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# Can Traditional Industry Firms Be Born Global? Case Study with a Focus on Chinese and Korean Firms

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## Abstract

***Purpose*** – This study investigates whether the internationalization process of traditional industry firms can be categorized as born global, early internationalization, or gradual internationalization, and examines what factors promote internationalization in traditional industries using a case study of two firms, one each in China and Korea.

***Design/methodology*** – This study elects to use case study methodology to determine the "how" and "why" of internationalization process of traditional industry firms. Taking into consideration that factors that impact the internationalization process of firms are diverse and unclear in terms of causality, this study utilizes exploratory case study methodology. This research performs a comparative two-case study of two firms in traditional industries, one each in China and Korea, to examine similarities and differences of study subjects in order to improve the validity and suitability of research results.

***Findings*** – The findings of this research are as follows: First, traditional industries are more likely go through early and rapid internationalization rather than being born global; born globals are far more likely to appear in high tech industries. Second, the internationalization process of companies that go through early and rapid internationalization differs from what is indicated by traditional internationalization theories, and are not limited by factors like psychological distance and lack of experiential knowledge. Third, international entrepreneurship, international market orientation, and imitation and learning are important internal driving factors for early and rapid internationalization. Fourth, conditions within the domestic market, policy support from the government, and pilot effect from industry leaders are external driving factors for early and rapid internationalization.

***Originality/value*** – This study shows that the internationalization process of traditional industry firms is more likely to be early and rapid internationalization rather than being born global and suggests answers to why this may be the case. In addition, through an examination of case studies, it reveals that the internationalization process of traditional industry firms that undergo early and rapid internationalization is different from traditional internationalization theory, in that they are not limited by the lack of psychological proximity and empirical knowledge, and are driven by international entrepreneurship, international market orientation, imitation and learning, competitive pressure within the domestic market, government's policy support, and the pilot effect of industry leaders. Therefore, this study contributes to literature by expanding the scope of application of born global theory to traditional industries, making born global theory more generalizable and identifying driving factors to internationalization of traditional industry firms.

**Keywords**: Born Global, Driving Factors, Early and Rapid Internationalization, Traditional Industry
**JEL Classifications**: F20, F23, L26, M16

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# 1. Introduction

The internationalization process has been considered a slow, gradual, step-by-step process according to traditional internationalization theory (Casillas and Moreno-Menéndez, 2014). This is because companies face numerous difficulties when entering foreign markets, such as uncertainties in the international market, foreign expenses due to institutional and cultural differences, and lack of knowledge and experience in overseas markets (Kang, 2015). It takes time to overcome the lack of institutional market knowledge (language, laws and regulations, etc.) and business knowledge (Eriksson et al., 1997). Because learning and commitment both take time, the process of internationalization of enterprises and companies is considered to be gradual and phased (Johanson and Wiedersheim-Paul, 1975).

However, from the 1980s, companies that skipped through the domestic growth phase and proceeded right into the internationalization phase from nascency began to appear. Oviatt and McDougall (1994) referred to them as “International New Venture” and Knight and Cavusgil (1996) referred to them as “Born Global”. While young companies that undergo early and rapid internationalization lack both resources and experience, they appear to overcome such deficiencies by leveraging unique capabilities and strengths – a high degree of entrepreneurial orientation, persistence, innovation, and differentiated offerings (Cavusgil and Knight, 2015). These companies are founded by entrepreneurs with extensive experience in internationalization (Coviello, 2006), which diminishes the psychological distance and external inferiority emphasized by traditional internationalization theories (Autio, 2005; Chetty and Campbell-Hunt, 2004), enabling the firm to achieve rapid internationalization without having to go through a gradual learning process or experience accumulation process.

Many scholars point to international entrepreneurship as the key driving factor to making a firm born global (Cavusgil and Knight, 2015; Oviatt and McDougall, 1994; Reuber et al., 2018). A distinguishing feature of a born global firm is that its origins and fundamental orientation are strongly international. Consistent with the globalization paradigm, founders of born global firms explicitly or implicitly view the world as their marketplace (Cavusgil and Knight, 2015). They discover, enact, evaluate, and exploit opportunities across national borders to create future goods and services (Oviatt and McDougall, 2005) and are especially adept at allocating their resources under asset parsimony (Cavusgil and Knight, 2015).

Furthermore, they recognize that rapidly changing environments can render market knowledge obsolete and increase risk (Forsgren, 2002). Empirical knowledge has a diminishing role in internationalization decisions due to increasingly rapid changes of the global market and growing collaboration among firms (Lyles et al., 2014). Furthermore, the lack of empirical knowledge can be supplemented through channels other than a gradual learning process, such as interacting and collaborating with foreign firms and partners within one’s own country, as Chinese firms have done (Lyles et al., 2014). Non-empirical learning such as learning through imitation or mergers or searching and scanning for new information could drive the internationalization process.

Many scholars assert that born globals appear only in high-tech industries (Cavusgil and Knight, 2015; Crick and Jones, 2000; Freeman et al., 2010). This is because high-tech firms are usually established by individuals who are highly educated or educated overseas and can respond more sensitively to the application of new information technologies and the changes in technological environments. However, it is possible have born globals in mature or traditional industries (Dickramasekra and Bamberry, 2001; Eurofound, 2012; McAuley, 1999). For example, the European Union found large numbers of born global enterprises operating in the wholesale and retail trade, professional, scientific, and technical fields, basic manufacturing, and information and communications industries (Eurofound, 2012). The geographical characteristic of Europe being comprised of many countries with small populations and correspondingly small domestic markets is a driving factor that promotes the emergence of born global firms (Madsen and Servais, 1997).

This study explores the view that the rationale behind born global theory could be applied to the internationalization process of enterprises that are latecomers (Lyles et al., 2014) or are in traditional industries. In this study, we apply born global theory on firms in traditional industries, running a case study of two firms, one each in China and Korea, to answer the following two research questions: First, what process of internationalization do enterprises in traditional industries follow? Born global, early internationalization, or gradual internationalization? Second, what are the driving factors that stimulate internationalization for firms in traditional industries?

This study is unique in that while the vast majority of research on born globals have focused on high-tech industries, this study seeks to provide new insights into the internationalization process of firms in traditional industries. Furthermore, this study expands the field of application of born global theory to traditional industries, which is meaningful in adding diversity to subjects for born global research as pointed out by Cavusgil and Knight (2015) and can help make born global theory more generalizable.

