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The Cumulative Internationalization Process of the Born Internationals: A Comparison of Young, Mature and Old Born International SMEs

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THE CUMULATIVE INTERNATIONALIZATION PROCESS OF THE BORN INTERNATIONALS: A COMPARISON OF YOUNG, MATURE AND OLD BORN INTERNATIONAL SMEs

Abstract:

The Born Global firm or International New Venture, seems to challenge the validity of the most consolidated theory on the internationalization process of firms, i.e., the traditional increasing internationalization model originally proposed by Johanson and Vahlne (1977). The objective of this research is to provide some empirical clarification to this debate by comparing young, mature and old Early International firms. Data from a sample of Born International SMEs are analysed in order to test if they follow an evolutionary process of international expansion. The results confirm the basic cumulative dynamics of the Uppsala model in terms of resources, international experience, international commitment and level of internationalization as the Born International firm get older. Although international performance increases steadily, most of the indicators employed in its operationalization are non-significant. Implications for managers and public policy makers are finally identified, and future research guidelines presented.

Keywords: Internationalization, Born Internationals, Born Globals, International New Venture, Uppsala model, international commitment, international experience; international performance.

1. Introduction

The internationalization process of firms has been a central research issue in the international marketing and business fields since the early seminal studies of the Uppsala school (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). Different internationalization theories and models have been proposed during these thirty years. Among them, some relatively new approaches have been baptized as the “Born Globals” (e.g. Knight and Cavusgil, 1996; Autio and Sapienza, 2000; Madsen et al., 2000; Aspelund and Moen, 2001; Rasmussen et al., 2001; Moen, 2002; Andersson and Wictor, 2003; Sharma and Blomstermo, 2003), Global Start-ups (Oviatt and McDougall, 1994), High Technology Start-ups (Jolly et al., 1992) and International New Ventures (e.g. McDougall et al., 1994; Servais and Rasmussen, 2000; McDougall, et al., 2003; Coviello, 2006). In this paper we refer to all these phenomena as “Born Internationals” and, widely speaking, we consider them as companies operating in foreign markets since an early date, very close to, or at, the starting point of their business.

The Born Internationals literature states that this kind of firms are globally, or at least internationally, conceived since inception. In particular Knight and Cavusgil (1996, p.11) define Born Globals as being “small, [usually] technology-oriented companies that operate in international markets from the earliest days of their establishment”. Scholars have frequently considered these firms’ internationalization process as challenging, contrasting or conflicting with the widespread incremental internationalization theory (Johanson and Vahlne, 1977). Nevertheless, researchers have also stated that “Born Globals grow in a way which may be in accordance with evolutionary thinking” (Madsen and Servais, 1997, p. 561). A question to be answered is, therefore, if these are, in fact, two compatible, or incompatible, internationalization

approaches or models. In this light, we believe that what differentiates Born Internationals from later internationalizing firms has to do more with what happened before the firm was operating (inception), their organizational and managerial characteristics, and the entrepreneurship behaviours of founders involved. But we think, also, that once the Born International is created it generally follows, as non-Born International firms, an incremental internationalization pattern whose mechanisms could be quite similar to those commonly prescribed in the literature.

The objective of this paper, hence, is to compare Born Internationals right after their inception time with others for which some years have elapsed. This comparison is expected to provide light about the similarities and specificities of the increasing internationalization approach and the Born International firms' evolution. Moen and Servais (2002), among their conclusions after the examination of the export behaviour of SMEs from three countries have "recommended to investigate the development of the international activities of both, newly established and older firms" (p. 70). A general call in the literature for more empirical research on the Born Globals, and a more specific one with a post-birth perspective, has also been done (Madsen and Servais, 1997).

In the next section a literature review on Born Internationals and incremental internationalization is carried out. From one initial hypothesis on the features of the internationalization process of these firms, and based on the literature, five more hypotheses are formulated. The third part of the paper presents the methodology employed in the empirical analyses. The fourth section describes the results from the analyses while the fifth one discusses the main findings. The paper ends remarking future research guidelines and major managerial and public policy makers implications.

2. Literature review

Studies reviewing the literature framed in the Born Internationals concept and the Uppsala model are broadly available and show the state of the art in both issues (e.g. Rialp, Rialp and Knight, 2005; Moen and Servais, 2002). Taking this into consideration, this review has two specific objectives: The first one is to present previous research connecting both areas. The second one is to provide theoretical and empirical foundation for the formulation of the hypotheses.

The main stream of literature on early internationalizing firms has been published in the last fifteen years. Among this literature, studies with an empirical approach have been more frequent: “empirical research has tended to be far more abundant than theoretically oriented research” (Rialp et al., 2005, p. 150). At the same time, most empirical studies have been built from samples of high-tech early internationalizing firms (Rialp et al., 2005), making it impossible to generalize the results to Born Internationals operating in other sectors.

