], hope refers to a person’s capacity of achieving goals by engendering multiple ways out of all the impediments and setbacks on hand [65] and resilience connotes the _bouncing-back_ notion in the times of adversity [66]. PsyCap is considered to play dual role in uplifting the organizational as well as individual well-being. Luthans, Avolio and Walumbwa [67] denoted its capacity of improving growth and performance at personal level as well as leveraging returns on investment and competitive advantage at organizational level. Entrepreneurs of small young firms are always encountered by scarceness of traditional resources and achievements are accrued only by relying on their own selves in these setbacks [68]. The peculiar psychosomatic resources of hope, optimism, resilience and self-efficacy are a good source for illustrating why some entrepreneurs, with limited organizational resources, are able to sustain their firms’ existence and growth, while others cannot [15, 17, 68]. New venture creation, specifically, is highly susceptible to environmental uncertainties and requires entrepreneur’s mental prowess and strategic dexterity to reap performance outcomes [17, 61, 69]. Hmieleksi and Carr [68] investigated role of psychological capital, in addition to traditional human, social and financial capital, in determining performance of new ventures. Their results showed strong proclivity of psychological capital in
International Entrepreneurial Capabilities of Born Global Entrepreneur

- Entrepreneurial Alertness
- International Experience
- International Knowledge & Learning Capability
- Risk Taking Capability
- International Networking Capability

Sustained Competitive Advantage of Born Global Venture

Positive Psychological Capital of Born Global Entrepreneur

Born Global Venture Creation

Fig. 1: Conceptual Framework

determining firms’ performance regarding annual revenue and employment growth. In line with the studies of Luthans, Luthans and Luthans [15] and Hmieleski and Ensley [70], it was also contended that the relationship was stronger in the firms operating in dynamic and more uncertain environments signifying its importance for nascent and novice entrepreneurs determined to do international business. Luthans and Youssef [16] elaborated the indispensable role of positive psychology in effectively channelizing and en routing firm’s entrepreneurial strengths for achieving sustained competitive advantage.

Theoretical Framework: Contrary to the mainstream and sometimes unrelated for change in context especially international ventures, born global ventures adhere more intimately to the effectuation theory of opportunity seeking [56, 58, 71] in effect of the capabilities and characteristics of effectuator (entrepreneur) [18]. This greatly justifies congruity of capability theory of achieving sustained competitive advantage among international new ventures [13, 20, 21], considerable role of entrepreneurs [4, 10, 32] and international entrepreneurial capabilities [21, 60] in this regard. Born global entrepreneurs have mandatory role in making these firms distinctive and innovative [4, 32] through their capabilities of entrepreneurial alertness [72], international knowledge [4, 10], international experience [1, 4], networking and risk taking propensity [73, 74].

These entrepreneurial capabilities are intimately related to born global venture development [18], innovativeness [4] and competitiveness [4, 21], yet their influence start diminishing in the growth phases of development [10]. Hence, need to identify underlying factors that motivate and keep entrepreneurs’ steadfast in their urge for their firms’ long lividness in international markets spring out vividly [17]. Theory of positive psychological capital [22] had been well incorporated for benefitting the field of organizational behavior and leadership [75]. This positive psychological capital (self-efficacy, hope, optimism, resilience) has been exclusively significant in entrepreneurial domains for new venture development [68, 76] and firms’ growth in uncertain entrepreneurial environment [17, 70]. Demographic profile of entrepreneurs related to their formal education, experience and knowledge do not always significantly determine involvement and success of SMEs [77]. Similarly, internationalization of SMEs on the basis of competitive advantage and entrepreneurs’ international experience and knowledge may be complex and sometimes unrelated for change in context especially regarding developing countries like Malaysia [78] and its most of the times their psychological capacities like self-efficacy that seem to come into play for the long lividness of their firms [78]. Seeing its viable potential to contribute in international ventures’ performance, incorporating positive psychology in international entrepreneurship is highly recommended [19]. A theoretical framework is hence designed after literature review and integrating the concepts of international entrepreneurial capabilities and positive psychological capital and their effect on creation and sustained competitive advantage of born global SMEs (Figure-1).

