International Business Review xxx (2016) xxx–xxx

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

When marketing and innovation interact: The case of born-global firms

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ARTICLE INFO

Article history:
Received 25 March 2016
Received in revised form 5 August 2016
Accepted 28 September 2016
Available online xxx

Keywords:
Marketing adaptability
Market intelligence generation
Team cohesion
Innovativeness
Born global

ABSTRACT

Previous research on born-global firms (BGs) has emphasized their strong dependency on establishing a competitive positioning from the early days of their existence. While many researchers emphasized BGs' innovativeness as a driver of their competitiveness, the capabilities underlying BGs' innovativeness are still under-researched, specifically, marketing, and innovation-related capabilities. Based on a preliminary stage of in-depth interviews with senior managers, we identified three capabilities, market intelligence generation, marketing adaptability, and team cohesion, that underscore the interaction between innovation and marketing. We then performed a SEM analysis based on data collected from 127 BGs. Our findings indicate that marketing intelligence and team cohesion directly and positively impact BGs' innovativeness. Marketing adaptability was found to be moderated by environmental conditions—economic development and technological development. When economic development is high, salesforce adaptability enhances BGs' innovativeness, while product adaptability or communication adaptability decreases BGs' innovativeness. When technological development is high, product adaptability enhances BGs' innovativeness, while salesforce adaptability decreases BGs' innovativeness.

1. Introduction

Globalization has grown significantly since the mid-twentieth century, leading to the growing interconnectedness of markets. These changes have resulted in intensified competition leading firms in general and small and medium-sized enterprises (SMEs) in particular to devote more attention to their competitiveness (Carvalho & Costa, 2014) as means of achieving international success (Sok & O'Cass, 2011). The role of innovativeness as a facilitator of firms' competitiveness (Augusto & Coelho, 2009; Dibrell, Craig, & Neubaum, 2014), as well as of performance (Gebauer, Gustafsson, & Witell, 2011; Hult, Hurley, & Knight, 2004; Rhee, Park & Lee, 2010; Rubera and Kirca, 2012), has long been established. In line with the growing recognition of the role of innovativeness in firms' success, substantial research attention has been given to the drivers of innovativeness in various types of industries, economies and firms (Hult et al., 2004; Kyrgidou & Spyropoulou, 2013; Radas & Božić, 2009; Rhee et al., 2010). When it comes to smaller firms, however, most research has focused on SMEs in general, neglecting to acknowledge a growing subcategory of SMEs known as born-global firms (BGs), which include small, niche-targeted, technology-oriented firms. BGs are considered entrepreneurial by nature and international by orientation. It is reported that in industrial countries they are responsible for a large portion of export growth (Cavusgil & Knight, 2015). Due to the central role of innovativeness in the international arena in general (Dai, Maksimov, Gilbert, & Fernhaber, 2014) and in BGs' formation in particular (Knight & Cavusgil, 2004), the gap in research regarding the antecedents of innovativeness for BGs calls for further investigation (Cannone & Ughetto, 2014; Kim, Basu, Naidu, & Cavusgil, 2011; Knight & Cavusgil, 2004).

Innovativeness in general has been defined as "a firm's openness to new ideas and new ways of meeting customers' needs" (Kim et al., 2011, p. 881). Innovativeness has been noted as crucial to the survival of BGs, either from the organizational culture perspective (Freeman & Cavusgil, 2007; Knight & Cavusgil, 2004; Knight, Madsen, & Servais, 2004), or in terms of the end product or solution (Kim et al., 2011; Kocak & Abimbola, 2009;Weerawardena, Mort, Liesch, & Knight, 2007).

Innovativeness stems from organizational capabilities (Hurley & Hult, 1998), of which marketing capabilities represent a central element (Perks, 2000; Shang, Yildirim,Tadikamalla. Mittal, & Brown, 2009). This links well with earlier studies on BGs, which characterize marketing-related processes as the core of BGs' innovativeness (Knight & Cavusgil, 2004). Though marketing capabilities have received substantial research attention, most previous research addressed the impact of these capabilities on

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http://dx.doi.org/10.1016/j.ibusrev.2016.09.006
0969-5931/

BGs' performance (Efrat & Shoham, 2012; Hallbäck & Gabrielsson, 2013; Ripollés & Blesa, 2012; Zhou, Wu, & Barnes, 2012), leaving uncharted ground when it comes to the impact of such capabilities on innovativeness. Research connecting marketing to BGs' innovativeness may therefore shed important light on the contributors to BGs' innovativeness, and hence to their long-term survival.

The present study derived from in-depth interviews conducted with 25 senior managers of BGs, followed by survey-based data collection from 127 BGs operating in various industries. The main purpose of both the exploratory (qualitative) and the main (quantitative) stages was to reveal what drives BGs' innovativeness. In the exploratory stage the managers were given leading questions, but no specific drivers of innovativeness were introduced, in order to avoid possible bias. The exploratory stage outcomes were incorporated into the survey used in the main stage to confirm the relationships between the different factors.

