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BORN GLOBALS IN POLAND: DEVELOPMENT FACTORS AND RESEARCH OVERVIEW

Abstract

Objective: This paper investigates the concept of the born global, indicates the main attributes and sources of success for enterprises that internationalised early, and demonstrates the scale of the born global phenomenon in Poland.

Research Design & Methods: A review of empirical studies is the research method used in the paper. Secondary data from research studies is collected. The article outlines the theoretical background of born globals. A brief overview of the existing research (since 2004) is also provided. The results are compiled to demonstrate the scale of the born global phenomenon in Poland.

Findings: A review of quantitative research indicates that the percentage of born globals in Poland can be estimated at 30–50% of all SMEs which are engaged in international activities. Polish managers have the necessary knowledge and traits for early internationalisation; the primary factors limiting the development of born global are limited financial and organisational resources.

Implications/Recommendations: The existing quantitative analyses of born globals do not sufficiently enable the factors that constitute the main barriers to the development of this sector in Poland to be identified. There is still a room to plan the appropriate support policies for SMEs on international markets.

Contribution: This paper addresses mainstream research on born globals, which are part of broader trends in the modern economy. This new generation of small and
medium-sized enterprises, just as economic globalisation, the opening of markets and acceleration in the field of ICT development, is particularly relevant to both developing countries and middle-income economies such as Poland.

**Keywords:** born globals, early internationalisation, SMEs, small and medium-sized enterprises.

**JEL Classification:** F21, F23, L26, M13, M16.

1. Introduction

Advancing globalisation as well as access to the internet and modern technologies are factors that have created new development opportunities for small and medium-sized enterprises related to expansion onto foreign markets. While the main actors of globalisation and internationalisation processes have primarily been large enterprises (transnational corporations), nowadays we are increasingly dealing with a new generation of small and medium-sized enterprises that have been globally active since launching their business activities. These firms, known as born globals or early internationalisation enterprises in the literature, are also gradually developing in Poland. The purpose of this article is to promote familiarisation with the born globals concept, indicate the main attributes and sources of success for these enterprises. The method used in the paper is a review of empirical research. We collect secondary data from research studies and synthesise their findings. The article begins with an outline of the theoretical background of born globals. We also give a brief overview of the existing research (since 2004). The results have been compiled to demonstrate the scale of the born global phenomenon in Poland.

2. Theoretical Background of Born Globals

At the outset, it should be noted that born globals are a special case with respect to the internationalisation of small and medium-sized enterprises and a challenge for traditional theories of the internationalisation of firms (Hollensen 2017). The internationalisation of born-global firms does not proceed in stages, sequentially, as in the Uppsala model (Johanson & Wiedersheim-Paul 1975, Johanson & Vahlne 1977). Instead, these firms are global “from inception”. Gustafsson and Zasada (2011) emphasise that born-global firms usually create products with high added value that were not previously developed in a strong domestic market.

The concept of born global was introduced relatively recently in economics literature. It first appeared in a McKinsey report (1993)
concerning Australian production enterprises. The report claimed that born globals have always perceived the world as a marketplace and the domestic market merely as support for their international activities (Rennie 1993). Australian born globals include technologically advanced firms as well as typical enterprises using well-known technological solutions in their daily work. According to Rasmussen and Madsen (2002), the primary factor in explaining the born global phenomenon is management engagement in the internationalisation process of Australian firms as well as their ability to standardise their product and marketing solutions and concentrate on market niches. Another characteristic trait of these firms was achieving a fast rate of growth compared to other firms in Australia and a high share of production intended for export relative to domestic sales. Despite the traits of born globals being mentioned in the McKinsey report (1993), the first working definition of this concept in an academic publication was presented by Knight and Cavusgil (1996), who described born-global firms as small and technologically oriented entities operating on international markets from their inception. According to these authors, born-global firms usually operate in the small business sector. They employ fewer than 500 employees, earn sales revenues of less than USD 100 million, and use cutting-edge technologies to develop a relatively unique product or innovation process.

