

MARKET ORIENTATION OF BORN GLOBALS FIRMS: A QUALITATIVE EXAMINATION

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Abstract

The impact of the market orientation on performance has been addressed widely by the academic literature; however, the connection between the market orientation concept and born-global firms' performance has not been considered yet. In order to explore how market orientation of born-global firms impacts on their performance, we have to verify the most suitable tool for measuring born-globals' market orientation: are the traditional scales considered by the specific literature (MKTOR and MARKOR) equally valid? If they are not, which would be the proper modification? Through a qualitative research we suggest a modification of the traditional scales for measuring market orientation in firms that internationalize rapidly from inception.

Keywords: Market orientation, born globals firms, small and medium enterprises

JEL Classification: M13, M31, L25

1. INTRODUCTION

The internationalization of firms has received special attention in the scientific literature, and one of the most promising areas of research is focused on born-global firms, or firms that internationalize almost from inception. Recently, researchers and practitioners have noted an increase in the number of companies that can be considered born globals (BGs). That is, "they are international from the inception, seeks to derive a significant competitive advantage from the use of resources and the sales of outputs in multiple countries" (Oviatt & McDougall, 1994, p.49). Previous research on BGs indicates that this type of firms seeks

superior performance from or near their founding (Kocak & Abimbola, 2009 p. 439). However, from our perspective, a gap remains in our knowledge regarding BGs and their performance. Some studies have argued that market orientation (MO) has a positive effect on firms' performance (Ruekert, 1992); however, very few of these studies have been focused on BGs.

In this paper the purpose is to validate the suitability of the traditional MO measurement scales for a specific type of firms: those internationalizing almost from inception. Thus the general research question addressed is: How is the impact of the MO in the performance of the BGs firms? Obviously, for answering this question it is important to determine if traditional MO measurement scales are adequate for measuring the MO of BGs; and, if they are not, which the proper modification would be. Perhaps some item/s should be removed from the traditional scales or to consider another construct for measuring the market orientation of BGs is necessary; in this case, this research will suggest, what item/s should be taken into account.

2. LITERATURE REVIEW

The literature review is examined from two perspectives: the born global firms and the market orientation. Many aspects have been suggested in the literature to be important for the BGs firms in internationalization process. These aspects include their characteristics as the time which considers operating in international markets during the three first years of operation, the export percent around of 25% of sales in foreign markets (Knight & Cavusgil, 1996) and other important characteristic of BGs is the firms' size: the literature suggests that these type of firms are small and medium enterprises (Rialp, Rialp & Knight, 2005). Moreover, prior literature has identified other factors influencing the BGs internationalization process. Among them it is possible to enumerate the knowledge of the market (Rialp et al., 2005), the financing conditions (Kocak & Abimbola, 2009), the innovation and technology (Madsen & Servais, 1997), and finally the role of the manager (Moen, 2002).

With respect to MO although various research efforts have provided different conceptualization for MO (Ruekert 1992), most studies are based on Narver and Slater and Kohli and Jaworski conceptualization (Wren, Souder & Berkowitz, 2000) and different views on MO (namely: cultural, behavioral and the system-based perspectives) are also presented (Helfert, Ritter & Walter, 2002). Regarding the measurement scales of MO, the most widely used scales are MKTOR,

developed by Narver & Slater (1990) and MARKOR, developed by Kohli, Jaworski & Kumar (1993). Summarizing, using Narver and Slater (1990) and/or Kohli, et al. (1993) scales, many empirical studies have tested the MO-performance link. However, to the best of our knowledge, the impact of MO on BGs' performance has not been addressed yet. Our review of the MO and international new ventures literature shows an absence of theoretical and empirical work extending MO research to the faster internationalized firms, although some authors recognize their relevance (Cadogan, Kuivalainen & Sundqvist, 2009). According with Knight and Cavusgil (2004, p.130) point out "MO may be especially important in the performance of BGs".

3. METHODOLOGY

For exploring first the adequacy of the traditional MO measurement scales for BGs, and then to obtain an impression of the consequences of MO on the performance of this type of firms, we believe qualitative methodology, and especially case study research, is convenient. Spain was chosen as the test site. This context has been previously adopted in the BGs literature and the MO literature (e.g. Mazaira, Gonzalez & Avendaño, 2003).

The sample for the study was drawn from the *Sistema Anual de Balances Ibéricos*" (SABI) database. Since we are interested in studying only in BGs, we first subtracted a sub-sample using the next three criteria: (1) Firms should be SMEs; (2) Firms should have started their international activity within 3 years after inception to be considered born-global; (3) Firms must be exporting 25% of their sales. Under these three criteria, 231 firms were identified. We subtracted five companies (see table 1, which summarizes a brief description of the sample).