The more widespread theory on the process followed by firms when expanding internationally arise from the incremental internationalization models (Johanson and Wiedersheim-Paul 1975, Johanson and Vahlne 1977, Bilkey and Tesar 1977, Wiedersheim-Paul et al. 1978, Wortzel and Wortzel 1981, Barrett and Wilkinson 1986, Moon and Lee 1990, Lim et al. 1991, Rao and Naidu 1992, Crick 1995). The Uppsala model has been considered as having both strong theoretical and empirical support (Johanson and Vahlne, 1990; Andersen, 1993). Other accepted theories or models are the eclectic paradigm (Dunning 1988, Erramilli and Rao 1993, Dunning 2001), the network approach (Johanson and Mattsson 1988, Johanson and Vahlne 1990, Welch and Welch 1996, Andersson 2002), the contingency or business strategy approach (Welford and Prescott 1994, Robertson and Chetty 2000), and more recently, the early

internationalizing firms or Born Globals (Knight and Cavusgil 1996, Oviatt and McDougall 1994, Zahra et al. 2000, Jones and Coviello 2005, Rialp, Rialp, and Knight 2005).

Before the contradictions and linkages from previous research between Born Internationals and the Uppsala model are presented, an important remark about the later is made. We think that despite of being the central internationalization theory to date, some misinterpretations are quite common in the literature. In this light, we explicitly want to distinguish between the outcome of the model (the stages), and its dynamics or determinants. In other words, researchers have too often compared their empirical findings with the expected stages of internationalization instead of contrasting them with the model underlying dynamics. In our opinion, this is a reductionist and biased view of the Uppsala model. The model has to do mainly with the mentioned relationships between its key mechanisms and constructs (knowledge, experience, commitment, and internationalization) as is described in the Johanson and Vahlne's (1977) paper. The resulting stages (Johanson and Wiedersheim-Paul, 1975) are the expected outcome of the cumulative internationalization process, but not its mechanism. The model has mostly been criticized based on situations in which firms did not follow the stages, while its dynamics have found less detractors. While we consider the stages contingent and context specific, we agree on the basic model mechanisms and deem them as a valid instrument in order to explain the internationalization process of most firms.

Some studies have challenged the stages model because their firms did not follow the expected internationalization path (e.g. Welch and Loustarinen, 1998). Others seem to conflict with it because they identified early internationalizing firms (e.g. Ganitsky, 1989). Nevertheless, none of these should be considered as contradicting what has been

called here the dynamics of the model. A third group of studies have explicitly rejected the Uppsala model as an explanation for the internationalisation process of, for instance, International New Ventures or Born Globals (Oviatt and McDougall, 1994; Moen and Servais, 2002) or small computer software firms (Bell, 1995). However, Madsen and Servais (1997) have explored, and convincingly discussed, the links between the Born Globals and the dynamics of the Uppsala model (pp. 568-571). We agree on their statement about the assumptions of the Johanson and Vahlne's (1977) model that "these basic assumptions are still valid- even for Born Globals" (Madsen and Servais, 1997 p. 568).

2.1. Born Internationals evolution

In line with several other studies on internationalization we assume that markets differ in a number of perspectives, for instance, institutional, social and cultural. This means that the foreign market, which the Born International is entering, per definition, always is different from the domestic market. This heterogeneity assumption is also valid for the Born International itself, as it, in line with Penrose (1959), can be viewed as a bundle of heterogeneous resources. As the Born International enters new markets, the character of the resource bundle changes and we mean that the internationalization of these firms can be viewed as a growth process. Following Madsen and Servais' idea (1997) that says that "Born Globals may behave according to an evolutionary framework" (p. 573) when the time perspective is extended beyond its birth, the internationalization of the Born Internationals is a process where the firm gradually accumulates resources, skills, people, profit, etc. Consequently, the central research hypothesis is elaborated as follows:

Hypothesis 1 (H₁): Born Internationals grow through a cumulative internationalization process.

2.2. Internationalization and growth of the firm

Internationalization can be viewed as a growth process as the firm tends to start its operations in the domestic market and then, when it has at least an acceptable success at home it begins to enter foreign markets. In the case of Born Internationals it is usually argued that either the top-management already has so many contacts and relations abroad and international experience that it can begin to do business internationally, preferably through export very early, or that it is forced to go out internationally because of the small domestic market. Nevertheless, we mean that when the Born International grows in age its resources also increase. In line with Penrose (1959), and as already stated, we view the Born International as a bundle of heterogeneous resources. These resources are both tangible and intangible and when they increase, the Born International grows. In other words, the tangible resources, which are visualised in terms of assets in the balance sheet as well as number of employees, expand and the firm grows.

Hypothesis 2 (H₂): The older the Born International, the larger its resources.

As the Born International's resources increase, the character of the combination of resources is important. In the footsteps of Penrose's ideas, the resource-based view of the firm has evolved. This theory assumes that the firm's competitive advantage depends on its combination of resources, which evolves through an interactive and dynamic process. Two aspects are especially important for the firm's performance in the

market: The intangible resources, which are difficult to imitate and often contain a big component of experience, and the limited transferability of the resources. The firm uses resources in specific areas, which over time results in a situation where they lose value if they are transferred to other areas. The firm's resources are committed to specific markets.

2.3. International experience and commitment

As previously indicated, when firms enter foreign markets they face another institutional, financial, cultural and social settings than the one they are used to, which tends to increase their perceived uncertainty. This is an established point of departure for many studies of foreign market entry and internationalization. However, when the Born International acts in the foreign market, it learns how to handle these differences and as many studies have observed, the experience gained from doing business in the foreign market is the main source for experiential knowledge. Experiential knowledge is the main driving factor when the Born International makes new investments or increases its commitment to the market. Experience is gained when the firm performs in the international markets and the strength of experience comes from the richness of impressions that can only be produced through direct activities. Moreover, firms and individuals tend to trust solutions to problems and links between causes and outcomes that have been directly experienced more than the same knowledge transferred in a packaged form from other firms and individuals.

