



The innovativeness of Born-Globals and customer orientation: Learning from Indian Born-Globals

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ABSTRACT

Born-Global firms, a newly emerging organizational form targeting international markets as a primary source of business from their inception, have innovativeness, requiring an intimate knowledge of their customer, as a primary feature. This study explores how a Born-Global's customer orientation leads to innovativeness through technological capability for customer relationship management (CRM) and external customer information management. Our empirical results, based on responses from 154 Indian managers, indicate that a Born-Global's customer orientation is an effective enabler of its innovativeness, whose effects are mediated by technological capability for CRM and external customer information management. Although significantly affected by customer orientation, the results further indicate that relationship quality with the buyer does not influence a Born-Global's innovativeness. When CRM technology and managing customer information obtained from external sources are employed, customer orientation significantly helps maintain the innovativeness of Born-Globals according to the results.

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1. Introduction

Born-Globals are a newly emerging type of firm in the international marketplace (Freeman et al., 2006; Knight, 1997; Knight and Cavusgil, 2004; Rialp-Criado et al., 2002; Zhou et al., 2007). Non-conventional in that they do not follow the traditional route of internationalization suggested in the literature, which advocates that firms are internationalizing their business activities gradually, first expanding into familiar territories, then subsequently expanding into lesser known countries (Cavusgil, 1980, 1982; Johanson and Vahlne, 1977). Since the internationalization of firm activities requires learning about local market environments, varying business cultures, languages, and political and legal practices, gradual internationalization is an appropriate strategy for many firms.

Recently, some firms have started serving international markets soon after their establishment (Knight, 1997; Knight and Cavusgil, 2004; Rialp-Criado et al., 2002). Mostly relying on unique product offerings, these Born-Globals are targeting market segments that traditional mega multinational firms are unable to serve because of

the emerging nature of such segments and flexibility required to quickly gain market share within these segments (Autio et al., 2000; McDougall and Oviatt, 2000). This particular aspect of Born-Globals typically favors smaller firms with innovative product offerings due to their flexibility in serving the emerging segments (Knight and Cavusgil, 2004).

While innovative product offerings are a key contributing factor to the success of Born-Globals, the specific characteristics that help them become or remain innovative is unknown. Although previous research examining Born-Global firms (e.g., Knight and Cavusgil, 2004; Moen and Servais, 2002), scholars neglects to examine how Born-Globals remain innovative through their customer focus. Knight and Cavusgil (2004) explore unique product development and other dimensions of firm innovativeness within Born-Globals as an outcome of their international entrepreneurial and marketing orientation. However, they do not address the impact of a Born-Global's strategic customer focus on innovativeness. This study attempts to address this gap in the literature by examining how a Born-Global's customer orientation impacts its innovativeness through various mediator variables. The variables represent strategic resources possessed by the Born-Global firm.

In serving and addressing international niche markets, Born-Globals must be effective in understanding and addressing customer needs. Born-Globals are relatively small in size and new to the marketplace (Knight and Cavusgil, 2004). Remaining innovative is

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crucial for them to gain an advantage against competitors (Knight and Cavusgil, 2004). Recognizing the potential importance of employing a customer focus, this study examines how this strategic orientation ultimately enhances a Born-Global's innovativeness in the context of Indian Born-Globals.

Indian Born-Globals have not received significant research attention in the literature although they differ from Born-Globals in other emerging markets including China. While Chinese Born-Globals are manufacturing-based, Indian Born-Globals are more service-based and include call centers, information technology, and software development industries (Zaheer et al., 2009). Unlike their Chinese counterparts, Indian Born-Globals take advantage of fewer language barriers with Western business partners and customers, attributed primarily to their educational background which includes earlier exposure to English (Rai, 2009; Zaheer et al., 2009). This eases the communication between managers in India and their international customers, allowing them to enter the service industry. However, Born-Globals in China can take full advantage of what international Chinese business networks like *Guanxi* offer in expanding into international markets (Zhou et al., 2007), which is not available to Born-Globals in India. In sum, using the Born-Globals in India as the study context is expected to offer additional insights about Born-Globals from the service industry with relatively low language barriers.

The remainder of the study is organized as follows. In the next section, we present the conceptual framework along with the hypotheses. Next, the methodology is provided, followed by our results. Finally, a discussion of the results is provided along with our conclusions and limitations of the study.

