

# Born Global Firms' Branding and International Experience

## Abstract

As research on born global firms (BGs) progresses, interest has emerged in whether mature BGs differ from early-stage BGs. Mature BGs rapidly accumulate international experience during their internationalization, and this experience may impact their operations. Studies have shown that innovation orientation and market intelligence positively influence the outcomes of BGs' international operations. However, most existing knowledge refers to early-stage BGs, and the understanding of the drivers and consequences of mature BGs is limited. Our study aims to advance this understanding by exploring how innovation and market intelligence impact BGs' branding strategies and their financial performance and whether these relationships change as international experience is gained. Based on data from 133 BGs, we found that the influences of market intelligence and innovation orientation differ between young and mature BGs. Importantly, the more internationally experienced the BG, the more it focuses on internal aspects and emphasizes an emotional branding strategy.

## Introduction

Research on BGs has gained momentum in the last decades. Initial research primarily sought to understand aspects of BG survival by exploring how BGs' rapid internationalization, influence their performance (Efrat and Shoham 2012). The discussion progressed to differentiating between gradually globalizing and BG firms with the aim of obtaining a deeper understanding of strategic aspects of BGs, including strategic orientations and branding strategies (Efrat and Asseraf 2019). This growing body of knowledge has enabled a more comprehensive examination of the BG phenomenon throughout their international growth (Andersson et al. 2020). BGs expand internationally at a rapid pace (Cavusgil and Knight 2015) and continually acquire resources/capabilities for internationalization (Hagen and Zucchella 2014). In line with Chen and Stucker (1997), we assume that managers in mature BGs that have significant direct international experience are likely to have a better understanding of global markets and necessary business practices. Studies have confirmed that international experience permits smoother expansion into foreign markets (Love et al. 2016). Prior international experience also influences smaller firms' performance (Oura et al. 2016). BGs are small firms that expand into foreign markets at a rapid pace. As such, they accumulate international experience more quickly. Considering the scaling-up characteristic of international experience and its positive impact on firm performance, one can anticipate that the benefits received from a BG's accumulated international experience will translate into enhanced performance at more mature stages of the BG's life. Therefore, we posit:

*H1a. International experience is positively associated with BG financial performance.*

Kusi et al. (2021) noted that entrepreneurs of international new ventures form their brand once they gain sufficient international experience. Moreover, they stated that "entrepreneurs call on their previous experience as an important resource in formulating the brand values of the firm" (p. 11). Hence, gained international knowledge and experience are valuable for the development of brand strategies (Sepulveda and

Gabrielsson 2013). In sum, we posit that as a BG matures and gains more international experience, that experience will positively influence its functional and emotional branding strategies. Therefore:

*H1b. International experience is positively associated with a BG's emotional branding strategy.*

*H1c. International experience is positively associated with a BG's functional branding strategy.*

Both innovation orientation and market intelligence (as a facet of market orientation) are regarded as central to BG performance (Huang et al. 2021). These aspects help buffer external challenges by enabling timely screening of the environment to detect potential challenges (Efrat et al. 2017). Market intelligence is indispensable element of market orientation. It utilizes the learning principle that is embedded in the orientation by collecting information on the firm's customers and competitors. Market intelligence is defined as "the organization-wide generation of market intelligence, dissemination of the intelligence across departments, and organization-wide responsiveness to it" (Jaworski and Kohli 1993, p. 53). Early-stage BGs often suffer from a lack of resources, which they compensate by joining networks (Mort and Weerawardena 2006) and forming alliances and partnerships (Hagen and Zucchella 2014). They also implement informal approaches to management. Both aspects are linked to the flexible and efficient characteristics of BGs which allow a direct impact of organizational culture elements such as market intelligence on performance (Efrat et al. 2017). As the firm grows, this organizational culture is pushed back to make way for more formalized business procedures. Established routines, processes and capabilities subsequently prevail in shaping the firm's growth (Knight et al. 2004). Hagen and Zucchella (2014) claimed that if a BG does not expand and enrich its knowledge base, it will be caged by its initial set of capabilities. This reactive pattern of operation will damage the BG's growth. Since size and age are often correlated, we can assume that competencies become more substantial as BGs mature and accumulate international experience. Therefore, we posit:

*H2a. International experience moderates the relationship between market intelligence and emotional branding such that the relationship is less positive.*