In international markets experience is gained from being exposed to different firms and markets over some time. Thus, time and diversity are necessary in order to be able to gain international experience. Although the Born International starts its international operations at an early age, there are no reasons to believe that it thereby has all

knowledge needed or that it does not learn after the start. Obviously, the longer the Born Internationals operate internationally the more experience it is able to gain.

Several Born International scholars have observed that Born Internationals acquire experience from selling and buying internationally. Long-term and regular export to other markets is something that increases the general knowledge about how to do business abroad. It forces the Born International to learn about market-specific customs, tariffs, customer preferences, distribution systems, consumption patterns, etc. and it gives the Born International an insight into what types of problems and difficulties occur when it exports to other markets and thus the temporal aspect of experience is important for the firm. Moreover, experience is a consequence of doing business in a specific industry. Working long-term with customers, suppliers and competitors is likely to result in industry-specific experience as each type of industry has its own informal rules and learning these rules can only be done by interacting with other actors in the industry. This is especially important as it is likely that the industry of the Born Global is international and thereby, when the Born International is active in a specific industry over a long period of time it is also internationally active.

Although we recognize the importance of time for experience as stability and repetition are critical for acquisition of knowledge, experience comes not only from doing one thing over and over, but also from having to face differences. We already argued that Born Internationals tend to grow with age and in line with this we suggest that Born Internationals enters not only new markets, but that these markets are not homogeneous. This means that the Born International has to adapt to the specific market conditions and to apply different entry strategies. These strategies imply use of a diversity of entry modes. The number of country markets entered and the number of entry strategies applied by the Born International are likely to expose the firm to

different problems, which, in turn, force the firm to search and to find different solutions. Thus, as the time goes by, the Born International grows and enters various markets using a wider range of entry modes, which increases its international experience.

Hypothesis 3 (H₃): The older the Born International, the larger its international experience.

A general and common view is that Born Internationals start their international operations at an early age. However, this does not mean that they are full-grown when they are born. Instead, they are over time committing themselves more and more to international markets. Committing resources to international operations implies that these resources are invested explicitly for other markets than the domestic. Thus, the resources lose value if they are transferred to the domestic market from other foreign markets. Traditionally, commitment is a concept advanced by Johanson and Vahlne (1977) in order to reflect a firm's state of internationalization or rather state of entry into a specific market. We mean that this is also valid for Born Internationals.

Although Born Internationals start by exporting at an early age, this first step is likely to be followed by new steps, that is, gradually as the Born International grows it enters and commits itself to new foreign markets. This type of international commitment can be viewed as an investment of tangible resources, but in parallel, the Born International also has to make international commitment of intangible resources.

International commitment refers to the degree of investments in foreign markets. A Born International that invests in wholly-owned producing subsidiaries with several plants in a market is likely to be more committed to that market than a firm that does

not have a legal entity in the market and operates through an agent or distributor. This is the classical definition of commitment as closely related to theories on entry modes and strategies and stages of internationalization. However, we mean that as the Born International grows its commitment in terms of investment increases as a way to better supply the market and achieve more efficient operations.

By intangible commitment we refer to investment of mainly human resources, which in the same way as commitment of tangible resources are costly. Thus, first of all, we mean that as Born Internationals enter new foreign markets more and more people become involved in the international activities. As foreign markets are different the Born International has to adapt to the conditions prevailing in these markets. This is an observation valid for the people already employed by the Born Global. These people have to learn how to do business in a new market environment. This learning process takes place mainly through interaction with firms and people in the foreign market and when the growing number of people interacts with firms in the foreign market they learn and after some time they become specialized in how to operate in other markets than the domestic.

Moreover, it is also likely that owing to increasing activities in the foreign market the Born International hire new people, who are already specialized on specific markets. One of the skills needed for different types of international business activities is language skill. Knowing a language is a skill that tends to be more useful and to have a higher value abroad than at home. We can therefore expect that old Born Internationals not only operate in more international markets, but that they also have more people involved in international business activities and have more language capabilities than the young Born Internationals.

Hypothesis 4 (H₄): The older the Born International, the larger its international commitment.

2.4. Level of internationalization and performance in international markets

Despite not explicitly appearing as such in the model, the outcome of the Johanson and Vahlne's (1977) model is, obviously, internationalization. Empirical findings comparing export intensity in Born Globals and later exporters have shown consistent significantly higher values for the former in countries such as Norway, France and Denmark (Moen and Servais, 2002). If these firms start their international activity with higher export ratios than later exporters, the question to be answered is if they even increase them throughout time. The same question can be asked regarding any alternative internationalization indicator.

Based on the term international, one can assume that the small newly born firm is already very internationalized, but even though we recognize that the Born International starts its existence from a more internationalized position than what is generally argued by various internationalization theories, we think that its degree of internationalization gradually increases. Starting with export from an early age, international sales become more and more important for the Born International. Similarly, the firm's links with foreign markets increase throughout time. These growing relationships with foreign markets might be reflected in a more advanced internationalization stage where firms would share some structural characteristics. Therefore, it is not only the proportion of international sales that augment. In order to grow, the Born International might need new capital and since it gradually increases its international experience and its international network of contacts and relationships expands, it gets access to the international financial markets, which, in turn, open up for international capital. We can

therefore expect that old Born Internationals, to a larger extent, participate in the global financial markets and consequently have more foreign owners. Their equity would consist of foreign capital to a higher degree than for the young Born Internationals.