## 2. Theoretical Background and Conceptual Framework

### 2.1. Conceptual Definition

Oviatt and McDougall (1994) defined international new ventures as "business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries".

Studies that followed have focused on quantitative conceptualization of born global firms, with Knight and Cavusgil (1996/2004) defining born global firms to be companies whose export sales exceed 25% and begin product exports within the first three years of inception. Similarly, Nummela et al. (2014) defined born global firms as "firms that began international operations within the first 3 years of inception which account for more than 25% of turnover." There are also other definitions: Chetty and Campbell-Hunt (2004) supported the standard of 75% product export share and globalized within two years of inception; Zhou et al. (2007) supported the standard of exporting within the first three years of inception and exports having at least a 10% share.

International entrepreneurship literature, provides active but inconclusive discussion on the appropriate definition of a born global firm, being unable to agree on a common operationalization of the concept (Nummela et al., 2014). For instance, because the share of born global firms increase where domestic markets are small (Madsen and Servais, 1997), it is argued that a 25% export share is too low for Europe (Kuivalainen et al., 2007). It is further argued that in the process of conceptualizing born global firms, we should not limit our standards to just the speed of internationalization and export share, considering further dimensions such as geographical distribution (Kuivalainen et al., 2007; Oviatt and McDougall, 1994).

Examination of existing literature shows that the frequently adopted quantitative standards for born global firms are as follows. First, they begin exporting within the first three years of inception; Second, their export shares exceed 25% (e.g., Andersson and Wictor, 2003; Madsen et al., 2000; Nummela et al., 2014; Zhang et al., 2009). Knight and Cavusgil's (1996/2004) definition of born global firms leaves some room for argument because it does not address the period at which a firm's overseas sales began. Therefore, we apply the definition provided by Nummela et al. (2014) and define born global firms to be "firms that began international operations within the first 3 years of inception which account for more than 25 % of turnover." This operationalization does a good job of differentiating born global firms from other internationalizing SMEs (Nummela et al., 2014).

On the other hand, there is no generally accepted definition of early internationalization (Naudé and Rossouw, 2010). For this study, we refer to the definition by Naudé and Rossouw (2010), and define early or rapid internationalization to describe firms that start to export within three years of establishment, or establishes a foreign presence within that period (e.g. through outward foreign direct investment). And according to existing literature, early and rapid internationalization exhibits the following characteristics. First, they do not follow a gradual internationalization process, skipping certain steps to enter into internationalization stages that are higher in difficulty and risk levels (Buckley et al., 1988; Dicken, 1998). Second, the time it takes from inception to the first step of internalization is very short or it enters the international market immediately after inception (Cavusgil and Knight, 2015; Oviatt and McDougall, 1994). Third, it does not follow the principle of first entering into the international market into an arena that is psychologically more proximate before entering areas that are psychologically more distant (Chetty and Campbell-Hunt, 2004; Madsen and Servais, 1997).

## 2.2. Driving Factors to Internationalization

### *2.2.1. Corporate Internal Factors*

The success of born global firms in overseas markets is largely due to their internal skills (Knight and Cavusgil, 2004). Such skills include characteristics like strong market orientation, international marketing capabilities, and adaptability to changing conditions abroad (Cavusgil and Knight, 2015). While born global firms should not be able to compete with larger traditional exporters due to resource limitations, born global firms are able to succeed by having superior international learning capability, international networking capability, and international experience than most traditional exporters (Zhang et al., 2009). These entrepreneurs approach their entry into the international market as a golden opportunity for development as opposed to uncertain adventurous behavior, and appear especially adept at allocating their resources under asset parsimony (Cavusgil and Knight, 2015).

Enterprises that undergo early internationalization do so because they possess a unique entrepreneurial mindset (Knight and Cavusgil, 1996; Shin, 2014). Entrepreneurship and market orientation are closely linked, with global reasons, high levels of overseas market orientation, and international entrepreneurship being important drivers of rapid internationalization of firms (Weerawardena, 2003; Weerawardena et al., 2007). They discover, enact, evaluate, and exploit opportunities across national borders to create future goods and services (Oviatt and McDougall, 2005). They search not only for foreign market opportunities but also for tangible and intangible resources and combine them in novel, innovative ways (Knight and Liesch, 2016). Therefore, innovativeness, pro-activeness and risk-taking behaviors are the dimensions usually studied with respect to international outcomes (Reuber et al., 2018).

The diversity and depth of previous international activities, as sources of experiential learning, affect the speed of the internationalization process (Casillas and Moreno-Menéndez, 2014). Born globals utilize entrepreneurs' overseas experience, academic and working experience, etc. to reduce the psychological distance, risk, and uncertainty of entering overseas markets and reduce the empirical learning process. Contrary to this, traditional internationalized firms gradually accumulate international experience alongside company growth (Chetty and Campbell-Hunt, 2004; Zhang et al., 2009). In addition, the lack of empirical knowledge can be supplemented by inward international experience. For example, Chinese firms are known to acquire international knowledge by interacting and collaborating with foreign firms and partners that have invested in their domestic market (Lyles et al., 2014).

In today's economy, access to network resources matters to any firm, young and old, small and large (Verbeke and Ciravegna, 2018). In other words, building and maintaining an efficient international network is an important driving factor to promote corporate globalization (Chetty and Campbell-Hunt, 2004; Weerawardena et al., 2007). Social networks offer the following three advantages: First, knowledge of foreign market opportunities; second, advice and experiential learning; and third, referral trust and solidarity by a third party (Zhou et al., 2007). These advantages can help internationalizing firms overcome the resource limitations that frequently constrain an SME's international expansion (Lu and Beamish, 2001), establish legitimacy and credibility, and facilitate the development of new capabilities for international expansion with lower risks (Zaheer, 1995; Zaheer and Mosakowski, 1997).

### *2.2.2. Corporate External Factors*

Born global phenomenon appears far more frequently in high-tech industries or industries with rapid technological changes (Crick and Jones, 2000; Freeman et al., 2010). High-tech companies are usually established by owners who are highly educated or educated overseas and are more sensitive to changes in the technological environment (e.g. new information and communication technologies) than enterprises in traditional industries. Furthermore, entrepreneurs with overseas experience can reap unique benefits via methods such as capturing market opportunities through overseas networks and acquiring technical information.

