Resource differences between Born Global and Born Regional firms: Evidence from Canadian Small and Medium-Sized Manufacturers 1997-2004

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ABSTRACT

While international business research has intensively observed the determinants and outcomes of International New Ventures (INV), we only have a limited understanding on why some INVs pursue regional focused internationalization (so called Born Regional Firms), while others decide for a globally dispersed approach (so called Born Global firms). This study draws on resource-based theory and applies logistic regression on a longitudinal sample of 604 Canadian small and medium-sized exporting manufactures to investigate how initial internal resources differ between Born Global and Born Regional firms. We find that, compared to Born Regionals, Born Globals have significantly greater foreign market knowledge, and have significantly higher initial performance. We advance research about the internationalization-performance link by means of a reverse causality regarding this relation in which initial performance influences the internationalization approach of INVs. This provides additional support for the regionalization hypothesis and the assumption that a global expansion does not necessarily lead to higher performance, but demands a greater amount of resource input.

KEYWORDS | Born Globals; Born Regionals; International new ventures; International entrepreneurship

INTRODUCTION

The internationalization process of entrepreneurial firms has intrigued international business (IB) scholars for more than two decades. During this time span, numerous valuable contributions regarding the prevalence (e.g. McDougall & Oviatt, 2003) and development (e.g. Mudambi & Zahra, 2007) of so called International New Ventures (INVs; i.e. firms that start international activities in a very early life-stage) have been
published (see Jones, Coviello & Tang, 2011 or Keupp & Gassmann, 2009 for a review). Despite an impressive volume of research on INVs, two important questions have received only limited attention: determinants of internationalization strategy choice and the exogenous role of performance.

Relatively little is known why some INVs restrain their international forays to their home region (Born Regional firms) while others pursue a geographically dispersed strategy (Born Global firms) since only few researchers have paid attention to differences among INV strategies (e.g. Baum, Schwens & Kabst, 2011; Gabrielson, Kirpalani, Dimitratos, Solberg & Zuchella, 2008; Kuivalainen, Sundqvist & Servais, 2007). Most studies on INVs confound different INV strategies under one label, although empirical (e.g. Pulkkinen & Larimo, 2007) as well as theoretical (Oviatt & McDougall, 1994) arguments exists “that INVs are a heterogeneous rather than homogenous group of firms” (Baum et al., 2011: 306).

Connected with that, previous studies make conflicting assumptions and show mixed results regarding the relation between firm performance and international new venturing. Most INV studies assume that performance is an outcome of internationalization strategy (Hagen, Zucchella, Cerchiello, 2012; Jones et al., 2011) and that the degree of internationalization positively impacts firm performance. According to this stream of research (Oviatt & McDougall, 1994) geographic sales diversification increases access to financial resources (Gabrielsson, Sasi & Darling, 2004; Shaver, 2011) and is meant to lead to higher export performance (Kuivalainen et al., 2007). However, empirical proof for these assumptions is largely based on cross-sectional data.

Moreover, these thoughts are, at least partially, in conflict with other prominent and largely proven internationalization frameworks: the regionalization hypothesis (Rugman & Verbeke, 2004) and stage models of internationalization (Johanson & Vahlne, 2009). According to the regionalization hypothesis (Rugman & Verbeke, 2004; Rugman & Verbeke, 2007) as well as stage models of internationalization (Johanson & Vahlne, 1977; 2009) a Born Global strategy holds comparatively high risks of failure and requires a high initial resource commitment (Brouthers, Brouthers & Werner, 2008). Following this rationale, a Born Global approach fostering a broad international scope does not determine higher firm performance but requires a higher initial resource base (e.g. higher performance as resource input) to be pursued.

This study applies resource based reasoning (Barney, 1991; 2001) to resolve conflicting findings from previous research. In doing so, we observe the impact of well-established drivers of internationalization: firm size and foreign market knowledge. Additionally, we take the stance that firm performance is not only an outcome of internationalization, but also a resource that drives internationalization strategy choice. Therefore, we further contribute to IB literature by showing that performance can also be an antecedent of internationalization strategy and not only its outcome.