Hypothesis 5 (H₅): The older the Born International the higher its level of internationalization.

As already argued, with age comes experience, which in turn results in experiential knowledge that can be used. The experiential knowledge can be divided into knowledge about how to behave in each specific market as business and management cultures are likely to differ. This knowledge is market-specific, but there is also knowledge that concerns how to run business internationally that to some extent is possible to use in more than one market. This type of knowledge makes the international operations more efficient and less costly as it tells the Born International what resources and knowledge are valid in different markets. However, the market-specific experiential knowledge has been gained as a result of operations in relations to specific organizations, institutions and firms, which thereby help the Born International to create a higher value and to avoid mistakes in the market. Taken together, it seems that age gives experiential knowledge, which, in turn, is likely to result in a higher internationalization and performance.

For the Born International, which operated in foreign markets almost from inception, time means that the firm develops relationships with agents and distributors in some markets and found its own producing subsidiaries or sales organizations in other markets. These commitments give the Born International a platform to act closer to other firms, like customers, suppliers and competitors, in the international markets.

We expect that this closeness has a positive effect on the performance of the Born International.

Hypothesis 6 (H₆): The older the Born International the higher its performance in international markets

3. Methodology

The sample, questionnaire, field research, variables operationalization and data analysis techniques are addressed in this methodological section.

3.1. Sample

A sample of 204 firms was extracted by stratified random sampling from the population of regular exporters in a developed region of Spain. The firms are representative of the population by firm size. The sample contains a cross-section of industries offering both consumer and industrial products.

A total of 59 firms in the sample were identified as Born Internationals, defined as firms that started their regular international operations after no more than two years from inception. This operationalization is similar, for instance, to those used by Moen and Servais (2002) to identify Born Globals and McKinsey and Co. (1993) to split its sample into Born Globals and traditional exporters. Two criteria were applied to identify SMEs¹: number of employees below 250² people, and turnover non superior to Euro 40 million or balance sheet total of no more than Euro 27 million. Since 14 of them were large firms, the final number of Born Internationals SMEs analysed was 45.

¹ Commission Recommendation 96/280/EC concerning the definition of small and medium-sized enterprises.

² The sample does not include micro-firms, i.e., companies with 9 or less employees.

This separation between firms according to their size is quite frequent in the international marketing and business literature and has been advocated for the study of Born Globals (Madsen and Servais, 1997). The SMEs 22.06% ratio of Born Internationals in the sample used in this study is below the percentages reported by Moen and Servais (2002) in countries such as Norway (38.8%), France (34.3%) and Denmark (30.7%). However, in the Spanish sample there are no micro firms.

3.2. Questionnaire

Since the research is part of a larger project, the structured questionnaire included questions mainly on the firm and manager's characteristics, international market selection, entry modes and firm export performance.

The content and design of the questionnaire was pretested for face validity in two stages. Firstly, an initial draft was reviewed by six marketing researchers or business consultant experts. Secondly, after minor modifications, a revised draft was tested in five firms by in-person interviews with their executive in charge of foreign operations. As a result, some items were refined while some questions were left out in order to shorten the completion time.

3.3. Field research

Data was collected by means of personal interviews with the international or general manager in charge of the firm's foreign activity. The completion of the field research took eight months.

3.4. Variables measurement

The operationalization of the variables appears in Table I. All measures have been already used in a variety of international business and marketing studies.

Firstly, resources are measured as total assets, and as total workforce or number of employees (Miesenböck, 1988).

Secondly, experience is operationalized as years regularly exporting, time since first export order and diversity of methods used in international operations and countries. These measures are targeted to capture the longitudinal and cross-international dimensions of experience (e.g. Cavusgil and Zou, 1994; Brouthers and Nakos, 2005).

Thirdly, international commitment is measured as number of employees dedicated to international activities, number of languages in which the firm has capabilities, and entry modes commitment (entry with or without investment in facilities).

Fourth, level of internationalization is operationalized as contribution of international to total sales, stage of internationalization, and percent of capital owned by foreign firms. To the best of our knowledge, the latter of these indicators has not been used before to measure internationalization. However, we consider the idea of a presence of foreign capital in the firm also as a result of the interconnection of business and markets in the globalization age likely and reasonable. Finally, a total of nine ‘traditional’ indicators were used for measuring performance and its dimensions: total sales; perceived success of international activities; international sales; ratio of sales in main, second, third and fourth foreign market to total international sales; perceived international profitability, and change in international sales.

3.5. Data analysis techniques

Data analysis was carried out in two stages. In the first stage, the Born Internationals firms were intuitively assigned to three groups of companies based on the time since they started operating in the sector: young (no more than seven years), mature (more than seven but no more than twenty years), and old Born Internationals (more than twenty years). The data was analyzed by means of ANOVA to test the hypothesized relationships (Field, 2005). In the second stage an attempt was made to validate the results using cluster analysis. The latter technique was employed in order to identify significant groups of Born International firms. This way, the previously intuitive, but still arbitrary creation of the groups was replaced by the outcome of the cluster analysis. The characteristics of the two resulting groups (young and old Born Internationals) were compared by testing means differences (scale variables), and Chi-square statistics, Spearman's Rho and Kendall's Tau b (categorical and ordinal variables).