DISCUSSION

The core raison d’être of this conceptual paper is to establish a framework for sustained competitive advantage of born global SMEs after an extant literature review of the born global literature in developed and developing regions. Comprehensive scrutiny of macro and micro factors of born global internationalization revealed coordinated and interactive role of these factors
in speedy internationalization of small firms [7]. However, role of entrepreneur and entrepreneurial capabilities was found the most influential on one hand [10, 14, 60] and maneuvering the firm and industry related factors on the other in order to configure and reconfigure firms’ resources [4, 10]. International entrepreneurial capabilities related to entrepreneurs past international experience, entrepreneurial alertness, international knowledge and learning, risk taking and international networking are the most influential factors for born global firms’ speedy internationalization as well as sustained competitiveness [21]. Nevertheless, a delineated inquiry of effect of entrepreneurs’ capabilities provided insights for diminishing effect of entrepreneurial capabilities in later stages of venture development and growth [10].

Influential role of psychosomatic attributes of entrepreneurs has been found in literature in times of high uncertainty, growth [17] and sustained competitiveness of the firms [15, 16, 79]. Hence, as a novel attempt and endeavor to incorporate highly called for phenomenon in international entrepreneurship [20], moderating effect of positive psychological capital of born global entrepreneur has been envisaged in our theoretical framework. Research on born global firms is mainly done in the developed countries [4, 6] and theoretical and empirical inadequacy exists regarding occurrence and success of this emerging internationalization phenomenon in developing countries [7, 14, 74]. Nevertheless, several theoretical and empirical inconsistencies are reported in investigating factors affecting emergence and insurgence of this new breed of small international firms in affect of their resources (RBV theory) [4] or capabilities (Dynamic Capability theory) [6]. Recently integration of theories from distinct disciplines to better understand the complexity of this emerging phenomenon in international entrepreneurship is highly recommended [19, 24].

**Practical Implications:** This study aspires to provide practical insinuations to policy makers, born global entrepreneurs and academicians in order to foster born global ventures’ development and competitiveness via parallel development of entrepreneurs’ international entrepreneurial capabilities and positive psychological capital. With burgeoning importance of born global firms in innovation, overall exports and economic development [6], the theoretical framework of the study can considerably contribute in designing policies and training programs to realize Malaysia’s Vision 2020 for increased value added exports [80] and to make Malaysian SME entrepreneurs come out of their comfort zones and prepare them for competing in international markets with rapidity and capability.

**Limitations and Future Research Recommendations:** With all its strengths regarding theoretical novelty of incorporating multi disciplinary theories in born global literature and contextual originality to assess sustained competitive advantage of born global SMEs in Malaysia as the most transitional economy of South East Asia, this study entails some limitations as well. Born global literature signifies this phenomenon as interplay of entrepreneur-firm-industry specific factors. However, this study totally encompasses factors related to entrepreneurs. This may limit our complete understanding of the SMEs born globalization especially in context of Malaysia. Nevertheless, the theoretical framework of the study is designed after extant literature review and latest recurring calls for quantitatively investigating entrepreneur related factors in detail [8, 13, 14, 15]. Furthermore, this study only provides a conceptual base for studying born global phenomenon in Malaysia in perspective of multiple theories and lack empirical investigation. Need for an analytical investigation of the theoretical framework of this study is hence ascertained through future research. Moreover, for its established corroboration with positive psychological capital [101], incorporating theory of transformational leadership in this context can also help elaborating role of entrepreneur in ‘transforming’ international opportunities and resources in addition to seeking, enacting and exploiting them for sustained competitive advantage [14].

**CONCLUSION**

This conceptual paper provides an integrated research model is hence designed after literature review to assess born global venture creation and sustainable competitive advantage by using the capability view [14, 21, 22] and focusing on ‘how’ (international entrepreneurial capabilities), ‘by whom’ (Born global entrepreneur) and ‘with what effects’ (Positive psychological capital) factors of born global internationalization. Nevertheless, an empirical investigation of the research framework is required to better understand the most influential entrepreneurial capabilities in born global firms’ development as well as sustained competitiveness and to establish significance of positive psychological capital in this regard.
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