Export attempts by indigenous Chinese firms often originate from challenging or adverse domestic conditions (Naudé and Rossouw, 2010). In other words, the size of domestic market, domestic competitive pressure, and government regulations affect the internationalization process of companies (Alon and Lerner, 2008; Fan and Phan, 2007; Naudé and Rossouw, 2010; Shin, 2014). For example, the reason why born global phenomenon occurs frequently in European states is because their countries have small territories and limited domestic market, making it more likely for companies to look outside their borders (Chen et al., 2009). Thus, companies in industries with low barriers of entry and face high levels of competitions are likely to seek greater market share through internationalization (Alon and Lerner, 2008).

Networks and social capital depend on proximity and interaction between entrepreneurs. Thus, one would expect that entrepreneurs in areas characterized by a high degree of agglomeration, such as in cities, might more readily consider internationalization. The agglomeration of economic activity allows firms to benefit from clustering and enjoying spillover effects from the proximity to other firms (Naudé and Rossouw, 2010). Small and medium sized enterprises imitate the internationalization modes of their peers in their network, which implies that the imitation of others can initially serve as a presumably convenient low-risk shortcut to a planned or experience-driven internationalization process (Oehme and Bort, 2015). Clustering thus serves as a formative element to networking, having a strong effect on a firm's internationalization (Maitland et al., 2005).

Furthermore, lack of global experience, managerial competence, and professional expertise has posed critical bottlenecks for many emerging market multinational corporations (Luo and Tung, 2007). But home country government support and favorable host country institutions may help latecomers overcome their lack of international experience. In other words, the capability implications associated with home government support and well-established host country institutions may offset the need to accumulate experiential knowledge about host countries (Lu et al., 2014). In the case of Chinese firms, home country government support not only acts as a financial incentive, but also as an important contingency factor which compensates for emerging economy firms' competitive disadvantages and organizational deficiencies in terms of foreign entry (Lu et al., 2014; Luo and Tung, 2007). This is similar in the case of Korea, where national or local government support in overseas marketing can stimulate internationalization by decreasing the burden and expenses of entering overseas markets (Shin, 2014).

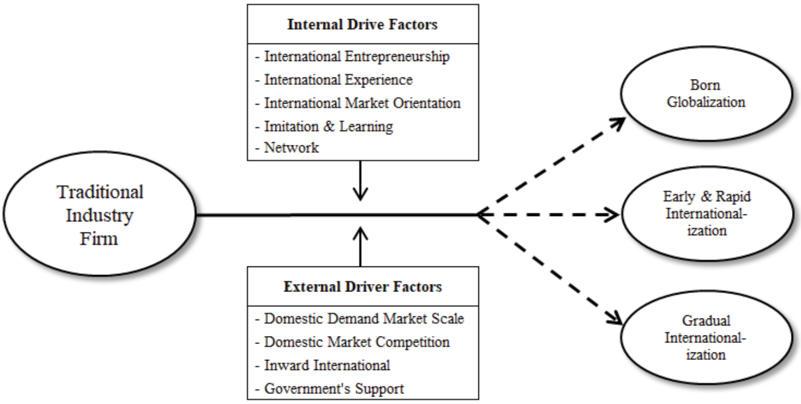
### *2.2.3. Conceptual Framework*

The prevalence of born global firms needs to be credited to the availability of non-traditional organizational assets, such as proactive orientation, dynamic capabilities, and skillful strategy. When a founder of an enterprise possesses such non-traditional organizational assets, it can effectively drive early internationalization (Cavusgil and Knight, 2015). That is, international entrepreneurship (Cavusgil and Knight, 2015; Knight and Liesch, 2016; Oviatt and McDougall, 2005; Reuber et al., 2018; Shin, 2014; Weerawardena et al., 2007), international experience (Casillas and Moreno-Menéndez, 2014; Chetty and Campbell-Hunt, 2004; Coviello, 2006; Zhang et al., 2009), international market orientation (Cavusgil and Knight, 2015; Weerawardena, 2003; Weerawardena et al., 2007), imitation and learning (Forsgren, 2002; Zhang et al., 2009; Oehme and Bort, 2015; Lyles et al., 2014); networking (Chetty and Campbell-Hunt, 2004; Lu and Beamish, 2001; Weerawardena et al., 2007; Zhang et al., 2009; Zhou et al., 2007) all contribute to making born global or early and rapid internationalization without phased internationalization possible.

Small scale domestic markets and domestic market competitive pressures have been noted to be factors that stimulate enterprises to seek greater market share through internationalization (Alon and Lerner, 2008; Fan and Phan, 2007; Naudé and Rossouw, 2010). Furthermore, spillover effects from clustering (Maitland et al., 2005; Naudé and Rossouw, 2010) and inward international environment (Lyles et al., 2014) allows enterprises to indirectly acquire international experience, decreasing risk and uncertainty when entering overseas markets. Governmental policy support helps fill deficiencies in international experience, competitive disadvantages and organizational deficiencies of emerging economy firms (Lu et al., 2014; Luo and Tung, 2007) and helps drive internationalization by decreasing overseas marketing costs (Shin, 2014).

We have thus explored driving factors to internationalization based on established theories on born globals. This study seeks to examine case studies to determine whether the process of internationalization for traditional industry firms in China and Korea can be characterized as born global, early and rapid internationalization, or gradual internationalization (See Fig. 1).

**Fig. 1.** Conceptual Model of the Internationalization of Traditional Industry Firms




# 3. Research Design

This study seeks to determine whether the internationalization of traditional industry firms can be characterized as born global, early and rapid internationalization, or gradual internationalization and examines the causes for why they internationalize in such a manner. The method of choice for research to examine "how" and "why" as we seek to do here, is through an examination of case studies (Yin, 2009). We also take into consideration that factors that impact the internationalization process of firms are diverse and unclear in terms of causality; therefore, we implement exploratory case study methodology (Yin, 2009). Exploratory case study method is superior when seeking to observe an object's developmental processes and underlying rules (Eisenhardt, 1989). This research performs a comparative two-case study to examine similarities and differences of study subjects in order to improve the validity and suitability of research results (Yin, 2009).