We apply a longitudinal empirical approach in order to observe resource differences among Born Globals and Born Regionals and the exogenous role of performance. We use longitudinal firm-level data that was constructed upon multiple large scale
administrative databases from Statistics Canada. Our data set includes the business activities of all Canadian exporting enterprises that have at least one shipment to a foreign country between 1997 and 2004, which allows us to investigate the internationalization process of a representative sample of Canadian SMEs without having sample selection issues. Prior studies differentiating between different INV strategies (e.g. Born Regional vs. Born Global) were qualitative in nature (e.g. Lopez, Kundu & Ciravegna, 2009; Pulkkinen & Larimo, 2007) or relied on cross-sectional data (Kuivalainen et al., 2007). On the basis of our longitudinal study design we can make a stronger case on the endogeneity of INV strategy choice than prior studies have.

**CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT**

*Defining Born Regional and Born Global firms*

Despite the increase in INV studies over last years, a universally accepted definition of INVs, or more specifically different INV strategies, has not been developed yet. In empirical studies the most common criteria that have been used to define INVs are the age at the first internationalization and the intensity of international activities (foreign sales to total sales ratio). In early International Entrepreneurship (IE) studies these two criteria have been simultaneously used to define INVs in general as well as Born Global firms, without taking differences between INV strategies into account. One example classification specifies Born Globals as firms that realize at least 25% of their sales abroad within three years of their inception (Knight & Cavusgil, 1996).

More recently, IE researchers have started to differentiate between INVs that focus on their home region (Born Regional firms) and those INVs that pursue a global approach (Born Global firms). Thus, the destination of international activities is entered into the analyses. In this context it is argued that Born Regional firms face lower risks and liabilities of foreignness compared to Born Global firms (Rugman & Verbeke, 2007), since they operate in a restricted geographical areas with psychic and geographically proximate countries (Johanson & Vahlne, 1977).

From the perspective of Canadian firms, there are lower risks and costs associated with entering the U.S. market because of the geographical advantage and the cultural similarity between the two countries. As such, we propose that operating in the U.S. market should be conceded as a regional rather than global activity. Following previous studies (Gabrielsson et al., 2004; Kuivalainen et al., 2007; Lopez et al., 2009), a firm is classified as Born Global if it started exporting within three years of inception, has an export intensity of 25% or higher and has exported to the global (non-U.S.) market during the first two years of its export activity; a firm is classified as Born Regional if it started exporting within three years of inception, has an export intensity of 25% or higher and has only exported to a regional (the U.S.) market during the two years of its export activity. It is important to note that if we use the conventional definition of Born Global as developed by Knight and Cavusgil (2004), the Born Regional firms in our sample would also be considered as “Born Globals”.
Firm Resources as Drivers of Internationalization Strategy Choice

The resource-based theory (RBT) not only makes assumptions about the relation between resources and performance, but also on the link between resources and pursued strategies. According to RBT, a firm’s resource endowment determines its abilities to pursue specific strategies (such as internationalization strategies) (Wernerfelt, 1984). This rationale is mostly adapted to the explanation of determinants and outcomes of product diversification (Hitt, Hoskisson & Ireland, 1994), but is also applicable to international diversification (Hitt, Hoskisson & Kim, 1997). Though this lens, potential growth and strategic choices are mostly limited by a firm’s resources rather than market conditions (Penrose, 1959).

If a firm has valuable, rare, inimitable and substitutable (Barney, 1991) resources, it is able to push strategies forward, which are difficult to copy by competitors and which even the ground for competitive advantages. According to the RBT, firms with a strong resource base are more likely to find customers in new, foreign markets and can better alleviate market entry barriers by foreign competitors (Bloodgood, Sapienza & Almeida, 1996). If a firm has valuable, rare and not easily substituted or imitated resources, it is more likely to have competitive advantages in multiple foreign environments (Oviatt & McDougall, 1994) and even in environments that hold severe risks for liabilities of foreignness (Hymer, 1976). A Born Global strategy seems to be such a “hard to apply strategy” because it greatly increases transaction costs and resource demand (Brouthers, Mukhopadhyay, Wilkinson & Brouthers, 2009; Ripollés, Blesa & Monferrer, 2012). Firms with a strong resource stock will therefore have a higher proclivity towards increasing their international operations already in early stages of their existence (Baum, Schwens & Kabst, 2013; Bloodgood et al., 1996) and pursue a Born Global Strategy.