As time passed and as discussion continued in the academic community about this phenomenon and further research was pursued, new definitions appeared. Madsen and Servais (1997), for instance, in an attempt to find the most accurate definition of born globals, indicated seven attributes of such firms: 1) firms launched by strong entrepreneurs with strong international experience and perhaps, in addition, a strong product, 2) the extension of the born global phenomenon is positively associated with the degree of market internationalisation, 3) in comparison with other export firms, born globals are more specialised and niche-oriented, 4) the geographical location of activities in born globals is determined by the past experience of founders and partners as well as economic and capability or customer-related factors, 5) in comparison with other export firms, born globals are more likely to

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1 In later publications, the authors defined born globals as business organisations which, from the outset, achieved a significant competitive advantage from the use of existing resources and product sales in many countries (Cavusgil & Knight 2009).

2 Moen (2002), for example, identified born globals on the basis of research carried out among French and Norwegian exporters, claiming that the differences between born globals and other enterprises were based on competitive advantage, a global orientation, export strategy, and market conditions.
rely on supplemental resources provided by other firms; in their distribution channels, they rely more often on hybrid structures, 6) the growth of a born global is positively associated with high innovative skills, including an ability to access effective R&D as well as distributions channels, often in partnerships involving close collaboration via international relationships, 7) firms in countries with small domestic markets have a higher propensity to become born globals than those in countries with large domestic markets. Moreover, countries with a high number of immigrants may have a higher proportion of born globals.

Differentiating born globals from other enterprises was the focus adopted by Cavusgil and Knight (2009). These authors identified the following differentiators in the case of born globals:

– born globals are characterised by extensive activity on many foreign markets, immediately or shortly after they are founded – most of these enterprises enter foreign markets via exports, which represents their major path to internationalisation. Born globals export their products or services a few years after their establishment and may export one fourth or more of their production;

– they have at their disposal limited financial and material resources – born globals are young and relatively small firms. Being small enterprises, they dispose of considerably fewer financial, human, and material resources in comparison with large international enterprises that have functioned for a long time on the market and dominate in global trade and investments;

– they engage in activities in many industries – many researchers suggest that born globals concentrate exclusively on high-tech industries. However, there are also many studies showing that these firms are also created in traditional branches of the economy (e.g. the metal, furniture or grocery industries);

– managers in these industries demonstrate a strong international outlook as well as entrepreneurship directed to the international market – many born-global firms are created by active managers with strong entrepreneurial attitudes. An entrepreneurial approach on the part of management manifests in a dynamic and aggressive attitude, which is the driving force for acquiring new foreign markets. This attitude is associated with a specific vision in terms of management, risk appetite, and competition;

– born globals use a differentiation strategy – many born globals fill a market niche by supplying products of varying quality oriented to a specific client segment, the production of which large enterprises show little interest in. The use of a differentiation strategy inspires consumer loyalty to the firm
because it supplies them unique products adapted to their needs. Consumers as well as firms that communicate demand for certain specialised products create an important opportunity for the growth of small and medium-sized enterprises;

– they emphasise the highest product quality – many born globals supply products of more efficient construction and higher quality compared to their competitors. Born globals are often leaders in terms of technology in the industry. They target niches and supply unique products of the highest quality. Indeed, the founding of born-global firms is often associated with the growth of new products or services;

– they use a wide range of advanced communication and IT technologies to communicate with partners and consumers around the world at a marginal cost that is almost equal to zero. Advances in IT technologies in principle eliminate borders and expand the scope of business activities around the world;

– born globals usually take advantage of intermediaries when distributing goods on foreign markets – firms engage in direct sales of products on a foreign market (export) or use independent intermediaries for this purpose. They also often use external solutions (forwarders) that frequently organise foreign shipments. Export and the use of services provided by independent intermediaries means that born globals conduct their activities on foreign markets in a way that is very flexible. They can enter and withdraw from foreign markets quickly and relatively easily. Born globals with greater experience combine exports with other forms of foreign expansion such as joint ventures or direct foreign investments. The low cost and risk-free nature of exports makes it the most suitable form for small and young firms to enter foreign markets.