4. On the growth of the Born Internationals

The ensuing results are presented under the headings "Results for the three groups (ANOVA)" and "Results from the cluster analysis and test of mean differences".

4.1. Results for the three groups (ANOVA)

Table II offers an extensive characterization of the small and medium Born Internationals evolution throughout time. Descriptive statistics show that as many as 20 out of the 21 variables change as expected. Average firm resources steadily cumulate both in total assets (from Euro 2.07 millions to 13.03) and in number of employees (from 20 to 79 approximately). Secondly, the four firm's experience indicators evolve as hypothesized. Years since first export order and years regularly exporting, show the

same growing values for young, mature and old Born Internationals (3.61, 10.81 and 29.09 respectively), which means that Born Internationals have been permanently international since they started. Both diversity of methods used in international operations and of countries entered also increase (from 1.46 to 2.36, and from 5.38 to 17.55 respectively). Firms' international commitment grows in terms of number of people in international activities (from 0.69 to 2.72), foreign languages in which the firm has competence (from 1.77 to 2.45), and entry modes commitment (entry with or without investment in facilities).

When it comes to firms internationalization, the preliminary descriptive results show that it rises in the three groups and for two of the indicators employed: Exports on total sales (from 32.61 to 64.67), and stage of international development (from 1.77 to 4.36). The only variable that does not vary monotonically is the percent of capital owned by foreign firms, even though its values increase between the young and the old Born Internationals (from 15.38 to 29.86%). Finally, performance also shows a positive evolution throughout time. Specifically, overall firm performance improves in terms of total sales (from Euro 2.09 millions to 9.66) while the eight indicators of international performance also evolve as expected: Overall export performance (from 5.58 to 6.90), international sales (from Euro 0.59 to 5.79), market concentration (the four indicators decrease from old to young Born Internationals), international profitability (from 2.61 to 3.30) and international sales growth (from 96.06 to 7.36).

The results from the ANOVA tests are summarized in Table III. It can be stated that most of the hypothesized relationships are significant. Both resource indicators (assets and employment) are significant at some level. Experience is highly significant for the two time-based variables and countries entered, and very weakly, or non-significant, for diversity of entry modes. Two out of the three international commitment variables (staff

in international activities and entry modes level of commitment) appear associated to the Born Internationals age. The later variable is the only non-metric indicator analysed. Pearson's Chi-square (9.960, sig. 0.007), Kendall's Tau b (0.337, sig. 0.018) and Spearman's Rho (0.356, sig. 0.016) show significant values at more than 95% confidence. The internationalization level significantly varies across companies in terms of the ratio of international sales to total sales and the firms' stage of international development, but not when it is measured as capital owned by foreign firms. With the exception of overall export performance and exports concentration in main and two principal markets, most performance indicators are significantly associated to the Born Internationals groups.

4.2. Results from the cluster analysis and test of mean differences

The software proposed "two" as the optimum solution between two and ten potential clusters. Inter-clusters (1.5070), intra-clusters (0.2514 for old, and 0.2416 for young Born Internationals), ratio of inter/ total (0.7535) inertia and the dendrograme showed that if the groups were interpretable they had both: high external heterogeneity and internal homogeneity.

The cluster containing the young Born Internationals is composed of 33 SMEs while the labelled old Born Internationals has 12 companies. This distribution is very similar to the one used in the previous analysis if the young and mature Born Internationals are melted into one only group (13+21).

Table IV presents the descriptive group statistics for the two new clusters. All variables behave as expected in terms of increase/ decrease reinforcing evidence on the cumulative nature of the Born Internationals (H_1) internationalization process and depicting their international expansion throughout time. Accordingly, most of the

relationships are significant (Table V). Overall, three of the cumulative models' main constructs such as international commitment, international experience and degree of internationalization are significantly different in the two clusters while performance is not. Specifically, 13 out of the 21 indicators are significant: firm size; years since first export order and regularly exporting, countries entered, and diversity of entry modes; staff in international activities and foreign languages capability; international on total sales ratio, stage of international development, and entry modes level of commitment; international sales and international sales concentration in three main foreign markets. Concerning the statistics tests for entry modes level of commitment, Pearson's Chi-square (8.493, sig. 0.004), Kendall's Tau b (0.434, sig. 0.004) and Spearman's Rho (0.434, sig. 0.003) showed significant values at 99% confidence.

When it comes to the hypotheses, two find total (international experience and international commitment), or partial (resources and degree of internationalization) support, while one cannot be accepted (performance). These findings are discussed in the next section.

5. Discussion and conclusions

There is a debate on the compatibility between the early international firm and the traditional internationalization model represented by the Uppsala school (Madsen and Servais, 1997). The contribution of this paper to that debate is threefold. Firstly, it provides empirical evidence about the cumulative internationalization evolution of Born International SMEs. Secondly, it shows that the internationalization process of these firms is compatible with the dynamics of the Uppsala model. Thirdly, it offers support to the idea that these firms' international performance is generally independent on their age.