Table 1. The Five born globals firms: general overview

Firm case	Person interviewed	Sector	Export market	Year set up	Year first export	Export percent
A	CEO	Design	Europe, Asia	2005	2005	80
B	Marketing Manager	Decoration	Europe, North America	2004	2005	25
C	Product Manager	Telecommunication System	Europe, Africa, and South America.	2001	2001	40
D	Marketing Manager	Advertise Service	Europe, South America	2006	2007	60
E	Marketing Manager	Medical Products	South America	2003	2005	35

Source: Self-elaborated.

The firms are drawn from low-tech and hi-tech industry sectors: firms from traditional industries such as design, decoration and medical instruments are included; one firm using advanced technology to develop telecommunication systems and another using information technology to provide advertise service are also included. Between June and July 2010 personal interviews were conducted with the general manager and/or chief marketing officer in each business. Taking into account the main purpose of this research (to determine the usefulness of traditional MO scales for the BGs); we departed from the scales that were identified in the literature; the MARKOR and MKTOR scales. Then we developed the interview protocol. Respondents were asked to indicate aspects regarding the international activity of their firms (the role of international operations, international experience of the management and percent of international sales); to indicate how they evaluated the MO of their firms and, finally, they were asked to assess both scales (to check the suitability of each item).

4. Qualitative data analysis: cross-case analysis

For analyzing the data from the five case studies, we used cross-case analysis. This technique treats each individual case as a separate study, and the analysis can reveal similarities as well as differences (Yin, 2003). We discuss below the insights revealed in discussions with the five BGs companies.

4.1 Selection and evaluation of market orientation scales

Our five cases have had success in international markets. In fact, all the cases displayed a higher degree of internationalization; from inception they had products targeting international markets. Generally speaking, the analysis of the comments related to the traditional measures of MO, both were presented to company executives, identifies MKTOR scale as the most suitable for them (Case firms A, B, C, D and E). In fact, MKTOR has been preferred in different studies, for instance Wren (1997) because MO literature has promulgated a link between MKTOR and customer orientation. Therefore, the research results from the exploratory study provide evidence that MKTOR scale is preferred over MARKOR by BGs firm. For instance, according to O'Sullivan and Butler (2009), the MKTOR instrument is more comprehensive as it includes a range of control and moderator variables. Many recent studies have based their analysis under the selection of MKTOR for exploring the association of the MO with business performance.

4.2 Proposed of items for the scale market orientation by Born Globals firms

As it could be expected, the adaptation of the traditional measure of MO into other context, different that the domestic one seems to require the incorporation of others aspects as the BGs firms interviewed suggested. A common theme regarding integration of new aspects was associated with their internationalization operations. The only exception was the opinions of Case firm C: they do not perceive necessary to add another items for the evaluation of the MO in BGs firm.

According to Case firm A executive: *"We suggest add specific aspects where the analysis of the type of networks features: dealer, direct sales and Intermediary"*. Several of the interviewed also expressed the need to "establish international scope" in MO measurement for their companies (e.g. Case firm B, D and E). This finding is in accordance with Deshpande and Farley (1998) empirical findings, who also pointed out a need for further inquiry into the effects of geography on a firm's level of MO level. For instance Company B and D also states that:

Yes. We proposed aspects regarding the local financing, local grants, fiscal situation and strategic position logistics, services, etc. We had enough information and experience around the 36 foreign countries, and this aspect allows us to reach an informed decision (Case firm B).

The MKTOR measurement is adequate for our evaluation of MO and we also considered important add aspect as: the technical innovation, communication, and the roles of global technological competence. (Case firm D)

Based on the cross case analysis of five BGs Spanish firms, the MO scale for BGs should incorporate more constructs related to the internationalization process of the BGs companies. Facing this challenge, the extent of MO in BGs context was developed by employing the recommendations of Churchill (1979). Starting with the literature review, a comprehensive list of items was drawn up based upon literature discussion. We present a complete list of the items in Table 2.

Following previous research (Kim, Basu, Naidu & Cavusgil, 2011) and the results from our exploratory study in Spanish BGs firms, we consider MO scale (MKTOR) as multidimensional construct that comprised customer orientation, with six original items related but according to Kim, et al. (2011) we add another one regarding the customer information, competitor orientation (four items) and interfunctional coordination (five items) taken from Narver and Slater (1990).

Innovativeness is proposed as a new construct according to Menguc and Auh (2006). This construct includes the elements of technical innovation, the seeking for innovative ideas and innovation acceptance. According to Knight and Cavusgil (2004) “The literature specifies numerous approaches for achieving international business success, but innovative processes that drive the development of superior, unique products appear particularly important to born-global success” (p.137). We based our technological capability measure on Han, Kim and Srivastava (1998). Thus, the construct capture two items related to the use and importance of the technologies. Several studies have described the importance of the role of technological capability (i.e. technological knowledge is used to sell the firms’ products in international markets; changes in technology have a high impact by in firms’ processes and operations; technological knowledge success depends on their ability to introduce the product rapidly into the market) in the BGs firms (Madsen & Servais, 1997).

We also include as a new construct in the MO scale the influence of networks. The construct was adapted from Andersson and Wictor (2003), Coviello (2006) and Gabrielsson and Kirpalani (2004). We proposed to ask managers to assess their perceptions of the networks impact (customer information using external source; use networks relationships on market entry and market development).