Cavusgil and Knight (2009) also enumerated five factors that foster the creation of born globals. These include: 1) market globalisation, 2) level of advancement in the field of communication and information technologies, 3) level of advancement in the field of technological production, 4) the existence of market niches, 5) the occurrence of global network connections. Moreover, the authors listed seven determining factors in the launch of an internationalisation process: 1) a mechanism that encourages exports in the form of external factors (export pull), 2) a mechanism that drives exports via the operation of an external agent (export push), 3) a monopolistic position on a global scale, 4) the product and market conditions necessary to undertake international engagement, 5) an advantage in terms of the product offered, 6) global network connections, 7) global market niches.
Hollensen (2017), in turn, defined a born-global firm as one that from its inception pursues a vision of becoming global and globalises rapidly without any preceding long-term domestic or internationalisation period. According to this author, born globals represent a type of firm that operates at the intersection (compression) of time and space, which allows them to achieve global reach from the very beginning. This “time-space” compression phenomenon means that geographic processes can be reduced and limited to the “here and now” of information exchange and trade around the world as long as the necessary infrastructure, communication, and IT facilities are introduced along with qualified personnel. The most significant distinguishing trait of born globals is that they strive to be managed by the most entrepreneurial visionaries, who perceive the world as one, without any boundaries, from the firm’s inception. Similarly, Chetty and Campbell-Hunt (2004) associate born globals with a group of firms that “from inception” treat the world as one big global market.

Andersson, Danilovic and Huang (2015), however, draw attention to the fact that research into born globals concerns first and foremost developed countries located in North America and Europe as well as enterprises in Australia and to a lesser extent emerging markets. In searching for the factors that are decisive in the success of this type of entity, they claim that despite the differences identified, there are also common elements such as: a specific number of entrepreneurs with international vision, experience, knowledge, level of education, cognitive abilities and processes, local and international networks, financial conditions, innovative culture, unique resources, level of market competition, strategies for entering foreign markets, geographical location, and government policy. In the case of less developed countries, the last of the above-mentioned factors has particular significance, namely, an active state policy supporting the activity of young exporters, including tax relief and assistance in organising promotions (e.g. exhibitions) abroad, which can accelerate the internationalisation process of domestic firms.

The level of development of native clusters is also important because they are a hotbed of entrepreneurship and innovation, and such an environment favours the emergence of firms implementing a global strategy of operation from the beginning (Andersson, Danilovic & Huang 2015). The developed model contains the essential success factors of born globals in the process of internationalisation. They have been classified and presented from four different perspectives: entrepreneurship, organisational, implemented strategy, and external environment (Figure 1).
Of the listed factors, Andersson, Danilovic and Huang (2015) assign particular importance to a culture of innovation. The authors believe that without a unique, innovative product, resulting from the use of unique knowledge, it will be difficult for born-global firms to achieve success on the international market.

Issues related to born globals are also discussed in the Polish literature on the subject (Pietrasieński 2005, 2014, Nowiński 2006, Morawczyński 2007, 2008, Przybylska 2010, 2013, Duliniec 2011, Jarosiński 2012, Oczkowska 2013, Wach 2015, Limański & Drabik 2017). The definition of born globals proposed by Pietrasieński (2005), for example, referred to enterprises that begin to internationalise their activity from the very beginning of, or shortly after, their inception. He pointed out that in most cases the issue is the movement of products, and less often production factors (processes), to a large number of countries simultaneously or within a short time period. According to Morawczyński (2008), born globals are firms that adopt an international or global strategy after their establishment. Jarosiński (2012) claimed that the term born globals concerns only those enterprises that...
begin the internationalisation of their activity within three years of inception and earn at least 25% of their revenues from international markets. Limański and Drabik (2017), in turn, emphasised that the international competitive advantage of born globals is based on innovative and flexible activities (associated mainly with new technologies, but not excluding the use of traditional technologies) and offering unique products, despite having generally limited resources.

3. Born Globals in the Polish Economy – the Scale of the Phenomenon and Determinant Factors

During the centrally planned economy, the internationalisation of enterprises in Poland was a sporadic phenomenon, reserved primarily for large state-owned enterprises. Before 1989, internationalisation was primarily limited to exports to neighbouring countries with similar ideologies. The processes associated with the transformation of the socio-economic system followed by accession to the European Union have led Polish enterprises to gradually include expansion onto foreign markets in their growth strategies. It should be noted, however, that since Poland is a large country with a large market compared to other Central and Eastern European countries, the pressure on foreign expansion has been considerably lower.