This study contributes to BGs' research in a number of ways. First, we elaborate on Knight and Cavusgil's (2004) seminal study by addressing innovation-related capabilities, thereby providing a better understanding of the core capabilities that drive innovativeness. Second, we explore the moderating impact of different environmental characteristics on the relationships between the different aspects of marketing adaptability and BGs' innovativeness, hence confronting the common assumption that BGs tend to use standardization strategy. Finally, we introduce the use of team cohesion in the business context while discussing its linkage to BGs' organizational culture and innovativeness.

In the next section we present the conceptual framework of innovativeness in the BGs' context, followed by a short description of the qualitative stage and a presentation of its main outcomes. We continue with a literature review of the different capabilities found in the qualitative stage, followed by our hypotheses regarding their direct and moderated impacts. We then present and discuss our findings.

2. Conceptual framework

2.1. Innovativeness and the born global firms

Previous research has shown that BGs strongly depend on innovativeness. These studies can be grouped with one of either two research streams. The first revolved around innovativeness outcomes and the second explored the factors associated with BGs' innovativeness in terms of capabilities, cultural aspects, and environmental conditions. Researchers from the first stream found that innovativeness has a positive relationship with BGs' internationalization (Cavusgil & Knight, 2015; Dib, da Rocha & da Silva, 2010). Hallbäck and Gabrielsson (2013) found that innovativeness and adaptation are key dimensions of the international entrepreneurial marketing strategies in BGs. The second stream of research found evidence that customer orientation, through the employment of CRM (customer relationship management) and customer information technologies, enables BGs' innovativeness (Kim et al., 2011). Cavusgil and Knight (2015) also found that innovative initiatives lay the foundation for new product development and opening of new markets, while serving their existing markets better. as a result of the need to reinvent different aspects of the firm's operations. Other findings indicate that BGs' innovation is also impacted by technological capabilities and intellectual property rights (Kylaheiko, Jantunen, Puumalainen, Saarenketo, & Tuppura, 2011). Finally, Glavas and Mathews's (2014) findings indicate that international innovativeness lead to increased 1–18development and integration of Internet capabilities within BGs, thereby supporting the view that international innovativeness promotes a sense of open-mindedness and organizational learning.

In light of the centrality of innovativeness to BGs' operation, we launched an exploratory study aimed at identifying the drivers of BGs' innovativeness.

2.2. Method – exploratory study

We conducted 25 in-depth interviews with senior managers in BGs. Most of our interviewees were CEOs (64%) and the remaining were marketing managers (16%), business development managers (16%), and CTOs (4%). We included various industries, all defined as high-tech, such as communications, IT, security, smart irrigation, and pharmaceuticals. We contacted each participant via phone, confirming their relevancy to the study. We explained the purpose of the interview and how it would be conducted and set a time for a face-to-face meeting. The interviews lasted about 30 min and were based on open-ended questions addressing aspects and drivers of innovativeness in BGs. The interviews were transcribed and analyzed using within-case and cross-case analysis methods (Miles & Huberman, 1994).

2.3. Findings – exploratory study

A careful review of the exploratory data analysis revealed a consensus that BGs' innovativeness was driven by three main capabilities—marketing intelligence, marketing adaptability, and R&D team cohesion.

Marketing intelligence was defined as the ability to screen customer needs, future demands, and competitors' offerings. The interviewees claimed that such intelligence enables the firms to improve their offerings by rethinking and redesigning their products to better match the changing demands of the market.

> Small high-tech companies often think that they need to invent everything from scratch. I think that's wrong. We can learn things from bigger, more mature companies that can help us in leveraging our advantage. For example, market research. We spent a lot of money on gathering information on our customers. This information enabled us to create better solutions and to reach a market share previously controlled by more established competitors. Doing things differently can also mean differentiating yourself from similar firms in your industry by adopting routines that are out of the ordinary. (Marketing manager at a pharmaceuticals firm).

> Being small, our firm forces itself to follow the changes in the market. We do that by listening to customers. Since our biggest competitor ignored the smaller customers for a long time, we started listening to these customers; they always had some special request or else some new information about our competitors. This information is used to improve our operations. In our field, the more you talk to customers the more innovative you are. (Marketing manager of computer hardware).

Team cohesion refers to the relationships, at work and outside of work, between the team members in the R&D department. Most interviewees stated that the R&D team formed the core of a BG firm.

> The social connections between the different team members were the reason this team succeeded in producing such high quality solutions. All the team members backed each other and so each one felt able to try new things and explore new ways of doing things. . The team members not only give each other support but also help each other make progress. (CTO, satellite communication industry).

> After our first product reached the formal production process, there was a decrease in innovativeness at the firm. So I took the CTO out of the R&D team and built a different one for him. Now, after this change, they all work together to come up with new ideas

Please cite this article in press as: K. Efrat, et al., When marketing and innovation interact: The case of born-global firms, International Business Review (2016), http://dx.doi.org/10.1016/j.ibusrev.2016.09.006