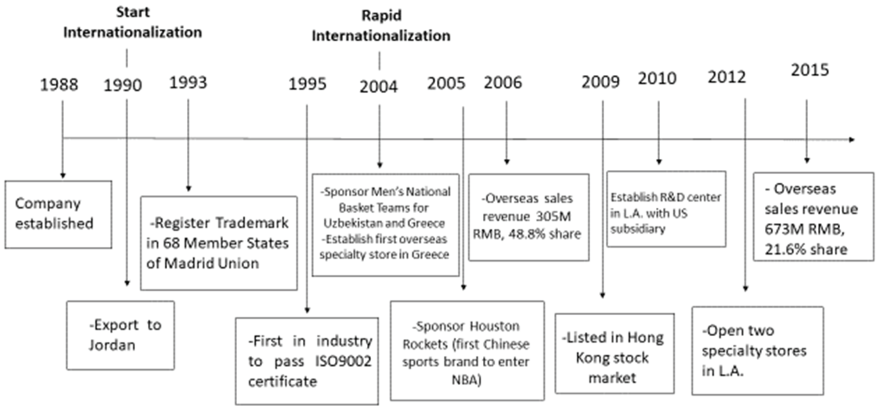
## 3.1. Case Selection

The samples for this study are selected through theoretical sampling, with samples being typical and revelatory, which is advantageous in terms of theory expansion and logic replication (Eisenhardt and Graebner, 2007; Glaser and Strauss, 1967; Siggelkow, 2007; Yin, 2009). First, we select traditional industry firms, in line with the purpose of this study. Second, we select firms that actively possess characteristics emphasized in born global theories, such as international entrepreneurial spirit and international market orientation. Third, we select firms that begin internationalizing very early by exporting products or by establishing local offices or branches abroad, and have an interesting mixture of both unexpected and obvious characteristics. Fourth, we select and compare firms from China and Korea, to improve the validity and suitability of our research results.

## 3.2. Introduction of Case Study Firms

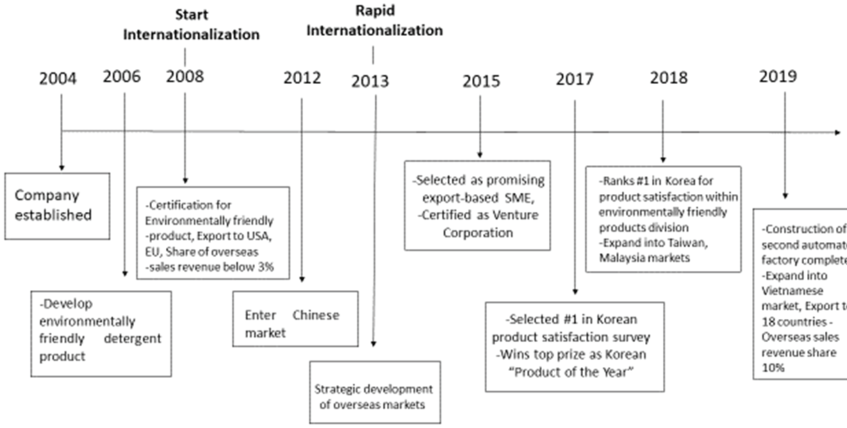
C Corp. is a firm that specializes in the production of sports apparel and shoes in China. It was established in 1988 for the purpose of OEM product exports and supplying local Nike partner firms in China subsidiary materials for sports shoe manufacture. However, its export-oriented development strategy failed due to reasons such as China's planned economic system and the monopolization of export-import trade by state-owned enterprises, and in 1991, it strategically pivoted to focus instead on the domestic market. Meanwhile, it exported a small amount of its products to Jordan, registered its trademark in the 68-member countries of the Madrid Union in 1993, became the first in its industry to pass ISO9002 certification in 1995, and continued to prepare for expanding into overseas markets. In the late 1990's, market competition in the sports apparel industry in China intensified, and in 2000, Li Ning Co. Ltd (hereafter "Li Ning"), China's leading manufacturer of sports apparel, entered the overseas market through sports marketing. Similarly, C Corp. activated its internationalization strategy, becoming the sponsors of the Greek National Basketball Team in 2004 then establishing its first overseas specialty store in Greece. It then followed by sponsoring the Houston Rockets of the NBA in 2005, becoming listed in the Hong Kong Stock Exchange in 2009, established an R&D Center in cooperation with its US subsidiary in 2010, and accomplished rapid growth in both domestic and international markets. Currently, C's products are sold in 90 countries around the world, with total sales revenue of 3.108 billion RMB (442 million USD) and net profit of 392 million RMB (55.8 million USD) in 2015, of which overseas sales revenue is 673 million RMB (95.7 million USD), accounting for 21.6 percent of total sales revenue (See Fig. 2).

**Fig. 2.** Development History of C Corp




K Corp. is a small to mid-size enterprise that specializes in the production of environmentally friendly detergents in Korea. When it was first established in 2004, it developed home cleaning detergents and began its business as a door-to-door free cleaning service using its own detergents. In 2006, they developed new environmentally friendly detergent products and successfully exported their new detergent products to the United States and EU markets. In 2012, its brand product entered the Chinese market and gained huge popularity, which spurred its expansion into other overseas markets such as Taiwan, Malaysia and Vietnam from 2013 onwards. Despite being in the big company centered and hyper-competitive home detergent industry, K has strategically distinguished itself as a company that puts the environment and health first, exporting its products to 18 countries around the world. In 2018, K Corp. achieved 23.72 billion KRW (20.4 million USD) in sales and 2.32 billion KRW (1.99 million USD) in operating profit, overseas sales revenue of 2.37 billion KRW (2.04 million USD), and overseas sales share of 10%, building a reputation domestically and internationally as a promising export-based SME (See Fig. 3).

**Fig. 3.** Development History of K Corp




## 3.3. Data Collection and Analysis

Cases studies should collect data through various channels (Yin, 2009). The data for this study is composed of primary data and secondary data, with primary data being collected through the following channels. First, an in-depth survey of the company founder using a semi-structured questionnaire was conducted, the entire process being audio recorded then transcribed, with consent. Second, field observation of the exhibition hall, production line, store, etc. was conducted to enhance intuitive insights and to supplement primary data. Secondary data was collected by referring mainly to legally valid sources such as corporate annual reports, company announcements, company home page, and video data (See Table 1).