Research into the operation and growth of born-global firms in Poland is carried out by both individuals and certain institutions. One of the first analyses for Poland was undertaken by Morawczyński. In 2004, he conducted a survey among 117 small and medium-sized enterprises operating in the Małopolska province. Based on these responses, he claimed that the pace of internationalisation among SMEs in the Małopolska province was faster than the theory of gradual internationalisation envisaged. More than 25% of firms began exporting within a year of inception. Half of the firms he researched entered a foreign market no later than three years from inception, which means that early internationalisation was observed in the case of approximately 50 of the enterprises included in the research. The research also indicated a relationship between a firm’s period of operation and the share of exports in its total sales revenues: in enterprises existing on the market for up to five years, this indicator stood at 55%, while in the case of firms with thirteen or more years of experience, it stood at 75% (Morawczyński 2007, 2008).

Other studies on Polish born globals were carried out between 2007 and 2010 by a research team under the direction of Cieślik (2010). A total of
18,896 Polish exporters operating from 1994 to 2003 were included in the research. The study led the researchers to conclude that the phenomenon of early internationalisation among these firms was quite common. As many as 75% began exporting within three years of registration. The researchers distinguished three groups of enterprises: immediate exporters, which began exporting at inception or within the first full year of operation; rapid exporters, which began exporting products during the second or third year after establishment; and delayed exporters, which launched export activities after four years or more. The analysis carried out by Cieślik’s team indicated that 46.1% of exporters could be described as immediate exporters, 28.8% as rapid exporters, and only 25.1% as delayed exporters.

Research conducted in 2008 by Kraśnicka (Przedsiębiorczość... 2008) also indicates the existence of born-global firms in Poland. One hundred small and medium-sized enterprises operating in the Silesia province were randomly selected for the study. Almost one third of them were already operating on the international market. However, in the case of 12% of these enterprises, the internationalisation process began from the moment of their inception.

Empirical research aimed at confirming the existence of born globals in Poland was also carried out by Przybylska (2010). The author surveyed 53 firms, 18 of which (34%) fulfilled the criteria of being a global enterprise from inception, in other words, firms that were established after 1989, employed fewer than 249 people, entered foreign markets within three years of launching business activity, and gained at least 30% of their revenues from exports.

Similar results were obtained by Nowiński and Nowara (2011), who attempted to identify the born globals in Poland. The research sample included 50 small and medium-sized private Polish firms that are engaged in exports. The research showed that the period required for a firm to decide on foreign expansion was 3.9 years on average. Each firm served six foreign markets on average, and most exported their goods to the European Union. The authors classified 30% of the firms surveyed as born globals or enterprises that within three years of inception earn at least 25% of their revenue from export sales.

In 2010, Jarosiński (2012) also carried out research on this subject. Among the 47 small and medium-sized enterprises included in the study, the author found that 32% satisfied the criteria of born globals. Most born-global firms pursued internationalisation rapidly: 73% of firms within the first year of operations, 13% within the second year, and another 13%
within the third year. The vast majority (close to 90%) operated only on European markets. On average, a firm operated on 3.8 markets (a median of 3). In conclusion, the author pointed out that although the researched enterprises met the definition of born global with respect to operational criteria, their characteristics diverged from the theoretical definitions.

Danik, Kowalik and Král (2016) also analysed born globals. For this research they selected 233 SMEs of which 45% were found to satisfy the criteria of born-global firms. Among Polish born globals, the main areas of activity were: production of food, metal goods, machinery and tools, rubber and artificial fibre goods as well as furniture. The research revealed that the dominant means of entry onto foreign markets was direct exports (as high as 98.1% of responses) and that most of the revenue (70.5%) earned by Polish born globals originated from exports of goods to EU markets.

In addition to individuals and research groups, the Polish Agency for Enterprise Development (PARP) has also carried out research into the operation of born-global firms in Poland. Among enterprises that declared an engagement in international activity, more than half (51.8%) of SMEs stated that they had been operating on foreign markets since the start of their business activity. This also applies to almost half of small and medium-sized exporters (49.8%). Quantitative research carried out by PARP only among SMEs, in turn, indicated that more than 33% of the firms surveyed (35%) in the sectors that dominate exports were present on foreign markets since their inception. These results led the researchers to claim that the scale of operation of born-global firms in Poland ranges between 35 and 50% of SMEs engaged in international activity, which amounts to an estimated 58,000 to 83,000 firms (Ewaluacja... 2014).