In order to test the cumulative nature of the Born Internationals evolution five interrelated important constructs were compared twice between groups of young and old early internationalizers: Resources, international experience, international commitment, internationalization and performance. Firstly, resources grow with no exception throughout both the initial three and latter two groups of Born Internationals. Nevertheless, the magnitude of the change is not significant in the cluster solution for 'total assets'. This suggests that the Born Internationals foreign expansion might be more intensive in terms of labour than in tangible assets.

Secondly, international experience is one of the central constructs traditionally explaining the internationalization process of firms (Johanson and Vahlne, 1977). This research has found empirical evidence on more experienced Born Internationals as time goes by. This result was more than expected for the longitudinal component of experience but was also confirmed for the two cross-international experience indicators employed. Therefore, it can be concluded that H₄, the older the Born International, the larger its international experience, cannot be rejected.

Thirdly, international commitment was hypothesized to be higher for older Born Internationals. All three commitment indicators show consistent results and support for H₃. Older Born Internationals use more committed entry modes, have more staff dedicated to international activities and with some specific capabilities needed for the development of foreign operations.

Fourth, level of internationalization is a construct lacking of a commonly accepted operationalization (Sullivan 1994, Ramaswamy, Kroeck, and Renforth 1996, Sullivan 1996). For the purposes of this research both most employed (international to total sales ratio) or elaborated (stage of international development) indicators were used and supported the association between Born International age and degree of

internationalization. A new and certainly more controversial measurement (percent of capital owned by foreign firms) has not provided the same significant results. However, from the empirical analysis it can be concluded that partial support has been found for H₅ and that the relationship between age and level of internationalization of the Born Internationals is worthy of being revisited.

Fifth, performance is the only construct that overall does not present a consistently significant association with the Born Internationals age. Even though all indicators evolve as expected, and most of them were significant when the three groups of Born Internationals were considered, the findings from the cluster analysis recommend being more than cautious about the conclusions. Only international sales seem significantly different in the two clusters. These findings point to an international expansion pattern in which Born Internationals SMEs grow without a guaranteed higher performance while they progress in their internationalization process. The traditional debate about the existence of a relationship between internationalization and performance (e.g. Hsu and Boggs, 2003) seems valid also for this particular sort of company.

This research shows that Born Internationals grow through a cumulative internationalization process, i.e., as time goes by, these firms have more resources, international experience and knowledge, international commitment, internationalization, and international performance. Nonetheless, this process is particularly and empirically significant for international experience, international commitment, and internationalization. These are in turn the constructs articulating the dynamics of the Uppsala internationalization model.

6. Implications and future research guidelines

Two are the main managerial implications of this research. The first one is that in order to achieve international growth, Born Internationals (likewise non-Born Internationals companies) need persistently more internationally committed strategies, and more and better qualified staff for managing their international operations. The second one is that Born Internationals have to increase their experience and knowledge about foreign markets (e.g. networks, opportunities and risks) on a regular basis as a driver of their internationalization process.

Public policy makers are encouraged to develop export and internationalization assistance programs addressed to cover the specific needs of these kinds of companies. Although the Born Internationals usually have resources and capabilities from inception more suitable for a faster and deeper international expansion than the non-Born International firms, in the case of SMEs, many shortages are still expected. More interactive backing approaches would help the Born Internationals to receive the customized support that they need to complete their profile for a more likely successful international development.

Future research can explore two issues strongly related with this research. The first one would be addressed to a comparison between the temporal evolution of the Born and non-Born International firm. The second one would consist on a verification of these paper results for other Born Internationals possible definitions. In other words, for the purposes of this research, and based on the literature, a maximum of two years of elapsed time was used to identify the Born Internationals. Alternative operationalizations in a time framework between zero and seven years could be employed in order to test and compare the cumulative evolution of these firms.

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Table I: Variables and measures.

Hypotheses/ Variables	Measurement
H₂ Resources Total assets Total workforce	amount (million Euro / €) number of employees
H₃ Experience Time since first export order Time during which the firm has been exporting regularly Geographic scope of firm's international operations Diversity of entry modes used in international operations	number of years number of years number of countries number of entry modes
H₄ International commitment Staff dedicated to international activities (>half of workday) Foreign languages in which firm has capability Entry modes commitment	number of employees number of languages investment (yes/ no)
H₅ Level of internationalization Contribution of international to total sales (avg. last three years) Stage of internationalisation Percent of capital owned by foreign firms	percent international/total 1-5 clusters percent
H₆ Performance Total sales (avg. last three years) Perceived success of int. activities (avg. last three years) International sales (avg. last three years) Sales in main foreign market vs. total international sales Sales in main two foreign markets vs. total international sales Sales in main three foreign markets vs. total international sales Sales in main four foreign markets vs. total international sales Perceived international profitability (avg. last three years) Change in international sales (avg. last three years)	amount (million Euro / €) scale 1(low)-10(high) amount (million Euro / €) percent percent percent percent percent scale 1(low)-4(high) percent

Table II: Young (YBI), mature (MBI) and old (OBI) Born Internationals. Descriptive statistics.