**Table 1.** Data Source

| Data Type | | Data Source | C Corp. Data Size | K Corp. Data Size |
|---|---|---|---|---|
| Primary data | In-depth interview | Company founder | 2 hours | 2.5 hours |
| | Field observation | Exhibition hall, Production line, Factory discount store | About 1 hour | About 1 hour |
| | Internal data | Company founder | 1 copy | 2 copies |
| Secondary data | Annual reports and Announcements | Company home page | 10 copies | 8 copies |
| | Video data | Secretary of the board | 2.5 hours | N/A |
| | Journal articles | Academic journals and case banks | 6 copies | N/A |
| | News reports | Financial magazines, Internet | 225 copies | 90 copies |

Researchers experienced in qualitative research reviewed and analyzed the collected data. Based on theoretical guidance, the data collected following principles of circumstances, causality, interaction, and structural relationship were induced, abstracted, and categorized to form five key categories: international entrepreneurship, international market orientation, imitation and learning, domestic market, and government support. Throughout this process, researchers took steps to conduct continuous comparative analysis, discussion, and integration in order to minimize personal bias and one-sidedness of conclusions.

### 3.4. Reliability and Validity Verification

This study uses the 4 methods of verification for case studies as suggested by Yin (2009)—construct validity, internal validity, external validity and reliability—for reliability and validity verification (See Table 2).

**Table 2.** Reliability and Validity Verification Methods

| Verification Items | Verification Methods | |
|---|---|---|
| Construct validity | Multiple sources of evidence | Data was collected through various channels, such as in-depth interview, field observation, annual reports and announcement, company homepage, video data, journal articles, news reports, etc. |
| | Triangular verification | Veracity and accuracy was confirmed through mutual verification between evidence from different channels for specific events or phenomenon. |
| Internal validity | Pattern matching | Research models and conclusions designed based on theoretical background were matching. |
| | Competitive interpretation | When interpreting the causes of a phenomenon, various competing assumptions were fully considered. |
| External validity | Theory guides single case study | A theoretical framework for analysis was established through a thorough review of existing literature and case analysis was conducted on its basis. |
| Reliability | Draft case study | Before starting the research, the research issues were evaluated and confirmed, then detailed implementation plans were developed, including method of data collection, field survey program, and method for data analysis. |
| | Database | Data was classified based on collection channel, type, and content to build a database. |
| | Repetitive consistency | Researchers analyzed data independently, and went through a process of continuous comparison and integration to resolve any inconsistent findings. |

## 4. Case Analysis

### 4.1. Analysis of the Internationalization Process

While C Corp. began exporting its products abroad within three years of inception, export volume was low, far below the 25% overseas sales standard for born globals. Furthermore, from 1991 to 2003, C Corp. followed steps to compile resources and experience through a domestic development phase as emphasized by traditional internationalization theories, before pursuing internationalization in earnest. K Corp. had export OEM sales to the United States from its early stages, but export volume was insignificant. And from 2004 to 2008, K Corp. went through a phase of domestic market development before exporting its own brand name products to the US and Europe. Therefore, neither C nor K fit within the category of born globals.

However, an examination of C and K's globalization processes reveals characteristics of early and rapid internationalization, as iterated in established theories. First, both countries exported their products overseas within three years of inception (Cavusgil and Knight, 2015; Oviatt and McDougall, 1994). Second, the overseas markets they made early entry into are markets with large sociocultural differences such as Europe and the US, which is not in line with the general procession from near too far in terms of psychological distance (Madsen and Servais, 1997; Chetty and Campbell-Hunt, 2004). Third, C's products were being sold in 70 countries worldwide when they were listed in the Hong Kong Stock Exchange in 2009, while K's products are currently being sold in 18 countries, including the US, Russia, China, Philippines, Malaysia, and Vietnam, meaning that both companies' export markets are diverse in terms of geographical distribution (Kuivalainen et al., 2007).

On the other hand, C and K also exhibit different characteristics in the domestic development phase. C Corp. supplements its shortcomings in resources and experience through stages of domestic development, exactly as is emphasized in traditional internationalization theories. This is because at the time of its incorporation, China had poor infrastructure and the founder himself also had no international experience. However, while C did not have actual product exports during this process, it is noteworthy that they were taking preparatory steps to enter overseas markets, by registering their trademark internationally and receiving ISO9002 certification. On the other hand, K's domestic development phase is not due to a lack of international experience. The founder of K had diverse international credentials, but held the belief that his product and quality must first achieve recognition within a red ocean domestic market in order to succeed in the international market. It can thus be concluded that C and K are not born globals but are early and rapid internationalization firms.

## 4.2. Analysis of Driving Factors for Internationalization

### *4.2.1. International Entrepreneurship*

The founder of C Corp. was born in the mid 1950's and has a high school diploma. In the late 1970's, despite ideological stigma and regulations imposed by the Chinese government on proprietors, he used his background as a handcart driver to start his own transportation business. Armed with industriousness and extraordinary business sense, the founder eventually established around ten factories for manufacturing packaging materials, construction materials, slippers, and so forth, becoming a famous businessman in the region. In 1988, the founder invested all of his assets into opening a shoe company that supplies subsidiary material for a local partner of Nike, but faced a crisis when the firm decided to relocate its factories to another region. As this was an era where China did not maintain a market economy system, it was almost impossible for a private company like C Corp. to export its goods or to attend trade exhibits. The founder then looked at Nike and began to wonder why ordinary shoes could fetch higher prices just by placing a Nike brand on it. And in doing so, the founder was convinced that "with the reform and opening of China, an increasing number of multinational companies will enter the Chinese market, and to survive the resulting fierce market competition, it is necessary to create an international brand like Nike." He then proceeded to take steps to prepare to enter the international market. In 1990, the company's name and registered trademark were changed from the rustic "Feng Deng" (meaning "richness of abundance") to a name more appropriate for English-speaking countries. In 1993, the company registered its trademark in the 68-member countries of Madrid Union. And in 1995, it became the first in its industry to pass the ISO9002 certification.

The founder of K Corp. was born in the early 1960's and has a Master's Degree in polymer chemistry. He graduated from university in the late 1990s, and armed with good English skills, he worked for a Korean branch of a British multinational company managing the importing of chemical products. Working at a multinational company, the founder attained familiarity with technologically superior chemical engineering products than those available in Korea, leading him to resign in 1991 to establish a trading company to import and sell resins and other related products in Korea. However, the fast-growing trade company went through a series of defaults, forcing it to file for bankruptcy in 1994, and the founder himself suffered from bad credit. After suffering further difficulties running a door to door cleaning service in 1995, he established a company in the United States in 2000 to import and sell Korean IT products there. When his credit was restored in 2004, he closed his business in the US and returned to Korea to establish a company specializing in detergent production based on his previous cleaning service business. After establishing the company, the founder continually participated in various exhibitions, market development groups, and buyer consultations domestically and internationally to promote his products as being uniquely eco-friendly and cultivated overseas sales channels.