2. The conceptual framework

The present study draws on the resource-based view (RBV) of the firm (Auh and Menguc, 2006; Barney, 1991, 2001; Kim et al., 2006; Wu et al., 2006) to explore the proposed relationships. We suggest that three important strategies contribute to a Born-Global firm's innovativeness: relational, technological, and customer relationship management (Cao and Gruca, 2005; Jayachandran et al., 2005; Kirby, 2004; Payne and Frow, 2005; Ryals, 2005; Sun, 2006; Zhang and Tansuhaj, 2007). This study explores relationship quality as a Born-Global's relational strategy, technological capability for customer relationship management (CRM) as its technological strategy, and external customer information management as its customer relationship management strategy. These resources, in turn, impact firm performance as shown in Fig. 1. Our conceptual framework further

proposes that a Born-Global's customer orientation serves as a driver of such strategies (Knight and Cavusgil, 2004; Knight and Kim, 2008; Zhang and Tansuhaj, 2007). Following the key argument of the literature, this study argues that a firm's orientation (i.e., customer orientation) leads to strategies such as relational, technological, and customer relationship management strategies (e.g., Knight and Cavusgil, 2004). Next, relevant constructs are introduced.

2.1. Customer orientation of Born-Globals

Customer orientation in this study is defined as the extent to which a Born-Global firm focuses its efforts to serve its customers' needs and cultivate long-term relationships (Deshpande et al., 1993; Luo et al., 2008). The literature suggests that customer orientation is an important marketing variable (Saxe and Weitz, 1982). Customer orientation has been examined in various contexts and is thought to be a source of competitive advantage (Luo et al., 2008; Matsuo, 2006; Saxe and Weitz, 1982). For example, Luo et al. (2008) showed that customer orientation affects firm performance through trust but not commitment. In a Japanese setting, Deshpande et al. (1993) reported that managers' perceived customer orientation is not significantly correlated with firm performance although the customers' perceived customer orientation of the firms is significantly associated with firm performance. Other studies found that managers in these Born-Global firms emphasize foreign customer focus and competence (Knight et al., 2004). Zhang and Tansuhaj (2007) convincingly argued that a Born-Global's customer orientation, as part of market orientation (Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1992), affects various firm strategies and performance.

2.2. Relationship quality

This study posits that positive relationship quality results from a Born-Global firm's strategic customer orientation. Relationship quality refers to the level of cooperation and tendency toward long term partnerships. This construct captures the extent to which the partners are concerned with maintaining an ongoing relationship with their buyers. This conceptualization closely resembles that in the literature where relationship quality is a multidimensional concept consisting of trust, commitment, and satisfaction (Macintosh, 2007; Skarmeas et al., 2008). Other studies have examined and found that cooperation possibilities in both vertical and horizontal value networks are important.

Born-Globals are dealing with partners of varying sizes; some powerful and large, others smaller and less important. Being small, and

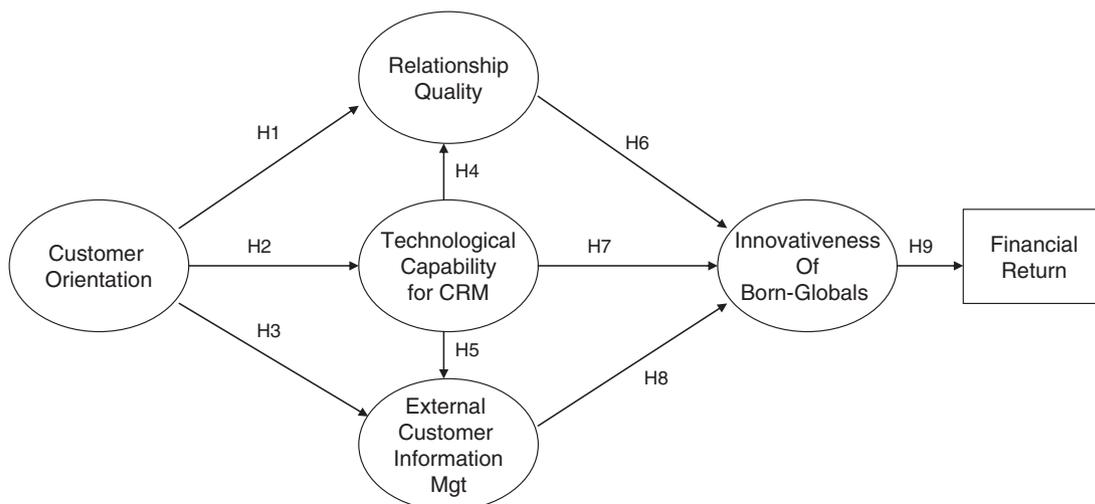


Fig. 1. Conceptual framework.

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