*H2b. International experience moderates the relationship between market intelligence and functional branding such that the relationship is less positive.*

Innovation orientation is referred to as a firm's "openness to new ideas as an aspect of [the] firm's culture" (Calantone et al. 2002, p. 517). Siguaw et al. (2006) described innovation orientation as the overarching organizational knowledge structure. As such, it incorporates elements of learning, strategic direction, leadership, and firm efficacy (Norris and Ciesielska 2019). Efrat and Asseraf (2019) found that innovativeness positively impact BG performance. However, there are indications that the impact of innovation orientation changes over time. Gabrielsson et al. (2014), found that both innovation and market orientation negatively affect the outcomes of mature BGs. Finally, with regard to branding, previous work indicates that firms must focus on either branding or innovation orientation for continuous brand performance (Lee et al. 2016).

*H3a. International experience moderates the relationship between innovation orientation and emotional branding such that the relationship is less positive.*

*H3b. International experience moderates the relationship between innovation orientation and functional branding such that the relationship is less positive.*

## **Method**

The data were collected through a survey. Overall, 133 full responses (24% response rate) were obtained. We used BG age as a proxy for international experience following previous studies (D'Angelo and Pressuti 2019). *Innovation orientation* was measured using 3 items (CR=.96; AVE=.82) sourced from Calantone et al. (2002). *Market intelligence* was measured using 5 items (CR=.97; AVE=.86) sourced from Jaworski and Kohli (1993). *Functional and emotional branding* were measured following Roth (1995). *Financial performance* was measured based on three items sourced from Zou et al. (1998). The results of the two CFAs were similar, and the correlations of the research constructs with the marker variable were not significant; both results indicate that the chance of common method bias is low.

## **Results**

Model 1 examined the direct effects, and in Model 2, we added the moderating effects of international experience. Overall, the fit measures of both models were satisfactory, suggesting a good fit to the data. In H1a-c, we proposed that international experience is positively related to BGs' financial performance and emotional and functional branding strategies, respectively. H1c, which posited a positive influence of international experience on functional branding, was supported ( $\beta = .24, p = .01$ ), as was H1a, which indicated an influence of international experience on BGs' financial performance ( $\beta = .17, p = .07$ ). No impact of international experience on emotional branding was found, rejecting H1b. H2b was supported, as international experience had a negative impact on the market intelligence–functional branding relationship ( $\beta = -.19, p = .06$ ). However, H2a, which posited a negative effect of international experience on market intelligence–emotional branding relationship, was rejected. H3a and H3b were not supported, as international experience did not moderate the relationships between innovation orientation and the two branding strategies.

## **Discussion**

The findings indicate that international experience moderates the market intelligence–functional branding strategy relationship so that the higher the level of experience, the more negative the impact of intelligence on functional branding. That is, for more experienced BGs, continued investments in market intelligence might damage these firms' endeavors to achieve optimal functional branding. In addition, acknowledging the positive influence of international experience on financial performance, it is evident that a shift in focus is required to avoid harmful outcomes. Nonetheless, market intelligence plays an important role in BGs by allowing them to create and maintain a strategic fit in their foreign operations. By advancing BGs' understanding of market characteristics, the competitive arena and customers' needs, market intelligence helps BGs innovate and

provide optimal solutions for these markets (Efrat et al. 2017). Hence, a meticulous balance between internal/accumulated knowledge and knowledge extracted from external sources is needed.

The negative interaction between international experience and market intelligence might have additional consequences. Previous studies have found that functional and emotional branding have a synergetic relationship in SMEs, and since functional branding is central to B2Bs' competitive advantage (Lynch and Chematony 2004), it can be assumed that the negative interaction between international experience and market intelligence exposes mature BGs to market threats through a potentially long-term influence on emotional branding. In sum, our findings indicate that the external view, which emphasizes market intelligence, is important for BGs in the early stage of internationalization. However, once BGs gain more international experience, the internal view, which underlies innovation orientation, becomes more important because it influences emotional branding strategy. This is in line with Asseraf and Shoham's (2019) recommendation to start crafting strategy for international markets based on an external/outside-in view; the viewpoint should change only later, once the firm has developed a good sense of the market through market intelligence, and become more inside-out and based on innovation and unique competencies that will help to build the BG's brand through emotional branding.

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