Firms with a strong resource base have higher capacities for fostering forays abroad. Internationalizing into plural environments, particularly for those with differing cultural or institutional backgrounds, is more resource demanding than a concentrated internationalization (human resources, financial resources etc.). Moreover, the further a firm spreads its initial internationalization activities, the harder it becomes to manage each foreign market activity, since “dealing with foreign government officials, laws and agencies, suppliers, and customers increases the complexity of managing such an enterprise, taxing managerial resources and expertise” (Brouthers et al., 2009: 25). Hence, the ability to decide for an internationalization strategy is influenced by a firm’s intangible and tangible resources (Tan, Plowman & Hancock, 2007). Intangible resources cover aspects like foreign market knowledge of managerial skills (Axinn, 1988). Tangible resources consist of features like financial resources or firm size (Bilkey, 1978, Chang & Rhee, 2011).

Summing up, we argue that a Born Global strategy is connected with higher initial liabilities of foreignness and that overcoming liabilities of foreignness is resource-
demanding. Thus, firms with a higher initial resource base may be more likely to pursue a born global rather than a born regional approach.

**Hypotheses**

**Previous performance as antecedent of internationalization strategy**

While performance is mostly observed as an outcome of internationalization (Gabrielsson et al. 2004; Ruane & Sutherland, 2004), initial performance might be one of the most important predictors of strategic options and, as such, of the possibility to choose a born global strategy. Performance increases the access to further financial resources since it acts as a positive signal to investors. Financial performance also serves as an indicator for the quality of the products and services offered by the firm and the quality of past strategic decisions. If a firm shows a strong financial performance, external investors will be more likely to provide additional financial support for future firm development, such as international expansion.

In addition, performance (e.g. in terms of revenues) is a versatile bundle of resources that can be easily transferred between different business units and allows cross-financing of different international activities. Previous performance thus reflects the amount of slack resources a firm can administer. Organizational slack allows firms to more flexibly react to foreseen or unforeseen changes in the environment and thus allows coping with more dynamic, hostile and complex situations (Chang & Rhee, 2011). Particularly geographically dispersed firms, such as Born Globals, act in dynamic environments, which are more likely to induce liabilities of foreignness (Hymer, 1976). Slack resources allow firms to overcome the increased liabilities of foreignness that are connected with a geographically dispersed internationalization (Rugman & Verbeke, 2007). We propose that exporting globally will expose firms to greater competitive pressures, and require higher entry costs as well as better performance. Therefore firms with a higher initial performance have more strategic options and have the capacity to operate in more foreign countries than firms with a lower performance. This argumentation is also in line with a study by Eaton, Kortum and Kramarz (2005) on Columbian exporters suggesting that firms with better performance are able to export to more distant markets. These arguments lead to the following hypothesis:

*Hypothesis 1: Firms that have a better initial performance are more likely to choose the Born Global relative to Born Regional approach.*

**Firm size as antecedent of internationalization strategy**

Besides its pre-internationalization performance, the firm’s size is another indicator of managerial and financial resources available to the firm (Czinkota, Ronkainen, Moffett, Marinova & Marinova, 2009). Larger firms are likely to have a greater array of resources which allows them to cope with the challenges of global operations and to reduce the liabilities of foreignness (Chang & Rhee, 2011; Miller & Friesen, 1984;
Oh & Rugman, 2012). Research on entry mode suggests that firm size is positively correlated with foreign market commitment and the likelihood of choosing equity-based entry modes (Agarwal & Ramaswami, 1992; Brouthers, Brouthers, & Werner, 1999). For example, Preece, Miles & Baetz’s (1999) study of 75 Canadian early-stage technology-based firms suggest that firm size is positively related to global diversity in terms of number of foreign markets. Moreover, the more resources that a firm puts into founding an organization, the more likely for it to become a Born Global. Size is an indicator for the internally available resource base of a firm (e.g. managerial resources). While Born Globals are meant to intensively capitalize on external resources stemming from their networks (Coviello, 2006), internal resources still play a pivotal role for their capability base (Lu, Zhou, Bruton & Li, 2010) and their strategic options. The more internal resources there are, the lower the need to rely on external resources, which are harder to control. Thus, firm size allows for more resource demanding strategic moves. Based on these arguments, we propose the following hypothesis:

**Hypothesis 2:** Firm size increases a firm’s likelihood to choose a Born Global relative to a Born Regional approach.

Foreign market knowledge as antecedent of internationalization strategy

According to the stage models of internationalization (Johanson & Vahlne, 1977), firms become involved gradually in foreign business activities because they need to accumulate necessary knowledge about foreign markets. Eriksson, Johanson, Majkgård and Sharma (1997) refer to the lack of foreign institutional knowledge (language, culture, institutions, rules and regulations) as the “liability of foreignness”, and the lack of market-specific business knowledge (pertaining to customers, competitors and market conditions) as the “liability of outsidership”. Coviello (2006) shows that “insidership” in foreign markets is influential to the specific internationalization approach the firm will choose.

Prior studies (e.g. Freeman, Hutchings, Lazaris & Zyngier, 2010; Leonidou, 1995) further argued that intangible assets would be important for small and medium-sized enterprises (SMEs) to compensate for lacking financial and human resources. “An important example of such an intangible resource used by SMEs, and in particular, Born Global firms, is tacit knowledge, which may be leveraged to develop new knowledge.” (Freeman et al., 2010: 72).

If firms possess foreign market knowledge, they are more likely to spread their international activities to the regions in which this knowledge is targeted. Accordingly, if Canadian firms have knowledge about markets other than the US market, they are able to overcome liabilities of foreignness in these countries more easily (Rugman & Verbeke, 2007) and will therefore be more likely to operate business there, increasing the chance of becoming a Born Global rather than a Born Regional firm. Above arguments lead to the following hypothesis:

**Hypothesis 3:** Firms that have foreign market knowledge stemming from other regions than the home region are more likely to choose a Born Global relative to a Born Regional approach.
METHODOLOGY

Data

In this study, we investigate the founding characteristics of firms in relation to their choice between the Born Global and Born Regional strategy. Our data are merged from different sources covering the Exporter Register (ER), the Business Register (BR), and the Longitudinal Employment Analysis Program (LEAP). All these databases are produced and maintained by Statistics Canada. Our main data source, the Exporter Register (ER), is a large-scale administrative database of all merchandise trade transactions by Canadian firms from 1993 to 2005. The data was obtained from two sources: the U.S. Customs documents and Canada Revenue Agency (CRA) documents. This data set allows us to track the first year in which a firm starts to export, its value of exports, the destinations and the products it exports in each year between 1993 and 2005. The second data source, the Business Register (BR), is a main frame that includes all businesses operating within Canada as well as foreign businesses that have links with Canadian companies from 1987 to 2006. We use the BR database as a supplement for the ER database to obtain information on firms’ annual revenue and ownership. The third data source, the Longitudinal Employment Analysis Program (LEAP), contains employment information for each employer business between 1997 and 2004 in Canada.

In order to adhere to common SME definitions, we selected manufacturing firms established between 1997 and 2004 that hire 500 or fewer employees (e.g. Lu et al., 2010). To ensure export is an important part of each firm’s business activity, we eliminated firms with annual values of exports of $2,000 Canadian dollars or less. Then, we eliminated firms with exceptionally high or low revenue per employee (the highest 0.5% and the lowest 0.5%). Finally, we discarded all firms that did not match our definition of Born Regional or Born Global, such as firms that did not start to export within three years of operation and exported more than 25% of their revenue during the first two years of their export activity. This gives us the analysis sample of 604 firms (493 Born Regionals and 111 Born Globals).

Table 1

Descriptive statistics (N-604) Note: The variable ‘Performance’ is ratio of a firm’s revenue per employee relative to the average in its industry. The variable ‘Size’ is measured by the number of employees a firm hired at its inception.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>1.00</td>
<td>0.08</td>
<td>0.66</td>
<td>1.50</td>
<td>BR, LEAP</td>
</tr>
<tr>
<td>Size</td>
<td>18.40</td>
<td>28.08</td>
<td>1</td>
<td>331.32</td>
<td>LEAP</td>
</tr>
<tr>
<td>Non-US foreign market knowledge</td>
<td>21.64</td>
<td>41.19%</td>
<td>0</td>
<td>1</td>
<td>ER</td>
</tr>
<tr>
<td>Foreign-owned</td>
<td>1.07%</td>
<td>10.30%</td>
<td>0</td>
<td>1</td>
<td>BR</td>
</tr>
</tbody>
</table>
**Dependent Variable**