Indicator	Group	N	Mean	Standard deviation	Min	Max
Total assets	YBI	13	2.0656	1.61021	.22	5.07
	MBI	21	8.3764	10.98221	.28	45.01
	OBI	11	13.0268	16.41985	.97	59.62
Number of employees	YBI	13	20.1538	12.20551	10.00	50.00
	MBI	21	40.7143	42.52898	10.00	180.00
	OBI	11	78.9091	60.25853	15.00	180.00
Years operating	YBI	13	4.6923	1.75046	1.00	7.00
	MBI	21	11.5238	3.57238	8.00	19.00
	OBI	11	29.5455	7.01945	21.00	43.00
Years since 1 st export order	YBI	13	3.6154	1.75777	1.00	7.00
	MBI	21	10.8095	3.68265	6.00	19.00
	OBI	11	29.0909	7.21740	21.00	43.00
Years regularly exporting	YBI	13	3.6154	1.75777	1.00	7.00
	MBI	21	10.8095	3.68265	6.00	19.00
	OBI	11	29.0909	7.21740	21.00	43.00
Diversity of entry modes	YBI	13	1.4615	.51887	1.00	2.00
	MBI	21	1.5714	.74642	1.00	3.00
	OBI	11	2.3636	1.28629	1.00	5.00
Countries entered	YBI	13	5.38	3.572	1	10
	MBI	21	8.76	5.966	2	20
	OBI	11	17.55	15.533	2	40
Staff in int'l activities	YBI	13	.6923	.63043	.00	2.00
	MBI	21	1.5714	1.43427	.00	5.00
	OBI	11	2.7273	2.49363	.00	8.00
Foreign languages	YBI	13	1.7692	1.01274	1.00	4.00
	MBI	21	1.8095	.98077	.00	3.00
	OBI	11	2.4545	.82020	1.00	4.00
Int'l on total sales	YBI	13	32.6147	22.95550	2.11	75.38
	MBI	21	36.9426	23.52675	5.12	98.96
	OBI	11	64.6714	32.53026	15.71	95.41
Stage of int'l development	YBI	13	1.7692	.83205	1.00	3.00
	MBI	21	2.4286	1.24786	1.00	5.00
	OBI	11	4.3636	.80904	3.00	5.00
Foreign capital	YBI	13	15.3846	37.55338	.00	100.00
	MBI	21	9.5238	30.07926	.00	100.00
	OBI	11	29.8582	43.84552	.00	100.00
Total sales	YBI	13	2.0873	1.74236	.19	6.06
	MBI	21	8.4279	9.95181	.51	30.35
	OBI	11	9.6696	8.20644	.84	31.03
Overall export performance	YBI	13	5.5769	2.25320	1.00	9.00
	MBI	21	6.6190	1.65759	2.00	10.00
	OBI	11	6.9091	1.64040	3.00	9.00
International sales	YBI	13	.5912	.61015	.00	2.20
	MBI	21	2.9401	4.15923	.09	16.80
	OBI	11	5.7893	3.95474	.14	11.53
Concentration in 1 st market	YBI	13	59.4192	27.49619	25.73	100.00
	MBI	21	47.4319	20.42424	12.00	90.00
	OBI	11	41.0364	22.52813	5.50	80.00
Concentration in 2 markets	YBI	13	77.3600	18.27944	51.46	100.00
	MBI	21	68.8514	20.49583	24.00	100.00
	OBI	11	61.3245	30.74527	8.80	100.00
Concentration in 3 markets	YBI	13	88.8546	10.20093	70.67	100.00
	MBI	21	78.7162	19.79266	34.00	100.00
	OBI	11	69.8345	28.95709	11.00	100.00
Concentration in 4 markets	YBI	13	95.9400	4.46506	90.00	100.00
	MBI	21	84.4633	19.04506	40.00	100.00
	OBI	11	75.3218	28.62164	12.10	100.00
International profitability	YBI	13	2.6153	.74345	1.00	4.00
	MBI	21	3.0785	.67470	1.67	4.00
	OBI	11	3.3030	.45837	3.00	4.00
International sales growth	YBI	13	96.0579	127.38612	-18.33	363.17
	MBI	21	27.8462	61.42476	-35.35	259.01
	OBI	11	7.3621	25.33644	-41.38	52.84

Table III: Young, mature and old Born Internationals. ANOVA and robust statistics.

Variable	Test of homogeneity of variances		ANOVA		Robust tests of equality of means			
	Levene statistic	Sig.	F	Sig.	Welch ^a	Sig.	Brown-Forsythe ^a	Sig.
Total assets	3.842	.029			5.490	.014**	2.721	.095*
Number of employees	8.947	.001			6.608	.006***	5.512	.013**
Years since 1 st export order	5.841	.006			83.076	.000***	83.873	.000***
Years regularly exporting	5.841	.006			83.076	.000***	83.873	.000***
Diversity of entry modes	4.511	.017			2.307	.123	3.382	.056*
Countries entered	18.316	.000			4.628	.022**	4.446	.033**
Staff in int'l activities	9.114	.001			5.657	.011**	4.065	.037**
Foreign languages	.319	.729	1.996	.149				
Int'l on total sales	1.311	.280	5.499	.008***				
Stage of int'l development	3.298	.047			30.637	.000***	23.798	.000***
Foreign capital	2.828	.070	1.160	.323				
Total sales	7.244	.002			7.964	.003***	4.104	.027**
Overall export performance	.725	.490	1.862	.168				
International sales	6.502	.003			11.852	.000***	7.556	.003***
Concentration in 1 st market	1.282	.288	2.013	.146				
Concentration in 2 markets	2.267	.116	1.486	.238				
Concentration in 3 markets	4.867	.013			3.383	.053*	2.377	.119
Concentration in 4 markets	8.670	.001			5.851	.010**	3.120	.070*
International profitability	.919	.407	3.606	.036**				
International sales growth	6.368	.004			3.491	.047**	3.945	.039**

a. Asymptotically F distributed.