Research carried out by PARP has also shown that the decision by small and medium-sized Polish enterprises to internationalise is motivated by various factors. These can be divided into two groups: internal (related to the firm) and external (related to the environment). The major internal factors that influenced the decision to expand onto foreign markets included: the prospect of cooperation with a foreign partner, the possibility to sell products abroad at a higher price than within the domestic country, the desire to avoid dependence on domestic sales, ownership-based relationships with a foreign contractor, and activities to improve the firm’s image. In the case of enterprises engaged in exports, these factors were mentioned by 84.4% of entities. Therefore, we can conclude that the most important internal determinant in the internationalisation of Polish enterprises belonging to the SME sector was a strategic drive by firms to increase
profitability and achieve market diversification, which, as shown by PARP research, translates into better economic results compared to companies operating only on the domestic market. In the case of external determinants, the most important factors among the researched enterprises were related to the foreign market: high demand for products and fewer administrative and regulatory restrictions; however, with respect to the domestic market the most important factors were high competition and an under-developed market (Evaluacja... 2014).

The quantitative research carried out by PARP is also supported by qualitative studies. These showed that the owner's experiences on foreign markets played a significant role in the decision to expand onto foreign markets. Internationalisation was also fostered by factors such as: knowledge of foreign languages and cultures as well as personal contacts on the part of management. Exporters from the SME sector believed that the most important advantages allowing them to place products on foreign markets included the high quality and competitive prices of their goods. Exporters assigned less importance to factors such as the unique character, modernity or design of their goods.

The results obtained by PARP were in line with those obtained by other authors. For example, Kowalik and Baranowska-Prokop (2013), in analysing the determinants of the decision and motives behind the expansion of small and medium-sized Polish enterprises that internationalised rapidly, identified the following main external determinants: the owner’s personality, unique knowledge of the foreign market or experience of the board in international business. Other characteristics enumerated in the research included: a network of personal contacts, sales motivations and the firm’s organisational culture, a unique advantage in the field of technology, and the board’s focus on the development of human resources. In turn, the most important determinants of an internal nature included: the appearance of new business opportunities at the moment of Poland’s accession to the EU, the chance to access a network of suppliers and partners among international corporations, geographical proximity, the impact of systemic transformation, greater market potential, and higher prices abroad. The research indicated that the personal characteristics of their founders played a key role in the launch and internationalisation of small and medium-sized Polish firms. Global vision on the part of management from the firm’s inception and the use of personal and professional relationships with foreign partners distinguishes born-global firms from traditional exporters.
4. Conclusions

The results presented above, obtained by certain authors, indicate that the born global phenomenon is also visible in Poland. Enterprises undergoing early internationalisation began to appear in the Polish economy as early as the beginning of the 1990s. This is the same moment that other firms of the same type were developing in other countries. However, research into this phenomenon began considerably later in Poland.

Based on a review of selected analyses of the activities of Polish born-global firms, it can be concluded that there are SMEs that actively participate in the process of early internationalisation. A review of the research indicates that the percentage of these types of companies ranges from 30 to 50% of the population. However, these results should be treated with caution due to the different definitions of born globals adopted in individual studies and their methodologies. It is worth pointing out that the population of Polish born globals reflects the structure of enterprises in Poland – the number of enterprises from high technology industries on international markets is small. The research results point to the need for the state to be more involved in supporting the early internationalisation of enterprises.

It is apparent that Polish managers have the right entrepreneurial traits and strategic vision of enterprise development, which determine the formation of born globals; however, there are other factors that hinder this process. The main barriers hindering the expansion of Polish enterprises onto foreign markets include a lack of financial and human resources, the low prices foreign contractors want to pay for goods produced by Polish SMEs, the low recognition of Polish products and services abroad, a lack of free production capacity allowing for increases in export production, and the high expectations of foreign customers regarding quality, environmental standards innovation, and the design of products for export (Chilimoniuk-Przeździecka & Klimczak 2014).

In addition, weak pressure on the early internationalisation of enterprises may result from a belief that being a born global does not directly or necessarily translate into higher profits or improved business performance. Having a broad global presence also makes born globals particularly vulnerable to financial losses, and these entities suffer disproportionately from internationalisation (Oyson 2018).

The role of born-global firms in the Polish economy requires further research. Existing quantitative analyses of born globals do not fully enable the factors constituting the main barriers to the development of this sector
in Poland to be identified. Qualitative studies are also necessary, especially case studies. This is necessary in order to plan the appropriate support policies for SMEs on international markets.

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