Our dependent variable, the different INV strategy is a dummy variable that equals to one if a firm is classified as a Born Global and zero if a firm is classified as a Born Regional. Three variables were used as criteria to classify the internationalization strategy of the observed SMEs. The first variable, export start-up age (the age of a firm when it started to export), is a measure of internationalization speed. The second variable, foreign sales to total sales (the percentage of revenue that comes from exporting), is a measure of internationalization scale that takes into account a firm’s intensity of commitment to foreign sales. The first two criteria have been commonly used to define Born Globals in the literature (e.g. Knight & Cavusgil, 2005; Rennie, 1993). A third variable, global sales to foreign sales (the percentage of exports that comes from the global/non-US market), is a measure of internationalization scope that takes into account the geographic range of a firm’s foreign sales (Preece et al., 1999).

**Measurement**

**Performance**

Consistent with Ruane and Sutherland (2004), we use revenue per employee to measure the performance of firms. For firms that started in the same year, belong to the same industry, are located in the same province, and hire the same number of employees, a firm that produces a higher level of revenue per employee is considered to have a better performance. To take into account the different level of performance in different industries, the variable ‘Performance’ is the ratio of a firm’s revenue per employee relative to the average in its industry.

**Size**

Firm size is calculated by the natural logarithm of the number of employees. By calculating the natural logarithm we avoid estimation biases due to distribution-skewness of firm size.

**Non-US Foreign market knowledge**

Non-US Foreign market knowledge is measured with a dummy variable that is equal to 1 if a firm is located in Quebec. We propose that, compared with firms located in other provinces, firms that are located in Quebec, the only Canadian province whose sole official language is French, have better foreign institutional knowledge because they have a greater affinity with European countries than the U.S. in terms of language and culture. Consequently, they are more likely to choose the Born Global relative to the Born Regional approach.

As control variables we entered industry, province and time dummies into our analyses. Moreover we controlled for whether the firm owner is (partially) foreign. Foreign-owned is a dummy variable which equals to one if a the home country of the firm’s owner is not Canada.
Table 2: Born Regionals vs. Born Globals: Results Logistic Regression (Dependent Variable: Internationalization Approach equals to 1 if Born Regional and equals to 0 if Born Global)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>(s.d.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Relative Performance</td>
<td>-2.3002***</td>
<td>(0.0433)</td>
</tr>
<tr>
<td>H2 Size</td>
<td>-0.0851</td>
<td>(0.0626)</td>
</tr>
<tr>
<td>H3 Non-US foreign market knowledge</td>
<td>0.5210***</td>
<td>(0.0025)</td>
</tr>
<tr>
<td>Controls</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign-owned</td>
<td>0.0734</td>
<td>(0.0510)</td>
</tr>
<tr>
<td>Year start business (reference: 1997)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>-0.4143</td>
<td>(0.2825)</td>
</tr>
<tr>
<td>1999</td>
<td>-0.5023*</td>
<td>(0.2808)</td>
</tr>
<tr>
<td>2000</td>
<td>-0.3244</td>
<td>(0.3043)</td>
</tr>
<tr>
<td>2001</td>
<td>0.4355</td>
<td>(0.2842)</td>
</tr>
<tr>
<td>2002</td>
<td>0.0411</td>
<td>(0.2864)</td>
</tr>
<tr>
<td>2003</td>
<td>-0.4355</td>
<td>(0.2842)</td>
</tr>
<tr>
<td>2004</td>
<td>-0.1571</td>
<td>(0.2104)</td>
</tr>
<tr>
<td>Industry (reference: Computer)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1.0132***</td>
<td>(0.3713)</td>
</tr>
<tr>
<td>Wood</td>
<td>0.2680</td>
<td>(0.3268)</td>
</tr>
<tr>
<td>Paper</td>
<td>-0.3507</td>
<td>(0.5781)</td>
</tr>
<tr>
<td>Printing</td>
<td>1.7574*</td>
<td>(1.0646)</td>
</tr>
<tr>
<td>Petroleum</td>
<td>0.4269</td>
<td>(0.3644)</td>
</tr>
<tr>
<td>Plastic</td>
<td>-0.6505</td>
<td>(0.3636)</td>
</tr>
<tr>
<td>Mineral</td>
<td>-0.8986</td>
<td>(0.5897)</td>
</tr>
<tr>
<td>Metal</td>
<td>1.030***</td>
<td>(0.3461)</td>
</tr>
<tr>
<td>Machinery</td>
<td>-0.4030</td>
<td>(0.2981)</td>
</tr>
<tr>
<td>Transportation Equipment</td>
<td>-0.3574</td>
<td>(0.4006)</td>
</tr>
<tr>
<td>Furniture</td>
<td>2.1688***</td>
<td>(0.5582)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-0.3604</td>
<td>(0.2986)</td>
</tr>
</tbody>
</table>