Summarizing the two firms, the founder of C Corp. displayed recognition for international brands and commitment to internationalization from inception, despite poor institutional conditions and limited conceptual knowledge of the international market, and made corresponding resource investments to enter overseas markets. K Corp. founder's international entrepreneurial spirit is apparent from his former adventurous experience of establishing and operating a company in the United States, and from his pro-active behavior to pursue market opportunities across borders for his new firm by participating in various exhibitions.

In summary, while the founders of the two cases are similar in that they pursued business opportunities progressively across borders, they also exhibit different characteristics. The founder of C Corp. is noteworthy for being able to overcome latecomer firm inferiority (institutional environment, experience) and being adept at efficiently distributing limited resources. The founder of K Corp. is noteworthy for not giving up and continuing to pursue start-up opportunities across borders, despite his business life being tumultuous.

#### *4.2.2. International Experience and Networking*

The founder of C Corp. did not have direct international experience or overseas network, such as living abroad or working for a multinational company. However, he lived in an area with many Chinese expatriates and was able to access numerous expatriates and their capital when China opened up in the 1980's. Through that process, he came to have a feel for the market and was able to take advantage of business opportunities earlier than others.

The founder of K Corp. had various international experiences, including 3 years of work experience in a foreign firm, 1 month of training at the firm's US headquarters, 4 years of experience in firm management in the US, and business trips to China. However, these international experiences do not appear to have been an important driver of K's early internationalization. First, K went through early internationalization but is not a born global.

Second, product exports to the United States at its inception are indirect exports through domestic buyers, not direct exports; indirect exporting is the most rudimentary stage of corporate internationalization that can be performed without any international experience. Third, exports of its own brand products to the United States and Europe were developed and done through new distribution channels such as online shopping and home shopping, not by using any preexisting networks.

Based on the observation of the two companies, international experience does not seem to have much to do with the early internationalization of traditional industry firms. Founder of C had zero international experience but achieved early internationalization and founder of K had abundant international experience but K Corp. was not a born global. Furthermore, neither C nor K possessed relevant preexisting overseas networks.

### *4.2.3. International Market Orientation*

C Corp. is a publicly traded company in the Hong Kong Stock Exchange. C Corp. could have chosen to be listed on the Chinese stock market, and could actually have had its stock prices valued twice as much had it decided to do so. However, the reason why the founder insisted on Hong Kong was that he believed listing on the Hong Kong Stock Exchange, a global capital market, would improve the international image and internationalization of the company, especially in the US market. C's strategic objectives for internationalization were as follows: First, trademark registration in one hundred countries; Second, products sold in one hundred countries; Third, achieve 10 billion RMB of overseas sales revenue (about $1.42 billion USD). To date, C Corp. has already registered trademarks in more than 160 countries. Among these, trademark registration in the United States was granted after 15 years, repeatedly going through the process of application, rejection, and appeals due to concerns with trademark similarity. C's products are also currently sold in over 90 countries, so the first and second strategic goals have already been achieved.

The founder of K Corp. focused on the domestic market in the early stages, because he believed that his products and quality must be recognized in the highly competitive domestic market to succeed in the international market. Based on his experience, the believed that it would not be easy to export and sell Korean detergent products in the US market, which is a chemical powerhouse[1]. Then, as the company's technology improved, developing eco-friendly detergent products and attaining recognition in the domestic market, the founder began preparing to expand to overseas markets by utilizing channels like overseas exhibitions, online shopping, and home shopping. In particular, the founder discovered that export routes for Korean cosmetics popular in China and Southeast Asia could also be applied to eco-friendly detergents, and actively utilized them. Currently, K's products are sold in China's largest Internet shopping mall Taobao, Amazon in the US, and Qoo10 in Singapore. And with the completion in 2019 of its fully automated second factory which possesses annual production capacity of 10,000 tons, the company was able to relieve the constraints on further expansion into the overseas market due to difficulties in meeting needs within the domestic market. K's strategic goal is to form a complementary sales structure by achieving a ratio of 30% online sales, 30% offline sales, and 30% overseas sales. To this end, K is currently using differentiated strategies for Chinese and Southeast Asian markets, providing high-end eco-friendly detergents that are "pricey but satisfying." In

[1] For example, a famous Korean brand of household goods is considered to be knock-offs in the US market. This is because consumers associate the brand to household electric appliances, not to household products.

developed countries such as the US and Europe, K is actively cultivating those markets by combining export of its own brand name products with OEM or ODM exports that utilize its unique cleaning and disinfecting production technology. Furthermore, K Corp. has the goal of being listed on KOSDAQ. One of the reasons for this is that doing so would increase financial capacity, making it easier to expand the scale of the company, via mergers and acquisitions, etc. and could more easily access big buyers or partners in overseas markets who could cover their own local market.

In summary, the founder of C Corp. showed clear international market orientation even in the early stages of establishment and growth. This can be observed in his motivation behind starting the business, international brand registration, listing on the Hong Kong Stock Exchange, and strategic target selection. On the other hand, while K did not clearly express international market orientation in the early stages due to its selection of domestic market-oriented strategy, as its performance in the domestic market stabilized, K became very active in overseas market-oriented resource investment. In addition, the founders of both companies understand stocks in terms of promoting internationalization of companies, and thus exhibit global orientation and vision.

#### *4.2.4. Domestic Market*

In the late 1980s, when C Corp. was founded, the market conditions for sportswear in China could be characterized as “Blue Ocean”, where professional basketball shoes were rarities. In 1992, with Deng Xiaoping’s “White Cat and Black Cat theory”, the market economy system in China began to be established, and in the late 1990s, with WTO membership becoming more and more likely, multinational companies rushed to invest in China. Therefore, sportswear market in China became grounds for fierce competition between foreign brands (e.g. Nike, Adidas) and Chinese companies, with competition growing even more intense as new local companies were established after 2000 (e.g., Erke, Qiaodan, Xtep, 361°). In the meantime, Chinese companies such as C Corp. indirectly acquired internationalization experience, and faced highly competitive pressure, both of which acted as factors promoting internationalization of these companies.

K’s internationalization was not driven by increasing competition or other developments within the domestic market. At the time of K Corp’s inception, the Korean detergent market was already an oligopolistic market centered on large companies, and K’s success was achieved through differentiated product strategies and free cleaning services in the niche market of eco-friendly products.