* Significant at 90% confidence.

** Significant at 95% confidence.

*** Significant at 99% confidence.

Table IV: Group statistics for young and old Born Internationals from the cluster analysis.

Indicator	Cluster	N	Mean	Standard deviation	Min	Max
Total assets	Young BI	33	6.0429	9.28033	.22	45.01
	Old BI	12	12.2198	15.90339	.97	59.62
Number of employees	Young BI	33	33.3939	35.80672	10.00	180.00
	Old BI	12	73.5833	60.34365	15.00	180.00
Years since 1 st export order	Young BI	33	7.7273	4.33209	1.00	17.00
	Old BI	12	28.2500	7.47268	19.00	43.00
Years regularly exporting	Young BI	33	7.7273	4.33209	1.00	17.00
	Old BI	12	28.2500	7.47268	19.00	43.00
Diversity of entry modes	Young BI	33	1.5152	.66714	1.00	3.00
	Old BI	12	2.3333	1.23091	1.00	5.00
Countries entered	Young BI	33	7.39	5.448	1	20
	Old BI	12	16.92	14.969	2	40
Staff in int'l activities	Young BI	33	1.1212	1.08275	.00	4.00
	Old BI	12	2.9167	2.46644	.00	8.00
Foreign languages	Young BI	33	1.7576	.96922	.00	4.00
	Old BI	12	2.5000	.79772	1.00	4.00
Int'l on total sales	Young BI	33	35.8589	23.16927	2.11	98.96
	Old BI	12	60.6523	33.99791	15.71	95.41
Stage of int'l development	Young BI	33	2.1818	1.15798	1.00	5.00
	Old BI	12	4.1667	1.02986	2.00	5.00
Foreign capital	Young BI	33	12.1212	33.14340	.00	100.00
	Old BI	12	27.3700	42.68437	.00	100.00
Total sales	Young BI	33	6.0987	8.53277	.19	30.35
	Old BI	12	9.1025	8.06736	.84	31.03
Overall export performance	Young BI	33	6.2273	1.97283	1.00	10.00
	Old BI	12	6.8333	1.58592	3.00	9.00
International sales	Young BI	33	2.0896	3.50094	.00	16.80
	Old BI	12	5.3461	4.07126	.14	11.53
Concentration in 1 st market	Young BI	33	52.3794	23.99253	12.00	100.00
	Old BI	12	40.9500	21.48181	5.50	80.00
Concentration in 2 markets	Young BI	33	72.3200	20.10948	24.00	100.00
	Old BI	12	61.6308	29.33366	8.80	100.00
Concentration in 3 markets	Young BI	33	82.6712	17.59092	34.00	100.00
	Old BI	12	70.6817	27.76501	11.00	100.00
Concentration in 4 markets	Young BI	33	88.9076	16.34356	40.00	100.00
	Old BI	12	76.2950	27.49711	12.10	100.00
International profitability	Young BI	33	2.9186	.73159	1.00	4.00
	Old BI	12	3.2222	.51904	2.33	4.00
Int'l sales growth	Young BI	33	47.7127	90.86647	-35.35	363.17
	Old BI	12	28.3323	76.55452	-41.38	259.01

Table V: Young and old Born Internationals. T-test of difference of means.

Indicator	Levene's test for equality of variances		Equal variances	T-test for equality of means		
	F	Sig.		t	df	Sig. (2-tailed)
Total assets	1.589	.214	Assumed	-1.615	43	.114
Number of employees	7.135	.011	Not assumed	-2.172	13.919	.048**
Years since 1 st export order	2.749	.105	Assumed	-11.454	43	.000***
Years regularly exporting	2.749	.105	Assumed	-11.454	43	.000***
Diversity of entry modes	5.433	.025	Not assumed	-2.189	13.423	.047**
Countries entered	25.668	.000	Not assumed	-2.152	12.076	.052*
Staff in int'l activities	19.091	.000	Not assumed	-2.438	12.575	.030**
Foreign languages	.770	.385	Assumed	-2.372	43	.022**
Int'l on total sales	5.287	.026	Not assumed	-2.337	14.883	.034**
Stage of int'l development	.757	.389	Assumed	-5.226	43	.000***
Foreign capital	3.602	.064	Assumed	-1.263	43	.214
Total sales	.092	.763	Assumed	-1.059	43	.296
Overall export performance	.363	.550	Assumed	-.956	43	.345
International sales	1.423	.239	Assumed	-2.643	43	.011**
Concentration in 1 st market	.407	.527	Assumed	1.450	43	.154
Concentration in 2 markets	2.507	.121	Assumed	1.389	43	.172
Concentration in 3 markets	3.905	.055	Assumed	1.720	43	.093*
Concentration in 4 markets	5.198	.028	Not assumed	1.496	13.929	.157
International profitability	.831	.367	Assumed	-1.317	43	.195
International sales growth	.371	.546	Assumed	.658	43	.514