Note: Number of observations=604; Log likelihood = -1396.44. Standard deviations are reported in parentheses. *, ** and *** indicates statistical significant at the 1 percent, 5 percent, and 10 percent level, respectively.
RESULTS
We use logistic regression analysis in order to observe the impact of the independent variables on firms’ choices of internationalization strategies (Born Regional vs. Born Global approach). The independent variables used in our regression include firm performance, size, and non-US foreign market knowledge. We include ownership as well as time and industry dummies as control variables to prevent spurious results.

Table 2 provides the effect sizes of each explanatory variable on a firm’s choice of Born Global and Born Regional strategy from the logistic regression analysis. The likelihood-ratio test has been applied to check the robustness of each independent variable. The coefficients in the first column of Table 2, for example, show the effect of the explanatory variables on the marginal utility of choosing the Born Global relative to the Born Regional strategy. The statistical significance of a coefficient indicates the extent to which the corresponding explanatory variable affects the marginal utility of choosing different internationalization approaches.

We use a firm’s first year’s revenue per employee relative to the average in its industry to assess its performance. We find that new firms that are associated with relative higher revenue per employee have significantly lower probability of choosing the Born Regional relative to the Born Global approach. Hence, Hypothesis 1, firms that have better performance in the early stage of the company have ceteris paribus higher probability of choosing the Born Global relative to the Born Regional international approach, is supported. It appears from Table 2 that firm size does not significantly impact the odds of choosing a Born Global vs. a Born Regional approach, Thus Hypothesis 2 is rejected. Finally, Table 2 suggests that firms with non-US foreign market knowledge are more likely to choose the Born Global relative to both Born Regional approach. Thus, Hypothesis 3 receives support.

DISCUSSION AND IMPLICATIONS
The purpose of this paper was to conceptually and empirically contribute to our understanding of the impact of SMEs’ resource bases on their internationalization strategies. Therefore, we observed differences among Born Global and Born Regional firms in the Canadian context. Our results underpin the Resource-Based Theory and show its applicability in the IB context.

Our paper contributes to current IB knowledge by emphasizing the role of performance to internationalization strategy. Most IB studies focus on firm performance as an outcome of internationalization, while only few studies observe how performance affects internationalization strategy (Jones et al., 2011). On the basis of our longitudinal study design, we can make a stronger case for the endogeneity of INV strategy choice than prior studies did. Prior studies mostly argued that the degree of internationalization would positively influence firm performance. Our findings suggest that a reverse causality also exists regarding this relation and that initial performance influences the internationalization approach of INVs.

This is an important contribution to the IB as well as to the International
Entrepreneurship literature. Previous studies which contradicted the incremental internationalization approach as proposed by stage-models to internationalization based their critique mainly on empirical findings that showed positive relations between firm performance and early international expansion. However, the conclusion that global expansion near firm inception leads to higher performance is largely based on cross-sectional data. Such data is limited in its ability to underpin causal relations since dependent and independent variables are measured at the same point in time. By applying longitudinal data, we find prove for a reverse causality: firm performance influencing a Born Global strategy. We thus provide support for organizational slack perspective (Chang & Rhee, 2011) and that tangible resources are important for firms’ internationalization strategies. We still think that internationalization (even at a young age) may provide benefits for firms, such as learning advantages, exploration and exploitation of firm advantages and an imprinting effect shaping firm structures to international environments from the beginning. However, our study suggests that a regional focus of internationalization is less resource demanding than a true Born Global approach, a finding giving at least a partial support to the regionalization hypothesis (Rugman & Verbeke, 2004).