In summary, C Corp. acquired international knowledge through competition and learning with foreign multinational corporations in the domestic market (i.e., inward international) while facing a significant amount of competition pressure within the domestic market. These external facilitating factors influenced the internationalization of C Corp. On the other hand, K’s internationalization was promoted as part of its corporate growth strategy, regardless of domestic market factors.

#### *4.2.5. Imitation and Learning*

As competition within the sportswear market in China overheated, several forward-thinking enterprises began to seek breakthroughs through internationalization. For example, in 2000, Lining, the leader in sports apparel industry in China, used sports marketing to successfully enter the overseas market and opened its first overseas specialty store. Subsequently, C Corp. also sponsored the Greek national basketball team in 2004, opened the first overseas specialty store, and entered the overseas market. In 2005, C Corp. sponsored the Houston Rockets, the club that the famous Chinese professional basketball player Yao Ming played for, to become the first Chinese sports brand to enter the NBA. Boosted by sports marketing and the "Yao Ming effect", they grew quickly in both the domestic and overseas markets. In 2006, C Corp. achieved total sales of 624 million RMB ($ 88.8 million USD), overseas market sales of 305 million RMB ($43.4 million USD), and the share of overseas market sales accounted for 48.8%.

Contrarily, while it is clear that organizational learning was an essential factor in the growth of K Corp., it did not have a direct effect on its internationalization.

In summary, for C Corp., the pilot effect of the industry leader was an internal facilitating factor and had a direct impact on its internationalization. In addition, C Corp. reduced uncertainty from inexperience through imitating the industry leader in its initial overseas market entry method. On the other hand, for K Corp., there is no existence of a pilot effect from the internationalization process of an industry leader nor a clear copy of internationalization process from other companies that they could refer to.

### *4.2.6. Government's Support*

Until 1992, China did not have a market economy, employing somewhat a mixture of planned economy and market economy principles. Therefore, there was no room for direct government-level support for start-up activities or exports. However, the geographical location of C Corp. was in an area with high exposure to Chinese expatriates, which caused the ideological leanings of local government officials to be more open and dynamic. One of the reasons why C Corp. was founded was that a high-ranking local government official at the time visited the founder himself and encouraged him to seize the opportunity to utilize the labor-intensive industry of "Asian Tigers" to establish an export-oriented firm. The founder of C Corp. recalls, "I had no idea what to do. His visit made me realize this and further influenced my success." In this way, the local government's policy guidance suggested a guideline for the development of internationalization to entrepreneurs who at that time had no internationalization experience and were not highly educated.

K Corp. actively participated in overseas exhibitions, market development groups, buyer consultations, etc. with various policy and financial support from organizations such as local governments of Korea, Korea SMEs and Startups Agency, KOTRA, and trade associations. Financial burdens for participating in overseas exhibitions were reduced by receiving almost 30% of the participation fee in support from related organizations, and because they were involved in consultations organized by a government agency, it was easy for them to establish a trust relationship with overseas buyers. In addition, K Corp. received various information related to marketing, buyers, etc. from related organizations to reduce uncertainty and risk when entering overseas markets.

In summary, C Corp. rarely received direct government support in the initial entry into overseas markets. This situation has now changed, and the government is providing financial support for participating in international exhibitions. On the other hand, K has benefited from government support measures in the internationalization process, as claimed by several studies in Korea (Shin, 2014).

Overall, the driving factors for early internationalization of case study companies and related evidence are as follows (Refer to Table 3).

**Table. 3.** Driving Factors for Early Internationalization and Case Citation

| Driving Factor | C Corp. | | K Corp. | |
|---|---|---|---|---|
| | Test Results | Case Citation | Test Results | Case Citation |
| International entrepreneurship | Supported | "We must make an international brand like Nike in order to survive in fierce market competition"; Proactive resource investment for entry into overseas markets from early on; | Supported | Resigned from a multinational firm to establish a trading company; Adventurously sought start-up opportunities across borders; Attended a variety of exhibitions to develop overseas sales channels; |
| International Experience | N/A | No relevant evidence available from interview process or from secondary sources. | Not Supported | Not a born global, although the founder has a variety of international experience; |
| International network | N/A | No relevant evidence available from interview process or from secondary sources. | N/A | No relevant evidence available from interview process or from secondary sources. |
| International market orientation | Supported | Decided to be listed in Hong Kong Stock Exchange in order to promote international image and to get an edge in internationalization; Strategic goals reached: register brand in 100 countries, overseas sales income of 10 bil RMB ($1.42 bil USD); | Partially Supported | Strategic choice to focus on domestic market early on; Active expansion into overseas market after products attain recognition in domestic market; Strategic goals: Attain mutually supplementary sales structure of 30% Online, 30% Offline, 30% Exports; Goal to be listed in stock market to more easily access big buyers or partners overseas. |
| Domestic market | Supported | Company established to supply sports shoes subsidiary materials to Nike's partners; Fierce competition between foreign (e.g. Nike, Adidas) and Chinese firms; Internationalization via sports marketing. | Not Supported | Domestic market is big corporation centered oligopoly at time of inception; Entry into overseas market is a strategic business choice irrelevant to competitive pressures in domestic market; |
| Imitation and learning | Supported | Sponsored Greek national basketball team; sponsored NBA Houston Rockets; Imitated industry leader (Lining) to decrease uncertainty from lack of experience. | N/A | No relevant evidence available from interview process or from secondary sources. |
| Government's support | Partially Supported | No direct government support for business start-up or for export activities; Advised by local officials to grasp the opportunity of labor-intensive industry of "Asian Tigers" to establish an export-oriented firm; | Supported | Received numerous policies, financial support to actively attend overseas exhibitions, etc.; Received variety of information from relevant organizations to decrease uncertainty and risks when entering overseas markets; |

## 5. Discussion and Conclusion

This study is unique in that unlike most existing literature that deal with high-tech industries, this study focused on traditional industry firms to conduct an exploratory case study to determine whether their internationalization can be better characterized as born global or early and rapid internationalization and to determine the driving factors for their internationalization. We derive the following conclusions, after conducting a two-case study on firms from China and Korea.