Table 2. The scale proposed: Market orientation of Born Globals

Customer orientation	<p>Our business objectives are driven by customer satisfaction.</p> <p>We monitor our level of commitment and orientation to serving customers' needs.</p> <p>Our strategy for competitive advantage is based on our understanding of customer needs.</p> <p>Our business strategies are driven by our beliefs about how we can create greater value for customers.</p> <p>We measure customer satisfaction systematically and frequently.</p> <p>We give close attention to after-sales service.</p> <p>We collect customer information using external sources (such as market research agencies, syndicated data sources and consultants).</p>	Adapted from Narver and Slater (1990); Kim, Basu, Naidu and Cavusgil (2011)
Competitor orientation	<p>Our salespeople share information within our business concerning competitors' strategies.</p> <p>We respond to competitive actions that threaten us.</p> <p>We target customers and customer groups where we have, or can develop, a competitive advantage.</p> <p>The top management team regularly discusses competitors' strengths and strategies.</p> <p>Our top managers from every function visit our current and prospective customers.</p>	Adapted from Narver and Slater (1990)
Interfunctional coordination	<p>We communicate information about our successful and unsuccessful customer experiences across all business functions.</p> <p>All of our business functions (eg. marketing/sales, manufacturing, R&D, finance/accounting, etc.) are integrated in serving the needs of our target markets.</p> <p>All of our managers understand how everyone in our company can contribute to creating customer value.</p>	Adapted from Narver and Slater (1990)
Innovativeness and Technological capability	<p>Technical innovation, based on research results, is readily acceptance in the supply chain.</p> <p>We actively seek innovative ideas.</p> <p>We use knowledge-intensive technologies for improving existing offerings.</p> <p>Leadership in product/process innovation.</p> <p>We having an innovative, proactive, and risk-seeking behavior that crosses the national borders developed by our managers.</p>	Adapted from Menguc and Auh (2006); Han, Kim and Srivastava (1998); Andersson and Wictor (2003)
Influence of networks	<p>We use networks relationships on market entry and market development.</p> <p>External financial supports allow us to operate in foreign markets.</p> <p>Our use of the channels as system integrators/ distributors, networks, and the internet helping us to reach new business space in international markets.</p>	Adapted from Coviello (2006); Andersson and Wictor (2003); Gabrielsson and Kirpalani (2004)

Source: Self-elaborate

4.3 Impact of the market orientation on performance in born global firms

As aforementioned, there is a growing consensus that MO has a positive effect on traditional firms' performance and in case of BGs firms no exceptions could be expected. Generally speaking, the respondents of all five case firms perceived the MO as a critical part of the performance in their companies. The positive effect of the magnitude of MO on the performance was examined through respondents' information and their financial reports. We asked each interviewed manager to evaluate his or her company's current business performance with respect the ROA and sales growth. In doing so, for instance the opinion of the companies interviewed:

Our company operates in international markets, regarding the effects on MO on performance, we reported a strong positive relationship, because our company has been profitable every year since the beginning ...(Case firm A)

Yes, because market orientation is necessary to achieve optimum performance in this company. This is a young Spanish aerospace company, born out the vision and enthusiasm of a group of professionals in the space sector. Subsequently, we are planning to continue with our positive profit. (Case firm C)

Talking about our performance, I would say we are dependent upon new technologies within mobile phone-technologies and MO allows us to have a favorable profit in our sales levels on domestic and international markets. In addition we are small firm playing on the global market with competitors and customers of all sizes. (Case firm D)

5. CONCLUSION, LIMITATION AND FUTURE RESEARCH

The results of this exploratory study indicate that traditional MKTOR scale, with some adjustments, could be used for capturing the MO of BG firms and then analyze its relationship with the performance of these companies. This may have been due to the fact that all of the BGs had a very high level of customer orientation (Kim et. al 2011). Moreover, Narver and Slater (1990) scale has been considered more accurate because it explicitly encapsulates concern with both customers and competitors (Wren, 1997). However, and as it has been mentioned, our empirical results also indicate that to incorporate a couple of constructs and some items in the traditional MKTOR scale might be useful for measuring MO of BGs. More precisely, the role of networks and the role of the global technological competence could be relevant. This finding is in line with Kirca, Jayachandran and Bearden (2005), who showed that market orientation is still an area needing

further investigation, especially in international contexts. The well-researched connection of the market orientation and performance allowed us to explore it in the specific field of BGs. Even though these five BGs differed in some industries, they shared one major similarity: all of them confirmed that the MO-performance relationship was positive in their companies. Keeping in mind the fact that this study focuses on BGs firms from Spain, the results and finding should be viewed under this light. Furthermore, considering the small number of cases used, it is difficult to generalize the obtained results. However, it must be noted that the aim of the research was not to provide generalizable results, but to explain the evaluation of the measurement of MO by BGs firms of a particular context, as a first step of a broad and more generalizable research.

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