We showed that firm size does not differ between Born Regionals and Born Globals. Even though firm size may be associated with an enhanced resource base, it does not impact INV strategy. Firm size alone may not suffice to provide advantages in tackling liabilities of foreignness. This rather inconclusive finding reflects prior research on firm size. For instance, a study by McAuley (1999) suggests that firm size is irrelevant to global presence. Cavusgil, Knight and Riesenberger (2008) suggest, compared to larger firms, smaller firms are more adaptable and have quicker response times to new ideas and technologies. Consequently, smaller firms are more likely to export intensively at the founding of the company. Considering this, it seems that initial performance and intangible resources are better predictors of INV strategy choice. This implies that future studies should include initial or previous firm performance into their research models if observing INV strategy.

Our results furthermore suggest that, compared Born Regionals, Born Globals are more likely to have better foreign knowledge (language and culture). If firms hold foreign market knowledge, they are more likely to operate in the regions for which this knowledge is targeted, thus overcoming liabilities of foreignness.

Our paper further contributes to the discussion on differences among INV types or INV strategies. In this context we also find general support for the regionalization model by Rugman and Verbeke (2003). Firms that have resources or are able to draw on firm-specific advantages are better able to render liabilities of foreignness and may profit more from early internationalization with an increased scope. Moreover, initial firm performance and intangible resources seem to be more valid as firm-specific advantages than firm size, for instance. Firm performance spans advantageous structures and is a function of a firm’s competitive advantages (Chan, Gu & Tang, 2012; Wernerfelt, 1984). Additionally, performance increases the financial resources base internally but
also externally by serving as a positive signal to potential external shareholders. Thus, initial performance increases the resource base and provides firm-specific advantages allowing for more risky and resource-demanding internationalization strategies.

Our results also hold policy implications, as trade promotion constitutes an influential element in the government’s effort to boost the Canadian economy. As we show, firms with better performance are more likely to choose the Born Global relative to Born Regional approach; thus, it would seem wise for programs supporting exporting to non-U.S. markets to target firms with better performance. As such, the results of this research may enhance greater efficiency in the delivery of trade promotion programs through better tailoring and targeting of the program.

LIMITATIONS AND FUTURE RESEARCH
The limitations of this study are partially inherent to the use of secondary data. We draw on a large longitudinal database in order to overcome shortfalls of prior studies on the occurrence or development of INVs. Yet, even though this data provides a strong base for our analyses, we face limitations with regard to the inclusion of individually based variables. Prior research on INVs has shown the strong influence of individually based factors such as prior international experience, entrepreneurial orientation or networking capabilities. Unfortunately our data does not cover these factors and thus we are not able to draw conclusions about their influence on the probability of pursuing a specific internationalization approach and the development of an INV. This should be fostered in future studies by combining individual survey-based and secondary data.

We argued that organizational slack, indicated by previous performance and firm size, helps firms to render liabilities of foreignness and to foster international competitive advantages which coin into a higher likelihood to pursue a Born Global Strategy. While this perspective has received support from other scholars as well (e.g. Chang & Rhee, 2011), it would be interesting to further deduce which different types of slack accrue to better changes in the international arena. We find that firm size did not separate significantly between Born Globals and Born Regionals. This suggests an interesting future research avenue differentiating between absorbed, unabsorbed and financial slack resources and their relative importance for SMEs internationalization.

Our measurement of foreign market knowledge is not without limitations, but generally applicable for our research. While not all firms from the specific location will have more knowledge about foreign markets than others, they are more likely to have access to this knowledge since some trade barriers such as language and cultural understanding are partially leveled out. The liabilities of foreignness arguments suggest that firms with similar languages and cultures as the export market are more likely to succeed and have lower costs of entry. Moreover, using proxies for knowledge or experience, such as residence duration in a market or being present in a specific location (Hutzschenreuter & Groene, 2009), is a common practice in international business research. Yet, future studies should address the inherent limitations of such proxies and measure foreign market knowledge more directly.
Moreover, we face some limitations with regards to the timeframe of our data and the time intervals. The data used in our study is annual data. Therefore, it is beyond the scope of this paper to identify the immediate effect of macroeconomic changes, such as post-9/11 trade regulations, on the probability of Canadian firms to choose the Born Regional strategy. Additionally, we are only able to observe the timeline between 1997 and 2004. It would be interesting for future studies to investigate a longer timeframe in order to underline or adjust the findings in this study.
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