First, traditional industry firms are more likely to go through early and rapid internationalization than being born global, with the born global phenomenon appearing more frequently in high-tech industry as pointed out by Crick and Jones (2000), Fernhaber et al. (2007) and Freeman et al. (2010). This is because traditional industry firms have an established domestic product market, and the domestic market is more accessible and less uncertain than the overseas market, making it more likely for them to focus on the domestic market during their growth phase. On the other hand, high-tech companies are often born global due to the lack of product value recognition or low demand within the domestic market, due to the innovative yet unfamiliar high-tech characteristics of their products.

Second, the internationalization process undergone by traditional industry firms that go through early and rapid internationalization is different from traditional internationalization theory. In traditional internationalization theory, internationalization is viewed as a gradual, step-by-step process due to the lack of psychological proximity and empirical knowledge (e.g. Uppsala model). But the internationalization of a firm that goes through early and rapid internationalization does not follow the principle of progressing from markets that are more proximate to less proximate psychological distance, and the lack of empirical knowledge does not act as a major obstacle. These companies acquire international knowledge through inward international experience (Lyles et al., 2014) or non-empirical learning methods such as imitation and merger and acquisition within the domestic market. And the developmental stage of such firms is significant in that through that stage, they are able to enhances the possibility of success in overseas markets by supplementing scarce resources, exploring opportunities, and improving product competitiveness in the fierce competition process within the domestic market.

Third, international entrepreneurship, international market orientation, and imitation and learning are important driving factors for early and rapid internationalization of traditional industry firms. International entrepreneurship is associated with higher initiatives and lower international risk perception, allowing entrepreneurs to pursue business opportunities across borders, with high global thinking and vision, without perceiving entry into the international market as too risky. International market orientation is a form of expression for international entrepreneurship, and it promotes the internationalization of companies by influencing the companies' international market-oriented strategy selection and specific resource investment. In addition, imitation and learning can lower the unfamiliarity and uncertainty of a company's overseas market, and hasten the empirical learning process, enabling companies to internationalize with minimum trial and error.

Fourth, competitive pressure within the domestic market and government policy support are external driving factors for early and rapid internationalization of traditional industry firms. Although an examination of the two companies in our study showed different results, realistically, changes in the business environment, such as competitive pressure in the domestic market, rising labor costs, and policy risks act as factors that drive a company to export or look to foreign investment. And the pilot effect of the success of internationalization from an industry leader can be a good motivation for the internationalization of other companies that are in wait-and-see mode. A government's policy, financial support, and provision of various marketing information can complement a company's lack of international experience and reduce uncertainty and risk when entering overseas markets, making it easier for them to internationalize.

This study shows that the internationalization process of traditional industry firms is more likely to be early and rapid internationalization rather than being born global and suggests answers to why this may be the case. And it reveals that the internationalization process of traditional industry firms that undergo early and rapid internationalization is different from traditional internationalization theory, in that they are not limited by the lack of psychological proximity and empirical knowledge, and are driven by international entrepreneurship, international market orientation, imitation and learning, competitive pressure within the domestic market, government's policy support, and the pilot effect of industry leaders. Therefore, this study contributes to literature by expanding the scope of application of born global theory to traditional industries, making born global theory more generalizable and identifying driving factors to internationalization of traditional industry firms.

However, this study is limited in its ability to discover additional factors that promote early internationalization and is unable to provide clear answers to the following issues due to the sample limitations inherent to case studies. Therefore, we provide the following suggestions as areas to pursue future research.

First, in existing literature, experience in international activities (Casillas and Moreno-Menéndez, 2014; Chetty and Campbell-Hunt, 2004; Coviello, 2006; Zhang et al., 2009) and international networking (Chetty and Campbell-Hunt, 2004; Lu and Beamish, 2001; Weerawardena et al., 2007; Zhang et al., 2009; Zhou et al., 2007) are seen as important driving factors of internationalization, but this study reveals no evidence to support such ideas. While international experience does not act as a barrier to internationalization, it is possible to make the logical inference that it could have a positive effect on performance by reducing the trial and error of early internationalization—a hypothesis we believe should be explored in future research. Furthermore, relevant international networking was absent in both cases considered in our study, which should also be examined by future research.

Second, international market orientation was not clearly expressed for K Corp. at the stage of inception, as they chose a strategy centered on the domestic market. Indeed, as Korea's automobile, home appliance, and cosmetics industries have sufficient international competitiveness and Korean consumers are also demanding, with products recognized in the Korean market often being successful in overseas markets, this strategy selection can be considered reasonable. However, it can also be reasoned that traditional industry firms could also be born global if they were to select early on a business strategy aimed at the overseas market or if a founder studied abroad or possessed overseas networking, as is the case with some high-tech firms.

Third, while companies examined in this study were selected via theoretical sampling according to research purposes, there are limitations in reflecting recent changes in the Chinese business environment. For example, private entrepreneurship has become easier, international trading is no longer monopolized by state-owned enterprises, and there is government-level support for overseas exports. However, the domestic market has several disadvantages such as difficulty in building brand assets and entering distribution channels, high volume of credit-based sales, and high transaction costs. On the other hand, exports provide advantages such as easier collection of bills and less burdens from branding or distribution channels. As such, many Chinese companies in traditional industries now export

OEM products from their inception. Therefore, research on such companies would be meaningful and would contribute to enriching born global theory.

Fourth, while born globals have driven the process by which companies compete internationally, one problem facing born globals is how to achieve sustainable growth in the international market (Zahra et al., 2005). For example, there may be an inverted U-shaped association between internationalization speed and firm performance, as argued by Mohr and Batsakis (2017). Therefore, after a born global successfully enters the overseas market, using a dual domestic/overseas strategy that devotes some resources to develop the domestic market could help the firm to hedge against risks and create additional synergy. Future studies may provide an in-depth discussion on how to build such a mechanism.

Therefore, future research should seek to verify their research results and reach more generalizable conclusions by combining quantitative and qualitative studies and providing empirical analysis with large-scale samples, as suggested by Cavusgil and Knight (2015).

Finally, this study has limitations in the generalization of research results due to the sample limitations inherent in a two-case study. Therefore, future studies should pursue verification and generalization of research results through empirical analysis of multiple case studies or large-scale samples. In addition, there is a need to construct a more integrated model for early international processes through various approaches, considering born global and non-born global firms, especially in industries other than high-tech (Cavusgil and Knight, 2015) and non-traditional organizational assets, incorporating resource-based, industrial-based, and institutional-based views (Cavusgil and Knight, 2015, Peng et al., 2008; Weerawardena et al., 2007).

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